



# **Informal Foreign Small Business Enterprises: Contribution and Experiences**

**By**

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**COLLEGE OF HUMANITIES**  
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## **DEDICATION**

This dissertation is dedicated to my mother and father, Thembelihle and Sazi Mlambo, who first taught me the value of education and critical thinking.

## **ABSTRACT**

Informal migrant small business enterprises have increased dramatically in Tugela Ferry Town. The study examines the contribution of informal migrant enterprises in employment creation and enhancement of economic growth in Tugela Ferry Town. The study also seeks to gain insights into the experiences that migrant enterprises encounter in their business activities and to understand if migrants are job seekers or job creators. This dissertation explores the livelihood activities of informal migrant small business enterprises. The concept of livelihood strategy was used to develop the theoretical framework that guides the research.

The study makes use of the qualitative research method. Fifteen in-depth interviews were conducted with informal migrant small business enterprises, who were all male. The research was conducted in Tugela Ferry Town. The findings of the study suggest that informal migrant business enterprises make an economic contribution to the development of the town.

Informal migrant small business enterprises encounter challenges in accessing the finance and capital necessary to start their entrepreneurial businesses. Amongst the problem encountered by informal migrant small business is the high rent for both accommodation and business, discrimination due to nationality by local people. The research concludes by recommending that the business training programmes that are arranged by the municipality of local small business enterprises be open to informal migrant small business enterprises as well. Local communities should also be educated about the positive role of migrant enterprises in the town.

**Keywords:** Tugela Ferry, Contribution and Experiences, Economic growth, Job creation.

## ACRONYMS

|         |   |
|---------|---|
| LFS     | Labour Force Survey   |
| DTI     | Department of Trade and Industry                            |
| Stat SA | Statistics South Africa                                     |
| SMEs    | Small and Medium Enterprise                                 |
| GVA     | Gross Value Added   |
| SA      | South Africa  |
| UK      | United Kingdom  |
| WDI     | World Development Indicator                                 |
| UNCTAD  | United Nations Conference on Trade                          |
| UNDESA  | United Nations Department of Economic and Social<br>Affairs |
| UNDP    | United Nations Development Programme                        |
| FDI     | Migrant Direct Investment                                   |
| ILO     | International Labour Organization                           |
| GDP     | Gross Domestic Product                                      |
| DRC     | Democratic Republic of Congo                                |
| KZN     | KwaZulu-Natal   |
| IDI     | In-depth Interviews   |
| QLFS    | Quarterly Labour Force Survey Statistics                    |
| BMR     | Bureau of Market Research                                   |
| SESE    | Survey of Employers and Self-Employed                       |
| LDCs    | Least Developed Countries                                   |
| MTO     | Money Transfer Operators                                    |

|         |   |
|---------|---|
| FMCG    | Fast Moving Consumer Goods                      |
| IFAD    | International Fund for Agricultural Development |
| IMF     | International Monetary Fund                     |
| CD      | Compart Disc                                    |
| DVD     | Digital Virtual Disc                            |
| USB     | Universal Serial Bus                            |
| SD Card | Secure Digital Card                             |

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## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background**

South Africa is the region's economic hub and has traditionally been a major destination for economic migrants and thus, also a major source for regional remittances (Kongolo, 2010). At present, South Africa boasts the third largest economy after Nigeria and Egypt. The economy consists of what Boeke (2008) called the dual economy due to the existence of two separate economic sectors within one country. South Africa has both modern or formal economy and the traditional or informal economy. According to Callisto (2011), it is widely acknowledged that South Africa is a dual economy comprising the white dominated modern sector and the African Reserves or the "homeland".

According to the Labour Force Survey (LFS), the unemployment rate in South Africa increased to 27.2 % in the second quarter of 2018 from 26.7 % in the previous period (Statistics South Africa, 2018). The number of the unemployed rose by 103 000 to 6.08 million while the number of the employed fell as shown by the statistics, one of the major problems confronting South Africa is unemployment (Statistics South Africa, 2018).

Over the last decade, the Informal Small Business Sector has played an increasingly important role in buttressing South Africa's economic growth and development (Department of Trade and Industry, 2014). At the same time, the presence on the South African soil of so many immigrants from all over the world and the implications of their presence in the job market, as well as the problem of the country's scarce resources, have provoked controversial comments and debates.

In many African countries, including South Africa, official statistics do not record activities taking place in the informal sector though it contributes to the growth of African economies. According to Hobson (2011), in sub Saharan Africa, the informal sector contributes almost 55% of the subcontinent's Gross Domestic Product (GDP). Excluding Botswana and South Africa, the share index rises even higher, hitting the 60% mark (Hobson, 2011). In contrast, the informal sector in other parts of the continent and elsewhere are indicative of lower figures. In North Africa, it contributes 37.7% of the GDP, in Asia, 23.9%; Latin America, 30.6%; the Caribbean, 22.2% and the Transition Economies having the lowest share of 21.7% of their GDP (Charmes, 2016). Informal sector contributes 7% to 12% to the GDP in South Africa

(Skinner, 2017). However, the informal sector plays a significant role in terms of economic growth in South Africa and in other countries.

According to Skinner (2016), although individual incomes are low, Statistics South Africa estimates that informal enterprises contribute 5.2% (Stats SA, 2015), increasing the role of informal enterprise in food security. According to the Quarterly Labour Force Survey, in the 3<sup>rd</sup> quarter of 2016, 2 641 000 South Africans worked in the informal sector (Skinner, 2016). Although far smaller than other developing country counterparts, this still represents 16.7% of total employment in the country (Statistics South Africa, 2018).

There is a notion, though largely unsubstantiated that migrants from the country's northern border are occupying jobs that should rightfully belong to South Africans. However, Timberg (2005) disagrees, maintaining that the northern migrants are actually creating employment for themselves and sometimes for unemployed South Africans. Hovhannisyan (2018) also believes that the migrants who are found in South Africa and other places do not take jobs, but they in fact create jobs for themselves, other migrants and South Africans. Furman (2018) also complements the view that immigrants provide a significant boost to developing economies in a number of ways and apart from job creation, immigrants pay taxes, they are consumers and they are innovators.

According to Tengeh and Nkem (2017), migration has proven to be one of the dominant research topics in modern history. The topical issue has become an essential, unavoidable and beneficial instrument of the socio-economic life of regions and countries. When immigrants migrate into their new countries, they seldom find it easy to gain access to the employment market. Resultantly, many of them resort to entrepreneurial activities partly as a matter of necessity and more importantly, in order to create more gainful employment for themselves, a development that certainly gives rise to the phenomenon of immigrant entrepreneurship.

While Shoprite, Pick n Pay, Spar and other formal retailers compete to gain more consumers, an invisible giant is awakening in the informal sector and it is winning the purse and growing faster than the formal sector. This economic giant is not a single business entity but a multitude of small informal shops which form an invisible matrix in the informal economy (Alcock, 2016).

Geneva (2017) states that, *spaza* shops, which began to sprout in the mid-1970's, derive their name from the vernacular township slang word meaning an “imitation” of a real shop from the Zulu verb “isiphazamisi”. *Spaza* also means “hindrance” or “annoyance”, possibly referring to the way in which these shops were either viewed by formal retail outlets or by those that lived close to them and become annoyed by foot traffic and noise. However, today the tide has reversed as several hindrances or barriers are now surrounding the owners of the *spaza*.

Tracing the history of *spaza* shops reveals how this informal sector of the retail economy is rooted in the legacy of discrimination and a history of struggle. Some see the *spaza* shop as a by-product of the policies of racial segregation, which once advocated and pursued a strategy of separate development, seeking to suppress the spirit of black African business, commerce and trading opportunities. Unexpectedly, though the policies succeeded in igniting entrepreneurship from the home or garage.

Historically, small business enterprises played an important role in contributing to the economic development of many countries around the world. They represent vast portions of businesses in developing countries including South Africa (Kongolo, 2010). The Small and Medium Enterprises (SMEs) are the genesis of development on the economies which eventually culminates in industrialization, however, these SMEs have a significant effect on the income distribution, poverty, tax revenue and employment, efficient utilization of resources, employment and the stability of family incomes (Kongolo, 2010).

This study examines the contribution and experiences of informal migrant small business enterprises in Tugela Ferry Town. Informal businesses contribute significantly to the provision of productive employment opportunities, the generation of income and, ultimately, the reduction of poverty. According to the statistics, in industrialized countries, SMEs are major contributors to the provision of sector employment. Empirical studies have shown that SMEs contribute to over 55% of the GDP and over 65% of the total employment in high income countries (Kongolo, 2010).

According to Fida (2011), informal enterprises account for over 60% of the GDP and over 70% of the total employment in low income countries, while they contribute about 70% of the GDP and 95% of the total employment in middle income countries. In most developing and developed countries, it is argued that the creation of small businesses and the encouragement of entrepreneurship are central in unlocking national economic development, however, the link

between small businesses and the economic prosperity of a nation is not clearcut (Kongolo, 2010).

Furthermore, a well-supported and enhanced small business sector is likely to continue contributing to the economic development process in the same way as large businesses (Abraham, 2013). According to Baraket (2011), the negative effects of the recent economic downturn have seriously affected the socio-economic conditions of many people in different societies, as a response to those negative conditions, it has become inevitable that small, medium and large entrepreneurs enhance their job creation abilities.

Unemployment coupled with a massive decline in the living standards spurred on by economic downturns are the main challenges facing many poor people in developing countries. This has been exacerbated by the fact that the formal economy has been continuously shedding jobs as many workers continue to face inevitable retrenchment (Abraham, 2013; Department of Trade and Industry, 2014). As a result, thousands of new job seekers, the majority of whom are youth inflate the mob of unemployed people (Abraham, 2013). It is understood that the development and growth of small, micro and medium enterprises plays an important role in supporting national economic development.

One of the significant indices of a flourishing and growing economy is a booming and blossoming small and medium enterprises sector, arguably, small and medium enterprises play an important role in the development of a country (Feeney and Riding, 2009). Studies have established that small enterprises contribute to economic development in various ways; firstly, by creating employment for both growing rural and urban labor force and secondly by providing the desired sustainability and innovation in the economy as a whole (Fida, 2008). In addition to that, huge numbers of people rely on the small and medium enterprises both directly and/or indirectly.

The development of small enterprises is seen as the most effective way of accelerating the achievement of a nation's wider socio-economic goals, including poverty alleviation (Cook and Nixon, 2010). Small business enterprises play an important role in any nation's development process. Raising the living standard of the people is the main concern of any nation's development process. According to Todaro (2013), the sustenance of the people's lives borders on the ability to provide basic necessities for all at reasonable prices and by implication; everyone has access to certain basic needs without which life would not be possible. There is

no meaningful development when the benefits of economic progress are the prerogative of the minority, while the majority is being excluded (Smith, 2013).

As Advani (2011) stated, from the socio-economic development perspective, small business enterprises provide a variety of benefits. They occupy an advantageous position in contrast with large scale businesses because they can adapt easily to market conditions and above all, they can withstand adverse economic conditions by virtue of their flexibility. It is imperative that emphasis should be put on the generation of more revenue which is important for the country and its economy. This is particularly crucial in so far as it helps to lure the much-needed migrant currencies to support and sustain the country's development processes. More migrant currencies will help create the much-needed jobs together with related economic activities that enhance and support social and economic development in the country.

The debate around the indispensability of small businesses in the economy has been put under spotlight by policy makers, researchers and economists for many decades (Neumark et al., 2008). In South Africa, for instance, policies and programmes to support the development of small business are an integral part of the democratic government's strategy to foster a better life for all. The composition of the informal sector has also changed across time. Geneva (2017) notes that the informal sector is now male dominated and men constitute about 55% currently, compared to about 39% in 2001.

The informal small business enterprises contribute to a country's national product either by manufacturing goods of value or through the provision of services to both consumers and/or other enterprises. The informal small business sector also accounts for about 91% of the formal business entities in South Africa, contributing between 52% and 57% of the GDP and providing about 61% of the total employment (Roitman, 2009).

In a recent survey Alcock (2016) showed how competitive these 'spazarettes' (tuck shops) are to formal supermarkets. Recent research has established that 20% of all the money spent in South Africa is spent in informal stores, which sell goods amounting to R46 billion per year and statistics show that the monthly rate for these informal businesses has increased to 7% per annum whereas that of formal stores lags behind at 4% (Alcock, 2016).

Simultaneously, informal migrant small business enterprises have increased dramatically in the last two decades. This study seeks to gain insight into the nature of such an increase and examine the contribution and role of the migrant small informal business enterprises in

employment creation and the enhancement of economic growth. The study also re-examines the presence and participation of informal migrant small business enterprises in order to determine their contribution to economic growth. The other motivation behind the study is to explore the views of South Africans, who believe that migrants are stealing jobs from them. An exploration of the views of black South Africans who feel that migrants are job creators will also be undertaken.

The study also seeks to explore and therefore understand the factors affecting the development of informal migrant small business enterprises in South Africa. The study is also preoccupied with bringing to the fore, the primary motive that catapults migrants into the informal small business sector. According to Tengeh and Nkem (2017), it is believed by many researchers that South Africa needs to promote the establishment and growth of small businesses if it is to successfully combat poverty through the creation of gainful employment. Such calls come amid high levels of poverty and soaring unemployment, which coalesce to thwart the socio-economic development of the country. Any strategy that aims at curbing poverty and unemployment by encouraging the setting up of viable and sustainable small businesses must, by necessity, also entail concrete efforts to eliminate the challenges which hinder the progress of the existing small-scale entrepreneurs at present.

There has been growing interest in the role of the small enterprise in the development process as the subject continues to dominate the themes around policy debates in most countries. Government, at all levels has undertaken initiatives to promote the growth of small business enterprises (Feeney and Riding, 1997). Politicians, academics and developmental economists are of the view that enhancing small business development and promoting entrepreneurship would be a good strategy to contribute to and promote economic development and from the viewpoint of economic development, small businesses create almost half of the new jobs in the economy, and it is assumed that they are gainful employed (Edmiston, 2017). Therefore, the promotion of small businesses is imperative in order to sustain livelihoods.

According to Edmiston (2017), the creation of any product or service entails the coalescing of the factors which drive production. Labour, capital, land and entrepreneurs are the factors that need to be combined in order to ensure the successful start-up of a business. Tengeh and Nkem (2017), urge that the governments of a number of countries throughout the world today to stimulate small businesses as a strategy of boosting economic growth and raise the levels of



employment. Promoting businesses start-ups necessitates the granting of reasonable access to essential resources.

According to Lugalla (2011), the informal sector plays a facilitative role in ensuring that developing and transitional countries successfully adjust to globalisation and structural reforms. The informal sector provides a means of survival to the vast majority of poor and extremely poor workers in a given society. Furthermore, they play a key role in unlocking the entrepreneurial potential which could hardly materialize in a mesh of formality. Informal workers however are not protected by law, making them vulnerable to certain forms of abuse and exploitation. Being mostly an urban phenomenon, the expansion of the informal sector has the potential to exacerbate problems arising from slums, congestion, health and environmental hazards (Lugalla, 2011).

In addition to being a source of employment, the informal sector is critical in the entire production and distribution of goods and services. Lugalla (2011) notes that in many countries, the contribution of informal enterprises to the gross value added (GVA) is substantial. According to Crush et al. (2015), informal enterprises in the majority of African cities are operated by both internal and international migrants. The nature of mobile entrepreneurship and the extent of the opportunities and challenges confronting migrant entrepreneurs are under-researched in Africa in general and Southern Africa in particular (Crush et al. 2015). Informal enterprises' contribution to the informal economy and employment generation in the countries of destination and origin is similarly undervalued by policy-makers. Another impediment is that informal migrant entrepreneurs are often viewed with suspicion, if not hostility, by both citizens and government officials.

The reason for suspicion partly stems from the fact that central and municipal governments see informal entrepreneurs as increasing the growth of an informal sector that they would want tamed, if not eradicated. Also, they are often misconstrued as all "illegal immigrants" and, by definition, engaged in illicit activities. Compounding the vulnerability of the informal businesses owned by migrants is that, in countries with high levels of xenophobia such as South Africa, such businesses are a visible and easy target for xenophobic attacks. Violent attacks on migrant entrepreneurs and their property have become extremely common in many South African cities.

Many commentators therefore, feel that in the post-apartheid era, the South African informal economy ought to be much larger than it is and government policy has to move away from the

apartheid-era repression that targeted informal entrepreneurship. The key question may not be why the informal economy is not larger, but why, after decades of repression, it is as large and important as it is, (Crush et al., 2015).

According to Crush et al. (2015), the informal economy is not just populated by South African citizens, but also by migrants from other African countries, who, nonetheless, play an increasingly important role in the sector and they are experiencing considerable successes, something that continues to elude many start-ups owned by the locals. In recent years, informal retailing has been the major focus of economic research on different sub-sectors of the informal economy (Crush et al., 2015). Particularly common are small-area case studies of survivalist street trading (particularly of food and handicrafts) conducted in the city centres. The ‘spaza’ shop sector mostly found in low-income residential areas has also been studied. Other informal entrepreneurial activities that have attracted the attention of researchers include the mini bus taxi industry, waste collection and recycling, shebeens, trade in medical plants and poverty tourism.

According to the Department of Trade and Industry (2014), documenting the economic challenges of informality in the business arena, the existing literature on the South African informal economy raises two other glaring issues that have a bearing on the environment that influences entrepreneurship. The first important issue is the relationship between formal and informal retailing. The central research question borders on whether the rapid expansion of malls and supermarkets across the South African urban landscape and their recent penetration of low-income areas, is negatively impacting on the informal economy.

The second critical issue concerns the formalisation of informal businesses, this has partially been necessitated by the International Labour Organisation’s 2014-15 standard-setting process proffering guidelines on the “formalization of the informal economy” (Department of Trade and Industry, 2014). For reasons that include greater legal control, collection of taxes and registration fees, enforcement of labour legislation and identification and deportation of irregular migrants, the South African authorities would like to have the informal economy subjected to formal rules and regulations. In South Africa, the drive towards formalisation has progressed the furthest in the taxi industry but many sectors of the informal economy remain outside the regulatory fold. However, most of the informal entrepreneurs are opposed to formalization, stressing the inevitable financial costs and constraints on business flexibility.

