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Digital 'Kasinomics': how to unleash youth entrepreneurial power in the township economy

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With high youth unemployment and poor education outcomes, the informal sector could become a viable alternative for many young people. But to unlock its potential, the gaping digital divide needs to be bridged.

Introduction

South Africa stands at a critical juncture. With a staggering 60% unemployment rate among youth aged 18-24, and over 1.2 million young people entering the labour force each year, the nation urgently needs to unlock new pathways to economic participation. Compounding this, 3.5 million young people aged 15-24 are not in employment, education, or training (NEET), and the current youth absorption rate is a mere 10.7%. While the formal sector struggles to absorb this workforce, the informal economy continues to grow alongside formal economic structures. It serves as a vital source of employment for lower-income groups. The informal sector's contribution to the South African Gross Domestic Product (GDP) was estimated at 6% in 2017, while the quarterly labour force survey shows that 18.3% of employed persons were working in the informal sector, Q3, 2019. The informal economy encompasses "Kasinomics" (township economy) with diverse sectors such as fast-food sales, hawking, and community-savings schemes. This vibrant space holds potential for youth employment, mainly through strategic digitalisation initiatives.

Digital Divides: Barriers to youth economic inclusion

Part of this challenge lies in bridging the digital divide that disproportionately affects marginalised communities. While global trends showcase the transformative power of digital platforms for entrepreneurship and remote work, many South African youths lack the fundamental digital tools and connectivity. This digital exclusion is particularly pronounced in the rural areas and townships, where internet penetration remains significantly lower than in urban regions. According to the Independent Communications Authority of South Africa (ICASA), overall internet penetration has improved in the country; however, approximately 40% of South Africans still lack reliable internet access, and this number is over 60% in rural communities. The cost of data in South Africa compounds this issue, ranking among the highest in Africa relative to average income levels. For youth from low-

income households, purchasing sufficient data for educational purposes or digital entrepreneurship represents a significant financial burden.

The hardware barrier is equally daunting, with many unable to afford smartphones or computers capable of running the latest modern applications necessary for digital participation. These technological constraints exist within a broader context of social and economic challenges that further complicate youth employment prospects. South Africa's persistent legacy of inequality continues to shape opportunity landscapes along racial and geographical lines. High poverty levels, inadequate public transportation, and spatial segregation create significant barriers for youth from marginalised communities seeking employment. Economic pressures force many young people to abandon schooling prematurely to contribute to household income, creating a cycle in which they lack the minimum qualifications required by formal-sector employers. Without these basic educational credentials, they remain excluded from formal employment opportunities.

Skills-Employment disconnect

Even those who complete their education often find themselves unprepared for the workplace. The mainstream education system predominantly emphasises theoretical knowledge while neglecting practical skills development. The disconnect between education outcomes and labour-market requirements creates a paradox where businesses struggle to find suitable candidates despite high unemployment rates. The digital divide further exacerbates these barriers to employment. Without reliable internet access or appropriate digital tools, youth are effectively excluded from modern job-seeking processes. Online job portals, digital application systems, and email communications have become standard recruitment practices, yet remain inaccessible to digitally excluded youth. Unable to search for opportunities, submit applications, or respond to potential employers promptly, these young people miss countless opportunities that could provide economic stability.

Youth entrepreneurial resilience: Digital adaptation in township economies

Despite the significant challenges facing South African youth, many display remarkable resilience by [creating their economic opportunities within township economies](#). Rather than remaining idle in the face of formal-sector exclusion, young entrepreneurs are actively establishing micro-, small-, and medium-enterprises (MSMEs) that generate personal income and create employment for others in their communities. This shift is reflected in recent data from Statistics SA showing that while youth employees declined by 3.6%, youth entrepreneurs increased by 3.5% - a clear indication that young people are taking economic agency through entrepreneurship.

The informal economy has become an incubator for youth innovation and economic participation. These entrepreneurial ventures span diverse sectors including food services, retail, personal care, transportation, and digital services. By leveraging local knowledge and identifying community needs, young entrepreneurs create businesses that serve township residents while generating livelihoods for themselves and others.

Contrary to common perceptions that digitalisation will struggle to take hold in informal economies, digital transformation is already occurring organically in township businesses. Young entrepreneurs pragmatically harness the digital tools available, demonstrating that

full-scale digital infrastructure isn't a prerequisite for technology adoption. Approximately 4% of informal enterprises now facilitate digital payments, representing an essential first step in digital integration that will accelerate as access improves. Financial technology companies like Yoco and Kazang play pivotal roles in this transformation. These companies enable township businesses to accept card payments without traditional banking infrastructure's prohibitive costs by providing affordable, mobile point-of-sale devices with minimal connectivity requirements. This cashless capability improves security for business owners and expands their customer base to include those who prefer or only have access to digital payment methods.

