

University of KwaZulu-Natal

The Role of Informal Trading in Economic Development : The case study of Mtubatuba

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**Declaration**

I declare that this dissertation is my own original work. Any work done by other persons has been properly acknowledged in the text. This dissertation has not been submitted for any other degree or examination at any other university.

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## ABSTRACT

This study assessed the role of informal trading in the economic development of small towns in KwaZulu-Natal's local municipalities using the case study of Mtubatuba. The following objectives were crucial in reaching this aim; to assess the contribution of informal trading to the livelihoods of traders, to assess the role of informal trade in employment, to examine the relationship that exists between traders and local authorities and to examine the relationship between informal traders and formal businesses. The study used a mixed methods approach in order to obtain information from informal traders and municipal officials.

In recent years, small towns in South Africa have become important hubs for service delivery and the economic activity involved in the receipt and processing of produce (Donaldson and Marais, 2012). As such these towns are viewed as critical to the implementation of the goals of South Africa's developmental local government. In relation to this view, from a theoretical perspective, the established strand relates to the small town growth and development potential with the core theme of local economic development.

In Mtubatuba informal trading has become an economic alternative for some community members. Informal trading is further supplemented by tourism as Mtubatuba is a tourism gateway to Ismangaliso Wetlands Park and Hluhluwe Umfolozi Game Reserve. The motivation for the study was thus to understand the role of informal trading in the economic development of small towns. In order to ensure optimal efficiency of informal businesses there is a need to understand the needs of informal traders and the contributions made by the informal sector in their lives. There is tremendous potential within the informal business sector for it to become a major role player in sustaining the livelihoods of many people, but the efficiency of these informal businesses needs to be improved by removing some of the constraints which hinder their functioning. These constraints include crime, transport, municipal service and abuse.

This research therefore assesses the role played by informal trading in the economic development of small towns. In addition, the findings will be useful for local municipalities within small towns to fully comprehend the views of municipal officials and informal traders with regards to policies and practices, as well as their impact on enabling the development of small towns through the informal economy. Lastly, the research findings will enrich the knowledge base on informal trading in small towns and may be useful input into the development of a more sustainable regulatory approach to informal trading in small towns.

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## **Acronyms and Abbreviations**

DEDTEA	Department of Economic Development, Tourism and Environmental Affairs
ILO	International Labour Organization
LED	Local Economic Development
SETA	Sector Training and Education Authority
UKZN	University of KwaZulu-Natal
GNP	Gross National Product
GDP	Gross Domestic Product
IDP	Integrated Development Plan
DPLG	Department of Provincial and Local Government
SADC	Southern African Development Community
NGO	Non-Governmental Organization
DoL	Department of Labour
SAMWU	South African Municipal Workers Union
CSR	Corporate Social Responsibility
CDE	Centre of Development and Enterprise
SEWU	Self-Employment Women's Union

# CHAPTER 1: INTRODUCTION AND BACKGROUND

## 1.1 Introduction

According to Verma (2006), informal trading is very important in developing countries and is the means for survival for many poor people. Urban areas attract an abundance of poor people every year who are drawn by the opportunities that are available, but who then find it difficult to survive in the city as they are unskilled. Even skilled people discover that employment opportunities and a means of survival can be difficult to find (Verma 2006) as the towns do not have the capacity to absorb all the people who come there. A possible solution to this problem, which can potentially stimulate economic growth and facilitate economic activity within these urban areas, is informal trading. Informal trading has the potential to contribute towards solving problems in towns such as high levels of unemployment, high levels of crime and the high number of poor people living within urban areas (Verma 2006).

Informal trading is an income generating activity where individuals engage in exchanging goods or services along streets and sidewalks with passing pedestrians and motorists. Informal trading has been recognised as a way in which people can sustain their livelihoods and has contributed to enabling the people who practice trading to support their lives (Masonganye 2010). According to Masonganye (2010), South Africa's informal sector is growing in line with the rate of unemployment, as people seek ways to economically sustain themselves. This is a sector to which people resort because the barriers to entry and the technical expertise needed to run an informal business are minimal. It is, however, an area of concern for the government, as scholars acknowledge the existence of the informal traders and a fight to integrate them with the formal business stream has resulted (Masonganye 2010).

This research has the primary aim of assessing the role of informal traders within the town of Mtubatuba in Kwazulu-Natal (KZN). In this study informal trading will be examined, as will its strengths, weaknesses, opportunities and threats, and the way it influences all members of society, from the people who are dependent on informal trading for survival to the people who are responsible for ensuring its growth such as planners and formal businesses. Informal trading can

only move forward if it is recognised, therefore in this study it will be critical to measure the perceptions of the officials and municipality regarding whether informal trading is seen as a tool for solving some of the economic problems found in urban areas. The study uses a mixed methods approach, which was viewed as critical for understanding how informal trading affects the people who are engaged in the activity as well as the overall economic development of the town.

## **1.2 Background to the study**

This background aims to give context with regard to informal trading in terms of its positioning within the economy and the way it is currently viewed by the South African government. Informal trading has become a common feature in South African small towns as people try to meet their basic needs and sustain livelihoods, and the town of Mtubatuba is no exception. This section will also briefly examine Mtubatuba with regard to informal trading issues and the economy of the town.

### **1.2.1 Understanding the informal sector in South Africa**

The informal sector considered in the context of this study is the commercial informal sector. It is an economic sector that is largely untaxed, is excluded from the government's Gross National Product (GNP) and is not monitored closely by the government (Verma, 2006).<sup>1</sup> As a general rule, this type of sector is more prevalent in developing countries (Ligthelm & van Wyk, 2004).

According to Ping *et al.* (2010) informal trade in Africa has traditionally been the response of the female population, in particular, to economic crises arising primarily from the failure of political and financial governance. Such trade facilitates the distribution of consumer goods by informal traders, whether or not it are prohibited. It is an ungoverned continuum of official trade and a major factor driving imports from the rest of the world, as informal trading has an influence in the dispersal of these consumer goods hence increasing the rate of distribution and as a result creating

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<sup>1</sup> The above mentioned definition is set to change because the South African government has recognised the importance of this micro-economic sector in cities and now government parastatals are being developed to regulate and facilitate the sector.

a larger demand. When national accounts are measured, recognisable and registered formal businesses and their wealth is taken into account, whereas informal businesses are not recognised because they do not have an institution that registers them. Unfortunately, national accounts have problems absorbing this trade in its entirety because of its informal nature, which results in difficulties when it comes to calculating the contribution the businesses make as they are rarely registered, jeopardising the assessment of national wealth (Ping *et al* 2010). Informal traders are thus excluded from evaluations of the economy and it becomes very difficult to calculate their holistic contribution to the country's wealth. Despite these difficulties, this research intends to examine the role of this excluded sector in economic development.

South Africa is characterised by a dual economy which incorporates a modern, industrialised economy that lives alongside an informal economy. According to Dewar (2005), the term 'informal economy' generally refers to all activities that are not recorded by formal labour market data, which includes street traders, home-based businesses, casual and contract workers, domestic workers and farm workers.

It is estimated that there are between 1 and 2.3 million informal businesses in South Africa, which contribute between 7 and 12% to South Africa's GDP (Dewar, 2005). An estimated 45,5% of informal enterprises are owned and managed by women and approximately 54,5% by men. An estimated 91,3% are owned and managed by Africans (Dewar, 2005), while black Africans represent approximately 83% of the informal economy (Valodia, 2000). Overall, women constitute approximately 57% of the informal economy, of which approximately 49% are black African women. Estimates of the size and contribution of informal businesses vary considerably. Micro-level studies – seven in total – suggest that between three and seven out of every ten households in informal settlements are involved in some kind of informal income generation activity (Napier *et al.* 2002).

It is clear that informal trading has the potential to contribute to the local economic development of South African towns, yet this can only be stimulated through comprehensive planning and creating a conducive working environment for informal businesses. According to Rogerson (2010), shaping a conducive business environment is a key element in the road to becoming a competitive local economy, which is an essential ingredient for local economic development.

Although Rogerson (2010:351) spoke about “a conducive business environment” in the context of the private sector, the same concept can be adopted for informal businesses. The National Framework for Local Economic Development encourages local governments to foster conditions that stimulate and enable the general environment in which business is conducted (DPLG 2006). Local and district municipalities are considered to have a lead role to play in ensuring that local business environments create the opportunities for shared economic growth and development, and this should include the informal economy (Nel & Goldman 2006).

Understanding the role of informal trading in the economic development of small towns is important. According to Donaldson and Marias (2012: 21), “South African small towns have been recognized as potential channels of service delivery and as recipients and processors of rural produce in an era of ‘Development of local Government’”. From a theoretical perspective the established strand relates to small town growth and development potential with the core theme of local economic development (Donaldson & Marias, 2012). In order to ensure the optimal efficiency of informal businesses in Mtubatuba, it is necessary to understand the needs of informal traders and the contributions made by the informal sector to their lives. According to Barnet and Froze (2007), a secure working environment is a prerequisite for any type of business and is a major concern for many people engaged in economic activity on the streets. While there is tremendous potential for informal businesses to become a major role player in sustaining the livelihoods of many people in Mtubatuba, the efficiency and security related to these informal businesses needs to be improved by removing some of the constraints which hinder their functioning. These constraints include crime, transport, municipal services, ill treatment and overcrowding (Napier & Mothwa 2001).

### **1.2.2 Study Area: Mtubatuba**

According to the municipal IDP (2013), Mtubatuba as the case study for this research has many challenges and constraints to economic development, such as poor water provision, sanitation provision and electricity supply. Businesses are highly reliant on these services for optimal benefits, for example, at the peak of the tourism season water runs dry, resulting in the loss of consumers for the informal businesses in the town (Mtubatuba IDP 2013). It has also been

acknowledged that the area of Umkhanyakude is the poorest in the country and there is little formally earned money in Mtubatuba (IDP 2013). According to the 2011 census, the municipal area has a total population of 175 425. The economic growth rate between 1996 and 2001 was 2.52% per annum, while the growth rate for 2001 to 2011 dropped to 1.85%.

The Mtubatuba municipality recorded an unemployment rate of 39% in 2011 (IDP 2013). The municipality's households have increased by over 40% in 2011, compared to the 2001 Census. This requires the municipality to ensure that provision of services is prioritised to reduce the backlog in service provision.

The Mtubatuba municipality is situated on the coastline of north-eastern KwaZulu-Natal (see figure1). It is one of the five local municipalities within the Umkhanyakude District (Mtubatuba IDP 2013). The municipality is strategically located along the N2, a national road, which links the municipal area with strategic locations such as Richards Bay, eThekweni Metropolitan area, Mpumalanga Province and SADC countries such as Swaziland and Mozambique. This municipality covers 2122 square km (STATS SA) of the district's geographical area. Currently, it is estimated to have a total population of 118 625 in 64 093 households (Mtubatuba IDP 2013). The municipality is the most urbanised municipality within the Umkhanyakude District, with Mtubatuba town and St. Lucia as its main towns (IDP 2013). Mtubatuba's strength lies in its very close proximity to the major tourist attractions of the iSimangaliso Wetland Park (Park) to the east, including the Indian Ocean, and Hluhluwe-Imfolozi Park to the west. Both parks are easily accessible from the main access route through the region, the N2 (Mtubatuba IDP 2013).

The economy of the sub-region (Mtubatuba municipality) is dominated by community services (26%), followed by the agriculture (15%) and wholesale and retail (13%) sectors. Undetermined sector contributors' account for approximately (14%) of the municipal economy (IDP 2013).

Informal trading has become an economic alternative for some community members in Mtubatuba. Informal trading is further supplemented by tourism, as Mtubatuba is a tourism gateway to Isimangaliso Wetlands Park and Hluhluwe Umfolozi Park. In KwaZulu-Natal in general, 19% of the workforce operates in the informal economy (DEDTEA 2014), which further emphasizes the importance of the sector in local economic development.

### **1.3 Aims and objectives**

The aim of this research is to examine the role of informal trading in the economic development of small towns in KZN. The study will focus specifically on the case of Mtubatuba.

The proposed research objectives for this study are:

- 1) to assess the contribution of informal trading to the livelihoods of traders;
- 2) to assess the role of informal trade in employment;
- 3) to examine the relationship that exists between traders and local authorities; and
- 4) to examine the relationship between informal traders and formal businesses.

The research objectives have been designed at a time when there have been numerous conflicts between informal traders and institutions (local authorities, planners and local businesses), as well as at a time when there is a heavy reliance on the informal sector by poor people in Mtubatuba (IDP 2013). There is thus a need to better understand the current issues impacting the relationships between economic actors within the small town. It is hoped that the study will contribute to an improved understanding of the nature of informal trade in Mtubatuba which assists to resolve some of the critical issues within informal trading in Mtubatuba, as well as to provide lessons for other small towns in South Africa.

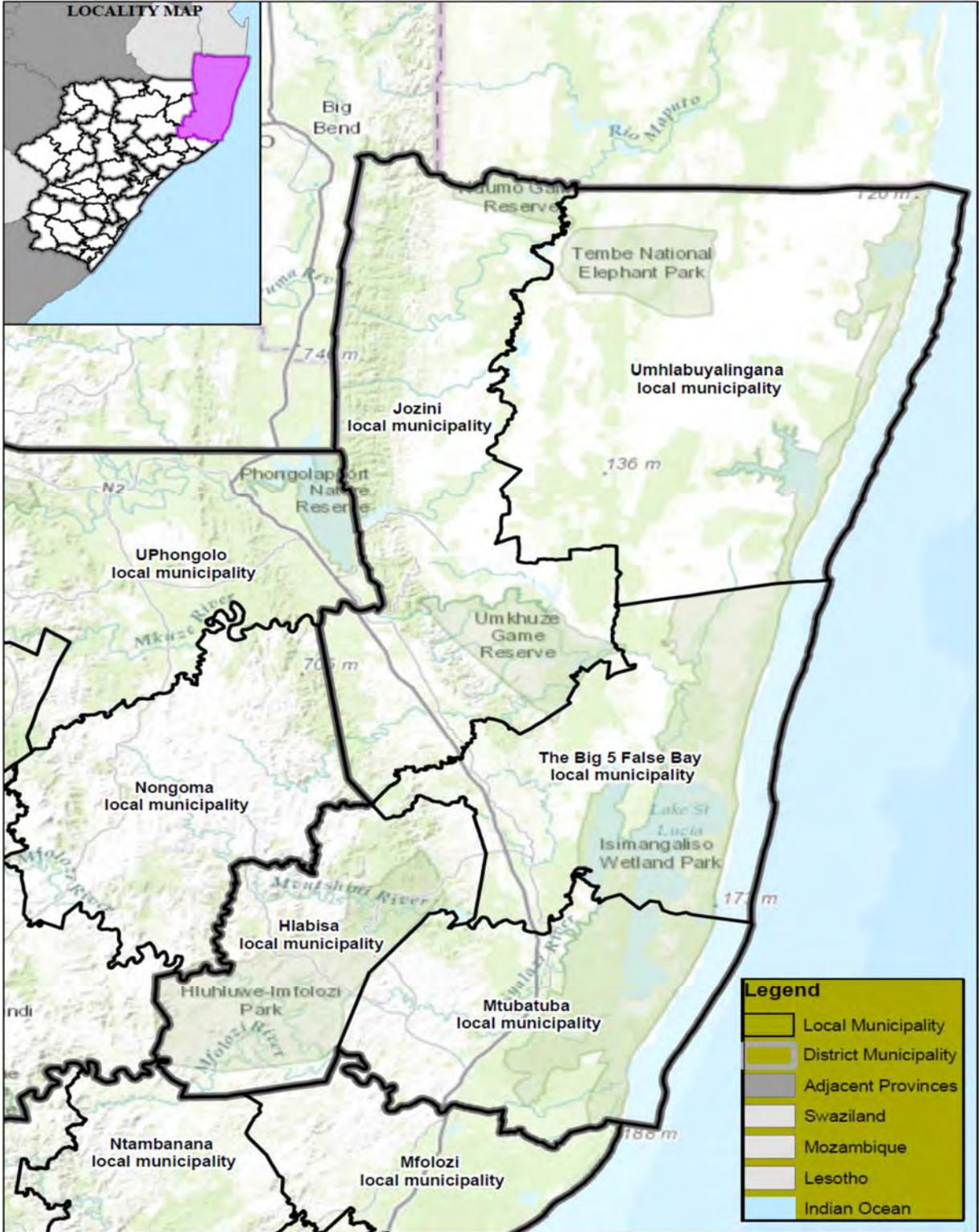


Figure 1: Map of Mtubatuba (Author's own)

## **1.4 Overview of dissertation**

Chapter Two presents a literature review that is focused on small towns, informal trading and LED strategies which can be employed to improve local business environments. In the process the chapter maps out the theoretical approach that is utilized in the rest of the dissertation. As such, the chapter considers various debates on the informal economy; its strengths, weaknesses, opportunities and threats. For example, the understanding of the lives of the traders and their responses to the economic opportunities presented by informal trading in the town are important considerations.

Chapter Three focuses on the research methodology that was applied in the study. The study uses a mixed method approach in order to obtain information from informal traders and municipal officials. The sampling procedure included collecting data in street intersections, bus and taxi ranks.

Chapter Four presents the findings of the research and accounts for the results of the questionnaire and interviews. Overall, the chapter includes a profile of the informal traders, identification of some of the challenges they face and some of their practices which present threats or opportunities for informal trading to make a significant contribution to the economy of the town.

Chapter Five presents the general conclusions and recommendations which emerge from the study, given the results and analysis of the data which is presented in Chapter Four. This chapter revisits and ties together the central argument of the study. The conclusion reached is that the role of informal trading in the economic development of small towns is crucial given the challenges and constraints which are faced by the town. Constraints such as inadequate supply of formal employment opportunities and the low level of skilled individuals who can participate in the formal economy. The chapter closes with recommendations as to how informal trading could overcome some economic challenges in small towns and optimize the economic the potential.

# **CHAPTER 2: A REVIEW OF SMALL TOWNS, INFORMAL TRADING AND LED STRATEGIES**

## **2.1 Introduction**

Small towns are seen as a critical engine for development at the local level, and a majority of these towns have an informal economy which needs to be more efficient. This chapter provides a theoretical framework for this research and will present the considerations (and gaps) in the existing literature on informal trading and the role this economic activity can play in the development of small towns. The researcher will use existing theories and themes to better understand the study topic, beginning with the ideas of other academics as a basis from which to suggest a more comprehensive solution to some of the problems experienced by informal traders on the road to small town development.

The first section of the chapter discusses considerations of informal trading in the African and South African context. The second section in this chapter focuses on small towns, the informal economy and tourism, and explains how all three can be integrated for optimal economic benefits that will facilitate positive outcomes for small towns. The final section focuses on strategies for LED in small towns, and goes on to discuss the relevance of local economic development thinking in small towns.

## **2.2 A consideration of informal trading**

### **2.2.1 Introduction**

According to William et al. (2009), there needs to be a change of focus when it comes to the understanding of making a living, including a shift away from strategies which undermine a holistic understanding and thus risk oversimplification or the exclusion of individuals/actions. William et al. (2009) stated that a focus needs to be on strategies that achieve a more holistic understanding and on all household members, whatever their demography, presence or absence. In the case of economic sectors there needs to be a shift that includes both the formal and informal sectors in the road to local economic prosperity. Although the informal sector is perceived as being

predominantly pro-poor in terms of profit accumulation, it has the potential to take a major leap and become more dualistic or holistic and also support pro-growth efforts. To this end, the following section concentrates on presenting considerations of the informal sector itself as well as viewing these dynamics in the light of external influences.

### **2.2.2 Informal trading trends**

Informal trade is not new; its origins can be traced back to the birth of the informal economy within the modern world; the informal economy is as old as the formal economy or even older. In Africa, informal trading is a major role player in employment creation. Informal trade accounts for between 20% and 75% of total employment in most countries in Africa, with the exception of South Africa where the estimated proportion is 12% of the active population (Mclahlan 2005). In West Africa, the informal sector constitutes 20% to 90% of the national economy (ILO 2010).

Informal trading has been recognised as a means of increasing economic activity and employment opportunities in urban areas. Urban areas are subject to pressure from immigration and in most cases small towns are not able to absorb the amount of people who come there for employment (Rigg 2007). According to Rigg (2007), most of the people who find it difficult to survive are poor and most of them are able to make ends meet through informal trading. Informal trading has thus become a major income generating mechanism for small town populations and therefore has in a way released some of the pressure caused by population increases within the urban areas (ILO 2010).

According to Ping et al. (2010), it is necessary to revisit trends in the informal sector to overturn inherited stereotypes. Some of the stereotypes are that informal trading is only for the poor and uneducated, that informal trading zones are places of crime, that informal trade is disorganized and that it has minimal economic potential. The critical question here is how to remove these stereotypes from the perceptions of traders, formal businesses and authorities. The answer is simple - there needs to be a thorough understanding of the ways in which people make a living. Rigg (2007) argued for a holistic approach: if we are to understand everyday living then the scope of view must extend from cultural to economic, from present to past and from local to global. In

this vein, the following section discusses general characteristics of traders and the circumstances in which they trade.

South African studies show that street traders work long hours over all months of the year (Willemse 2011). The busiest time of the day for them is from 4pm onwards when commuters are on their way home. The busiest day of the week is Friday, and Sunday is a day off or a day with reduced hours for many. The busiest months of the year are around the major holiday seasons of Christmas and Easter. The South African research shows that the lack of access by street traders to normal infrastructure is the cause of most of the problems they experience. In particular, shelter against the sun and rain features consistently as a priority, as does a lack of water, sanitation and access to storage facilities (Willemse 2011).

According to a reviewed study conducted in countries including South Africa by Erambulo et al. (1994), the average wage of a worker vending in the streets is higher, sometimes as much as three or even ten times higher, than the prevailing national minimum wage. These earnings appear especially attractive because street food vending is not gender specific and requires no education.

In terms of the nature of business in the informal sector. The most common trading strategy among informal traders is to diversify the activities of trading. Traders avoid specialisation in the strict sense of the term, even if, when it comes to specific business activities, certain sectors dominate in terms of total business share (Ping et al. 2010). According to Ping et al., this diversity strategy by informal traders derives from having low levels of highly volatile working capital, the availability of which is contingent upon social and household expenditure and comes from an aversion of speculation on the often very high levels of risk in the informal sector.

Furthermore, Napier and Liebermann (2006) argued that in other developing countries the ability of informal businesses to form forward linkages and the ability to sell their goods or services to formal business impacts on their scale and diversity. The absence of forward linkages in South Africa means that businesses remain very small and there is very little diversity. Most businesses serve their neighborhood markets only and therefore there is no real chance of expansion if they cannot go beyond those markets when their business grows. This means that formalisation of the business is irrelevant to the vast majority of informal businesses. Unless businesses operating in

the formal sector, there is no real or perceived need to formalise and no sanction in remaining informal.

Beyond the characteristics of traders and their business activities, management of the informal sector is a central consideration. The informal sector, including informal trade activities, is somewhat governed by local government, particularly because according to the Constitution of South Africa, local government is responsible for local economic development (Motala, 2003). Currently, local government thus regulates street trading through bylaws which are based on the Business Act, so there are many things that are the same in different towns and cities. Most of the bylaws say that the traders must not get in the way of traffic or pedestrians, they must keep their sites clean, they must not get in the way of fire hydrants and road signs, and they must not use gas, electricity or other equipment in a way that is dangerous for the public. Motala (2003) further argues that most local governments have said that traders can only trade in certain places and have also put limits on the number of traders in particular places. Some of these bylaws make it difficult for street traders to run their businesses. It is furthermore worth noting that during apartheid, the traffic department of the municipality was usually responsible for the control of street trading. This showed that local government saw trading mainly as an obstruction to traffic, not as a business, yet over the past few years some local governments have made other departments responsible for street trading, because they now recognise it as a business.

### **2.2.3 Women in informal trading**

For the urban poor, street trading is one means of earning a livelihood as it requires minor financial input and the skills involved are low. According to Muriuri (2010), for poor and unskilled men and women vending is the easiest form for earning a livelihood. Until the early 1990s street trading was largely a male domain in Africa (Muriuri, 2010), however this changed as more women joined the trade, giving it a new face by using a different approach where they locate themselves at strategic points such as near supermarkets, restaurants, streets and other outlets with large human traffic (House, 2006).

Informal employment now comprises a greater share of non-agricultural employment generally significantly higher among women than men with the exception of societies that restrict their

mobility, women comprise 30-90% of street vendors in developing countries (ILO, 2002). These percentages are an indication of the active participation of women in informal trade, which even exceeds the participation of males in some cases. It also highlights the low levels of women employed in the formal sector in urban areas. In certain patriarchal societies it may be a trend for females to be trading agricultural products, mostly as they are more inclined to be doing agricultural work (Muriuri 2010). In Africa, women now dominate street vending, selling perishable food commodities as well as clothing.

The Self-Employment Women's Union (SEWU), on behalf of an international research initiative, carried out a study in parts of Africa including South Africa (Muriuri 2010). The research aimed to clarify and record the situation of women street traders in selected towns in South Africa, as the first step in comparing the situation of vendors in different African countries. The project enabled the University of Natal's Centre for Social and Development Studies (CSDS) (1998) to undertake research on the status of women street vendors in several cities in South Africa to document urban policies pertaining to street vending and to assess the capacity of street vendors to advocate on their own behalf. The study formed an integral part of Africa-wide Women in Informal Employment: Globalizing and Organising's (WIEGO) efforts to assess the street vendors' situations and to promote dialogue between women street vendor organisations and relevant policymakers.

The project was carried out in four cities: Pretoria, Cape Town, Durban and East London. In each city researchers interviewed traders, trade organisations, officials, politicians and planners, and carried out focus group discussions with groups of women street traders (CSDS 1998). The researchers compared how local governments in the five cities dealt with street trading and how street traders are organised in those same cities. The team also studied 13 street trader organisations in some detail.

The study revealed that there are many more female than male street traders in Durban than Johannesburg, and the men tend to be younger and the women older (CSDS 1998). In addition, many women start trading when they are widowed. In contrast to women the men are more likely to have more formal education than the women, experience in the formal economy and savings to set themselves up in business. Most traders are independent (self-employed) and most are the main

breadwinners in their households. Although the majority of the members of the organisations are women, only a few of the organisations had women in leadership positions (CSDS 1998).