The Zimbabwean experience poses important questions about the links that exist between the collapse of the formal economy and the growth of informality in that country. According to Mbiriri (2010), at independence in 1980, Zimbabwe's urban informal economy was meagre, absorbing about a paltry 10% of the labour force. By 2003, it accounted for over 70% of the labour force and its contribution to the gross national income (GNI) had grown to around 60%. In 2011, 84% of the workforce was in the informal sector (Mbiriri, 2010).

International migration is stimulated by various factors which include seeking employment, the quest for humanitarian relief and the desire for family reunification. Indeed, it is a push and pull process. According to Arbour (2017), on the supply side, migration is sparked by the main "push factors", which include demographics and inadequate employment opportunities at home. On the other hand, the "pull factors" that spur the phenomenon include wage differences and associated labour productivity across markets as well as perceived high quality of life and the promise of a steady stream of income (Arbour, 2017).

## **1.2 Rationale of the study**

As the informal migrant enterprises grow, it is imperative to assess the performance of South African informal migrant small businesses operating in the shadow of informal economy in the retail sector. Genuine commitment by both the private and public sectors to stimulate growth in the South African economy should focus on removing the barriers that prohibit sustainable growth for the South African informal migrant small business enterprises.

Furman (2018) state that poverty and unemployment figures are escalating and simultaneously the gulf between the rich and the poor has also been widening. It is therefore imperative to promote a culture of entrepreneurship principally for the creation of jobs. Small informal businesses are dominating the provision of employment in the South African economy owing to massive retrenchment in the public sector leading to low employment opportunities in the formal economy.

The study seeks to explore, through a more in-depth examination, the contribution of informal migrant enterprises to the South African economy. The researcher also attempts to highlight the difficulties facing the informal migrant enterprises. The study further seeks to address the myths and stereotypes around migrant economic activities against hard evidence and to initiate a narrative bordering on the positive contribution the migrant entrepreneurs make to the South African economy.

Within the context of the global economic crisis, coupled with global environmental challenges, South Africa is envisaging new possible models in order to respond sustainably to both internal and international pressures. This study aims to augment the current conceptions of sustainable and inclusive development and make this attainable by acknowledging the informal economy as a force to reckon in order to contribute to social and economic justice. The study therefore contributes immensely to the existing body of knowledge on local economic development, the informal economy, sustainable development and inclusive growth.

### **1.3 Aim of the study**

The overall aim of the study is to explore the role of the informal migrant small businesses in economic development. The specific objectives are:

1. To explore the range of experiences of informal foreign small business enterprises.
2. To identify the challenges and barriers faced by informal foreign small business enterprises.
3. To reflect on the contribution of informal foreign small business enterprises to the economy of Tugela Ferry Town.

### **1.4 Key questions**

The key research questions guiding the study are;

1. What are the experiences of informal foreign small business enterprises in Tugela Ferry Town?
2. What are the challenges and barriers faced by informal foreign small business enterprises in Tugela Ferry Town?
3. What is the contribution of informal foreign small business enterprises to the economy of Tugela Ferry Town?

### **1.5 Theoretical framework**

The theoretical framework underpinning the study is derived from the literature on livelihood strategies and entrepreneurship skills, which are the fundamentals as far as effective informal trading activities are concerned. According to Kollmair and Gamper (2002), the term ‘livelihood’ refers to the means of support and subsistence of one’s existence. The livelihood framework seeks to adopt a more comprehensive and integrated approach to the unpacking of

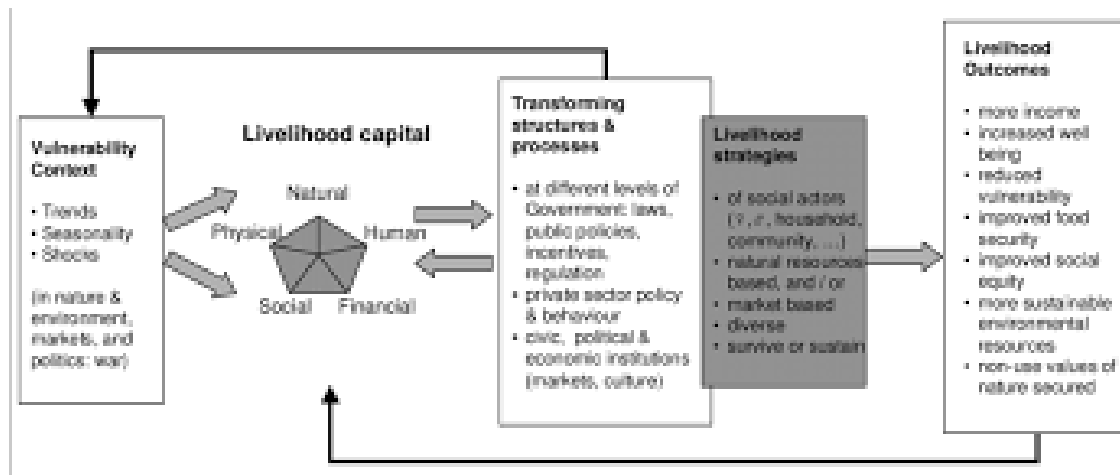
poverty than traditional interpretations which largely considered poverty in relation to a narrow set of indicators such as income and productivity (Kollmair and Gamper, 2002).

A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required to sustain a living. A livelihood is sustainable, and it copes with and recovers from stress and shocks. It maintains or enhances its capabilities and assets and fosters sustainable opportunities for the next generation, which contributes the net benefits to other livelihoods at the local and global levels and both in the short and long term (Krantz, 2001). This means that a livelihood implies that indicators of wellbeing are subjective.

Furthermore, the livelihood framework is people centered. It maintains that people rather than the resources they use are the priority in the livelihood approach (DFIDA, 2008). According to Kollmair and Gamper (2002), the principles of livelihood approaches suggest that they are people centered, holistic, build on strengths, dynamic, responsive and participatory, macro-micro link and sustainable.

According to Kollmair and Gamper (2002), the livelihood framework aims to present primary factors (vulnerability context, livelihood assets, transforming structure and process, livelihood strategies and livelihood outcomes) together with their significance and the nature of their interactions. A livelihood comprises the capabilities, assets and activities required for a means of living (DFIDA, 2008). According to Krantz (2001), a livelihood can only be sustainable when it can cope with and recover from stresses and shocks and sustain or improve its abilities and assets both now and in the future, while preserving the natural resource base.

**Figure 1.1: Sustainable Livelihood Framework**



*Source: Ashley and Carney (2016)*

The above diagram illustrates the sustainable livelihoods approach. The sustainable livelihood approach is a way of thinking about the objectives, scope, and priorities for development activities (Serrat, 2017). It is based on developing thinking about the way the poor value their lives and the impact of policies and institutions. People centred development activities are formulated around the livelihood framework.

The sustainable livelihood approach facilitates the identification of practical priorities for actions that are based on the views and interest of those concerned but they are not a panacea. It does not replace other tools, such as participatory development, sector-wide approaches, or integrated rural development (Serrat, 2017). However, it makes the connection between people and the overall enabling environment that influences the outcomes of livelihood strategies. It brings attention to bear on the inherent potential of people in terms of their skills, social networks, access to physical and financial resources, and ability to influence core institutions.

The reason for using the livelihood framework in this study is that it offers a clearer and cohesive approach to poverty. The livelihood approach provides a more realistic framework for assessing the direct and indirect effects on informal migrant enterprises' living conditions. The livelihood approach facilitates an understanding on the variety of factors, at different levels, that directly or indirectly determine or constrain informal migrant enterprises' access to resources or assets of different kinds.

The sustainable livelihoods approach improves understanding of the livelihoods of the poor. It organizes the factors that constrain or enhance livelihood opportunities, and shows how they relate. It can help plan development activities and assess the contribution that existing activities have made to sustaining livelihoods (Serrat, 2017).

According to Krantz (2001), the livelihood framework recognises various factors and processes which either constrain or enhance poor people's ability to make a living in an economically, ecologically, and socially sustainable manner. The sustainable livelihoods framework guides this study to explain the contribution and experiences of informal migrant enterprises in Tugela Ferry. It recognises the manifestation of poverty, such as low income but also considers vital aspects of poverty such as vulnerability and social exclusion (Krantz, 2001). The framework allows the reader to understand the socio-economic factors affecting informal migrant enterprises in Tugela Ferry.

The most valuable means of empowering people is to broaden the range of strategic alternatives through diversification of livelihood options that actually minimize people's vulnerability (Hussein and Nelson, 2000). Poverty reduction is a process that entails social policy interventions in which people's wellbeing is positively affected. This can be done through adopting welfare services or by the implementation of progressive policies that optimistically impact on the lives of poor people.

According to Akinwale and Ogundiran (2013), one of the strengths of the sustainable livelihood approach is its ability to create a complete view of the resources or combination of resources that are essential to the poor and these are inclusive of, not only physical and natural resources, but also their social and human capital. The sustainable livelihood approach promotes the application of knowledge needed to identify the reasons behind poverty. This can best be done by concentrating on the various factors, at different levels that determine poor people's access to resource/assets of different kinds, as well as their livelihoods. In addition, the sustainable livelihood approach provides an accurate plan and channels to assess the direct and indirect effects on people's living conditions than one dimensional productivity or income criteria.

The sustainable livelihood approach has its own shortcomings. According to Krantz (2001), none of the sustainable livelihood approaches really deals with the issue of how the poor people are identified. In the context of sustainable livelihoods, resources and other livelihood

opportunities are distributed locally and influenced by informal structures of social dominance and power within the communities themselves.

Basically, the main idea underpinning the sustainable livelihood approach is to embark on a broad and open-ended analysis, but a highly flexible planning has to be put in place, though such a mechanism rarely exists. Therefore, the best approach is to ensure that the already identified sector development initiatives suit people's livelihood strategies and that they are made more responsive to the constraints and opportunities affecting the poor. Thus, the approach, or its elements, will be useful to that end (Krantz, 2001). The present study examines the current livelihood strategies of the small migrant informal business enterprises and it further investigates how these affect their trading activities. This study draws on the livelihood approach to understand the situation of informal migrant small business enterprises in a better way.

## **1.6 Organisation of the study**

The dissertation consists of five chapters. *Chapter one* includes the background of the study, the rationale, the aim and objectives of the research, research questions as well as the theoretical framework underpinning the study.

*Chapter two* discusses the existing literature on small migrant informal business enterprises living in South Africa and other countries. It also examines the implications of such trading on the economy and other people's lives using relevant sub-topics.

*Chapter three* provides a detailed description of the methods used in this study. It describes the study population, the sampling techniques and the research methods used in the study.

*Chapter four* focuses on the analysis of the findings gathered from the interviews that were conducted.

*Chapter five* provides a discussion of the findings. Conclusions are then formulated, and recommendations based on the findings are made in order to influence future policy.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

After more than two decades since the end of Apartheid in South Africa, poverty, unemployment, inequality, and environmental degradation remain persistent problems (Peter, 2017). This chapter reviews literature on the contributions of informal migrant small business enterprises to job creation and economic growth. The chapter reviews literature by firstly exploring trends and levels of informal migrant small business trading in different parts of the world, as well as their contribution and experiences in host countries. It also focuses on the experiences and contributions made by informal migrant enterprises in small rural towns. The advantages and disadvantages to being involved in the informal small business trading are also discussed.

### **2.2 Global perspectives of migration**

Global migration refers to a situation in which people go to live in migrant countries, especially in order to find work (Skeldon, 2007). International migration is driven by a multitude of factors that include social, political, religious, ethnic and economic. Some of these elements are pushing people to migrate from their country of origin (push factors) while others attract the migrants (pull factors) to their country of destination (Razin, 2002).

Current estimates suggest that there are 244 million international migrants globally (or 3.3% of the world's population) (United Nations, 2018). While most people continue to live in the country in which they were born, more people are migrating to other countries, especially those within their region. Many others are migrating to high-income countries that are further afield. Work is the major reason that people migrate internationally, and migrant workers constitute a large majority of international migrants. Global displacement is at a record high, with the number of internally displaced people standing at over 40 million, and the number of refugees constituting more than 22 million (United Nations, 2018).

Over the years, there has been a clear trend of growth in the volume of international trade. This may be due to several main factors that facilitate trade. According to Razin (2002), these are technological improvements lowered both the money and time costs of transportation, output

growth reinforced international trade and the public at large and policy-makers in particular became more and more aware of the mutual gains from trade and have gradually been pushing for the removal of tariff and non-tariff trade barriers.

Cross-border human migration and international trade account for a large part of yearly mobility of people and goods across national frontiers, and their importance has been relentlessly growing during the last waves of globalisation (Fagiolo and Mastrorillo, 2014). According to Fagiolo and Mastrorillo (2014), over the period 1960–2010, for example, the share of total world exports over real-domestic product (GDP) increased by 172%, whereas human migration, in terms of the number of world immigrants, more than doubled, with an estimated migrant population of more than 200 million in 2010.

Despite this, governments have in the last decade kept reducing barriers to trade without proportionally lowering the number of migrants, the share of world migrants to population has increased by almost 20% (Geneva, 2009). The extraordinary growth in cross-country human migration and trade did not occur only intensively, but also extensively, “intensive growth” refers to increasing migration stocks over a fixed set of migration corridors, whereas “extensive growth” concerns the creation of new migration corridors (Razin, 2002).

According to Fagiolo and Mastrorillo (2014), indeed, over the period of 1960–2000, the number of newly-created export channels between world countries exhibited a threefold increase. Similarly, simple back-of-the-envelope calculations show that the number of new emigration corridors almost doubled (Fagiolo and Mastrorillo, 2014). According to Geneva (2009), international migration flows continue to increase as globalisation and the interdependence of nations deepen. This phenomenon has served to underscore the important nexus between international migration and development, prompting analysis on this nexus with a view towards improving international migration policies.

According to estimates from the United Nations Department of Economic and Social Affairs (UNDESA), over the past 50 years the number of the world’s international migrants has more than doubled (Swing, 2017). UNDESA estimates indicate that the number of international migrants worldwide has continued to grow rapidly in recent years, reaching 258 million in 2017, up from 220 million in 2010 and 173 million in 2000, (Swing, 2017). Economic migrants account for over 85% of total migrants with the rest being refugees (Arbour, 2017). Arbour

(2017) further stated that, it is probable that future migration flows will increase further as processes of urbanisation and globalisation continue their advance, and the full impact of climate and population changes take effect, in both developed and developing countries.

Furthermore, Geneva (2009) suggested that the United Nations Conference on Trade And Development (UNCTAD) consider the contribution of migrants to development, including through research and analysis on the potential benefits and opportunities of trade, investment and development links between countries of origin of migrants and their communities abroad and on the potential contribution of migrant remittances to development, maximize benefits derived and minimize costs through policies such as expanding access to financial services.

Tengeh and Nkem (2017) noted that there is a growing consensus that the creation and growth of small, medium, and micro-sized enterprises (SMMEs) would inevitably result in the creation of employment, economic growth, the alleviation of poverty, and the general improvement of living conditions. Tengeh and Nkem (2017) further suggested that this assertion would hold true, regardless of whether the founders of the enterprise are immigrants. Most advanced economies have benefited immensely from the contributions, which have been made by immigrant entrepreneurs (Tengeh and Nkem, 2017).

Parallel evolution has been a diversification in the destination and sources of migration and the number of countries hosting migrants has widened with the number hosting more than a half-million migrants increasing from 30 to 64%, between 1960 and 2005 (Geneva, 2009). Furthermore, several developed countries have become an important source of migrants such as the United Kingdom, Germany, Italy, Poland and the United States of America, demonstrating that developed countries are an important source of migrant workers, and that migration should not be narrowly viewed as a South-to-North phenomenon, (Tengeh and Nkem, 2017).

It is particularly notable that South-to-South migration flows have become significant. According to Flahaux and De Haas (2016), in 2007, nearly half of the migrants from developing countries resided in other developing countries, particularly in adjacent countries such as those in Africa where 69% of migration is intra-African. In terms of gender composition, female migrants accounted for some 49% of all migrants in 2007, a figure largely unchanged since 1990 (Fagiolo and Mastroiello, 2014). Food items such as Chinese takeaways were brought to

the United Kingdom (UK) by the Chinese and have become a part of the British culture and similarly, Indian takeaways were established and popularised by Indians, furthermore, mosques were built in the United Kingdom by Muslims as places of worship, immigration can turn a country into a multi-cultural society (Skeldon, 2007).

The geographical distribution of international migrants is heavily influenced by the availability of employment opportunities and the relative openness and accessibility of receiving countries (Razin, 2002). The major destinations of migrants include the United States of America, the Russian Federation, Germany, Ukraine and France and migrants represent large proportions of the population in such countries as Qatar, United Arab Emirates, Kuwait, Singapore and Bahrain (Department of Economic and Social Affairs, 2017). Major source countries of migrants include Mexico, the Russian Federation, India, China and Ukraine. Global migration flows are fairly balanced among three directions: South-to-North (33% of total flows), North-to-North (28 % of total flows) and South-to-South (33% of total flows). North-to-South migration remains more limited (7% of total flows) (Tengeh and Nkem, 2017).

The geographical distribution of migrants' origins differs significantly across receiving countries. In the United States, for instance, Latin America and the Caribbean are the predominant sources of migrants, representing over 50 % of total migrants, while in Europe, migrants from other European countries, as well as Africa, account for a major proportion (Uhlenberg, 2017). The geographical distribution of international migrants is heavily influenced by the relative openness and accessibility of receiving countries. In decreasing order, the top 10 receiving countries are the United States, the Russian Federation, Germany, Ukraine, France, Saudi Arabia, Canada, India, the United Kingdom and Spain (Uhlenberg, 2017).

### **2.3 Foreign direct investment, migration and outsourcing**

According to Chen (2019), Foreign Direct Investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country. FDI can help reduce migration pressure through the development benefits it generates by enhancing economic growth and supporting employment creation (Chen, 2019). Through the tangible and intangible assets, it brings to host countries, FDI can offer alternatives to labour movement. Related are important non-equity links between transnational corporations and local enterprises, e.g. subcontracting arrangements, which can help dampen migration by providing

additional employment opportunities in the local economy. A better way to manage economic migration is to generate rapid economic growth in the countries of origin (Geneva, 2017).

Another aspect of importance is the less tangible effect that increased FDI inflows, economic growth and employment, which can result in a greater sense of economic opportunity and hope among the population, thus reducing the desire of people to migrate (Chen, 2019). While FDI has helped reduce migration pressure in the majority of middle and upper-income developing countries and countries with economies in transition, a threshold level of domestic development is usually required for countries to fully benefit from the potential for economic growth, opportunities-enhancement and reduced migration pressure that FDI can provide (Chen, 2019).

