

**Contributions of Informal Trading towards Urban Livelihoods in Polokwane  
City Central Business District, Limpopo Province**

**By**

**Kevin Kwena Meso**

Dissertation

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**Supervisor: Professor J.P. Tsheola**

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## **Declaration**

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I declare that the Dissertation hereby submitted to the University of Limpopo, for the degree of Master in Development Planning and Management has not been previously submitted by me for a degree at this or any other university; that it is my own work in design and in execution, and that all material contained therein has been duly acknowledged.

Meso, K.K (Mr.)

**Surname & Initials (Title)**

.....

**Date**.....

## Acknowledgements

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Firstly, I thank God for giving me strength, courage and wisdom to successfully complete my Dissertation.

I thank my Mother, Father and younger Brother for the support and sacrifices they have made for me to complete my studies.

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Lastly, I thank the informal traders in Polokwane city CBD who had the time to respond to the questionnaire survey for this study.

***“For we are His creation – created in Christ Jesus for good works, which God prepared ahead of time so that we should walk in them”***

## **Dedication**

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This dissertation is dedicated to my Late Grandmother – Alice Meso, my Mother, Father, younger Brother and Aunt Francinah Meso. I thank them for the support and sacrifices they have made for me during the course of my studies.

## **Abstract**

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*The central focus of this study was to investigate the contributions of informal trading towards urban livelihoods in Polokwane CBD. A multiplicity of stressors and shocks affect informal trading and its contributions towards urban livelihoods. Third world African countries like Nigeria and Ghana inter alia take cognizance of the countless external pressures and shocks that affect informal trading and its contributions towards urban livelihoods. The South African reality is not any different, the local political, social, economic and environmental elements that characterize the second economy provides evidence of the countless stressors and shocks facing the practice of informal trade. As a result, specific working objectives were formulated as follows: to understand the typologies, characteristics and challenges of informal trading, to evaluate the determinants of urban livelihoods, to analyze the contributions of informal trading towards urban livelihoods; and, to recommend possible measures that would improve informal trading and its contributions towards urban livelihoods. The study utilizes evaluation analysis; evaluation based analysis allows for the appraisal of disaggregated contributions of various informal trading activities on urban livelihoods. In addition, the study employs both qualitative and quantitative research approaches; hence, the use of descriptions, classifications and making connections will form an integral part of the data analysis. The study adopts non-probability convenience sampling in that the study area is convenient, accessible and comprises the required features. Various data collection methods were used in this study, including: literature review, questionnaire survey and observations. Importantly, the contributions of informal trading towards urban livelihoods is predominantly an area of contestation given various informal sector prospects and impediments. Furthermore, a host of challenges, stressors and shocks affect the contributions of informal trading towards urban livelihoods in Polokwane city CBD. Various economic, political, societal and environmental stressors are regarded as negatively affecting informal trading. The study argues that numerous challenges, stressors and shocks impinge on the abilities of informal trading to positively contribute towards urban livelihoods notwithstanding their capacity to absorb and seemingly sustain the indigent urbanites. The findings of the study exhibit that multiple internal and external stressors, shocks and trails that form part of the second economy deleteriously affect informal trading and its contributions towards urban livelihoods at Polokwane CBD, Limpopo Province.*

## Acronyms

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<b>BEE</b>	<b>Black Economic Empowerment</b>
<b>BBBEE</b>	<b>Broad Based Black Economic Empowerment</b>
<b>BMF</b>	<b>Black Management Forum</b>
<b>CBD</b>	<b>Central Business District</b>
<b>DTI</b>	<b>Department of Trade and Industry</b>
<b>ENACTUS</b>	<b>Entrepreneurial-Action-Us</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>IDP</b>	<b>Integrated Development Plan</b>
<b>IDC</b>	<b>Industrial Development Corporation</b>
<b>LED</b>	<b>Local Economic Development</b>
<b>NYDA</b>	<b>National Youth Development Agency</b>
<b>NSBC</b>	<b>National Small Business Council</b>
<b>NEPA</b>	<b>Ntsika Enterprise Promotion Agency</b>
<b>RSA</b>	<b>Republic of South Africa</b>
<b>SMMEs</b>	<b>Small Medium and Micro-Enterprises</b>
<b>SSA</b>	<b>Statistics South Africa</b>
<b>SEDA</b>	<b>Small Enterprise Development Agency</b>
<b>SEFA</b>	<b>Small Enterprise Finance Agency</b>
<b>SAPS</b>	<b>South African Police Service</b>
<b>SETA</b>	<b>Sector Education and Training Authorities</b>
<b>UIF</b>	<b>Unemployment Insurance Fund</b>

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## Chapter One

### Introduction, Background and Research Design for Contributions of Informal Trading towards Urban Livelihoods

#### 1.1. Introduction and Background

The practice of informal trade in most urban cities of developing countries is renowned for its distinctive abilities of predominantly absorbing the unemployed and destitute urbanites (Boeckler & Bernt, 2012; Szakonyi & Urpelainen, 2015). Informal trading encompasses assorted unregistered economic activities initiated by entrepreneurs who typically trade petty goods and services within a space deemed to be public property (Ayyagari, Demirguc-Kunt & Maksimovic, 2011; Beck, Lu & Yung, 2014). However, there is no firm universal consensus around informal trading and its contributions towards livelihoods in urban cities. Additionally, the contributions of informal trading towards urban livelihoods engenders contestations given divergent informal sector prospects and impediments (Fairoz, Hirobumi & Tanaka, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015). Accordingly, the study argues that numerous stressors and shocks impinge on the abilities of informal trading to positively contribute towards urban livelihoods notwithstanding their capacity to absorb and seemingly sustain the indigent urbanites (Kandahar & Minna, 2008; Szakonyi & Urpelainen, 2015).

Nevertheless, informal trading in urban cities has gained popularity in the small, medium and micro-enterprise (SMMEs) discourse across the globe given their distinctive quality of absorbing majority of indigent urban dwellers (Raeymaekers, Menkhaus & Vlassenroot, 2008; Turaeva, 2014). Additionally, informal trading continues to be confronted by informal sector challenges such as perfect competition which results in congestion of informal traders, homogenous goods and services, price taking, and limited government intervention *inter alia* thereby negatively affecting its contributions towards creating urban livelihoods (Rasanayagam, 2011; Turaeva, 2014). The experience in West Africa is also similar, informal trade absorbs majority of the unemployed and unskilled in the informal sector (Michael, Renate & Jann, 2013). Moreover, Nigeria as a developing country is no exception, it is renowned for its small-scale, labor-intensive and low technology manufacturing abilities in the

informal economy (Raeymaekers *et al.*, 2008; Akpan, Essien & Isihak, 2013). Succinctly, the practices of informal trade amongst the aforesaid countries engender contestations, around their ability to contribute towards urban livelihoods, predominantly because of the multiple challenges, stressors and shocks they encounter (Raeymaekers *et al.*, 2008; Beck *et al.*, 2014).

Discourses around informal trading in emergent countries like South Africa are currently underway where there is a ubiquity of income poverty, unsustainable livelihoods and unemployment (Dorward, Kydd, Morrison & Poulton, 2005; Louw, Vermeulen, Kirsten & Madevu, 2007; Szakonyi & Urpelainen, 2015). Informal trading in South Africa is noticeable through small-scale economic advancement practices where the indigent and unemployed are contingent in order to survive (Szakonyi & Urpelainen, 2015). In addition, the practice of informal trading is permeating in urban cities given the ease of entry into the informal sector *inter alia*. Understandably, given the inadequate absorptive capacity of the formal sector to employ a plethora of indigent urbanites in South African cities, informal trading exhibited through street vending, hawking and general dealing *inter alia* becomes a source of survival for the urban poor (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). These conditions characterize Polokwane central business district (CBD) of Limpopo Province. To this extent, the study seeks to reveal the contributions of informal trading towards urban livelihoods in Polokwane CBD.

## **1.2. Statement of Research Problem**

Literature indicates that there is a relationship between poverty, unemployment, livelihoods and informal trading in a number of countries (Sonobe, Akoten & Otsuka, 2011; Christiaensen & Todo, 2013; Nguimkeu, 2014). Though the practice of informal trading is regarded as being crucial given its ability to create means of support in most urban cities; the quality and longevity of these means are inadequate given different stressors and shocks that form part of the informal economy (Christiaensen *et al.*, 2013; Nguimkeu, 2014). Research further indicates that informal trading in urban cities contributes 46% of employment and 40% of the Gross Domestic Product (GDP) in developing countries (Nguimkeu, 2014). These statistics confirm the focal contributions of informal trade in the developing world. Notwithstanding the positive

contributions offered by informal trading, the informal sector within which informal trading operates is characterized by countless challenges that negatively affect the contributions of informal trading towards urban livelihoods (Szakonyi & Urpelainen, 2015). In addition, policy makers in these countries take cognizance of the central contributions offered by informal trading through absorbing majority of the indigent urbanites *inter alia* (Turaeva, 2014). However, inasmuch as the contributions of informal trading towards urban livelihoods remains contested amidst scholars, impediments fronted by these entities are not overlooked in the SMMEs literature (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015).

Informal trading in urban cities has gained popularity in both the developed and developing countries given their unique capabilities of absorbing the unemployed, uneducated and indigent urbanites apart from the multiple informal sector challenges that negatively contribute to their abilities to create decent and sustainable livelihoods. The informal economy in Polokwane CBD is characterized by a plethora of rural and township inhabitants who perceive the second economy of Polokwane CBD as an area of economic opportunity Polokwane CBD is further characterized by an active informal economy which caters for the indigent commuters given the relatively affordable prices offered by informal traders. Thus, the study places Polokwane CBD of Limpopo Province on the spotlight in order to test the contributions of informal trading towards urban livelihoods.

### **1.3. Research Questions**

The general research question of the study is formulated as follows: How does informal trading contribute towards urban livelihoods? The specific research questions of the study are formulated from the general research question as follows:

- What are the typologies, characteristics and challenges of informal trading?
- What are the determinants of urban livelihoods?
- What are the contributions of informal trading towards urban livelihoods?

### **1.4. Research Aim and Objectives**

The aim of the study is to investigate the contributions of informal trading towards urban livelihoods. The objectives of the study are formulated as follows:

- To understand the typologies, characteristics and challenges of informal trading;
- To evaluate the determinants of urban livelihoods;
- To analyze the contributions of informal trading towards urban livelihoods; and
- To recommend possible measures that will enhance informal trading and its contributions towards urban livelihoods.

### **1.5. Definition of Concepts**

**Informal Trading:** encompass miscellaneous unregistered economic advancement activities initiated by entrepreneurs who typically trade petty goods and services within a space deemed to be public property (Ayyagari, Demirguc-Kunt & Maksimovic, 2011; Beck, Lu & Yung, 2014). Another definition of informal trading suggests that it entails unorganized trading which is practiced at areas of economic opportunity and also adjacent formal business establishments (Brown, Lyons & Dankoco, 2010). However the study adopts the former definition of informal trading which suggests that it refers to miscellaneous unregistered economic advancement activities initiated by entrepreneurs who typically trade petty goods and services within a space deemed to be public property (Ayyagari et al., 2011; Beck, Lu & Yung, 2014).

**Urban Livelihoods:** encompasses capabilities, assets (including both material and social resources) and activities of self-employment, casual employment and miscellaneous informal/formal sector employment which are organized and practiced in an urban setting (Chambers & Conway, 1992; Rasanayagam, 2011). Additionally, sustainable livelihoods are defined as ones that can cope with and recover from stressors and shocks and maintain or enhance their capabilities and assets both now and in the future, while not undermining the natural resource base (Deressa, 2009; Twomlow *et al.*, 2008; Chambers & Conway, 1992).

Further definitions suggest that sustainable livelihoods include relationships of reciprocity, assets, skills, capital and other financial resources necessary to make a living (Baird & Leslie, 2013). However, the study adopts the first definition of livelihoods which encompasses capabilities, assets (including both material and social resources) and activities of self-employment, casual employment and miscellaneous informal

sector employment which is organized and practiced in an urban setting (Chambers & Conway, 1992; Rasanayagam, 2011).

**Central Business District:** is the commercial and business center of a city (both formal and informal). In bigger cities, it is more often than not synonymous with the cities “financial district”. Geographically, it often coincides with the “city center” or downtown (Mayers, 2011).

## **1.6. Research Design and Methodology**

Research design and methodology is defined as an approach, method and procedures used in the planning of the research work in an attempt find solutions to research questions (Babbie, 2008). This section consists of the research design and methodology that is suitable for the research project. This section further comprises a discussion about both qualitative and quantitative research approaches that were employed in the study. In addition, description of the study area, the kinds of data required and unit of analysis is discussed. Furthermore, the target population, sampling design, data collection and analysis procedure will be conferred in this section.

### **1.6.1. Research Design**

The study adopts, broadly, a normative research design. Well documented relationships about informal trading and urban livelihoods prompts the need to evaluate the contributions the former has on the latter (Barbie, 2008). Using a cross-sectional approach, the study appraises disaggregated contributions of various informal trading activities on urban livelihoods. The researcher employs both qualitative and quantitative research approaches in the study. In qualitative studies, evidence is recorded in the form of descriptive documented reports with little or no classification. The documentation may contain subjects’ responses to questionnaire surveys, proceedings taken on focus groups or other kinds of group communication (Creswell, 2003). On the other hand, quantitative research includes information that is habitually collected and documented either statistically or in the form of recorded categories. The chief advantage of such surveys is that they can be administered to a number of individuals, establishments, or households using similar methods



(Cresswell, 2003). In the study, numerical variables would be quantified using thick descriptions. That is, the combination of distinctive typologies and characteristics gives the researcher an opportunity to quantify the typologies and further describe their characteristics. Furthermore, the researcher's covert observation of the study area allowed for the quantitative and quantitative analysis of informal trading and its contributions towards urban livelihoods.

#### 1.6.2. Description of Study Area

The study was conducted at Polokwane City central business district (CBD) in Limpopo Province. Polokwane City is located in Polokwane Local Municipality in the Capricorn District Municipality. Polokwane City CBD is embedded within the center of Polokwane which is often referred to as the financial heart of Limpopo Province. At the center of the area is the Polokwane economic hub, which comprises the CBD, industrial area, and a range of social services and well-established formal businesses. Further, informal traders are ubiquitous adjacent to the more formalized business institutions. This can be justified by the high unemployment and illiteracy rate and the fact that Polokwane is a major development node of the Province. Polokwane City CBD absorbs predominantly indigent individuals from peripheral rural areas in a search of various economic prospects in the City. It is one of the key trading areas in Limpopo Province, consisting of the highest land uses such as government offices, retail outlets, public transit facilities (taxi rank, bus and train station) and other facilities serving the surrounding area (Polokwane IDP, 2013/15).

#### 1.6.3. Kinds of Data Required

The study requires textual both truthful/factual and opinion data. Textual and factual data is essential for the study as discussions about the types, characteristics and challenges of informal trading forms part and parcel of the study. Furthermore, literature about informal trading and its contributions towards urban livelihoods will be crucial in the research project. Additionally, literature about the typologies of informal trading and the determinants of urban livelihoods is also important in the study. The collected data includes facts about the respondents' descriptions and explanations on the subject at hand. In addition, opinionative data is also essential for the study. The opinions of informal traders about the contribution of informal trading towards urban

livelihoods was required. For that reason, the unit of analysis of the study was informal traders operating informal businesses at Polokwane CBD in Limpopo Province.

#### 1.6.4. Target Population

Target population is defined as a set of elements that the researcher focuses on and from which data is obtained (Cresswell, 2003). Therefore, the target population for this study consisted of the owners/managers of informal business establishments operating in Polokwane CBD in Limpopo Province. Informal traders are considered as the originators or proprietors of the informal enterprises who operate the business and act as both the administrator and member of staff. As such, informal traders relate to *inter alia*: street vendors, hawkers, restaurants, spaza shops, hair salons, dress makers, taverns, general dealers, printing businesses or an equivalent informal business structure. The researcher estimated that the total population of informal traders in Polokwane CBD was approximately 800 (Polokwane IDP, 2013/15). A selection of the owners and managers of informal trading establishments was conveniently sampled by the researcher.

#### 1.6.5. Sampling Design

The selection of the study area was chosen given the fact that it was convenient, accessible and comprised the required features that assisted in finding answers to the research questions of the study. Target population for the study was too large and not technically feasible to interview all of its members which brought a need to choose a small sample that can represent the estimated target population. The study adopted non-probability sampling design. This kind of sampling design is one wherein not all elements of the target population forms part of the study thereby suggesting that certain elements of the target population will be selected given their convenience. This type of sampling was chosen because the informal sector in Polokwane CBD is congested, assorted and difficult to manipulate given limited resources and time. Non-probability convenience sampling is subjective as opposed to being objective. Convenience sampling is used because of the researcher's familiarity to the study area. Thus, a sample of 100 informal traders were used in the study. Each informal trading establishment was represented by the owner/manager.

#### 1.6.6. Data Collection Techniques

The study utilized literature survey to gather textual data on the types, characteristics and challenges of informal trading, determinants of urban livelihoods and the contribution informal trading towards urban livelihoods. This action was done through the utilization of secondary data such as journal articles, books and government documents maps and aerial photographs of the study area. Furthermore, the study used questionnaire surveys and interviews to collect factual data. These aforesaid questionnaires was used to collect data on the types, characteristics and challenges of informal trading, including the determinants of urban livelihoods and the contribution of informal trading towards urban livelihoods. An interview was employed to solicit data form informal traders on the types, characteristics and challenges of informal trading, the determinants of urban livelihoods and the contribution of informal trading towards urban livelihoods. Lastly, observational data was collected by assessing the types, characteristics and challenges of informal trading, determinants of urban livelihoods and how informal trading contributes towards urban livelihoods at Polokwane CBD. Factual data from the key informants was collected using a questioner's survey. The key informant provided relevant information on the status quo of informal trading, typologies, characteristics and the contributions towards urban livelihoods.

#### 1.6.7. Data Analysis Procedures

Data analysis encompasses creating coherence and logic to a plethora of data collected. Both qualitative and quantitative approaches are used in the study. Qualitative analysis method gives emphasis on the qualities of phenomena being studied as opposed to their numeric representation (Bless Smith-Higson, 2003; Babbie, 2008). Thus, the use of descriptions, classifications and making connections formed a major part of qualitative analysis. Description suggests that the researcher be cognizant of the respondent's possible intentions, the context of the study area and the process which would account for change over time. Furthermore, informal trading is not understood on a general basis; hence, the need to classify it into its different typologies and characteristics. Lastly, connections have been made in analyzing and interpreting secondary data in a manner that adds value to the study. Conversely, a quantitative technique focuses on data that is collected and chronicled numerically. That is, the use and application of statistical description, analysis and prediction.

Therefore, graphs, charts and a combination of manual tallying was used to manipulate data through the utilization of the 2013 Microsoft Excel Software. This software assisted the researcher in manipulating, exhibiting, presenting and analyzing data to create frequencies, graphical illustrations, descriptive statistics, and charts. This action is an attempt to complement the qualitative intuitions thereby creating a space for objective analysis, interpretations and creating connections from the purported contributions of informal trading towards urban livelihoods.

#### 1.6.8. Validity and Reliability

Validity comprises the experimental concepts and establishes whether or not the findings acquired meet the requirements of scientific research methods and how truthful the results are. On the other hand, reliability refers to the extent to which results are consistent over time and accurately represent the total population under study (Nguimkeu, 2014). Thus, both validity and reliability of the study is draw from the concepts used, data collection and analysis methods. Consequently, the concepts used in the study are informal trading and urban livelihoods. A lot has been studied and written about informal trading and its contributions towards urban livelihoods by scholars such as Nguimkeu (2014), Szakonyi & Urpelainen (2015), Christiaensen & Todo (2013). The findings of their studies illustrate a positive yet unsatisfactory contribution of informal trading towards urban livelihoods. However, multiple challenges, stressors and shocks that impinge on the longevity of informal trading are frequently indicated. The scholars used almost the same research collection and analysis methods that are used in this study.

#### 1.7. Significance of the Study

The study contributes to the sum of knowledge and will assist other forthcoming researches that are engrossed in the topic of the study at hand. This information will be instrumental in determining the prospects of informal traders and assist in formulating policies and interventions that aim to improve and uplift these ventures. The study will support developmental organs of state in the formulation of their policies and programs such as the recently established ministry of SMMEs. The findings of the study will also be suggested to informal traders around Polokwane City CBD. The

latter gesture is born out of a need to assist informal traders with methods and strategies that will reduce some of the impediments associated with such informal businesses.

## **1.8. Ethical Considerations**

Concealment and anonymity of any sensitive information is taken into account by the researcher and will therefore be undisclosed. The data collection process will not cause any bodily or emotive harm to any of the respondents. Thus, participation of the respondents will be on a voluntary basis.

## **1.9. Structure of the Dissertation**

The Dissertation consists of five chapters that are arranged in the following order:

**Chapter 1:** serves as an introductory part of this study. It pronounces the purpose of the research, rationale, problem statement and study procedures followed in amassing the material covered Dissertation. The chapter also encompasses the significance of the study and the ethical considerations thereafter.

**Chapter 2:** consists a literature review of the distinctive typologies, characteristics and challenges of informal trading. It further gives a picture of the determinants of urban livelihoods including various stressors, and shocks that have a possibility of affecting urban livelihoods. This section also includes various resources that are and assets that are important to the existence of informal trading.

**Chapter 3:** takes a closer look at the pragmatic experiences of the typologies, characteristics and challenges of informal trading in South Africa. The determinants of urban livelihoods including various stressors, shocks and assets in a South African contexts are included in this chapter.

**Chapter 4:** comprises the analysis and interpretation of the data on the contributions of informal trading towards urban livelihoods in Polokwane city CBD. The typologies, characteristics, challenges of informal trading and determinants of urban livelihoods are also graphically exhibited and textually interpreted in this section.

**Chapter 5:** Presents the findings and summary of the study based on the data on chapter two, three and four. Subsequently, recommendations based on the findings will be made and a conclusion will be drawn.

## **Chapter Two**

### **Informal Trading and its Contributions towards Urban Livelihoods: A Conceptual Framework**

#### **2.1. Introduction**

Development literature records that there is a nexus between the practice of informal trade and urban livelihoods (Maconachie, 2014; Hansen, Ju Kim, Suffian & Mehta, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016; Brown & MacGranahan, 2016). However, the study posits that informal trading has not resolved the issues around its ability to contribute commendably to the formation of urban livelihoods given diverse stressors and shocks that encroach the informal economy. Nonetheless, a conceptual overview of the various typologies and physiognomies of informal trading is provided, particularly in urban areas including divergent challenges, stressors and shocks that impinge on their survival and growth prospects. In addition, a conceptual overview of the determinants of urban livelihoods will form part of this section. Lastly, a discussion on the interconnections amid informal trading and urban livelihoods is provided in an attempt to fathom how the former contributes to the latter.

#### **2.2. Typologies, Characteristics and Challenges of Informal Trading**

Informal Trading is categorized into its distinctive types and characteristics. These nascent informal business establishments can be either new entrants, existing emerging entities or survivalists' structures that indicate a slight probability for growth and graduation into the formal sector (Maconachie, 2014; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Additionally, growth and graduation into the formal sector is regarded as a pipedream to most informal traders because there exists a large number of challenges that are associated with entry into formalization. It is argued that most participants of the informal economy do not necessarily desire for growth and graduation into the formal sector and become registered for taxation thereby adhering to the stipulated labor legislation principles (Maconachie, 2014; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016; Brown & MacGranahan, 2016). Continuingly, taxation would understandably drain most of the income that is supposed to be useful to the informal trader. Thus, the unregistered

nature of informal traders is one of the prominent characteristic of informal trading across the globe that would arguably be in existence for some time (Maconachie, 2014; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016).

### 2.2.1. Conceptualizing Typologies and Features of Informal Trading

Literature suggests that there are diverse typologies of informal trading in the second economy. To a large extent, these informal businesses share similar traits including but not limited to: informality, limited number of employees and semi-legality (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Additionally, there exist divergent typologies of informal trading which mostly falls under the street vending category. The aforesaid typologies consists of the following: electronics repairing, informal fruits and vegetable outlet, informal liquor trading, retail/wholesale trading and street food trading. Home-based informal trading mostly includes spaza shops and traditional healing, and informal hairdressing (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). The aforementioned typologies of informal trading are ubiquitous in the informal sector around public transit stations, pavement and transport interchanges *inter alia*.

#### 2.2.1.1. Electronics Repairing Informal Trading

Market opportunities in emergent urban economies create a niche for informal entrepreneurs to offer repairing services in the electronics industry (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Mounting technological advancement has given birth to the electronics repairs industry in the informal economy; hence, the current mushrooming of electronic repair informal traders in the informal sector. These kinds of informal traders specialize in repairing electronic items mainly televisions, cell phones, radios, tablets, computers, stoves, fridges and other related electronic items. Informal entrepreneurs who penetrate this sector might not necessarily have the education acquired from tertiary institutions. However, they are mostly self-thought practitioners who ordinarily learn the necessary skill form a senior mentor who has experience in the industry (Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Importantly, electronic repairs outlets are usually owned by informal entrepreneurs who appear to have a passion for fixing/repairing electronic related items. the operations in the electronics repairing



industry suggest that they are small scale entities; the small-scale nature of the electronics industry does not dismiss their prospects of becoming feasible business ventures given that entrance into this industry requires specific technical skills (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016).

One of the distinctive attributes characterizing the electronics repairing informal trading is its small scale nature. The small scale nature of such an enterprise could be justified by the fact that they are incipient kinds of informal entities that have not yet grasped the art of the business industry (Brown & Mcgranahan, 2016; Brown, Mcgranahan & Dodman, 2014). In continuation, given the fact that the informal enterprise is small scale-it eventually affects the monetary returns of the enterprise and subsequently the growth of the entire enterprise (Brown *et al.*, 2014; Brown & Mcgranahan, 2016). However, social capital, kinship and reciprocal relationships amongst informal traders together assist in the continual existence of the informal enterprise. Nonetheless, informal traders in this industry do not necessarily have staff members or permanent employees that serve their informal enterprise (Brown *et al.*, 2014; Brown & Mcgranahan, 2016; Hansen *et al.*, 2015). Family members, relatives and close friends are usually the ones assisting in such entities with or without remuneration depending on the arrangement with their employees. Nonetheless, currently, intersection trading is becoming a popular typology of informal trading in the developing world.

#### 2.2.1.2. Intersection Informal Trading

The phenomenon of intersection trading has become noticeable around public intersections, robots and stop signs (Charmes, 2012; Chant, 2013; Brown *et al.*, 2014). What distinguishes intersection trading from other types of informal trading is that it is characterized by informal traders who carry the inputs of the business/products with them as they move from one car to another in an attempt to market their products. Literature edifies that the main consumer demographic or target market of intersection traders are predominantly motorists (Charmes, 2012; Chant, 2013; Brown *et al.*, 2014). Notably, intersection traders sell a variety of product that could be useful to the motorists. The products sold by intersection traders could include but not be limited to; car chargers, air fresheners' and a variety of seasonal agricultural products like peaches, avocados, grapes and apricots amongst others (Chen, 2012; Brown &

Mcgranahan, 2016). The latter is usually sold in bulk which suggests that the prices will be cheaper. Furthermore, what distinguishes intersection traders from other participants of the informal economy is that they do not necessarily operate in a perfectly competitive market structure as opposed to majority of street traders (Chen, 2012; Brown & Mcgranahan, 2016). Intersection traders consist of a select few entrepreneurs that sell heterogeneous products. Moreover, it is possible for intersection traders to operate as seasonal entrepreneurs given that some agricultural products that are contingent on seasonality could dismiss them from their normal area of operation into other market that yield new opportunities (Chen, 2012; Chen 2014; Brown & Mcgranahan, 2016).