This is an indication of the willingness of women to not be dependent on the government for sustaining their livelihoods. Women have a significant role to play in moving informal trading forward, as the majority of informal traders are women and are the most unskilled, therefore programmes and initiatives to stimulate local economic development and empower informal traders must involve those women in informal trading.

#### **2.2.4 Challenges faced by informal traders**

According to Motala (2003), informal trade is influenced by a variety of spheres which can pre-determine the direction in which it is going in. This could be in the right direction where it becomes a pro-employment phenomena which serves the community not only by employment but also by providing goods and services, or it can go the wrong direction where it could create a variety of problems like an increase in crime or contribute to the rate of infectious diseases if health measures are not taken in the areas where informal traders sell. This is all entirely dependent on planning in urban areas, which must guide this informal trade in the right direction by learning from previous mistakes.

Informal businesses experience challenges just like any form and type of business; the problems in informal trading are just more extreme as the informal economy is excluded in the more organised formal economy. The greatest challenge facing informal traders is their site of operation and rights to trading space (Rigg, 2007), yet they are subject to many other challenges which hinder their functioning and their contribution to the economy of an area. Besides the right to trading space, informal traders are disadvantaged in the area of security, transport, and municipal services (Motala, 2003). Barnet and Froze (2007) established that the authorities in most cities in Africa harass and beat street vendors and confiscate their goods.

In many urban areas in South Africa, street trading areas are viewed as areas for thugs and robbers (Rigg, 2007). A study of cities in South Africa has noted that an insecure environment results in a loss of customers, frightens tourists and cripples informal businesses, which reduces incomes and generally interferes with trading (Motala, 2007). According to Barnet and Froze (2007), the insecurity in the streets is sometimes used as an excuse by authorities for evicting street traders,

such as a case in the city of Durban where traders were being evicted before the 2010 FIFA World Cup because they were seen as destroying the image of the city. Both street traders and the local government of South Africa were invited to raise their concerns at three local and one national policy dialogue in November 1998, however no method was used to choose the government officials and street traders. Problems cited by the street traders included crime, lack of infrastructure, unhygienic conditions, overtrading and a lack of affordable child care.

Most vendors find it difficult to transport their goods from their homes and markets to their trading sites (Motala 2003). According to Barnet and Froze (2007) the transport system rarely services the areas where the vendors live, and if it does, vendors can barely afford the service. The authors added that in some cases there are restrictions on what individuals may bring onto the mode of transport, in which case vendors are forced to carry their goods on their backs or to hire hand carriers to transport goods to their homes. The problem of transport is complicated further by a lack of storage facilities, which means that traders carry unsold goods back to their homes. In some instances the transport challenges can cause the informal traders to sleep in the streets or build illegal squatter settlements near trading sites for convenience, which gets them into trouble with authorities as the land they move onto is not zoned for settlements (Willemse 2011).

In small South African towns traders operate without access to some basic services like water and sanitation (Willemse 2011). According to Willemse, some informal traders use services such as water, shelter, sanitation and storage facilities from neighbouring markets, hotels and bars. Furthermore, municipal cleaning services are inadequate and often do not cover informal trading areas.

Poor urban dwellers must be supported and empowered using informal trading as a tool if development is to take place; yet poor-street and informal traders are disadvantaged in trade at global, regional and local levels (Willemse 2011). According to the ILO (2010) the negative trade policy processes largely disadvantage wage workers in the informal economy, yet they are the focus of current policies and development processes. For example, vendors in towns rely on money lenders or informal sources of credit in order to buy their merchandise (ILO 2010). As a result they pay exorbitant interest rates and their businesses rarely grow beyond subsistence level. The neglect of micro and small traders in policy making has to be reversed if South African towns are to change existing poverty trends. According to the ILO (2010) there needs to be changes in perception and

the level of support in terms of services and structures needed to support informal traders, in order for there to be optimal economic benefits and poverty reduction. All sectors such as the formal sector are required to play a critical role, thus there needs to be consensus between the formal and informal sectors to address some of the problems.

The major retail stores continue to trade behind the face of street sellers (Pile et al., 1999), which destroys the elite face of urban areas in that the poor become in some way a mask over the major macro businesses creating an environment that the poor are most likely to feel comfortable. This environment is one which lowers the value of a particular area as some traders live in the inner city while others stay overnight in streets with their goods, as stated above. According to Pile et al. (1999) there are also a number of street sellers who have built squatter camps in the more central areas of Johannesburg. While this indicates a process of deracialisation in those spaces which were reserved primarily for whites, these processes also reflect a process of reracialisation as white people avoid areas which are now predominantly black (Pile et al. 1999).

Deracialisation and reracialisation are not ideal for urban area development, as when these processes occur the value of those particular urban areas lowers because businesses start to move out as the elite groups do. The elite groups move out because of congestion within the city which results in high levels of crime and pollution, creating an unsuitable environment for human livelihood and business. As investors leave they reduce the economic activity whilst the population rapidly increases through rural urban migration and border cross line migration. For informal traders a reduction in economic activity is a disadvantage because the consumers who have the potential to acquire their services move out and the urban area becomes one dominated by mostly economically inactive individuals. This contributes to a higher crime rate whereby unemployed individuals who are not skilled revert to illegal means of making money, which alternatively becomes the face of informal trade.

Most of the spaces which traders occupy are considered illegal since the spaces have not been set aside for trade. In addition the spaces have no tenure and are not allocated and sanctioned by urban authorities (Barnet & Froze, 2007). In cases where they are allowed to operate, the spaces are considered temporary and eviction occurs at the will of urban authorities (Rigg, 2007). There are various conflicts relating to sites of operation; a major conflict often arises when the vendors are required to relocate in order to give way for planned development, bringing them into direct

confrontation with urban authorities and land developers. At the same time traders also conflict with formal shop owners and landlords who contend that they infringe on their businesses and premises.

The spaces occupied by traders are usually open to the elements, provide little shelter and expose them to harsh environmental conditions such as pollution. An example could be oil spilt by vehicles on the food sold by informal traders. Secondly, climatic factors such as rainfall could have a negative impact on those traders trading under flimsy structures or those who do not have structures at all. Most commodities of trade such as fruits, vegetables and clothes are negatively affected by harsh environmental conditions, resulting in loss of earnings to the traders (Barnet & Froze, 2007). Overall, street vendors and informal traders have been noted to be perhaps the most regulated and the least protected, who trade illegally due to a lack of recognition and licenses. The traders are known to identify trading sites on their own, leaving the urban authorities with few options, which include eviction, tolerating traders or charging a daily fee without providing any legal protection (Motala, 2003).

In cases of eviction, the traders are often provided with an option to move outside the CBD where there are fewer customers. Eviction is typically based on an exclusion framework which reserves the CBD for large scale traders and businesses, as urban authorities argue that they pay taxes as opposed to the street vendors and informal traders (Rigg, 2007). This argument is false, and research has shown that when both daily fees and bribes to urban authorities are taken into consideration, the urban authorities often collect more from informal traders than is required (Barnet & Froze, 2007).

Research has further shown that daily fee charges for informal trading are more expensive than a lump sum payment for a license, however the street and informal traders make minimal profits and are not able to make lump sum payments. Traders thus find it difficult to attain an appropriate license because of the money that is charged, and in some cases they are not aware of where to get a license (Rigg, 2007). Not having a street trading license exposes traders to harassment and punitive measures, including confiscation of goods. During harassment by authorities traders can lose their commodities, with some closing their businesses after losing their capital goods. Research from a number of African cities reveals that having a license does not guarantee safety and recognition by urban authorities, however (Barnet & Froze, 2007). In most cases vendors are

not issued with any identification showing that they have a legitimate right to sell their goods in urban streets, which further exposes them to harassment, including the confiscation of goods, assault and demands for bribes.

Traders operating in restricted trading areas in South Africa pay monthly fees which vary from R10 in Durban for a site without shelter and R35 for a site with shelter, to Cape Town's R125 flat rate for anyone in the inner city and Johannesburg where the amount could be as high as R600 depending on the level of services provided. Calculated as a proportion of a trader's reported monthly income, this is a significant amount of money (Stats SA, 2005). The trend in South Africa and internationally is that informal workers' pay blanket levies which are too high for the very poor and too low for the better off. Flat rate charging is regressive: a trader who earns R500 per month and pays R75 for her site is paying 15% of her income, compared to a trader earning R1500 a month who's R75 comprises only 5% of her income (Stats SA, 2005). In many cases the introduction of permits has not been accompanied by an improvement in the infrastructure provided for traders, such as shelter, tables, storage or toilet facilities (Ligthelm & Van Wyk, 2004).

The sanctions for transgressions is that traders can have their goods removed and impounded and are liable to pay a fine or be imprisoned, which in effect criminalises transgressors. Few bylaws require that traders be issued warnings prior to their goods being confiscated, nor are there appeal processes once this has happened (Ligthelm & Van Wyk, 2004). According to Ligthelm and Van Wyk there is a precedent for change however, in that a number of towns in the Eastern Cape have established an appeal mechanism. A trader who feels wronged by any municipal decision is able to go to an appeal committee, which consists of a maximum of five members, at least one of whom has to be from the street trading sector. This is thus a user friendly system for resolving possible conflict.

The right to confiscate street traders' goods is also going to face a constitutional challenge in South Africa. In November 2005 the Legal Resources Centre (LRC) launched a case on behalf of the Phoenix Plaza Street Traders Association, a group of traders whose goods had been subject to on-going police harassment. The case asked for an order setting aside certain unfair provisions of Durban's Street Trade Bylaws and the Businesses Act of 1991, which were deemed to be irregular and unconstitutional. This is a direct constitutional challenge drawing on the property rights clause

in the Bill of Rights. If successful this will have implications for the legality of confiscating street traders' goods throughout the country.

Informal traders are subject to many challenges which can be addressed through collective efforts from a variety of sectors such as the government and formal businesses. The problems are often rooted in the policies which influence the environment in which traders work. The trading environment still needs to be significantly improved if there are to be more benefits from the informal sector in our localities. The first step is to remove or reduce hindering regulations.

### **2.2.5 The influence of planning laws on informal trading**

Urban spatial planning has had a role to play in inhibiting or supporting informal business activity. This was considered by Skinner (2008) with respect to street traders, as land zoning in a town plays a critical role in enabling access to markets and permitting business activity. As areas were not historically reserved for workers reliant on informal employment, there has been an important need for urban planning to acknowledge the emerging dynamics of small town businesses and the informal economy at the local level.

According to Rigg (2007), until the dawn of governance reform programmes in Africa, licenses were largely commodities of trade peddled by urban authority officials. This has resulted in planning laws which do not take into account the existence of street vendors and informal traders. In most cases such planning laws locate the traders without any consultation on the peripheral areas of the city where there is no business (Barnet & Froze, 2007). The experience across Africa shows that traders never stick to such areas but drift back to the centre, resulting in corrective measures from the city authorities. According to Rigg (2007), most of the policies and regulations being enforced on street and market traders owe their origin to colonial policies, which were retrogressive with regards to small scale local enterprises. Informal traders require laws that recognise their economic activities as an important component of the urban economy, and which ensure their right to trading space.

The myriad of by-laws traders confront restricts their activities to operating in certain spaces, such as not within five meters from an intersection, not next to a fire hydrant or place of worship, not next to any government building, not in front of a park and not on the pavement so as to obstruct pedestrian walkways (Barnet & Froze 2007). In addition, street traders may not sell counterfeit

goods, liquor, drugs or medicines and prepared food (take-away) without a license and compliance with municipal health regulations. Potentially the great majority of street hawkers would have to cease trading if they were to voluntarily adhere to these laws.

Realistically it is not exactly as according to House's (2006) comments in modern urban areas, especially in the case of South Africa, as planners demarcate zones for these informal traders to be located which at times limits their space and optimal economic activity. This then becomes the reason for conflicts between informal traders and authorities as the traders prefer trading in illegal spaces. A good example would be when the city of Durban and its surrounding areas adopted an informal sector policy in 2001 based on the fact that informal activities are an important source of employment and contribute to poverty reduction. The latter includes restrictions in trading zones and demarcation of sites of market trade. The reason for this is said to prevent urban decay as informal traders are seen as elements which remove the glamor and beauty of urban areas. The demarcation of trading zones leads to authorities removing informal traders in areas of high economic potential. However there is still a limited understanding of the size of the contribution of the street traders to the economy as a whole, and the problems which street vendors face due to urban planning regulations (Muriuri, 2010).

Motale (2003) argued that according to the Constitution of South Africa the government is supposed to support street vendors, but with all their bylaws they limit them. According to Barnet and Froze (2007), the bylaws are based on an exclusion framework which reserves the CBD to large scale traders and businesses. Informal traders are restricted by the limited zones where they are designated and also by the monthly fees they pay. Although street vending is seen as an income generating activity in South Africa, the government still undermines street vendors by not recognising them as legitimate businesses that can contribute to the economy.

According to Muriuri (2010) these regulations have failed to promote pro-poor policies to deal with the current socio-economic realities of urban poverty. Too often street vendors' rights to offer their trade is limited by unfavourable urban planning regulations and vendors lose their full rights as citizens by operating outside the legal economy. This situation not only threatens their livelihoods but contributes to increasing poverty.

### **2.2.6 The dynamics of poverty and population in South Africa**

In the road to alleviating poverty through informal trade, a clear understanding of the underlying multitude of causes of poverty must be understood. These are rooted in the historical and social circumstances of South Africa, which created an element of segregation and therefore unequal economic potential in areas. From the perspective of informal business, the legacy of these apartheid laws is that Black Africans were excluded from the formal economy, except as unskilled labour. For the majority, their education and skill levels are therefore vastly inferior to their White counterparts. This inequality in education persists today (van den Berg, 2005), which has enormous implications in terms of the ability of the poor to enter sophisticated formal markets, either as employees or as business owners. All 'black' population groups were spatially separated from towns and cities, which for the poor, who cannot re-locate to previously 'white' suburbs, is still the case. This means that these businesses service their local communities, which are poor. In addition, spatial separation impacts on the transaction costs of accessing inputs for businesses.

Poverty is now widely recognised as a denial of human rights. Conventional understanding of poverty has been considerably broadened from financial measures (less than a dollar a day) towards a more humanity-centred concept. According to Muriuri (2010), poverty is a chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights (UNDP 2008). Consequently poverty is seen as an infringement on freedom and the elimination of poverty should be addressed as a basic entitlement and human right. What is difficult in urban areas is trying to alleviate poverty by informal trade while trying to prevent urban decay.

In South Africa, people with access to wealth experience the country as a developed modern economy, while the poorest still struggle to access even the most basic services. In this context of high inequality, the idea that South Africa has 'two economies' (formal and informal) can seem intuitively correct, and has informed approaches that assume there is a structural disconnection between the two (van den Berg, 2005). There thus needs to be more emphasis on the role of structural inequality in the South African economy, focusing on the legacy of history. The structure of the economy: its impacts on unemployment and local economic development, including competition issues, small enterprise and the informal sector.

The source of the problem planners face in trying to establish informal trade as a solution is ultimately rooted in population studies and the challenges faced by population geography (Newbold 2013). Challenges such as overpopulation in urban areas, urban decay where elite groups move out resulting in low maintenance levels, and the effects of apartheid which has resulted in very poor service delivery and opportunities in other areas (pull and push factors). Overpopulation reduces the value of an area and hence the formal business stream for the informal economy to hook into, as the elite groups move out. A population thus has an influence on the state of the business environment, including physical environmental conditions such as pollution (noise pollution, air pollution, and litter) caused by congestion.

The sheer extent of poverty in small towns in South Africa should not be underestimated. A seminal paper by Archer (1990) about the Karoo town of Hanover illustrates the depth of poverty amongst the unemployed underclass. This study is admittedly out of date as it preceded the extension of the social grant system after 1994, however the study does point to chronic structural unemployment. Archer estimated that business activities in Hanover provided 24 jobs, not all of which were regular or fulltime. The Hanover urban middle class was estimated at between 90-100 households, perhaps employing domestic workers. Non-farm employment was estimated at 130-150 jobs, in an estimated population of around 5 000. Viable alternatives for the labour force were conspicuously lacking. There was little scope for self-employment, for petty trade or the supply of services, and domestic production of food for consumption within the household (vegetables, eggs and chickens) was all but nonexistent. “Monetisation of consumption, particularly of food, was an aspect of proletarianisation clearly in evidence in Hanover” (Archer 1990: 487). The levels of schooling years completed were also well below the national average.

According to Courtney and Errington (2006), two years after Archer’s article some changes took place in small towns. The most significant were: (1) the growth of the black middle class, usually linked to government services; (2) the out-migration of white youth and the in-migration of elderly affluent whites – at least to the more attractive towns; (3) the globalisation of agriculture, which has led to farm consolidation and a decline in the number of white farmers and black or coloured farmworkers; consequently (4) rapid in-migration of very poor and poorly skilled unemployed farm workers; and (5) the rapid expansion of government services to the poor, which acts as a magnet causing poor people to stay on in local towns.

The transition that has taken place in South Africa has been effective in reducing some of the unwanted trends of population and poverty. The positives have also been compounded by the aftermath of the historical circumstances of South Africa, often leading to a reversal in previous trends of being a highly unequal country. The poorly skilled individuals are still suffering as they are unemployable and the rapid expansion of government services to the poor is not enough for South African towns to be economically stable. There thus needs to be more focus on solutions that can fast-track development, such as informal trading, as this is the medium poor people can use to easily access income in South African small towns.

### **2.2.7 Sustainable livelihoods and informal traders**

Irrespective of the changes that have taken place in South Africa, it is still imperative to sustain human livelihoods. The economic activities in small towns should be seen as a tool to meet this end, but before this is done there needs to be an understanding of what exactly sustainable livelihoods are and their implications for local economic development efforts. The agenda on improving people's quality of life through informal trading lies within these excluded economic sectors, especially in developing countries.

A sustainable livelihood is defined by many institutions and researchers as supporting people's livelihoods in a way that builds on the strengths of the people and provides them with opportunities to improve their livelihood (Department of Social Development, 2010). Some institutions used previous findings of researchers and drew on studies conducted before 1990, which mostly restricts the definition in the boundaries of urban research. Further reviewed literature concentrates on street vendors and how they sustain their lives. A comparison of four cities in South Africa highlights best (and worst) practices regarding street vending and human livelihoods. Much of the reviewed literature has been done in parts of Kenya and South Africa.

As analysis point out, there are two broad approaches to defining livelihoods. One has a narrow economic focus on production, employment and household income, which is the approach that this research focuses on. The other takes a more holistic view which unites the concepts of economic development, reduced vulnerability and environmental sustainability, while building on the strengths of the rural poor. The Institute of Development Studies (IDS) (1998) defined livelihood as being able to comprise the capability, assets (including both material and social resources) and

activities required for a means of living. They added that a livelihood is sustainable when it can cope and recover from stresses and shocks, and maintain or enhance its capabilities and assets, while not undermining the natural environment. To this end De Satge (2002) described the concept of sustainable livelihood as a reference point for a wide range of people involved in different aspects in development policy formulation and planning.

Sustainable livelihood approaches have evolved from three decades of changing perspectives on poverty, how poor people construct their lives, and the importance of structural and institutional issues (Ashley & Carnery, 1999). The concept of “livelihood” has become increasingly popular in development thinking as a way of conceptualising the economic activities poor people undertake in their totalities. The focus of development thinking in the 1970s on employment and “jobs” has given way to the realisation that while job creation in the formal sector continues to be one important strategy for poverty reduction, the reality for poor people in South Africa is that survival and prosperity depends on the pursuit of diverse and multiple activities simultaneously, with different family members taking advantage of different opportunities and resources at different times (Ashley & Carnery, 1999).

According to Farrington et al. (1999), early experience in implementing a sustainable livelihood approach helps to bring together different perspectives on poverty and integrate the contributions to eliminating poverty. This approach helps to identify the underlying constraints to improved livelihoods and the means of overcoming these, and it also helps to link an improved micro-level understanding of poverty into policy and institutional change process. The authors added that the practical difficulties in the approach remain in understanding how conflict over access to resources impinges on livelihood choices and what can be done to address this. Developing cost effective modes of livelihood analysis that ensure the needs of the poorest are prioritised. Identifying appropriate in-country partners and developing collaborative approaches to understand the complexity of poverty and integrate that understanding into a common livelihood frame, and understanding how, in practice, to handle trade-offs. Trade-offs for instance between local pressures (e.g. for increased short-term income or better infrastructure) and wider concerns about resource sustainability and national level policy considerations (Farrington et al. 1999).

Muiruri (2010) pointed out that most developing countries are experiencing unsustainable urban development as more people move to cities or privately owned properties where opportunities for

sustainable livelihoods are limited, which results in many of the poor turning to the urban informal sector for their livelihood. A sustainable livelihood for some people is not the only way of life: it is the only way to survive. The only way to survive that the traders know is street vending. According to Cross (1998), many street vendors have pride that their survival is due to their own efforts, and not just due to hand-outs from the government or dependence upon an employer.

De Sagte (2002) pointed out that people's lives and their livelihoods are affected in different ways by a wide range of structures and processes. These might include local institutions or customs that control the access of people to assets. Not everyone will be affected in the same way, for example some institutions may favour men and discriminate against women, while others may favour older people and marginalise the youth. This might take the form of policies or laws that either enhance or undermine local livelihood strategies. Poverty is one of the push factors for most street vendors who have migrated to larger cities from the rural areas in search of employment. For the poor unskilled people, street vending is one means of earning a livelihood, as it requires minor financial input and skills.

The Food and Agriculture Organization (FAO) (1999) explained that rural men and women, especially in poor households, engage in diverse and multiple activities, while minimising vulnerability and risk and achieving other household objectives (improved health, nutrition, and education). These activities may include farm and non-farm actions, as well as other non-agricultural activities, often linked with activities carried out by rural as well as non-rural households. The organisation further stated that the effectiveness and profitability of these diverse livelihood systems will vary depending on the general development environment, each household member's access to and control of the asset base, their productive and reproductive roles and responsibilities, their capabilities and their linkages with other rural and urban sectors (FAO 1999).

Livelihood activities may be composed of, for example, year-round or seasonal formal-sector employment, informal trading or sale of labour, home gardens and food processing, livestock production, cultivation or use of natural or common property resources, and labour exchange (Scooner 1998). They may be on or off farm, include local or international migration, involve elderly household members or children, be legal or illegal. Given these multiple factors, Scooner

explained that for poverty analysis and poverty reduction interventions like informal trading to be effective, it is important to understand these multiple activities in order to understand the multiple sources of vulnerability faced by the poor; there are multiple ways in which their lives are affected by structures and institutions and varied ways in which development interventions may strengthen or weaken these livelihood activities.

In addition to recognising these activities, using livelihood approaches requires an attempt to understand the processes that underlie the poverty and the social, cultural, political and institutional contexts in which poor people live (Scooner 1998). Although individual households and communities are the primary levels of analysis, livelihood approaches seek out the relevant interactions at micro, intermediate and macro levels, for instance the interaction between informal traders and formal businesses as well as between the various institutions that influence the way that the informal traders work.

### **2.2.8 Conclusion**

Given the various considerations, it is clear that informal trading is influenced by a variety of factors which ultimately determines the way in which they operate. During the course of time there has been changes in regulation and the characteristics associated with informal trading and hence planners must consider this leap. Women are now seen as very much critical role players in the sector where as before they were not very much active, this is once again indicative of the shift in the characteristics of informal trading over time. Irrespective of the changes it is still very clear that the reasons behind people engaging in the activity hasn't changed. In South Africa we are still challenged by the aftermath of apartheid and hence poverty. People still see trading as a legitimate or feasible way of sustaining their livelihoods.

Given these considerations, the next chapter will assess the relationship of small towns, the informal economy and tourism.

## **2.3 Small towns, the informal economy and tourism**

### **2.3.1 Introduction**

South Africa is a country with a unique history, which has had an influence on the structure and demographics of South African towns. Over the last few years significant changes have taken place within these small towns, due to the constant changes in the country's policies and circumstances, including changes in agricultural hinterlands, the loss of urban functions, institutional and government changes and also the not so infrequent loss of state and transport functions (Donaldson and Marias 2012).

According to Dewar Donaldson & Marias (2012), the most conceivable difference which has taken place over time in terms of South African small towns is probably the distinction between the former homeland towns, which were generally established as administrative centres in the colonial era, and white (i.e. non-homeland) towns, which were originally founded as farming towns and mining, church and transport centres (Dewar 2005). The difference between these two types of towns has caused the economic development of small towns to be stagnant in a sense, particularly for homeland towns, as they have remained administrative and welfare centres, serving what are generally impoverished hinterlands with their associated historical legacies of forced removals, over-crowding and frequent ecological collapse.

According to Dewar (2005), whilst some small towns in South Africa have enjoyed the benefits of new economic opportunities such as tourism or niche agricultural production in their hinterlands, most have, at best, been economically static as a result of the out-migration of skilled people, the increasing number of unskilled people and a loss of economic functions. This is not good for small towns as it results in local industries and consumers using more distant centres in the current era of greater mobility.

### **2.3.2 Characteristics of small towns**

According to Verma (2006), "small town" is an umbrella term which includes towns ranging from 5 000 to 200 000 people, yet classifying small towns is not an easy task. Categorising towns according to population is insufficient: "It might not characterize a town's personality by breaking

these into subjective or arbitrary classes” (Verma 2006: 142). Towns have a long historical background, creating a distinctive economic profile and climate.

There may be several methods to classify urban centres, for example by site and situation, population, geographic size, functions, and social and cultural environments (Verma 2006:143). The issue of “function” is often widely accepted as a useful form of classification. This usually focuses on non-agricultural activities, including administrative, industrial, commercial, and cultural happenings. It is rare that a town is a mono-activity centre; in fact, Nelson (1955) created a classification in which the categories were manufacturing, retail and trade, professional services, transportation and communication, public administration, wholesale trade, finance, insurance and real estate, and mining.

Another key distinction between small towns is if they are situated within commercial farming areas or traditional land tenure areas. In the case of the former, a growing bifurcation between “town” and “country” has occurred, as hard-pressed, globalising farmers increasingly bypass small towns and instead use the more sophisticated facilities in larger towns and cities. Furthermore, in the extensive farming areas (mainly livestock farming), the population of the farms (both farmers and farm workers) has decreased to such an extent that they exert little purchasing power in the small towns (Atkinson & Marais 2006).