Many developing countries that have made progress in entering the global outsourcing market by providing low cost information and communication technology (ICT)-enabled services in areas such as customer service and back-office processing, have attracted related FDI that has contributed in part to reducing migration pressures by expanding domestic opportunities for employment, including for higher-skill professionals (Chen, 2019).

Gender, age and skill level of migrants play an important role in migration. In terms of age and gender, females account for 50 % of the world's migrants (United Nations, 2017). Most women migrants are engaged in temporary labour migration in the Middle East, East Asia and South-East Asia and while many women accompany or join family members, increasing numbers of female migrants migrate on their own as principal wage earners for themselves (United Nations, 2017). Their families are sometimes able to accompany them but generally remain in their home countries. Cooperative mechanisms to favour family reunification, return migration, etc. thus have an important role to play in ensuring quality care of migrants' children. Numerous studies indicate that among migrants, women tend to remit more of their income to their families than men do (United Nations, 2017).

## **2.4 The contribution of migration to economic growth**

Following the demise of apartheid in 1994, post-apartheid South Africa has witnessed an unprecedented influx of immigrants, particularly from other African countries (Tengeh and Nkem, 2017). For many, the pull factors include, but are not limited to a better quality of life,

favourable climate conditions, and the existence of business opportunities. The influx of new entrepreneurial talent has great potential for boosting the South African economy.

Although it has been regarded as a cliché that the world has become a global village, the phenomenon of people moving from one country and settling in another is a common one. People migrate in order to benefit from favourable economic conditions, which prevail in their adopted countries, others are forced by political and economic instabilities in their home countries (Saffo, 2018). This movement from one country to another is generally known as migration. Economic hardship, unemployment and political persecution are the main push drivers of migration to South Africa. Pull drivers include the assistance of relatives already in South Africa and the prospect of employment (Francesco, 2018).

The informal migrant small business sectors contribution to GDP has stayed at 5% from 2001 up to 2013 (Lehohla, 2014). In South Africa, informal small business enterprises account for about 91% of the formal business entities, contributing to about 51% and 57% of GDP, providing almost 60% of employment (Kongolo, 2010). The main challenges affecting informal migrant small businesses is the lack of financial support and access to bank credit. Ukanwa et al. (2017) believe that some entrepreneurs see microcredit as debt and a great risk that could lead to irreversible losses. Family responsibilities that include the basic consumption needs of the household can affect the ability of informal small business enterprises to repay loans. In some cases, the perceived dangers of microcredit may outweigh potential benefits (Ukanwa et al., 2017).

Long bureaucratic processes and microfinance institutions cause fear and anxiety by demanding high rate of return in a very short period of time. For the poor entrepreneurs, a livelihood for survival, putting food on the table and paying school fees are priorities, not business growth (Ukanwa et al., 2017). Meanwhile small enterprises lack access to formal markets, appropriate training and management skills, lack of support and development and lack of recognition by big companies for the role that they can play in economic development.

One of the main characteristics of the informal sector of the economy is its flexibility especially in terms of the production of goods (Sanchez, 2016). Based on “small is smart”, successful businesses are those that continuously introduce new/improved varieties of products. Informal small businesses are more flexible and better equipped to adapt to changing market conditions. Therefore, it is important to create conducive environments in which informal small businesses

can operate, innovate and create needed jobs as a strategy to better economic development (Edmiston, 2014).

Informal migrant small businesses contribute to economic development in various ways. They create employment for the growing rural and urban labour force and provide sustainability and innovation in the economy as a whole. In addition to that, large numbers of people rely on the small enterprises directly or indirectly (Fida, 2008). Informal small business enterprise plays a useful role in ensuring income stability, growth and employment (Edmiston, 2014). Since small business enterprises are labour intensive, they are more likely to succeed in smaller urban centres and rural areas where they can contribute to a more even distribution of economic activity in a region and help to slow the flow of migration to large cities (Baraket, 2014). Abraham (2013) points out that a well-supported and enhanced small business sector is likely to contribute to the economic development process in the same way as large business.

In a study conducted in Cape Town, by Skinner (2015) found that, in terms of the number of shops, this sub-area reflects the major shift in the ownership of *spaza* shops (tuck shops) from South African citizens to migrant nationals. In late 2010 this particular sub-area had 30 *spaza* shops, with South Africans owning 17 (57%) of these and migrant nationals 13 (47%) and by July 2012, there was a 22% decrease in the total number of *spaza* businesses operating in the sub-area (dropping from 30 to 23) vis-à-vis a 31% growth in migrant ownership (from 13 to 18), twelve (70%) of the initial seventeen South African shops had permanently closed or sold to a migrant trader, this include businesses that had existed for up to 10 years (Skinner, 2015). The majority of the migrant-run shops had been operating for less than 18 months.

Another contribution by migrant nationals conducting businesses in South Africa is that of paying rent mostly to South Africans. Among the 500 migrant respondents interviewed in Cape Town and Johannesburg, 56% and 41% respectively were paying rent to either a South African citizen or the City Council and the interviewees in Cape Town were paying R2 200 a month, while in Johannesburg 60% of interviewees indicated that they were paying R1000 or more (Skinner, 2015). According to Skinner (2015), migrants seem to be doing slightly better than their South African counterparts in the *spaza* market because of hard work or long hours put in together with careful attention to sourcing of products and servicing customer needs, and a culture of thrift. A study of *spazas* in Khayelitsha found that only 28% of South African *spaza* shop owners kept business records compared to 90% of immigrants (Skinner, 2015).

Migrant businesses also support South African businesses. Cross-border immigrants are largely using South African owned taxis, buses, and staying in South African owned and run accommodation establishments (Skinner, 2015). Goods are sourced from the formal economy wholesalers, supermarkets and South African factories. According to Skinner (2015), the over 1000 cross-border interviewees reported an average spending of R10 200 per trip. The majority of these purchases made by migrants are subject to value added tax and without doubt, informal business does play a significant role in the South African economy (Skinner, 2015). Therefore, street enterprises, local vendors and *spaza* shops cannot be ignored or left to their own devices.

A study by the University of South Africa's (UNISA) Bureau of Market Research (BMR) estimated that 300 000 jobs are created by the *spaza* economy and that it contributes R 9 billion to the South African economy per annum (Jeeva, 2017). According to the findings of the project conducted by Skinner (2016), migrants make a significant contribution by servicing the needs of poorer consumers who can access cheap goods often in appropriate quantities, at places and times of day that are convenient or have their niche demands met. Immigrants also introduce new products, business activities and opportunities, and bring scarce skills like manufacturing particularly into the township economy.

On average informal retailers are 7% cheaper than formal retailers on a basket of branded groceries (Skinner, 2016). Small Business Gateway (SBG) in conjunction with Minanawe Marketing performed an informal retailer grocery price survey conducted in 16 May 2016. The survey compared the cost of a basket of groceries at several informal and formal retailers. It revealed that shopping at an informal retailer could save the customer between R37 (3% discount) to R104 (9% discount) on a basket of goods with a cost of R1 179 at a Shoprite supermarket in Naledi, Soweto (Alcock, 2016). These savings would increase between 5% to 11% for the same basket of goods if transport costs were considered by shopping at an informal retailer which is generally closer to the general public (Skinner, 2016).

For example, the consumer would not have to include transport costs (R20 for a return trip) to a formal retailer. Informal migrant small business entrepreneurs contribute to local economies through renting business premises and some derive additional income through renting premises to South Africans.



According to Alcock (2016), the reason why informal migrant small businesses grow is the cost of transport to the formal purchase point where public transport can cost up to 10% of consumers' monthly income and also taking into consideration that shoppers must pay the penalty of a second seat for groceries. Limited space can mean that grocery items are prone to damage. This may compel shoppers to consider shopping next to their homes. Increasing research indicated that most shoppers include the cost of transport in their grocery budget or calculate the savings of a special with the cost of transport included (Alcock, 2016). The cost of transport often negated the cost of goods on special offer. Although a formal retailer may be 3 to 5 kilometres away, this distance in a taxi will cost a minimum of R20 per round trip, and no one is going to walk that distance when the informal shop is just around the corner (Alcock, 2016).

To understand why migrant nationals working in the informal sector have thrived, there is a need to look at the recent history of the *spaza* sector. According to Skinner (2015), South African owned *spazas* dominated the informal sector, some customers did not find spaza shop convenient because they were expensive, had little choice in brands or pack sizes but were accessible and opened for long hours. Then supermarkets such as Shoprite, Pick n Pay, Spar etc. entered the township market with shops in close proximity to where people lived. This in essence killed the South African *spaza* sector and it is important to note that it was not the migrant who killed the South African trader, but the formal retailers, contrary to heated xenophobic sentiments (Skinner, 2016).

The dying *spaza* created a gap that the migrate trader exploited. According to Skinner (2015), migrant enterprises had a low capital, hence, renting the shop from a South African, who would appreciate to receive anywhere from R2 500 to R5 000 a month for his dysfunctional *spaza* was regarded as a major boost. This happened at a time when social grants grew dramatically (R12 billion was paid in grants in 2015) meaning a large amount of money suddenly entered the lowest income groups (Skinner, 2015). The migrants not only offered a great price, but they also offered interest free credit. Research by Alcock (2016), revealed that shoppers claimed to use either Somalis or their Woolworths card to get food on credit in the last week of the month and not too many people would have thought that these were the two credit sources for food among low income shoppers.

Alcock (2016) puts the informal Fast-Moving Consumer Goods (FMCG) retailers at 100 000 outlets split 70/30 between *spazas* and spazarette outlets of the total outlets. About 70% are

migrant run with the dominant groups being Somali, Ethiopian, Bangladesh and Pakistan. Research shows that the average spazarette turns over between R85 000 and R200 000 a month (Alcock, 2016). In the prepared food sector, about 50 000 outlets serving pap and vleis, curry and rice, kotas (the township burger) and vetkoek among other traditional meals. All these are totally South African owned and run. Migrant nationals do not enter this market and South Africans will not buy food from migrants. This is a huge sector competitive to the formal fast food sector (Alcock, 2016). As an example of the scale of these township takeaways, Minanawe Marketing has introduced Parmalat cheese slices successfully into the kota takeaway meal and Parmalat now sells almost R1 billion in cheese slices, the majority to kota makers (Alcock, 2016).

The informal sector FMCG retailer and township takeaway markets are just two of many sectors in the informal economy. Alcock (2016), believes that when one quantifies the scale of the informal economy, it could be a large part of what is keeping our economy afloat. The informal migrant small enterprises are believed to grow exponentially, they are very competitive and dominate the informal small business industry. According to Jeeva (2017), the informal sector is not an exclusively South African enterprise as the majority of shops are owned and operated by immigrant enterprises and migrant nationals. To a certain degree, the informal sector is perhaps the largest form of migrant direct investment in the country (Jeeva, 2017). There is also nothing strange or nefarious about *spaza* shops being owned by migrant nationals. In fact, it can be argued that the informal sector is a hallmark of how South Africa has liberated its economy, eroding trade barriers and opening up its borders. This is a standard feature of all liberal economies, which by definition welcome a free flow of people, goods, services and investment.

## **2.5 Contribution to employment creation**

For many years, both governments and economists assumed that, with the right mix of economic policies and resources, poor traditional economies would be transformed into dynamic modern economies. According to Lugalla (2011), the traditional or informal sector was expected to disappear as the modern or formal sector grew and absorbed more labour. However, contrary to expectations, both the informal sector and informal employment continues to be substantial. Many countries have not been able to develop a modern economy capable of providing adequate employment opportunities for their rapidly growing populations (Sweezy and Owens, 2014). The informal sector remains a major if not the major source of

employment in many countries, where it is made up of own-account or small enterprises, with little or no formalised organisation or capital, and casual employment. In countries of Eastern Europe and Central Asia, the informal sector is an important part of the economy (Sweezy and Owens, 2014).

Then Statistician General, Lehohla (2014) stated that the Survey of Employers and Self-Employed (SESE) had highlighted the changing composition of the country's informal sector, and its contribution to employment. In terms of the informal sector's contribution to employment creation, out of the 15 million employed (nationally), the informal sector employs about 1.5 million.

Skinner (2016) states that, the informal sector is a declining source of employment for women. In the third quarter of 2016, 970 000 women were recorded to be in the informal sector, constituting 37% of total informal sector employment, this is down from 45% in Q1 2008, confirmed as a long-term trend (Skinner, 2016). The informal sector constitutes a small share of the total workforce in South Africa, relative to other Sub-Saharan African countries (Kingdom and Knight, 2004). Nonetheless, the informal sector still accounts for about 17 % of total employment or about 2.4 million jobs according to official estimates of Statistics South Africa (Statistics South Africa, 2018).

According to Ndabeni and Maharaj (2013), both national and provincial levels policy development aims to enhance inclusive development. The informal sector is linked to the formal economy. It produces, distributes, and provides services to the formal economy. Neither the public nor private sector is able to provide enough jobs for the expanding labour force. Hence, the informal sector is increasingly recognised as an alternative option to the growing unemployment, particularly among the youth and the poor. Efforts to improve the performance of the sector should be seen in light of its potential contribution to increasing the overall performance of the economy, including its provincial and local productive economic capabilities (Ndabeni and Maharaj, 2013).

Initially, studies focusing on the informal sector tended to be decontextualized. Increased attention has been towards understanding the informal sector within its historical, geographical, political, and social context (Lugalla, 2011). In the developed world, the informal sector is often seen as a product and driver of advanced capitalism. By contrast, in the developing world, the largest part of informal sector tends to occur in the form of self-employment (Chandra et al., 2002).

While the informal sector remains a crucial livelihood source for many workers who exist at the margins of the labour market, it is vulnerable in a number of ways (Cichello and Rogan, 2017). An analysis of the South African labour market during the 2008 global financial crisis suggested that instead of absorbing workers who were displaced from the formal sector, the majority (64 %) of job losses during the immediate crisis period were actually in the informal sector (Rogan, 2010).

The main link between the informal sector and income poverty, in broad terms, is through its contribution to employment creation and earnings (Philip, 2010). According to a World Bank firm survey in Johannesburg, informal enterprises were found to generate an average of three jobs, the same number as small formal firms. While about 44 % of these jobs were allocated to household members, the vast majority (93 %) were full-time, paid jobs (Chandra et al., 2002). With respect to informal enterprises, there is additional evidence that opportunities to trade on a greater scale in concentrated areas (i.e. city centres markets) creates the possibility of new opportunities, additional service industries and more products (Philip, 2010).

Although earnings tend to be low in the informal sector, an estimate of the contribution by informal self-employment to total income earned from all employment South Africa is about five % (Bargain and Kwenda, 2011). In terms of the wider economy, one measure suggests that the informal sector contributes about 26 % of total value added in South Africa. The same study found that, the sector contributes between 7.12 % of South Africa's total gross domestic products (GDP) (Budlender et al., 2006). In terms of expenditure, an estimated R51.7 billion (or 6.3 % of total household expenditure) was spent on informal businesses in 2004 (Ligthelm, 2006).

Informal sector entrepreneurs in Minanawe Marketing provided a total of 1926 full or part-time jobs for others. International immigrants (43%) were more likely than South Africans to provide employment to others (Alcock, 2016). Most prospective immigrant entrepreneurs very often begin by seeking temporary employment in small enterprises which provide them with opportunities to work for extended hours. This strategy enables them to accumulate capital and also to acquire some of the business skills which enable them to make the transition to becoming self-employed entrepreneurs.

## **2.6 Remittances and development**

Remittances to developing countries are now considered to be one of the most important sources of development finance. Presently, among financial flows to developing countries, remittances are estimated to be more than three times the size of official development assistance, and almost as large as migrant direct investment (World Bank, 2009). During the global economic downturn in 2008-2009, the flow of remittances declined slightly for the first time since data collection began, but much less so than other international capital flows, and thus provided many developing countries with a safety net (World Bank, 2009)

Representing one of the largest private sources of external finance for developing countries, remittances are the main transmitter of migration's development benefits to sending country economies (World Bank, 2009). According to the World Bank (2009), recorded remittances to developing countries in 2008 were estimated to have reached \$305 billion, equivalent to nearly 2 % of aggregate developing country GDP, well over half of the estimated FDI inflows (\$490 billion) and over twice as large as official development aid (\$119 billion) received by developing countries and as they flow directly to households widely distributed throughout the economy. Remittances can have a much broader effect on home country economies than either FDI or official development assistance, where the base of recipients are limited and geographically concentrated.

In Zimbabwe, remittances are relied on to ensure the income of large parts of the population (United Nations Development Programme, 2010). As a result of the profound deterioration of the economy and the general socio-political situation, it has been estimated that close to three million Zimbabweans have emigrated over the past decade, roughly two thirds of these to South Africa (UNDP, 2010). In 2008, when the stifling effects of the hyperinflation were exacerbated by a drought and a cholera outbreak (not to mention widespread politically-motivated violence), the international community needed to provide food aid to over five million people, or more than half of the remaining population (UNDP, 2010). Against this background, it is easy to see how vital remittances have been alleviating poverty in many Zimbabwean households for the greater part of the last decade.

The vast majority of remittance transactions are made through informal channels, and are thus not officially recorded (UNDP, 2010). The size of remittance flows globally has until recently been underestimated, and so too was their impact on development, which was greatly

undervalued. There are two interconnected reasons for this: (i) the disputed definition of remittances and (ii) the underestimation bias from measuring only formal remittance flows and failing to capture informal flows (UNDP, 2010).

According to the International Fund for Agricultural Development (2008), the definition traditionally confines remittances to cash or financial transfers, which is the method adopted by the World Bank and the International Monetary Fund, largely due to the absence of sufficient data. This narrow method greatly underestimates total remittance flows because a large share of overall remittance flows to developing countries is actually in-kind. Migrants do not only send money, but they also send other items such as clothing, electronic appliances and food, especially when these are not readily available in-home countries (UNDP, 2010).

A more inclusive definition of remittances that encompasses both cash and non-cash remittances is the value of migrant workers' earnings sent back home to their families, (IFAD, 2008). Studies conducted by Maphosa (2007) and Kerzner (2009) found that the majority of remittance flows from South Africa to Zimbabwe over the past decade has been in the form of goods, such as cooking oil, maize and clothing, because of both the implosion of the agricultural sector and hyperinflation. Hence, non-cash remittance respond better to the immediate needs of recipients, especially when there are shortages of goods. Goods still make up a large share of the value of what is remitted. For example; non-cash remittances are preferred when there is an absence of banking facilities, which is often the case in rural areas.