Understandably, the level of sophistication of the practice of intersection trading suggest that there is a possibility that intersection traders have little formal education that could position them as entrepreneurs who initiate businesses that are likely to graduate into the formal occupational sector (Brown *et al.*, 2014; Brown & Mcgranahan, 2016; Hansen *et al.*, 2015). Attributed by their relatively small scale nature, intersecting informal traders demonstrate little or no probability for growth and graduation into the formal business fraternity given that the financial returns generated from trading in public transit intersection is relatively low as compared to other informal traders who are strategically located in shopping complexes, malls and adjacent informal business establishments. Evidently, intersection traders lack the financial education that is instrumental to securing the financial future of their businesses. Ordinarily, literature on informal trading suggest that intersection traders do not monitor the inflow and outflow of the money generated by their businesses on a daily basis which suggest that the financial prospect of their businesses becomes threatened (Charmes, 2012; Chant, 2013; Brown *et al.*, 2014; Brown *et al.*, 2014; Hansen *et al.*, 2015; Brown & Mcgranahan, 2016).

In continuation, discourses around the financial aspect of informal trading, particularly intersection traders suggest that there is little or no knowledge of bookkeeping techniques that allow for continuous monitoring of the cash flows of the informal businesses (Charmes, 2012; Chant, 2013; Brown *et al.*, 2014; Brown *et al.*, 2014; Hansen *et al.*, 2015; Brown & Mcgranahan, 2016). Ordinarily, given that intersection traders operate adjacent traffic lights, stop signs and other public transit interchange points, it becomes questionable as to how the finances are handled, and whether or

not they become accounted for given that the traders themselves have to be careful of traffic, monitor and account for the funds and simultaneously search for prospective customers who are predominantly motorists and pedestrians (Charmes, 2012; Chant, 2013; Brown *et al.*, 2014). Accordingly, intersection traders, given their inherently chaotic working conditions in their quest to constantly search for prospective consumers, create a possibility for the neglect of financial accountability, bookkeeping and monitoring of the continuous inflow and outflow of finances of their business. Additionally, it is often argued that traders in the informal economy who lack financial management skills are mostly unable to separate their personal finances and that of the business thereby resulting in confusing and mismanagement of finances. These conditions characterize the practice of intersection traders in majority of developing countries across the globe (Charmes, 2012; Chant, 2013; Brown *et al.*, 2014). Concisely, perhaps lack of financial education *inter alia*, hinder the ability of intersection traders to grow their businesses into sophisticated SMMEs that are competitive in the economy. Nonetheless, the aforementioned issues characterize the practice of intersection trading in the informal sector.

Literature further indicates that a large number of electronic related items that are sold by the intersection traders are second-hand/used items that are frequently criticized by consumers of the informal economy as not being products that are durable and long lasting (Charmes, 2012; Chant, 2013; Brown *et al.*, 2014; Brown *et al.*, 2014; Hansen *et al.*, 2015; Brown & Mcgranahan, 2016). These considerations often result in consumers of the informal economy becoming hesitant to consume and recommend such products to their family and friends thereby suggesting that the consumer base of intersecting traders, particularly ones who sell electronic related items to decrease (Charmes, 2012; Chant, 2013; Brown *et al.*, 2014; Brown *et al.*, 2014; Hansen *et al.*, 2015; Brown & Mcgranahan, 2016). Regardless of the fact that intersecting informal traders are small scale oriented entrepreneurs, they are renowned for the sale of goods that are not durable, predominantly counterfeit goods.

Understandably, the seemingly stagnant nature of intersection trading, predominantly those who sell electronic related items is not disintegrated from the fact that it is renowned for offering product that are bogus and unreliable which even cause more damage to other electronic appliances within different households (Fairoz, Hirobumi & Tanaka, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi &

Urpelainen, 2015). Therefore, critiques argue that perhaps the fact that intersection trading appears to be an economically immobile business fraternity is directly linked to the unreliability of the product that they offer to consumers in the informal economy. Continuingly, the mushrooming of electronic oriented intersection informal trading is arguably, not conceived out of a need to offer quality product to its targeted audience (Fairoz, Hirobumi & Tanaka, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015). Concisely, a large number of intersection traders initiate their informal enterprise out of a need to reduce income poverty, not necessarily out of a need to offer quality products to their targeted consumers.

On the other hand, intersection traders who sell agricultural products like fruits and vegetables, notwithstanding their ability to create a livelihood, are frequently criticized by consumers and local government officials as posing a serious health concern (Fairoz, Hirobumi & Tanaka, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015). That is, health related concerns that are predominantly engendered by direct sunlight on the fruits and vegetables often result in goods that are rotten, perished and not in a condition to be consumed. Understandably, intersecting informal traders do not possess the physical assets which are inclusive of operation stalls, adequate packaging and recommended storage temperature of certain products that are vulnerable to heat (Fairoz, Hirobumi & Tanaka, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015). Thus, these issues have led to a municipal official in conduction with academics in the health related disciplines to heavily criticize the phenomenon of intersecting trading, particularly one that sells perishable agricultural products. Notwithstanding these factors, informal sector entrepreneurs who are engaged in this sector are frequently commended for their ability to organize certain factors of production in the informal economy and engage in their small scale production in an attempt to alleviate poverty *inter alia* (Fairoz, Hirobumi & Tanaka, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015).

The strong reciprocal links between suppliers in the agricultural sector and intersection informal traders precipitate the mushrooming of intersection trading that offers fruits and vegetables that are not ordinarily available at convenient retail stores (Ayyagari *et al.*, 2011; Beck, Lu & Yung, 2014). These could include the following goods: pineapple, kiwi fruits, litchis, passion fruits and other related goods. Additionally, the fact that such

products are sold in bulk, often at prices that are below the standardized market price create intersecting informal trading attractive to prospective consumers in the informal economy (Ayyagari *et al.*, 2011; Beck, Lu & Yung, 2014). The accelerated production in the agricultural sector has given birth to the nexus of informal trading, particularly intersection traders and other suppliers in the agricultural sector. In continuation, intersection traders who predominantly offer agricultural products attract prospective customers in the informal sector in that they offer goods and services that are mostly seasonal, in large quantities, at a considerably lower price as compared to what formal retail establishment and huge multinational corporations (MNC) offer (Ayyagari *et al.*, 2011; Beck, Lu & Yung, 2014). Apart from heavy criticisms to this kind of intersection trading from proponents in the health related disciplines through indicating that proper health related considerations are not adhered to, intersection informal trading though it might present itself as a seasonal business venture, created a potentially lucrative market that is convenient for low income consumers in the informal sector (Ayyagari *et al.*, 2011; Beck, Lu & Yung, 2014).

#### 2.2.1.3. Seasonal Informal Trading

Seasonal informal trading is conceptualized, amidst a multiplicity of scholars as a typology of informal trading that is dependent on the season of certain goods that are predominantly based in the agricultural sector *inter alia* (Elgin & Oyvat, 2013; Cook, 2014; Dimova & Nordman, 2014; Dobson, Nyamweru & Dodman, 2015). Seasonal informal trading is distinguished from other typologies of informal traders in that the products sold in this type of sector are mostly agricultural. Furthermore, seasonal informal traders do not necessarily regard themselves as permanent inhabitants of the informal economy. These kind of entrepreneurs are regarded as opportunity based entrepreneurs that capitalize on market opportunities as they present themselves (Elgin & Oyvat, 2013; Cook, 2014; Dimova & Nordman, 2014; Dobson *et al.*, 2015). Importantly, another distinguishing feature of seasonal entrepreneurship is that they order the inputs of their businesses in large bulks and subsequently sell them to their targeted audience at a cheaper price. The law of demand is also applicable in seasonal informal trading in that when the prices of goods and services decreases, the quantity demanded will increase considering all other factors remain the same (*ceteris paribus*) (Elgin & Oyvat, 2013; Cook, 2014; Dimova & Nordman, 2014; Dobson *et al.*, 2015). The aforementioned inverse relationship is one of the definitive attributes

characterizing seasonal informal trading. However, the scale of production in this type of trading is small by nature which suggest that its labour intensity is relatively low as compared to other informal businesses.

Literature exhibits that unlike the general notion that informal trading is inundated by destitute urbanites who are mostly regarded as unemployed and incomeless, seasonal informal trading suggest an opposing trajectory (Ayyagari *et al.*, 2011; Beck, Lu & Yung, 2014; Fairoz, Hirobumi & Tanaka, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015). Fathomably, a large number of seasonal informal traders could encompass a mixture of permanent and temporarily formal or informally employed individuals and also, those that unemployed opportunity based venture capitalist. In continuation, the nature of seasonal informal trading suggest that participating in the informal economy as a seasonal trader does not require one to be available at the market place on a daily basis unlike other types of informal trading that are ubiquitous in the second economy of most developing counties (Fairoz *et al.*, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015). Therefore, a formally or informally employed individual could present themselves as a seasonal informal trader in the event a seasonal lucrative business opportunity that is tax free and mildly labour intensive presents itself. Therefore, it is futile to understand seasonal informal trading as consisting of individuals that are regarded as permanent participants of the informal economy who are more often than not, characterized as being uneducated, unskilled, incomeless and unemployed both formally and informally *inter alia*. Therefore, participants of the informal economy ecomaps a wide range of individuals of different socia-economic circumstances who would capitalize on a lucrative market opportunity as it presents itself in the informal economy (Fairoz *et al.*, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015).

Furthermore, seasonal informal sector entrepreneurship often succeeds and operates smoothly provided the informal/formal entrepreneur in question possesses adequate physical resources that provide them with a competitive edge over those prospective seasonal informal sector entrepreneurs who do who might not be available in the market given that they do not have the required resources to be competitive (Fairoz *et al.*, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015). Therefore, seasonal informal traders who are economically resilient would tend

to overshadow those who are not economically resilient given the fact that it would be easier for them to unite all factors of production and get ready to participate in the production process. Importantly, seasonal informal trading ordinarily occurs when there exists a supplier who is willing to provide goods/products to prospective traders at a lower price (Fairoz *et al.*, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015). Usually, these kind of suppliers could either be selling the bulk of product in an attempt to clear their current inputs in order that they could pave way for other new inputs that are already in the market. However, the aforesaid situation exists mostly in the clothing and textile industry.

On the other hand, provided there exists suppliers who offer perishable goods and services, the motive behind the sale of their goods could be different from those in the clothing and textile industry. Therefore, most informal traders who sell perishable goods and services tend to lower their prices provided their goods are reaching the sell by dates. Nonetheless, to organize and participate in the seasonal informal trading sector requires one to possess physical assets that are inclusive of a motor vehicle amongst other factors (Fairoz, Hirobumi & Tanaka, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015). Conversely, small scale seasonal informal trading exists in the informal economy of most developing countries wherein the informal entrepreneur need not possess a large amount of capital, resources and labour intensity in order to qualify as a seasonal informal trader. Importantly, there is freedom of entry and exit in the informal sector that enables one to participate as a seasonal informal trader, whether at a larger or smaller scale of production (Fairoz, Hirobumi & Tanaka, 2010; Dolan & Rajak, 2011; Meyers, 2011; Fatoki, 2013; Szakonyi & Urpelainen, 2015).

#### 2.2.1.4. Seasonal Mobile Informal Trading

Mobile seasonal street trading has become a salient figure in the urban city centers given the purported growing market niche to sell seasonal products to the urban inhabitants at a lower price (Kabeer, Milward & Sudarshan, 2013; Dimova & Nordman, 2014; Dobson *et al.*, 2015). Mobile Street trading presents itself as an emergent peripatetic enterprise that is mostly noticeable given the seasonality of certain goods/products (Kabeer *et al.*, 2013; Dimova & Nordman, 2014; Dobson *et al.*, 2015). Importantly, the products sold in this type of industry are usually contingent on the

agriculture, seasonality and production thereof. Furthermore, some traders could have initially operated as subsistent informal traders who benefit from their produce in-kind. So, as market opportunities present themselves, the farmers would consider commercializing their produce and benefit from a market that is not explored by other entrepreneurs (Kabeer *et al.*, 2013; Dimova & Nordman, 2014; Dobson *et al.*, 2015). Notably, this type of informal trading could possess a motor vehicle that could be regarded as a crucial asset to the success of the entrepreneurial venture.

#### 2.2.1.5. Fruits and Vegetable Informal Trading

One ubiquitous typology of informal trading is the fruits and vegetables market which has gained popularity in the urban informal economy because agricultural production is ascending given the current green revolution policy which advocates for accelerated production of crops *inter alia* (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Nonetheless, entrepreneurs who participate in the fruits and vegetable market are one of the most pervasive kinds of informal traders particularly in emergent urban economies. Understandably, the fruits and vegetables sector does not require specific technical skills for one to become an informal trader. Rather, literature suggests that participants of this sector should have strong links with suppliers of the fruits and vegetables because one could benefit from being a regular customer given that there would be a possibility of price reduction from repeated consumption or even when one orders inputs for the business in bulk (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016).

Literature suggests that traders who participate in the fruits and vegetable market are predominantly indigent women from developing countries who mostly do not possess any tertiary qualification or experience (ILO, 2013; Dimova & Nordman, 2014; Dobson *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Scholars argue that majority of participants in this sector were historically alienated from the mainstream economy which led to their alleged frozen business acumen (Dobson *et al.*, 2015; ILO, 2013; ILO, 2015). Understandably, this type of trading is characterized by relatively income poor urbanites who possess less sophisticated resources to conduct business in their respective trading stations (ILO, 2013; Dimova & Nordman, 2014; Dobson *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Moreover, literature on



urban economics suggest that workers in this industry are mostly family members, close friends or relatives who ordinarily volunteer to work in the informal enterprise as it benefits them in-kind, financially *inter alia* (Kabeer *et al.*, 2013; Dimova & Nordman, 2014). Moreover, these characteristics lead to a production process that is small-scale indicating limited growth prospects and graduation into the formal business sector.

Participants of this market operate in a perfect competition which suggest that there would be a plethora of buyers and sellers who have perfect knowledge about the prevailing market price (Parizeau, 2015; Ackah-Baidoo, 2016). This signifies that informal traders in the fruits and vegetables sector are price takers rather than price makers. Therefore, profitability and business progress would understandably depend on strategic location of the informal enterprises. Also, it is important for such traders to create strong relationships with customers and sometimes lower the prices in an attempt to persuade potential customers (Eckard *et al.*, 2013; Hansen *et al.*, 2015; Brown & MacGranahan, 2016).

#### 2.2.1.6. Informal Liquor Trading

Development literature indicates that the growing demand for liquor, cigarettes and other demerit goods has given birth to an opportunity in the global alcohol market (Dobson, Nyamweru & Dodman, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Townships, rural areas and cities are no exception, there is a mounting demand for liquor, which justifies the current lucrative nature of participating in trading alcohol and other related demerit goods (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Taverns and shebeen have been and still are the hallmark of relaxation, fun and a place of “unwinding” in townships amongst the people who consume alcohol beverages. Informal traders in this sector do not necessarily have to possess technical skills to establish a tavern/shebeen, they rather have to conduct proper marketing campaigns coupled with rudimentary business management skills (Dobson *et al.*, 2015; Brown & MacGranahan, 2016). Ordinarily, prominent artists/musicians would be solicited in an attempt to attract customers to their enterprise. Informal entrepreneurs who own taverns/shebeen should produce a trading permit/license which also indicate trading hours and the nationally accepted age restriction for purchasing in their informal

enterprises (Kudva, 2009; Parizeau, 2015; Ackah-Baidoo, 2016; Brown & MacGranahan, 2016).

#### 2.2.1.7. Informal Retail/Textile Trading

The informal clothing industry is one of the prominent typologies of informal trading in cities given that it is noticeable around areas of economic opportunities in urban settings (Dobson *et al.*, 2015; Brown & MacGranahan, 2016). Participating in this kind of market would require strong links with the retail and textile industry. The perfectly competitive market structure characterizes this industry given the fact that there are no barriers to entry or exit and all buyers and sellers have perfect knowledge about the market price (Szakonyi & Urpelainen, 2016). Ordinarily, this type of informal trading is visible around public transit stations and walkways in cities and economic nodes where there is a rush of pedestrians and commuters. Continuingly, market opportunities in this industry lies on strategic location of the informal enterprises (Dobson *et al.*, 2015; Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016).

The current emerging trend in the informal economy particularly amongst retail street traders is that they locate themselves adjacent formal enterprises in order that they attract more customers (Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Traders in the informal clothing market usually sell counterfeit goods that are usually an imitation of expensive brands that are produced in first world countries. Given the fact that these expensive products are not easily accessible to the poor customers, the informal economy is readily available to provide those bogus goods at a cheaper price (Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016).

Additionally, there is increasing evidence which suggest that the developing countries are interlocked with the global village (Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016). The fact that cheap intermediate and final goods are imported from china, India and other South American countries at relatively cheaper prices, suggests that most infant industries of developing countries would suffer the repercussions of such international relations. Thus, the clothing, textile and retail industries of most developing economies become affected because a large number of foreign entrepreneurs who arguably have a robust business acumen, resources and a plethora of textiles, material and in most cases, counterfeit clothing that are sold at a

cheaper price in the informal sector of developing countries thereby suggesting that majority of indigent informal traders who participate in the clothing and textile industries are likely to be affected disproportionately (Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016). Informal traders who operate in the aforesaid industry are evidently affected by the national trading policies of their respective countries which allow for the exploitation of certain typologies of informal trading particularly ones that are embedded in the clothing and textile industries. Therefore, international trade and international relations that are not closely monitored could have deleterious impacts on most infant industries in the informal economy of most developing countries. Therefore, evidently, the second economy, of developing countries across the globe is not disintegrated to the trade nexuses of different countries (Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016).

#### 2.2.1.8. Street Food Vending

Street food vending has gained popularity in the informal food market given its reasonable prices and the fact that it makes fast foods accessible to the poor customers rather than the agro-food system which inflates prices thereby making the products inaccessible to income poor consumer (Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016). Additionally, the mushrooming of street food trading in the informal economy is receiving much attention in urban policy given that it seems to have negative impacts on the environment through polluting the urban atmosphere notwithstanding its quest for production (Witter & Parizeau, 2016; Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016). Notheless, street food vending is one of the prominent typologies of informal trading in the urban informal economy. Informal food traders are predominantly women, who ordinarily utilize cooking skills obtained from their respective households (Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016). This type of informal trading does not require any sophisticated business techniques for operation, it rather requires adequate culinary skills which should distinguish recipes of one enterprise to another (Dobson *et al.*, 2015; Brown & MacGranahan, 2016).

Literature on street food vending in the informal economy of most developing countries is topical given that it caters for the low income urbanites who cannot afford foods sold in the formal restaurants (Kudva, 2009; Parizeau, 2015; Ackah-Baidoo, 2016; Brown

& MacGranahan, 2016). Despite heavy criticisms street food vending received from environmentalist and health experts who suggested that the phenomenon of street food vending, notwithstanding its quest to produce and offer its products, it affects the urban environment and causing serious health related hazards to majority of the urban inhabitants. Thus, the nature of street food vending includes practices that more often than not pollutes the environment both through, land and air pollution (Kudva, 2009; Parizeau, 2015; Ackah-Baidoo, 2016; Brown & MacGranahan, 2016). Often, the disposals and refuse from street food vendors are left on the pavements in urban areas, adjacent formal business establishments and public transit stations. Furthermore, informal street food vending is also criticized given the fact that it destroys the aesthetic presentation of the urban scenery thereby making urban areas unattractive business areas investments (Kudva, 2009; Parizeau, 2015; Ackah-Baidoo, 2016; Brown & MacGranahan, 2016). However, over and above these observation, street food vending is one of the lucrative typologies of informal trading in most urban areas of developing countries. In a nut shell, apart from pressures that street food vending receives from state officials with regard to cleanliness of their practice including the as well as the health regulation thresholds it should adhere to, informal street food vending establishments are those informal businesses that grow and graduate in the registered small to medium sized entities (Kudva, 2009; Parizeau, 2015; Ackah-Baidoo, 2016; Brown & MacGranahan, 2016).

Ordinarily street food vending presents itself as a sophisticated business establishment in that it encompasses most physical resources, equipment's and utensils that are usually offered by formal small-medium sized restaurants (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Most street food vendors operate in a shack, caravan or an informally built structure which mostly uses gas stoves for energy related purposes. Further, street food vendors provide tables, chairs a small sound system and also kitchen utensils/cutlery in order to cater for those consumers who need not desire take-away. Often street food vendors would prepare normal staple food that would accommodate the needs of the local demography. In certain cases, informal food street traders would prepared delicacies and or traditional meals that could appeal to the prospective customers given that the food might not be readily available to them

in their respective households on a daily basis (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016).

#### 2.2.1.9. Hawking

Hawking is a salient typology of informal trading that is pervasive predominantly around public transit stations, interchanges, robots and intersections *inter alia* (Parizeau & Lapawsky, 2015 Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016). One of the most distinctive attribute of hawkers is that they are mobile informal traders who even though might have arguably marked their own territory/turf are continually in motion in an attempt to discover new market opportunities (Dobson *et al.*, 2015; Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016).Hawkers are usually ubiquitous in cities and areas of economic opportunities because cities offer multiple business opportunities as opposed to rural areas that are still not industrialized. Nevertheless, the production process of hawkers is usually small scale demonstrating little or no possibility of graduation into the formal sector (Eckard *et al.*, 2013; Maconachie, 2014; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Hawkers are also characterized by a perfectly competitive market structure because there are no barriers to entry or exit.

The phenomenon of hawking in the urban informal economy presents itself as a typology of informal trading that is mostly practice by indigent urban dwellers who are constantly in search of prospective consumers (Eckard *et al.*, 2013; Maconachie, 2014; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Hawking is generally regarded as a trivial typology of informal trading in the urban informal economy as compared to other established informal trading establishments. Nonetheless, hawkers are renowned for a mixture of petty goods and services that could be convenient to the prospective customer base in the cities. These kinds of informal traders are ubiquitous in public transit stations often operating at a small sale with no employees or the visibility of physical assets, capital and resources that could serve as collateral in the event a loan from a bank or any other financial institution is required (Eckard *et al.*, 2013; Maconachie, 2014; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Thus, hawking could be regarded as the tiniest typology of informal trading in the urban space.

Additionally, it is evident that hawkers operate under un conducive working conditions in that they are vulnerable to harsh climatic environments including the abrupt political setting that could occur at any given time (Parizeau & Lapawsky, 2015; Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016). These kind of informal traders do not have the brand capital, physical capital and economic resilience to withstand the vulnerability context in the informal economy as it presents itself. Thus, hawking is considered amidst a multiplicity of scholars as a budding typology that is often regarded as a triviality in the second economy given its nature, scale of operation and contribution to the overall economy (Parizeau & Lapawsky, 2015; Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016). Conversely, proponents in the SMMEs sector suggest that the phenomenon of hawking in the informal sector is inherently contentious in that one cannot overlook the manner in which it contributes to the local economy, notwithstanding its incipient nature. Whereas such discourses are currently in motion, the phenomenon of hawking, despite its embryonic nature, contributes to the informal economy (Parizeau & Lapawsky, 2015; Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016).

#### 2.2.1.10. Spaza Shops

Spaza shops are a renowned typology of home based informal trading in developing countries (Ablo, 2015; Brown, 2015; Ackah-Baidoo, 2016). Ordinarily, spaza shops operate from a household garage, shack or anywhere within a particular yard where operation space is available. Spaza shops are easily noticeable in that they are stationary informal business as opposed to hawkers and some street vending enterprises available predominantly in cities (Parizeau, 2015; Ackah-Baidoo, 2016; Brown & MacGranahan, 2016). Nonetheless, this type of informal enterprise normally provides basic food and non-food household items that are usually relatively cheaper than the ones in formalized retail stores. Additionally, literature suggests that owners of spaza shops need not trouble themselves with marketing campaigns notwithstanding their significance because a reciprocal relationship would have been created with local customers (Parizeau, 2015; Ackah-Baidoo, 2016; Brown & MacGranahan, 2016). An exception might be when the start-up is on its initial stages of operation. Moreover, literature indicates that owners of spaza shops benefit with working from their respective homes because they need not worry about travel cost

as compared to those who trade away from home (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016).

#### 2.2.1.11. Traditional Healing

Traditional healers and the so called “sangomas” are also a prominent typology of informal trading predominantly in townships (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Traditional healers are known for utilizing indigenous and natural herbs to heal people. Most traditional healers and/or sangomas often participate in traditional healing because there might have a spiritual calling or vision they need to fulfil and the only way to fulfil it is by becoming a traditional healer (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016).

Often, more experienced sangomas or traditional healers are the ones who induct newly established healers and introduce them to a wide range of methods and techniques necessary for participating in the practice of traditional healing ((Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). Traditional healing is mostly valued and appreciated by traditional inhabitants of township and rural areas. Social ties, networks, kinship and reciprocal relationships amongst traditional healers are regarded as a crucial attribute that enables exchange of herbs, techniques and perhaps new traditional medicines with other healers from surrounding regions (Maconachie, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015; Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016).

#### 2.2.1.12. Informal Hairdressing

Informal hair saloons have become ubiquitous in the second economy of developing countries (Dobson *et al.*, 2015; Brown & MacGranahan, 2016; Szakonyi & Urpelainen, 2016). These types of enterprises diverge according to the services rendered and perhaps sophistication of the entities. Most services rendered are; informal barbershops and informal hair salons. The former is pervasive in cities and townships where the owner/worker utilizes only a hair cutting machine and a mirror. Whereas the latter could operate from a shack or backroom which might be inclusive of the following; hair dryer, various hair chemicals and hair cutting machine etc. Informal hair saloons have become a salient typology of informal trading (Parizeau, 2015; Ackah-

Baidoo, 2016; Brown & MacGranahan, 2016). Literature suggests that entrepreneurs in this sector need not possess tertiary qualifications to establish and operate such enterprises. Rather, one learns how to work in a hair salon from more experienced entrepreneurs who have developed knowledge in the industry (Parizeau, 2015; Ackah-Baidoo, 2016; Brown & MacGranahan, 2016).

Understandably, the characteristics of informal hairdressing is not entirely different from other typologies of informal trading. It can be seen as the smallest economic activity of the small, medium and micro-enterprise (SMMEs) category and it usually lacks business financing amongst other requirements of an ideal business organization (Eckard *et al.*, 2013; Hansen *et al.*, 2015). In continuation, the size of informal hairdressing establishments can be justified by the fact that they are still budding business entities in the beauty and cosmetic industry that have not yet grasped and perfected the art and skill of the business fraternity. However, the ubiquity of the informal sector within which informal hairdressing operates can be reasoned by the inability to acquire employment in the formal occupational sector. So, the informal sector becomes attractive to majority of the unemployed *inter alia* (Francis, Nassar & Mehta, 2013). Additionally, this does not eclipse the possibility of informal traders to be employed in the formal sector while concurrently operating their informal business launches. Succinctly, the rationale behind establishment of informal trade is divergent though the principal driver behind such establishment is argued to be income poverty and unemployment amongst other issues (Suffin, De Reus, Eckard, Copley & Mehta, 2013).

Informal trading is noticeable through its distinct characteristic of operating on a small-scale, with feeble levels of organization and its unregistered and miscellaneous nature (Hansen *et al.*, 2015). In addition, employment in the informal sector is usually part-time, encompassing both remunerated and unremunerated employment or a mixture of both. Concisely, there is no type of formal/contractual employment security in comparison to that of the formal business sector (Suffin *et al.*, 2013). These features distinguish informal traders from the more formalized business organization in the mainstream economy.