In the international literature on small towns, the most useful concept to describe these localities is “service centres”, which serve the local market. The status of different service centres vary. Towns are based both on a horizontal specialisation with local enterprises interacting with the same local market (e.g. a grocery store, butchery and garage serving the same local population), and on a vertical specialization, with interaction with enterprises at higher levels of the urban hierarchy (e.g. a local doctor referring patients to more specialized physicians in the city) (Pedersen 1990: 96). The small town receives inputs from the larger higher-order centres. This system of service centres builds up into a hierarchy of settlements.

In South Africa, towns can be classified in at least three ways: by function, by economic performance, and by historic economic legacy (Atkinson & Marais 2006). The latter term refers to their situation in the homelands of South Africa, which are characterised by traditional land tenure and predominantly subsistence agriculture, or by privately-owned land tenure and

predominantly commercial agriculture (Torien & Marias 2012). In larger commercial towns there seems to be a culture of a built-in growth dynamic, based on a sufficient level of diversification. These bigger towns have seemed to be “sucking in” economic energy from the surrounding small towns. Tourism towns seem to do well because they bring in new capital and spending power, while mining towns are said to be either booming or significantly declining (Torien & Marias 2012). The majority of agricultural towns are said to be declining, unless they have become diversified and are therefore becoming more robust. Towns within a distinct region may improve or deteriorate because of the regional comparative advantage. For example, the prospects of the Karoo may improve, while those of deep rural towns in the former homelands may be declining. However these perspectives need a great deal more investigation. The crucial question to ask is about the comparative advantages of different types (and sizes) of towns.

In addition, the economy of small and medium-sized towns are greatly influenced by the type of product or service which predominates (Verma 2006). For example, some agricultural commodities (such as mutton and wool) have been in a long-term decline; milk production has been hampered for many years by the low prices received by producers; agricultural towns benefiting from bio-fuels will show growth; the rise in the cost of energy and the consequent profitability of uranium will benefit towns such as Beaufort West; towns based on rail transport have been undermined by government transport policies; and some towns benefit greatly from changes in government spending priorities, such as the forestry industry in the Ugie/Maclear area (Torien & Marias 2012).

To complicate matters, the recent move to a global economy has been challenging for many towns because of the loss of manufacturing jobs, the vulnerability of export agriculture, and the increased competition in the energy and mining sectors. “The challenge is for small towns to determine their own destiny when they are subject to powerful external economic influences” (Daniels 2000: 415).

According Wessels (2010) the role of small towns concerning larger centres may change, depending on extraneous variables. For example, very low rural incomes will reduce the local market and discourage local entrepreneurs. Efficient long-distance transportation may also reduce the local market, because local consumers may prefer to travel to larger centres where there are more sophisticated services and shops (Wessels 2010). There thus needs to be greater focus and impetus on removing some of these challenges that may be a constraint to local growth, through

small town development as a driver of the economy. The problem is coming up with a single solution when there are theoretical differences in a variety of towns.

The literature on town or locality-based growth and development is beset by theoretical differences. Daniels (2000) outlined nine theories of local economic development which have emerged over decades of research and theorization. These are highlighted below.

First, the neoclassical model focuses on trade as the engine of growth in towns. Daniels (2000: 417) argues that “towns should determine their ‘comparative advantage’, and specialize in those goods and services that they do best”. The price mechanism and markets remain unfettered by government regulation as the most efficient ways to allocate goods and services. Ideally, capital will move to capital-short areas and labour will move to where labour is in short supply. Individual communities will compete with one another to keep and attract firms, capital and labor.

The central place theory, as a further modernist theorization, describes communities according to the size of trade area and the economic functions of the community. Lower order central places have small businesses that offer day-to-day convenience goods and services, but the trade areas are rather limited. Higher order central places offer a wider range of goods and services. The key variable here is the nature and density of interactions between a town and its rural hinterland, or between a town and its smaller urban satellites (Porter 2000). Unlike the neoclassical model, this approach focuses on the role of government in providing tax breaks, loans and subsidies to attract wealthy individuals and companies. Economic growth is still based on endogenous growth, but it has to be orchestrated by a public body.

The growth machine hypothesis is a more recent theorization which states that central places can stimulate their own growth, but this depends heavily on the growth of the population in the immediate vicinity. The economic fortunes of towns thus depend on the ability to attract investment, and thereby to attract more people. It is argued that “in developed countries small towns as self-induced growth machines may have limited growth capacity, especially as retail centres” (Porter 2000: 418). In South Africa, in contrast, population growth is currently taking place in almost all small towns, but investment is often lacking. The difficulty in the South African case is the meagre purchasing power of these small town populations, which dampens the incentive to invest.

The internal combustion theory is an approach that holds that local entrepreneurs, through their own ingenuity and willingness to accept risk, can form businesses and fill a niche – either as export industries or as local secondary base companies (Milne & Atelijevic 2000). The theory emphasises the importance of retaining and expanding existing firms and fostering the creation of new local businesses. Government has a role to maintain local services (e.g. water, roads and schools) which will help develop new businesses. This approach is a hybrid of the neoclassical export base theory and central place theory.

“Outside determinants of local economic growth (exogenous determinants) which affect the economic basis of small towns include government spending, interest rate policies, national supply and demand, and decisions of nationally based firms” (Porter 2000:418). For example, in the manufacturing cycle of a new product, as production matures branch plants may be built in small towns due to lower land and labour costs.

Political economy theory is about the distribution of wealth and political power within a community, and between the community and outside forces, determine a locality’s economic prospects. “Types of dependency include (1) direct dependency, when key sectors of the local economy are controlled by outside owners, (2) trade dependency, when locally produced goods and services are sold in distant markets over which the local inhabitants have little control, (3) financial dependency, the need to import capital to stimulate economic development, and (4) technical dependency, the need to import trained personnel and technology” (Daniels 2000: 418). Theories of political economy and dependency are important in small town settings because they address the issue of equity – who gains and who loses in the process of economic development and what is a fair distribution of income, wealth and power. Unlike the older theory, which emphasised dependence on external variables, this approach attributes causal significance to local as well as exogenous variables. For example, class relations within a town may lead to shopping patterns that undermine local businesses.

The characteristics of small towns are not self-made but are based on resources and circumstance, historical or current. Given the variety of ways in which towns can be classified and the theories that abound to support those classifications and the economic activities/growth of these towns, it should be possible to determine plausible solutions which will support the development of their

economies through the variety of sectors like the informal sector given the realisation of their strengths as well as the focus of resources in the right direction.

### **2.3.3 Small towns and the informal economy**

The economic significance of small and medium-sized towns is a controversial topic. This is evident because “this issue has enjoyed several trends in economic thought, ranging from a positive developmental image in the 1960s, to complete disinterest in the 1970s, and to a resurgence of interest in the 1980s” (Pedersen 1990: 89). Small towns are now seen as a necessary and important link to the development of rural regions, and the role of small towns as service centres within a hierarchy of settlements is emphasised.

“However, whereas the focus in the 1960s was on large-scale infrastructural projects, the new approach is to focus on developing local initiatives and resources for local development” (Pederson 1990: 90). But promoting economic development in small towns faces a major dilemma. Whereas most metropolitan areas can be regarded as economic growth hubs, small and medium-sized towns vary greatly, both in their economic base and economic prospects. With metros, their sheer demographic size and infrastructural resources mean that they have economic momentum (Pederson 1990). In contrast, small and medium-sized towns are extremely diverse, with widely different types of economic bases (e.g. tourism, agriculture or mining), and with very different economic fortunes (ranging from improving to static or deteriorating). Consequently, the scope for the informal economy in different towns varies greatly and there is no “one size fits all” solution. As argued by the CDE (2004: 14), “It is difficult to design policies that are sufficiently refined and discriminating to be effective”.

This is because some towns have better markets, others have better non-agricultural growth opportunities (e.g. mining or tourism), and others have better natural resources. We should not attempt to “lift” successful policies or policy instruments from one country to another without careful consideration of market and institutional capacity, as well as livelihood structures (Dorward 2006).

In small rural towns the informal economy is crucial for stimulating local economic development, and informal trading has a role to play in supporting this informal economy. Yet there needs to be more effort made to assist the informal economy directly. In addition to government efforts to analyse comparative advantages and locate strategic capital, special efforts should be made to bring services for the informal economy into these towns. Government or private spending is a necessary, but not a sufficient, condition (Dorward 2006). According to Doward (2006), an injection of funding is required to stimulate the local economy (and to counteract many economic forces which detract from the performance of the local economies); but it is not sufficient to reach survivalist and micro-enterprises. Other strategies will be needed in addition to government expenditure (Wessels 2010), for example every town should have a SEDA branch or provide training services on behalf of the Department of Labour.

The overarching argument is that the fortunes of the informal economy probably depend on the fortunes of the formal economy, but the formal economy should be harnessed in ways that make it accessible to the informal economy. To put it differently, the formal economy is a necessary (but not sufficient) condition for the success of the informal economy (Doward 2006). In small and medium-sized towns, one can only stimulate the informal economy if there is a formal economy for it to hook into. There are several reasons for this: (1) formal employment provides work experience; (2) formal investment creates a local economic surplus and multipliers, on which informal businesses can draw; and (3) one can then look for creative ways in which partnerships, networks and markets can be promoted to link the formal and informal economy (Daniels 2000). In small towns where there is already vibrant formal investment, the challenge is to use these advantages to build networks with informal and emergent enterprises.

The argument is that small and medium-sized towns need strategic productive public or private investments, i.e. investments which generate jobs, salaries, incomes, opportunities for outsourcing, skills training, local economic multipliers, and local markets (labour markets, commodity markets and eventually capital markets). Given the lack of experience of many small-town survivalist entrepreneurs (particularly the township youth), the most effective form of preparation for new entrepreneurs is formal employment, particularly in contexts where local people have minimal exposure to modern economic institutions (Daniels 2000). The more formal employment opportunities are available, the greater the chance that new businesses will be created

in future. This means that formal private or public sector investments, which initially create formal employment, may be a good method to enhance the informal economy in the longer-term (Florida 2002). Such an approach would also grow the local purchasing power at the same time as growing local technical skills for emergent informal traders.

The critical question here is what are the prospects for the informal economy in the local service centres? The interaction among local informal businesses and between informal enterprises and their markets must be examined to answer this. The literature on town or locality-based growth and development is littered with theoretical differences, as outlined by Daniel (2000). In terms of new “network theories” (Daniels 2000), the interaction between informal enterprises is determined by factors such as ownership, size, technology, market and financial relations. Small informal businesses can be complementary to larger formal businesses, and the productivity of large firms could be enhanced by a network of small service and production enterprises.

This diversity of theories shows that small and medium-sized towns are very complex, with multiple internal and external dynamics. All these theories point to factors that are potentially relevant to specific localities, however it does not help to artificially choose between these theories at this stage. Much more rigorous research is needed in different South African towns to determine the causal variables which are most powerful in different situations (Florida 2002). The implications of these theories and variables for the promotion of the informal economy still need to be examined in detail and researched empirically, activities which are beyond the scope of this paper. But the overarching argument is that the fortunes of the informal economy in small and medium-sized towns probably depend on the fortunes of the formal economies within those towns, and the local “formal economy” is often decisively influenced (although not completely so) by dynamics located outside the town (Florida 2002).

The essence of the argument is that one can only stimulate the informal economy if there is a formal economy for it to hook into. This argument is strongly influenced by the work of Prahalad (2005), who focused on the potential of large corporations, multi-national corporations, government agencies and NGOs to provide more effective products and services to “the four billion at the bottom of the pyramid”. He argued that poor people often do have money to spend and do have entrepreneurial skills, but they need to “hook into” markets, whether as consumers or as producers. Poor people “need to be exposed to the range and variety of opportunities that

inclusive globalisation can provide” (Prahalad 2005: 5). One example from India is the provision of access to web-based market information for small-scale farmers (Prahalad 2005), which could be relevant either to traditional producers in the former homelands or to current stock farmers in many South African towns.

It is important to note the importance of a whole range of factors when considering the nature of towns’ economic comparative advantages, including the types of local and foreign-owned investments; the dynamism of the local business community; the networks between local businesses and between them and outsiders; the initiatives of central and local government; and the economic interactions between towns and their hinterlands (Atkinson & Marais 2006).

A collection of case studies from the United States showed that successful economic development involves (1) capitalising on existing resources, (2) a strong planning component, (3) leadership, (4) training and education, (5) aggressive pursuit of state and federal grants, (6) low interest loans, (6) industrial recruitment, and (7) historical preservation (Daniels 2000: 422). These diverse ideas can all play a role in boosting the local economy of small towns. The additional challenge, in the case of South Africa, is to make such interventions meaningful for informal economy entrepreneurs.

For all these theories, a necessary condition for the creation of livelihoods in a non-metropolitan region is the existence of a sufficient economic surplus in the region (Pedersen 1990: 98). Such a surplus may be derived from local agricultural production, wages for public servants, pensions for local citizens, tourism, development aid, government grants, investment by outsiders and construction projects or military establishments. Some money must be available locally to circulate to create the purchasing power which can be spent on the informal economy (Atkinson & Marias 2006).

In terms of this argument, it is critical that government departments examine the impact of their expenditure on small towns. In many cases, government departments decide unilaterally to establish (or more frequently to close) key institutions in small towns such as hospitals, schools and training colleges. Such decisions have major unintended consequences on the economic viability of such towns, such as a shortage of skills and an increase in death rates of economically active individuals (Atkinson & Marais 2006).

The structure of the urban system depends on the size of its economic base. Such an economic base can be created in several ways (Pedersen 1990: 98), which include local distribution of local products (products made locally and sold to the local community), collection and processing of local products (typically, but not necessarily, agricultural products) for export out of the region, distribution of products produced outside the region (typically consumer goods and inputs for local production), local processing of non-local inputs for a non-local market (enclave industries) and providing services to non-local people (e.g. tourism, old age homes). These functions may be carried out by formal, large-scale, multi-location organisations or by small (formal or informal) businesses (Pederson 1990). The small enterprises will primarily supply products and services which are both produced and distributed locally, while goods imported into the region may be distributed by both small and large enterprises.

The informal economy in small towns can help stimulate economic growth, but this cannot be done without a coordinated approach which involves other relevant sectors like the formal sector; the informal economy is too small to grow independent from the support of the formal economy. The formal sector should thus stimulate the growth of the informal economy through the creation of linkages. The government should also be at the forefront of these efforts of helping to promote these linkages. What is important for small towns to develop is to be able to identify their strengths and weaknesses, and be able to counter the latter through comprehensive strategies to amplify the economic outputs that can be accessed through its strengths.

#### **2.3.4 The strengths and weaknesses of the informal economy in small towns**

Informal trading is influenced by conditions within a town and how the government responds to those conditions, such as the market and comparative advantage of that town. Programmes that aim to stimulate growth and local economic development have in a sense become a hurdle to development in small towns as they are not accessible. Informal businesses have strengths which, if supplemented with programmes, can become beneficial to small town economic development. There are also some weaknesses or challenges faced by the informal economy which need to be considered in local economic development efforts.

The following are some superficial generalisations regarding the state of the informal economies in small towns, keeping in mind the vast differences among towns. In many small towns, the

survivalist and informal businesses are owned by black and coloured people, but increasingly also by white people (the phenomenon of “white spazas”) (Ligthelm and van Wyk 2004). Many of these entrepreneurs are in the agricultural sector, mainly on municipal land (commonage), and an increasing number are found in the legal or illegal alcohol trade. Some of the informal businesses are in the taxi sector, operating longer distance routes to nearby larger towns or cities (Ligthelm & van Wyk 2004). According to Ligthelm and van Wyk (2004), the local market is limited and is often dominated by one or a few established (often white-owned) enterprises. Shoppers in many small towns use public or private transport to shop in larger towns, causing a leakage of purchasing power.

According to Van Staden & Marais (2005), a growing number of “Asian” immigrants are taking over the spaza sector. They tend to provide good service (long opening hours, fairly good supply of products), but they seem to undercut the local black and coloured traders, who are being driven out of the sector. This impressionistic view needs to be verified by research. Many people who borrow from loan sharks spend this funding on consumption and not investment (Van Staden & Marais 2005) which contributes to local poverty.

This is not always the case, however, as the informal businesses situated in areas which grow labour-intensive products such as vegetables are still an important reservoir of purchasing power. Also, few formal businesses sell their products in the small towns – the main marketing channels for these informal businesses are located in bigger centres because of the minimal local agricultural output in those areas (Van Staden & Marais 2005).

Another factor that contributes to the weakening of the informal sector is the lack of support of informal traders due to a variety of reasons, for example in some cases you find small business support services, such as SEDAs, are located far from most towns. In the Eastern Cape the main office in the Cacadu district is located in Port Elizabeth and one outlying office is now planned for Graaff-Reinet, leaving numerous towns without any business support (Van Staden & Marais 2005) as travel costs to larger centres are prohibitive for many informal entrepreneurs.

Many government programmes do not penetrate to small rural towns. This includes initiatives such as the Apex Fund (SAMAF), Khula Enterprise Finance, the National Empowerment Fund (NEF), the Tourism Enterprise Programme (TEP), and even SEDA offices (DTI 2005). Virtually the only

programme that reaches local communities is SAB's Kickstart programme, but this has increased the number of illegal alcohol outlets. Many key support providers (e.g. tax consultants, lawyers and even banks) are situated far away. For those companies trying to become formally registered and operate within the law, access to such services becomes a major hurdle (Atkinson & Marais 2006).

There is a need to enhance the capacity of individuals in small towns, particularly those who are already economically active (such as informal traders), so as to enhance their economic outputs. The Department of Labour (DoL) has stringent criteria about who can access training, insisting that aspirant trainees must already have a job. This disqualifies the many unemployed people (in the informal sector) who could benefit from training. Further, the DoL insists that a group of at least 20 people must be available to do a training course, which is often difficult in small towns where the market could hardly keep a few people gainfully employed in any specific trade. "Municipal procurement can be an important strategy for informal sector support" (Nel & Goldman 2006: 39), but in many municipalities, municipal out-sourcing tends to be constrained by the vested interest of organised labour (SAMWU), which resists attempts to contract temporary labour to undertake basic tasks (such as litter removal).

Private capital is generally small in scale and cannot undertake corporate social responsibility (CSR), which reduces the amount of money and technical support available for new start-up informal enterprises. The manufacturing base in small towns is typically limited so workers tend to have few opportunities for training and acquiring technical skills. "People also have limited experience working in large organisations, and therefore lack an effective business network" (CDE 2004: 55). Few small towns have Chambers of Commerce, which makes it very difficult for municipalities to engage systematically with the local business sector in an attempt to graduate the informal businesses. In addition, many black and coloured councilors have shown a steady disregard for local business interests, which further isolates government and business (CDE 2004). Furthermore, prematurely formalising businesses, e.g. by means of business hives, has not been successful, and there are numerous cases of "white elephants" built with LED funding (CDE 2004).

The informal sector in small and medium-sized towns does enjoy certain advantages or strengths, however. According to Erambulo, Claudio and Bellotto (1994), street vendors are gaining

increasing recognition as a necessary element of daily urban life, especially in developing countries. They further explained that despite their negative impacts on urban renewal, cleanliness and traffic congestion, they clearly ease the problem of providing food and art crafts for people close to their workplaces and incidentally help to reduce the street congestion caused by mealtime commuting. Street vendors also do a flourishing business catering to tourists, many of whom typically find that they offer an attractive low cost opportunity for sampling local fare. Street food vending also provides employment.

The informal economy of small towns is also generally low in crime against property, has a well-functioning postal system, improved levels of telecommunications, both landline and cellular, many towns have fairly good inherited infrastructure (water, sanitation and electricity), although deteriorating maintenance is causing some of it to crumble (CDE 2004). Poor people in small towns tend to have strong networks and social capital, which can facilitate borrowing and practical support. Transport costs within the towns are generally lower, and people often move about on foot or by bicycle which lowers transport costs (however, trade with other centres raises transport costs) (CDE 2004). Property is still relatively cheap, whether to purchase or rent, and many towns have vacant buildings. However, while property may be cheap in comparison to urban prices, it is often prohibitively expensive for informal economy entrepreneurs to purchase. Peri-urban agriculture is often possible on municipal commonage land, which is also one of the strengths of the informal economy. These are strengths which the tourism industry in the towns can take advantage of. The tourism industry can also be a strength to a town and its informal sector in terms of increasing the market for the informal businesses and businesses for the town.

### **2.3.5 Small towns and tourism**

According to Chile (2006) small towns are diverse in nature as they have a variety of strengths and weaknesses; tourism is considered to be one of the strengths of many small towns globally. There have been a variety of cases where certain countries have used tourism as a part of their strategy to develop their towns, which works because of the uniqueness of cultures, landscapes, bio-diversities and mineral resources globally. In New Zealand, government restructuring in the 1980s and a belief in free market economics reduced government support (tax incentives,

subsidies, price controls, floating exchange rates and removal of import licences) for rural communities, which led to an era of self-dependence and community development (Chile, 2006). Similar restructuring in Australia and the United Kingdom has been linked to agricultural economic downturns (Holmes, 2002).

Tourism is an activity of growing significance in rural areas and small towns, as society shifts from production to consumption activities. Tourism is increasingly being recognised as a replacement for traditional activities in rural communities (Harril, 2004). In South Africa, tourism is growing and at present makes a good contribution to the employment rate. Tourism strategies should be integrated with a variety of economic activities that complement it, such as informal trading, and the tourism industry should also work with communities for mutual benefit. So what is the benefit of tourism development to local communities? The answer is simple - development plans to enhance informal trading within small towns should be aligned with this complementary economic activity.

In South Africa, communities in small towns can no longer rely on agricultural production alone, or on government support of production yields for their economic wellbeing. Communities must find new economic drivers to survive, such as informal trading supplemented by strengths such as tourism. The function of small towns is changing; these towns often developed as service centres for a variety of rural production activities (Keen, 2003). However, agricultural decline caused by a reduction in government subsidies for farmers, a belief in free market economics, the removal of import licenses and price controls, globalisation, rural-urban migration, changes in demand for rural products, transportation improvements, agricultural production improvements and a reduction in services are threatening the existence of some of these towns (Keen, 2003). To survive, many rural towns have to reconsider their function not only in their hinterlands, but also within a regional, national, and global framework.

Tourism can be said to be one of the economic strengths of certain towns. The agenda in local economic development thinking has been to focus on the strengths of a particular local development node. Tourism can have a ripple effect on other economic activities such as informal trading, which could be very beneficial for towns in South Africa. It is important for development of the informal sector to be aligned with the strengths of a particular town.

Local economic development is a process by which local resources and networks are utilised to stimulate economic activity (Blakely, 2000), and is becoming increasingly relevant because the fundamental driver for government restructuring is a belief that local resources and advantages should be utilised (Keen, 2003). Communities should be able to seize the opportunity to develop based on local advantages such as tourism (Keen, 2003).

The appropriateness and sustainability of economic drivers should be considered. Given that the majority of the population in rural small towns are employed within the informal sector, tremendous potential exists in focusing on economic activities within the informal sector. This could result in sustainable economic outputs because a large majority of the population will be included in local economic development efforts.

### **2.3.6 Changing the small town fabric to suit informal trading**

South Africa has approximately 500 small towns (Xuza, 2012) which act as nodes for local economic development. Since these nodes are of population, economic activity and service delivery, these small towns have been recognised by many as being of importance to the development and transformation of the broader South African landscape, particularly in relation to meeting the economic development needs of rural communities and the growing numbers of people in small towns themselves (Nel, 2005). These towns form an important link between the understandings and practice of urban and rural politics, economies, communities and development processes and therefore require the application of a diverse, multidisciplinary and original set of ideas and interventions to be fully understood and engaged with in the context of economic activities like informal trading. There needs to be a refocus in terms of the approach taken by small towns in order to accommodate emerging economic activities like informal trading.

There needs to be focus on policies and strategies relating to small towns and the relevance of the broader national policy context to the informal economy. Economic development in small towns is a particularly important aspect raised within a broad spectrum of literature and incorporates a consideration of local economic development and the informal economy in small towns.

Literature on small towns in South Africa discusses their dynamics of change. Many South African small towns have experienced population growth, however this can be coupled with either economic regeneration or decline (Xuza, 2012). Those towns experiencing population growth are associated with an in-migration of wealthy middle class professionals and/or retirees as well as poor black communities who relocate from rural areas and from smaller settlements to medium sized towns (Atkinson, 2008b). Where there has been economic decline in small towns, studies question the reasons for this decline and the subsequent impacts for the rural hinterlands of these settlements (Van Niekerk et al 2010). Nel (2005) argues that decline is most evident in many towns where their main function was either mining or transportation. Furthermore, where agricultural processes have changed, where economic activity has become dependent on fast and reliable communications technology, and where markets have shifted from smaller nodes to more regionalized service centers, there has been a notable decline in small town economies and change is needed. (Van Rooy, 2007).

Studies which engage with the consequences of these changes highlight the effects of population growth in towns which nevertheless have struggling local economies, limited service provision and a lack of sufficient resources (Nel, 2005). Wessels (2010) raises a concern for the dangers for small town economies which have become increasingly reliant on social grants and other forms of state welfare as a predominant form of income. This reliance can undermine small town vitality and development, as it nurtures non-accountability and dependency (SALGA, 2011). Furthermore, where towns are in decline many formal jobs have been lost, skilled people have migrated away and poverty remains a chronic problem in many communities (Nel, 2005), the informal economy becomes an economic alternative when this happens. Also, where changes in municipal structures and demarcation have occurred, small towns have experienced diminished institutional and financial capacity to directly address challenges faced by economic sectors. (Nel, 2005).