The World Bank estimates that informal flows are at least 50% higher than officially recorded flows, with great variation across countries (World Bank, 2009). In Sub-Saharan Africa, this figure is often higher than 75% (Freund and Spatafora, 2005), because the formal sector is far less developed in this region. Because informal transfers are not captured in the official statistics, the size of remittance is often grossly underestimated, and their nature misunderstood. Informal remittance flows have different dynamics from formal flows and can only be recorded in primary data collection exercises.

World Bank (2009) stated that, numerous studies have shown that remittances have a significant impact on economic development. They are a stimulus for poverty alleviation, improving education, reducing infant mortality, stimulating entrepreneurship and advancing financial development. According to the World Bank (2009), there are a number of characteristics of remittances that highlight their positive influence on development. Remittances flow directly into the incomes of recipient households and are thereby well-

aligned to address the problems faced and reduce poverty. They are often used to finance education, health and entrepreneurship, all of which usually have a high social return. Remittances flows, by favouring the poor and being more evenly distributed across and within development countries than private capital flows, reduce inequality.

Remittances, unlike other forms of aid and development finance, usually do not carry any obligations or preconditions as they are not generally subjected to government interference and are instead a direct and market-driven way of getting money and goods to the needy. Unlike other international capital flows, remittances are stable in times of economic downturns, and in many cases even counter-cyclical, and hence provide important safety nets for internal and external shocks. They have indirect multiplier effects that benefit not only the welfare of recipients, but also the communities, provinces and regions where remittances flow (World Bank, 2009).

For each of these arguments there exists extensive empirical evidence and a thorough literature (Freund and Spatafora, 2005). What must be kept in mind, however, is that measuring the net impact of remittances is complex and multifaceted. Indeed, remittances have other far-reaching implications that go beyond just socio-economic development, such as on micro and macroeconomic variables or even for political and governance factors. Hence, the impact of remittances is not always straightforward and must be analysed case by case (World Bank, 2009).

Although this has started changing over the past decade, the development potential of remittances, particularly in Sub-Saharan Africa, has not yet been fully exploited (World Bank, 2009). Some countries have understood the untapped potential of remittances and have devised strategies to encourage their flow and effective use. The literature on the interplay between remittances and development has grown considerably over the past decade, but the research that has been done on remittances in Southern Africa is generally limited. This is in large part due to a lack of reliable data on both migration and remittance flows in the region. It represents a significant gap in research in the field of migration and development in this region, particularly due to the scale of undocumented migration to South Africa and the importance that remittances have for other countries. South Africa has been a magnet for African migration because of its relative proximity, abundant economic opportunities, and cultural and language similarities that facilitate easy assimilation (Savo, 2018). However, following the collapse of the economy and the deterioration of the socio-political situation, migration to South Africa

has increased continuously over the past decade and reached new dimension altogether. As a result, the volume and importance of remittance flows to African countries increased considerably.

Sending remittances to countries of origin affects the amount of money that can be re-invested in the business. As many as 31% of international migrants and 17% South African did not remit (Savo, 2018). Remittances were mainly used for daily household expenses. Migrant entrepreneurs are likely to face crime and generate conflict with other local entrepreneurs (Alcock, 2016). In primarily providing for household livelihoods, remittances are spent on general consumption items in local communities that contribute to local economies by supporting small businesses (Savo, 2018). A fair share of these expenditures is directed to the construction of homes, health care and education, alongside savings in financial institutions, thereby generating employment in these critical services sectors. Moreover, in contributing to migrant exchange earnings, remittances can spur economic growth by improving sending countries' creditworthiness and expanding their access to international capital markets (World Bank, 2017). Additionally, when they increase the consumption of imported goods they support an increase of GDP through multiplier effects and government revenues from import tariffs.

South Africa is a regional economic hub, and has traditionally been a major destination for economic migrants, and thus also a major source for regional remittances (World Bank, 2017). Small business enterprises historically played an important role in contributing to the economic development of many countries around the world. Naturally, all businesses start as small businesses or even start out of small businesses initiated by individuals. Evidence from a study done by Kongolo (2010) shows that small and medium business enterprises represent vast portions of business in developing countries including South Africa.

## **2.7 Advantages of informal migrant trading**

Migrant ownership in *spaza* shops grows. More often than not, the *spaza* shop is viewed as something very South African and part of a unique cultural heritage. According to Tengeh and Nkem (2017), although it is widely acknowledged that immigrants have great potential to contribute positively to the socio-economic development of their host countries, their ability to do so is seldom maximised, owing to discriminatory policies and structural deficiencies. Informal migrant trading contributes to combating social exclusion and improving living standards of disadvantage groups in their host societies.



Informal migrant trading has the potential to provide an indirect means of avoiding the multitude of difficulties which are to be encountered while attempting to enter labour markets, such as unemployment language difficulties, discrimination and problems concerning the recognition of qualification (Tengeh and Nkem, 2017). Informal migrant trading contributes to economic growth by creating employment for themselves and for others. Informal migrant trading supply new products and services at competitive prices and, on some cases, even create new markets, such as ethnic tourism (Tengeh and Nkem, 2017).

Informal migrant trading serves as a benefit to a number of people in the economy. It affords opportunity to those who might not be able to find traditional jobs or livelihoods in the formal sector, and it places disruptive pressure on the formal economy by offering options to consumers and workers thereby ensuring that they can bargain more effectively on the open market. Furthermore, informal migrant trading spurs competition by allowing smaller firms to enter the market and generate capital before they are able to compete with incumbents.

Essentially, informal migrant trading encourages innovation and fills in gaps in the economy caused by inequality of opportunity (Tengeh and Nkem, 2017). This also ensures that the formal economy operates with sufficient market efficiency, incorporating information of unmet needs into the products and modes of production that it uses to generate goods and services as well as facilitating exchanges. This is important to the local economy. Some of the other characteristics that serve as proxies for independence and entrepreneurial tendencies include wanting flexibility, controlling one's time, controlling one's income, controlling work environment, exercising creativity and self-expression, financial independence, and control of labour productivity (Tengeh and Nkem, 2017).

Developing countries have to continue to strengthen their base of human capital while also ensuring that their labour exports result in a net brain gain rather than a brain loss (Ritter, 2018). International cooperation has an important role to play in creating win-win outcomes. While remittances bring many development gains to the home countries, they have to guard against over-reliance on these flows as sources of finance, investment and migrant exchange earnings (Ritter, 2018). Remittances and outbound migration, especially of skilled personnel, are not a substitute for endogenously powered domestic economic growth. By ensuring that migrant workers return home after acquiring new skills and knowledge in receiving countries, temporary migration schemes offer sending countries a viable opportunity to capture the brain gain benefits of migration.

*Spaza* shops which literally mean tuck shops, according to Jeeva (2017), are the backbone of South Africa's township economy. They form the most visible and bright background to the vibrancy of township life. *Spaza* shops are symbols illustrating the dichotomy of South Africa's economy, as these makeshift retail space in residential areas stand in stark contrast to the consumer landscapes of the formal economy such as malls (Jeeva, 2017). Immigrant-owned businesses represent an important conduct for advancing the growth of the South African economy. They contribute towards the development of the economy by creating employment for both immigrant entrepreneurship themselves and for South African citizens, and also through the contribution which they make through payment of taxes.

## **2.8 Disadvantages of informal migrant trading**

Migration produces different effects depending on the sector and countries' levels of development and skill endowment. UNCTAD's Least Developed Countries Report of 2007 emphasizes that the impact of international migration on least developed countries (LDCs) which already have a low skill endowment is likely to greatly affect their human capital stock. Although not addressed in this publication, UNCTAD acknowledges that, besides the gains of migration articulated here, there are a number of challenges associated with migration. Related issues, all of which are discussed amply in the literature, include brain drain, cultural conflicts in receiving countries, human trafficking, economic exploitation of migrants, sending country dependency patterns, delayed growth, etc. For instance, some sectors are more susceptible to brain drain than others.

The health services sector is often considered to be the most affected and the migration of skilled health workers appears to be the starkest and most persistent form of brain drain (Yusuf et al., 2010). Compounding the problem is the long gestation period for training health workers in addition, there is a strong team component in health care work – doctors, nurses and other staff have complementary inputs and any loss in team members may have a considerable impact on the efficacy of health care service delivery. At the country level, small countries and LDCs are particularly vulnerable to brain drain in the short and medium term (Yusuf et al., 2010).

The informal migrant trading sector is also a destabilising mechanism to the formal economy. Occurrences such as a tax evasion (often in the form of under-the-table transactions, etc.), poor

quality control, and a lack of an institutional framework for these activities act to undermine efforts of the formal economy to ensure a transparent and efficient market for goods and ideas. These also tend to cause tension in society as those who “play by the rules” and devote their efforts to maximizing returns in the formal sector are essentially undercut by those who live in the informal economy: though everyone (including informal workers) enjoy the benefits of public goods (which are paid for by taxes) such as roads and schools, only the formal sector participants pay for these goods in the form of taxes.

The above dynamic can progress to an unfortunate end in which market participants distrust the “fairness” of public works systems and formal economies to such a great extent that people move entirely to the informal sector; due to poor regulation. This is a rich ground for corruption and a diminishing quality of life. Something similar has happened in places like Zimbabwe and India, for example (Dasgupta, 2016). There are no employment benefits, lack of economic security, reduced opportunity to establish credit, dealing with unscrupulous employers, and risks/penalties of not reporting income. The disadvantages to immigration are that those who come to live in a country without any qualifications would be slowing down the economy of a country. The government would have to fend for the citizens of the country as well as the immigrants; putting a huge strain on the taxpayer. It may be argued that immigration is beneficial but has its shortcomings. Immigrants that contribute positively to a country can be looked at as beneficial, while those that contribute negatively are essentially a burden to the host country.

Globally, migrants face numerous socio-economic and institutional impediments that hinder their participation in the labour market of host countries (Gordon, 2018). Recurrent xenophobic violence in South Africa highlights the strong undercurrent of popular opposition to international immigrants (Moyo et al., 2018). Skinner (2015) also urged that, migrants reported daily harassment, extortion and bribery by officials as a cost of doing business in South Africa. Many entrepreneurs, especially in informal settlements and townships, face constant security threats and enjoy minimal protection from the police. Violent attacks on the persons and properties of migrant business operations, whether motivated by rivalry, criminality, xenophobia or a combination of these are regular and frequent and involve considerable loss of property and life (Crush et al., 2015).

According to Charmes (2016), immigrant business owners in a Port Elizabeth township KwaDwesi Extension complained that police was not doing enough to stop criminals who rob

their shops. The shop owners reported that the violence was started by a group of dissatisfied residents who were accusing the councillor of not developing their area and the residents then turned their anger on immigrants' owned shops and extensively looted their property (Charmes, 2016). It is no great surprise that language tops the list of issues facing immigrants to any country (Gordon, 2018). Communication affects every area of life in which we have to interact with others. From jobs to schooling, to simply finding your way around or buying food, learning a native language is essential.

The type, range and quality of services available in the host country is likely to be different to that of the native country. Most immigrants admit that knowing what is available in the first place is a huge barrier. The barrier that many new immigrants commonly cited when starting life in a new country is finding suitable employment. Language barrier can, again, make understanding or even finding useful local public transit services a hard task. Furthermore, language skills could be in demand in a variety of settings; from the international financial sector to government bodies where interpreters may be desperately in short supply. Some documents like driver's licence may not be recognized in the host country, which means there may be costs associated with becoming qualified.

## **2.9 Gender, mobility and informal entrepreneurship**

Gender issues are of particular relevance to understanding the nature of informal enterprises in South African cities. Crush et al. (2015) stated that cross border migration has always been highly gendered in Southern Africa. For decades, migration to South Africa from the rest of Africa was primarily the preserve of young men. In 2006, the overall gender breakdown of SADC migrants was 86% male and 14% female. However, the process of feminisation of migration is under way with the number and proportion of female migrants to South Africa rapidly increasing. One reason for the feminisation of migration is changing gender roles within countries of origin especially where traditional employers of male migrants, such as the South African mining industry, have gone into decline (Crush et al., 2015). This has forced more women into cross border migration to South Africa where they can access low-wage employment.

According to Crush et al. (2015), migrant women experience severe discrimination in urban labour markets. It is difficult to secure formal sector employment, even for those with skills

and education. Few economic sectors prefer to hire women over men. For example, the domestic service and the commercial agriculture sector employ more women than men. Working conditions in both sectors are poor, with few rights and high levels of exploitation. Unable to obtain work permits, many women are hired as irregular migrants, which heightens their vulnerability as they are deprived of legal recourse when wages are unpaid, or they are abused in the workplace. The majority cannot obtain formal sector jobs at all and are forced into survivalist activities in the urban informal economy (Crush et al., 2015). The informal economy, particularly street trading, is dominated mainly by women.

According to Crush et al. (2015), mobility is essential to the urban informal economy in Southern African cities. Within the urban area, mobility is a vital component of the business strategies of informal operatives who identify spaces with niche markets or a relative absence of the formal sector. While some businesses operate from fixed sites, others use different parts of the city on different days or at different times of a single day. Many participants in the informal economy are internal and international migrants, often in competition with each another for the same market share. Although the numbers of international migrants are frequently exaggerated, it is clear that they have played an increasingly important role in the informal economies of Southern African cities over the last two decades and have reshaped the nature of informality and informal entrepreneurship in the region (Crush et al., 2015). Yet the importance of that role is often underestimated, invisible to researchers and denigrated by policy makers.

## **2.10 The informal sector in South Africa**

Migrant entrepreneurs also face many challenges, such as access to financial services and hostile municipal regulators (Skinner, 2015). Informal border enterprises face harassment by police and border guards, demands for inflated customs duties, and transportation problems. Females normally find themselves faced with difficult demands such as extending sexual favours, which exposes their risk of HIV infection. Job creation is a formidable challenge for the South African government. Despite its extraordinary efforts to reduce the unemployment rate, according to *Trading Economics* (2008), the government and other businesses in the formal sector have not managed to create employment for all. Many South Africans have to work for small business owners, and many immigrants run their own businesses in this sector.

Unlike temporary workers found in mining and agricultural sectors from countries north of South Africa, less is known about migrants and new immigrants from far-distant countries who have established themselves in the informal and small enterprise economy (Rogan, 2010; Timberg, 2005). Rogan (2010) argues that entrepreneurship is a strong tool for immigrants' economic and social integration and is a means by which immigrants without education or technical skills can escape poverty.

Jeeva (2017) urged that, in recent years and following the dawn of South Africa's democratization, the *spaza* shop has at times become a focus of conflict which has revealed underlying tensions between township residents and people of migrant origins. This is a growing issue not only in South Africa but also in many other parts of the world, partly due to the widespread espousing of neoliberal economic globalization policies and partly due to institutional failure. Even where there has been some degree of recognition of the importance of the informal sector in employment creation and ensuring livelihoods, policy responses are often unsupportive. For example, the government's principle policy document, the National Development Plan (NDP), has projected that between 1.2 and 2 million new informal sectors 'jobs' (including domestic work) will be needed by 2030 if the country is to meet its targets in reducing unemployment (National Planning Commission, 2012). The document is almost completely silent, however, in terms of how the informal sector will be supported or how current policies can be extended to ensure that the informal sector grows in line with overall employment growth.

Cichello and Rogan (2017) noted that, policy gaps and the lack of recognition of the importance of the informal sector are not unique to the South African context. Two of the key contrasting views of the informal sector have often suggested. On the one hand, the sector is an indicator of a 'backward' and unproductive economy while, on the other hand, it is understood as a critical source of employment and earnings for workers on the margins of the labour market. Rogan (2010) stated that the informal sector is often ignored in policy documents and in some cases, policy responses are openly hostile towards workers in the sector.

Further, evidence that the informal sector is vulnerable is seen in work which has shown that informal self-employment is not a free-entry sector (Kingdom and Knight, 2004) and that there are a number of barriers to entry (Cichello and Rogan, 201). Lehohla (2014) stated that the vast majority (70 %) of people who started informal migrant businesses used their own money to do so. Among those who did not use their own money, most borrowed from friends and

relatives. Another set of factors that hinders the operations of informal micro-enterprises are the strict implementation of legislation on licences and permits, as well as municipal laws determining on where, when and how micro-enterprises may trade (Sustainable Livelihoods Foundation, 2012).

The starting of businesses has never been without obstacles. According to Tengeh and Nkem (2017), registration and taxation: according to the process of registration businesses in South Africa is complex compared with those which are to be found in other emerging economies and in the developed economies. The process in South Africa includes nine procedural requirements, which entail a period of 38 days and it is often expensive, particularly for migrants. The complexity of the process tends to demotivate some people from starting up businesses. It can be asserted quite unequivocally that the absence of adequate finance constitutes one of the most significant stumbling blocks to the start-ups of small businesses in South Africa at present.

High rental costs are yet another hurdle. They present significant obstacles to the start-ups of businesses is capital, therefor it is recommended that emerging entrepreneurs should enter into partnerships in order to overcome challenges (Fatoki and Garwe, 2013). This challenge is related to that of limited business space. Fatoki and Garwe (2013) maintain that limited access to business space has adverse implications for the launching of businesses, as it places severe restrictions upon the growth potential of new businesses.

According to Tengeh and Nkem (2017), it has been found in many of host countries that immigrants are more likely than the members of indigenous population to start their own businesses. This tendency may be ascribed to the obstacle which immigrants frequently encounter while attempting to find suitable employment in the formal sector of their host countries. It may also be a result of the tendency to take greater risks than members of the indigenous population as a result of not having access to whatsoever forms of social security their host countries may provide to their citizens. However, immigrants often encounter a range of different adverse phenomena, in the form of language barriers, discrimination, xenophobia, and financial difficulties.

According to Fatoki and Garwe (2013), despite the increasing recognition of the value of immigrant entrepreneurship, the entrepreneurial enterprises of many immigrants continue to be confronted with a number of obstacles which hinder them from fulfilling their true potential in

terms of the contributions which they stand to make to the economy of the host country. Some of these factors include language barriers, discrimination, and limited financial capital to fund their economic activities.