E-commerce is similarly taking root through accessible platforms that require minimal digital literacy. WhatsApp Business and Facebook Marketplace have become vital trading platforms for township entrepreneurs, allowing them to showcase products, communicate with customers, and coordinate deliveries without needing sophisticated websites or specialised digital skills. These platforms leverage existing social media familiarity to create business opportunities with minimal additional training. The narrative that digitalisation is impossible due to skill deficits oversimplifies the reality of township economies. Young entrepreneurs demonstrate considerable aptitude for adopting and adapting digital tools when they perceive clear business benefits. Rather than lacking digital capabilities, many youth possess foundational skills that can be rapidly built upon with targeted support. The issue isn't an inherent inability to use digital tools but rather access to appropriate technologies that align with existing business practices and community needs.

Similarly, concerns about high operating costs for digital integration often fail to consider the innovative, low-cost solutions emerging specifically for informal markets. Cloud-based accounting tools with free tiers, mobile-first payment solutions with transaction-based pricing rather than fixed costs, and community-based digital learning networks are creating affordable pathways to digitalisation that don't require significant capital investment. This organic digital adoption represents an essential counter-narrative to perspectives that frame township youth as merely victims of the digital divide. While structural challenges undeniably exist, young entrepreneurs actively navigate these limitations, find creative workarounds, and gradually integrate digital tools into their business operations.

Digital pathways to prosperity

The resilience demonstrated by South African youth entrepreneurs in township economies, despite significant barriers, points to several policy implications. Addressing the challenges while building on the momentum requires coordinated interventions across multiple domains to create sustainable pathways for youth economic participation, tackle youth unemployment, and elevate the informal sector into an economic dynamo that contributes to addressing the country's overall growth and development challenges.

Affordable digital access represents a foundational priority for enabling youth entrepreneurship in township economies. Government and regulatory bodies should implement concrete policies to reduce data costs, including mandating zero-rating data usage for essential business and educational platforms, allowing entrepreneurs to access critical resources without incurring data charges. Regulatory bodies should establish affordability benchmarks for data pricing relative to income levels, particularly in low-income communities. Telecommunications companies should receive targeted incentives to expand infrastructure in under-served areas, focusing on enhancing connectivity in

business corridors within townships. Building on successful public Wi-Fi initiatives already operating in some townships, the government should prioritise expanding these connectivity models to reach additional townships. These existing township-based public Wi-Fi zones have demonstrated how reliable connectivity hubs enable young entrepreneurs to develop and manage digital operations without prohibitive costs.

While the informal sector demonstrates remarkable innovation, formalisation would unlock additional opportunities for youth entrepreneurs. Policy interventions should simplify business registration processes by creating mobile-friendly platforms that work on basic smartphones. A tiered registration system with graduated requirements based on business size would create realistic pathways for small and micro enterprises to enter the formal economy. These formalisation efforts must be accompanied by meaningful incentives, including preferential market access, financing options, and business development support tailored explicitly for newly formalised youth-owned businesses. The formalisation process should be reframed not as regulatory compliance but as a gateway to growth opportunities that can help these businesses scale and create additional employment.

Targeted digital skills development is essential to maximise the impact of improved digital access for township entrepreneurs. Educational systems should integrate practical digital entrepreneurship training into school curricula, particularly at the secondary level, ensuring youth develop relevant skills before entering the workforce. Community-based digital skills hubs established in townships and rural areas could provide continuous learning opportunities for those who have left formal education. Structured mentorship programs pairing digitally proficient youth with emerging entrepreneurs would facilitate knowledge transfer while creating valuable professional networks. Supporting peer-to-peer learning networks among youth entrepreneurs would leverage existing community connections to disseminate digital skills organically, recognising that young people often learn most effectively from peers facing similar challenges.

Financial inclusion remains critical for business growth and sustainability in township economies. Policy efforts should encourage financial institutions to develop products specifically designed for informal and newly formalised businesses. Further expansion of mobile payment systems with reduced transaction costs would build on existing adoption trends while making digital transactions more economically viable for small-margin businesses. Credit scoring mechanisms that recognise alternative forms of business performance documentation would open lending opportunities for entrepreneurs without traditional financial records. Dedicated microfinance solutions for youth digital entrepreneurs could provide the capital necessary for strategic technology investments that enhance business capabilities.

Sustainable progress requires collaborative ecosystem development involving multiple stakeholders. Policy frameworks should facilitate meaningful partnerships between educational institutions, technology companies, and township businesses with clear mutual benefits and accountability mechanisms. Supporting the development and governance of industry associations representing youth entrepreneurs would create more effective channels for policy engagement and collective advocacy.

Conclusion

South Africa's future economic progress lies in recognising and nurturing the entrepreneurial potential of its youth. By bridging the digital divide while honouring the

resilience and innovation already present in township economies, South Africa can transform its youth unemployment challenge into an opportunity for inclusive growth, creating pathways to prosperity that benefit young entrepreneurs and the nation.

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