Research regarding policy for small town management and development frequently centres on the lack of policy to address issues which undermine informal trading (Atkinson, 2008) and the recent shifts to improve the focus on small towns within the policy arena (Van Rooy, 2007). Gunter (2005) argues that the main problem is the inability of policy makers to understand what small

towns need, even as they identify that these places are ‘in need, particularly because of lack of formal means of employment. However, Xuza (2012: 344) believes that “the large number of government policies aimed at promoting development have at least exposed the development challenges in small towns but at best ignored them”. Policy emerging at a national level thus often prioritises the formal economy and makes few provisions for strategies that will meet the needs of the informal economy in small towns (SALGA, 2011). This often leaves the informal economy in small towns disempowered (Nel, 2005). Atkinson (2008), for example, argues that even small business support strategies that may be used to facilitate economic development in small towns are primarily focused on metropolitan areas with little implementation reaching small towns (Atkinson, 2008), there needs to be a shift in impetus to smaller towns as well in order to create a conducive business environment for economic activities there.

There are some policies which have been identified as useful for small towns. The Integrated Sustainable Rural Development Strategy (ISRDS) of 2000 is a national policy which is important for small towns as it encourages and facilitates economic development in small towns (Atkinson, 2008) and the 2006 Local Economic Development Strategy of the Department of Provincial and Local Government directs attention to economic development in small centres (Nel and Rogerson, 2007). Currently, where policy exists in relation to small town development, there is fragmentation and small pieces of relevant policy must be drawn from policy and legislation which addresses a whole range of different issues, including tourism, LED, rural development and employment (Van Niekerk and Marias 2008). Serious challenges exist for the application of these fragmented pieces of policy and nationally developed policies within the informal economy in small towns where the characteristics and abilities of small towns and the nature of the development policy equate to few benefits for implementation of policy and policy interventions in the informal economy in small towns (Van Niekerk and Marais, 2008). Despite the problems related to inadequate policy for informal trading in small town, much local economic development activity is attributed by the informal economy.

The fabric of Local economic development thinking is required to be fully integrated as a means of addressing many of the challenges facing informal trading in small towns, particularly by responding to local development issues while maximizing new growth potential of the informal

economy through an integrated approach that enhances the competitive advantage of that locality (Van Rooy, 2007). Much of the literature on small towns is focused on their economic development problems and the potential for creating improvement in both the formal and informal economy through collaborations of both economies for their better good.

Nel and Rogerson (2007: 1) have argued that “a set of severe challenges face LED in South African small towns and that LED policy needs to recognize these challenges and take on a specific focus on the needs of small towns. It is apparent that the less favourable resource endowments (natural and human), poor accessibility and relatively weak civil societies in these towns have undermined the viability of LED.” According to Nel (2005), small towns encounter challenges such as a lack of technical and financial resources, economic collapse, absence of sufficient services, and poverty. Although there have been a number of changes within the economic state of numerous small towns in South Africa through tourism and agriculture, small towns are seen to continue to struggle with stable economic growth and this is primarily of ignoring other sectors (e.g. Informal economy) which make that economy (Nel and Rogerson, 2007).

It is important for small towns to feed on the diversity of their economies and the small population and economic base on which they rely are also an important consideration, in contrast to larger metropolitan areas which are significantly more robust due to their size (Atkinson, 2008b). The current economic conditions effecting small towns are considered to be important in determining the potential for improvement and economic success (Atkinson, 2008). The challenging global economy, which has undergone significant change and, recently, extensive decline is especially viewed as problematic when considering small towns that are reliant on the agriculture and manufacturing sectors in the formal economy for their prosperity (Wessels, 2010).

The literature also indicates that institutional contexts produce challenges for economic development in small towns. The limited involvement of the informal economy in small town economies continues to affect their economic growth while the inability to access support systems and government programmes to uplift the informal economy hampers the development of capacity and the implementation of interventions (Pio, 2008). In many cases, the informal economy is excluded and cannot meet the stringent criteria of programmes which are initiated by the

government (Atkinson, 2008). Additional problems with the implementation of LED experienced by a number of small towns include weak project implementation and a lack of local community participation which is usually derived from an inadequate availability of suitably skilled people and resources and a the consequent failure to engage communities in LED interventions and programmes from the outset (Pio, 2008).

The linkage between small towns and the informal economy is a challenges facing economic development in small towns (Wessels, 2010) and should be considered an important element in changing the small town fabric to suit informal trading. As Dewees et al (2003: 52) state, “LED represents a geographical intervention in which place and scale are critical and because communities are seldom, if ever, homogeneous and unified, the unique social and economic geography of each locality prevents a single formula being put forward to remedy development problems”. Thus blanket policy and institutional arrangements as well as ‘cookie cutter’ LED interventions which exclude the informal economy often fail to create sustainable economic growth and quality of life improvements within small towns.

In addition, Atkinson (2008) argues that “to overcome the challenges facing economic development in small towns it is important to think about linkages between formal and informal businesses, and the need for provision of business support in pragmatic, accessible and efficient ways”. Consideration of the relationships between small towns and their rural agricultural hinterlands and between small towns themselves is also imperative (Xuza, 2012). In addition, critical analysis of how small towns in South Africa fit into their regional, national and even global contexts as seen to be vital to understanding how to leverage economic gains and improved competitiveness brought about by the integration of both the informal and formal economies (Wessels, 2010).

The creation of local partnerships is recommended as a means to the formulation and implementation of successful economic development initiatives in small towns. SALGA (2011: 2) argues that a successful LED strategy must be “a joint initiative by private sector, public sector and civil society as ultimately all stakeholders benefit from a stable, sustainable socio-economic environment.” In turn, the building and utilization of social capital, formal and informal

relationships in small towns, community participation and capacity building are described as key aspects of the successful practice of LED with government, local businesses, civil society and traditional authorities all needing to be involved ( Pio, 2008).

Overall, researchers argue that to improve success, LED intervention projects and programmes should not be seen as a one size fits all scheme for small towns and therefore caution against lifting strategies from one context and transplanting them into another (Xuza, 2012). Some towns have better markets, others have better non-agricultural growth opportunities such as those of mining and tourism, and others have better natural resources (Atkinson, 2008). As such there needs to be careful consideration of market and institutional capacity and livelihood structures when LED interventions are designed and implemented or the sake of certain sectors like the informal economy (Dorward, 2006). Furthermore, where government support of LED initiatives occurs in small towns, this support should be targeted to suit local characteristics and particular projects (Xuza, 2012)

Collectively, the themes of classification, the dynamics of change, inter-relationships with policy, and economic development concerns should form the predominant foci of contemporary research on informal trading in South African small towns.

## **2.4 LED strategies in small towns**

### **2.4.1 Introduction**

There is limited support given by government to informal traders in small towns. As a consequence, this leads to a reduced income stream which results in local services becoming less viable. The way in which small towns react to this change is discussed in this section. Small rural towns need to develop new approaches to economic development as they must go beyond relying on income from production (e.g. farming and mining). If changes are not made pro-actively, they face a potential decline due to both the restructuring of the remaining production-related activities and the shift away from traditional production. Despite the generally negative view of agricultural

restructuring, this process has allowed communities with strong leadership and entrepreneurial skills to seize opportunities to reinvent themselves and their economic base. The approaches taken by small towns in South Africa to support their economies must be beyond production targets. A common response to job loss and immediate economic decline is ensuring local economic development (Keen 2003).

#### **2.4.2 Local economic development**

Local economic development refers to the process in which local governments or community based (neighbourhood) organisations engage in stimulating or maintaining business activities and/or employment. “The principle goal of local economic development is to develop local employment opportunities in sectors (formal or informal) that improve the community using existing human, natural, and institutional resources” (Blakely, 2000:15). Many authors have discussed local economic development theory, but few specify detailed plans for achieving local economic development in a range of communities. The main goal of local economic development is that of developing local employment opportunities in locally appropriate sectors, like the informal sector, through building relationships between local government, community groups and the private sector to manage resources (Rogerson, 2002).

Local economic development is not an outcome but a process, which establishes and maintains a good environment for business in order to maintain jobs and income streams in a community (Blakely, 2002). The term 'economic development' is problematic in that it implies a linear path to predetermined goals with measurable steps on the way, and excludes notions of enhancing nonmarket resources (Eversole, 2003). There are a range of established measures, which are often not linear, for development policies. Successful local economic development is not usually a quick fix but lies in community capacity to attract business and maintain it (Blakely, 2002). In the context of a particular town the number one goal for informal traders could be maintaining the number of tourists and community members who buy from them by enhancing the quality and convenience through which their products or services are sold. Investment in infrastructure, human capital and

social capital are broad measures that produce long-term economic development results, while tax preferences and financial assistance are focused measures that provide quick benefits (Gorin, 2008).

The problems facing communities are unique and therefore there are no general policies to support development (Blakely, 2000). In the case of Umkhanyakude it is a lack of formal means of employment as well as skills, therefore it only makes sense for there to be focus on enhancing the informal sector potential through other sectors like tourism. Strategies emerge from the circumstances and are therefore unique to any context (Blakely, 2000:138). The solutions must be established for each locality (Blakely, 2000). Courtney and Errington (2001) noted the difficulty in providing a single definition for 'local economy', despite the ease of defining it in a single case. They illustrated this by suggesting it could be defined as the area from which the labour market commutes, as the shopping area, or as a defined radius from a central point.

None of these definitions will provide significant meaning in all research cases, but all are a way of describing an economic area (Courtney & Errington, 2001). Communities can be easily identified in spatial terms, especially when considering the territorial boundaries of local authorities, but it is more difficult to identify a community in economic or social terms (Hampton, 2005). It is important to consider not only the creation of new jobs but the appropriateness of the jobs to the community; high tech jobs in areas with low skilled workers will not provide relief in the same way as jobs that are matched to the skills of the unemployed workforce (Blakely, 2000).

Local economic development policies aim to create employment opportunities within local communities, but guidance on appropriate policies is limited due to the circumstantial nature of the problem and the difference in communities. Blakely (2000) gave some guidance by defining five key resources for successful local economic development, namely the five Ms (Blakely, 1989): Materials, Manpower, Markets, Management and Money. Without any one of these resources any local economic development initiative is likely to fail (Blakely, 2000). Blakely (2000) also grouped local economic development policies according to the target resource used, therefore it is important to note these critical elements in any local economic development initiative.

Locality development makes use of and develops the community's assets; in the case of Mtubatuba it could be through enhancing the skills of already existing informal businesses through focused programmes that have incorporated a line of action reaching out to the informal sector. Business development promotes the locality's resources to attract new businesses but these can be inappropriate, while human development views the target unemployment group as a resource for new business and develops the resource through training (Blakely, 2000).

There are a number of different ways to categorize local economic development strategies, but they are commonly labelled as being either exogenous (originating externally) or endogenous (originating internally). The next discussion will focus on these two categories in order to create a clearer perspective with regard to the way local economic development can be approached; this will depend on the particular goals and resources available in that locality

### **2.4.3 Exogenous and Endogenous Local Economic Development Strategies**

Exogenous policies are often the focus of local economic development discussions but are also often less effective in the long term. Exogenous policies involve attracting businesses from other locations by enhancing the environment from a business point of view. Methods for creating this environment include providing incentives, reducing barriers to development, or offering tax reductions (Jones, 2008). Neoclassical economic theory, while often criticized for its anti-interventionist approach, can provide useful insights for development theory. Consequent to the concepts of equilibrium and mobility, private capital investment should be naturally drawn away from high cost areas to lower cost areas as this provides for a higher return on investment, therefore barriers that stop this movement of capital should be reduced and resources actively put into attracting capital to low cost areas (Blakely, 2000). A limited government budget means that providing monetary incentives for business reduces spending on other public goods and services such as education, however there is no indication of whether the provision of business incentives or the provision of public goods and services is better for economic development (Gorin, 2008). Any businesses attracted through these methods are likely to be equally happy to move on again when there is a better offer, leaving a community with no permanent benefit (Jones, 2008).

Endogenous policies focus on local assets and resources and on partnerships within the community to build social and economic capacity (Jones, 2008). A central ideal in local economic development theory is that development should focus on opportunities that suit the local area's workforce and resources focusing on what they can supply, rather than necessarily on what is demanded by the broader economy (Blakely, 2000). They also aim to encourage businesses already connected to the community, which are less likely to move on (Jones, 2008). Firms that are well integrated in the community should be supported as that support is more likely to result in sustainable benefits for the informal economy and community (Courtney & Errington, 2001).

Endogenous methods include providing the right conditions for small local business growth, so that as local businesses grow they are able to provide more jobs for members of the community (Jones, 2008). "The growth of industries that use local resources, including labour and materials for export elsewhere, will generate both local wealth and jobs" (Blakely, 2000:62). Endogenous policies are broadly categorised as being more beneficial than exogenous policies, but there is a lack of direct and specific guidance on how to encourage and implement them. This is where the community members come in because creating good policies in LED is not enough; these policies have to be implemented by community members with some guidance from the policies.

#### **2.4.4 Enhancing informal trading through community-led Local Economic Development**

Local economic development requires significant efforts from a variety of bodies, including the government and the private sector, yet the most important role players should be the people within the community. Local economic development principles are grounded by ensuring that the people of a certain locality are the stakeholders of projects and initiatives, and the significant amount of benefits should be directed towards the community members. This section will clarify the concept 'community' in local economic development thinking.

Community participation is an essential part of human growth. "Through it people establish dignity, self-esteem and own their development process" (Theron, 2005:121). According to Chinemana (1992:4), "local economic development entails seeing progress in the lifestyle of

people within a certain locality". It is the upward movement of an entire social system, which includes both economic and non-economic elements of an area. Local economic development can therefore be interpreted as a long-term, sustained process, involving improvement or progress (Muller, 2003). Chile (2006) defined community development as policies and practices concerned with processes aimed at bringing about desirable change in society through organising, coordinating and initiating activities that enhance the wellbeing of individuals, groups and communities.

Friedmann (1992:7) stated that "everybody is in possession of a world of his/her own and nobody can interpret this world better than he/she can". This is why local economic development has to begin with the people who know most about their own livelihood systems. The knowledge and skills of these people have to be valued and, in the process, they should be encouraged to develop themselves (Mikkelsen, 1995). Oakley et al. (1991) supported this point and further stated that people cannot be developed - they can only develop themselves. Informal traders should therefore be encouraged and given the opportunity to develop their skills. For example, different informal businesses can be given the opportunity to present their financial data to the rest of the municipality at forum meetings.

Members in charge of the informal business chambers should also calculate how much money is being made by the entire community of informal traders and report back to them. Because people are a central part of the development process, their capacities and skills should be developed so that they can negotiate and seek the resources they require for the betterment of their lives (Theron 2005). According to Theron (2005), the people should have a stake in the LED process, and one way of encouraging this is by using appropriate methods and techniques which are well-known to them. This plays a critical role in providing immediate access to the benefits of development and to secure sustainable LED (UNDP, 2000).

Although community participation is essential for LED, it does not come without its challenges. According to Theron (2005), few put community participation into practice. This is a challenge in itself because there are numerous reasons why the people who should ensure that community participation is put into practice in the best way possible, neglect to do this (Wild & Marshall,

1999). For example, if a community development worker is underpaid, he/she might be uninspired. In this case, the work that the community development worker does, i.e. ensuring that the community participates in the best way possible, will be affected (Wild & Marshall, 1999). This reflects the complexity of community participation and it reminds us that not only do different stakeholders have to work together, but that establishing and maintaining excellent relationships are important for tackling issues such as local economic development. A question that must be asked is how we can motivate people to put community participation into practice in the best way possible.

Another challenge that stands in the way of attaining effective community participation is the fact that local elite groups in many Third World countries have dominated communities (Taylor, 1994). This has resulted in people, especially the poor, becoming accustomed to leaving decisions and initiatives to their “leaders” (Oakley et al., 1991). This is problematic because the people themselves are the real actors of positive change and sovereignty resides with them. The people assisting with their development should recognise that they are participating in support of the people’s agenda and not vice versa. The most important role player is, and should be, the communities (Theron, 2005), and if people are allowed to make use of indigenous knowledge systems they can act appropriately to become masters of their own destiny (Theron, 2005). Given these obstacles, there is a need for community participation to be an ongoing commitment (Wild & Marshall, 1999) and for this commitment to be implemented in practice (Theron, 2005).

According to Oakley and Marsden (1984), “community participation is a key element in development”. Raniga and Simpson (2002) highlighted the fact that community participation is an essential feature of any community development initiative as it enhances the capacities of individuals and communities to mobilise and help themselves (Oakley et al., 1991). When people are central to the development process attempts to promote social and economic development are accelerated (Midgley et al., 1986), however a deeper, more sustained and comprehensive engagement with communities and beneficiaries is required to ensure that projects are integrated into the local social and economic fabric. People should be able to participate directly in development efforts in order to succeed with strategies and programmes to alleviate poverty (Swilling, 2004). Theron (2003) stated that people will only participate if they have a direct stake

in the project. Delivering development is thus not an easy process and it will not be sustainable unless the community participates in the conceptualization, planning, implementation and monitoring of development projects. At the same time, it should be seen as a collective effort (Taylor, 1994). One way of orchestrating this engagement is through the forging of partnerships with communities and beneficiary groups (Swilling, 2004:8), such as, for example PPP, LED and IDP programmes in South Africa.

Individual communities must market themselves and their sectors (informal sector) to attract development, as national policies usually fail to enhance the goals of individual communities. Communities must use their resources to create a competitive advantage and establish a sustainable economic base for informal trading (Blakely, 2000). Asset-based community development is a local economic development strategy which focuses on bottom-up approaches, where community organisations locate and utilize their locality's resources to achieve economic development (Squazzoni, 2009).

The role of the community in local economic development is often initiating, and to a lesser extent controlling, the development process. For example the people engaging in informal trading are the ones experiencing the problems which are preventing development, and they are the ones most in touch with what solutions may be feasible or may provide the most benefit for them. Local initiative and support is often the only driver for any initiative aimed at developing informal trading, including tourism (Eversole, 2003).

Community-driven development usually has lower capital investment and higher community input into decisions (Davis & Morals, 2004). This can only be positive for local economic development, therefore community members should be at the forefront of local economic development. They are the most important piece to the local development puzzle as they have the power to cause development efforts to be stagnant. Informal trading is a community-based activity and informal traders who are community members should therefore be the focal point of local economic development in small towns.

## **2.5 Conclusion**

The theory of local economic development and community focused development has been discussed. The changes that took place in small South African towns after 1994 were explored, as were the challenges which the informal traders face, with the researcher looking at how these challenges have surfaced through an assessment of some urban planning regulations in South Africa. These regulations are seen as critical for solving some of the challenges informal traders face. Informal traders require laws that recognise their economic activity and ensure their right to a trading space. Informal traders engage in this activity in most cases to support their livelihoods, therefore in this chapter the sustainable livelihoods approach was explored. Street vendors have pride that their survival is due to their own efforts, therefore informal trading can be seen as critical in supporting livelihoods of communities in small towns through the dignity it gives to them. The other critical point is that the informal economy cannot survive and grow on its own, as it needs a formal economy to hook on.

This chapter looked at how local economic development theory provides a framework for exploring how a local area is creating and maintaining informal/formal businesses to create community wealth, while exogenous and endogenous local economic development theories were also explored. The endogenous focus on the community led to a discussion on community development theory, which looks beyond economic factors and considers how development can generate social benefits, including skills building, which will support the community in the future.

Theories dealing with the use of tourism as a development driver to stimulate the informal economy in small towns was also discussed. Tourism development can be seen as a driver for local economic development and, to some extent, community development. Tourism activities can provide for economic and social benefits to a community directly through employment and indirectly through other sectors like the informal sector hooking into it. Tourism can provide economic and social benefits by attracting visitors to a community, hence increasing the purchasing power of that area for that time. This chapter provided a framework for the research by summarising the current, relevant trends and theories within academic literature.

## **CHAPTER 3: RESEARCH METHODOLOGY**

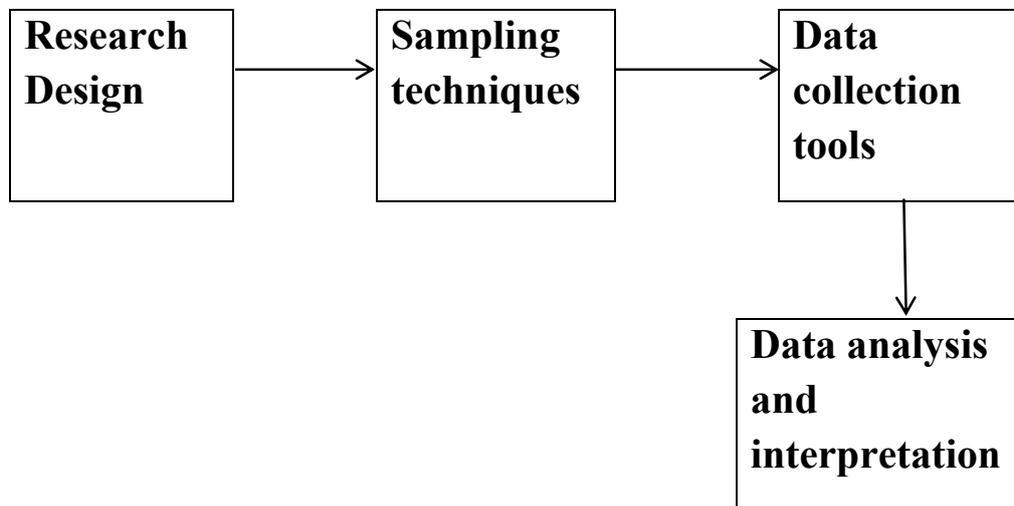
### **3.1 Introduction**

Research methodology refers to the tools and techniques used in a research process (World Bank 2007). A case study is a research strategy which focuses on understanding the dynamics which are present within single or multiple settings. Case studies combine data collection methods such as interviews and observation. Mtubatuba is a local municipality within the Mkhanyakude district municipality in the northern part of KwaZulu-Natal, which was selected as a case study for this research.

The methodologies selected for this study were based on the need to understand the informal sector, in particular informal trading within small towns, in terms of the contributions that it makes in the lives of the people engaging in it and how it affects the local economy of Mtubatuba local municipality in order to come up with feasible strategies to better informal trading in small towns of KwaZulu-Natal local municipalities. The selected case study is intended to give a broad perspective about Mtubatuba and the Mkhanyakude district in terms of the LED strategies which could be relevant in enhancing the informal economy. The selected case study also aims to look at ways to ensure optimal sustainable efficiency of informal businesses, which will enable them to graduate beyond the point of being informal. The research will adopt a mixed methods approach in order to achieve its objectives.

The study is aimed at helping small towns understand the informal economy in South Africa and to create a conducive working environment for not only themselves, but for formal businesses to work in conjunction with them and hence mutually benefit from them. It was therefore the intention of this study to go deep into the issues with the help of this methodology. The researcher felt this was the best methodology under the circumstances and given the resources that were available to him. It was the intention of the researcher that the methodology would not be biased and would be based on the perceptions and concerns which were put forward by the respondents.

This section describes how the research was carried out, as well as the research design, area of study, data collection methods, sampling techniques, data analysis and interpretation.



**Figure 2: Flow diagram of research methodology (Author's own)**

### **3.2 Research design**

The study used a mixed methods approach in order to obtain information from informal traders and municipal officials, which, according to Creswell (2009), is more than just collecting and analysing both kinds of data, as it strengthens the study as it becomes greater than both the qualitative and quantitative approaches used individually. It can be argued that the application of the qualitative approach alone may not guarantee valid and reliable research findings (Creswell 2009). The study was undertaken through the use of one-on-one interviews with municipal officials which enabled room for follow up questions and note-making. According to Joseph (2009), the qualitative method allows the researcher to have close contact with people and thus focuses upon their real experience. It also allows the researcher to know the people personally, to see them as they are and to experience their daily activities.

Questionnaires and interviews were undertaken as part of the mixed method approach utilised. The questionnaire consisted of both closed and open ended questions, and was distributed to the

sampled groups and analysed. This tool helped with identifying various issues such as the contribution of informal trading on employment per household of each trader, the average monthly profit per sampled trader, demographics and more. It can be argued that the application of a qualitative approach to research alone may not guarantee valid and reliable research findings. It can be argued further in this research that obtaining information from a government institution through qualitative interview research methods was unlikely to fully represent the feelings and experiences of the informal traders concerned. For this reason, obtaining information from such institutions without obtaining information from the informal traders would have limited the guarantee and the extent of (validity and reliability) of the findings.

### **3.2.1 Secondary data**

The study made use of secondary data from reports from various sources such as government departments, non-governmental organisations (NGOs) such as newspapers, municipal documents and the literature review in this study. Secondary sources of data were relevant to the study for statistical purposes in trying to establish the trends in the informal sector within the study area and South Africa. Through the review of secondary data, the researcher was able to generate themes that would help formulate the research objectives and be in a better position to examine critical questions regarding issues like the services available to enhance informal trading.

### **3.2.2 Primary data**

The study made use of primary data, which is a type of information that is obtained directly from first-hand sources (Creswell 2009). An advantage of using primary data is that researchers are collecting information for the specific purposes of their study. In essence, the questions the researchers ask are personalised to produce the data that will help them with their study. The researcher collected the data for the study through self-administered questions for interviews, direct observations and questionnaires.

Qualitative methods were used to collect data that could not be subjected to statistical tests. The qualitative method was also used to gain information about laws, policies, opinions, activities and

ways through which these activities have been implemented, which enabled the researcher to establish the cause and relationships created between informal traders, local authorities and formal businesses. Personal observation also fell under the qualitative nature of the study, which helped in identifying the type of environment the informal traders are working in and hence helped the researcher to come up with recommendations. It was found that the type of environment can be influenced by the relationship the traders have with authorities and adjacent formal businesses. The quantitative method also helped in assessing the role of informal trading using closed and open-ended questions; this was the most appropriate method as this approach, according to Creswell (2009), focuses on the real experiences of the people.

### **3.3 Sampling procedure**

Data was collected at street intersections, bus and taxi ranks, and along the road where informal traders do business, as well as from municipal officials. Because the informal traders were scattered throughout the town, the sample was determined by utilising simple random sampling. According to Welman *et al.* (2005) in random sampling each member of the population has the same chance of being included in the sample. The researcher sampled street vendors to participate in the study from three different locations, namely a taxi rank, along Inkosi Mtubatuba Road, and on street intersections. For convenience, the transect sampling method was used. According to Manly (1996), the transect is simply a line that spans the gradient of interest and then the researcher locates the people to be included in the sample along this line. The researcher had a transect line in each of the selected locations and selected informal traders accordingly. In the taxi rank a transect line was used to select informal traders in the sample, along Inkosi Mtubatuba Road informal traders under the stalls were selected precisely using a transect line. Lastly, informal traders adjacent to formal businesses were selected using the transect line, which included informal traders along street intersections.