Limited access to finance has been identified as constituting one of the most significant stumbling blocks to the success of immigrant entrepreneurship in South Africa. Fatoki and Garwe (2013) argue that, strict adherence to requirements for granting loans by formal financial institutions effectively excludes immigrant entrepreneurs from obtaining access to funding. A lack of proper documentation, coupled with a lack of credit history, and a general reluctance to grant credit to non-South Africans are among the factors which serve to foil the attempts of immigrant entrepreneurs in obtaining financing from formal financial institutions.

Finance plays an equally crucial role in starting-up a business and ensuring its growth. The prospect for businesses to grow when there is a little or no available capital are exceedingly grim. According to Fatoki and Garwe (2013), owing to the difficulty which immigrant entrepreneurs have experienced in obtaining financial support from formal financial institutions such as commercial banks, they have been obliged to rely on *stokvels* as a source of financial capital for both the start-ups and the growth of their businesses.

According to Fatoki and Garwe (2013), the difficulties which are encountered in seeking to raise financial capital from formal financial institutions by immigrant entrepreneurs in order to fund their business activities in South Africa stem largely from the fact that the policies which are implemented by the formal financial institutions to guide the granting of loans do not favour immigrants. Among the conditions for the granting of loans are the requirement for the applicant to be in possession of a South African identification card and to provide credit history. As it is impossible, in most cases, for immigrant entrepreneurs to fulfil all of these conditions, and because of their businesses cannot function without adequate capital, they tend to resort to forming informal financial associations such as *stokvels*.

## **2.11 Summary**

The literature review has attempted to highlight some of the contemporary issues that confront informal migrant small business enterprises in South Africa and in small rural towns in particular. The literature review explained the contribution that migrant enterprises make, and which can be regarded as an achievement that impacts positively on the economy of South Africa. The literature review has proven that informal migrant small business enterprises



contributes to the economy in many various ways, despite their challenges they encounter. The main challenges affecting informal migrant small businesses is the lack of financial support and access to bank credit. It appears that despite being side-lined by those in authority, informal migrant small business enterprises continue to share their skills with local employees, who in turn gain adeptness at the informal trade. It can be seen through the literature review that migrant small business enterprises spend much of their income in their businesses and create job opportunities rather than taking away jobs from the local citizens. The informal sector remains a major if not the major source of employment in many countries.

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This qualitative study explores the experiences and contribution of informal migrant small business enterprises in job creation and poverty reduction in Tugela Ferry Town, KwaZulu-Natal. Qualitative research is an effective method to study social life (Strauss and Corbin, 2009). As qualitative research is the best method to study human behavior, it was adopted in this study to obtain an in-depth understanding of the study focus. Data were collected from a sample of fifteen purposively selected participants. The following aspects are presented in this chapter; profile of the study site, study approach (qualitative), data collection method, selection of participants, data analysis, data collection instrument, trustworthiness, limitation of the study and ethical considerations.

### **3.2 Profile of the Tugela Ferry Town**

Tugela Ferry is a small rural town under Msinga municipality in Mzinyathi District, KwaZulu-Natal. According to Statistics South Africa (2016), Msinga has a population of 160 000, it covers an area of 2 500 square kilometres, with 64 people per square kilometre. Tugela Ferry is the most dominant semi-urban settlement in Msinga. The economic activities and growth in this very small town attracts migrants and local citizens from deep rural places around Msinga in search for economic opportunities.

Tugela Ferry was chosen as the study site because too many informal migrant enterprises are operating their businesses in this semi-urban settlement. The contributions and experiences of informal migrant enterprises in the 'rural towns' of South Africa is an unexplored research topic. Therefore, there is less academic research or limited literature on the contribution and experiences of informal migrant small business enterprises in 'rural towns' of South Africa. The volume of informal migrant small business enterprises in Tugela Ferry make the area an important site for investigating the experiences of informal migrant small business enterprises and their contribution to the local economy of the town.

A small town in the deep rural area of Msinga, Tugela Ferry has become very diverse in terms of migrant nationals hailing from as far afield as China, Pakistan, Bangladesh, Zimbabwe, Somali, Nigeria, Mozambique, and Malawi among others. South Africa has become the new 'Europe' for Africans as countries such as the DRC, Ghana, Ivory Coast, Lesotho, Malawi,

Nigeria, Mozambique and Zimbabwe now have large migrant communities settled in South Africa (Isike, 2012). Several studies also show that Africans increasingly migrate to South Africa not only as refugees fleeing conflicts and war in some of these countries, but also because of economic reasons (Kongolo, 2010). On arrival in South Africa, these migrants start small scale businesses such as those in Tugela Ferry.

**Figure 3.1: Map of Tugela Ferry Town 1**



*Source: Google Earth (2018). Figure 3.2: The Street view of Tugela Ferry Town (Picture 1)*





*Photo by author:* The shops owned by informal migrant small business enterprises are packed close to each other. They mostly sell the same products.

Figure 3.3: The street view of Tugela Ferry (Picture 2)



*Photo by author:* Products sold in the shops are always taken outside as a form of display or advertisement to people walking along the pavement.

### **3.3 Research approach**

A qualitative approach was adopted in this study. Qualitative methodology is data mining through observer recordings, and it is best for researching many of the what, why and how questions of human experience and observation (Wilson, 2000). The data gathered through qualitative research has a predictive quality of the individual from whom it was gathered (Madrigal and McClain, 2012). Therefore, this study did not only use a qualitative approach to describe the characteristics of participants, but to capture and document the experiences of informal migrant enterprises. It also explores their contribution to the local economy.

Qualitative researchers are primarily concerned with the process, rather than outcomes or product. They are interested in understanding how people make sense of their lives, experiences, and the structures of their world. According to DeFranzo (2011), qualitative research helps the researcher to gain an understanding of underlying reasons, opinions, and motivations. It provides insights into the problem or helps to develop ideas or hypotheses for potential quantitative research.

The qualitative approach was chosen for this study because the researcher wanted to capture the experiences of migrant enterprises in their own words for the relevance of this study. According to Tiley (2017), qualitative techniques give you a unique depth of understanding which is difficult to gain from a closed question survey. The qualitative research method was relevant to this study to answer questions about the experiences and perspectives of informal migrant small business enterprises. The researcher wanted to benefit from the study's exploratory nature. According to Crowe et al. (2011), a qualitative approach is the most appropriate because as the research is time-intensive and cannot accommodate a large number of participants because it uses in-depth, field based methods.

Qualitative research techniques include in-depth interviews that were used to obtain rich and thick data to illuminate the conditions, experiences of informal migrant small business enterprises. When conducting social research using a qualitative approach, participants can freely disclose their experiences, thoughts and feelings without constraint. Tiley (2017), further stated that in qualitative research participants have the opportunity to freely elaborate on their answers. Thus, qualitative methods offer a dynamic approach to research, where the researcher has an opportunity to follow up on answers given by respondents in real time, generating

valuable conversation around a subject something, which is not possible with a structured survey (Tiley, 2017).

Madrigal and McClain (2012) point out that smaller sample sizes than those used in quantitative studies are used in qualitative research, which can save on time and costs, thereby allowing for faster results to be obtained on a limited budget. Qualitative research is an open-ended process. The open-ended structures of qualitative research made it possible to get underneath superficial responses of participants and rational thoughts to gather information from an individual's emotional response. This is critically important to this form of research because it is emotional responses that often drives informal migrant small business trader's decisions or influences their behaviour.

According to Atieno (2009), qualitative research method assumes that, it is impossible to define exactly what elements are important and should be considered to the exclusion of others. It argues that validity is more important than attempting rigorously to define what is being observed and by so doing study the whole situation. The researcher has considered a validity test which helped to determine what questions to use and to ensure that the researcher use questions that truly measure the issues of importance. The questions that were used during the in-depth interviews were formulated from the research questions so as to generate meaningful findings. Qualitative research helped the researcher to study the whole situation of migrant enterprises in order to evaluate the complexity and ensure that their conclusion take account of both unique and general factors.

Despite its many advantages, the qualitative approach has its disadvantages as well. The quality of the data gathered in qualitative research is highly subjective, and data rigidity is more difficult to assess and demonstrate. Mining data gathered by qualitative research can be time consuming and create findings that are valuable, but difficult to present (Madrigal and McClain, 2012). Having a big sample would result in huge quantities of data that are difficult to handle. Apart from that, sampling beyond saturation is essentially unprofitable and a sheer waste of time.

The research questions were explored through the case study design. According to Crowe et al. (2011), the case study design is particularly appropriate for researchers because it allows in-depth, multi-faceted explorations of complex issues in their real-life settings within a limited timeframe. The contribution and experiences of informal migrant enterprises were examined

for their relevance to this study. According to Tuffour (2017), the qualitative research approach explores and understands the meanings people assign to their experiences and seek to shed light on meaning that are less perceptible. The livelihood framework has fostered the qualitative research approach chosen for the study to provide, assess and evaluate important insights about the reality of different dimensions of the livelihood of informal migrant small business enterprises in Tugela Ferry.

### **3.4 Data collection methods: In-depth interviews**

According to Reddy (2010), an in-depth interview is a direct, face-to-face discovery oriented or open-ended method, which is mainly followed in order to obtain detailed results about any topic from the participant. From a long time, interviews have been regarded as the “gold standard” for qualitative research (Barbour, 2008). In-depth interviews are often used when the researcher wants to capture people’s experiences concerning a particular phenomenon. This qualitative method helps in elicit participants’ experiences, feelings, and perspectives of a given topic. Studies that are centred on individual life experiences will frequently rely on a strategy that involves in-depth interviews (Marshall and Rossman, 2011). This study seeks to obtain detailed information on the experiences of participants, therefore the interview was beneficial in that it provided the researcher with the opportunity to explore the circumstances of participant’s experiences.

The primary advantage of in-depth interviewing is that it offers very detailed information. According to Fida (2007), in-depth interviews are appropriate and beneficial when a detailed report of any individual’s thoughts or behaviours are required. They also allow freedom for both the interviewer and the interviewee to explore additional points. When an in-depth interview is considered, it helps yield data by the interviewers and data obtained is mentioned to be rich data with enhanced insight and more of details (Reddy, 2010).

When using interviews, small numbers of participants are used to explore a particular programme, idea, or subject. Interviews are favoured because they are exploratory and they are continuous and flexible. According to Marshall and Rossman (2011), the in-depth interview has the benefit of quickly providing a wide range of data. The researcher can explore the various boundaries of a problem and understand the context of any problem. The interviewer is able to evaluate potential solutions and manage the research process because interviews are useful to the interpretation of results from other quantitative methods and surveys (Marshall and Rossman, 2011).

Furthermore, in-depth interviews provide a more relaxed atmosphere in which to collect data. When using in-depth interviews, there is always the prospect of being able to promptly rectify any misunderstanding whilst still conducting the interview; this is not an option when one has responded by completing a questionnaire (Fida, 2007). The main disadvantages of in-depth interviews are that they can be very time-consuming: setting up, interviewing, transcribing, analysis, feedback, reporting. Different interviewers may understand and transcribe interviews in different ways (Reddy, 2010). The participant's responses may result in bias as the researcher would want to prove that the tool is working (Guion, 2008). The researcher generated a carefully worded interview guide, which was pilot tested to mitigate researcher bias. Several strategies were used to ensure that the trustworthiness of the data.

According to Fida (2013), the visibility of both the interviewer and the participant in the interview can sometimes lead to the interviewer interrupting the participant. This arises when the interviewer behaves in a particular manner that leads or influences the participant to respond in a particular way that is desired by the interviewer. Alternatively, a participant may be reluctant (for whatever reason) to disclose information on certain areas that the interviewer wishes to explore (Marshall and Rossman, 2011).

### **3.5 Process of data collection**

Fifteen participants were chosen as the sample for this study. The study participants were purposively selected. Purposive sampling was used in conjunction with snowball sampling. The study used the snowball sampling method to identify migrant participants. Struwig and Stead (2001) state that snowball sampling deals with procedures in which the first participants are chosen by probability methods. Additional participants are then selected based on information supplied by the initial participants. The study consisted of migrants from different countries. Therefore, the researcher was able to elicit more diverse views on the topic. According to Faugier and Sargeant (1997), snowball sampling is more appropriate for studies of smaller dimensions. In this study, there were 15 participants of different nationalities.

In the context of the current study, the target was those informal, migrant small business enterprises who have been in the business field for more than three years. This is because the contribution to economic development is so complex in nature and cannot be measured in a short period. For sampling to be purposeful, maximum variation techniques must be used (Struwing and Stead, 2001). Thus, the selected population comprises men who are particularly



informal migrant small business enterprises; their marital status was never taken into account. Accordingly, they were selected from the market area in Tugela Ferry Town. The participants were aged 28 years and above.

Data from the 15 participants were collected by means of face-to-face interviews between the researcher and the participants. Participation in the study was entirely voluntary. Safety and confidentiality were highly maintained during the interviews. The main objective was to explore the perspectives, feelings and viewpoint of the participant and it is in this way that in-depth interviews produce relevant information. The interview guide was pilot-tested to ensure clarity, comprehension and ease of use. The pilot test also helped to develop the researcher's own interviewing skills. This is important because the researcher is the key instrument in qualitative research (Kvale, 1996).

An interview guide was used to collect the informal migrant small business trader's biological information, their views regarding their role in the local economy of Tugela Ferry Town, the profile of their business and their previous occupation in their country of origin. The researcher initially visited the participants and engaged them about the proposed study and processes that it entails. The participants were informed about their right of free and voluntary participation in the study and they were assured that the data collected was recorded with professionalism and would be kept confidential. Anonymity of all participants was guaranteed. Beyond the randomness of the sample, the researcher was cautious to mitigate potential exaggeration and inaccuracy of responses, such as estimating monthly income, or the total value of remittances sent.

### **3.6 Data analysis**

The research tool used for analysing the collected data was the interpretive analysis. Interpretive analysis explains what is on the collective public's minds in a fair and non-biased manner. According to Larsen (2009), interpretive analysis helps identify the most critical interpretive elements of an interpretive product or service, tangible/intangible links, opportunities for intellectual and emotional connections to the meanings of the resource, and an idea or ideas cohesively developed.

Marshall and Rossman (2011) describe data analysis as the process of bringing order, structure and meaning to the mass of collected data. It is described as messy, ambiguous and time

consuming, but also as a creative and fascinating process. According to Tuffour (2017), interpretive analysis emphasis on convergence and divergence of experiences, as well as its mission in examining detailed and nuanced analysis of the lived experiences of a small number of participants. The interpretive analysis allows the researcher to look in detail at how someone makes sense of a life experience, and to give detailed interpretations of the account to understand the experience (Larsen, 2009).

The interpretation of data is also influenced by the researcher. As stated by Conrad (1987), the researcher's own conceptions may filter in and it is called interpretive as there is no definitive or prescribed way. How researchers interpret data will also be dependent on their own phenomenological worlds and experiences. No two researchers will interpret the data and complete the write-up from the same view point. To maintain objectivity and avoid bias with data analysis, the researcher asked the participants whether the researcher's interpretation seem to be a representative of their beliefs. The researcher conducted a number of checks to ensure the trustworthiness (Shenton, 2004).

### **3.7 Trustworthiness of the study**

To foster reflexivity, it is valuable and essential to briefly report, as best as possible, on how one's preconceptions, beliefs, values, assumptions and position may have come into play during the research process. The researcher was familiar with the location of the study and has worked in Tugela Ferry Town for eight years. In order to obtain dependability in the study, the processes within the study were reported in detail. The in-depth interviews used in the study allowed the researcher to obtain in-depth information from the participants which assures that proper research practices have been followed. To maintain objectivity and avoid bias during data analysis, the researcher asked the participants whether the researcher's interpretation seem to be a representative of their beliefs. To allow transferability, the researcher provide sufficient detail of the context of the fieldwork for a reader to be able to decide whether the prevailing environment is similar to another situation with which he or she is familiar and whether the findings can justifiably be applied to the other setting.

The researcher developed opportunity to examine documents referred to by participants during the actual interviews which gave more light on the behaviour of the people in question. Participants were given opportunities to refuse to participate in the project so as to ensure that the data collection sessions involve only those who are genuinely willing to take part and prepared to offer data freely. Participants were encouraged to be frank from the outset of each

session, with the researcher aiming to establish rapport in the opening moments and indicated that there are no right answers to the questions that will be asked.

The independent status of the researcher was emphasised. Participants, therefore, contributed ideas and talked about their experiences without fear of losing credibility. It was made clear to participants that they have the right to withdraw from the study at any point, and they should not even be required to disclose an explanation to the investigator. The qualitative approach used in the study was important to ensure validity. It also allowed the researcher to define what is being observed and by so doing study the whole situation of informal migrant small business enterprises in order to evaluate the complexity and ensure that their conclusion take account of both unique and general factors.

### **3.8 Limitations of the study**

The study adopted a qualitative approach. It is difficult to generalize the research findings. The findings cannot be extended to wider populations with the same degree of certainty that quantitative analyses can. This is because the findings of the research are not tested to discover whether they are statistically significant or due to chance. The researcher ensured that the findings are specific and are the views and beliefs of the migrant enterprises. Qualitative research generates findings that are valuable, but difficult to present. During the interviews, the researcher observed nonverbal cues, which are difficult to interpret, because nonverbal cues are enormous and enormously open to misinterpretation.

The researcher was careful about making interpretations of body language that might or might not inform what the individual actually thinks. Follow-up questions were used to confirm the interpretation. The researcher recognized that participants communicate on many levels. The researcher was more sensitive to the meanings of nonverbal communication, than to simply guessing what the participant was actually saying. Good interpretation of nonverbal cues and interview skills allowed the researcher to recognize when participants wanted to speak and when the interview have taken long enough, the mood of the migrant trader and their reaction to remarks.

Participant bias can affect the findings (Neuman, 2014). Informal migrant small business enterprises have many challenges that no one is paying attention to. Participants were overwhelmed and understood that the researcher seeks to understand their challenges, this got participant behaving in different ways, giving more information about their situation and

perhaps exaggerating. The researcher encouraged the participants to participate in a free and fair manner and explained that, there are no rewards for participation in the study and the study is for academic purposes.

The researcher ensured that non-responses were avoided by adhering to certain procedural guidelines and rules in order to ensure accuracy by avoiding sampling errors such as large variability, bias or under coverage. The researcher used probability sampling and selected participants that are relevant to the research topic and accurately reflect the population of interest.