There is a general observation that the informal economy is attributed by a production process that is small scale (Suffin *et al.*, 2013; Hansen *et al.*, 2015). Usually, informal



traders are individuals who sell goods and services that are already complete and ready for consumption, therefore, it is almost difficult to expand production given that goods and services sold are usually available in other retail stores and markets (Turaeva, 2014; Hansen *et al.*, 2015). Additionally, what could justify the small-scale nature of informal trading is the fact that informal traders usually lack capital and business financing that might enable them to increase production and perhaps diversify their products and/or services. Moreover, there is a mounting debate that informal traders are individuals that generally lack education and relevant information to grow and expand their enterprises from producing on a small scale (Suffin *et al.*, 2013; Hansen *et al.*, 2015). Nonetheless, over and above the multiplicity of contestations around the typologies of informal trading, it is important to note that small scale operation and limited production is what characterizes majority of informal enterprises across the globe (Turaeva, 2014; Hansen *et al.*, 2015).

#### 2.2.2. Challenges of Informal Trading: A conceptual Overview

The practice of informal trading endures a plethora of obstacles that affect its growth and sustainability. However, economic barriers and acquiring start-up capital through savings or loans are the most pressing challenges that cut across a variety of factors (Lauermann, 2013; Huang *et al.*, 2014). Nonetheless, capital contribution is a crucial part of any business both formal and informal because it provides an opportunity to acquire assets and coordinate factors of production that are a prerequisite for business success. Thus, a large amount of informal traders face the challenge of access to capital, savings and loans (Nguimkeu, 2014 ; Shaw, 2004; Mcfarlane, 2012; Permatasari *et al.*, 2014; Esson *et al.*, 2016). In addition, ownership rights are a primary requirement to serve as collateral for bank loans and funding from a variety of formal institutions. In addition, the lack of capital for informal traders suggests that enterprise start-up will be less competitive as compared to most informal enterprises that have been in existence for more than ten (10) years. Capital contribution is repeatedly cited by multiple scholars as being one of the most pressing challenges facing informal traders across the globe (Turaeva, 2014; Nguimkeu, 2014).

However, given the fact that most informal traders are unable gain access to formal credit from banks or an equivalent funding institution, the solution becomes informal loans sharks, moneylenders, family members and friends (Lauermann, 2013;

Voiculescu, 2014;Simatele & Etambokonga, 2015; Wutich, Beresford & Carvajal, 2015). Accordingly, high interest rates are typically charged on such loans which the informal traders struggle to repay thereby increasing their debt. Therefore, lack of start-up capital more often than not leads to the acquisition of debt by informal traders because they would assumedly take on loans that would be difficult to repay thereby increasing their dept.

Perfect competition, congestion and jealousy amidst street vendors more often than not jeopardizes their capacity to work collectively and ultimately has deleterious implications on its ability to increase or maintain their income levels (Turaeva, 2014; Lauer mann, 2013; Voiculescu, 2014;Simatele & Etambokonga, 2015; Wutich, *et al.*, 2015). Additionally, given the ease of entry into the market, informal trading tends to become omnipresent in the urban central business district (CBD).Therefore, homogeneity of goods and services, limited product differentiation and competition from new informal traders will most likely lead to a drop in consumer demand resulting in varying and lower profits thereby positioning informal trading in a state of vulnerability and undefined growth prospects (Francis *et al.*, 2013; Simatele & Etambokonga, 2015; Wutich *et al.*, 2015).

Suppliers possess a degree of power over informal traders by not providing discounts given the fact that informal traders purchase products in small quantities. Consequently, higher purchase prices and limited product/service differentiation perpetuates competition, mainly for perishable goods sold at lesser prices in an attempt to avoid loss through spoilage (Hansen *et al.*, 2015). In a quest to eliminate competition amid informal traders and ensure repeated clientele, traders habitually provide small loans to their customers that rarely repay (Eckard *et al.*, 2013; Hansen *et al.*, 2015). Informal traders frequently sell their goods and services at prices below the going market price. Ultimately, traders incur losses and operate on a deficit thereby inadequately contributing to the growth and longevity of informal trading (Turaeva, 2014).

Informal sector entrepreneurs are regarded by a multiplicity of scholars as not having the required skills that would enable competitiveness and growth in the businesses sector (Eckard *et al.*, 2013; Hansen *et al.*, 2015). Thus, access to skills training is usually regarded as the most pressing challenge that cuts across most of the aspects

of business. When an informal sector entrepreneur given their inadequate education and lack of knowledge does not acquire access to skills training; the opportunity for business growth and development becomes stifled. Skills training provides an opportunity for informal traders to gain an insight on relevant information that would allow for enterprise growth (Turaeva, 2014; Hansen *et al.*, 2015). These are skills related to: marketing management, financial management, businesses management, business information technology and internal businesses processing *inter alia*. Thus, it is crucial that most informal traders receive training around the aforementioned business aspects that are important for growth (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). However, training to a passive informal traders would be pointless in that the beneficiaries would not have participated in what they should benefit from. Rather, it is crucial that various organs and institutions that are directed towards support of such informal entities become strategic in offering a variety of their programs (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015).

The regulatory environment fronting informal trading/informal economy has been a topic that has been at the center stage amongst most academics (Raeymaekers *et al.*, 2008; Turaeva, 2014). Currently, informal trading is fronted by a perfectly competitive market structure. This suggest that there is a paucity of government intervention to influence the Informal economy particularly the market price. Thus, the lack of government intervention means there would be complete freedom of entry and exit in the market which precipitates the ubiquity of congestion, competition and pollution (Szakonyi & Urpelainen, 2015). Perfect competition signifies that all participants of the informal economy would have to abide by the prevailing market price. That is, if the price for a certain good is R20.00, then all participants would have perfect knowledge about the prevailing market price meaning that no individual seller would have the ability to increase the market price (Suffin *et al.*, 2013). So, the regulatory environment would understandably have the potential to influence future of informal enterprises in that it restricts the growth of informal trading. On the other hand, scholars argue that regulation of the informal sector and a robust inclusion of governance structures would give rise red-tapes, unnecessary procedures, rules and regulation that might not act in favor of the informal traders (Suffin *et al.*, 2013; Szakonyi & Urpelainen, 2015).

### **2.3. Determinants of Urban Livelihoods: A Conceptual Framework**

According to Chambers and Conway (1992) livelihoods are inclusive of capabilities, assets (both material and social resources) and activities of self-employment, casual employment and miscellaneous informal sector employment which are organized and practiced in an urban setting (Chambers & Conway, 1992; Rasanayagam, 2011). Such livelihoods are reliable when they can cope with and recover from stressors and shocks through continuously maintaining and enhancing capabilities and assets both now and in the future, while not undermining the natural resource base. Thus, what determines the formation of urban livelihoods is the ability to possess economic resilience and capital, both social, physical and natural. Thus, this section is devoted to the presentation of various stressors and shocks that are embedded in the informal economy. Such stressors and shocks have the potential to destroy the economic prospects, longevity and growth possibilities of informal sector livelihoods.

#### **2.3.1. Climatic Stressors and Shocks affecting Urban Livelihoods**

Climate-related hazards are perceived by a multiplicity of Scholars as being responsible for the demolition and depletion of urban livelihoods which are spearheaded by destitute urbanites (Deressa, 2009). Development literature records that the climate is rapidly changing and affects most livelihoods particularly ones in the informal sector because they are assumed to not have the necessary economic resilience to recover from climate related hazards, stressors and shocks (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). Climate change like economic instability, occurs outside of the business establishment therefore, it is impossible for participants of the informal economy to have a direct influence on how the climate operates (Deressa, 2009; Shaw, 2004; Mcfarlane, 2012; Permatasari *et al.*, 2014; Esson *et al.*, 2016). Thus, what is crucial is the manner in which indigent participants of the informal economy adequately recover their livelihoods in the event a climate related hazard take place.

The repercussion of climate related stressors is typically an abrupt loss of livelihoods assets, food insecurity, and wrecked homes followed by a loss of sense of place and belonging (Twomlow, Mugabe, Mwale, Delve, Nanja, Carberry, Howden, 2008). Additionally, fluctuating climate trends more often than not lead to shifts in urban livelihoods with varied outcomes, such as from informal trading and micro-

entrepreneurship *inter alia* to illegal Street vending crime and piracy (Twomlow *et al.*, 2008; Deressa, 2009; Adano, Diets, Witsenburg & Zaal, 2012. Salehyah & Hendricks, 2014). Accordingly, climate change is one amid a plethora of stressors that threatens different livelihoods given its ability to abruptly and negatively affect urban livelihoods (Twomlow *et al.*, 2008; Deressa, 2009; Adano *et al.*, 2012; Salehyah & Hendricks, 2014). Thus, what determines the formation of urban livelihoods is the ability to cope with and recover from climate change amongst other stressors. The indigent urbanites are faced by multiple deprivations such as chronic poverty as a result of climate change manifested through floods, storms and perennial rainfalls which erode the physical assets of the urban poor primarily in the informal sector (Twomlow *et al.*, 2009; Adano *et al.*, 2012; Salehyah & Hendricks, 2014; Szakonyi & Urpelainen, 2015). It is therefore crucial for urban governance, inclusive of a variety of public, private and support agencies formulated by the state to collaboratively support informal traders from such unornate climate related occurrences.

A large majority of economic activities in the informal economy is characterized by small-scale economic activity that have a direct negative impact on both the environment (Bergholt & Lujala, 2012;Brida, Owiyo & Sokona, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva, Matyas & Cunguarana, 2015). Pressing environmental elements like global warming *inter alia*, are a result, of most air polluting activities that take place in the informal economy. As informal sector entrepreneurs venture into their persistent quest to secure a livelihood in the informal sector, they end up participating in economic activities that emit toxins, gasses and fumes that have deleterious impacts on the environment (Bergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). Accordingly, such air polluting activities affect the o-zone layer which subsequently gives birth to global warming, manifested through floods and heavy storms and acid rain that tests the existence of urban livelihoods.

Further, literature indicates that a majority of informal sector entrepreneurs do not have reliable business stalls/ areas of operation (Bergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). Most informal sector worker, operate under difficult and often dangerous circumstances provided environmental and/or climatic stressors take pragmatic effect. Chiefly, informal economic activities operates adjacent formal businesses and areas that are owned by

the public or private sector. As a result, the informal traders would not be permitted to operate freely and erect their own permanent physical operation stalls in these areas (Bergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). Accordingly, informal traders become characterized as vulnerable entrepreneurs that do not have economic resilience to effectively and sustainably cope with climate related stressors.

Acid rain is regarded by multiple scholars and environmental experts as consisting of chemicals and toxins that are harmful to the environment (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham, Jabbour & Dietrich, 2015; Meerow, Newell & Stults, 2016). For that reason, informal traders in the agricultural sector become affected because the output of fruits and vegetable would decline given that acid rain would have harmed the arability of the soil. In this case, when the quantity of such agricultural products decrease, the demand will exceed the available output of products suggesting that the possibility of elevated prices increases. That is, the fact that agricultural products become limited, informal traders who participate in the agricultural sector will be affected given that there would be a large numbers of demanders (informal traders) and suppliers (farms & large supermarkets) with limited agricultural produce. So, the prices of agricultural products will be expensive thereby affecting the inputs for the informal enterprises and subsequently the prices for the consumers. Thus, informal traders in their quest to advance their economic status, contributes to environmental decay resulting in acid rain and climate change *inter alia* which subsequently has negative implications for supply and demand in the agricultural and informal sector. (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016).

Discourses in literature further indicate that climatic stressors and shocks that impinge on the urban informal economy are to a large extent predominantly engendered by participants of the informal economy themselves: traders and consumers (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016). Fathomably, informal sector economic activity is characterized by small scale petty trades which arguably operates far from environmental consciousness. As a result, their interaction with the urban environment prompts far reaching climatic circumstances that have an impact on their livelihoods. It is evident that air polluting activities associated with informal trading directly affects the o-zone layer which should

amongst other reasons, act as a protective shield from direct sunlight (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016). However, the implications of the o-zone layer being deteriorated results in climatic conditions that are unfavorable towards informal traders in the urban space thereby contributing negatively to the formation of their livelihoods. It is for these reasons that climatic fluctuations are considered as determinants of urban livelihoods. Closely related to climatic circumstances is natural capital which forms an integral part of the urban informal economy.

### 2.3.2. Natural Capital and the Informal Sector

According to Chambers and Cornwall (1992), natural capital as a determinant of urban livelihoods refers to the natural resource stocks from which resources flow and services useful for livelihoods are derived. There exists a large disparity in the resources that make-up natural capital, from intangible goods such as the atmosphere and biodiversity to divisible assets which are directly utilized for production purposes such as land and trees (Beck *et al.*, 2014). Importantly, considering the sustainable livelihoods framework, the nexus between natural capital and the vulnerability of livelihoods is mostly close. Discourses amongst scholars suggest that natural capital is capital that is free and readily available to all individuals at all times (Pizzo, 2015; Padgham *et al.*, 2015). However, land has become a sensitive and political topic in administration and development literature in that most states, traditional authorities, local and provincial governments have held on its ownership (Eckard *et al.*, 2013; Hansen *et al.*, 2015).

It is argued that most indigent urban inhabitants who have been alienated from the production process do not possess the required skills and capabilities to effectively utilize land. That is why land reform and its ownership amongst informal sector entrepreneurs has received heavy criticisms from a plethora of scholars (Nguimkeu, 2014; Turaeva, 2014). Nonetheless, majority of the shocks that demolish the livelihoods of the destitute are natural processes that destroy natural capital, fires that destroy forests and vegetation, and floods that destroy various assets. Thus, what determines resilience of most livelihoods is the capacity to cope with and recover from such impinging stressors and shocks (Beck *et al.*, 2014). Literature on environmental management indicates that it is crucial for all human beings to have respect for life,

nature and all of its surroundings. Thus, the application and implementation of the principles of stewardship is important in managing natural resources so that the future generation, can benefit (Lauermann, 2013; Francis *et al.*, 2013).

Ownership, allocation and distribution of land in the urban informal economy amongst informal street traders is a topical area of contestation in most developing economies across the globe (Lauermann, 2013; Francis *et al.*, 2013). Majority of the urban land including its land use is owned and controlled by the state and governments that are expected to provide services to its citizens. However, the rise of formal private sector investments, businesses and capital in the urban space, has resulted in informal sector participants being labeled as “semi-legal” micro trades that temporarily occupy urban public spaces in order that they could secure a decent livelihoods (Lauermann, 2013; Francis *et al.*, 2013). Thus, land that is considered as “natural capital” which should be available for ownership, use and control in the urban space is being privatized by urban governance structures thereby benefiting the elite few businessman, private sector and capitalists who appear to have a strong economic muscle over the indigent inhabitants of the second economy. Thus, the notion that natural capital is readily available for utilization in by all economic stakeholders remains an area of contestation (Lauermann, 2013; Francis *et al.*, 2013).

There is a universal consciousness that the air and cleanliness of the atmosphere create a conducive environment upon which human life and its economic activities could be possible (Lauermann, 2013; Francis *et al.*, 2013). Conversely, the urban informal economy of most developing countries across the globe has demonstrated as opposing trajectory. The current mushrooming of micro economic activities have proved detrimental to the environment and subsequently the health of the urban inhabitants. In continuation, urban informal trading is being attributed by economic activities that affect the environment immensely thereby contributing deleteriously to natural capital and subsequently urban informal economic activity. Thus, over and above the positive contributions of trading in the second economy, a plethora of environmental consequences arise as a result of such unregulated economic activities (Lauermann, 2013; Francis *et al.*, 2013).



The rise of brown environmental problems in the urban informal economy has received much attention from scholars given the detrimental aftermaths it causes on the urban environment, its inhabitants, and the economic activities which determine urban livelihoods (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016). A concoction of industrial polluting efforts in both formal and informal economic activities are responsible for the depletion and deterioration of land in the urban setting. Therefore, these environmental consequences assist in the inability of urban livelihoods to operate under clean, healthy and environmentally friendly areas thereby giving birth to a variety of health related consequences which affect the health of the urban informal sector workers disproportionately (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016). In an effort to ameliorate poverty, create jobs and secure a decent livelihoods – informal sector economic activities and their contribution to land and air pollution are far from unobtrusive. The nature of urban livelihoods which are manifested through informal trading *inter alia*, operates in an unregulated market structure which create room for a mixture of inchoate informal economic activities which do not adhere to the principles of environmental consciousness (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016). Littering, burning of harmful gases, and poor waste disposal *inter alia* create conditions within which urban informal sector economic activities could not be characterized as having the potential to create a conducive environment for urban livelihoods to flourish.

The link between the inabilities of urban informal sector traders to operate environmentally friendly and the utter negligence of urban governance systems to manage and adequately dispose waste create a host of environmental hazards in the informal economy (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016). It is for these reasons that contemporary economic advancement practices in the urban sector become labeled as culprits of environmental destruction and consequently polluters that render the informal sector ineffective in as far as creating an enabling environment through which urban livelihoods could be positioned. Literature exhibits that most third world incipient economies are attributed by environmental mayhem; hence, pollution, littering and poor waste disposal being the obtrusive representation of environmental destruction (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et*

*al.*, 2016). In continuation, these aforesaid draconian environmental consequences tempers with the intrinsic existence of natural capital in the informal economy and later the capacity of urban livelihoods and their capacity to flourish given the neglected urban environment. Thus, the benefits of prudent interactions with the urban environment and atmosphere by both the informal sector workers and consumers is important for ensuring a clean and safe urban economy which attracts investments and becomes hazard free for the urban informal sector inhabitants and traders (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016).

### 2.3.3. Economic Environment: Implications for Urban Livelihoods

There is a general consciousness that resilience in an economic subsystem requires the capacity of people to mitigate, adapt to and recover from stressors and shocks that affect the longevity of their livelihoods (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015; Meerow & Newell, 2015). On a broader scale, typical economic shocks encompass international and domestic price fluctuations, engendered by commodity demand or domestic market prices (Raeymaekers *et al.*, 2008; Turaeva, 2014; Meerow & Newell, 2015). Continuingly, these stressors tests the ability of urban livelihoods particularly ones in the informal sector to withstand the repercussions of general price fluctuations thereby contributing deleteriously to the formation of urban livelihoods (Suffin *et al.*, 2013). Nonetheless, urban livelihoods initiated by indigent urbanites more often than not operate in a perfectly competitive market structure which tests their longevity in creating livelihoods that are sustainable (Raeymaekers *et al.*, 2008; Turaeva, 2014; Meerow & Newell, 2015; Szakonyi & Urpelainen, 2015).

Understandably, perfect competition is characterized by free entry and exist into the market, mostly homogenous goods and services, paucity of government intervention and the inability of market participants to influence the market price (Raeymaekers *et al.*, 2008; Suffin *et al.*, 2013; Turaeva, 2014; Meerow & Newell, 2015; Szakonyi & Urpelainen, 2015). These circumstances characterize urban livelihoods and eventually positions them in a vicious cycle of tentative and undefined growth prospects (Turaeva, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015). Shortly, the successful achievement of urban livelihoods is contingent on the ability to deal with

and recover from the aforesaid stressors, shocks and the disabling market circumstances. As a result of economic shocks, most individuals sell their productive assets to survive, meaning that they are prone to become less productive in subsequent periods and even more vulnerable to future economic shocks (Raeymaekers *et al.*, 2008; Suffin *et al.*, 2013; Turaeva, 2014; Meerow & Newell, 2015; Szakonyi & Urpelainen, 2015).

There is a heightened universal convergence that resilience in both the formal and informal economy requires investments, savings and collateral – these factors assist in the ability to recover and cope with multiple shocks and stressors as they present themselves (Pearson & Pearson, 2014; Pizzo, 2015; Padgham *et al.*, 2015; Meerow *et al.*, 2016). On the other hand, urban livelihoods in the informal economy are regarded as those enterprises that do not possess sufficient resources to cope with external economic pressures, stressors and shocks. Firstly, literature on the informal economy indicates that the most informal enterprises in developing economies are budding entities that do not possess a required level of sophistication in order to be competitive in the business industry (Pearson & Pearson, 2014; Pizzo, 2015; Padgham *et al.*, 2015; Meerow *et al.*, 2016).

Furthermore, as juxtaposed to formal enterprises, informal businesses do not possess the economic muscles to be considered as businesses that have strong investment abilities (Pearson & Pearson, 2014; Pizzo, 2015; Padgham *et al.*, 2015; Meerow *et al.*, 2016). Additionally, most owners of informal enterprises are purported to not have the ability to save a certain portion of their income on a monthly/weekly basis. Moreover, it is argued that enterprises in the informal economy contribute to the household in-kind rather than in cash which indicates that informal entities do not generate adequate income to qualify for savings (Pearson & Pearson, 2014; Pizzo, 2015; Padgham *et al.*, 2015; Meerow *et al.*, 2016). Collateral is one of the crucial assets that most enterprises should have because it allows for the application of loans, either for business financing or personal use. Thus, given the informal nature of the second economy, it has become difficult for a large majority of informal sector worker to possess the economic resilience to deal with multiple economic stressors and shocks (Pearson & Pearson, 2014; Pizzo, 2015; Padgham *et al.*, 2015; Meerow *et al.*, 2016).

Importantly, literature indicates that shocks and stressors are likely to be inextricably linked to each other and/or take place at the same time (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016). That is, certain types of shock may have a direct influence on another. Further, elevated prices of consumer goods and services are likely to engender political instability and social unrest. Understandably, people respond differently to various stressors and shocks that exist in the external environment (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016). The informal urban economy is no exception, inasmuch as it is unregulated, when an external stressor or shock presents itself, it is natural that informal sector workers mobilize themselves into syndicates and protest to the public sector in an attempt to grab their attention.

Chiefly, foreign nationals in the informal economy are mostly affected by pressing local circumstances that are usually not in their favor. That is, when foreign nationals do not have trading permits, it becomes difficult for them to operate freely on a daily basis, therefore, it is possible for them to mobilize themselves to protest to the local government (Leichenko & Siva, 2014; Matyas & Pelling, 2014; Padgham *et al.*, 2015; Meerow *et al.*, 2016). Equally with local street traders, an informal type of collusion would exist in the informal economy in an attempt to fix and/or regulate market prices provided an external stressor presents itself. Ordinarily, these stressors could be a result of price increases, political instability and crime in the informal economy *inter alia* (Bergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015).

#### 2.3.4. Financial Capital: Towards Strengthening Urban Livelihoods

Financial capital signifies the financial resources that people utilize in an attempt to achieve their livelihood objectives (Szakonyi & Urpelainen, 2015). Furthermore, there are two main sources of financial capital namely: available stocks and regular flows of money. The former suggests that savings are the preferred type of financial capital because they do not have liabilities attached and usually do not entail dependence on others (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015). These can be held in several forms namely: cash, bank deposits or even liquid assets such as jewelry and livestock. Credit organization are also some institutions which provide financial resources. Lastly, regular inflows of money which usually exclude earned

income refers to pensions, remittances and other transfers from the state. Thus, it is crucial that livelihoods possess the aforesaid diverse types of financial resources in order for them to withstand shocks and stressors (Suffin *et al.*, 2013).

Success of urban livelihoods in the informal sector is dependent on financial freedom which cuts across various factors in that it allows for saving and economic resilience for informal traders in the event a natural, climatic or economic stressors or shocks take pragmatic effect (Deressa, 2009; Suffin *et al.*, 2013). Normally, livelihoods in the urban informal economy are regarded as small-scale thereby suggesting that the finances generated from such enterprises could possibly be limited. However, most socio-economic circumstances in majority of developing countries where informal trading is regarded as the main livelihood strategy is characterized by households who are living below the internationally accepted poverty line (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015). Therefore, it becomes difficult, given the small scale nature of informal trading to generate an adequate amount of income in order to reach economic resilience thereby contributing to financial capital. Therefore, it would require informal trading to graduate into small-medium sized enterprises in order to qualify as an economically resilient enterprise. Furthermore, the increase in prices of consumer goods and services has a direct impact on the economic prospects of the informal traders in that they would be expected to allocate a large amount of money on their budget in order to purchase the inputs of the business. Thus, the ability to possess financial capital positions the informal urban economic participant in a position to recover from countless stressors and shocks particularly ones that would require financial capital (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015).

The volatile external economy characterized by inflation, political instability and international relations (Dow Jones) impinges on the informal sector economic participants in that they arguably do not possess the strong financial muscle as compared to their insured formal sector counterparts (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015). Inflation refers to the general increase in prices; thus, its implication for urban livelihoods suggest that the prices of goods would increase for both the informal traders and consumers. That is, suppliers of informal traders would offer the inputs of the business at a relatively higher price than usual given the external economic shock that would have presented itself. Consequently, the consumers would

also be affected in that the prices of the goods and services would be elevated above the accepted market price. Furthermore, as the law of demand indicates that when the prices of consumer goods and services increases – the quantity demanded would also increase (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015). Nonetheless, it is evident that general price increase has far reaching economic implications that affect the entire informal sector market, economy and its participants. Consequently, international trading between different countries coupled by political instability tests the informal economy of countries that are considered to be developing, particularly inhabitants of the informal economy (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015). Importantly, the unregulated nature of the informal sector is prone to be affected by political instability, international relations and national policies that prompt an economic impact. These circumstances affect the economic conditions of informal sector traders in that they do not have the security and economic reliance to recover from external financial stressors that could be engendered by national governments, private sector and their decisions (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015).

#### 2.3.5. The Political Economy: Impact on Urban Livelihoods

Understandably, urban livelihoods do not exist independent of the political environment. As a result, multiple stressors and shocks ranging from civil unrest, protests and political instability affect urban livelihoods (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). Majority of urban livelihoods, particularly ones in the informal sector are vulnerable to political shocks given their purported inability to withstand riots, looting, destructive strikes and other similar occurrences (Szakonyi & Urpelainen, 2015). Informal traders generally have a limited capital and asset base. Majority of these entities are survivalist, inclusive of street vendors, home-based entities and hawkers. The political environment is therefore inextricably linked to livelihoods, predominantly ones in the informal economy (Szakonyi & Urpelainen, 2015).

Literature indicates that the occurrence of a strike, service delivery protest or civil unrest impinges on the production process of the informal trading activity (Szakonyi & Urpelainen, 2015). In the event of the aforementioned political disruptions, informal trading is likely to be stagnant suggesting that buying and selling becomes affected

thereby negatively impacting on the financial returns and profit margins given the longevity of the civil unrests and/or political disruptions (Dorward *et al.*, 2005; Louw *et al.*, 2007). Urban livelihoods that are initiated by indigent urbanites are usually vulnerable to shocks and stressors given the fact that they possess limited/inadequate assets to surmount political interferences, shocks and stressors as compared to formal and developed business establishments (Dorward *et al.*, 2005; Louw *et al.*, 2007).

The volatility of the external urban political environment has a direct socio-economic and socio-environmental impact on informal trading and the surrounding urban environment thereof (Szakonyi & Urpelainen, 2015; Pearson & Pearson, 2014; Pizzo, 2015; Padgham *et al.*, 2015). That is, urban informal traders, given their inherently indigent nature operate in a highly rampant informal sector that has a direct nexus with the political environment which at times, compromises the economic aspect of informal trading and consequently their quality of life and standard of living. Therefore, when a strike, riot or xenophobic outbreak takes pragmatic effect, it involves, at heart, the demolition, deterioration and theft of physical assets that are responsible for the production process of informal enterprises (Szakonyi & Urpelainen, 2015; Pearson & Pearson, 2014; Pizzo, 2015; Padgham *et al.*, 2015). Fathomably, as the physical assets of informal traders get demolished – the income that is usually generated in the absence of the strike gets compromised thereby suggesting that the respective households and dependents of informal traders will also be affected. Therefore, the unstable urban political environment has far reaching impacts that transcend the owners and employees of the informal enterprises (Szakonyi & Urpelainen, 2015; Pearson & Pearson, 2014; Pizzo, 2015; Padgham *et al.*, 2015).