The questionnaires were distributed to informal traders in the selected transects within the urban area where informal traders were mostly concentrated. It was impossible to determine the exact number of traders within the town as there is a constant fluctuation of numbers on a daily basis, due to the fact that not all traders work every day of the week and not all at the same times. The

researcher thus did a headcount in each of the selected locations and used an estimation. The total head count amounted to 100 informal traders and the researcher therefore distributed 100 questionnaires, which ensured that the sample had an estimated 100% level of confidence and a 0% margin of error. A sample size table was used to help determine the sample size. The table below (Figure 3) represents calculations from a sample size formula and may be used to determine the appropriate sample size for almost any study.

Required Sample Size <sup>†</sup>								
Population Size	Confidence = 95%				Confidence = 99%			
	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583
100,000	383	778	1513	8762	659	1336	2585	14227
250,000	384	782	1527	9248	662	1347	2626	15555
500,000	384	783	1532	9423	663	1350	2640	16055
1,000,000	384	783	1534	9512	663	1352	2647	16317
2,500,000	384	784	1536	9567	663	1353	2651	16478
10,000,000	384	784	1536	9594	663	1354	2653	16560
100,000,000	384	784	1537	9603	663	1354	2654	16584
300,000,000	384	784	1537	9603	663	1354	2654	16586

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**Figure 3: Sample size table (The Research Advisor 2006)**

Purposive sampling was used for the municipality officials because information about the informal traders needed to be taken from relevant officials within the municipality. According to Putton (2002), the main goal of purposive sampling is to focus on particular characteristics of a population that are of interest, which will best enable the researcher to answer the research questions. The sample being studied is thus not representative of the population, but for researchers pursuing

qualitative or mixed methods research designs, this is not considered to be a weakness but rather a choice, the purpose of which varies depending on the type of purposive sampling technique that is used (Patton 2002). The key informants were a sample of three municipal officials from the LED unit of Mtubatuba municipality. As part of this research study interviews were held with the LED Manager, the LED officer and the General Manager of the LED unit of Mtubatuba municipality. The study was designed to assess the role of informal trading in the town of Mtubatuba in terms of economic development and supporting human livelihoods. Both the interview questions and questionnaires were set out in a way which enabled the researcher to answer the research questions and meet the objectives of the study.

The purposive sampling methodology was therefore necessary in order to involve relevant municipal officials. The interviews with officials were structured and conducted through a set of meetings because of their busy schedules.

**Table 1: List of participants**

<b>Name</b>	<b>Organisation</b>	<b>Position</b>
Respondent 1	Mtubatuba LM	General Manager
Respondent 2	Mtubatuba LM	LED Manager
Respondent 3	Mtubatuba LM	LED Officer

LED officials in local municipalities are seen as drivers of LED strategies within the locality, and are said to be those that link and coordinate LED strategies within the locality through IDPs. They also link and coordinate the activities of stakeholders in local economic development on a local municipality level and promote the implementation of local economic development in line with the district strategy. LED practitioners within the local municipality also identify viable opportunities with local government. The offices of LED practitioners support local economic development through the formation of strategies that will empower various sectors of the economy, such as the informal sector.

### **3.4 Data collection tools**

These are the tools that were used to facilitate the collection of the information from the respondents. In the study, the researcher served as an instrument of data collection and focused on the participants' views. The study encompassed an assessment of the people's experiences, attitudes and behaviors towards issues in informal trading, using both primary and secondary data sources. The tools included self-administered questionnaires, interviews and observations, which will be thoroughly explained below. The questionnaires and interviews were conducted in such a manner that yielded information that enabled the researcher to assess the role of informal trading in the development of small towns in terms of the study objectives.

#### **3.4.1 Self-administered questionnaires**

The questionnaires consisted of a set of pre-set questions, which had both closed and open-ended questions that the researcher administered to respondents (see Appendix). The questionnaires were in English and were taken to the selected respondents to complete. In cases where the respondents could not read and write, the researcher read out the questionnaires, asked the respondents to answer and filled in the answers given. In cases where the respondents did not understand English, the researcher translated the questions into Zulu. The researcher distributed the questionnaires to the selected areas where informal traders were more concentrated in accordance with the sampling method.

#### **3.4.2 Interviews**

The researcher gathered part of the primary data that addressed the study's aim and objectives by undertaking semi-structured face-to-face interviews with municipal officials. Probably the greatest advantage derived from interviewing is the interaction that occurs between the interviewer and interviewee. Open-ended questions were used, while photographs and other visual objects were used as a mechanism to open discussions regarding the trading areas. The interviews were key informant interviews, which were conducted with municipal officials from the LED unit of

Mtubatuba municipality who were considered specialists in LED. The participants were given a consent form informing them of their rights, which had detailed information about the research, why it would be useful for them to participate and how it would benefit their town. The researcher also held informal conversations with informal traders.

Ethical considerations were also addressed (see Appendix); each participant signed their consent form with the understanding that the research would not harm them in any way, that what was said during the interview was deemed confidential and that their names would not be published (see Appendix). The researcher then handed them the interview sheet which consisted of open-ended questions. These were used to gather information which simplified responses and assisted in data analysis. The interviews assisted the researcher to gather information about the role of informal trading in the economic development of small towns.

### **3.4.3 Observations**

Activities carried out by the informal traders were viewed and problems faced by the informal traders arising from the authorities and municipal officials were observed. The researcher also attempted to address the objectives of the study through observation of various methods used by the local traders to benefit from the resources which are available in the town. In essence, the observations provided specific incidents for follow up interviews. The researcher also observed the physical environment of the traders. Field notes were written in order to document these observations.

### **3.5 Data Analysis**

There were three categories of findings for the results and analysis in this research: firstly, the findings obtained through the semi-structured interviews, secondly, the findings obtained through structured questionnaires, and thirdly, the findings obtained through observation. Once the relevant data collection was complete, the data was analysed through interpretation of the interviews, questionnaires and observations. The purpose of interpretive analysis is to provide not only definitive proof, but also a robust description so as to better understand the issues identified by the researcher as perceived in the study area (Creswell 2009).

### **3.5.1 Qualitative analysis**

In analysing the qualitative data the study used a universal approach called Dey's prescription, which, according to Kitchen and Tate (2013), can be applied to study all types of qualitative data. This approach provided the researcher with a clear set of guidelines for analysing the data. According to Kitchen and Tate (2013:230), Dey (1993) "suggests that the core of qualitative analysis consist of the description of the data, classification of the data and seeing how concepts interconnect". Qualitative analysis is thus an ongoing process involving continuous reflection about the data, asking analytical questions and writing memos throughout the study (Creswell 2009). The researcher analysed qualitative data based on the themes or perspectives she identified in accordance with the research objectives.

### **3.5.2 Quantitative analysis**

The researcher coded the questionnaires and answers given by the respondents. Descriptive statistics were used to give a basic outline and visual representations of the quantitative data by the use of SPSS Statistical software and Microsoft Excel. Graphical representations were given where appropriate and the interpretation of the meaning of these stats in relation to the research objectives was appropriate for the study.

### **3.5.3 Synthesis of the data**

Synthesis of the findings from three data sets transformed the data through the collective analysis of the data. The researcher reflected on the findings in the light of the objectives and the theoretical framework, drawing on both of these to synthesize the data. The researcher quantified the qualitative data by creating codes and themes in order to have a holistic understanding of issues pertaining to small town development through informal trading, then counting the number of times they occurred in the data of the questions asked via the various instruments. According to Creswell (2013), a mixed method approach incorporates both qualitative and quantitative elements in such a way that the qualitative and quantitative data complement each other. The qualitative and quantitative data in the context of this study complemented each other in order to tell different aspects of the story pertaining to informal trading, small towns and influential institutions.

### **3.5.4 Conclusion**

This chapter detailed the research approach to the study that is discussed in the following chapters and provided the reader with the necessary background to understand the nature of the research that was conducted by explaining the processes that were involved in collecting the data. The researcher ensured that the methodology was as clear as possible and minimized elements that would have made the data unreliable. The mixed methods approach was very relevant in the context of this study in order to have a more holistic view on informal trading issues. The section that follows covers the data analysis and the discussions that emanated from the findings in an attempt to reach the study's objectives.

## **CHAPTER 4**

### **INFORMAL TRADERS: PROFILE PROBLEMS, PRACTICES**

#### **4.1 Introduction**

This chapter presents the results and analysis of the research study. As such, the chapter is an account of the results of the questionnaires that were distributed and the interviews that were conducted during the course of the research. The questionnaire drew information regarding the demographics, trading circumstances and the context of the traders' relationships with other institutions. The questionnaire was further supplemented by the responses that were received from the municipal officials in the interviews that were conducted. The sections within the chapter therefore begin an overview of the demographics of traders within Matubatuba. In terms of trading circumstances and context, the discussion addresses the environment in which the informal traders are working and examines their socio-economic status as they engage in an informal economic activity. Furthermore, discussion will cover the relationship between traders and other institutions in terms of the interactions the informal traders have with influential bodies such as local government departments and private sector. The influence of those interactions on their relationship will be discussed, and hence how they influence the economic outputs of informal businesses. Through the presentation of these themes, the objectives of the study are met and thereby provide a clearer picture of the role of informal trading in the economic development of Matubatuba and, potentially of similar small towns.

Demography involves the statistical study of human populations. As a very general science it can analyse any kind of dynamic living population, i.e. one that changes over time or space (Preston et al 2000).

#### **4.2 Demographic profile of traders**

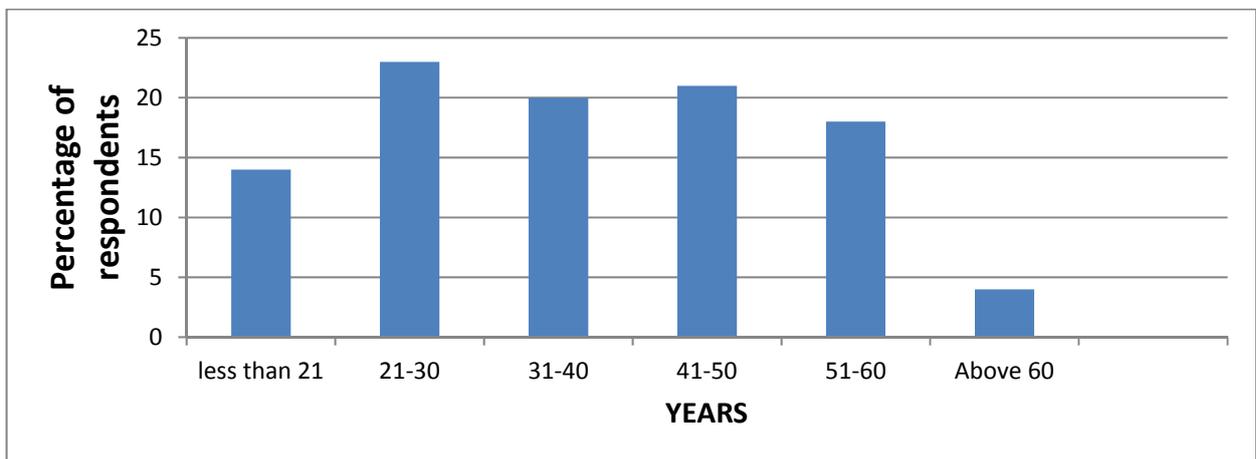
##### **4.2.1 Introduction**

This section presents descriptive statistics about the informal traders in the sample, dealing with age, marital status, nationality and level of education. These statistics enable the researcher to understand the social climate of the informal traders, which has a significant effect on the informal

traders' livelihoods and contributes towards whether they have access to employment opportunities within the town.

#### 4.2.2 Age and gender

An understanding of the age structure of the informal traders in Matubatuba is important for planning purposes and the management of informal trade within a municipality. The traders mainly fell within the age group of 21 to 50 years. The majority of people engaged in informal trading are within the working class of South Africa, the majority of which are aged between 21 and 30, followed by people aged between 41 and 50. The least amount of traders fell into the age bracket of 60 and above; this is due to the physical limitations of people who are old as they are not as active as younger individuals. Figure 4.1 reflects the ages of the informal traders within the sample.



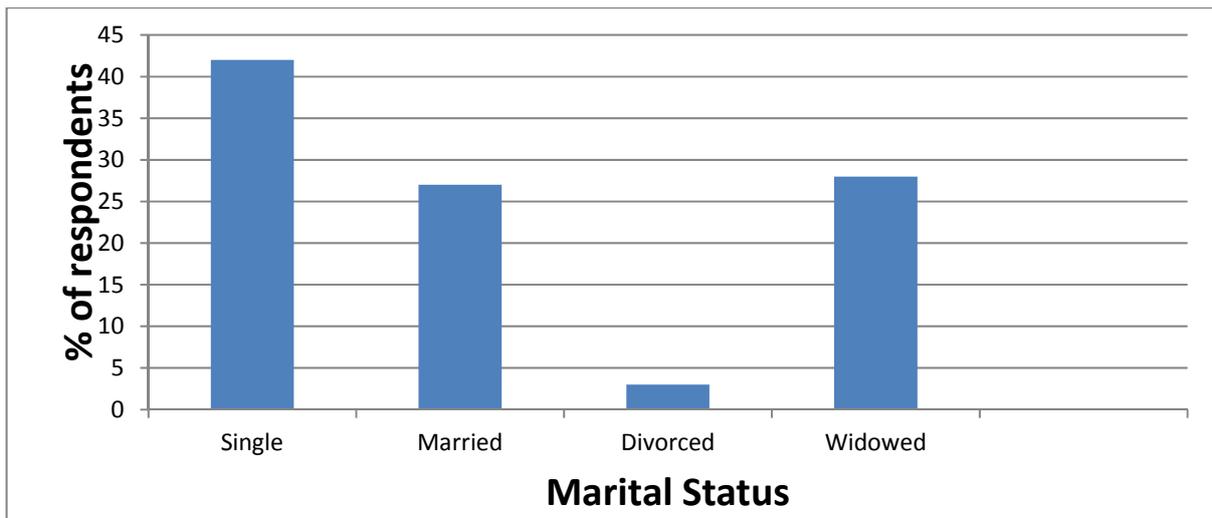
**Figure 4.1 Age structure of respondents**

Given the trends in age of the traders, when planners are planning for the accommodation of informal traders they must cater for the needs of the particular age classes that dominate, which are in this case are 21-30 years and 41-50 years, and not focus so much on those resources that would be needed by older individuals.

The group that made up most of the traders in the sample were female. The reviewed literature and the above analysis verify that in most cases, there are more female street vendors than male. The male street vendors tend to be younger while the female street vendors are older.

### 4.2.3 Marital status

Marital status is influential and important in the work of informal traders because in many cases marital status determines the level at which a particular informal trader is dependent on informal trading and can be understood as part of the reason why a particular trader might be dependent on informal trading because a partner can support financially. Figure 4.2 represents the marital status of the informal traders sampled in the study.



**Figure 4.2 Marital status of respondents**

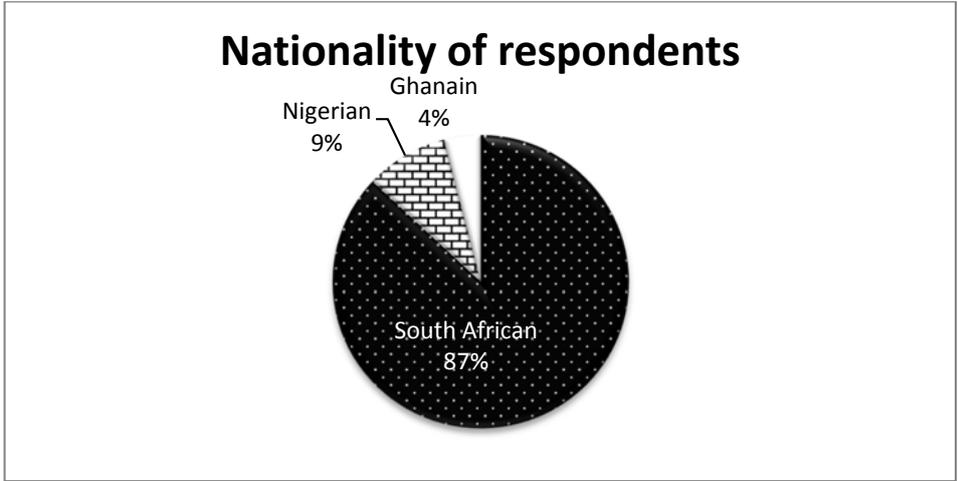
In terms of marital status, the results indicate that most of the traders are single (unmarried) (approximately 42% of the respondents), and that the second largest group was comprised of widowed traders at 28%. Most of the informal traders were single and the research carried out by SEWU indicated that many woman street vendors start trading when they are widowed. It is thus likely that the single traders were the bread winners in their families and had no one else to help them. This is confirmed by SEWU, which noted that informal traders are independent (self-employed), with most being the main bread winners in their households. Some of the street vendors were married (27%). These street vendors thus had some support system in their lives and the others were widowed or divorced and had children that they supported. This means that informal trading was an alternative for mostly people with no partner, be they single or widowed individuals, but less so for people who were married as these people had some sort of support system.

#### **4.2.4 Nationality**

Nationality plays an important role in the work of informal traders. Figure 4.3 represents the nationality of the traders within the sample of surveyed traders. The majority of the informal traders (87%) were South Africans. The remaining 13% were from Ghana and Nigeria, with 9% being from Nigeria and 4% being from Ghana. The foreigner traders were all males, the majority of which cut hair.

Foreign traders should have valid documentation to be in the country, however according to Barnet and Froze (2007), in most cases, vendors are not issued with any identification showing that they have a legitimate right to be selling in the streets, which exposes foreign nationals to harassment, including the confiscation of goods, assaults and demands for bribes. Illegal immigrants often refrain from selling on the streets because if they are found to be in the country illegally they are threatened with deportation. Some of the vendors who are not from South Africa are also not comfortable with trading on the streets because they are seen as threats by South African traders in terms of competition (Barnet & Froze 2007).

It was possible to gather information as to the reasons why the respondents left their country of origin. The reasons varied from trader to trader, but the most common reason for coming to South Africa was the economic situation in the country of origin. Traders usually come to South Africa with the hope of gaining formal employment, but are unable to get jobs in the formal sector as employers prefer South Africans above immigrants. Furthermore, these migrants often do not have the necessary documentation to make them eligible for employment in the formal sector. Thus migrants turn to informal trading as a form of employment, since regulations are not enforced as rigidly in the informal economy as in the formal economy source.

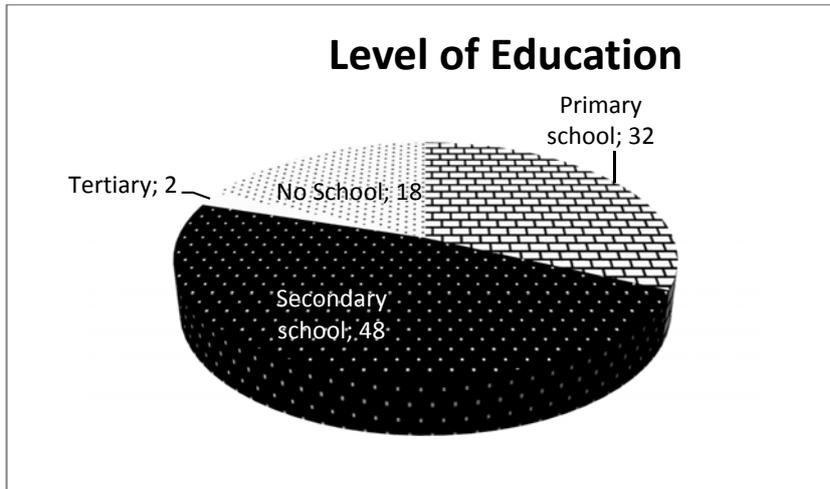


**Figure 4.3 Nationality of respondents**

For informal traders to function in harmony with each other and for foreign traders not to be subject to abuse or any sort of discomfort when trading, the establishment of the various nationalities is crucial to counter any problems that might occur. Nationality figures are also important when trying to reduce the level of illegal immigrants, as they provide an information platform for managing immigrants. Since the majority of traders are South Africans, planning for informal trading within the town of Mtubatuba needs to attend to the potential need for protecting the foreign traders, to strengthen relationships and to building understanding between foreign traders and South Africans.

**4.2.5 Level of education**

The study determined the level of education of informal traders in the area. Figure 4.4 represents the level of education of the respondents. Not all of the traders included in the secondary school section passed matric; some respondents had passed grade ten (the former standard eight), some had passed grade nine and some had passed matric (grade 12). A high percentage of the respondents had a secondary level of education. Respondents with a tertiary level of education were mainly foreign nationals who had fled conditions in their own countries to seek better paying jobs in South Africa, but had resorted to street trading. About 18% of the respondents had no schooling; this age group was dominated by people aged 50 years and older.



**Figure 4.4 Level of education of informal traders**

Given these statistics, it can be said that informal trading supports people with no tertiary education. This is partly because in the South African economy and in small towns within the country formal jobs for such individuals are scarce. This reliance on informal trade releases tension in the town in terms of absorbing people for employment in the formal sector. Education level is an important consideration in terms of planning or strategies which can be devised to shift some traders from informal to formal sectors, and who might be best prioritized for different types of training. According to the IDS (1998), the livelihood approach focuses on production, employment and household income. It can therefore be said that informal trading is good for the local economic development of the town because it creates employment opportunities (household income) for those individuals who cannot be employed in the formal sector, and increases the capacity of the town in supporting the livelihoods of the people.

The cross tabulation of nationality and level of education is useful to note because it identifies the range of education and skills across the foreign informal traders and the South African informal traders.

**Table 2: Cross tabulation of nationality of respondents and their level of education**

Level of Education	South Africans	Non- South Africans
No School	18 %	0%
Primary School	27%	5%
Secondary School	42%	6%
Tertiary	0%	2%

The foreign traders seemed to be more educated than the South African traders, irrespective of finding fewer foreign respondents than South Africans. Only 2% of the respondents said they had a tertiary education and they were all foreign. Eighteen percent of the respondents said they had no education and they were all South African nationals. Therefore on the road to local economic development, planners must focus on interventions that will empower South African informal traders in terms of skill and education.

#### **4.2.6 Conclusion**

The section gave a background on the demographics of informal traders and a baseline sense of who the traders are and what they might need. The important role that informal trading plays in employment and supporting human livelihoods was clear from the data presented. It was found that informal trading mainly employs people between the ages of 21-30 and 41-50, which was important in showing its contribution to employing individuals in those age groups. It is evident that the youth of South Africa is dependent on this sector. Informal trading also caters for widowed women as these are often the main breadwinners in their households, ensuring that not only their livelihoods are met but those of family members within their households who depend on them. For foreign educated nationals who found it difficult to find formal means of employment because South Africans are preferred in the formal sector, informal trading is an economic alternative for them to survive and attain employment. In term of the relationship between foreign informal traders and local authorities, there needs to be improvement as a lack of documentation causes the informal traders to be vulnerable to harassment. From the findings above the important role of informal trading in supporting human livelihoods and providing means of employment is identified through the responses of the informal traders.

### 4.3 Informal trading circumstances and context

#### 4.3.1 Introduction

The circumstances and context under which informal traders operate is very important for the efficiency of their businesses. In order to assess the context in which Mtubatuba traders conduct their work, the following section will focus on the distances travelled by informal traders from home to where they trade; the basic services accessed during the time they are working; the challenges faced by informal traders as they are working; as well as the trading areas which are occupied by informal traders. The assessment of these circumstances and the context in which informal traders work will help in identifying some of the issues within the informal economy which might also influence the relationships of informal traders and local authorities and formal businesses. The issues identified will create awareness of some of the problems hindering informal trading and provides a basis from which improvement of the conditions under which informal traders work can be considered.

#### 4.3.2 Distances travelled by informal traders between places of residence and trade

Distance plays an important role in the work of informal traders, for informal traders to function well they need to be located in an area which is closely located to the trading site (Motala 2003). Figure 4.5 represents the distance that is travelled by the traders, from where they live to their trading site.

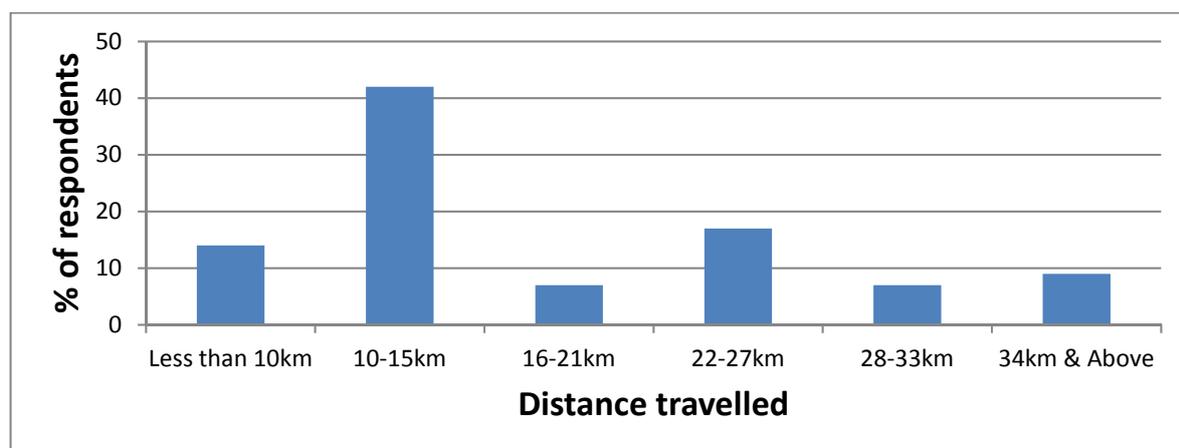
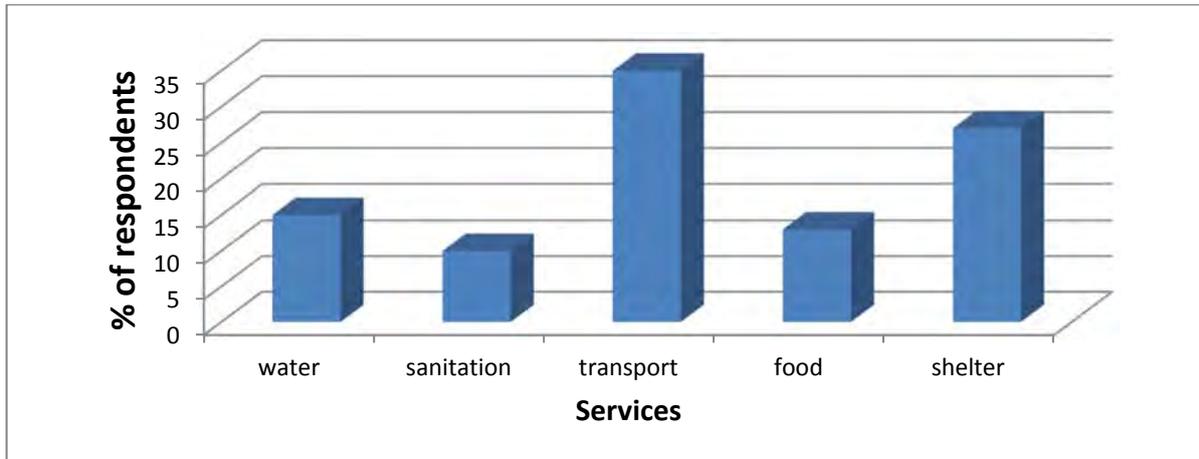


Figure 4.5 Distances travelled by respondents

The majority of traders came from closely located areas, approximately 56% of the respondents said they were coming from areas located at most 15 km away. There were a few respondents who came from areas further than 34 km away, namely Enkangala and Esiyembeni. It can thus be said that commuting distance can be a pull factor for those closely located and a push factor for those traders who live far from town. The distance decay model thus comes into effect where the interaction between two locales declines as the distance between them increases (Daniels 2000). According to Daniels (2000), once the distance is outside of the two locales' activity space, their interactions begin to decrease. This means that if informal trading is to improve, planners need to find ways of reducing these commuting distances or providing cheaper alternatives to transport informal traders. Informal traders themselves can locate themselves strategically closer to where they trade by relocating to alternative residential accommodation.