Participants of the study are non-South Africans from different cultural backgrounds, and they speak their different home languages including English as a second language. Some participants have become fluent in speaking IsiZulu a dominant language in Tugela Ferry Town because of the number of years they have spent in the town. Language barrier can have a direct impact on the findings of the study. However, this was avoided by encouraging participants to freely voice their opinions.

### **3.9 Ethical considerations**

According to Orb et al. (2000), ethical issues are present in any kind of research. The research process creates tension between the aims of research to make generalizations for the good of others, and the rights of participants to maintain privacy. Ethical issues, which differ in magnitude, appear in almost every study that deals with individual participants (Saldana, 2009). According to Neuman (1994), the qualitative researcher must be cautious not to subject participants to embarrassment or anxiety. When the researcher initiated the appointments for the in-depth interviews, he assured the participants that the information emerging from the interview would be treated as confidential. Researchers are mandated to ensure that the confidentiality and privacy of all participants is respected (Struwing and Stead, 2001).

Ethics are the norms or standards for conduct that distinguish between right and wrong. They help to determine the difference between acceptable and unacceptable behaviours on the part of the researcher. According to Creswell (2004), ethical considerations are important in research because the integrity, reliability and validity of the research findings rely heavily on adherence to ethical principles. In this study, the researcher treated ethical considerations as a priority.

The participants in this study were also given assurance that the data obtained through the interviews by the researcher will be maintained as confidential. According to Creswell (2004), the researcher must not put participants at risk, and vulnerable people must be protected. It was necessary for the researcher to explain that pseudonyms would be used in the research in the place of the participant's real names, to protect the identity of the participants. In this regard, the researcher ensured that participants were truthful and accurate.

### **3.10 Summary**

This chapter has presented a detailed description of the methodology used to generate the relevant data. The study relied on qualitative data drawing on in-depth interview from 15 informal migrant enterprises. The study used interpretive analysis to make sense of the data analysis. The limitations of the study were discussed and the measures taken to overcome them. Ethical considerations and trustworthiness of the study were also explained.

## **CHAPTER FOUR: PRESENTATION OF FINDINGS**

### **4.1 Introduction**

This chapter presents the main findings from the in-depth interviews with the informal migrant enterprises. The chapter starts by providing some basic background information about informal migrant enterprises, and trading in Tugela Ferry. This is followed by a discussion of the experiences of informal migrant enterprises as well as the challenges they faced. Similarly, the advantages and benefits of informal small business trading are also discussed. This chapter ends with recommendations by informal migrant small enterprises on how the municipality or relevant government departments can assist to improve the situation of informal migrant small business enterprises.

### **4.2 Sample characteristics**

The study sample comprised 15 informal migrant small business enterprises. All the participants were male because there are no businesses owned by female informal migrants in Tugela Ferry Town. The ages of the male participants ranged between twenty-eight and sixty-four years. A few (n=3) participants had primary education as their highest level of education while 11 reported some secondary education. Of those with some secondary education, seven had completed their schooling. One participant had a bachelor's degree in electrical engineering. The participants were from a range of countries including Pakistan, Somalia, Ethiopia, Malawi and Mozambique. The length of time that the participants had been involved in informal small business trading averaged nine years.

**Table 4.1: Demographic characteristics of participants**

| No.    | Age | Sex  | Level of Education                | Country of origin | Length of time in business | Description of business     |
|--------|-----|------|-----------------------------------|-------------------|----------------------------|-----------------------------|
| IDI#1  | 37  | Male | Grade 5                           | Ethiopia          | 5 years                    | Grocery shop and take-aways |
| IDI#2  | 55  | Male | Grade 12                          | Somalia           | 20 years                   | Blankets and Clothing shop  |
| IDI#3  | 30  | Male | Grade 12                          | Pakistan          | 6 years                    | Phone shop and repairing    |
| IDI#4  | 35  | Male | Grade 10                          | Malawi            | 8 years                    | Hair salon                  |
| IDI#5  | 53  | Male | Grade 12                          | Pakistan          | 18 years                   | Hardware                    |
| IDI#6  | 64  | Male | Grade 10                          | Malawi            | 28 years                   | Sewing shop                 |
| IDI#7  | 46  | Male | Grade 5                           | Somalia           | 10 years                   | Grocery shop and take away  |
| IDI#8  | 28  | Male | Grade 12                          | Pakistan          | 4 years                    | Bed shop                    |
| IDI#9  | 41  | Male | Grade 4                           | Ethiopia          | 6 years                    | Grocery shop                |
| IDI#10 | 37  | Male | University Graduate (Electricity) | Pakistan          | 7 years                    | Phone and repair shop       |
| IDI#11 | 30  | Male | Grade 8                           | Malawi            | 5 years                    | Hair salon                  |
| IDI#12 | 45  | Male | Grade 11                          | Pakistan          | 4 years                    | Hard ware                   |
| IDI#13 | 47  | Male | Grade 12                          | Pakistan          | 10 years                   | Grocery shop                |
| IDI#14 | 38  | Male | Grade 12                          | Somalia           | 4 years                    | Grocery shop                |
| IDI#15 | 36  | Male | Grade 12                          | Mozambique        | 6 years                    | Grocery                     |

All the participants were legal immigrants in possession of the general work visa which is commonly known as a work permit. This work permit allows them to operate their business, but the permit expires after a period of six months.

### **4.3 The contribution of informal migrant enterprises**

All the informal migrant small business enterprises that were interviewed reported that they contributed towards the economic growth of Tugela Ferry town. Most participants believed that it was important for them to participate in the economic development of the town. They explained that they pay for services in the area and in this way; they are contributing to the economy. One of the participants responded by saying:

*We, migrant national small business enterprises, contribute to the economic growth of this town, because we are paying rent for business and accommodation to landlords who are local people. We also pay for water and electricity bills (IDI#7, male).*

In times of an economic crisis or a shrinking customer base, informal migrant small business enterprises operating the clothing and blankets entrepreneurship move out from town to remote communities (house to house) in order to conduct business. One participant reported that:

*We are also making contribution by taking our products to the people in their homes, we help them save money by not wasting transport money and time to come to town. We also give our products on a credit basis and collect first instalment after a month for three months. We also pay taxi fares including paying for transporting our product to our customers (IDI#2, male).*

Informal migrant small business enterprises do not make as large a contribution as do the large corporate industries, but with the little money that they are able to generate from trading activities, they make their presence felt in the town and offer employment to many locals.

### **4.4 Employment creation**

All the informal migrant small business enterprise owners who participated in the study employ staff to assist them in their businesses. Only one informal migrant small business enterprise (IDI#6, male) had employees that were not South African. The reason for that, was that, the business owner could not find local people with sewing skills or training. He did not have time to train people as customers were placing their orders and he had to meet the deadlines for collection. He then eventually decided to fetch two people from his home country to work in his sewing business.



*I wanted to employ local people, but unfortunately, I couldn't find people that I was looking for. I needed someone who is good and passionate about sewing and I could not train people at that time because I was very busy and lagging behind with my work, so I needed people who know the job and that is why I decided to fetch them from Malawi (IDI#6, male).*

**Table 4.2: Demographic information about people employed by informal migrant small business enterprises.**

| No.    | Number of staff employed | Gender of staff member | Country of origin of staff member |
|--------|--------------------------|------------------------|-----------------------------------|
| IDI#1  | 2                        | Female                 | South Africa                      |
| IDI#2  | 3                        | Female                 | South Africa                      |
| IDI#3  | 2                        | Female                 | South Africa                      |
| IDI#4  | 4                        | 2 Male<br>2 Female     | Malawi<br>South Africa            |
| IDI#5  | 6                        | 4 Male<br>2 Female     | South Africa                      |
| IDI#6  | 2                        | Male                   | Malawi                            |
| IDI#7  | 1                        | Female                 | South Africa                      |
| IDI#8  | 2                        | 1 Male<br>1 Female     | South Africa                      |
| IDI#9  | 2                        | Female                 | South Africa                      |
| IDI#10 | 2                        | Female                 | South Africa                      |
| IDI#11 | 6                        | 2 Male<br>4 Female     | 1 Malawi<br>5 South Africa        |
| IDI#12 | 5                        | 4 Male<br>3 Female     | South Africa                      |
| IDI#13 | 4                        | Female                 | South Africa                      |
| IDI#14 | 2                        | Female                 | South Africa                      |
| IDI#15 | 4                        | Male                   | South Africa                      |

Two informal migrant small business enterprises had South Africans and Malawians in their employment. Their hair salons had mixed nationals working together to meet customers' expectations.

*It is good to mix people of different nationalities when you are doing this kind of business because it is always easy to learn new things from each other. Secondly, our*

*customers are local people so we need local people to be involved in the business to services our customers. Furthermore, local people are useful because they know the hair styles that our customers wants (IDI#4, male).*

The majority of informal migrant small business entrepreneurs (12) had a staff compliment of South Africans only. The participants motivated their choice to employ local South Africans.

*In such businesses as grocery shops that also sell cooked meals, we mainly rely on South African black females, to be in kitchen and prepare food for customers, so local people can enjoy the meals. I am an Ethiopian man who can also cook, but perhaps for Ethiopian people and you know we do not prepare our food the same way. I cannot cook what South Africans love, so I have to employ someone to do that job for me (IDI#1, male).*

In total, there were 42 South Africans employed by the 12 informal migrant small business enterprises. They are more likely to employ women than men to assist in their business. They are so many unemployed women in Tugela Ferry Town and men prefer to go to more developed cities for employment opportunities. The study established that South African females had better employment opportunities than their male counterparts as the findings showed that there were 12 males and 30 females. Informal migrant small business enterprises are responding positively to the crisis of youth unemployment, for females in particular.

## **4.5 Challenges facing migration enterprises**

### **4.5.1 High crime rates**

Many of the migrant small business enterprises live in fear of being robbed or attacked by local criminals. Some participants indicated that they had been victims of crime and violence in the past. Migrant nationals that own informal businesses in this town are also soft targets because sometimes the criminals that roam the streets learn through informal channels that migrant enterprises hide money in their homes. These business owners sometimes carry some money around on their persons for the sake of making purchases and also having an on-hand reserve. One participant from Pakistan said:

*I was hijacked a few months ago while I was driving to Greytown [Greytown is a bigger town 45 km away from Tugela Ferry]. The criminals fired six shot on the wind screen of my vehicle, I pulled over. They took all my money I worked for that day. The police*

*driving behind me witnessed everything but during the shooting police never came out of the van to help me, they stayed inside and watched as criminals were robbing me, and after the criminals had gone, the police came to check on me and wrote a statement and called for backup (IDI#12, male).*

Many migrant small business enterprises were worried and concerned about their safety and security, because they felt that the police were not doing enough to protect them against criminal activities. They also felt that their concerns were being ignored by police officials.

Some migrant small business enterprises felt the opposite though; they felt that the environment was safe. They indicated that they believed that South Africans have Ubuntu, their sense of humour is very welcoming and caring. One Ethiopian claimed:

*I cannot lie to you, I was never robbed, never attacked and never receive any threats or what so ever, so many South Africans I have met have warm hearts and are welcoming and they have helped me in solving lot of problems (IDI#1, male).*

Migrant small business enterprises also believed that the place is safe because it is a small rural town compared to large cities, where the level of crime is very high. They believed that rural people hold traditional values and morals and they are less likely to engage in criminal activities.

*Rural towns are always safe, there is no serious crime in this kind of towns and the people here are very generous. Mostly, people still live traditional way of life here... it is not like Durban and Johannesburg. That is why I chose to come to this rural town [Tugela Ferry]. I wanted a safe place (IDI#9, male).*

#### **4.5.2 Lack of capital to start businesses**

Almost all of the migrant enterprises that participated in the study observed that they came to South Africa without the money required to start their businesses. They depended on relatives and friends to raise the capital needed to start their businesses. One participant shared the following regarding how he started his business:

*I came here and borrowed money from my cousin which I will pay back to in due course. I bought a few stuff, blankets, pillows, etc. I then started door to door trading. It was never easy... I thank the Lord that now I have a grocery shop; it is also not enough, but at least it is something (IDI#13, male).*

Migrant enterprises are unable to access funds from formal financial institutions like banks. One of the requirements that banks consider when one is applying for a bank loan is a credit history, something which migrant enterprises are unable to provide.

*I cannot support or develop my business because the profit I get is not enough. I went to a bank for financial support in the form of loan, and it was declined. They told me that I did not have a bank account with any South African bank so I did not have a credit history (IDI#4, male).*

Informal migrant small business enterprises reported that their profit is spent on rental for business and accommodation and also paying salaries. The remaining money goes to savings or they remit it to their homes in the country of origin. Their businesses often do not make a constant monthly profit. Savings are sometimes used to pay business expenses during difficult times. This situation hinders the growth and development of informal migrant small business enterprises. Some of the migrant enterprises has decided not to remit but rather save more money for a better future.

#### **4.5.3 Competition with local enterprises**

In the interviews, many of the migrant small business enterprises reported that they were not encountering any problems with regard to competition with local enterprises. However, participants indicated that there was competition among migrant nationals themselves. One participant from Pakistan said:

*You know I was the first guy from Asia to come here and do business and had no competition by that time, but now too many people from different countries other than Pakistan are doing the same business as mine (IDI#12, male).*

In the study the researcher has realized that local enterprises have surrendered their own shops to migrant enterprises. This might be because of the pressure and competition migrant enterprises have introduced in Tugela Ferry Town or local enterprises eventually decided to surrender and do other things while receiving rent from migrant enterprises. Many businesses that were previously owned by local South Africans are now in the hands of migrant enterprises. Migrant enterprises were seen to be more competitive than local enterprises in informal small business trading. The migrant enterprises have different approach to business and they bring new ideas to the entrepreneurship environment. Partnership is one of their successful strategy they use.

Migrant small business enterprises with their family members and relatives in South Africa were opening many enterprises in different parts of the town to resist competition. Tension also arises when a migrant trader opens a shop next to the shop of another migrant trader and is selling the same products.

#### **4.5.4 Shortage of rental apartments**

Some migrant small business enterprises felt that they were being manipulated by local South Africans because they do not own anything. Migrant small business enterprises were forced to rent because they could not buy property. According to the traditional council, migrants do not have a right to own land or permanent structures, because they are not indigenous people. Two participants stated that:

*When I came to this town, I couldn't find an apartment to rent for my business. I was shown a piece of land to build my shop and rent it from the owner of the land for ever...If I decide to relocate, this building will belong to my landlord- the owner of this land, I cannot sell it (IDI#14, male).*

Apartments available for rental are very limited in this small town. Shops are congested in a very small space. There is no available free land for construction anymore because most of the land comprises rivers, mountains and cultivation land. This puts pressure on migrant enterprises in particular who want to start their business in this small town. They find themselves compelled to accept high rental offers. One participant said:

*South Africans like money, this space is too small and the rent is too high and unreasonable (IDI#15, male).*

The high cost of rentals in this small town is limiting the possibility of migrant enterprises to expand their business. When rent is high, there is limited savings for new developments.

#### **4.5.5 Lack of business growth**

There are very few out of many migrant small business enterprises who become successful enough in business in a migrant country. Successful migrant small business entrepreneurs are found among those migrant small business enterprises who have been involved in trading for more than two decades. During that period, there were very few migrant small businesses in South Africa in general and in rural towns in particular. The experience acquired over that period gave them knowledge to successfully operate their businesses and to use their savings

for business support. The migrant enterprises are very aware of the need to treat customers with respect and dignity as this is very important for growing their business. They realise that an unhappy customer is likely to support them and can also create problems for them in the community. They prioritise the customers and in this way they are able to see the fruits of their labour.

*What you need to do in business is to buy a few things. Your customers will demand more, and you bring it. They ask for products you do not sell, and you must try to have them available for them. Customers drive your business and you follow, that how business grows (IDI#10, male).*

*Customers are always right; you cannot be angry at a customer, you must know how to talk to them. You must always have a smile on your face. When a customer complains, I treat that complaint urgently because I know complains helps me see my mistakes and help my business to grow. The customer must feel happy about the product and the service (IDI#8, male).*

There are migrant small business enterprises who are not satisfied with government and municipal rules and regulations and are not satisfied with indigenous/traditional laws when it comes to land issue. Most enterprises who have been trending in the town for more than 10 years, believe that they should be given the right to own land and property. They claim that the lack of ownership of land and property deprives them of the opportunity to expand their businesses. They hold a desire to develop their businesses for better service provision to their customers and for them to generate better profits:

*I am not happy about AmaKhosi (Chiefs) of this land about how they treat us migrants; we are treated differently from people of South African origin. If anyone from anywhere in South Africa comes here and ask for land in this place, he will get the land but if you are a migrant national, you cannot have the land or own property, you can only rent, by doing that, you make someone rich at the expense of your business (IDI#14, male).*

*The municipality project also destroys property and occupy the land and after compensating owners of the building and they don't care about us who rent to operate businesses in those properties (IDI#11, male).*

Migrant small business enterprises also realised that it can take a very long time for one's business to grow, irrespective of how much effort is invested in savings. Business growth is a

process and does not happen overnight (Fatoki and Garwe, 2013). Informal migrant small business enterprises find it difficult to save much because their income is relatively low; they have to pay for food, accommodation and rent for their shops, and they have to renew their trading permits.

Some of the migrant small business enterprises were unable to expand their business enterprises because they had big families to support in their countries of origin. Most of their savings were remitted to their home countries to support the basic needs of their families.

*By this time, I should have been too far with my business... The problem is that I have a big family that needs my financial support; I grew up in an extended family. Generally, in my culture it is not right to let your parents or siblings to suffer. I have to make means to support them, even if it means that I have to take my saving and buy another business for my brother so that both of us can work together to support the family, I must do that (IDI#15, male).*

Migrants small business enterprises believed that the informal economy is thriving because of many migrant nationals who come to this area to do business in the informal sector. Some had even started to search for other places that could provide more business opportunities and better profits. Before these migrant nationals settled in Tugela Ferry town, they were doing business somewhere else.

*Before I came here, I had a business in Johannesburg...Because of the competition I moved to Pietermaritzburg and there was also too much competition, and eventually I came here and by that time I was the first and only business man from Asia (Pakistan). But today there are many of us. Some are selling the same stuff and now I am old and sick. As such, I will leave my younger brother in charge of the business and go back home because I cannot go any further than this (IDI#12, male).*

It is difficult for migrant small business enterprises to develop, because they face a great deal of pressure and competition. They often compete against each other to the extent that they sometimes even sell the same products. Generally, the growth of small business enterprises is also suppressed by formal business enterprises such as Shoprite, Pick n Pay, Spar etc. These formal business enterprises offer more entrepreneurial benefits to their customers, e.g. the smart shopper facility where customers get points each time they shop, and other specials (including Black Friday).