Income poverty, deprivation and alienation from the mainstream production process in the urban informal sector becomes a vicious cycle given the persistent and seemingly thwarting urban political space (Nguimkeu, 2014; Shaw, 2004; Mcfarlane, 2012; Permatasari *et al.*, 2014; Esson *et al.*, 2016). These aforementioned circumstances cut-across majority of developing countries across the globe. Subsequently, given the heightened political violence in the informal sector, the birth of anger, envy and a sense of disapproval towards foreign informal traders is more likely to sprout thereby leading to a xenophobic or afrophobic mindset within the urban informal economy. Literature on the urban informal sector particularly urban violent protests and xenophobia is inherently contentious in that there exists an array of

interpretations on what constitutes violent urban attacks *inter alia*, and consequently, the demolition of urban livelihoods spearheaded by destitute urbanites (Mcfarlane, 2012; Permatasari *et al.*, 2014; Esson *et al.*, 2016). That is, other scholars posit that urban violence is engendered by poverty, geo-political differences, nationality and the inability to operate as a unit amongst local and foreign informal traders. These situations, as articulated by scholars, eventually lead to an uncontrollable urban setting which destroy the assets of the destitute informal sector traders eventually creating a cycle of poverty. The decay and loss of urban livelihoods in the informal sector often stimulates an emotional impact and a sense of powerlessness and hopelessness amongst small-scale informal traders that do not possess a verifiable economic resilience to recover from the political stressors in the informal sector as they present themselves (Mcfarlane, 2012; Permatasari *et al.*, 2014; Esson *et al.*, 2016).

#### 2.3.6. Physical Capital: Towards Establishing Urban Livelihoods

Physical capital as a determinant of urban livelihoods consists of intrinsic infrastructure and producer goods needed to support and sustain livelihoods (Suffin *et al.*, 2013; Boeckler & Bernt, 2012; Szakonyi & Urpelainen, 2015). Such Infrastructure encompasses changes to the physical or built environment that will assist people to meet their basic needs and enable them to be more productive particularly with regards to their divergent livelihoods strategies (Deressa, 2009). The following components of infrastructure are usually essential for sustainable livelihoods, these are: affordable transportation, secure shelter and buildings, adequate water supply and sanitation, affordable energy, and access to information (Chambers and Cornway, 1992).

Literature suggests that most participants of the informal economy in urban areas are predominantly from rural areas, informal settlements and townships without adequate physical infrastructure (Lauermann, 2013; Francis *et al.*, 2013; Chambers and Cornway, 1992). Decent housing is also another challenge that affects most informal traders particularly those who operate their businesses from informal settlements (Deressa, 2009; Nguimkeu, 2014). Home based workers are one of the most pervasive kind of informal businesses in the developing world, therefore, lack of decent shelter would affect the growth of the business in that it does not provide a decent place for operating a business. Succinctly, a lack of or inadequate access of any of



these infrastructures will result in livelihoods being vulnerable and less competitive (Deressa, 2009; Nguimkeu, 2014).

A large number of informal businesses in developing countries are affected by the economics of space that is mostly caused by the legacy of imperialists efforts (Lauermann, 2013). Nonetheless, most informal economic activity takes place in areas of economic opportunity mostly urban areas and economic nodes given the continuous movement of potential customers. Understandably, the transport costs of people from rural areas, townships and peripheral homelands towards the cities in order to access a lucrative market niche for their informal businesses would have a negative economic implication on the finances and turnover of their businesses (Twomlow *et al.*, 2008). Usually, a current trend that exists in the urban informal sector of most developing economies is that the goods/ inventory of informal traders would be left in a certain stall overnight in order to reduce the burden of carrying to and from their respective homes on a daily basis (Twomlow *et al.*, 2008; Raeymaekers *et al.*, 2008; Turaeva, 2014). Consequently, the problem that would arise from such an occurrence is the vulnerability context that would position the inventory of the traders at risk of being stolen and or contaminated by the inadequate sanitation of the storage places. Thus, the aforementioned goes to indicate the importance of proper physical infrastructure and sanitation towards the existence of informal enterprises.

Physical infrastructure continues to be a crucial determinant of business success in the informal sector particularly amongst informal traders who operate restaurants, hair salons and other informal businesses that require continuous flow of safe water and a decent sanitation (Raeymaekers *et al.*, 2008; Turaeva, 2014). Water, in this case is a crucial determinant of urban livelihoods in that it cuts across a variety of aspects that determine business success (Raeymaekers *et al.*, 2008; Turaeva, 2014). The absence of water affects production which would eventually have negative implication for the profitability of the business itself. Therefore, local governance should ensure that they provide adequate physical infrastructural services that are crucial for the success of business in the informal economy. So, water and other crucial physical infrastructural services like building are important as determinants of urban livelihoods (Deressa, 2009).

### 2.3.7. Societal Stressors, Shocks and the Urban Environment

It is argued that the prevalence of a variety of illnesses, medical conditions and diseases such as the HIV/AIDS, tuberculosis and cancer amongst others, have deleterious economic impacts that impinge on the longevity of urban livelihoods (Christiaensen *et al.*, 2013; Nguimkeu, 2014). Continuingly, given the fact that the former diseases is responsible for majority of deaths amidst the vulnerable urbanites *inter alia* – it has left most dependents of the victims of HIV/AIDS vulnerable, food insecure and poverty stricken. Such stressors and shocks that affect urban livelihoods are responsible for the lives of most destitute urbanites that participate in the informal sector particularly women. A shift towards curbing deaths that are primarily caused by HIV/AIDS requires behavioral changes and HIV/AIDS education amidst the destitute and uneducated urbanites (Sonobe *et al.*, 2011, Nguimkeu, 2014). Furthermore, urban informal traders need to understand the economic cost that the scourge of HIV/AIDS has on most households and the economy as a whole (Sonobe *et al.*, 2011; Nguimkeu, 2014). Thus, development literature records that any policy making effort aimed at ameliorating poverty is inextricably linked to dealing with the aforesaid societal scourges (Sonobe *et al.*, 2011; Nguimkeu, 2014).

Criminal activities that are manifested through theft resulting in loss of physical assets amongst other things, are regarded as the most popular type of stressor in the contemporary informal economy of most developing countries (Christiaensen & Todo, 2013; Nguimkeu, 2014; Shaw, 2004; Mcfarlane, 2012; Permatasari *et al.*, 2014; Esson *et al.*, 2016). Crime is frequently cited as one of the external shocks that the informal economy is currently facing. Arguably, other scholars contest that income poverty in majority of developing countries, predominantly amongst indigent urbanites is the primary reason why criminal activities are mounting in the urban informal economy. Whereas the aforesaid contestations could be inherently contentious, an element of validity exists in that, understandably, when an individual is unemployed, uneducated and income poor, the likelihood that they may consider criminal activities are high (Christiaensen & Todo, 2013; Nguimkeu, 2014; Shaw, 2004; Mcfarlane, 2012; Permatasari *et al.*, 2014; Esson *et al.*, 2016 ). As a result, the aforesaid indicates that stressors and shocks in the urban informal economy are intertwined in that a certain societal shock could more or less engender a stressor that could affect urban livelihoods. Notheless, an attempt to curb criminal related issues in the informal economy requires a collaborative approach of both informal traders and government

officials (Christiaensen & Todo, 2013; Nguimkeu, 2014; Shaw, 2004; Mcfarlane, 2012; Permatasari *et al.*, 2014; Esson *et al.*, 2016). Criminal activities that are noticeable through violent attacks could result in loss of assets and possibly loss of life. The aforesaid violent attacks could have similar characteristics as xenophobic and/or afroophobic attacks.

### 2.3.8. Social Capital in the Informal Economy

In the context of the sustainable livelihoods framework, it refers to the social resources through which individuals accumulate in a pursuit of their livelihood objectives (Rasanayagam, 2011; Turaeva, 2014). It is accepted that networks and connectedness, either between individuals with shared interests that strengthens trust and capability to work collaboratively and augment their reach to wider institutions including but not limited to civic bodies (Rasanayagam, 2011; Turaeva, 2014). Understandably, it is argued that community cooperatives that are based on trust, kinship and reciprocity are more beneficial as juxtaposed to more formalized institutions.

Additionally, social relations amongst people who operate in the same sector if well controlled and managed, would yield better results and can therefore be regarded as a determinant of urban livelihoods (Eckard *et al.*, 2013; Hansen *et al.*, 2015). Discourses amongst scholars suggest that development is for the people-by the people, which goes to indicate how crucial active participation of the beneficiaries is towards crafting powerful and more resilient networks (Rasanayagam, 2011; Turaeva, 2014). Therefore, the informal sector is ideal for successful application of the social capital model given the limited amount of red-tapes and bureaucratic top-down approaches, blueprints and rigid forms of administration (Eckard *et al.*, 2013; Hansen *et al.*, 2015). Given the fact that the informal economy is mostly unregulated-it creates a conducive platform for informal traders to organize themselves and collaborate thereby creating a good environment partnerships and connectedness.

Additionally, membership in formalized structures and institutions which often entail adherence to mutually-agreed regulations and norms can be understood as a strategy through which social capital can be achieved (Beck *et al.*, 2014; Eckard *et al.*, 2013; Hansen *et al.*, 2015). Inasmuch as formal structures and/or institutions could be characterized by red-tapes and bureaucracies, they are still crucial for the transference

of adequate skills, resources and expertise towards participants of the informal economy (Eckard *et al.*, 2013; Hansen *et al.*, 2015). Thus, the nexus between formal and informal economy provides an opportunity for the latter to realize and experience a sense of the kind of principles, values ethics and morals practiced in the formal institutions which is applicable in the informal economy (Suffin *et al.*, 2013). Concisely, social capital encompasses relationships of trust, reciprocity, kinship and exchanges that enable co-operation. The achievement of urban livelihoods is determined by the availability and viability of social capital. Natural capital is also considered as a crucial determinant of urban livelihoods as edified by the sustainable livelihoods framework

#### **2.4. Contributions of Informal Trading towards Urban Livelihoods**

Divergent stressors and shocks are globally regarded to be influencing factors that negatively affect the contributions of informal trading towards urban livelihoods (Szakonyi & Urpelainen, 2015). Various social, economic, political and climatic shocks and stressors impinge on the capabilities of informal trading to contribute meritoriously towards urban livelihoods (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). However, inasmuch as informal trading is renowned for its ability to absorb a plethora of destitute and unemployed urbanites, it is still fronted by multiple informal sector impediments and an unregulated environment that encroaches on its prospect of creating urban livelihoods that are resilient and immune to a plethora of shocks and stressors (Lauermann, 2013). Additionally, ease of entry into the informal sector within which informal trading operates is often congested thereby increasing competition amongst informal traders which eventually leads to uncertain growth prospects (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015).

#### **2.5. Conclusion**

This chapter has explored the contributions of informal trading towards urban livelihoods. It has highlighted the types, characteristics and challenges of informal trading. Furthermore, various stressors and shocks that affect the existence of urban livelihoods were indicated. Additionally, informal trading are emergent informal business establishments which face various challenges that were indicated in this chapter. These aforementioned challenges assist in the inability of informal trading to contribute positively towards urban livelihoods. Nonetheless, the informal sector within which informal trading operates is commended for its ability to absorb majority of the

destitute urbanites notwithstanding the multiple challenges that form part and parcel of the informal sector. The Subsequent chapter encompasses pragmatic experiences of informal trading and its contributions towards urban livelihoods in South Africa.

## Chapter Three

### Informal Trading and its Contributions towards Urban Livelihoods: A South African Context

#### 3.1. Introduction

Post 1994, when South Africa gained its freedom, there was an increase in disadvantaged individuals from their homelands into the city in an attempt to get employment opportunities in the formal sector (Eckard *et al.*, 2013; Hansen *et al.*, 2015). This persistent occurrence led to the inability of formal sector to employ majority of the unskilled and unemployed *inter alia*. As a result, informal trading began to gain popularity as the main option left for the poor to make a living (Eckard *et al.*, 2013; Hansen *et al.*, 2015). However, informal trading endures a plethora of stressors, shocks and a variety of challenges that affect its growth and sustainability. Literature on the informal economy in South Africa has gained popularity given the unemployment and poverty crisis, including the distinctive trails, stressors and shocks that impinge on the survival and sustainability of informal businesses within the second economy (Francis *et al.*, 2013). Understandably, as the labour market becomes competitive through seeking for individuals with higher qualifications and experience, most indigent South Africans do not meet the requirement to penetrate the formal labour market (Eckard *et al.*, 2013; Hansen *et al.*, 2015). On the other hand, the ubiquity of informal trading has been increased by unemployed graduates from institutions of higher learning *inter alia*. The aforesaid suggests that people are likely to be pushed into the informal sector involuntarily without an identified market niche. Thus, these circumstances contribute to the current types, characteristics and challenges of informal trading in South Africa (Szakonyi & Urpelainen, 2015). Thus, this section is devoted to the exposition of informal trading, its challenges, typologies and features including its contributions towards urban livelihoods in South Africa.

### **3.2. Typologies, Characteristics and Challenges of Informal Trading in South Africa**

The practice of informal trading in South Africa is categorized into distinctive typologies that vary according to size, scale of operation, scope of practice, goods and services sold including strategic location and time of operation. Ordinarily, informal trading is arguably said to operate on a small scale with a limited scope of operation and sophistication given its micro nature, limited resources and prestige. Nonetheless, this section is devoted to the exposition of divergent typologies and characteristics of informal trading predominantly in cities. Informal Trading in South Africa is noticeable around street pavements and adjacent formal business establishments. These entities operate informally, without any tax registration nor adherence to labour legislation requirements (Diale, 2009; Fatoki, 2013; Hansen *et al.*, 2015). Commonly, street traders do not necessarily have employees/staff, they rather solicit assistance from a friend or family member who might be willing to assist the enterprise with or without remuneration (DTI, 2005; DTI; 2008; DTI, 2012). In cities, informal trading is the most pervasive kind of livelihood strategy because it absorbs majority of the unskilled and unemployed urban dwellers. The phenomenon of informal trading in South Africa is topical given that it is the most common typology of informal trading as it is mostly attributed by informal entrepreneurs who strategically locate themselves around pavements, public transit interchanges and other areas of economic opportunities in an attempt to reach prospective customers.

Ordinarily, informal trading operates in the informal sector which is mainly attributed by perfect competition allows for ease of entry and exit into the market. Accordingly, homogeneity of goods and services becomes a predominant characteristic of the informal sector in South Africa (Department of Trade and Industry) (DTI), 2005; DTI; 2008; DTI, 2012). Thus, it becomes less common for informal traders to grow their businesses and graduate into the formal business sector. Nonetheless, informal trading is responsible for sustaining countless livelihoods in South Africa notwithstanding the enumerable challenges and trails that might hinder their growth and success (DTI; 2008; DTI, 2012). However, South Africa's urban informal economy consists of multiple typologies of informal trading activities in South Africa which are pervasive around city central business districts and adjacent formal businesses.

The practice of informal trading in most developing countries is frequently criticised, over and above its ability to create employment, as occupying a space that is publicly and privately owned thereby destroying the aesthetic layout of the urban city centres (Malefane, 2013; Sewdass & Du Toit, 2014). In South Africa urban informal economy, informal traders are renowned for causing pollution on the environment which subsequently hinders the cities to achieve its mission of becoming an eco-friendly location. Notably, the small-scale nature of informal trading often suggest that the activities and practices of informal street vending would more often than not affect the environment. Informal Trading is a livelihoods strategy in the urban informal economy given that it is frequently cited as contributing negatively to the environment thereby giving birth to a plethora of informal sector challenges (Malefane, 2013; Sewdass & Du Toit, 2014). Conversely, the aforesaid typologies of informal trading are not immune a host of challenges, stressors and shocks that form part of the informal economy (Malefane, 2013; Sewdass & Du Toit, 2014).

There is a general consciousness that formal sector employment is significantly superior to that of the informal economy in that it encompasses job permanency, written contracts, paid leave, pension retirement funding, unemployment insurance fund (UIF) as well as various remuneration levels (Eckard *et al.*, 2013; Hansen *et al.*, 2015). Further, labour legislations is one of the crucial distinguishing characteristics of formal sector employment to informal sector employment. Employment in the informal economy is regarded as trifling because of these aforementioned characteristics. Participants of the informal economy are not guaranteed permanent employment given the semi-legal and unregistered nature of the sector (Fatoki, 2013; Stats SA, 2012). Further, competition and homogeneity of goods and services offered in the informal sector bolsters the proliferation of similar informal enterprises in more or less the same economic nodes or areas of economic opportunity thereby given rise to multiple challenges in the informal sector (Fatoki, 2013; Stats SA, 2012).

Informal sector employees forgo a wide range of benefits because a significant amount of informal sector firms are not incorporated into the regulatory framework that governs employment relations. Africans tend to dominate employment in the informal sector with 42.5% of individuals engaged in the informal micro-enterprise and street trading being Africans (Stats SA, 2012). An assortment of issues inhibit the performance of SMME and informal sector enterprises including but not limited to; financial services,



skills trading, physical infrastructure, business-related infrastructure and the impact of operating unregulated (Stats SA, 2012). Understanding the issues related to informal trading in South Africa could lead to improved policy interventions and efforts that are directed towards alleviating poverty amongst the purportedly indigent informal traders. These aforesaid circumstances are *inter alia* the definitive attributes that characterise informal trading in South Africa (Stats SA, 2012). One of the most prominent attributes characterising informal trading in South Africa is ease of entry and exit into the informal economy (Stats SA, 2012). This can be spotted through the mushrooming informal businesses in areas of economic opportunities around public transit stations, adjacent formal businesses establishments and traffic robots. The informal economy in South Africa is characterised by the perfectly competitive market structure which suggests that there are little or no barriers to entry and exit in the market (DTI, 2012). These circumstances assist in the proliferation of distinctive typologies of informal trading including their unique characteristics.

Development literature suggest that informal trading in most urban cities of South Africa is further characterized by reliance on indigenous (accessible) resources (DTI, 2012). Given the fact that informal traders operate in an unregulated and uncontrolled place, it is evident that enterprises within the informal economy of South Africa operate outside of the conventional top-down bureaucratic systems suggests that informality and miscellanea of informal businesses is amongst others, one of the distinctive attributes of informal trading in South Africa (DTI, 2012; Stats SA, 2012; Fatoki, 2013). General consensus suggests that informal trading is characterized by a high degree of labour-intensive activities as opposed to more capital intensive resources in the formal economy (Fatoki, 2013). The informal sector in South Africa has demonstrated a large requirement for labour intensive activities as opposed to the formalised sector.

Inasmuch as informal trading, its types and characteristics in South Africa remain contested amongst scholars, family ownership is the most common attribute amongst others that portrays informal trade (DTI, 2012; Stats SA, 2012; Fatoki, 2013). South Africa is plagued by soaring levels of unemployment, poverty and inequality that impinge on various livelihoods. Most indigent households who could not acquire employment in the formal sector as a result of multiple economic pressures regard the informal economy as the only option left to create a decent livelihood (Fatoki, 2013).

Whether or not informal trading creates sufficient income leaves a lot to be desired, the consensus is that it assists destitute urban dwellers in make a living.

Informal trading across the globe is renowned for its small scale and scope of operation (Louw *et al.*, 2007; Fatoki, 2013; DTI, 2012). South Africa is no exception, literature on informal trading and various street vending activities record the limited scale and scope of operation as one of the definitive attributes of informal trading (Louw *et al.*, 2007; Fatoki, 2012; DTI, 2012). Therefore, the above said could justify the purported limited returns generated by such incipient business entities. Ordinarily, the scope of operating an informal enterprise could be justifiably low in that the money, resources and equipment needed for an informal start-up, is not big enough to be required for formalization and taxation purposes (Louw *et al.*, 2007; Fatoki, 2013; DTI, 2012). That is why informal trading is usually regarded as a business that is typically family based.

Partaking in highly competitive and unregulated markets, where there is a paucity of government intervention is *inter alia* another definitive attribute of informal trading in South African Cities (DTI, 2012). Perfect competition in the informal economy is a major characteristic within which informal trading can be spotted in South Africa. That is, all the market participants have perfect knowledge about the going market price (Louw *et al.*, 2007; Fatoki, 2013). That is, if the market price changes, all suppliers and customers are expected to know. Limited government intervention and paucity of regulation are amongst other things, the issues that fuel convenient start-up of such enterprises which eventually lead to an assortment of individuals of different socio-economic and socio-cultural backgrounds (Louw *et al.*, 2007; DTI, 2008; DTI, 2012; Fatoki, 2013).

Various market dynamics characterise informal trading in the urban business sector of majority of developing countries including South Africa (Louw *et al.*, 2007; DTI, 2008; DTI, 2012; Stats SA, 2012; Fatoki, 2013). The unconducive conditions faced by Informal traders in South Africa entails firm competition which unfolds in two ways. Firstly, competition in the informal economy takes place amongst informal traders themselves. These conditions of stiff competitions primarily occurs amongst informal traders who sell perfectly identical goods and services which eventually leads to over trading. Secondly, competition exists between both formal and informal enterprises

which more often than not lead to price cutting of goods and services in the informal economy (Louw *et al.*, 2007; DTI, 2008; DTI, 2012; Stats SA, 2012; Fatoki, 2013). Notwithstanding the highly competitive nature of informal sector, informal traders themselves actively participate in various approaches in an effort to eliminate competition. In continuation, entrepreneurs in the second economy ordinarily converge in an attempt to reach a consensus on the prices of their goods and services and the measuring of quantities of products and goods in order that all traders could be afforded to opportunity to compete equally (Louw *et al.*, 2007; DTI, 2008; DTI, 2012; Stats SA, 2012; Fatoki, 2013). However, a possibility of a select few traders to contravene the consensus always exists amongst traders who would want to dominate the market either through reducing/increasing the market price.

### 3.2.1. Typologies and Traits of Informal Trading: A South African Perspective

South Africa's urban informal economy is far from being unobtrusive in that goods and services sold in this sector are easily identifiable from and distinguishable from that of the formal business sector (Louw *et al.*, 2007; DTI, 2008; DTI, 2012; Stats SA, 2012; Fatoki, 2013). That is, informal traders habitually aim to sell products that could serve as a replacement of more expensive products of the formal sector. A perfect example could be traders that sell live chickens as compared to majority formal enterprises that sell chickens that are slaughtered or really made. Therefore, informal sector entrepreneurs who engage in this marketing strategy have comprehended that in order to attract customers from the formal sector, a different marketing strategy should be employed.

There is no universal accepted definition of what constitutes an informal enterprise across the globe. Informal trading is regarded as those businesses which are small scale, and operate outside registration, tax and social security frameworks, and importantly, health and safety rules for workers, with informal economic activity being defined by its precarious and miscellaneous nature (Louw *et al.*, 2007; Fatoki, 2013). Commercial analysis has illustrated that more than 45% of formal sector workers are similar to their informal sector counterparts in that they do not have written contracts, permanent positions or paid leave (Louw *et al.*, 2007; Fatoki, 2013). Thus, it is important to highlight these similarities between formal and informal sector employment to enable a better understanding of informal trading in the South African

contexts as juxtaposed to other countries. Nonetheless, various typologies of informal trading that exists in the second economy of South Africa will be critically explored in the subthemes below.

#### 3.2.1.1. Stationary Street Food Vending

Arguably, in South Africa, the popularisation of street food vending is mounting given the growing demand to cater for the low income urbanites who cannot afford food sold from the formal sector *inter alia* (Liedholm & Mead, 2010; Cass, 2012; Sewdass & Du Toit, 2014). Street food vending in urban areas of South Africa is predominantly conceived out of a need to fill the market gap of informally providing foods and beverages to the participants of the industrialised sector both formal and informal. Ordinarily, street food vending consists of more than two workers/employees that assist in the enterprise given its expanded scale of production as compared to other small scale oriented informal businesses (Liedholm & Mead, 2010; Cass, 2012; Sewdass & Du Toit, 2014).

In continuation, street food vending in South Africa possesses more physical assets that are crucial to the daily operation of the enterprise. These are: an informal operation stall, gas stove, water and perhaps a trolley. The sophistication of street food vending in urban areas is easily noticeable because it operates at a larger scale as compared to other typologies of informal trading. Frequently, municipal regulation and red tapes often impinge on the smooth operation of informal traders in the foods and beverage industry (Liedholm & Mead, 2010; Cass, 2012; Sewdass & Du Toit, 2014). Notably, street food vendors in South Africa are composed of a mixture of foreign nationals and local inhabitants who both experience more or less different circumstances in the city within which they operate. Polokwane city CBD is no exception, foreign nationals usually struggle to obtain trading permits from the local municipality given the protracted government processes manifested through red tapes and top-down bureaucratic procedures. Nonetheless, street food vending in urban areas of South Africa often presents itself as both mobile and stationary kind of business.

### 3.2.1.2. Mobile Street Food Vending

Currently, mobile street food vending in South Africa is mushrooming in the urban city centres predominantly because of the expanded market niche that propels informal traders to move from one place to another (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra, Hlatswayo & McMillan, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). Notably, mobile street food vending as opposed to stationary street food vending in South Africa is renowned for offering unique and distinctive products. Mobile street food vending usually presents itself in two ways. Firstly, mobile street food vendors mostly offer fruits and vegetables in large portions provided the season for those goods present itself (Amra *et al.*, 2013). These kinds of informal traders have created a relationship with suppliers that participate in the agricultural sector. Moreover, the large bulk of products and produce that are usually offered by mobile street food vendors attracts prospective consumers because these products are often sold at a price that is lower than the expected market price (Amra *et al.*, 2013).

Secondly, mobile street food vending usually offers products like ice-cream, frozen yogurt, sweets and soft drinks. In addition, mobile street food vending is noticeable through the sophisticated assets it utilises on the daily operation as compared to other seemingly trivial kinds of informal trading (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). The utilisation of a motor vehicle, cell phone to contact suppliers and a microphone speaker to market the products goes to prove the sophistication and uniqueness of this kind of informal trading in South Africa informal urban space. This type of informal trading operates on a small scale which consequently suggest that the number of workers/assistants would be limited. The abovementioned conditions characterise Polokwane city CBD in Limpopo province.

### 3.2.1.3. Seasonal Street Food Vending

In South Africa, seasonal street food vending is mushrooming in urban areas given the availability of certain goods and services in diverse seasons. Understandably, seasonal street food vendors operate on an ad hoc basis in that the industry they occupy is not characterised by conditions that are conducive for trading on a daily basis, let alone do they regard themselves as permanent workers of the informal economy (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane,

2013; Sewdass & Du Toit, 2014). Additionally, street food vendors are active participants in the agricultural sector. These kinds of traders usually sell seasonal products that include avocados, orange, pineapple, peach, mango and other related seasonal goods. Notably, an important attribute of this kind of sector is that the traders are usually the only suppliers of the goods which would suggest that it could possibly be a monopolised sector.

South Africa's informal business space is characterised by seasonal informal traders that include a mixture of employed, and unemployed individuals who aim to capitalize on the seasonal market opportunity as it presents itself. Often, economic resilience and financial capital provides entrepreneurs in this sector with an edge to be competitive over those that are considered to be income poor (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). Thus, most seasonal informal traders in South Africa become temporary occupants of the informal economy in them participate in the sector provided a market opportunity presents itself. Thus, seasonal informal traders in South Africa enjoy the practice of seasonal trading given that the sector within which they operate is largely a perfectly competitive sector. That is, the informal economy in South Africa is attributed by informal traders who sell homogenous goods and services. This market situation creates an attractive business space for prospective seasonal informal traders who have the financial capital and resources to become competitive and temporarily lead the seasonal informal market given that the goods offered would be distinctive and unique from those sold in the perfectly competitive informal economy (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014).

