

Taxi operators need financial management skills to compete

The University of the Western Cape's School of Business and Finance has produced research assessing the financial management skills of taxi operators in Cape Town.



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The South African government has identified small businesses as a vehicle to address the challenges of job creation, economic growth, and income redistribution. Minibus taxi operators are classified as small businesses and have evolved to compete with the highly-regulated and government-funded bus and rail services.

The Department of Transport and Public Works states that the taxi industry carries about 65% of passengers in the urban environment. In 2014, it was estimated that 20 million people in South Africa take a minibus taxi every day, with estimated annual revenue in excess of R39.8bn.

There are over 8,000 taxi operators in the Western Cape, and commuters on average spend over 40% of their monthly income on public transport. The City of Cape Town estimates that there are well over 332,407 daily trips made by taxi commuters, making it the second largest form of public transport (after rail).



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Christo Venter and Gary Hayes 23 Oct 2017



Minibus taxi operators require skills to manage their finances prudently in order to channel this growth, and to compete with bus and rail services.

Overview of the state of financial management skills

To that end, the research provides an overview of the state of financial management skills within the minibus taxi industry.

It was found that, while the majority of the taxi operators were found to be profitable, 84% and 72% of taxi owners respectively do not prepare financial statements nor perform financial analysis.

It was also noted that 62% of the taxi operators surveyed increased the number of taxis in their businesses between one and five taxis over the past three years, indicating growth in the industry.

In terms of financing their operation at startup stage, 71% applied for a bank loan (56% were successful) and the rest obtained finance from business partners, family and friends.

Limited financial management skills

The study confirmed that minibus taxi operators have limited financial management skills. Recommendations are provided with respect to training interventions needed to up-skill minibus taxi operators on their limited financial management skills to ensure better management of their finances.

The financial training sought by taxi operators includes:

- recording financial transactions on a computer system;
- how to analyse financial statements;
- manage staff related matters;
- manage business tax matters and
- how to prepare cash budgets.

The study was conducted in Du Noon and Khayelitsha, within the City of Cape Town by master's student Kagisho Motingwe and his supervisor, Dr Pradeep Brijlal from the School of Business and Finance ([SBF](#)) at UWC.