For some migrant small business trader to think about business growth they must think about relocating to other places. Participants argued that they were able to expand their entrepreneurial businesses because they knew how to save. The main problem that highlighted was that it was difficult for them to expand their businesses because they did not own any land and property, hence business registration in terms of South African trading regulations remained an insurmountable problem. They believed South Africa offers great entrepreneurship opportunities, whereas the local enterprises usually lacked sufficient money to pursue business activities:

*What I notice is that local small business enterprises do not have enough money to with sustain their businesses; they give up easily and make their businesses available for rental. When they have money, they use it to buy food, send children to school and other things. Migrant small business enterprises have money to run their businesses (IDI#4, male).*

*How can you expand your business when you do not own property? Once you expand your business, the rent will also increase (IDI#1, male).*

#### **4.5.6 Price fluctuations in the market**

The participants bemoaned that migrant small business enterprises often suffer losses when large scale enterprises drop the prices of their goods in order to attract customers. The price fluctuations directly affect migrant small business enterprises. In the event that prices of goods increases, migrant small business enterprises also increase their prices, but not as much as they would want to, because they believe that pricing is the key factor for their customers. In the event of decreasing prices of goods by large scale enterprises, small scale migrant small business enterprises are therefore left with no other option but to drop their prices too, so that they can attract customers. This decline in pricing leaves the migrant small business enterprises with reduced profits. One participant stated:

*Increasing prices is always dangerous, we try alternatives, for example my brother, cousin and I use one vehicle for our shops to stock goods in bulk and cut costs of transport. After we share the goods according to each respective contribution.... Buying in bulk is cheaper and the cost of petrol becomes affordable, so you do not have to increase price because of external factor that you can manage (IDI#13, male).*



Sometimes, these enterprises conduct their business activities at a loss. They tend to wait for other enterprises to increase prices so that they can also increase prices. They run their business at the expense of other enterprises. They perceive that price increase is an influential decision that can change the image of the business. One participant stated:

*The challenge that we encounter as enterprises is that we as migrant business enterprises do not use the same prices, simply because we do not get stock from the same wholesalers. Some migrant small business enterprises are selfish to give information. If you do not have a cheaper wholesaler, you are in big trouble because you have to keep your prices low. This means that you do not gain anything out of your work at the end of the day (IDI#2, male).*

It remains a very difficult task for migrant small business enterprises to maintain, increase or decrease prices because of price fluctuations. Participants indicated that increasing prices in order to gain huge profits. Price increases have devastating outcomes on migrant small business enterprises because customers generally choose to purchase products from those enterprises who offer the lowest prices. Price fluctuations sometimes create tensions and conflicts among migrant small business enterprises. Migrant small business enterprises reiterated the need for being consistent through observing the prices that other small business enterprises peg on particular goods.

*Sometimes if the wholesaler increases prices, some enterprises do not increase prices immediately; they will wait until the available stock is exhausted, which maybe after three months. It is not good for business to always be the first shop to increase prices. Look, now a cigarette is R2.50. You find that there is too little profit out of this, but I am afraid to go up to R3.00 because I'll be the first one to increase the price. By the time every trader realizes that there is no profit it will be too late to sell the loose cigarette at R3.00 (IDI# 5, male).*

*Price reduction for migrant small business enterprises has to take place when the product is damaged or not in good condition (IDI#8, male).*

#### **4.5.7 Cost of accommodation**

Many of the migrant small business enterprises indicated that they were living in town, usually next to or on their business premises. They felt that the rent was high, and the landlords insisted that they pay rent timeously. Taking into consideration the survivalist nature of their business,

the cost of accommodation takes a lot of their profits, which is why some migrant small business enterprises prefer to stay inside their business:

*I paid R1200 for the house in which I lived in, it is a one bedroom with a small kitchen and small bathroom... yes it was very safe, but I wanted to grow my business and I recognized that at this point in time I cannot afford it. I need more money to invest in this business. I eventually decided to stay inside here (DI# 12, male).*

Migrant small business enterprises chose to stay in accommodation with 24-hour security service. The most important factor they considered when looking for accommodation was security and safety. The accommodation tends to be extremely expensive for some migrant small business enterprises.

*If you want accommodation with security, you must be prepared to pay my friend or else stay in your business if you cannot afford it (IDI#13, male).*

In order to cut accommodation costs some participants indicated that they were sharing accommodation with relatives which was a feasible option. However, sharing or “squatting” was not encouraged and even forbidden by many landlords. However, some migrants secretly allow others to “squat”. If they got caught doing such a practice, there was a penalty in the form of money they were supposed to pay or risk eviction. Hence, other migrant small business enterprises chose to “squat” in the back rooms of their own businesses to avoid trouble.

Migrant small business enterprises preferred to stay some distance away from local community members. Only two participants reported that they were staying in a nearby village with local community members, and they were using the same Islamic place of worship for religious purposes. They regarded the environment as being too risky for them and given that South Africa is among the most xenophobic countries (Fatoki and Garwe, 2013). Most participants indicated that they would avoid community participation and involvement at all costs to avoid exposing themselves to any kind of attack.

#### **4.6 Networking**

Many of the migrant small business enterprises stated that they had chosen Tugela Ferry because of the information they had obtained through their network of friends and relatives. It is clear that these networks played an important role for migrant small business enterprises to choose a South African town in which to settle. The following was shared:

*My father came and stayed in Dundee. That is why I came to Tugela Ferry because it is close to Dundee where my father operates his business (IDI#15, male).*

*My uncle called me to be a partner with him so that we could be more competitive I am operating this shop and he is operating another one down the street (IDI#7, male).*

Most of the migrant small business enterprises came to Tugela Ferry because they were told about it through their networks, that the town is an ideal place for business opportunities, where people have to travel long distances to get decent shops.

Migrants' social networks also help them in getting information about the application process for the work permits that they need for them to legally stay in the country and sell their products.

*I got clear information on the Facebook group of migrants making business in South Africa. From there I developed an interest in coming here and starting my business to improve my financial status. Firstly, I worked for a relative and I applied for the work permit when I was still working for that relative. He borrowed me money to start my business so I can also be independent. I had to pay back this money. I started my business in that way and I saved money until I became independent. I own a business because of the help of my brother (IDI#3, male).*

The above shows that many migrants rely on relatives and friends who are migrant small business enterprises to get jobs that help them to save money and start their businesses.

#### **4.7 Operating an informal business as a response to unemployment**

Migrant small business enterprises became involved in entrepreneurial businesses as a means of survival. The migrant participants stated that they came to South Africa particularly to enjoy a better livelihood. They came with the hope to make more money for themselves and their families. The lack of employment in South Africa in general and particularly in the rural towns destroyed their hopes. Migrants were forced to be involved in small scale business as a means of survival. They indicated that they were attracted to such bright cities as Durban with the hope of earning more money than they were earning in their home countries. Contrary to their expectations, there has been a lack of job opportunities for them in Durban, which has forced them to resort to street entrepreneurship. One participant stated:

*If there are no jobs, we have to find other means of survival and we cannot go back home because the situation is even worse there (IDI#6, male).*

The absence of decent employment opportunities and high competition in informal trade in South African cities forced the migrants to move to rural towns for better economic opportunities.

Many migrants who were searching for job opportunities were unemployable because of lack of proper documentation or were subjected to hard labour. Migrants opted for informal trading, which they often started at a small scale, sometimes even walking very long distances selling their wares from house to house. They had to operate without either a shop or transport.

*Because I knew that jobs are limited, and that I do not qualify because I don't have any skill; I decided to start trading on a very small scale. I would move from house to house carrying my items i.e. blankets, pillows, cups, pots, etc. I got financial support from my cousin (IDI#9, male).*

The ultimate goal for many migrant small business enterprises was to own a business and become financially independent, of course through the help of others. Eventually, most of them were able to start up their own businesses.

*I have hired local people as security guards for 24-hour security services on this business, to be responsible for security issues. During the day the security guard verifies the till slip against purchased items and at the night they safeguard the premises (IDI#12, male).*

Informal migrant small business enterprises are making a meaningful contribution to economic development and job creation for local people by employing locals in their businesses in a variety of positions.

#### 4.8 Customer service

Most of the participants mentioned that good customer service was a necessity if one wanted to attract and maintain customers. Many of the migrants also believed that dedication, hard work and consistency were very important. The enterprises stated that they would show their customers the variety of products in stock in a very polite manner whenever customers visited their shops. Some even reported they had developed friendships with some customers because they were regularly visiting their shops and they would always chat with those customers. The

participants shared the view that such an approach is critical to doing business in a migrant country as it helps to grow the business, build trust, and encourage customers' loyalty. One participant stated:

*Because my shop has a shelter outside (veranda), people come and siting the shade during very hot days or even when it is raining. I do not chase them away because they will eventually buy from my shop (IDI#9, male).*

Participants indicate that developing a warm and friendly attitude attracts more customers because customers talk about the shop owner's friendliness and warm attitude. Such treatment makes customers to always come back to buy and chose the business as a preferable one.

The informal migrant small business enterprises realised that it is important to create close relationships with customers. In the event of slow business operations and very few customers, the shop owner may take out few items sold inside and put them next to the door of the shop to display and stand outside to invite customers to come inside. The informal migrant small business enterprises were able to influence the customers to get inside the shop and take a look at items sold, which may lead to an increase in sales.

*During the middle of the month, business is often quiet. I invite the customers to my business. I put a display of items I sell in my shop, to attract and promote the business among my customers. Some people come in, look around and leave without buying anything. But that is also fine because the picture and idea of the shop is there (IDI#6, male).*

A number of informal migrant small business enterprises possessed good business skills that enabled them to operate their businesses better:

*In this industry, you need to have the skills to negotiate like I did when I wanted to start a business. I didn't have money and I had to convince people to lend me money, so I could start a business. You need to be patient and focus on your business to save as much as you can. I end up not sending any money home for three years, while trying to develop my business (IDI#3, male).*

The statement above gives insight into what informal migrant small business enterprises have to go through to own a business and to sustain it. It also shows the sacrifices the migrant enterprises had to tolerate for their business to be successful. As much as most of the migrant enterprises do not obtain significant financial benefits from their businesses, they know that

good customer service leads to better sales. Importantly, informal migrant small business enterprises use informal trading as a means of survival.

#### **4.9 Illegal and fake products**

Some people believe that, the reason why informal migrant *spaza* shops have cheaper pricing is that they sell illegal and fake product from their own countries. The pricing of the informal migrant *spaza* shops is putting pressure on local South African tuck shop owners because of the business strategies they introduce. Many South Africans were also wondering how informal migrant small business enterprises were managing to pay business rent, accommodation and sustain competitive business activities. Many local South Africans had surrendered their tuck shops to informal migrant business enterprises through leasing their shop infrastructure. Informal migrant small business enterprises were also accused of such fraudulent activities as fake documentation to be legal in South Africa, money laundering, selling fake products e.g. compact discs (CDs) and digital virtual disc (DVDs).

Informal migrant small business enterprises were aware of such accusations and they denied such accusations. One participant had to say:

*I do not sell products from my own country; I have never been to my own country for the past seven years. All products sold here are from South African wholesalers (IDI#15, male).*

Informal migrant small business enterprises do not make illegal product. They buy illegal products from South Africans and resell them to their customers. One participant responded in this way:

*I don't make music, I don't make copies either. I buy these CDs and DVDs in Pietermaritzburg and resell here. I buy this music from local South Africans because they are the ones who know local famous artists and DJs (IDI#5, male).*

The selling of illegal and fake CDs and DVDs is not a trade for migrant enterprises alone, but for both migrant and local enterprises. Many local street enterprises were observed selling the CDs and DVDs, but were not interviewed by the researchers during field work, many were in possession of large quantities of fake CDs and DVDs selling at the cost of R15 per copy. Some of the informal enterprises, both local and migrant enterprises were found to even sell music using computers and other electronic devices. For example, to load a Universal Serial Bus

(USB) or Secure Digital Card (SD card) with music of one's choice would cost R25. The observations of the researcher demonstrated that both local South Africans and migrant enterprises were involved in the selling of illegal and fake CDs and DVDs.

The informal migrant small business enterprises found it difficult to share the secret of cheaper pricing. They believed that informal trading was a highly competitive trade, yet it required no qualification, and anyone could do it. However, they acknowledged that it required hard work and perseverance. One of the participants stated:

*Informal trading is our last option; we take it very seriously unlike local South Africans who want to make a lot of money in a very short period of time. I can't put prices that go beyond the price of my competitor for the same product, therefore my pricing is also subjected to other informal small business around me (IDI#8, male).*

All informal migrant small business enterprises who participated in the study reported that they were in possession of a valid work permit, and that one cannot get a work permit without a passport. One participant stated:

*I have a work permit which I renew every six months and I have a passport for five years in South Africa, but some customers who are South Africans sometimes make remarks as if I am operating this business illegally, hence they treat me like an illegal migrant. Well, I am not here for all that, but I am here to find a better living for my family and I (IDI#6, male).*

#### **4.10 Desires of the informal migrant small business enterprises**

The researcher has gained insightful information on the wishes and expectations of the informal migrant small business enterprises. There are quite a number of aspirations held by the migrant enterprises. They indicated that the government, municipality and financial institutions could play an important role in the enhancement of informal migrant small businesses.

During the interviews, participants were given the opportunity to express themselves about the challenges they encountered in their daily operations as informal migrant small business enterprises and to come up with possible solutions which they thought the government or municipality could employ in solving their problems. Some of the participants made the following statements:

*I wish the South African government can recognize our contribution to the economy as informal migrant small business enterprises, and start to have programmes mainly for informal migrant small business enterprises (IDI#10, male).*

*On Africa Day, we embrace each other as brothers and sisters, the next day we forget about that; people should aspire to respect one another and treat each other like brothers (IDI#5, male).*

*There are too many problems that we face as informal migrant enterprises. The issues can range from language barriers, xenophobia, and unfair treatment because we are migrants. The treatment we get from Home Affairs is also disheartening. I wish Home Affairs staff can treat us the same way as they treat South Africans (IDI#7, male).*

*The government of South Africa should capacitate us; we don't have formal education about business. We must be empowered so that we manage our businesses well and be able to employ more people. The local municipality should develop a forum for informal migrant business enterprises where we can discuss our challenges with relevant stakeholders including the government representatives (IDI#11, male).*

*I wish that government or municipality can intervene in the issue of rent. Our landlords are local people who own the land. Rent has gone high to the unreasonable price (IDI#4, male).*

The statement mentioned above indicates that rent is a continuous source of concern for the informal migrant small business enterprises because it takes almost all their profit. Participants indicated that sometimes they are unable to make enough money to pay the rent, and they are forced to use their savings. The informal migrant small business enterprises need a steady cash flow if they are to be able to effectively conduct their businesses. The properties that informal migrant small business enterprises use are directly owned by local people. The migrant enterprises believe that, the government can intervene and address the issue of high rent.

Climate change and weather conditions cannot be ignored, because it can directly affect their businesses (Crush et al., 2005). Informal migrant small businesses are not insured. When their businesses are affected by strong winds or heavy storms, that is a big loss for the business. One participant commented about this and said:



*I wish the municipality can assist us in difficulty time of bad weather conditions, by restoring the loss during the disaster. The municipality should give us financial support because we do not have insurance for our businesses (IDI#3, male).*

It can take a very long time for the informal small business to recover from disaster. People employed by the small businesses lose their jobs. The economic contribution of small businesses becomes insignificant.

#### **4.11 Informal trading as a means for survival**

African informal migrant small business enterprises interviewed showed interest in securing employment in South Africa. They reported that they would appreciate to have any form of proper employment that could generate an income in order for them to survive. Informal migrant small business enterprises were afraid to search for employment because of the large number of South African who are unemployed. The migrant enterprises feared that migrants were taking jobs from South Africans. As a result, informal migrant small business enterprises felt that it was better for them to remain in business. Informal trading is a means of survival for informal migrant small business enterprises. Informal migrant small business enterprises were positive about life; they aspired for success in life. This was despite the circumstances and challenges they often encounter. They remained positive and loyal to their businesses:

*If you are unemployed and unemployable, you need to use your mind and skills and start doing something that provides a means of survival. I did not want to go back home to suffer. I had to do something to help myself, that is when I got myself into business (ID#10, male).*

Many of informal migrant small business enterprises did not enjoy the early days of trade when they started their businesses. Thus, they referred to those days negatively as filled with hardship. During the study, many informal migrant small business enterprises indicated that they had chosen to comfortably settle in the informal trade. They perceived informal trade as the only option that was available to them. Informal migrant small business never considered to quit business to try something else. They aspired to develop more businesses for other family members in their countries of origin. They were striving to be successful business entrepreneurs in collaboration with their family members and relatives.

*Since I came to this place, I have developed four shops at home; one furniture shop, one cell phone and repair shop and two hardware shops. One hardware is under my*

*supervision; the other three shops are operated by my family members. In the near future I am leaving this to go back home because I am old now to be in the business, hence I will call one of my sons to come and take over (IDI#14, male).*

Informal migrant small business enterprises sometimes endure maltreatment from police or government officials by demanding bribes. They have to tolerate misbehaving customers simply because they are migrants. Their concerns are not taken seriously when they are reported to police station. They believe that it is very risky to have an informal enterprise in another country especially South Africa. They conduct their entrepreneurship activities in fear of xenophobic attacks that can erupt anytime. They take informal trading as their last option and means of survival.

#### **4.12 Summary**

The informal migrant small business enterprises play an important role in the informal business activities of Tugela Ferry town. They maintain good relationships with customers, and good customer service plays an important role in the success of their small entrepreneurship. The informal migrant small business enterprises encounter several challenges. These include lack of access to loan facilities because many financial institutions do not allow migrants in their category to borrow money. Many informal migrant small business enterprises came to Tugela Ferry and South Africa in particular without any capital to start up their businesses. However, through social networks, they managed to start up their own informal trade businesses. Informal migrant small business enterprises were also suffering from social exclusion; their social needs were not met.