In continuation, given the uniqueness of the products, it is possible that the quantity of the products demanded will increase provided the consumers purchase in bulk suggesting that the prices will decrease (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). Nonetheless, seasonal street food vending could be conceptualized as an opportunity based kind of informal trading as opposed to being conceived as a permanent livelihood strategy. Therefore, street food vending serves as a temporary poverty relief strategy. As opposed to other typologies of informal trading in South Africa, seasonal street food vendors do not necessarily experience the same kind of challenges as other informal traders

(Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). Business formalisation could not be counted as one of the issues that face informal street food vendors because the nature of their operation is not structured in a way that would require formalisation. Thus, these type of informal traders are evidently divergent in how they operate, when they operate and why they operate.

#### 3.2.1.4. Wholesale Street Vending

South African urban city central business districts are pigeonholed by a plethora of wholesale street vendors that are mostly located in street pavements and adjacent formal business establishments (Mmbengwa, Ramukumba, Groenewald, Van Schalkwyk, Gundidza & Maiwashe, 2011; Cass, 2012; Liedholm & Mead, 2010; Sewdass & Du Toit, 2014; Dobson *et al.*, 2015; Brown & MacGranahan, 2016). Wholesale street vending is the most pervasive typology of street vending in South Africa because it is convenient to enter and exit the market without any hindrances of red tapes and bureaucracies. Additionally, wholesale street vendors operate in a perfectly competitive market circumstance where there is a large number of buyers and sellers of the product and service. Vendors in this sector experience high levels of congestion from neighbouring traders which subsequently translates itself into a highly competitive space. Wholesale street traders usually operate on a small scale with limited or no physical assets that form part of the daily operations on the enterprise (Mmbengwa *et al.*, 2011; Cass, 2012 Liedholm & Mead, 2010; Sewdass & Du Toit, 2014; Dobson *et al.*, 2015; Brown & MacGranahan, 2016). Usually, this type of informal trading consists of less than two workers who assist with the daily operations of the enterprise. Further, the limited scope of most Wholesale Street vendors often suggest that the financial returns will be limited. Conversely, a select few wholesale street vendors have a relatively high level of labour intensity given the expanded scale of production.

#### 3.2.1.5. Intersection Trading

The practice of intersecting trading in South Africa is not largely distinctive from any other form of informal trading. This type of trading operates on a small scale, with limited employees and a permanent trading stall (Turaeva, 2014; Hansen *et al.*, 2015). It is rather nuanced by the fact that it operates mainly at robots and street intersections.

This form of street trading is mainly dominated by hawkers who sell convenient goods mainly soft drinks, potato chips, sweets and cigarettes (Turaeva, 2014; Hansen *et al.*, 2015). Intersecting street traders usually sell goods and services that are limited as compared to other types of informal trading establishments. Literature on SMMEs suggests that intersection traders purchase stock/inventory that is easier to carry around and sell to consumers who are usually motorists and pedestrians (Turaeva, 2014; Hansen *et al.*, 2015).

Informal traders in South Africa diversify their livelihoods in many ways, thus, intersecting trading is regarded as an innovative strategy that is likely to increase the income of informal traders (Turaeva, 2014; Hansen *et al.*, 2015). As the informal sector is unregulated – it is much convenient for participants to become innovative and ingenious through creating unique strategies that might increase their exposure and better their chances of having a stake and share of the market (Szakonyi & Urpelainen, 2015). However, apart from the minimal opportunities created through intersection trading, various challenges and shocks encroach on the success of this type of informal trading. These are; changes in weather conditions, changes in movement of motorists and pedestrians and also urban traffic management that might affect the smooth functioning of this type of trading (Suffin *et al.*, 2013; Chambers and Cornway, 1992). Nonetheless, another type of informal trading that is considered to be the closest to intersection trading is transport interchange Trading.

#### 3.2.1.6. Informal Hairdressing

Urban South Africa is marked by two distinctive typologies of informal hair dressing that is pervasive adjacent formal business institutions, pavements and outside the boundaries of public transit stations and industrial sites (Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016). The first typology of informal hair dressing is dominated by women who operate at a micro scale as they do not possess a single tangible physical resource apart from a plastic chair, mirror and a candle. In Continuation, the most valuable intangible asset is their ability to perform multiple hair styles that are arguably emulated from the more formalised hair salons (Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016; Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). Literature further indicates that majority Informal traders in this sector have been previously employed as formal workers in



reputable salons in the city. As a result of limited pay, long working hours and other related reason, the popularisation of informal hair dressers that are predominantly women took pragmatic effect.

Additionally, given that these kind of hair dressers are skilled and able to perform similar hairstyles to that of the formalise hair salons –customers who do not have sufficient purchasing power eventually are likely opt for the informal hair dressers. Notably, consumers and the target market of these kind of traders are familiar with the strategic location of such traders including their contact details (Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016; Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). Customers are the ones that present themselves with their own hair pieces/ including a picture or brief description of the hair style. Unlike formal hair salons where all resources are available inclusive of a relatively high service price, the informal hair salons are gradually becoming a last resort for those urbanites who do not afford services offered by the formal sector (Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016; Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). The second typology of informal hair dressers is predominantly bombarded by male informal traders.

In continuation, male informal traders that operate informal hair salons are usually stationary informal traders with an identifiable business/practice space. The physical assets in this kind of businesses is usually a hair cutting device, mirror, adjustable shade, and a source of energy, usually a shade battery (Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016; Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). Informal traders that own the aforesaid establishment usually operate without the appointment of a staff member/employee. This is because of the limited scope and scale of production characterising this type of trading. These kind of traders mostly specialise in haircuts, and facial hair trimming. Majority of the owners of these businesses have been previously employed by formal saloons which charge a higher price as opposed to the smaller informal hair dressers (Ablo, 2015; Parizeau, 2015; Ackah-Baidoo, 2016; Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). Thus, it is possible, that informal traders initiated this type of informal trading out of an observable market niche or perhaps income poverty *inter alia*

### 3.2.2. Transport Interchange Trading

Understandably, this type of informal trading is ubiquitous around public transit stations, mainly taxi ranks and bus stations. Perhaps it is because a large prospective customer base presents itself at these public transit stations. The chances of business to flourish at these interchanges is relatively high because traders in this area mainly sell convenient goods and services like soft drink, mini snacks sweets and other demerit goods like cigarettes (Suffin *et al.*, 2013; Fatoki, 2013; Cass, 2012; Liedholm & Mead, 2010; Sewdass & Du Toit, 2014; Dobson *et al.*, 2015; Brown & MacGranahan, 2016). Transport interchange trading is regarded as those enterprises that have the highest chances of production because of its fixed and guaranteed clientele. This kind of informal trading is not immune to a multiplicity of challenges that form part of the informal economy including the perfectly competitive market structure which allows for freedom of entry and exit of a large number of buyers and sellers of the product thereby increasing the competition within that market (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014).

A determinant of success is the ability of traders/participants to sell products that are rather distinctive and difficult for neighbouring traders to imitate. The challenge that might arise from trading in this kind of sector is that perfect competition allows complete freedom of entry and exit of participants. Importantly, informality and perfect competition creates a space for other traders to emulate products that seem to be highly demanded in the market. Traders in this type of sector are bound to lower their prices below the normal market price in order that they beat their competitors (Fatoki, 2013; Suffin *et al.*, 2013; Sewdass & Du Toit, 2014; Dobson *et al.*, 2015; Brown & MacGranahan, 2016). Importantly, transport interchange traders operate either as stationary, mobile or a combination of both operation strategies.

#### 3.2.2.1. Fixed Transport Interchange Trading

In South Africa's second economy, predominantly around public transit station, a large number of transport interchange traders operate as fixed informal enterprises. The immobile nature of these kind of informal traders could be because their targeted market is located within the vicinity of the public transit station (Suffin *et al.*, 2013; Fatoki, 2013; Cass, 2012; Liedholm & Mead, 2010; Sewdass & Du Toit, 2014; Dobson *et al.*, 2015; Brown & MacGranahan, 2016). Traders that operate in public transit

station are usually familiar with pedestrians who utilise the public transportation, weather buss, taxi or train. These traders habitually make social ties with the customers on a regular basis in an attempt to secure their clientele.

Importantly, what distinguishes transport interchange trading form other types of informal trading is that it usually offers fruits, vegetables, sweets and soft drinks as opposed to other types of informal enterprise (Suffin *et al.*, 2013; Fatoki, 2013; Cass, 2012; Liedholm & Mead, 2010; Sewdass & Du Toit, 2014; Dobson *et al.*, 2015; Brown & MacGranahan, 2016). Another interesting aspect of fixed transport interchange trading is that each trader has marked their own operating space within the boundaries of the transit station. Notably, these kind of traders are small scale oriented characterised by a production process that is micro by nature. Furthermore, a conspicuous attribute characterising traders in this sector is that they there is a large number of similar kinds of enterprises in close proximity that offer homogenous goods and services that approximately the same price range Suffin *et al.*, 2013; Fatoki, 2013; Cass, 2012; Liedholm & Mead, 2010; Sewdass & Du Toit, 2014; Dobson *et al.*, 2015; Brown & MacGranahan, 2016. This suggest that traders that operate in this sector are completion amongst themselves and attracting customers could be difficult. Some traders who operate at transport interchanges strategically locate themselves in areas where there could be an opportunity to attract customers who enter the premises. These traders ordinarily locate themselves near entrance and exit point of the public transit premises in an attempt to attract customers who enter and exit (Suffin *et al.*, 2013; Fatoki, 2013; Cass, 2012; Liedholm & Mead, 2010; Sewdass & Du Toit, 2014; Dobson *et al.*, 2015; Brown & MacGranahan, 2016).

### 3.2.2.2. Mobile Transport interchange Trading

Mobile transport interchange trading is a growing and budding phenomenon in cities and areas of high movement of pedestrian's particularly public transit station. Literature contributes that mobile transport interchange traders could have initially resumes their informal trading practise as entrepreneurs who operate as stationary traders (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015). Further, perhaps the fact that these initially immobile informal traders might notice that there is movement of traders from one area to another in an attempt to search for prospective customers could have motivated

them to diversify their strategy of operation. So, currently traders operating within the premises of public transit station could disguise themselves as informal traders who operate as mobile informal sector entrepreneurs whilst they could posse their own stationary operation business stalls (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015 ).

Ordinarily, the targeted customers of mobile public transport interchange trading could enter into a bus or taxi with heavy luggage without having an opportunity to purchase products from a stationary informal trader. Accordingly, the stationary informal traders have the ability to abruptly transform themselves into mobile traders in order that they could cater for saturated customer. These circumstances characterise most public transit stations in South Africa (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015). Notheless, operating space proves to be one of the major obstacles that impinge of the smooth practice of this kind of informal trading in that when environmental element including heavy rain and storms take pragmatic effect, there is no readily available storage space.

### 3.2.2.3. Transient Public Transit Trading

South Africa's informal urban economy is marked by mushrooming transient informal traders that are ubiquitous, predominantly, in public transit stations. Transient informal traders refers to a type of trading that is conceived out of a short-lived market niche (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). This type of informal street trading is temporary given the nature of its operation and the manner in which it unfolds. Transient street traders are predominantly mobile traders because their nature of moving from one place to another is conceived out of a need to capitalize on a large number of prospective customer. These kinds of traders operate at a very small scale and limited scale of production because the inputs of their transient enterprises usually limited in nature. In public transit stations of South Africa, these kind of traders usually trade cell-phone starter packs, airtime, CD's, both original and/or pirated and football tickets (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014).

Ordinarily, transient street traders habitually sell their products at a cheaper price or higher price given various reasons (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). Firstly, products that are offered by transient traders could be cheaper provided the trader has acquired the products at a ridiculously low price, or the traders might have acquired the product illegally or in other unknown ways. Traders who may be in this situation could be seeking to obtain high returns from being a transient informal entrepreneur. On the other hand, transient informal traders could sell products at a higher price provided a black market presents itself (Rogerson, 2010; Booyens, 2011; DTI, 2012; Amra *et al.*, 2013; Malefane, 2013; Sewdass & Du Toit, 2014). When the quantity demanded of a certain product increases, the price of the product will also increase provided all other factors remain the same and *visa-versa*.

### 3.2.3 Challenges of Informal Trading in South Africa

The challenges facing informal trading in South Africa have received much attention in literature on informal businesses given the negative impact they have on the growth and longevity of budding informal businesses. The multiple challenges facing informal trading in South Africa are to a large extent, engendered by local governance systems and structures. It is in this context that informal trading endures multiple external pressures and stressors that form part of the informal sector.

#### 3.2.3.1. Access to Financial Capital

Access to financial services are important for the facilitation of various aspects in the business and can therefore, be regarded as crucial to the existence of any business venture (Louw *et al.*, 2007; Tapies & Fernandez 2012; Eckard *et al.*, 2013; Hansen *et al.*, 2015). Financial capital allows for the financial freedom of the entrepreneur in the business which assists in the acquisition of physical resources and assets that are instrumental to the business (Tapies & Fernandez 2012; Eckard *et al.*, 2013; Hansen *et al.*, 2015). However, Informal traders in South Africa are mostly unable access financial capital from various funding institutions given that they are regarded as high risk institutions, who do not have legitimate business plans, and a record of financial cash flows of their respective businesses (DTI, 2008; DTI, 2012; Fatoki, 2013). As a result, Informal sector firms initiate and fund their enterprises from personal savings

and contributions from friends and family members who have a possibility of benefiting from the enterprise in-kind (DTI, 2008; DTI, 2012; Fatoki, 2013).

Collateral is amongst other issues, one of the pressing challenges that affect majority of small-scale informal traders in the informal sector (Louw *et al.*, 2007; DTI, 2008; DTI, 2012; Fatoki, 2013). Majority of urban informal traders in South Africa are destitute migrants from surrounding rural areas and townships who are predominantly income poor. Thus, owning a house, other form of property or a car that would allow the acquisition of a loan is unlikely thereby suggesting that they would not receive funding for their businesses (Louw *et al.*, 2007; Fatoki, 2013). Notably, financial institutions have little or no provision for financing informal businesses who do not possess the possibility of grown and advancing to the SMMEs category. This has led to the economic stagnation of a large proportion of informal sector enterprises (Louw *et al.*, 2007; Fatoki, 2013).

#### 3.2.3.2. Admission to Skills Training

Individuals engaged in informal sector activity tend to be less educated and have fewer marketable skills than their formal sector counterparts (Louw *et al.*, 2007; DTI, 2008; DTI, 2012). (Louw *et al.*, 2007; Stats, SA, 2012). An attempt to remedy this situation is the provision of skills training to informal sector entrepreneurs (Stats, SA, 2012; Fatoki, 2013). Majority of workers in the informal economy do not have knowledge and subsequently access to the various agencies and support institutions available for them to offer non-financial support for their businesses (Louw *et al.*, 2007; Stats, SA, 2012). The inability to acquire access could be because of limited information, lack of interest about the available support that is directed towards. Often, a predominant requirement for business incubation in majority the agencies and organs of state is that a business should be a small to medium sized enterprise (Tapies & Fernandez 2012; Eckard *et al.*, 2013; Hansen *et al.*, 2015). Therefore, this situation does not favour most budding informal enterprises in South Africa. On the Other hand, support agencies are also responsible for the seemingly inadequate coverage and marketing of their support and various incubation services that will allow for informal business in South Africa to flourish (Louw *et al.*, 2007; Stats, SA, 2012).

Although training is available through the Sector Education and Training Authorities (SETA) program, informal sector enterprises do not necessarily find this training to be accessible. Bigger established business institutions, for example, find the administrative and other requirements of the SETA program to be time-consuming, hindering the development of learnership programs (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015). Often, small informal businesses would consider the opportunity cost of neglecting their businesses for the day and attending the workshops and seminars of the SETA Program (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015). Additionally, the sales of have been lost by attending the various skills training workshops –perhaps that is why majority of informal traders in South Africa become reluctant to attend the aforementioned training sessions (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015).

#### 3.2.3.3. Acquisition of Infrastructure

Business in the informal economy require access to infrastructure in order to smoothly operate on a daily basis and become resilient in the event of a stressor or shocks (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015) . Safe drinking water, sanitation and refuse removal services, including access to electricity *inter alia*, are crucial municipal services that may support or constrain, in their absence, businesses in the informal sector (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015). Consequently, given that some informal sector workers in Limpopo Province work from home, it is important that their households have access to the aforesaid municipal services. Further, the provision of formal housing and the general upgrading of informal settlement are important interventions that could stimulate informal businesses (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015). Thus, access to decent infrastructure like water and electricity guarantees the health of both customers and traders particularly in the food and beverage industry.

Transport infrastructural services are important to informal traders who are affected by historical settlement patterns which result in a large proportion of poor people living away from their areas of employment/work (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015). Limpopo Province is no different, in this regard, many of the poorest workers in the informal sector travel long distances to work mainly from peripheral rural areas and townships. Further, those engaged in informal sector activity, even when working from their home, are also affected, facing high transport costs through getting themselves and their products to places of sale in various markets, at public transit station, central business district, intersections and pavement, or receiving inputs for the business or materials suppliers to their places of operation (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015).

#### 3.2.3.4. The Governing Environment

The regulatory environment in South Africa is inherently contentious in that various studies have indicated that regulation in South Africa's second economy is negatively affecting the growth of businesses, particularly tiny enterprises that are imbedded in the informal sector (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). In South Africa, a majority of informal sector firms regard labour regulations as one of the pressing constraints, affecting informal businesses (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). The paucity of labour regulations often suggest that the workers/employees in the informal sector would be mostly affected given the unconducive working environment especially working hours, remuneration and leave *inter alia* (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). These aforesaid constraints suggest that the possibility of informal sector workers being unsatisfied with the working conditions could exit.

The unregulated nature of the informal sector gives birth to multiple problems that allow for the increased inflow and outflow of foreign nationals who are purported to be dominating business in the informal sector. (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). Continually, the informal economy of South Africa becomes characterised by local and foreign street traders who more often than not, do not



operate in symbiosis given their national, cultural and socio-economic differences. These circumstances create a possibility of a xenophobic attitude towards informal trading which leads to violent attacks and looting that in the process, destroy the physical assets of the informal traders (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). Therefore, it is important that local governance in the urban city CBD strengthens their policing efforts in order that they may support the assets of livelihoods in the informal economy.

### 3.2.3.5. Access to Institutional Support

Enterprises in the informal economy are faced by a variety of constraints, which are industry specific, or may differ according to the individual business' location, customer background and product or service (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015). The inability to acquire business support services is a serious constrain on the growth and development of businesses in the informal sector. That is, informal businesses remain survivalist enterprises because they would have not gained knowledge and insights on how to grow their businesses. The aforesaid is evident through the observation of enterprises in the informal sector. They appear to be static, with limited prospects of growth mainly because of the challenges, stressors and shocks that form part of the informal sector (Sewdass & Du Toit, 2014; Turaeva, 2014; Hansen *et al.*, 2015; Szakonyi & Urpelainen, 2015; Dobson *et al.*, 2015).

Often, informal traders do not have support from institutions like the local government, private sector and developmental organs of state that are intended towards support of informal trading (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). That is, informal traders are not regarded as meeting the thresholds that would enable them to qualify for training, incubation and support of their enterprises. This circumstances could be justified by the fact that informal trading is still regarded as an incipient kind of trading that is far from graduation into the formal sector (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). Retrospectively, institutions like SEDA (Small Enterprise Development Agency), SEFA (Small Enterprise Finance Agency) and NYDA (National Youth Development Agency) pay scant attention towards support of businesses in the informal sector. Ordinarily, the

aforementioned institutions mainly focus on small to medium sized businesses that have a direct contribution to the GDP (Gross Domestic Product) of South Africa (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015).

### **3.3. Factors Determining Urban Livelihoods in South Africa**

Climate-related hazards are regarded as being responsible for the depletion and destruction of urban livelihoods that are led by indigent urban inhabitants in South Africa (Deressa, 2009; ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). The consequences of the aforementioned is usually a sudden loss of livelihoods assets, food insecurity, and demolished homes followed by a loss of sense of place (DTI, 2008; Louw *et al.*, 2007; ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). Climate change affects the world as a whole which is a result of global warming caused by development related practices in an attempt to create employment opportunities and reduce poverty. Nonetheless, climate related hazards are external factors that affect the informal businesses given their lack of safe working stations. Accordingly, urban inhabitants who do not have the economic resilience to recover from stressors such as heavy storms, rains, floods and tornadoes *inter alia* become vulnerable to the volatile climatic conditions that are mostly precipitated by human socio-economic activity (DTI, 2008; Louw *et al.*, 2007; ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015).

#### **3.3.1. Volatile Economy and Urban Livelihoods**

There is a robust universal convergence that resilience in a volatile economy requires adaptation abilities that allow for the capacity to mitigate and recover from stressors related to economic fluctuations (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). Livelihoods in the informal sector of South Africa have been and still are unable to cope with the volatile and rampant macro-economic environment. Generally, economic stressors and shocks include domestic and international price fluctuations that is predominantly caused by commodity demand or domestic market prices. (Raeymaekers *et al.*, 2008; Turaeva, 2014). Thus, existence and sustainability of urban livelihoods in the informal sector of South Africa is dependent on its ability to

cope with and recover from rampant macro-economic price fluctuations. Furthermore, the inability for urban livelihoods to deal with such stressors and shocks often contributes deleteriously to the formation of budding informal businesses in South Africa. (Szakonyi & Urpelainen, 2015). The consequences of economic shocks results in most individuals selling the assets that are crucial for production. This action suggests that informal economic activity in South Africa is prone to become less productive in subsequent economic shocks and even more vulnerable for imminent economic shocks (Suffin *et al.*, 2013).

Understandably, urban livelihoods in South Africa are expected to cope with and recover from multiple economic stressors and shocks that affect the daily functioning of the informal business (ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). When the general prices of goods and services increases, there exists an immediate constrain that affects the financial viability of suppliers, informal traders and prospective customers/target market. As the law of demand edifies, when the prices of consumer goods and services increase, the quantity demanded will decrease provided other factors like household size and health status of consumers remains the same (ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). Therefore, price increase affects the quantity of inputs demanded by the owners of informal businesses. In addition, these circumstances will eventually affect the consumers and/or end users of the product/services.

Further, when the inputs of the business increases, the prices of the final goods also increases. These circumstances also apply in a perfectly competitive market structure of South Africa's informal sector (ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). When prices of goods and services increase, the participants of the informal economy will converge in an attempt to informally regulate their prices. Whereas economic theory suggest that participants of the informal economy do no collude in an attempt to fix and/or regulate the market prices of consumer goods and services –South Africa's informal economy suggest differently. Literature on informal start-up enterprises illustrates that informal traders in the informal sector informally collude in order that they may regulate the market prices (ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). In a nut shell, it is evident that price

increase modifies the general structure and the manner in which informal entrepreneurs operate and responds to external stressors and shocks.

Like any other formal enterprise, informal economic activities have assets and physical resources that are considered to be instrumental to the functioning of the enterprises. When prices of consumer goods and services increase, the likelihood of informal entrepreneurs considering the liquidation of their enterprises increases (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). Economic theory suggest that all business ventures should continue operating their businesses provided the total revenue of the business is equal to or greater than the total cost. That is, a business is considered viable when the economic cost of operating the enterprises is exceeded by the total revenue (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015). So, when external economic stressors take pragmatic effect, internal financial decisions are taken by all profit driven enterprises, both formal and informal. Unfortunately, literature on SMMEs suggest that majority of informal enterprises do not have the economic resilience/insurance to cope with and recover from external economic stressors and shocks. Thus, notwithstanding a variety of policy making efforts in local governments that continue to motivate for financial support of informal enterprises – majority of the informal businesses do not have the collateral, growth prospects, financial feasibility and business plans to qualify for financial assistance in order that they may have the ability of coping with economic stressors and shocks (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015).

### 3.3.2. Financial Capital in the Informal Sector

There is universal consensus that access and availability of financial capital to any business whether formal or informal is crucial for a positive start-up of an enterprises. Informal businesses in South Africa are no exception; they are in need of initial/start-up capital in order to be competitive in their respective markets (Szakonyi & Urpelainen, 2015). Additionally, capital allows the informal trader to purchase the necessary inventory/ stock and assets that are crucial to the successful implementation of any business project. South Africa's spatial distribution is not

conducive for most participants of the informal economy in that people from peripheral rural areas and townships are bound to carry their goods to cities where there is a perceived market niche (Sonobe *et al.*, 2011; Nguimkeu, 2014). Thus, without the availability of adequate capital contribution, it would be difficult, for any informal business operating in South Africa to easily become successful.

Literature suggests that there are two main types of financial capital namely; regular cash flows of money and available stock. Regular availability of cash flows indicates that savings are the ideal type of financial capital in that they do not comprise of liabilities which means that financial freedom is guaranteed. Cash, liquid assets deposits or livestock are a form of assets (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015). Therefore, remittances, pensions and other transfers from the state also refers regular inflows of money. Thus, informal traders in South Africa given their unregistered nature suggest that pensions and transfers are almost impossible because of absence of adherence to labor legislations (Suffin *et al.*, 2013). Financial capital does not exist in isolation, natural capital is also regarded as a crucial determinant of any livelihood.

### 3.3.3. Political Stressors and Shocks affecting Urban Livelihoods

Logically, the controversial and often rampant political environment in South Africa is inextricably linked with informal economic activity occurring mostly in urban areas. These are a variety of shocks and stressors including but not limited to; service delivery protest, civil unrest, public protests, xenophobic and afrophobic attacks *inter alia*. The aforementioned stressors and shocks impinge on the ability of informal trading to contribute towards urban livelihoods (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015). Continuingly, most urban livelihoods particularly ones in the informal sector are vulnerable to political shocks given their purported inability to withstand destructive strikes, looting and riots (Szakonyi & Urpelainen, 2015). Participants of the informal economy usually have a limited start-up capital base. Most of these entities are survivalists businesses like home-based entities, hawkers, street vendors and micro-enterprises. Evidence suggest that the occurrence of strikes or civil unrest encroaches on the production process of the informal traders. The time lost participating or being destructed by such civil disruptions will cost the business a large

amount of returns. Additionally, the fact that informal traders do not have economic resilience suggests that to recover from such interruptions only makes matters worse. Buying, selling and production becomes stifled thereby undesirably impacting on the financial returns and profit margins given the endurance of the disruptions (Dorward *et al.*, 2005; Louw *et al.*, 2007; Szakonyi & Urpelainen, 2015).

The external political environment in the urban informal economy of South Africa is more often than not, frequently cited as responsible for the demolition of physical assets and equipment's of informal thereby threatening their financial prospects (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015 ;Szakonyi & Urpelainen, 2015). South Africa urban space, particularly, the informal economy is vulnerable to the rampant political environment that occurs given divergent socio-political reasons. Civil unrest, violent service delivery protests, riots and strikes, together contributes to the vulnerability urban livelihoods particularly informal trading (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015; Szakonyi & Urpelainen, 2015).

Notably, informal economic activities in South Africa's urban sector do not have reliable and decent physical assets that protects and serve as a storage space (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015; Szakonyi & Urpelainen, 2015). These circumstances positions informal enterprises in a state of vulnerability because provided there occurs a violent service delivery protest, the physical assets of informal traders will be threatened. The external political environment is renowned for hosting violent protests that directly demolish the physical assets of budding informal traders. When the aforesaid political circumstances take pragmatic effect, the livelihoods of informal traders in South Africa are affected disproportionately (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015 ;Szakonyi & Urpelainen, 2015).