#### **4.3.3 Basic services accessed during trading**

Basic services are an essential part of any sort of activity that is aimed at bettering the situation and wellbeing of people, and basic services for informal trading is no exception. People in trading sites stay there for long hours on a daily basis, thus they need services that will ensure that these long hours do not impact negatively on their wellbeing. Informal traders are generally understood to be disadvantaged in the areas of security, transport and municipal services (Motala 2003). Given the need for servicing and the common experiences of traders as lacking adequate service provision, this research examined the services that informal traders have access to around trading sites in Mtubatuba. Figure 4.6 represents the accessibility of services to traders around their respective trading sites.



**Figure 4.6 Basic services accessed by informal traders**

From Figure 4.6 it is clear that 35% of the respondents had access to transport mainly because the majority of informal trading in Ward Five takes place in taxi and bus stations. The second basic service that the informal traders had access to was shelter. In this instance, 27% of respondents said they had access to shelter facilities within the ranks and near formal businesses, and where informal businesses were located on the sides of the roads, shelter was provided by the municipality. Only about 15% of respondents said they had access to water; which according to Respondent One (2014) “is due to the shortages which the area is currently faced with”.

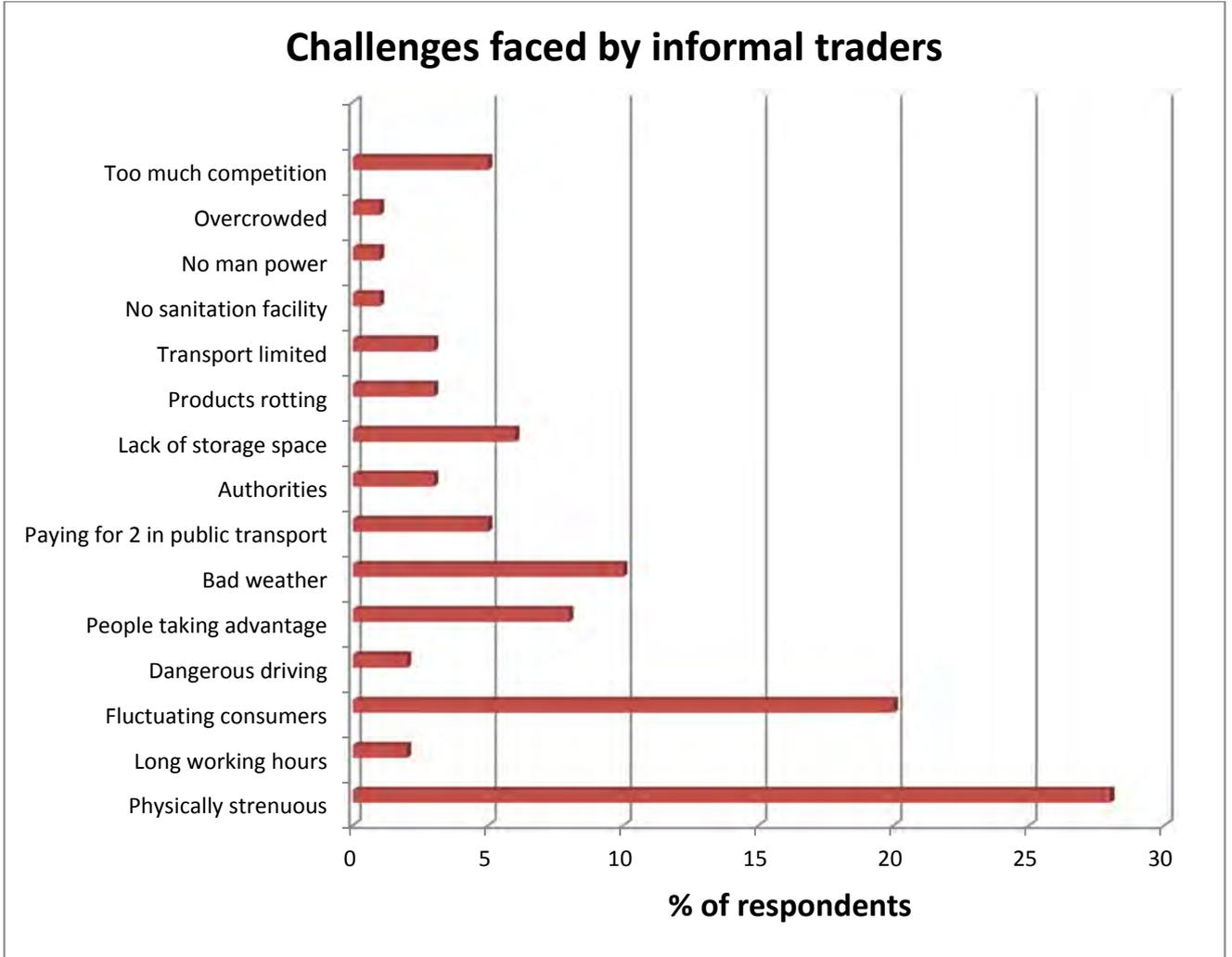
Sanitation access is low with less than 15% of traders stating that they have access to adequate sanitation. . Planners therefore need to focus on ensuring accessibility of this service in order to better the working environment for the traders. This is not a problem unique to Mtubatuba, because according to Willemse (2011), South African small town informal traders typically operate without access to some basic services such as water and sanitation. Willemse (2011) encouraged informal traders to use services such as water, shelter and sanitation from neighbouring markets as an alternative but in the case of Mtubatuba traders, this is not always an easy solution if the water supplies across the town are limited in general.

According to Barnet and Froze (2007), a secure working environment is a prerequisite for any type of business and a major concern for many people engaged in economic activities in the streets. Improvements in infrastructure and basic services around trading sites should be a priority if trading is to be relied on as a sustainable source of income and if a growth in the quality and profits of informal trading is to be adequately supported. If the municipality improves these basic services

then it will increase the efficiency of informal trading and hence encourage a greater contribution to the economy of the town. Greater economic activity will also create the potential for further employment opportunities within the informal sector and the sustaining of livelihoods.

#### **4.3.4 Challenges faced by informal traders**

Identifying the various challenges that are faced by traders in addition to travel distance and lack of basic services is important in trying to improve informal trading within the town of Mtubatuba. Figure 4.7 represents the challenges faced by the informal traders in the sample. Challenges restrict traders in terms of attaining optimal benefits from their businesses and therefore reduces the chances of informal trading to sustain their livelihood. According to Cross (1998: 41) “the only way to survive that these people know is street vending”, therefore each and every challenge reduces the chances of them sustaining their livelihoods. This study identified the various challenges that informal traders are faced with on a daily basis.



**Figure 4.7 Challenges faced by informal traders**

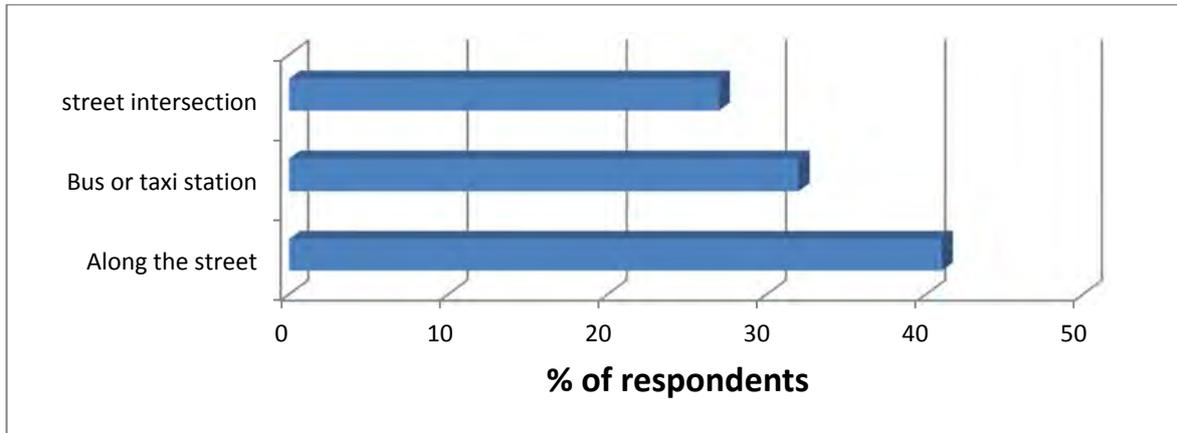
Approximately 84% of the respondents said they faced challenges while 16% said they did not have any challenges. This is an indication that there are a lot of challenges that inhibit informal traders from getting maximum outputs in term of income and better service and products to consumers - in quality and in volume. The majority of the respondents (28%) experienced challenges carrying heavy loads of products. Fluctuating numbers of consumers was also one of the major problems faced by the informal traders (20%), which was said to be worsened by the competition at trading sites. Bad weather was also said to be a problem by 10% of the respondents, because rain for instance made their products wet and lowered customer numbers. In addition wind was said to damage fragile structures like wood shacks.

The younger informal traders complained that some traders take their trading spaces and that consumers have a tendency to try and lower the prices when buying from them. Many traders thus experience challenges in Mtubatuba and if informal trading is to be improved then these challenges need to be reduced, starting with the ones faced by most informal traders.

It was also interesting to highlight some of the challenges faced by the municipality in making informal trading more organised. Informal traders were said to not co-operate with the municipality, which is not conducive to implementing the plans of the municipality. “They trade in pavements and not in the market stalls made for them because of lack of passing consumers” (Respondent 1, 2014). The municipal officials (Respondent 3, 2014) also stated that “because of a lack of political and administrative support within the informal sector it becomes difficult to fast track plans, like for instance the issue of policy”. According to Rigg (2007), planning laws which fail to promote efficiency in the informal sector do not take into account the existence of informal traders; in most cases such planning laws locate the traders without any consultation on the peripheral areas where business is not that good. The source of the problem is primarily based on the lack of communication between planners and the informal traders; decisions which are made without any consultation lead to conflict between the traders and officials. According to Barnet and Froze (2007), the experience across Africa shows that traders never stick to trading within areas that have been designated for them without their consultation.

#### **4.3.5 Trading areas**

Trading areas are very important for informal traders, as their location impacts the relationship between traders and the institutions which plan for informal trading in the area. Areas of trading also influence the amount of consumers which are available to the traders. This study established the areas in which informal traders are located and the forces that are behind particular locations. Figure 4.8 represents the three areas where informal trading is concentrated within the town of Mtubatuba.



**Figure 4.8 Trading Areas**

The majority of traders (41%) trade along the street because of safety reasons and because not everyone can be located on a street intersection. According to the Mtubatuba street trading by-laws, no person shall, within the municipality, carry on the business of a street trader at a place within five meters of any intersection as defined in Regulation 322 of the National Road Traffic Act 93 of 1996. Some street traders ignore this clause and locate their stalls very close to intersections. This has a negative impact on the relationship between the traders and institutions of government like the traffic department, which is responsible for ensuring that the laws are followed by everyone. If the informal traders persistently move to sell in that space which is designated as illegal, it is because there are more customers within the intersections. There thus needs to be an intervention which must be put in place to ensure that the needs of both parties are accommodated. According to Skinner (2008), with respect to street traders land zoning plays a critical role in enabling access to the markets and permitting business activity. Considering the historical design of towns as these were not primarily designed for workers reliant on informal employment, there is an important need for urban planning to acknowledge the emerging dynamics of small town businesses and the informal economy at the local level (Skinner 2008).

According to the municipal officials there are various regulations which hinder the functioning of informal traders in town. According to Respondent 2 (2014), “The planning and development act does not talk to issues like the strategic location of informal traders within the town and the municipality town planning scheme which deals with the development of hospitals, schools and cemeteries dictates where informal traders can or cannot trade”. These are just some of the regulations that limit traders and locate them in areas which are not conducive for business, which

is normally attributed to informal traders being left out of policy formulation (Barnet and Froze 2007).

#### **4.3.6 Conclusion**

The circumstances and the context in which informal traders trade in Mtubatuba need to be improved in order to better the efficiency of informal businesses in the town. The efficiency of these businesses is important for the development of the town because the more the efficient they are, the more they will provide employment opportunities, sustain human livelihoods and improve the relationships between various institutions that influence or are influenced by informal businesses. The problem of access to water at trading sites seems to be a major hurdle in improving the conditions under which the informal traders work. The majority of respondents also said the load they carry is too heavy and the consumer numbers fluctuate, which is further worsened by the competition for trading sites.

Municipal officials expressed their concerns with informal traders not being co-operative, which is also a major problem when it comes to trying to make informal trading more efficient. The majority of informal traders surveyed trade along the street and are not allowed to trade at street intersections. Quarrels with authorities creep in when they ignore street trading regulations, thus there needs to be a change in the way things are done and there needs to be a change in thinking. According to Muriuri (2010), regulations that restrict informal traders in terms of trading space have failed to promote pro-poor policies to deal with the current socio-economic realities of urban poverty. Too often the context and circumstances under which informal trader's trade are limited by unfavourable urban planning regulations and vendors lose their rights as citizens by operating outside the legal economy. This situation not only threatens their livelihoods but also contributes to increasing poverty.

### **4.4 The impact of informal trading on small town development**

#### **4.4.1 Introduction**

Small town development is influenced by various economic activities and even though it is not easy to calculate the GDP contributions of informal trading, they can be analysed by other means. According to the DEDT (2013), informal trading in KwaZulu-Natal contributes a significant

amount to the GDP. In the light of this assessment by the state, this section will cover the perceptions of informal traders with regard to the contributions made by their businesses to the quality of their lives. This is important because development of a town is based on the way emerging economic activities impact on and sustain the lives of community members. This section will also discuss the number of individuals per household of each informal trader employed within the informal sector, as this will give a picture as to how dependent people are in small towns on the informal economy.

#### 4.4.2 Impact of informal trading on the life of the trader

When identifying the role of informal trading in the economic development of small towns, it is important to establish the positive impact that it has on the lives of informal traders. This study identified these various improvements in the lives of traders since they began their businesses. Table 3 shows the impact of informal trade on the lives of the traders by showing the improvements to their lives since they started informal trading.

**Table 3: Impact of informal trade on the lives of traders**

<b>What improvement has there been in your life?</b>	<b>Percent</b>
Better living standard	34
Contributing to family livelihood	21
Able to satisfy personal needs	9
Less strain on others who support	8
More independent	6
Planting more	5
Source of income	5
Feeling useful	5
Don't do crime	3
Employed	3
Able to afford medication	2
<b>TOTAL</b>	<b>100</b>

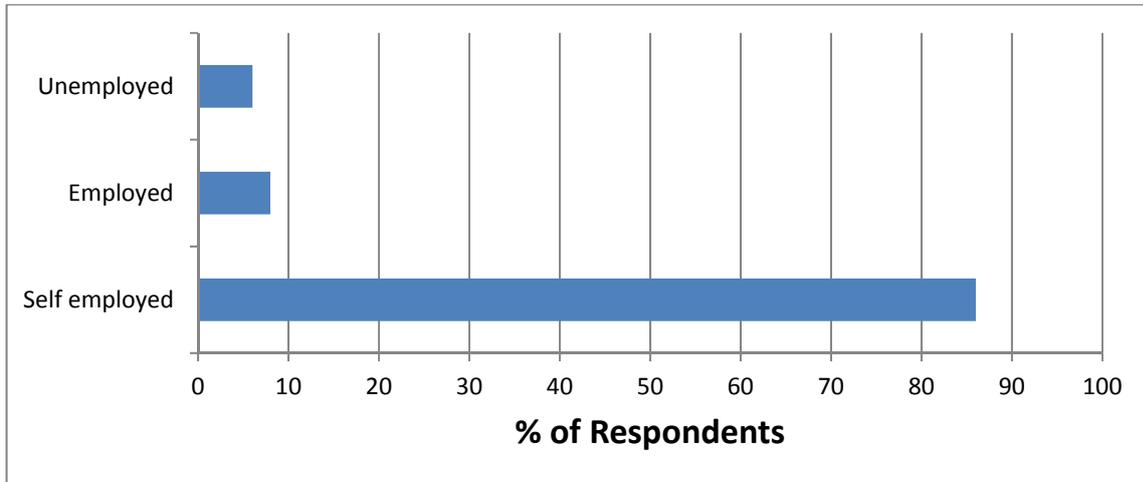
There was a positive response from the majority of the traders that trading brought about an improvement in their lives. The majority of the respondents acknowledged a contribution to family

livelihood (21%) and living standard (34%), which further emphasised how important informal trading is for the poor in terms of ensuring a sustainability of their livelihood. The development was in terms of improvement in diet and food security as well as access to services like electricity and water. Due to the fact that all the informal traders in the sample said there was some kind of improvement in their lives since the inception of their formal business, it can therefore be said that informal trading is good for the livelihoods of informal traders and employment, and therefore plays a critical role in small town economic development.

According to the municipal officials there are various other benefits which not only have positive impacts on the traders but the town as well. According to Respondent 1, (2014) “being around other informal traders helps in strengthening the social fabric of the town and solidarity of informal business owners”. This solidarity is important as it helps reduce crime rates and vandalism of property the traders rely on for their businesses (Theron 2005). Being in a competitive business environment is a good practical learning experience for traders, which further enhances their business skills. The municipality needs to do more co-ordinating and ensuring that informal traders in Mtubatuba gain access to more benefits for even greater impact on their lives. Formal businesses need to create workshops for informal business owners who buy their products, so that the informal traders can sell their products at higher rates while gaining skills and higher business yields.

#### **4.4.3 Trader perception on their form of employment**

It is important to establish the type of employment the informal traders believe themselves to be in, in order to see the esteem that is behind the type of jobs that informal traders have; esteem is a very important part of a human’s livelihood because it is respect for one’s self (De Sagte 2002). Figure 4.9 represents the perception of informal traders with regard to the form of employment they perceive themselves to be in.



**Figure 4.9 Form of employment of informal traders**

The majority of the respondents in the sample indicated that they were self-employed. This is an indication of how important informal trading is in terms of development, because even though some people may look down on this way of generating income, for many poor people it is worthwhile because they see it as a legitimate form of employment. According to Cross (1998), many street vendors have pride that their survival is due to their own efforts and not just due to hand-outs from the government or dependence upon an employer. This is good for removing the dependency syndrome South Africa is entrenched in and hence contributes to not only local economic development but also sustainable local economic development. It can therefore be said that it supports the livelihood of the traders and contributes to employment in Mtubatuba. This means that informal trading should not be ignored by the government as it encourages self-employment and independence, which is what is needed in local economic development thinking.

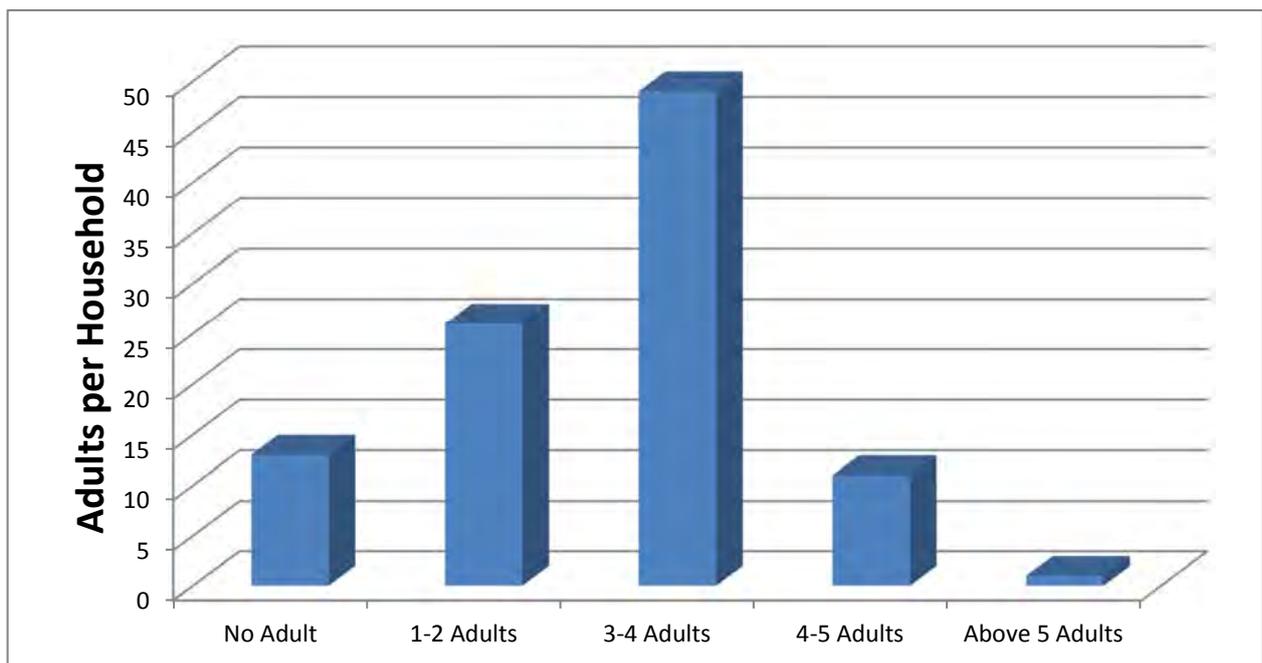
A large portion of people in the town of Mtubatuba who engage in informal trading are unskilled (see figure 4.6) and since informal trading is one of the easiest means of accessing income without skills, it has a big role to play in reducing unemployment in small towns.

According to the informal interviews conducted with the traders the owners of informal businesses seem to have only one venture each, with 100% of the owners indicating that they do not own more than one business. This would seem unlikely as it is difficult to believe that traders who have been trading for an extended period of time have not tried to expand their businesses. Expansion of an informal business would be more likely than the formalisation of an already existing informal

business, as the start-up cost of an informal business is less than that of a formal business (DEDT 2013), thus it is more attractive to informal businessmen or women. Given this observation and the survey data regard ownership of single businesses, it would be advisable for the municipality to focus on expanding informal businesses rather than formalising them.

#### 4.4.4 Trading contribution to household employment

It is very important to establish the family structure of informal traders with the aim of trying to establish the contribution of informal trading in the lives of people in Mtubatuba in terms of employment. According to Verma (2006), employment creation in the informal sector is more likely and more easily accomplished than in the formal economy. Thus it is of interest to investigate the validity of such claims in the context of the informal economy of Mtubatuba. This aspect of the study was done to assess the number of adults per household of each trader who are employed in both formal and informal businesses. Figure 4.10 shows the number of adults per household of each interviewed trader.



**Figure 4.10 Number of adults per household**

This section provides an explanation about the contribution made by informal trading to employment per household. The results show that the majority of respondents (49%) had adults who ranged in number from three to four in their families. The results show that there were few

cases where the adults in the households were not employed in the informal sector (7%), whereas in the formal sector it was found that the majority of respondents (49%) had adults who were not employed in their household. In a more holistic view, in every household of informal traders in the sample (100%) there were adults who were employed in the informal sector, whereas only about 50% of the respondents claimed there were adults employed in the formal sector in their household. This therefore shows that the formal sector does not contribute that much in terms of employment in the poor households of informal traders. In contrast, in every household of informal traders there were adults employed in the informal sector. This confirms that encouraging the development of informal economic activities should very much be on the agenda in Mtubatuba because of the contributions to employment informal trading makes.

Given the evidence that the informal sector is supporting numerous adults within individual households, the reliance of households in Mtubatuba on the informal sector is high. Informal businesses should thus be a focal point of the local economic development strategy, with the emphasis of such a strategy having to be on either job creation or the growth of informal businesses. The Mtubatuba local municipality has recently singled out the potential of the informal economy in addressing unemployment (Mtubatuba IDP 2013), thus programmes would be expected to be in place to ensure that traders are equipped with the necessary business tools that would help them nurture, grow and potentially eventually multiply or graduate their businesses to the formal sector. From the interviews with the municipal officials, however, it became apparent that such programmes are not in place even at a district level; “Plans for the informal trading district structure are currently undergoing through a committee consisting of an informal trading chamber” (Respondent 3, 2014). The source of the problem is that there is no structure where programmes can be developed for the informal sector within the entire district, and going beyond the stage of policy has been a problem because of the lack of political and administrative buy-in (cite your sources).