Informal migrant small business enterprises were exposed to dangerous circumstances and xenophobic attacks. They were victims of verbal abuse from many local South Africans. The migrant enterprises also claimed that sometimes they would receive unpleasant and unfair treatment from government officials including the police, and the government services were not user friendly for most migrant migrants. Even though informal migrant small business enterprises make a significant contribution to economic growth, they believed that injustice was continuing. The next chapter presents the discussion, recommendations and conclusion.

## **CHAPTER FIVE**

### **DISCUSSION, RECOMMENDATIONS AND CONCLUSION**

#### **5.1 Introduction**

This final chapter of the study provides a clear discussion on how informal migrant small business enterprises contribute towards the economic development of Tugela Ferry. The discussion is based on the previous chapter that shared detailed information on the experiences of informal migrant small business enterprises. In this chapter, recommendations are made on the way forward in dealing with the various issues that concern migrant small business enterprises.

#### **5.2 Discussion**

The contribution of informal migrant small business enterprises in terms of job creation in the Tugela Ferry town is a great benefit to the town's residents and those in surrounding areas. The contribution is however not being clearly recognised by the members of the community, government officials and the local municipality. The contribution of the migrants to the development of South Africa is often disregarded (Maharaj, 2004). There are three entrepreneurial activities that are presumed to affect economic growth, namely; job creation, competition and innovation (Karlsson et al., 2004).

The findings of the current study confirm that the informal migrant small business enterprises contribute towards the economic development of Tugela Ferry by creating employment for some of the unemployed members of the community. Furthermore, most of the informal migrant small business enterprises who participated in the study were also creating employment for locals who clean their shops. They provide employment for locals who do not have specific skills. Some informal migrant small business enterprises also hire security guards for 24-hour security services at their business premises. During the day the security guard verifies the till slip against purchased items. This is to ensure that, there are no items leaving the shop without being paid for. In the evening, the security guard looks after the goods while they are in storage. In the interviews that were conducted, the informal migrant small business enterprises stated that they pay security guards reasonable salaries for their work.

The income that these employees derive from the tasks that they perform contributes towards the alleviation of poverty, which is one of the key priorities of the government (Crush et al., 2015). It is worth noting that almost all the informal migrant small business enterprises who participated in the interviews acknowledged the valuable role that is played by migrant small business enterprises in reducing unemployment in the community.

While it is clear that migrant entrepreneurs do not create employment in extensive quantities when compared with large businesses, their contribution should not be ignored or disregarded as trivial, especially in a country with high unemployment. It is important to bear in mind that their contribution is justified, given that they pay rent, employ casual workers and also increase sales at the formal wholesalers where they buy their merchandise. Therefore, indirectly, they contribute to the economic growth of the town. The goods that the migrant enterprises buy from the suppliers helps keep the business activity vibrant and allows the flow of the economy. Migrant enterprises also add to the revenue of the town and local municipality.

According to Hussain and Yaqub (2010), customer service has been classified as one of the top three factors that lead to the success of small entrepreneurial businesses. The other two factors that lead to success are an entrepreneur's experience and his or her specific know-how. Therefore, informal migrant business enterprises utilise the skills of customer service to benefit their trade. The informal migrant small business enterprises that participated in this study indicated that they were aware of the financial benefits of good customer service. They reported using a kind and courteous approach when dealing with their customers and that this approach serves to induce customers to buy their merchandise.

According to the Maharaj (2009), informal migrant enterprises are competitive and experienced in terms of informal trade. During the interviews, the researcher learnt that one of the informal migrant business enterprises was a university graduate and possessed certain skills because of training, circumstances and the experience they had obtained in their countries of origin. As can be seen through their responses, informal migrant business enterprises tend to realise the immediate and future rewards of treating potential clients with courtesy and respect. This conduct tends to provide business opportunities, and the potential for growth.

Informal migrant small business enterprises tend to operate their business in a very dedicated and skilful manner. It can be argued that if many migrant enterprises were to have access to loans from financial institutions, more earnings could be generated because of their astute business practices. The success of their businesses would then further contribute towards the

economy of the town. Informal migrant small business enterprises are more practical and loyal in terms of savings; they save as much of their income as possible so that they can invest in more stock and attain high financial returns. This skill of being able to save demonstrates the wisdom they have to operate their businesses. Informal migrant small business enterprises save so that, among other reasons, their enterprises will not collapse during difficult financial times. In addition to that, they also save to be responsible for financial hardship of their family members back at home.

In the interviews, informal migrant small business enterprises mentioned that they pay rentals for their businesses and personal accommodation. Many of the informal migrant small business enterprises interviewed were selective about accommodation because they feared victimisation. Migrants are unable to live in the townships because xenophobia tends to be common in such places (Maharaj, 2004). Furthermore, they are excluded from government schemes such as RDP (Reconstruction and Development Programme) housing because the policy only accommodates South African citizens.

By paying rentals, the informal migrant small business enterprises are making an indirect contribution towards the well-being of the town and generating income for local people who are landlords. Rent is a problem for South Africans as well. Since the arrival of migrant enterprises, there was an increase in rental prices all over the Tugela Ferry Town. This is a problem for South African who wish to start a business. The local municipality does not occupy any building in town and therefore has no power to regulate rent prices. Rent price is merely between the landlord and the tenant that is willing to use the property.

Informal migrant small business enterprises also contributed to the increasing size of the town. Some of them settled and built new shops. Some shops were extended by migrant enterprises. If it were not for migrants, many buildings in town would possibly remain vacant. This shows that these informal businesses are important to the growth of the town.

These findings show that a large portion of the income of informal migrant enterprises is spent in South Africa. Large parts of migrant enterprises' income therefore go towards food, rent, salaries and other items that they buy in the cities and town of South Africa. Informal migrant small business enterprises have to endure maltreatment by certain police and government officials, some of whom demand bribes. Migrant enterprises face continuous harassment even when they possess legal permits that allow them to trade. It can be presumed that this hostile

treatment of the migrants hinders any further potential contribution that they could make towards the economy of the town.

The continuation of harassment could have negative consequences because the migrant enterprises might eventually become unwilling to conduct business, which would mean loss of jobs for locals as well as less employment opportunities in the future. It is likely that those migrant enterprises who manage to become successful enterprises may realise that expanding their businesses exposes them to even further victimisation at the hands of criminals who might conclude that they are generating huge earnings from their trade.

According to Roitman (2009), the implications of intimidation by criminals are that informal enterprises might decide not to expand their businesses due to crime. They may keep lower levels of stock out of fear that their goods may be stolen. Passing trade may be lost due to clients being scared away by criminal activities. All the above result in lack of growth and sustainability of these businesses.

In spite of the notable contribution that the informal small business enterprises make to the development of the town, these migrant nationals still live in fear. They are afraid of possible xenophobic attacks. Informal migrant small business enterprises feel excluded from the society, because they are called names such as *Amakwerekwere*. Such derogatory terms remind the migrant nationals that they are treated as ‘the other’. These migrant nationals are often accused of stealing jobs from South Africans. However, these findings show that small scale informal enterprises are actually creating employment for themselves and other unemployed South Africans. The allegation of job stealing that has been made against the migrant enterprises might be argued as invalid when compared with this evidence. According to McKnight (2008), the Department of Home Affairs has, in terms of Section 29 (20) of the South African Immigration Bill, the duty of both educating the country’s citizens and civil society on the rights of migrants and refugees and carrying out activities that discourage and prevent xenophobia. The government, has failed to implement this law in favour of migrant enterprises.

Informal migrant small business enterprises are also accused of selling expired products, and low-quality products (Battersby and Haysom, 2018). They have to operate their business in difficult circumstances which include hatred and discrimination. One of the major limitations faced by migrant enterprises with regard to their businesses is the unwillingness of the financial institutions to provide them with credit. The reasons the institutions give for denying them credit are: informal migrant small business enterprises do not have proof of a fixed address, the

institutions cannot access their credit history, they do not possess a South African identity document (ID), they struggle to open bank accounts, and they do not have assets such as cars and houses which could serve as collateral security (Roitman, 2009). It is therefore necessary for the municipality and government to recognise and include the migrant enterprises in their plans so that the latter can provide an even greater contribution towards the development of the town.

Limited access to capital is a significant factor which hinders start-ups and growth of small, medium and micro-sized enterprises (SMMEs), irrespective of the country of origin of the entrepreneurs concerned (Roitman, 2009). As a result of limited access to financial resources migrant enterprises suffer more consequences because of their nationality, background and lack of credit history when compared to indigenous counterparts. Hence, there is the possibility of discrimination against immigrant borrowers on the part of mainstream formal financial institutions. This state of affairs entails two distinct categories of disadvantages for immigrant entrepreneurs.

The first impedes many immigrant entrepreneurs from achieving effective capital for their businesses. In many instances, even when successful start-ups are achieved, the achieving of significant growth becomes a further hurdle. The second category precludes immigrants from having opportunities to optimise their socio-economic contribution to the South African economy. As a consequence, in many instances' immigrants are obliged to compete with native South Africans for employment, as opposed to creating employment for them. In order to ensure the successful start-ups and growth of their businesses, the vast majority of immigrant entrepreneurs search for alternative means of obtaining finance, very often through relying on *stokvels*.

The study made use of the livelihood approach, which helped the study to examine the capabilities of informal migrant small business enterprises and the degree of access to resources that are essential for their means of living. The livelihood approach has also allowed the study to embark on a broad and open-ended analysis of all the direct and indirect effects that affect informal migrant small business enterprises. The theoretical framework made it easier for the study to articulate the livelihood strategies and entrepreneurship skills, which are essential for informal migrant small business enterprises as far as informal trading activities are concerned.

### **5.3 Recommendations**

Recommendations are made in accordance with the findings of the study. The municipality should seek ways of attending to the wishes and aspirations of the informal migrant small business enterprises, as they are a crucial component of the local economy. According to the study, informal migrant small business enterprises have a long list of needs, such as affordable accommodation, easy access to health service and educational institutions, access to financial institutions and larger trading sites, and all their needs require attention from the local government.

Workshops and training sessions for government officials responsible for immigration in Home Affairs in this regard should be offered. Government officials need to be taught extensively and re-educated about the implications of discrimination and bribery and how these ruins the image of the government. Government officials should also be encouraged to adopt a positive attitude and be more willing to assist the migrant enterprises.

Officials should be educated about the rights of the migrants in South African. Meetings and other forms of gatherings can be productively used to teach the migrants about their rights. The government should devise means for providing safer and more secure environments for the informal migrant small business enterprises that will able them to positively contribute to economic development of the town.

Migrant entrepreneurs should convene a mass meeting of informal migrant small business enterprises to deal with the factors that affect them. Paramount among the issues to be dealt with should be for migrant enterprises to access the programmes that are aimed at improving the condition of migrant small business trading. They should set up an interim committee that will arrange a meeting with government so as to address their needs and improve their relations with government. The committee should also arrange meetings with local government officials and non-governmental organisations (NGOs) so that they can be taught about the rights of migrants. They should also arrange meetings with existing trade unions for local enterprises and hold bilateral talks on issues that are related to their common experiences and how they can work together on issues that affect them all.

All spheres of government should be proactive in educating the local communities about the negative and long-term effects of xenophobia. The government should teach these communities



that xenophobia tarnishes the reputation of the country and, as a consequence, discourages further economic investments. All the stakeholders, such as faith-based organisations, the business sector, community-based organisations and political organisations, should convene joint meetings. These meetings should concentrate on various methods that can be used by various formations to educate locals about the migrants and how to interact with them.

Anti-xenophobia campaigns should be launched by community organisations. The media should also assist in highlighting and educating the public about the worthwhile contributions by the migrant enterprises. The government should incorporate in their policies that stipulate how they expect the media to assist them in educating the public.

In settings that involve the media and the government, the officials should, in appropriate circumstances, highlight the importance of educating the public about migrant enterprises. Workshops and educational sessions dealing with the importance of co-existing with people of different colours, creeds or ethnic origins should be held within the various communities. Various community stakeholders should be allocated a role to play in such programmes. It is crucial for community members to participate in and own such resolutions, rather than perceive them as being government meetings. The government needs to create conditions that are favourable for the informal migrant small business enterprises to obtain business training.

Many of the migrant enterprises come from disadvantaged communities. The government has never attempted to assist informal migrant small business enterprises to acquire entrepreneurship skills. Some migrant enterprises come from Portuguese, French and Swahili speaking countries. Given that their rights and entrepreneurship regulations are stipulated in English, this make it difficult for them to understand. The government should establish informal migrant small business trader's forum where training sessions should be conducted during convenient times for migrant enterprises.

The government should engage non-governmental organisations (NGOs) to assist them to run training sessions for empowering informal migrant small business enterprises since many NGOs have expertise and experience in providing trainings and working with communities where there is a high rate of illiteracy. The training sessions should be informal in approach and they should empower the migrant enterprises by teaching them the skills involved in starting a business, marketing, selling and keeping accounts, and the migrants should also be trained in human resources. The skills that are taught at these training sessions should be those

that will equip the migrant enterprises to be more productive, thus enhancing their contribution to local economies.

Close cooperation should be considered to allow informal migrant small business enterprises to obtain credit as a group. The terms and conditions of agreement and repayment should be clearly communicated to the service users. The government should intervene and hold meetings with financial institutions. The government should aim to convince the financial establishments to exercise flexibility in their stringent policies so as to enable informal migrant small business enterprises to access loans. The government should assist informal migrant small business enterprises to form forums or associations and deal decisively with challenges affecting migrant enterprises in this regard.

## **5.4 Conclusion**

The Livelihood framework has guided the study to obtain meaningful findings. The study has demonstrated that informal migrant small business enterprises make a significant contribution to economic development and job creation. The study has described the challenges encountered by migrant entrepreneurs as they conduct their business in the South African context. It also documented how migrant enterprises should deal with different attitudes by local community members. Various social challenges encountered by informal migrant small business enterprises were also explored in this study. Through constant reference to the narratives by the migrant enterprises, the researcher has tried to explore possible solutions that the government could pursue in support of informal migrant small business enterprises in their business activities.

The study demonstrated that informal migrant small business enterprises have settled in this industry as a means for survival. The option to engage in trade is a result of lack of employment. This study has attempted to show that migrant small business enterprises who come from African countries make a contribution towards the economic development of the local towns in which they operate. However, the contribution that they make is not widely recognised. They do not have an impact at a large scale, but the jobs that they create in the local towns help alleviate poverty and such a contribution should not be underestimated.

The migrant small business enterprises are concentrating on the development of their businesses and strive to achieve growth and succeed at varying levels. Many of the informal migrant small business enterprises who were interviewed provided reasons for their good

performance in business. The migrants' lack of access to financial institutions serves as an impediment to those migrant small business enterprises who need credit to keep their businesses afloat. Informal migrant small business enterprises need money to make their businesses grow so that they can generate huge profits.

It has been revealed in this study that tensions sometimes arise among informal migrant small business enterprises over customers. Informal migrant small business enterprises are close to each other selling the same products and other migrant enterprises tend to drop prices at the expense of other enterprises. Many of the migrant participants expressed their fears with regard to the xenophobic attitudes of some of the local citizens. Migrant small business enterprises are often contemptuously referred to as *Amakwerekwere* by certain locals in the local town. This makes them fear to socialise and to recognise themselves as part of the community. As a result, they do not participate in any community engagements, hence their main focus is business.

The study has also shown that migrant entrepreneurs are sometimes unfairly victimised by police officers who demand that they be paid bribes. Some government staff members are not exempted in the maltreatment of migrant national conducting business in South Africa. It is a challenge for the informal migrant small business enterprises to obtain accommodation in any other places except in town. They are compelled to rent expensive and secure accommodation because they live in fear for their safety. As a result, they tend to keep away from the general public.

An area that requires further research is the failure of the government to provide support to migrant enterprises. The contributions of the migrant entrepreneurs warrant further quantitative research and explanations should be backed with relevant statistics. This could lead to further insights into the migrant enterprises' role in the development of the economy. The information could also be useful to the government, as it could highlight appropriate ways for it to provide the migrant enterprises with support in the future. Institutions of higher learning could also use the information.

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## **Appendices**

### **Appendix 1: Interview Guide**

#### **INTERVIEW GUIDE**

- Your country of origin?
- Type business you do?
- How many years doing your business?
- What are the advantages and disadvantages of informal migrant entrepreneurship?
- What are the challenges that you have encountered in your entrepreneurship?
- Do you have people employed by your business? (How many? Their nationality)
- What is your level of expertise and education? (primary, secondary and tertiary)
- Are you of the opinion that the informal foreign small businesses are contributing to the economic development?
- Are there any barriers that hinder your businesses to develop?
- How is your business playing a role in economic development?
- What are the rules and regulation affecting migrant traders in particular?
- What are some of the factors/challenges of informal migrant trading in general?
- Where do you see your business in 5 years?
- What is your perception of the South African attitudes towards your entrepreneurship?
- Is there any competition between foreign and local small business enterprise?
- What would make your life as an informal migrant trader easier?

## Appendix 2: Ethical Clearance



Protocol reference number : HSS/0485/018M

Project title : Informal foreign small business enterprises: Contribution and experiences

### ACKNOWLEDGEMENT: BREACH OF ETHICAL PROCESSES AT UKZN

I, the undersigned,

Student Name (Student Nr) : Mr Minenhle Nkanyiso Mlambo (206507974)  
School : Built Environment & Development Studies  
Campus : Howard College

as the Principal Investigator ("the Applicant") in the above stated project, do hereby acknowledge that:

1. The University of KwaZulu-Natal's (hereinafter "UKZN") Research Ethics Policy (V) does not make provision for Retrospective Ethics Approval;
2. All researchers (both students and staff) at UKZN are obliged to be familiar with this policy;
3. I have been informed that research cannot be done without obtaining full ethical clearance as per the policy and guidelines of the University;
4. Research for the above project was undertaken by myself without final ethical clearance being obtained;
5. The University reserves its right to, at any stage and time, withdraw the relevant degree obtained by myself if:
  - 5.1 It becomes known to UKZN that there was an additional ethical breach during any field work or whilst collection data for the above stated project, and / or
  - 5.2 I fail to apply for ethical clearance for any future research projects.
6. In addition to point 5 above, the appropriate disciplinary processes will follow should this occur again.

I further acknowledge that should there be any legal implications/actions emanating from the research in terms of any ethical violations, I will be personally liable and hereby indemnify UKZN against any legal action that may arise from my failure to adhere to the University Research Ethics Policy (V).

Signed

Signature

Signed

Signature of Chair (HSSREC):

Date: 14 May 2019

Humanities & Social Sciences Research Ethics Committee

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