The recent xenophobic attacks have proved detrimental to majority of the livelihoods of informal traders who are predominantly foreign nationals. Xenophobic violence is not a new phenomenon that invaded the urban informal economy of South Africa. Political stressors come a long way in that the idea that Africans are separated by

virtue of nationality create an automatic attitude of hatred which eventually has a direct influence on the physical assets of urban livelihoods and subsequently their income (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015; Szakonyi & Urpelainen, 2015). Additionally, the phenomenon of xenophobic violence in the informal economy is inherently contentious in that, allegedly, local informal traders are amongst others, the initiators of the violent xenophobic attacks.

Notably, literature suggest that local informal traders perceive foreign nationals as being business savvy notwithstanding the enumerable challenges that the latter endures from the local governance with regard to documentation and tedious bureaucratic procedures (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015 ;Szakonyi & Urpelainen, 2015). Therefore, the external political environment in South Africa is being used as a mechanism to convey a message to the government or civil society servants. Unfortunately, in the process, urban livelihoods that do not have verifiable economic resilience become affected (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015; Szakonyi & Urpelainen, 2015).

Currently, South Africa's urban informal economy is marked by multiple dynamics between informal economy and the local government's institutions. These dynamics encompasses intra-and inter relationships between and amongst informal traders and local government officials. That is, for example, relationships between informal traders and local police officers are regarded as antagonistic to the phenomenon of informal trading (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015 ;Szakonyi & Urpelainen, 2015). Further, the aforesaid actions could involve, at heart, situations wherein the products and goods of informal traders are being impounded or confiscated (whether lawfully or unlawfully). These circumstances could occur given a situation where the informal trader sells products that are pirated or often mistaken to be pirated. In addition, the brutal and often outrageous efforts of local government to manage the legitimacy of the informal sector results in a situation where informal traders are mistreated. Additionally, given the unregulated nature of informal traders, it is often difficult and somewhat protracted

for informal traders to get assistance from the law enforcement officers because the people that threatens their businesses are the very same people they would require justice to be exercised (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015; Szakonyi & Urpelainen, 2015). These circumstances suggests that informal traders would operate in a state of fear and anxiety given that dismissal and/or forceful removal from their trading stalls would be looming.

Conditions of frustration and confusion exist amongst informal traders given that site allocations and the process of doling out permits by municipalities remains unnecessarily protracted thereby, clearly, creating tensions between and an uncondusive working environment between the municipal official and the informal traders (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015; Szakonyi & Urpelainen, 2015). Eventually, the municipalities would require the traders to produce their trading permits in the event a project intended to confiscate the goods of illegal or undocumented informal traders presents itself. Notably, municipal red-tapes and bureaucratic top-down systems delay the legitimization of informal enterprises thereby engendering a state of apprehension and unrest amongst informal traders who operate undocumented in the informal economy of urban South Africa (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015 ;Szakonyi & Urpelainen, 2015). These complexities of informal trading in South Africa often contribute to the current state of slow growth of informal businesses.

#### 3.3.4. Physical Capital and Urban Informal Trading

Physical capital and other similar constraints including housing, public utilities, transport, electricity and security have negative consequences on the Livelihoods of indigent urbanites (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015 ;Szakonyi & Urpelainen, 2015). As many informal enterprises operate from residential and business premises, the availability of services (water, sanitation and electricity) is a key element in their operation. The experience in South Africa indicates a grim history in public service provision for informal traders in urban areas. Nevertheless, physical capital, allocation and



distribution of business stalls amongst informal traders in the second economy has received much attention in the SMMEs discourse in South Africa (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015 ;Szakonyi & Urpelainen, 2015). Governance in the urban informal economy have not devised strategies and methods to allocate business stalls. These circumstances create conditions that allow the inability of informal enterprises to recover from a multiplicity of environmental elements. A host of environmental elements impinge on urban livelihoods and their ability to become resilient. Understandably, evidence from South Africa's urban informal economy suggest that the occurrence of a storm, flood and a host of other environmental elements directly impacts on urban livelihoods and their capabilities to become resilient after their physical assets have been demolished (Ergholt & Lujala, 2012; Brida *et al.*, 2013; Coutyenier & Soubeyran, 2013; Flores & Smith, 2013; Silva *et al.*, 2015; Szakonyi & Urpelainen, 2015). Thus, physical assets in the urban informal economy are a crucial determinant of business success. In continuation, the recent xenophobic violent attacks in the urban informal sector of South Africa have demonstrated that physical assets of informal traders become compromised during the violent attacks. Thus, it is for these reasons that the recognition of physical capital as a curial determinant of enterprise success in the informal sector becomes strengthened.

### 3.3.5. Societal Stressors and Shocks affecting Informal Trading

The prevalence of societal stressors and shocks across the globe are seen to have a negative influence on the existence and longevity of participants of the informal sector (Christiaensen *et al.*, 2013; Nguimkeu, 2014). In this case, societal stressors refer to a multiplicity of medical conditions, diseases and a variety of societal illnesses such as HIV/AIDS, tuberculosis and cancer *inter alia* (Christiaensen *et al.*, 2013; Nguimkeu, 2014). South Africa is no exception; it is home to a nation that is plagued by majority of societal illnesses that result in abrupt death. In continuation, HIV/AIDS, cancer and tuberculosis together, are responsible for the death and lose of livelihoods in both the formal and informal economy of South Africa. As a result, most dependents of victims of the aforementioned diseases are left poverty stricken, vulnerable and food insecure. Thus, a move towards ameliorating deaths that are primarily caused by HIV/AIDS *inter*

*alia*, requires behavioral changes and education related to such illnesses. (Sonobe *et al.*, 2011; Nguimkeu, 2014).

Accordingly, a crucial determinant of urban livelihoods is the capability of participants of the informal sector to efficaciously cope with and recover from such societal stressors (Sonobe *et al.*, 2011; Nguimkeu, 2014). Therefore, policy making efforts should be inextricably intertwined with societal problems that occur at the grass roots level and ones that are difficult and inherently wicked to deal with. In a nut shell, a variety of assets and capabilities that are crucial to any informal trader should be at all times maintained and enhanced to enable sustainable and competitive informal urban livelihoods (Sonobe *et al.*, 2011; Nguimkeu, 2014). Thus, it is important that urban informal traders as bread winners begin to possess some degree of behavioral change in order that they could avoid societal scourges like HIV and AIDS amongst other diseases. In continuation, such behavioral change requires a collective effort amongst all indigent urbanites to become educated about the multiple communicable societal diseases which have a socio-economic impact with within communities and households (Sonobe *et al.*, 2011; Nguimkeu, 2014).

### 3.3.6. Social Capital Formation in the Second Economy

Successful entrepreneurs continually seek to accumulate social capital in terms of investing in funeral policies, joining burial societies, opening a bank account and participating in saving groups (stokvels) (Deressa, 2009; Nguimkeu, 2014). Knowledge about business is derived primarily through an informal exchange of information among entrepreneurs and through drawing upon the collective knowledge embodied within specific marketplaces themselves. This collective knowledge is evident, for example, in the spatial business layout /orientation of markets (Deressa, 2009; Nguimkeu, 2014). It may also be expressed through the rules applied by organized groups such as trader committees that unofficially manage markets for the 'common good'.

Informal Traders do not aggressively compete against each other. Where competitiveness occurs, it takes place through covert means, rather than overt strategies such as price cutting (or discounting), advertising, or monopolizing access to supply chains (Sonobe *et al.*, 2011; Nguimkeu, 2014). This prevents any individual

from seeking to monopolize a market. Within these markets, where many traders sell the same range of items at the same price (commonly described in literature as a situation of overtrading), competitiveness is covertly undertaken – typically ascribed to luck (Sonobe *et al.*, 2011; Nguimkeu, 2014). Whilst luck includes an element of randomness, competitors seek to enhance their luck through non-aggressive means such as acquiring more favorable positions within the market, capitalizing on supplier discounts, building good relationships with customers, and marketing their produce/goods according to accepted rules and etiquette (Sonobe *et al.*, 2011; Nguimkeu, 2014). Accordingly, social capital, connectedness and relationships of reciprocity amongst participants of the informal economy in South Africa is important for building the required networks which are a crucial determinant of enterprise success (Sonobe *et al.*, 2011; Nguimkeu, 2014). Furthermore, the benefits of traders operating collectively in the informal sector creates conditions where they become perfectly poised to tackle and remedy multiple stressors and shocks. Therefore, the recognition of a united voice in the informal economy create circumstances within which social capital would be solidified (Sonobe *et al.*, 2011; Nguimkeu, 2014).

### 3.3.7. Natural Capital in the Informal Economy

Natural capital is relatively important for any livelihood in both the formal and informal economy. Such capital refers to natural resources, intangible goods such as the atmosphere biodiversity and divisible assets which are directly utilized for production purposes such as land and trees (Deressa, 2009; Beck *et al.*, 2014; Nguimkeu, 2014). Importantly, land is a central factor of production for urban livelihoods particularly ones that participate in the informal economy of South Africa. Understandably, informal traders require access to a piece of land which is mainly owned by the public or private sector (Deressa, 2009; Beck *et al.*, 2014; Nguimkeu, 2014). Ordinarily, informal traders do not necessarily require consent from the state or public officials to operate their informal businesses. Given the fact that most informal traders are propelled by push factors to operate informal businesses, it becomes somewhat immaterial for informal traders to seek for approval to operate their informal enterprises (Deressa, 2009; Beck *et al.*, 2014; Nguimkeu, 2014). Nonetheless, majority of livelihoods and assets in South Africa are demolished by natural shocks and stressors such as floods, fires and heavy winds. Therefore, what determines longevity of urban livelihoods is the ability to cope

and recover from such natural occurrences. Nonetheless, informal traders in South Africa ordinarily position themselves adjacent formal business entities in an attempt to draw attention to the consumers who do not afford the goods and services offered in the formal economy. Thus, the issue of land has not been a disabling factor of production that hinders business operation in the informal economy. Furthermore, it is evident that the informal traders in South Africa do not have the economic viability to afford formal operating business spaces in the urban areas (Deressa, 2009; Beck *et al.*, 2014; Nguimkeu, 2014). As a result, the mushrooming of informal enterprises around public transit station, shopping malls and strategic business areas has become an obtrusive trend amongst informal traders. Coverley, local governments and private sector have questioned the existence of urban livelihoods and their contribution to environmental destruction and natural capital notwithstanding its ability to create livelihoods (Deressa, 2009; Beck *et al.*, 2014; Nguimkeu, 2014). The immediate interaction of informal trading with the environment has far reaching climatic implications which eventually contributes deleteriously to the existence of the informal economy. Climatic fluctuation are a result of various economic growth efforts in the informal economy that do not adhere to prudent interactions with the environment. The existence, of acid rain, floods, droughts and excessive rain directly impacts on natural capital and subsequently then informal economy within which urban livelihoods operate.

### **3.4. Contributions of Informal Trading towards Urban Livelihoods**

Notwithstanding the manner in which informal trading absorbs and seemingly supports destitute urbanites in South Africa – literature suggests that its contributions towards urban livelihoods engenders contestation given various informal sector prospects and opportunities (Suffin *et al.*, 2013; Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015; Louw *et al.*, 2007). Multiples challenges, stressors and shocks encroach on the existence and ability of informal trading to contribute towards urban livelihoods in South Africa. The South African context illustrates that various challenges associated with access to financial capital, regulatory environment, skills trading, collateral and physical infrastructure inter alia together negatively contributes negatively to the formation of urban livelihoods. Additionally, political, social, economic, and climate related stressors and shocks test the ability of informal trading

to contribute positively towards urban livelihoods (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015; Louw *et al.*, 2007). On the positive side, it is crucial to note that social capital, kinship and relationships of reciprocity enable the connectedness of informal traders through their collaborative effort, thereby creating an ideal environment for their businesses to thrive amidst various informal sector hardships (Deressa, 2009; Nguimkeu, 2014; Szakonyi & Urpelainen, 2015; Louw *et al.*, 2007).

### **3.5. Conclusion**

The contributions of informal trading towards urban livelihoods in South Africa remain a contested topic by different scholars. Given the divergent trails, stressors and shocks, it becomes intricate to conclusively regard informal trading as contributing positively towards the formation of urban livelihoods. Notwithstanding the manner in which the informal sector is commended for its ability to absorb and seemingly sustain destitute urbanites; the informal economy and the multiple challenges that affect informal trading cannot be overlooked as a possible hindrance to the formation of urban livelihoods. Conclusively, the contributions of informal trading towards urban livelihoods engenders contestations given multiple stressors and prospects that form part of the micro and macro-economic environment *inter alia*.

## Chapter Four

### **Analysis, Presentation and Interpretation of Findings on the Contributions of Informal Trading towards Urban Livelihoods at Polokwane City CBD**

#### **4.1. Introduction**

This section exhibits the analysis and interpretation of the research findings. The data contained in this section was gathered through a questionnaire survey administered to a total sample of 100 informal traders in Polokwane city CBD. The results obtained from the fieldwork survey are displayed through graph, charts and a variety of other similar analysis instruments. The first section of this chapter entails the demographic profile of the total informal traders who participated in the questionnaire survey. The subsequent section focused on the typologies, characteristics and challenges of informal trading in Polokwane city CBD. In continuation, a section of the determinants of urban livelihoods is inclusive of this chapter where various graphs and charts are used to exhibit the acquired data. The last section of this chapter focuses on the contribution of informal trading towards urban livelihoods where different figures are utilized in order to explain the manner in which informal contributes to urban livelihoods in the Polokwane city CBD.

#### **4.2. Demographic Profile of Respondents**

The following section encompasses the analysis and interpretation of the respondent's demographic profile including the gender, age, race and education status.

##### **4.2.1. Gender of Informal Traders**

The figure 4.1 below indicates the gender of informal enterprise ownership. Currently, in South Africa, and other developing countries, women are playing a twin role of being both Father figure and Mother figure in the household through providing for their children while the male counterparts are away either in search of economic opportunity or for other reasons. Nonetheless, women have found avenues of survival in precarious conditions that compromises their health and safety *inter alia*. Furthermore, the informal economy becomes an attractive option left to secure a relatively decent quality of life and standard of living for their families. Characterized through labour intensity, pollution, crime, unregulation and uncondusive working conditions – women

are the leading entrepreneurs in the perfectly competitive informal economy. These conditions characterize Polokwane city central business district.

**Figure 4.1: Gender of Informal Traders**

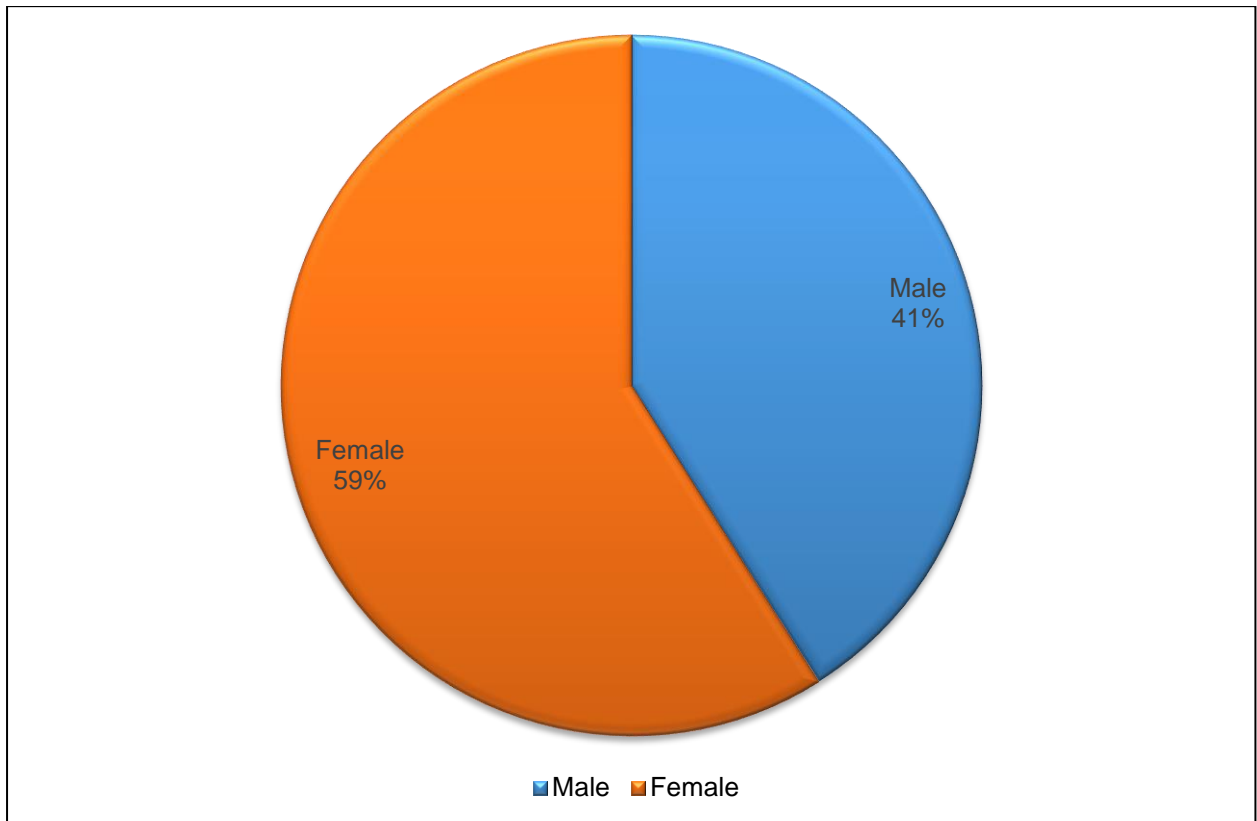


Figure 4.1 above indicates that 59% of the respondents surveyed are female and 41% are their male counterparts. Male ownership of informal enterprises is lower as compared to women ownership in Polokwane city central business district. Women are gradually taking the lead in ownership and management of informal enterprises given that the formal sector is unable to absorb majority of the destitute urbanites who are arguably unskilled and uneducated. Thus, women rather mobilize themselves and unite all the means of production thereby creating a product or service in the informal sector as an urban livelihood strategy.

#### 4.2.2. Racial Composition of Informal Traders

A large proportion of informal start-up enterprises in South Africa is dominated by black South Africans. Polokwane city central business district is no exception – this trend is evident in the racial composition of informal enterprise ownership in Polokwane city CBD which is dominated by historically alienated and disadvantaged black South Africans. Another growing trend in the informal economy of South Africa which led to the recent xenophobic attacks is the mushrooming of African foreign nationals who are active participants and stakeholders in the informal economy. Figure 4.2 below graphically indicates respondents surveyed in Polokwane city CBD. African foreign nationals are gradually becoming visible in the second economy followed by Asians. Perhaps poverty and unemployment have been the pull factors that led to the ubiquity of Black Africans in the informal economy. Polokwane city is home to these circumstances.

**Figure 4.2: Racial Composition of Informal Traders**

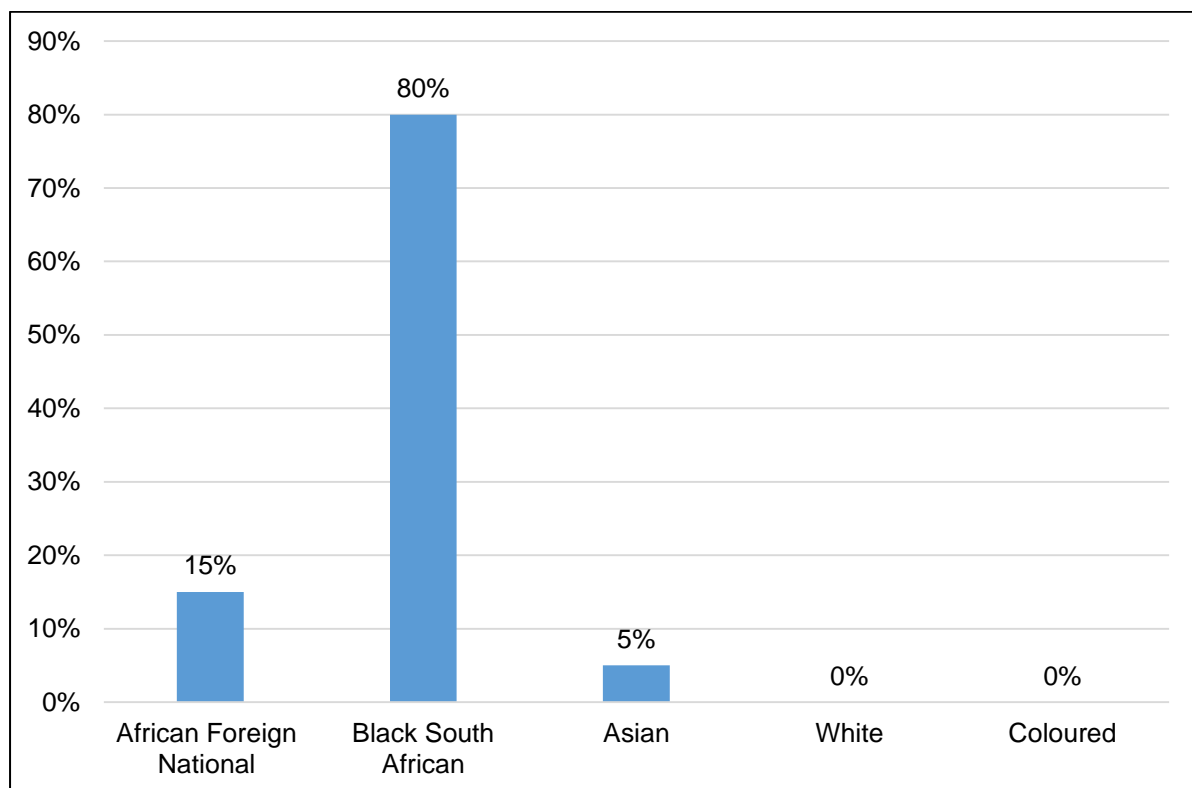




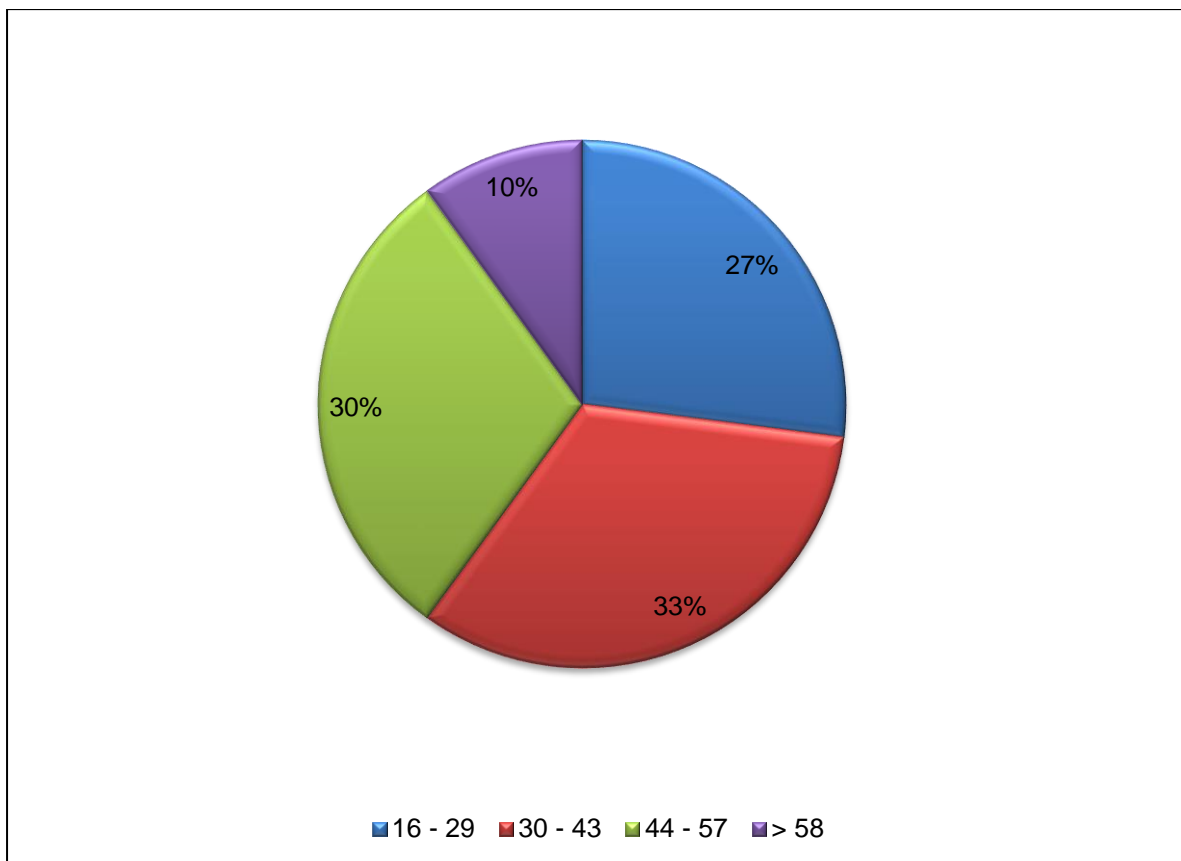
Figure 4.2 above illustrates the racial composition of informal traders who participated as respondents in the interview schedule at Polokwane city central business district. 15% of these respondents are foreign nationals who predominantly do not possess trading permits that would enable the legitimization of their economic participation in the informal economy of Polokwane city CBD. Moreover, these foreign nationals have migrated to South Africa in search of *inter alia* socio-economic opportunities. Nonetheless, black Africans are the majority of informal traders in the informal economy of Polokwane with 80% characterizing their active economic participation as informal traders. Alienation from the mainstream economy, quality education and various opportunities led to majority of these informal traders not acquiring the necessary skills and expertise to privately own established formal enterprises or either have decent lucrative employment in the formal sector. Thus, the informal economy became a place where a livelihood would be created. On the other hand, Asians occupy 5% of the market share in Polokwane city CBD as informal traders whereas most of the Asians own small to medium sized enterprises. Further, Asians too have migrated to South Africa in an attempt to penetrate the economy of an identified market niche. Perhaps their apparent business acumen and economic knowhow justifies provides an edge for their business to transform quicker and graduate into the formal sector.