According to Mtubatuba municipal officials, “informal trading is seen as being very crucial element in reducing unemployment in Mtubatuba as a large amount of people in town are not skilled” (Respondent 3, 2014). Informal trading is also seen as a way of reducing the illiteracy rate and the level of unskilled individuals as traders are able to educate their children, which enhances the

chances of employability of those children (Respondents 1 and 2, 2014). According to the officials, more awareness needs to be created with regards to the importance of informal trading in creating employment opportunities. There seems to be limited support and belief about the potential of informal trading in Mtubatuba, which happens to be a major hurdle in gaining support from major stakeholders in both the public and private sector (Respondent 3, 2014).

Formalising the informal sector is important in order for the town to account for the benefits and contributions made by the sector in local economic development (Verma 2006). This will help the municipality when they are trying to access funding for the informal sector and convince stakeholders to invest in the informal sector. This can be done by using big cities like Durban and Johannesburg as benchmarks.

#### **4.4.5 Conclusion**

The findings above confirm that informal trading has a significant impact on the development of small towns. The impact is attributed to the influence it has on both the economy and the community members who are dependent on it for employment. Informal trading promotes sustainable local economic development through removing the dependency syndrome of informal business owners. Informal trading has a significant role to play in releasing the pressure on the formal economy to produce a high quality of life by providing employment opportunities, particularly for unskilled individuals who cannot be absorbed into the formal sector. From the findings it was also clear that informal trading is employing a significant number of individuals in the households of traders, thus the informal economy is absorbing more than one individual per household and enabling them to be active in the economy. Collectively these informal employment stats will be able to support a household, potentially well beyond survivalism. Informal trading increases the number of people who are active in the economy of Mtubatuba and hence has a significant role to play in the local economic development of the town.

### **4.5 The economic profile of informal businesses**

#### **4.5.1 Introduction**

Informal businesses are characterised by a variety of elements which impact on the economic profile of that particular business. This section will cover the economic profile of the informal

businesses of the traders within the sample. The focus will be on the type of products which are sold by the informal traders, the monthly income their businesses generate and the profit that is made. All of these elements are expected to profile the informal businesses and help in creating a clearer picture with regards to the contributions of the businesses in the economy of the town and the lives of the informal traders.

#### 4.5.2 Products sold by informal traders

Products are a crucial part of informal trading, therefore it was important to assess the type of products that are sold by informal traders in Mtubatuba. The study was done to identify these various products sold. Table 4 represents the products sold by the respondents.

**Table 4: Products sold by informal traders**

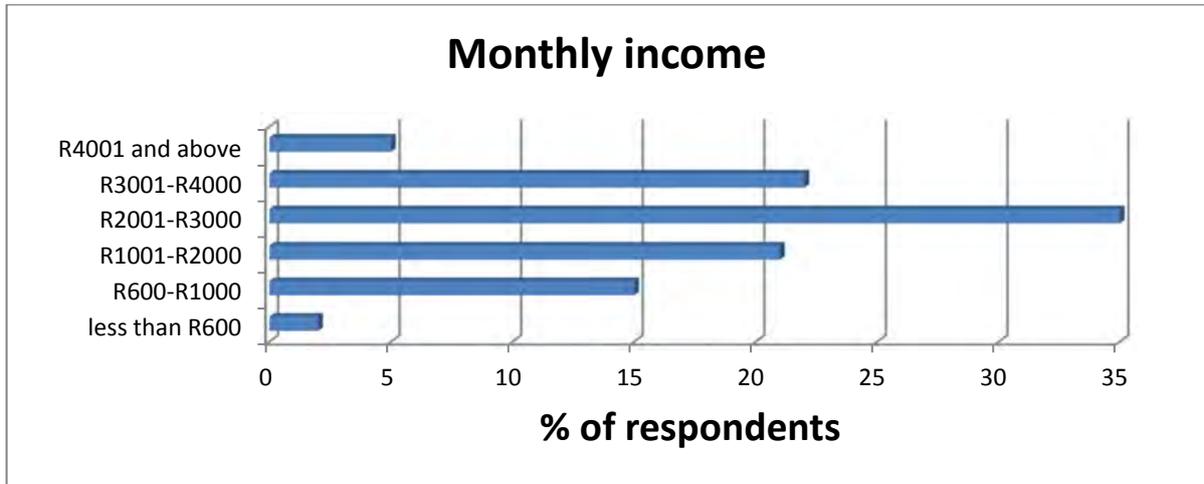
<b>Product sold</b>	<b>Percent %</b>
Fruits	11
Vegetables	11
Snacks	9
Accessories	9
Phoning service	6
Clothes	6
Biscuits	6
Hair service	5
Chicken Gizzards	5
Cigarettes	5
Wors rolls	4
Cool drinks	3
Vetkoeks	3
Shoes	3
Traditional Products	3
Toys	2
Ice Cream	2
Roasted Chicken	2
Hots dogs	1
Toiletries	1
Burgers	1
Perfumes	1

Many street traders trade goods that are consumed directly and immediately. The products they trade are easy to transport and are in small quantities and thus should be able to be carried on public transport or in a retail store trolley. The majority of traders interviewed felt that the products they sell have a viable market that is accessible to them. Most of the traders in town engage in selling fruits and vegetables and there is no doubt that these products have a market as they are continuously selling to urban dwellers, ranging from formal business people to passing consumers. The time taken to interview informal traders selling fruits and vegetables was on average 10 to 15 minutes longer than those with other traders, because the interviews were interrupted by clients who needed to be served.

The majority of respondents (11%) sold vegetables and fruit. The second most common products sold (9%) were snacks and accessories; here the focus was on earrings, watches, beadwork, glasses, jewellery and cosmetics. The least common products sold were fish, hot dogs and toiletries. The majority of these products were bought from wholesalers, which further emphasizes that formal businesses benefit from informal trading. This interdependence between informal traders and formal businesses is good for business, and is therefore good for small town economic development. What this means is that the growth of informal trading is important for the growth of formal businesses. The researcher found that a small number of traders (3%) sell traditional products; given that Mtubatuba is a tourism gateway, one would expect that the market for such products would be greater.

#### **4.5.3 Total estimated monthly income**

When informal traders trade and receive income, there is a certain portion of money they receive every month. It was important to determine the amount that traders make every month to assess the potential of informal trading. In order for this amount to be relevant in helping the poor it needs to be above the amount which has been set out as the poverty line in South Africa, because the linkage between income poverty and deprivation in health care, education and social infrastructure are direct and have devastating consequences for individuals and society (van den Berg, 2005). Figure 4.11 represents the estimated total monthly income that the respondents can expect in a good month of business.



**Figure 4.11 Monthly income**

This is the overall money that is being made before taking out costs. It was very difficult to get information about the finances of the businesses because street traders do not keep statements; they buy stock almost every day and claim that it is not easy to keep records. The other reason for this was that, due to low profits and the need to survive every day, they spend their money immediately when they leave the stall, usually on their way home, and thus there is no money to record. Therefore it is important to take note that this is an estimated amount. They further said that the amount of money involved is too small, so it does not make sense for them to keep records. Only two informal traders from the sample reported that their business has a monthly income of more than R5000. A large number of traders (35%) said that their monthly turnover is between R2001-R3000. It is thus safe to say that informal trading is very relevant to support the livelihoods of traders and is a legitimate source of employment, as the money that these traders receive on average is above the poverty line.

As discussed earlier, the location of trading is a contentious issue, especially when trading takes place in intersections that are designated as illegal for trading. The cross-tabulation between the areas at which informal traders trade and their monthly income is important, as this will enable the study to identify whether the location of informal traders in dangerous and illegal locations is justified in order to maintain their livelihoods.

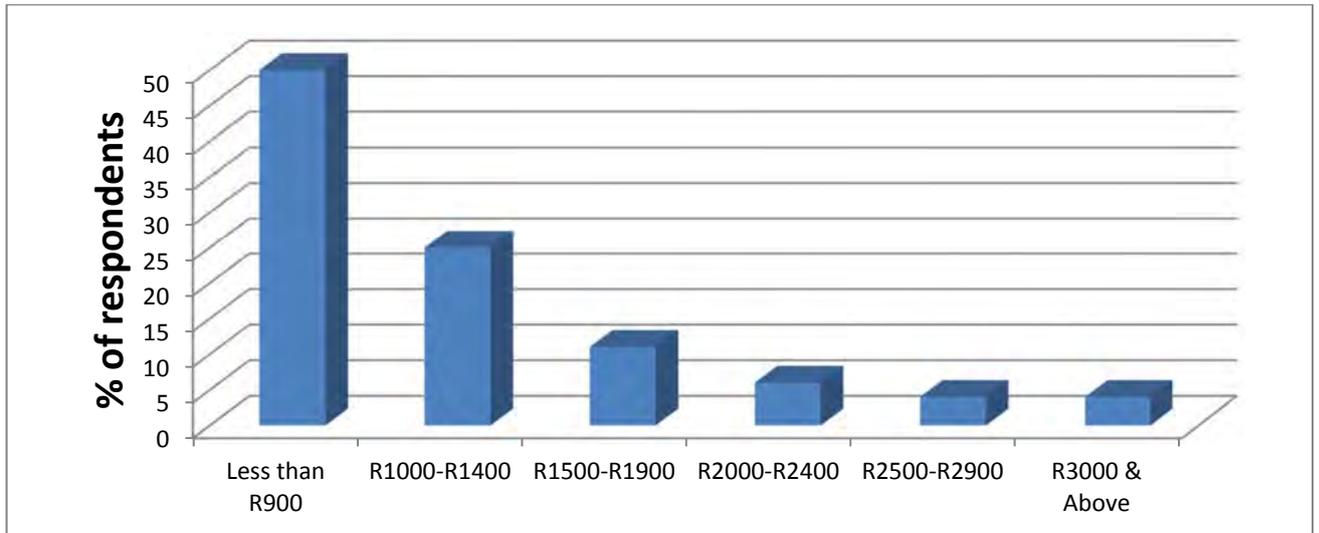
**Table 5: Cross tabulation of trading area and monthly income of informal trader**

Trading Area	Less than R600	R600-R1000	R1001-R2000	R2001-R3000	R3001-R4000	R4001 & Above	Total informal traders %
Along the street	3%	15%	22%	5%	0%	0%	45%
Train, Bus or Taxi station	0%	0%	0%	16%	19%	0%	35%
Street intersection	1%	0%	0%	11%	2%	6%	20%

Approximately 20% of the respondents in the sample were found to be located at street intersections, which according to the municipal officials is considered very dangerous and illegal. Nineteen percent of the respondents earned R2001 and above, meaning that 98% of the respondents found to be in street intersections earned R2001 and above in a good month of business. Forty-five percent of the respondents were said to be trading along the street, but only 5% of traders in the sample said they earned between R2001-R3000 meaning that 11% of respondents found to be located along the street earned between R2001-R3000 in a good month of business. 35% of the respondents said they were located in the taxi station and 35% of the respondents in the sample said they earned R2001 and above, meaning that 100% of respondents found in the taxi station earned R2001 and above. This proves that informal traders trading in taxi stations and along street intersections earn the most money and hence can be described as being better strategically located for the benefit of their business. They are thus more likely to have sustainable employment and meet their basic needs and better their livelihoods.

#### **4.5.4 Estimated profit per month**

In every business there is a certain amount that is made by the informal trader which is made after covering all the costs of the business this is called profit. Profit is very much relevant in determining how informal trading supports the wellbeing of traders. This study determined the profit that each trader makes in their informal businesses. Figure 4.12 represents the profit per month of the informal traders within the sample.



**Figure 4.12 Profit per month**

Half the informal traders in the area make a profit of less than R900 per month (50%). When collecting data about profits, the researcher encountered the same problems as in the monthly income section, as most traders simply do not keep records of their finances. This means that there are critical business skills that need to be taught to overcome these challenges. There is a gap in terms of handling finances within informal trading that needs to be covered if these businesses are to succeed; this gap can be covered by educating informal traders in the form of workshops or any other sort of relevant education.

#### **4.5.5 Conclusion**

Informal traders in the town of Mtubatuba are making a sufficient living from their businesses according to the data received. The products which they sell are mostly goods that are consumed directly and immediately, and they are also easy to transport and come in small quantities. The majority of traders sell accessories, fruits and vegetables which are brought from wholesalers, which emphasises the dependence the informal traders have on formal businesses, i.e. formal businesses do indeed benefit from the informal traders. The monthly income they receive from their businesses is sufficient for their businesses to remain operable, although the majority of traders make a profit of less than R900. The economic profile of these businesses indicates that irrespective of the challenges and the fact that the majority of these people are not skilled, they are still able to make ends meet. The potential that is there in informal trading is shown through the

few informal traders who received high profit margins of R3000 and above, irrespective of all the challenges they have. Informal trading in Mtubatuba therefore has the potential to make even larger contributions to livelihoods and the economy, because if these businesses can grow even just a little then people could be employed by the informal business owners, which will reduce the unemployment rate. The growth of these businesses will also mean the growth of formal businesses, as the majority of informal traders buy their products from wholesalers.

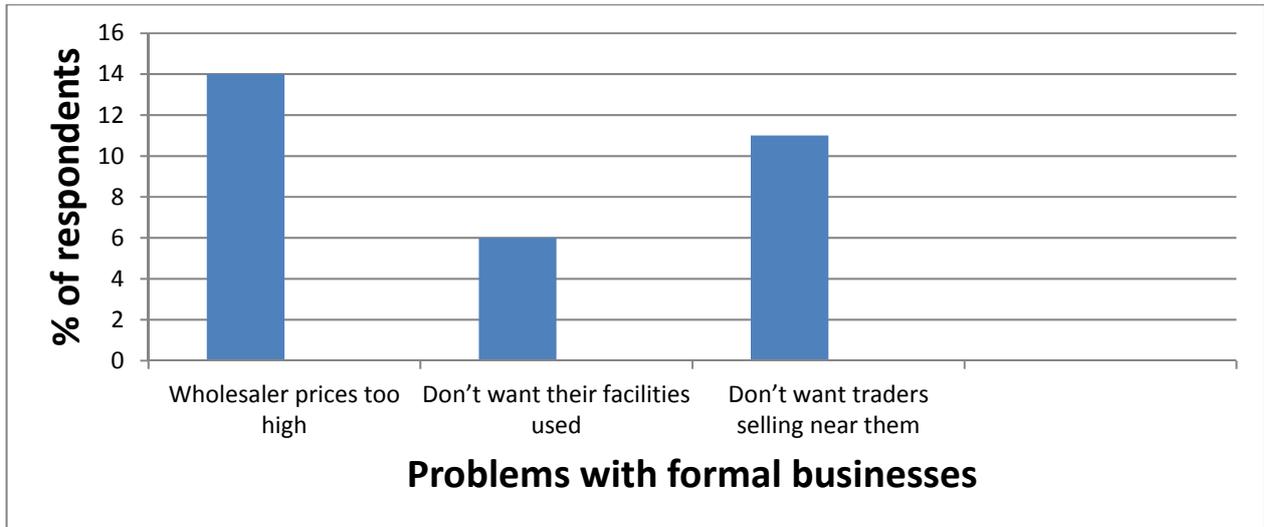
## **4.6 Relationships between informal traders and other institutions**

### **4.6.1 Introduction**

Informal traders do not function in isolation of sectors like the government and formal businesses, and therefore the relationship they have with various institutions is important in making or breaking them. This section will cover the relationships between informal traders and other institutions. It will firstly cover the challenges that informal traders face as a result of actions of formal businesses, then move on to discuss the type of support they receive from formal businesses, the support they receive from the government, and lastly investigate which are the wholesalers they buy their products from.

### **4.6.2 Challenges with formal businesses**

Informal traders conduct their business in front of or in close proximity to formal businesses, thus informal and formal businesses share a socio-economic space with one another and the actions of the one will inherently affect the other. Therefore, even if there is no direct link between the two, there will be an indirect link between the informal traders and the formal businesses around them. It is thus important to assess the challenges that are brought about by these formal businesses in the context of informal trading. This study assessed the challenges that are brought about by formal businesses on informal trading in the town of Mtubatuba, as per Figure 4.13.



**Figure 4.13 Problems with formal businesses**

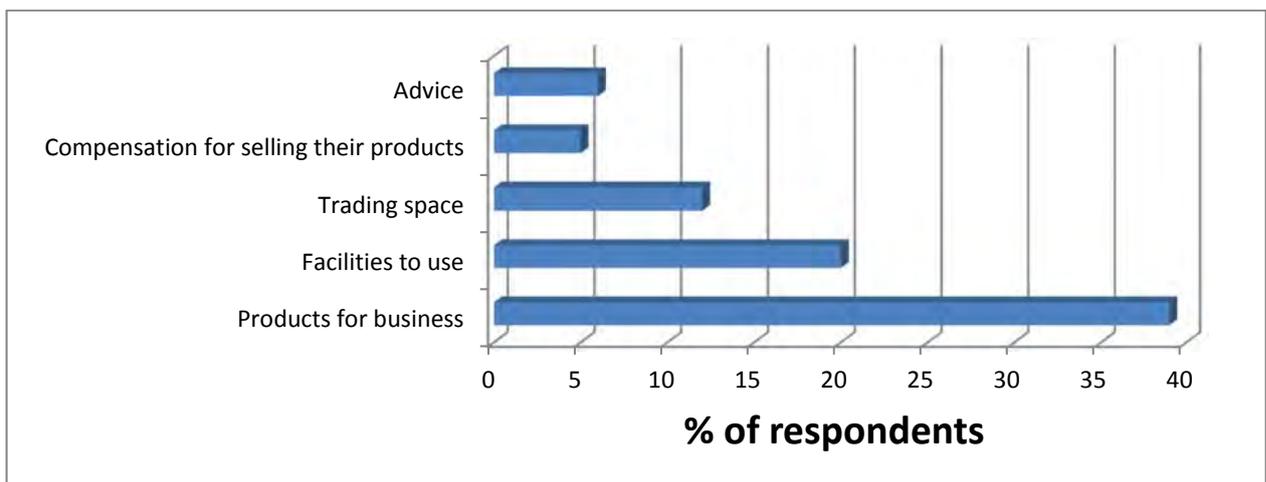
A total of 31% of the respondents said they have a problem with formal businesses, therefore it is safe to say that the relationship between the formal traders and informal traders is generally good as 69% of the respondents said they do not experience any problems with formal businesses. The highest problem which was of concern to the respondents was wholesalers charging prices that were too high (14%). The respondents also said that formal traders do not like the idea of informal traders selling near them and sometimes get into quarrels with some of the informal traders. In actual fact, however the only area that these formal businesses own is inside their shops, therefore by law informal traders have the right to be situated outside the formal businesses but only if the business is not fenced. Some respondents (6%) said that formal businesses do not want their facilities to be used.

According to municipal officials, conflicts between informal traders and formal businesses have been well documented in previous cases, with the reason for conflict being given as economic factors. “Formal businesses argue that street traders are responsible for pedestrian congestion, leading to cluttered city pavements, which in turn deter customers from shopping in areas that are densely populated by street traders” (Respondent 2, 2014). Conflict arises when formal businesses attempt to have street traders removed by arguing that they are unhygienic, attract criminal elements and undercut the prices of the competitive formal businesses, as traders are not taxed by SARS and do not pay rentals but only pay their storage and transport costs, thus they are able to provide competitive products at much lower prices than their formal economic counterparts

(Respondent 3, 2014). According to municipal officials (Respondent 1, 2014), “that being said, informal traders making a much smaller contribution to a towns tax base, they would inevitably be at a disadvantage in terms of their bargaining position should a conflict issue be taken to the local authority”.

#### 4.6.3 Support from formal businesses

Support of informal businesses by formal businesses is important because informal traders have limited access to the resources and services which are needed to keep their businesses going. The facilities and services of formal businesses are also used by informal traders. This study assessed the level of support given by formal businesses to informal traders. Figure 4.14 represents the number of respondents who said they receive support from formal businesses.



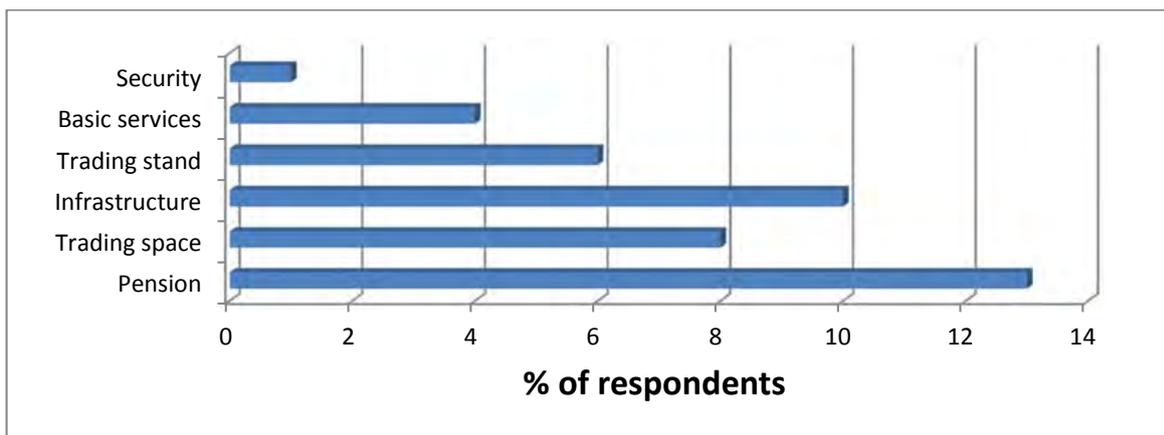
**Figure 4.14 Support from formal businesses**

In terms of support of informal businesses, 82% of the respondents said they receive support from formal businesses and 18% said they do not. This further emphasises that there is a good relationship between informal and formal traders. Formal and informal businesses are interdependent on each other as informal businesses mainly buy their products from formal businesses (39%). Informal traders also use the facilities of formal businesses (20%) and can even get compensation for selling informal business products in cases where they are selling outside the door of a formal business. According to municipal officials, “the reason people commute to town in most cases is because of the formal businesses” (Respondent 1, 2014), therefore in a way formal businesses indirectly draw consumers for informal businesses.

As much as formal businesses support informal businesses the relationship between them to a certain extent is mutual. The economic output of informal traders can circulate within the formal economy because most informal traders buy (see figure 4.16) their products from the formal businesses. According to Mtubatuba municipal officials Respondent 2 (2014) “formal businesses benefit in a variety of ways, such as the fact that they get paid by informal businesses to stock their merchandise”. The strategic location of informal businesses enables formal businesses to sell more, because informal traders have greater and more convenient access to the products and services they need. The existence of informal traders thus creates a business opportunity for formal businesses.

#### 4.6.4 Support from the government

Support of informal businesses by the government is important because informal traders are sometimes limited in terms of the resources and services needed to keep their businesses operational; the government needs to play a central role in making these services available for these informal businesses to grow and contribute optimally to economic development in a particular town. The study was done to assess the level of support given by the government to informal traders. Figure 4.15 represents the support that informal traders receive from the traders in the sample.



#### **Figure 4.15 Support from the Government**

The aim of this study was to see whether informal traders get support from the government. Only 42% of the respondents said that they receive support from the government and 58% of respondents said they do not, indicating that support from the government is still lacking. The majority of informal traders who said they receive support were very old traders who earned a pension (31%). Informal traders also acknowledged the infrastructure put in place by the government - mainly to access the CBD (10%). Trading space, stands, storage facilities and basic services around trading sites were also provided by the municipality. According to the municipality, “the main problem is that these structures for trading get vandalised and there is no sustainability of infrastructure” (Respondent 2, 2014).

According to the Mtubatuba municipal officials, the government has to play a significant role in managing the informal sector economy, but the government is currently faced with structural challenges in this area. Some officials supported the notion of formalising the informal sector economy enterprises, while others supported the notion that government should play a role that regulates the relationship between the formal and informal economies (Respondents 2 and 3, 2014). One official emphasised that the government’s role also includes the regulation of market structures in the formal sector economy in such a way that supports informal trading (Respondent 3, 2014). For example in Nkandla they have formed an incubation centre for co-operatives which collectively supply products for informal traders. According to the officials this has been very successful and a good case study to follow (Respondent 3, 2014).

The current limited structures in the formal sector economy are not only extremely powerful, but they also set the rules and regulations which dictate the terms and conditions of the informal sector economy (Napier & Libermann 2006). The terms and conditions set by the limited formal structures in Mtubatuba make it not only impossible for other formal sector potentials to enter the market, but they make it especially difficult for informal economy enterprises to enter the market. Informal sector economy enterprises also have very little bargaining power and they require government intervention for assistance (Napier & Libermann 2006).

The government could assist by creating a market for the informal sector economy because it competes with a more powerful formal sector economy for market share (Napier & Libermann 2006). By creating a market for the informal sector economy the government would also indirectly create a market for the formal sector economy. The leverage arises as the informal sector enterprises source their goods from private sector retailers (see figure 4.16) operating in the formal sector economy and sell them in the informal sector economy. This results in win/win for both sectors.

#### 4.6.5 Wholesalers where traders buy products

In informal trading, the areas where traders buy their products are very important in sustaining those particular businesses. The majority of informal traders in Mtubatuba buy their products from wholesalers which are present in the town. This is also important for establishing the relationship between the informal traders and formal businesses. This study assessed the wholesalers where informal businesses buy their products, as per Figure 4.16.



**Figure 4.16 Wholesalers where traders buy products**

All the wholesalers were located within Mtubatuba municipality. The largest group of respondents (24%) said they buy their products from Cash and Carry, because it usually has a combination of

most of the products that are bought by the traders such as vegetables and fruit. The next was Buzi, where 17% of the respondents said they buy from, followed by Banana Box where 12% of the respondents said they buy from. Fewer traders bought from OK and A5.

## **4.7 Conclusion**

The findings presented in this chapter provide extensive insight from both informal traders and municipal officials in the town of Mtubatuba regarding the nature of informal trading within the town and possible strategic solutions that should be considered for the economic growth of the town using informal trading as an instrument. Informal trading can potentially contribute to the GDP and provide more jobs for the poor, thus improving livelihoods in the town.

The reviewed literature and the above analysis verifies that in most cases there are more female street vendors than male. The male street vendors tend to be younger and the female street vendors are older. Most street vendors face various challenges including physical and infrastructure-related problems. The street vendors reside around areas which are not more than 35km away, and the majority come from areas which are close to the town centre. The majority of the informal traders were found at the taxi rank because of the advantage they get working there, as there is easy access to transport and shelter, as well as consumers who use public transport to get to and from work. The busiest time is around 4pm.