#### 4.2.3. Age Distribution of Informal Traders

Figure 4.3 below indicates the age distribution of informal traders in Polokwane city CBD. It illustrates that individuals aged between 15 – 29 years amount to 27% .The individuals that fall under the aforesaid category could arguably be those that have acquired secondary or tertiary education but could not find a job. The aforesaid situation is predominantly because of the unemployment crisis facing majority of South African youth. In continuation, Individuals aged 30 – 43 years amount to 33% of the total sampled respondents in Polokwane city CBD. These age group could have suffered from the same circumstances as those who are aged between 15 – 29 years. Furthermore, what could justify those that are aged between 30 – 43 years of age could be the volatile and often rampant economic conditions which led to them being retrenched form the industrial sector, retail industry and other formal employment institutions. In addition, other respondents could not bear the unconducive working conditions of working long hours and being paid less. So, they considered an

alternative option of resigning and utilizing their saving to initiate informal businesses in Polokwane city CBD. Informal traders who are aged from 44 – 57 who make 30% of the total respondents could arguably be regarded as those who are more experienced traders that have also fallen victim of the harsh economic condition and/or working conditions that led to them being retrenched or taking a decision to resign and initiate an informal business in the city. Those that are aged from 58 years and above make up 10% of the respondents. These individuals could be pensioners who are trying to create a livelihood for their dependents who might either be their children, grandchildren or guardians. In conclusion, all these informal traders, regardless of their age, distinctive traits and socio-economic circumstances, engage in the practice of informal trading as a result of limited job opportunities

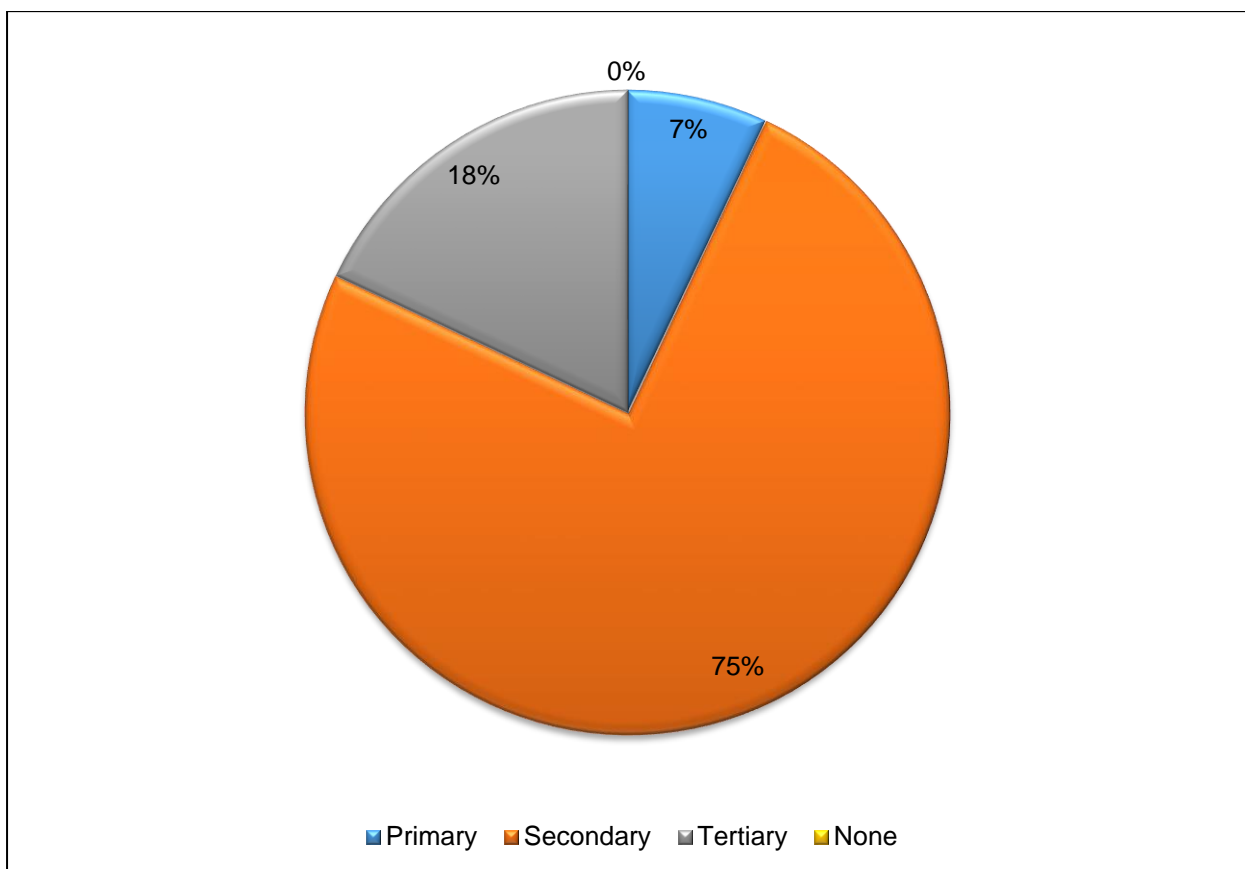
**Figure 4.3: Age of Informal Traders**



#### 4.2.4. Education Status of Informal Traders

Literature on the informal economy workers and their education profile indicates that these individuals have a less advanced education background. Accordingly, they actively participate in informal businesses in the hope to become established and formalized business men and women. Currently, the informal economic activities provide a means of living for them and their family. Figure 4.4 below affirms the aforesaid by demonstrating that majority of informal trader that have been to secondary school are 75%, 18% have reached to tertiary education and 7% have only been to primary school. Given these statistics, perhaps the primary reason for engaging in informal economic activity is the fact that there are no decent job opportunities when one only have a secondary education. Additionally, a small percentage of the respondents have acquired some tertiary education that could possibly improve their decision making skills in their informal businesses.

**Figure 4.4: Education Status of Informal Traders**



Given the statistics in figure 4.4 above, it is evident that the unemployment crisis in South Africa is perhaps the reason why informal trading is an option for the participants. As the chart illustrates, 18% of the respondents or less could qualify to get employed in the formal sector. However, because of structural unemployment it seems better to trade informally in the city. The figure above also suggests that there is a problem in transition of students from secondary education to tertiary education because the percentage of respondents who acquired some tertiary education is relatively low.

### **4.3. Typologies, Characteristics and Challenges of Informal Trading**

This section provides a description of the typologies, characteristics and challenges of informal trading in Polokwane city CBD.

#### **4.3.1. Distinctive Typologies and Characteristics of Informal Trading.**

Literature indicates that informal trading diverges according to its size, location, and scale of operation, number of workers/assistants and the scope of practice *inter alia*. Though most informal enterprises diverge in South Africa – they operate under similar circumstances of perfect competition, upregulation and limited government intervention suggesting that there could be free entry and exit of divergent informal start-ups. Polokwane city CBD is no exception – it is attributed by divergent typologies of informal trading with more or less the same characteristics.

**Figure 4.5: Distinctive Typologies of Informal Trading**

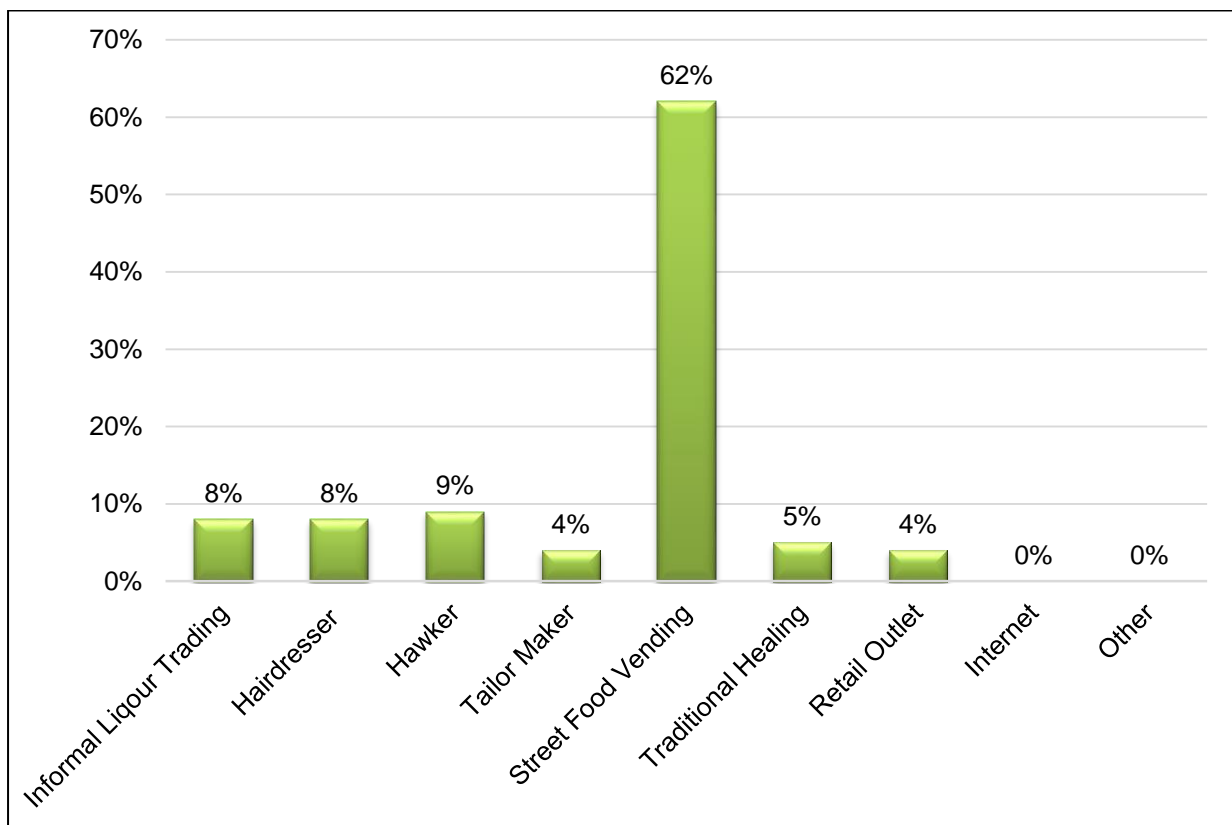


Figure 4.5 above illustrates the divergent typologies of informal trading in Polokwane city CBD. Noticeably, street food vendors make up 62% of the total respondents. This high percentage could be justified by the fact that it is easier to trade as a street food vendor because it need not require one to possess technical skills to participate in it. Additionally, the informal economy within which street food vending operate is perfectly competitive which suggests that there would be a large number of buyers and sellers goods and products. Ordinarily, street vendors sell solid fast foods, fruits, vegetables, sweets, chocolates and cigarettes amongst other petty goods and services. Perhaps that is why most informal traders are actively involved in street vending as a source of livelihood. Nonetheless, it is argued that hawkers have once been stationary informal traders that created a niche for themselves by becoming mobile informal traders who ae now referred to as hawkers. As the graph above illustrates, hawkers are becoming a popular figure in the informal economic fraternity in that being mobile allows to a broader access to consumers and pedestrians that would not be readily available for a stationary informal trader. Additionally, hawkers

are regarded as traders that operate on a small scale because they carry their products/goods with them wherever they decide to trade. Perhaps the labour intensity of this kind of informal trading could understandably limit its scale of production. On the other hand, Informal liquor trading and hairdressing make up 8% of the total respondents respectively. Both the former and the latter are relatively pervasive the informal food outlet has a market in the cities. Normally, People who work in the city prefer eating and drinking at informal restaurants because they are less expensive than the formal business institutions. Perhaps that is why there is a firm existence of this type of informal entity. Hairdressers on the other hand have their own customers given that the hair and cosmetics industry is growing incrementally. Informal traders who operate as hair dressers diverge because there are those who specialize in haircuts and others specialize in providing an assortment of hairdressing styles that are mostly done by women. Shoe repairs on the other hand have been a covertly mushrooming typology of informal trading that understandably requires technical knowhow and sometimes passion, skills and dexterity before initiating such an establishment. Shoe repairs make up to 5% of the total respondents in Polokwane city CBD. Tailor makers and retail traders are not a popular type of informal trading in the city CBD. They both make up 4% of the surveyed population in the city CBD.

#### 4.3.2. Operation Status of Informal Traders

Literature suggests that Informal economic activity diverges according to its size, scope and scale of operation. Most informal businesses in developing economies are regarded as stationary street vendors because penetrating and operating the market is relatively convenient in that it need not require any registration, regulation and tedious procedures as compared to initiating registering formal businesses. On the other hand, seasonal street traders are those that emerge in the market given the availability of a certain good or product. Accordingly, seasonal informal traders are contingent on the seasonality and availability of certain products which are mostly in the agricultural sector. Conversely, Mobile informal traders prefer moving from one place to another in search of a market niche from motorists and pedestrians within the city CBD. So, figure 4.6 below indicates the percentage distribution of the three categories of informal trading available in Polokwane city CBD.

**Figure 4.6: Operation Status of Informal Traders**

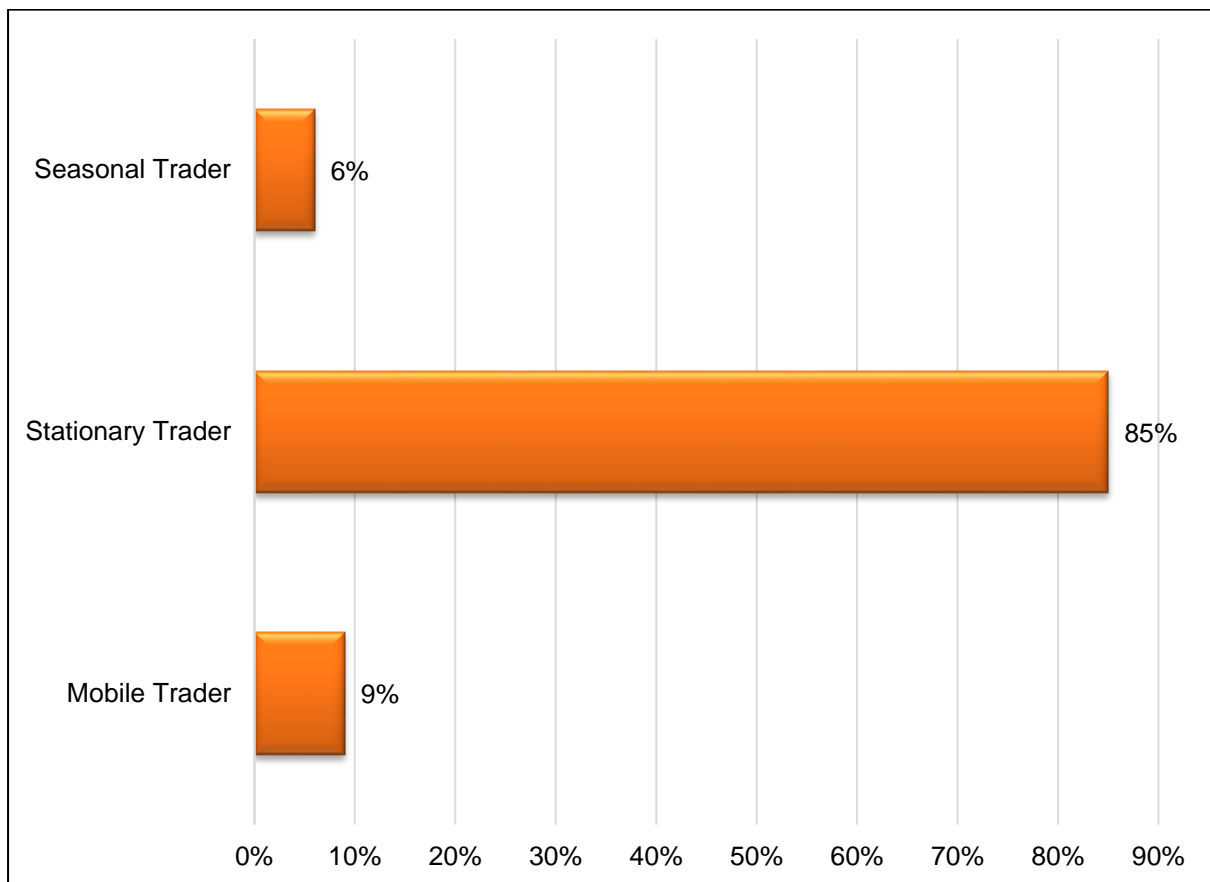


Figure 4.6 above suggests that 6% of the total respondents who participated in the interview are seasonal informal traders. The limited amount of seasonal informal traders in Polokwane CBD could be because of the fact that they depend on the seasonality of the goods and products. Usually, seasonal informal traders sell goods like avocados, pineapples, grapefruits, kiwi fruits peaches and other goods that depend on the season. Stationary informal traders are the majority who make up 85% of traders from the total participants in the interview survey. Stationary informal traders are those that operate from a fixed place that is usually an informal stall, under a tree or from a shack. These type of traders could be mostly regarded as street vendors that sell an assortment of goods and services that arguably need not depend on seasonality. Lastly, Mobile informal traders amount to 9% of the total respondents in Polokwane city CBD. These kinds of informal traders could be regarded as hawkers or a temporarily prevailing type of informal traders that utilize trollies and vehicles to

bring goods closer to their consumers. Importantly, stationary informal trading appears to be a popular typology of informal trading in Polokwane city CBD.

#### 4.3.3. Number of Workers in Informal Enterprises

Figure 4.7 below indicates the number of workers/assistants from the total respondents at Polokwane municipality who participated in the interview process. Like micro-enterprises, informal businesses usually consist of workers/assistant that help in the daily functioning of the enterprise. Informal businesses usually adopt family members, friends and sometimes relatives who serve as assistants given the labour intensity of informal enterprises. Whether or not the recruited assistants are remunerated is uncertain but usually, family members and relatives benefit from the enterprise in-kind. Given the limited scope of production and the small scale nature of informal enterprises, it is expected that majority of informal traders operate as sole proprietors.

**Figure 4.7: Number of Workers in Informal Enterprises**

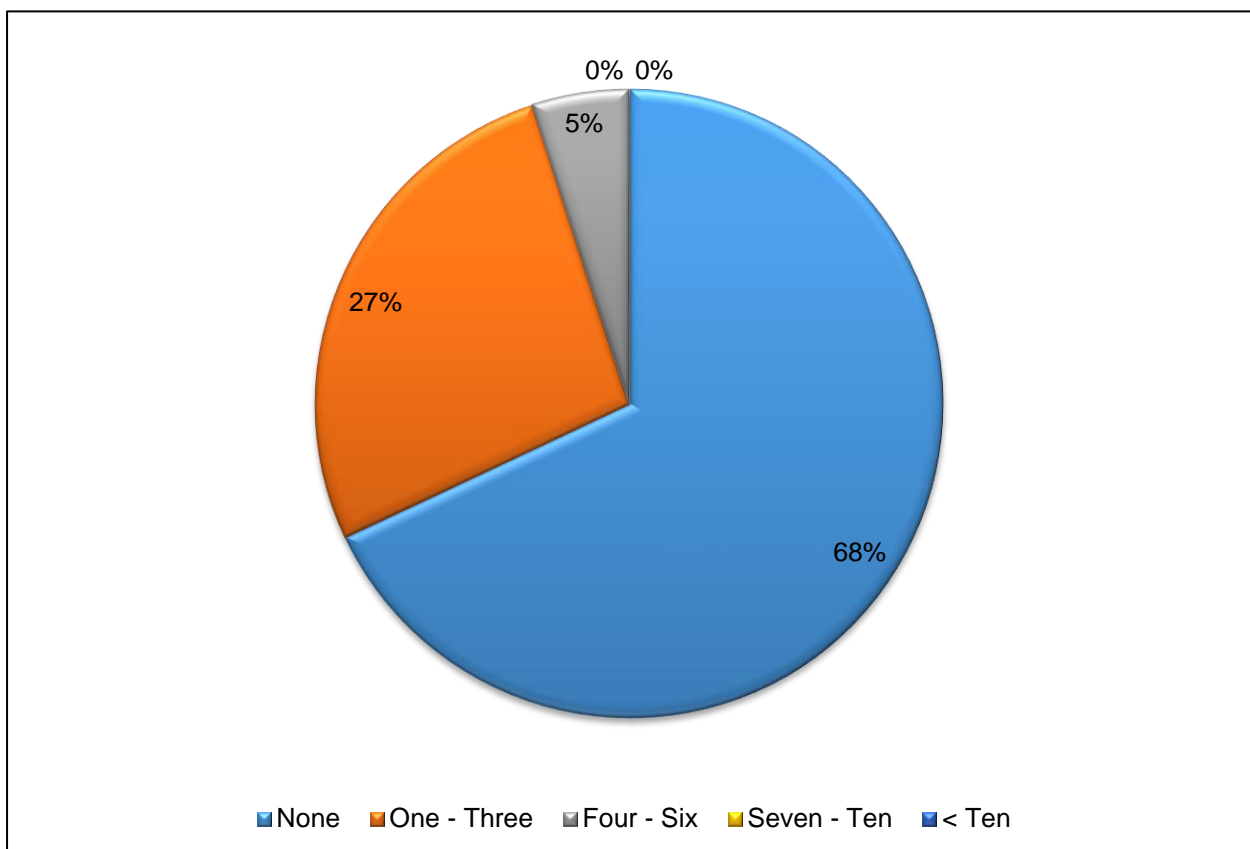




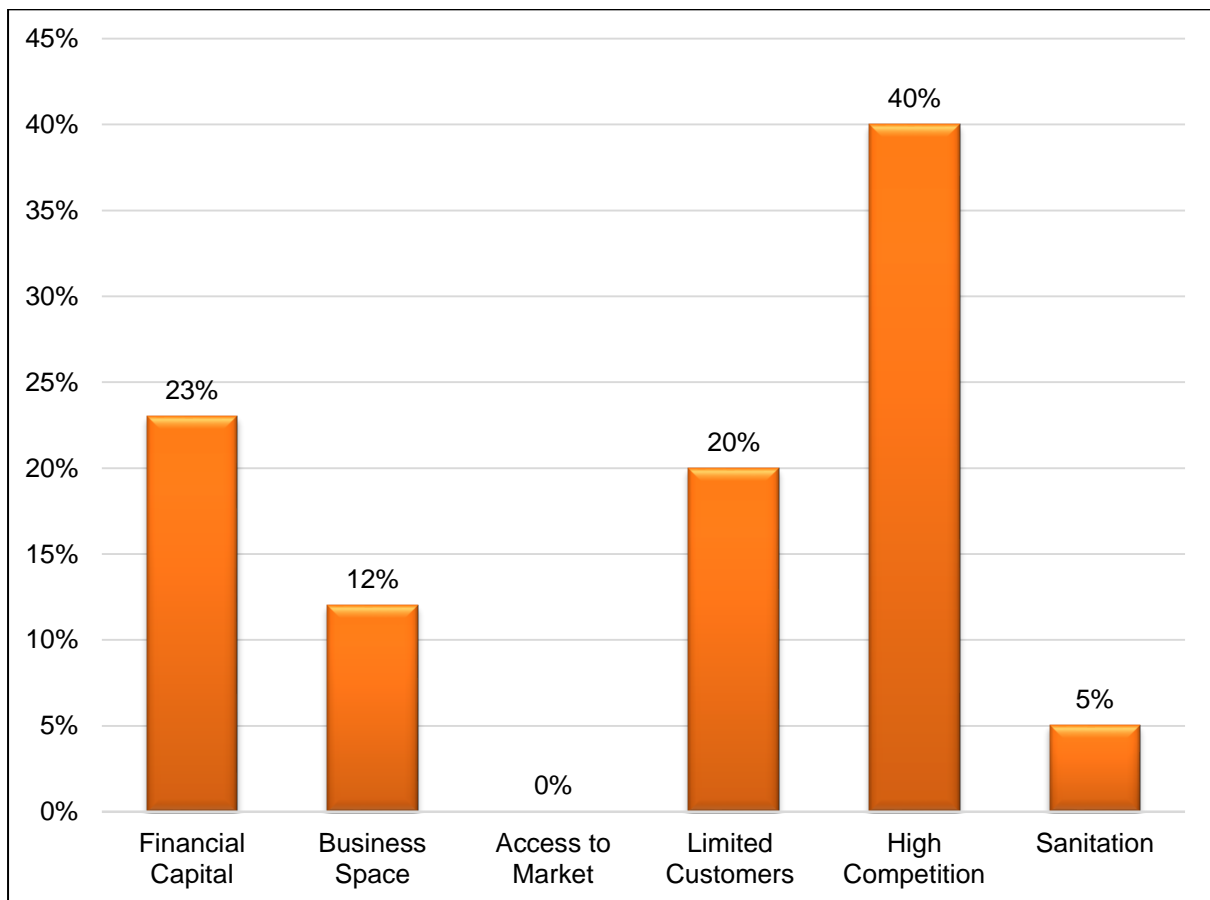
Figure 4.7 above exhibits that a majority of informal traders operate as individual traders who do not have employees or assistants working in their businesses. Understandably, the production process of informal traders is ordinarily small-scale with limited possibilities of growth and graduation into the formal sector, which is why there is no need for informal traders to consider employing additional workers because it would be costly. So, 68% of the total surveyed respondents' are traders who operate as sole proprietors. These informal traders are the ones who are predominantly operating as hawkers and street vendors. On the other hand, 27% of informal traders in Polokwane city CBD are those that have employees/assistants between one (1) and three (3). In addition, the fact that these businesses are able to employ more than two employees suggests that perhaps the scale and scope of production is expanded thereby creating room for employment opportunities. Further, these kind of enterprises could be informal food outlets, hair dressers and other street vending activities that have a larger scale of production. Conversely, 5% of informal traders from the total surveyed respondents have between four (4) and six (6) assistants and workers in their informal business establishments. These kind of informal businesses could also be informal food and retail outlets that has a greater scope of production.

#### 4.3.4. Challenges faced by Informal Traders

Informal businesses, given their budding nature, are faced by multiple challenges that threaten their growth and prospects of advancing to become formalized small to medium sized enterprises. Figure 4.8 below illustrates the various challenges faced by informal businesses in Polokwane city CBD. From the total respondents who participated in the survey, 40% of informal traders suggest that high competition is the major challenge facing informal trading. Understandably, the informal economy is characterized by a perfect competition which suggests that there would be free entry and exit of the market participant. Polokwane city CBD is no exception, majority of informal traders suggest that there is a plethora of informal traders who sell similar goods and services at approximately the same price. Further, the perfect completion suggest that it would be difficult for an informal trader to influence the market price because goods and services offered are approximately the same amount. On the other hand, financial capital is frequently cited as the most pressing challenge facing informal businesses. Majority of entrepreneurs in the informal sector of Polokwane city

CBD suggest that they have struggled to acquire start up enterprises to initiate their informal enterprises. Further, it could be because of lack of collateral to convince funding institutions to provide them with loans. Therefore, informal traders who referred to financial capital as one the most pressing challenge amount to 23% of total respondents. Thus, high competition and financial capital appear to be the major challenge according to the respondents.

**Figure 4.8: Challenges of Informal Trading**



Informal traders who complain about limited customers amount to 20% of the total respondents in Polokwane city CBD. The limited customer base is a result of the high competitiveness of the informal economy. Informal traders would ordinarily complain about having limited customers because they operate in a perfect competition which is characterized by traders who sell similar goods and services. The City CBD in Polokwane is bombarded by street vendors, hawkers' small and micro enterprises. These circumstances lead to congestion which would eventually have a negative

implication on emergent and ever mushrooming informal traders. Therefore, 12% of the total respondents suggest that business/operating space is one amongst multiple challenges facing their informal businesses. Poor sanitation, pollution and brown environmental problems have been and still are a major for the urban informal economy. Figure 4.8 above illustrates that 5% of informal traders regard sanitation problems being a major problem which threatens their health. These sanitation problems are predominantly a result of the pollution caused by informal traders as they operate on a daily basis.