Most of the informal traders are unmarried and the research carried out by SEWU indicated that many woman street vendors start trading when they are widowed. The men are more likely to have more formal education than the women, more experience in the formal economy and more savings to set up in business. SEWU further stated that most traders are independent (self-employed) and most are the main bread winners in their households, which was confirmed by this study.

The role of the urban informal sector cannot be understated in Local Economic Development (LED) efforts, both in larger metropolitan areas like Durban and small towns like Mtubatuba. Although cases showing how informal traders are making significant contributions to local

economic development in smaller towns are scarce, it is needed more in small towns as the populations of those towns are usually dominated by rural people who have less access to jobs and because the limited formal economic activity in a small town likely does not offer sufficient opportunity to residents of the municipality. People in smaller towns are also heavily reliant on the informal sector given that the literacy levels are usually lower in those areas.

The role that informal trading plays in the economic development of small towns is significant. Given the data in this chapter a variety of opportunities offered by informal trading have been identified, which help in the assessment of its role. These opportunities could help stimulate the economy and enable people to become economically active. The primary market of the informal trade lies in the provision of basic consumer services to people in low income services or at the bottom of the pyramid (Skinner 2008). One of the advantages that informal trading has in small towns is that the traders are able to provide competitive products at much lower prices because they do not pay rent. Informal traders are also located strategically which gives them a competitive edge.

Informal trading is seen as being a legitimate form of employment because the average income received by the informal traders keeps them above the poverty line and the hours informal trader's work are decent. Informal trading absorbs individuals into the economy and makes them active, which increases the economic activity of small towns and at the same time reduces the unemployment rate. There are also opportunities to enhance the informal sector potential in small towns through creating a system of collective bargaining power, such as in the case of Nkandla where a co-operative was created for the purpose of stimulating the economy. These are just some of the opportunities that can be offered by informal trading as it better people's livelihoods.

Where there are opportunities there will also be constraints. Mtubatuba has a variety of these including low education levels and a lack of political and administrative support, according to the interviewed officials. There is also disconnect between plans and the needs of informal traders, for example informal traders do not want to be located in stalls away from traffic and street intersections. Municipal officials also expressed their concerns with regard to informal traders not being co-operative

The analysis has thus made clear the role of informal trading in the economic development of small towns such as Mtubatuba. It is further intended that this study, through meeting its aim and objectives, will contribute to the body of knowledge needed for small towns to understand the extent of the significance of informal trading on both the livelihoods of the people and the economy. More so, it will enable planners to come up with innovations that will reduce or get rid of the constraints faced by informal traders, despite the limitations they have in terms of Resources. The analysis in this chapter forms a basis from which to suggest strategic solutions on how to best support and manage the informal sector economy in small towns in KwaZulu-Natal and the town of Mtubatuba specifically.

## **CHAPTER 5: GENERAL CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

Emerging market economies consist of two economies, a formal sector economy and an informal sector economy, however when GDP is calculated, this is done on only the formal sector economy, omitting large portions of the potential contribution to the economy by the informal sector. Globally the informal economy accounts for a combined annual GDP of ten trillion US dollars (Neuwirth, 2011), therefore there is an urgent need to prioritize the informal sector economy in South Africa because of its importance to the socio-economic stability of the country (Tokman 2007). The informal sector economy is comprised of entrepreneurs who are filling the gaps that the government is unable to fill by providing a means of survival, as well as importing distributive channels of formal sector goods and services in markets that are not accessible to them.

The role of informal trade in the economic development of small towns is crucial. Urban areas suffer from an inadequate supply of employment opportunities in the formal sector, which is problematic for economic development and a good quality of life. Informal trading serves to release the pressure on the formal sector. Urban development walks hand in hand with the primary goal of improving the livelihoods of people within or around a particular urban area, and from the study it is clear that informal trading serves to support the livelihoods of the traders.

Authorities like the municipality have the primary aim of trying to stimulate small town development through planning and ensuring order within the urban area, therefore the relationship between traders and authorities is very important; in the case of Mtubatuba this relationship still needs to be improved. The relationship between formal businesses and informal businesses is also very important for the economic development of the town of Mtubatuba, because the traders serve to increase the amount of customers for these formal businesses directly by buying their products and indirectly by selling their products after they have bought them. This both increases the revenue for businesses and gives the traders a profit.

## **5.2 General Conclusion**

The aim of the study was to try to establish the role of informal trading in the economic development of small towns using the case study of Mtubatuba. In order to find out what role informal trading plays in the economic development of small towns the researcher addressed the following objectives: to assess the role of informal trade on employment, to assess the role of informal trade on the livelihood of traders, to examine the relationship that exists between traders and local authorities, and to examine the relationship between informal traders and formal businesses.

Informal trading in the town of Mtubatuba contributes to the employment of people in the poor households of the trader. The results show that there are no cases where there are adults per household that are not employed in the informal sector, whereas in the formal sector there are many adults per household who are not employed in the formal sector. This therefore shows that the formal sector does not contribute that much in terms of employment in the poor households of informal traders. In contrast, for all of the averages of employment per household of traders, it was indicated that the informal sector contributed more than the formal sector in terms of employment of adults. According to Mtubatuba municipal officials, informal trading is seen as being a crucial element in reducing unemployment as a large amount of people in the town are unskilled. Informal trading is also seen as a way of reducing the illiteracy rate and the level of unskilled individuals, as traders are able to educate their children which enhances the chances of employability of those children.

The town of Mtubatuba needs to develop a new approach to LED that must go beyond relying on income from production (post-productivism). According to Blakley (2000), a common response to job loss and immediate economic decline is ensuing LED. The government and informal trading organisations must engage to stimulate and maintain business activity and employment. While the town of Mtubatuba is benefiting from the informal economy in terms of employment, in order to sustain this there needs to be continuous engagement between the informal business chamber of Mtubatuba and the government in order to improve the local business environment. In LED efforts

a town must first look at opportunities in its sectors (formal and informal) that will improve the community using existing human, natural and institutional resources. Given the exceptional contribution of informal trading in the employment of people in the households of the informal traders, the focus must be on this sector and how it can improve on its networks with other sectors (formal sector), which will help it graduate or grow. LED is not an outcome but a process to establish a good environment for business in order to maintain jobs and income streams in a community (Blakely 2002).

In addition, in terms of perception, the majority of informal traders recognise informal trading as a legitimate form of employment. A large portion of people in the town of Mtubatuba who engage in informal trading are unskilled, and since informal trading is one of the easiest means of accessing income without skills, it has a big role to play in reducing unemployment in small towns. Given the fact that community members are proud of this way of making an income, LED will be easier as the community members will feel a sense of ownership towards the sector and hence will be keen to participate in initiatives that will help grow the sector. According to Theron (2005), community participation is an essential part of human growth as through it people establish dignity, self-esteem and own their development process.

Informal trading contributes to the livelihoods of the traders. A large percentage of informal traders in the area make a profit of less than R900 per month, which is better than previous circumstances of interviewed traders where they had no other sources of income. A majority of respondents who acknowledged the livelihood and living standard as an area of improvement. This further emphasises how important informal trading is for the poor in terms of ensuring sustainability of their livelihoods. The improvement was in terms of diet, food security, electricity and water. A sustainable livelihood is defined as supporting people's livelihoods in such a way that builds on the strengths of the people and provides them with opportunities to improve their livelihoods (Department of Social Development 2010). LED entails similar principles as the sustainable livelihood approach in that it entails building on the strengths of communities through the use of local resources to help stimulate the economy. These two terms should therefore never be used in isolation in local economic development thinking.

The relationship between informal traders and government institutions needs to be improved. According to the Mtubatuba street trading by-laws, “No person shall, within the municipality, carry on the business of a street trader at a place within five meters of any intersection as defined in Regulation 322 of the National Road Traffic Act 93 of 1996”. Some street traders ignore this clause and locate their stalls very close (less than five meters) to the intersection. Approximately 32 percent of the traders were located on a street intersection, resulting in a bad relationship with traffic department officials. The reason the traders locate there is because they feel intersections are good for sales as people passing by in cars are good for business.

According to municipal officials various regulations hinder the functioning of informal traders in town. The Planning and Development Act does not talk to issues such as the strategic location of informal traders within the town, while the municipality town planning scheme deals with the development of hospitals, schools and cemeteries, and dictates where informal traders can or cannot trade. These are just some of the regulations that limit traders and locate them in areas which are not conducive for business; this is normally attributed to informal traders being left out of policy formulation. This also contributes to strained relationships between the municipality and informal businesses.

A large proportion of traders receive support from the government, however the majority of this is for very old traders’ pensions. Informal traders also acknowledged the infrastructure put in place by the government, mainly to access the CBD, while trading space, stands and basic services around trading sites are supplied by the municipality. What is perhaps straining the relationship between the government and informal traders in the town of Mtubatuba is a lack of support in terms of having policies that help attract funding for informal businesses. The lack of in-focus programmes to help further develop informal traders also was a backdrop in government supporting informal businesses. In addition, the government lacks mechanisms for creating a market for the informal sector economy, given that the informal sector economy competes with the more powerful formal sector economy for market share.

The relationship between the formal traders and informal traders is good on the whole, but needs to be improved. The biggest concern amongst the respondents was that wholesalers were charging prices that were too high. Formal traders also do not like the idea of informal traders selling their goods near to their places of business and sometimes quarrel with informal traders; according to municipal officials, conflicts between informal traders and formal businesses are well documented. Formal businesses further argue that street traders are responsible for pedestrian congestion leading to cluttered town pavements, which in turn deter customers from shopping in areas that are densely populated by street traders. Conflict arises when formal businesses attempt to have street traders removed by arguing that they are unhygienic, attract criminal elements and undercut the prices of the competitive formal businesses. As traders are not taxed by SARS and do not pay rentals, but only pay their storage and transport costs, they are able to provide competitive products at much lower prices than their formal economic counterparts. According to municipal officials, however, because informal traders make a much smaller contribution to the town's tax base, they are inevitably at a disadvantage in terms of their bargaining position should a conflict issue be taken to the local authorities.

The informal businesses receive support from the formal businesses which further emphasises that there is a good relationship between informal and formal traders. Formal and informal businesses are interdependent on each other as informal traders mainly buy their products from formal businesses, and informal traders also use the facilities of formal businesses such as storage facilities and sanitation and can even get compensation for selling formal business products in cases where they are selling outside the door of the formal business.

The number one hindrance to improving the relationship between informal traders and various institutions such as the municipality comes down to the issue of policy. Policy is a critical ingredient in LED; without it there is no structure through which to organise the LED process and the way projects should be approached. It is also difficult to find common ground between the various role players in the LED process. Successful LED is not usually a quick fix but lies in the community's capacity to attract businesses and maintain sales (Gorin 2008). This cannot be done without policy because a collective effort between various role players is essential for a coordinated approach to LED. For example in the town of Mtubatuba, a good strategy would be to link tourism organisations with informal business chambers in order to enhance LED potential

through tourism, where the focus is not just on production but also on diversifying the economy in order to have a wider pool of economic activities which will help stimulate the LED process.

Because the Mkhanyakude district municipality lacks formal means of employment and has a limited pool of skilled individuals, the municipality, together with informal business chambers and tourism organisations, should engage and focus on enhancing the informal sector potential through tourism. The government/municipality should be facilitators of this process through investment in infrastructure, human capital and social capital, because according to Gorin (2008) these are broad measures that produce long-term LED results, including tax benefits and financial assistance.

### **5.3 Recommendations**

The economic development of small towns encompasses a lot of fundamentals which still needs to be examined. The research covered the role of informal trading in the economic development of small towns, concentrating on employment opportunities, livelihoods of traders, relationships between authorities and traders, and lastly the relationship between the traders and informal businesses. These observations enabled the researcher to identify some issues of concern pertaining informal trading in the town and hence come up with the following recommendations.

- Informal traders work long hours in an environment that has some challenges, which could hinder their efficiency. There is a need to increase the accessibility to basic services at trading sites which will help in overcoming some of the problems the traders experienced.

From the study it was observed that informal traders lack some basic business skills. Although the majority of informal traders in the sample said they had secondary education, not all of them had passed matric; some respondents had passed the former standard eight (now equivalent to grade ten), while some had passed grade nine and some had passed matric.

- Given the strong correlation between education and the ability to start a sustainable business that is more than a survival strategy, it would thus benefit these traders greatly if they received some training in the form of workshops and college education for business studies and the improvement of their basic literacy.

- The informal traders must organise themselves into forums and associations to increase their bargaining power, which they could use to negotiate with the government (Department of Education) to potentially increase their education level, skills and proficiency.
- The South African government has established Sectoral Education and Training Authority institutions which provide skills and training development at no cost. Informal traders should thus use these channels provided by the government and take an active interest in enhancing their education levels and training.
- Informal traders must also use their bargaining power to negotiate access to finance, and should develop a discipline of adhering to the formal sector economy business practices whilst in the informal sector economy, as this will enhance their accountability.
- In order for informal trading to grow in small towns in South Africa there needs to be a change towards a more progressive approach, in line with viewing these activities as economic activities. Traders should be encouraged to comply with a range of incentives, with the ultimate sanction being the removal of the right to trade rather than fines and imprisonment.

Areas designated for street trading are, in most cases, not ideal for street traders. Street traders' business threshold is along the street, street intersections and interchanges, as the people who buy their goods and services are passers-by. Street traders complain about being allocated to areas where there are no customers, and tend to move away from these areas. Customers buy the products because they have convenient access. Since customers are not willing to walk a long distance to get the products, the main advantage of the street traders is their location in areas with high traffic volumes.

- It is imperative to locate traders where there are high traffic volumes but they must be dispersed to reduce competition levels, which was one of the challenges mentioned by the informal traders.

Informal trading in small towns needs to consider its strengths (such as tourism) as the theory of local economic development dictates, informal trading benefits from a market, particularly one that is diversified. The strengths of the town need to be considered in policy making in small South African towns, because tourism and informal trading complement each other in economic development. The role that tourism destinations can play is to increase the market for neighbouring towns and informal businesses which could stimulate the economy.

- The local government of Mtubatuba should focus on stimulating the tourism potential of the area which will in turn benefit the informal economy.

## **5.4 Conclusion**

In an attempt to establish the role of informal trading in the economic development of small towns, this chapter summarized the findings which were important in trying to identify this role. Informal trading has an important role to play in the economic development of small towns, while the objectives which aim to establish the role of informal trading are also critical. From the findings it was clear that each of these objectives had a role to play, which in some ways benefited informal trading and in other ways restricted the growth of informal trading. Informal trading is very important for economic development and if it is to contribute to that, then an understanding of some of the strengths, weaknesses, opportunities and threats faced by informal traders is needed. Recommendations were then made in an attempt to solving some of the problems which were discovered by the study, as well as to make use of the strengths and opportunities that come with informal trading.

The objectives of this study have introduced three possible solutions. The first is to formalise the informal economy, the second is to leave the informal sector economy as it is in its current state, and the third is to create an environment that is conducive to both types of the economy, where both can thrive and work together for the socio-economic benefit of the town. Government needs to facilitate methods of increasing the contribution of the informal sector economy into the overall GDP economy, whether it is through full integration or partial integration. The government has an exceedingly important role to play in the regulation of the informal sector economy, as it has the

authority to implement policies that promote its growth and progression. The policies implemented require balance and cannot favour the informal sector economy to the detriment of the formal sector economy. The policies should encourage and facilitate the leveraging of the synergies between the two economies. These economies are both important in creating the linkages that are needed to stimulate local economic development. Small town development is reliant on the complementary integration of these two economies, as the informal sector in small towns needs a formal sector to hook onto.

The government must recognise that the informal sector needs to benefit from the social protection that regulations promote, however it must bear in mind that it is not possible for the informal sector to adhere to the same stringent policies that exist for the formal sector economy. One of the municipal officials introduced the concept of “mild regulation”, defining it as a process of assisting the informal enterprises in the informal sector economy to recognise the benefits of formalization (Respondent 2). Through self-regulation, the informal sector economy organises itself within and under the condition of its environment, outside the formal regulations systems. This concept of self-regulation should be monitored and supported by the government and the private sector in order to stimulate and optimise economic activity. A consistent theme throughout the research was the creation of a conducive working environment, which can be achieved through participation in the GDP economy for informal businesses, yet meaningful participation extends beyond mere compliance to legal processes.

There was also significant evidence from the literature and the research’s findings that education plays a critical role in the success of any business. In addition, if all informal traders in the informal sector economy in the town of Mtubatuba are without formal education, tertiary education, with specialised skills that only formal education can provide, it is not possible for the sector to advance and contribute favourably to the GDP economy. High level modern technology such as mobile technology and manufacturing capacity require specialised skills which are gained through education. Without these specialized skills the informal sector economy will remain “that economy” reserved for low level, unskilled individuals, who do not have the capacity to advance to an innovative, high level, productive, efficient and performance-based economy. This study

agrees with the findings of Quinn and Rubb (2006) who stated that there is a positive relationship between individuals' education and the economic growth of a country.

A key insight acquired from this study relates to the interconnected nature of the informal sector economy, as the informal sector acts as an important strategic distributive channel for the formal sector economy. The informal sector economy opens up the market for the formal economy by distributing products and services produced in the formal sector economy into the grassroots markets previously inaccessible to the formal sector. The interconnected nature of the formal sector and the informal sector economy validates the fact that they cannot be viewed in isolation as two distinct economies for two prevalent reasons. Firstly the previous justification and secondly, supply chain linkages including the fees paid by the informal traders as rentals for storing their goods and rentals for public space (Chen, 2007).

The informal sector, due to its role in many towns such as Mtubatuba, was viewed by Blakely (2000) as one of the principal driving forces in local economic development, as it has a number of roles to play other than just for the provision of income for less educated and unskilled people. The businesses within this sector are flexible and can adapt quickly to changing market demand and supply situations. In addition they generate employment, help diversify economic activity, make a significant contribution to trade, provide raw materials to local producers and also help in alleviating poverty and sustaining human livelihoods.

The role of informal trading in the economic development of small towns is connected to the role of LED. The aim of LED is to improve economic growth and employment opportunities, hence bettering human livelihoods at the local level. In the case of this study positive LED outcomes are unlikely to be achieved unless the potential and needs of the informal sector are adequately considered, therefore the role of informal trading in the local economic development of small towns is to stimulate the economy, which can further be facilitated by LED strategies and initiatives. The LED process provides a major opportunity for improving the informal sector of small towns, therefore it is imperative that LED strategies that aim to develop small towns consider the needs and potential of the informal sector as a matter of priority.

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## APPENDIX A



PO Box 68648  
Bryanston  
2021  
15<sup>th</sup> December 2015

To whom it may concern,

This letter is to confirm that I am a professional editor and proof reader and that I have edited Sakhile Khumalo's thesis, the title being: 'The role of informal trading in economic development: The case study of Mtubatuba'.

For any queries, please contact me on [jenniferrenton@live.co.za](mailto:jenniferrenton@live.co.za).

Yours sincerely,

Jennifer Lindsey-Renton



02 March 2015

Mr SMS Khumalo (214583375)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mr Khumalo,

Protocol reference number: HSS/0861/014M

New project title: The role of Informal Trading in Economic Development: The case of Mtubatuba

**Approval Notification – Amendment**

This letter serves to notify you that your request for an amendment received on 26 February 2015 has now been approved as follows:

- Change in Title

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol.

Yours faithfully

.....  
Dr Shenuka Singh (Chair)

/ms

cc Supervisor: Dr Jennifer Houghton  
cc Academic leader Research: Dr E Munapo  
cc School administrator: Ms Gina Mshengu

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**Humanities & Social Sciences Research Ethics Committee**

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Website: [www.ukzn.ac.za](http://www.ukzn.ac.za)



Funding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville

## APPENDIX C

### MTUBATUBA



UMASIPALA • MUNICIPALITY • MUNISIPALITEIT

9 52 MTUBATUBA 3935

☎ (035) 550 0069 / 550 0050

✉ (035) 550 0060

Local Economic Development and Tourism

19/03/2014

Date: 19 March 2014

Student Name: Mr Sakhile Khumalo  
Student Number: 214583375

Re: Request for approval for conducting a research within Mtubatuba Municipality

Dear Mr Sakhile Khumalo

Mr. Sakhile Khumalo is a Masters student at the University of KwaZulu-Natal. He has proposed a research project towards his Master's thesis project on "An assessment of the role of informal trading in the development of small towns; The case of Mtubatuba.

I am aware that the study will take place during office hours within the Municipality and it will also include community members, for which he will be collecting data through the use of interviews. In other words, the researcher will be conducting interviews with staff members as well as community members within the jurisdiction of the municipality.

As per your request, I (**Mr AC Biyela, Economic Development and Tourism Manager**) grant you permission to conduct your study within Mtubatuba Municipality.

Sincerely,

A handwritten signature in black ink, appearing to be 'A.C. Biyela', written over a horizontal line.

**MR A.C BIYELE**  
**MANAGER**  
**LOCAL ECONOMIC DEVELOPMENT AND TOURISM**

## **APPENDIX D**

**University of Kwazulu-Natal**

**Graduate School of Business and Leadership**

**Westville Campus**

**Title of Research: The role of informal trading in economic development : The case study of Mtubatuba**

### **Interview questions:**

- **To assess the role of informal trade in employment**

- 1) Do you believe informal trading has a role to play in reducing the unemployment rate in Mtubatuba?
- 2) Are there any in-focus programs that have incorporated a line of action reaching out to the informal sector in particular on skills, knowledge and employability
- 3) Do you believe informal trading is specifically for the poor or a highly heterogeneous structure that is able to provide employment for both the poor, middle-class and wealthy?

- **To assess the contribution of informal trading in the livelihoods of traders**

- 4) In what way do you believe informal trading helps informal traders in town meet their basic needs?
- 5) Are there any benefits received by traders besides the income they receive from their businesses?
- 6) Do the informal traders trading in town have trading licenses?
- 7) What is the number one priority or goal the Municipality has in trying to ensure informal businesses have a conducive working environment and obtain optimal benefits from their businesses?

- **To examine the relationship that exists between traders and local authorities**

- 8) Do informal traders respect the regulations for street trading?
- 9) Are there any regulations that limit or hinder the functioning of informal businesses

- 10) In planning, what challenges does informal trading face in the road to becoming a major contributor to the development of the town?
- 11) What is the greatest challenge faced by the Municipality in making informal trading more organized?

- **To examine the relationship between informal traders and formal businesses**

- 12) Do formal businesses benefit in any way from informal businesses?
- 13) In what way do informal businesses benefit from formal businesses?
- 14) Have there ever been complaints from formal businesses about informal businesses operating adjacent to them?
- 15) In terms of infrastructure are there any storage facilities for informal businesses to use?

## APPENDIX E

### Informal trading in Mtubatuba Questionnaires

Dear Respondent my name is Sakhile Khumalo, a student from University of Kwazulu-Natal. I'm conducting research on informal trade in Mtubatuba. This research will help the community by making service providers and authorities aware of some of the issues affecting informal trading. Therefore this will encourage more effort by public authorities and businesses in helping with the provision of services to informal traders.

Please could you participate in the study by filling out the questionnaire. Nowhere on the questionnaire will you be asked your name, therefore the information you provide is totally anonymous and will be used with the strictest confidentiality.

Please tick the boxes below and provide written answers where needed.

#### Section A: Personal Background

1. Please tick your age category. (Age)

Less than 21	21-30	31-40	41-50	51-60	Above 60

2. Please tick your gender.

Male	Female

3. Marital status

Single	Divorced	Married	Widowed

4. Are you a South African citizen?

Yes	No

If no specify your Nationality: \_\_\_\_\_

5. Please name the residential area in which you currently live.

\_\_\_\_\_

6. Did you move to this area because of this job?

Yes	No

7. If yes, did your family move with you?

Yes	No	Partially

8. Do you have a license for informal trade?

Yes	No

9. If yes where did you obtain the license? \_\_\_\_\_

10. Please tick your highest level of education.

Completed primary school	Completed standard 6-9 (grades 8-11)	Completed matric	Completed tertiary education	In service training	Other

If other, please describe

\_\_\_\_\_

11. Form of Employment:

Self employed	Employed	Unemployed

12. What is your total monthly income? \_\_\_\_\_

13. Family structure

Number of adults in family (21 years and above) \_\_\_\_\_

Number of formally employed adults (21 years and above) \_\_\_\_\_

Number of informally employed adults (21 years and above) \_\_\_\_\_

Number of unemployed adults (21 years and above) \_\_\_\_\_

Number of children in the family (Below 21 years) \_\_\_\_\_

Number of school going children (Below 21 years) \_\_\_\_\_

Number of Children not going to school (Below 21 years ) \_\_\_\_\_

14. Where do you trade?

Along the street	Train, bus or taxi station	Street intersection	Other

**Section B: Livelihood of the trader**

15. What type of structure is your business conducted in?

Temporary stand	Wood shack	Bicycle or motor cycle	Caravan	Umbrella	other	None

16. What do you sell or what service do you provide?

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17. Do you travel everyday to work?

Yes	No

If yes please specify the distance travelled: \_\_\_\_\_

18. How many days do you trade each week? \_\_\_\_\_

19. When do you start and stop selling your product in a day?

---

20. For how many hours do you sell your product a day? \_\_\_\_\_

21. How much profit do you get for your product per month? \_\_\_\_\_

22. Is this business your only source of income? Yes  No

If no, what are your other sources of income?

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23. What other personal wants do you use your income for?

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**Section C: Relationship with other institutions**

24. What are you main problems with regard to trading issues?

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26. What support do you get from the government?

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27. What basic services do you have access to around your trading site?

---

---

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28. Are you satisfied with working environment around your trading site? Yes   
No

If no why?

---

---

29. What is your relationship with formal businesses like? Good  Okay  Bad

If Bad specify? \_\_\_\_\_

30. What do you get from formal businesses?

---

---

31. Where do you buy your products? (Area)

---

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32. Name the shops or wholesalers where you buy your products. (Optional)

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33. Have there been any improvements in your life since you started your business compared to previous circumstances? Yes  No

34. If the answer to the above question is yes please explain the improvement

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35. Any further comments?

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## APPENDIX F

Turnitin Originality Report  
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