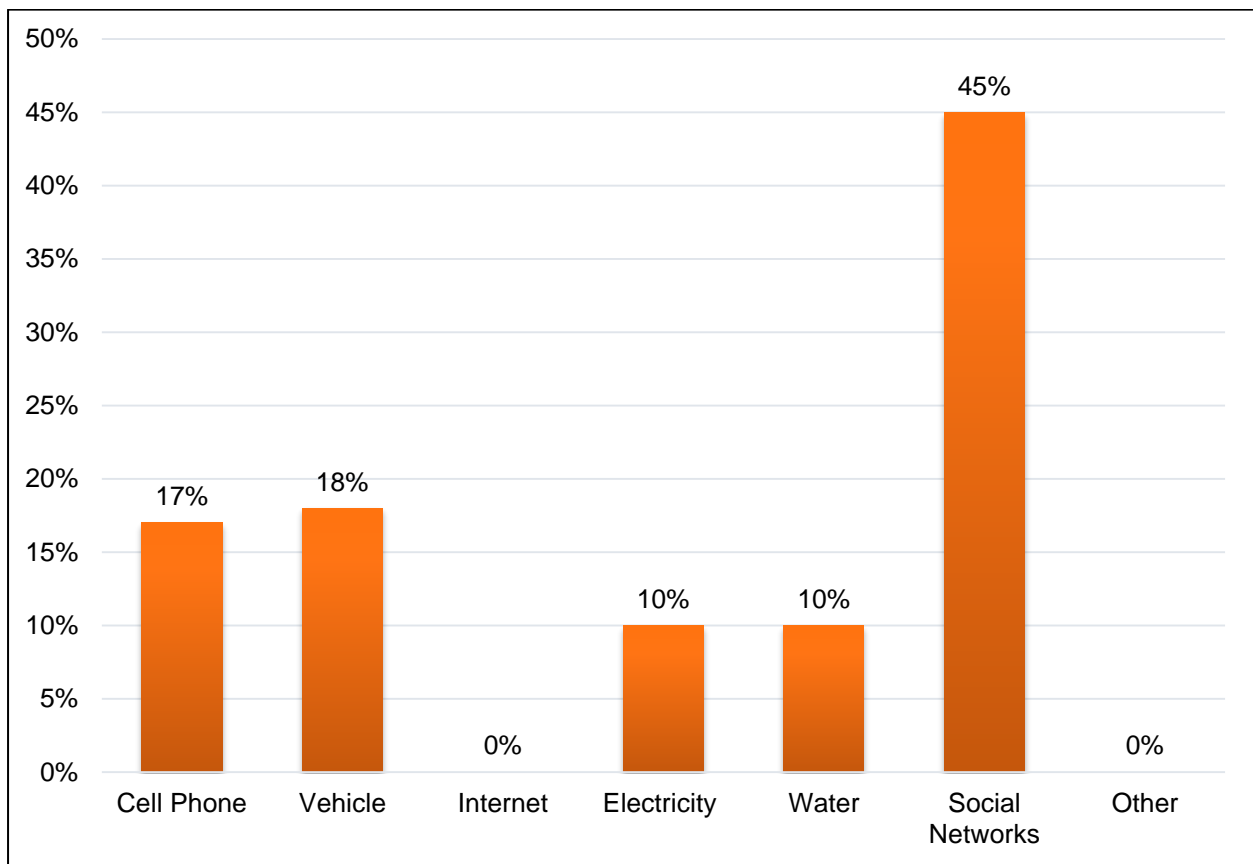
#### **4.4. Determinants of Urban Livelihoods: Empirical Evidence**

Urban livelihoods that are predominantly embedded in the informal economy are contingent of a variety of factors in order that they could be regarded as effective livelihood strategies. A variety of assets, socio-economic circumstances and skills are a contributing factor towards urban livelihoods.

##### **4.4.1. Resources Necessary for Business Operation**

Various informal businesses diverge according to the resources they utilize on the daily functioning of the enterprise. The informal economy in Polokwane city CBD is characterized by informal economic activities that differ in terms of sophistication and resources necessary to operation. Figure 4.9 below indicates the distinctive resources which are required for the smooth functioning of informal businesses in Polokwane city CBD from the total respondents who participated the survey. Literature further suggests that kinship, social ties and relationships of reciprocity are *inter alia* the most common types of resources that are valuable to market participants of the informal economy. Other resources including the utilization of a cell phone, vehicle, electricity and water depend on the sophistication of the informal enterprise and its scope and scale of operation.

**Figure 4.9: Resources Necessary for Business Operation**



As literature records, figure 4.9 above illustrates that social networks, according to the respondents, is an important resource that's crucial for the continuous existence of informal enterprises in the second economy of Polokwane city CBD. Social networks, as the figure above illustrates, makes up 45% of the total respondents who participated in the survey. The respondents, would allude the significance of social networks and social ties towards the survival of their informal businesses. One respondent uttered "we as, traders in the fruits and vegetable market meet collectively to set and agree on prices of our goods". The collective convergence to influence the market price could be an attempt to control and informally regulate the market in order that no single or syndicate informal traders could influence the market by lowering or increasing their prices in an attempt to get more customers. After all, the informal economy of Polokwane city CBD does collude through the mobilization of majority of their informal traders. Notheless, informal traders that utilize cell phones and vehicles for operation of their enterprises amount to 17% and 18% of the total respondents respectively. These kind of traders are ones that need transportation of inputs for the business to

and from their respective areas of operation. Informal traders that sell perishable goods and services are the ones who require transportation for their products. On the other hand, water and electricity in Polokwane City CBD is mostly utilized by traders in the food and beverages industry. Accordingly, water and electricity as a resource necessary operating their businesses amount to 10% of the total respondents. Informal food outlets use a considerable amount of water to prepare meals and clean all cooking utensils to ensure cleanliness of their area of operation. Traders that use internet as their valuable assets are businesses within the SMMEs category that are more formalized and regulated.

#### 4.4.2. Longevity of Informal Enterprises

The feasibility of informal economic activities is often judged by the number of years and months it has been in operation. Ordinarily, majority of informal start-ups in South Africa do not survive the initial stages of operation – usually, between four (4) and eight (8) months of trading. Economic literature suggest that all enterprises, both formal and informal are initiated in an attempt to make a profit. Therefore, a business should continue operating when the total revenue (TR) is greater than or equal to the total variable cost (TVC). That is, if the cost of operating the business is greater than the returns or turnover, then there is no reason continue operation. Nonetheless, figure 4.10 below illustrates the number of years that informal businesses have been in existence at Polokwane city CBD. 41% of these informal businesses in Polokwane CBD from the total respondents who took part in the survey suggest that they have been in existence for four (4) to Six (6) years. Understandably, these are businesses that have survived and surmounted the initial stages of a firm's lifecycle.

**Figure 4.10: Longevity of Informal Enterprises**

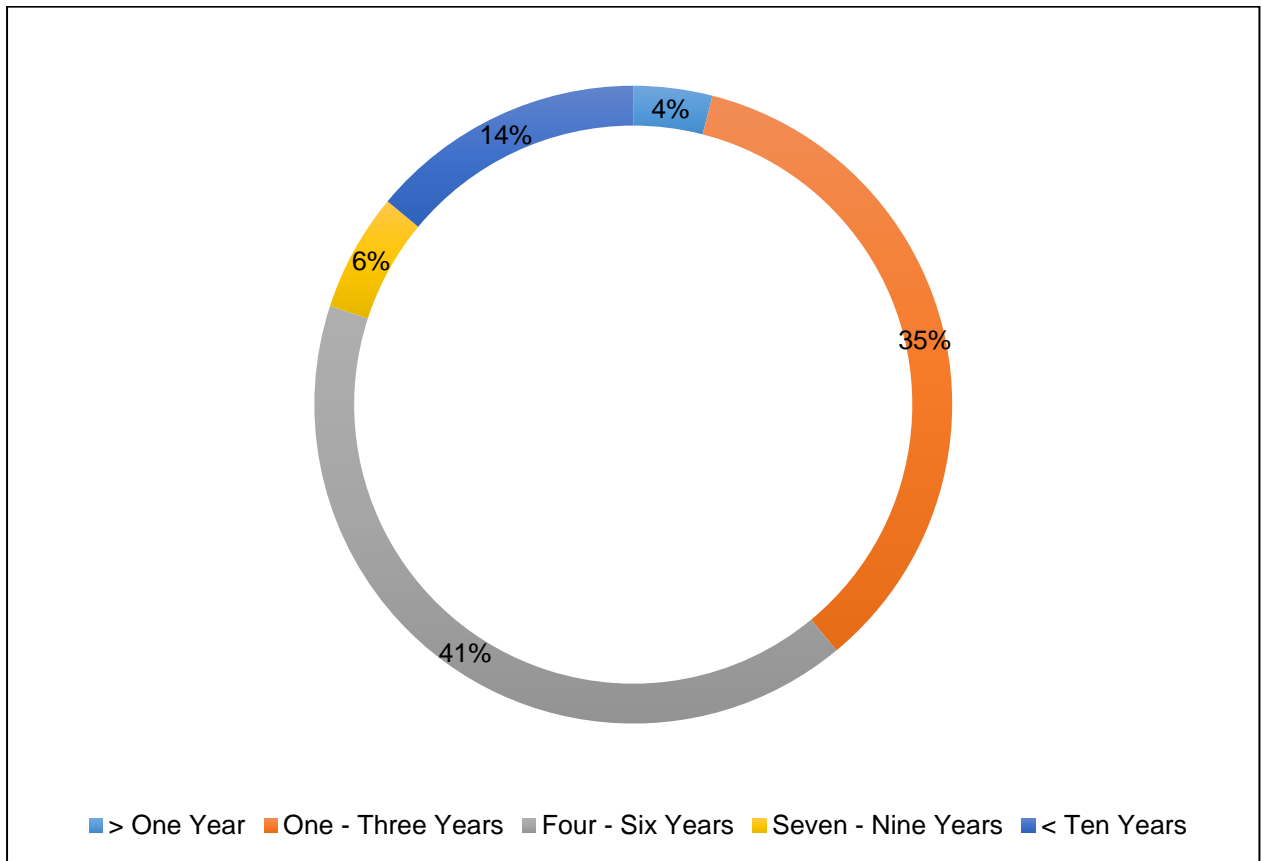


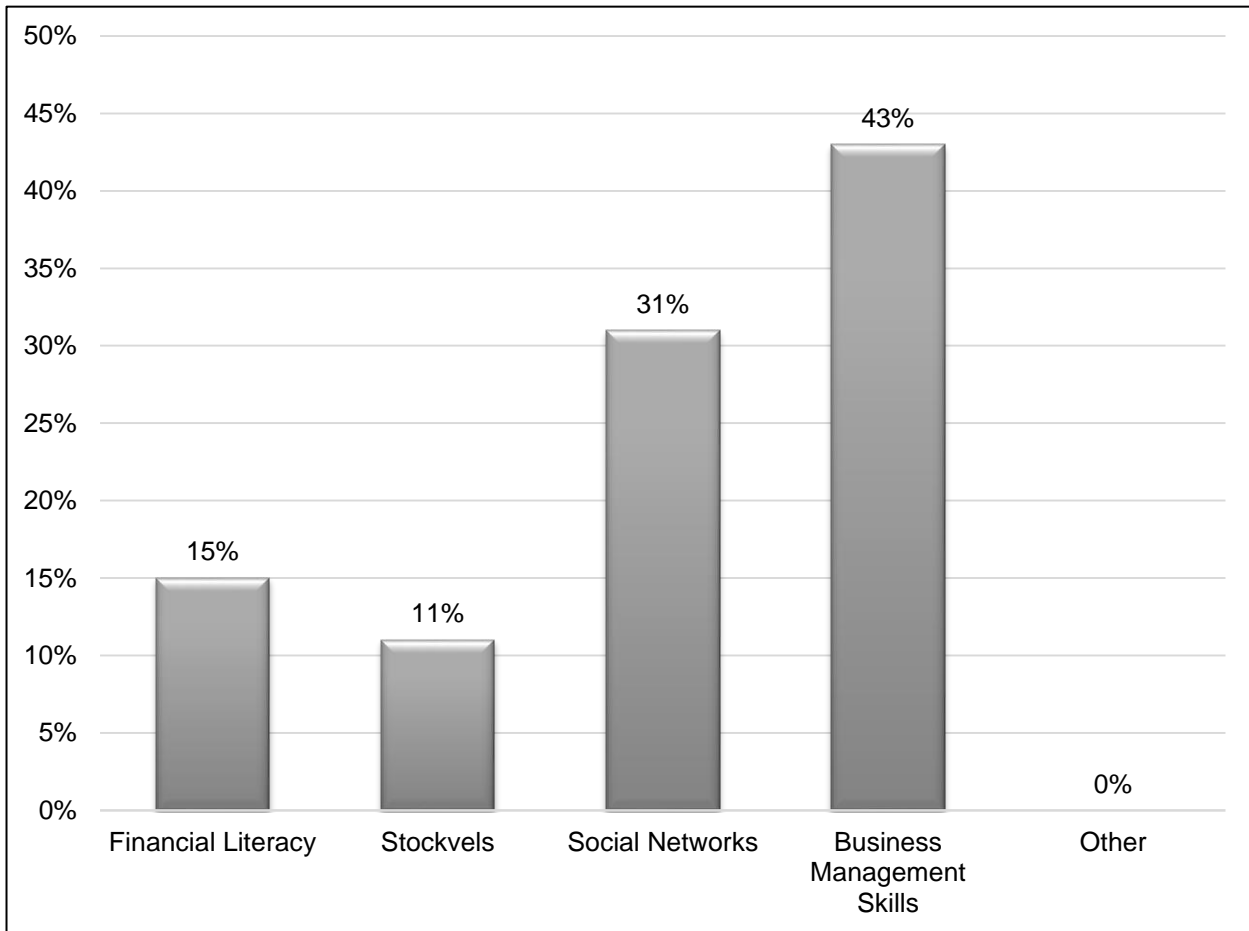
Figure 4.10 above exhibits that 35% of the total respondents have been in operation for a period of between one (1) and three (3) years. These statistics suggest that informal traders in Polokwane city CBD are relatively emergent kind of traders because a large proportion of their informal businesses is within the three year period. Moreover, perhaps traders who fall within the one (1) to three (3) years category are those who are beginning to understand the art and science of trading in the informal economy of Polokwane CBD. Conversely, 14% of informal traders have been operating their informal businesses for a period of over 10 years in Polokwane city CBD. These traders are more accustomed to trading in the city and they have perhaps, secured their reliable customer who regularly buy goods and services at their informal outlets. Furthermore, traders who have gone through the ten year operation period are mostly older informal traders who have marked their own turf in the city CBD and most officials and working class individuals of the formal and/ or informal sector are familiar with them. 6% of the traders in the CBD who have participated in the survey suggest that they have been in operation for a period of seven (7) to nine (9) years. These

traders could be placed in the same category as those businesses which have existed for a period of over ten (10) years. These informal traders have developed a tight grip on the informal economy of Polokwane city CBD. Lastly, 4% of the informal traders in Polokwane city CBD have been in operation for a period of less than one (1) years. Traders that fall within this category could be regarded as budding informal start-up enterprises that are still trying to create a niche for themselves in the informal economy. Majority of traders that operate within the one year age category are yet to graduate through the initial stages of a business lifecycle.

#### 4.4.3. Factor Necessary for Business Success

Various factors in the informal economy are instrumental to the operation and growth of informal enterprises. Literature frequently cites financial capital, social networks, stokvels and business management skills as being resources that are pivotal for the existence of any business. Usually, it is unlikely for an informal trader to possess majority of the skills that are deemed necessary for the success of their businesses given that predominantly do not initiate their businesses out of an identified market niche. Nonetheless, figure 4.11 below illustrates the various assets/resources that are crucial for the success of informal enterprises in Polokwane city CBD. 43% of respondents suggest that business management skills are important for any entrepreneur in the informal for formal economy. Informal traders in Polokwane city CBD suggested that their inability to acquire proper quality business management education is the reason they are still participants of the informal economy.

**Figure 4.11: Factors Necessary for Business Success**



Social Networks in the informal economy is used as a strategy to regulate the market price and protect their infant industry. 31% of informal traders in Polokwane city CBD regard social networks as being crucial for the existent of their enterprises. As informal traders in Polokwane city CBD gather and converge, they share ideas and discuss various issues relating to being members of the informal economy of Polokwane city CBD. One informal trader articulated “Go berekishana le barekishi babangwe go bohlokwa”. The respondents in Polokwane city CBD stated that inasmuch as they all work in their respective informal enterprises – working together is advantageous in that they assist each other with a lot of things like loose coins and notes that serve as change provided a customer purchases certain products with money that requires change. Financial literacy is also regarded as a crucial factor that determines business growth and sustainability. 15% of the respondents indicated that financial literacy of informal traders is important for their businesses. Understandably, the crux of any business success is that it should become solvent. Insolvency leads to the collapse of

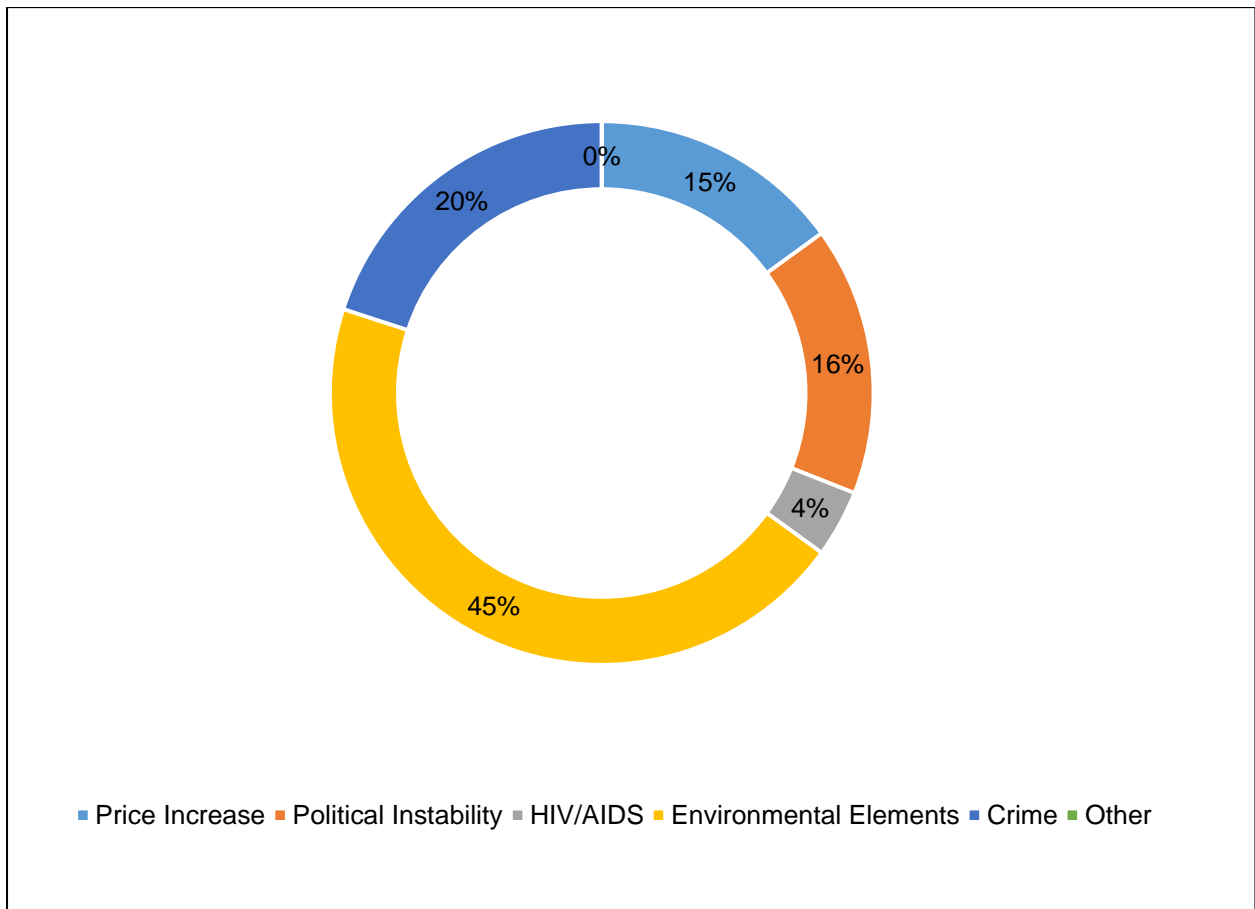


an enterprise followed by retrenchment of their workers. Therefore, financial discipline is amongst other issues an important attribute that informal sector entrepreneurs should possess. On the other hand, stokvels and cooperatives are cited as being important for the resilience of informal businesses in Polokwane city CBD. 11% of respondents in Polokwane city CBD indicate the importance of stokvels in supporting their informal businesses financially. The circular rotation of money, amongst informal traders proves instrumental the economic resilience of informal businesses according to 11% of the respondents in Polokwane city CBD.

#### 4.4.4. Stressors Affecting Urban Livelihoods

The practice of informal trading is affected by a multiplicity of stressors and shocks that are mostly outside of the enterprises control and influence. Literature of the distinctive challenges facing informal trading across the globe frequently sites that there are enumerable challenges, stressors and shocks that affect majority of informal enterprises that are in the initial stages of growth and those that have existed for a longer period. These stressors include but are not limited to: the increase of prices of consumer goods and services, political instability, HIV/AIDS, environmental element and criminal activities *inter alia*. Polokwane City CBD is no exception, figure 4.12 below exhibits the possible stressors that could have a negative effect on the distinctive informal enterprises thereby threatening the possibility of informal enterprises to create decent urban livelihoods or the indigent traders. Nonetheless, as the figure below illustrates, 4% of the total respondents in Polokwane city CBD state that HIV/AIDS could have a negative effect on the existence and operation of the informal enterprise itself. The HIV/AIDS pandemic has an economic effect in that productive labour force, bread winners and skilled individuals would lose their lives which imply that the enterprise would shut down operation since there would not be any knowledgeable individual to continue operating.

**Figure 4.12: Stressors & Shocks Affecting Urban Livelihoods**



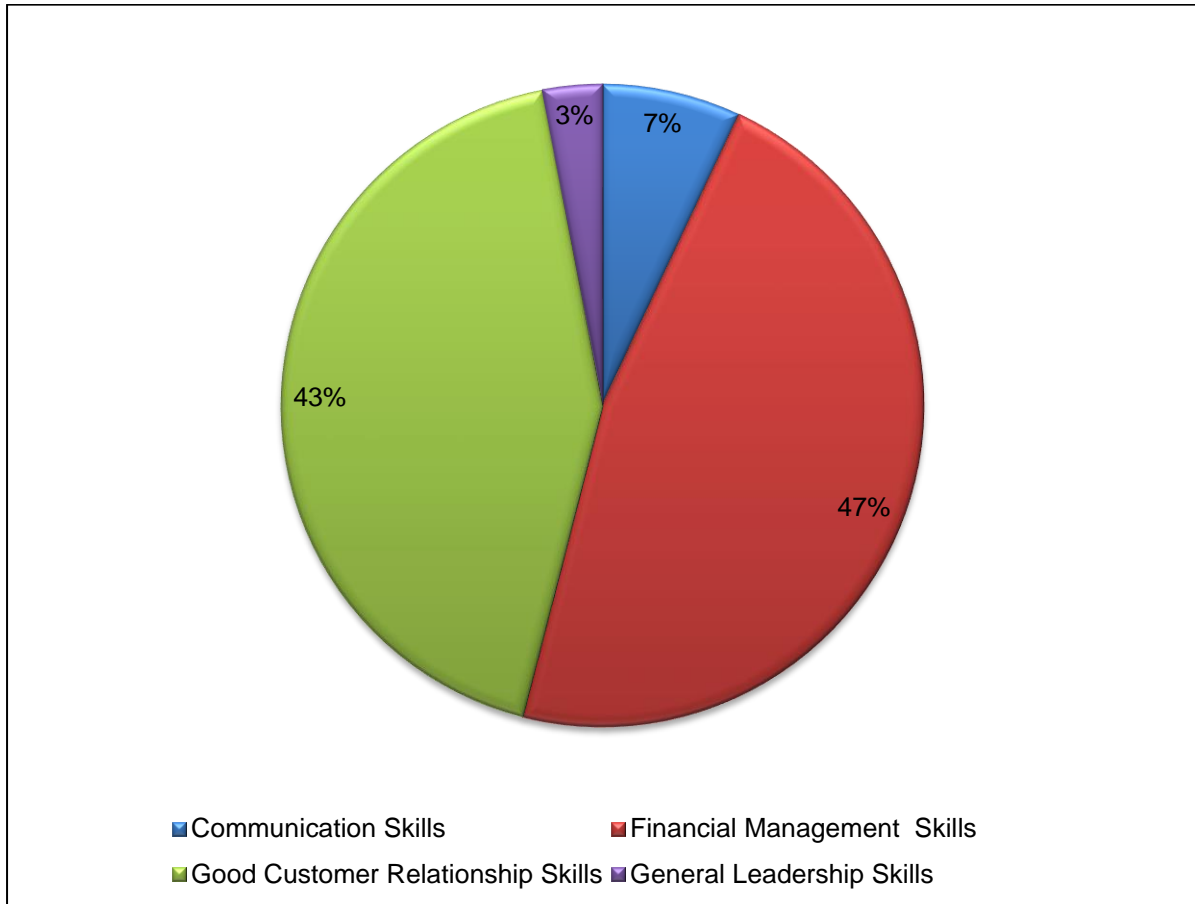
15% of the total respondents who participated in the survey suggest that price increase is one amongst a plethora of challenges that has a negative effect to the informal enterprise. Understandably, when the prices of consumer goods and services increase – there would be a direct negative effect to the economic status of individual informal traders in that the supply and demand of goods and products would be affected. As the law of demand states - when the prices of consumer goods and services increase the quantity demanded will decrease providing all other factors remain the same. In this case, informal purchase inputs for the business regularly, given the schedule of the enterprise. If the prices of the inputs increase the quantity demanded will decrease thereby affecting the number of inputs that would be available for sale. Therefore, price increase affects both the traders and the consumers in that the latter would not possess the purchasing power to consume goods and services as they desire. Nonetheless, Political instability is frequently cited by a multiplicity of scholars as a common stressor that has a negative effect on the informal economy. That is, riots, looting, strikes, xenophobic attacks and mayhem in the informal sector would affect

the productivity of distinctive informal enterprises. Political unrest in any economy proves detrimental to the economy, both formal and informal economy in that business would cease operation suggesting that there would be a direct negative effect of the economic returns of the enterprises. Furthermore, violent service delivery protest, looting and xenophobic attacks destroys the assets and resources that are instrumental to the daily functioning of informal businesses. 16% of the respondents suggest that political instability is one of the stressors that mostly affects their businesses. Therefore, given the fact that informal traders do not have any verifiable economic resilience to recover from the aforesaid economic shock of price increase suggest that the informal enterprise will be affected disproportionately. Conversely criminal activities in the informal economy are amongst other issues, one of the pressing challenges that have a negative influence on the safety and wellbeing of the informal entity and subsequently the operation status of the business. Theft, and loss of valuable assets have been and still are a primary concern to majority of informal traders. 20% of the respondents indicates that criminal activities threaten the existence of their enterprises. Lastly, environmental elements such as heavy rain, storms, tornadoes and thunder strikes affect their businesses because they do not have stalls and business space for operation of their business enterprises. 45% of the total respondents indicate that the aforesaid environmental element are the ones that demolish physical assets of their enterprises. These environmental circumstances threaten the existence of informal enterprises in Polokwane city CBD.

#### 4.4.5. Capabilities Contributing to Informal Trading

A variety of skills, capabilities and assets possessed by the informal traders has a likelihood of contributing positively towards the existence and success of the informal enterprises. Generally, entrepreneurs in both the formal and informal sector need to possess certain attributes that are curial for the smooth functioning and success of any business. These capabilities include communication skills, financial management skills, good customer relationship and general leadership skills *inter alia*. These traits, together create a well-rounded entrepreneur. Notheless, figure 4.13 below provides an illustration of the various capabilities that are crucial to the success of an enterprise.

**Figure 4.13: Capabilities Contributing towards Informal Trading**



47% of the total respondents indicated that the ability to effectively manage one's finances could prove as a crucial capability that determines the success of entrepreneurs that operate as informal traders. Given the fact that the informal sector is unregulated, it is difficult for an informal trader to solicit a financial advisor to assist in the finances of the enterprise as compared to formalized enterprises. Informal traders need to be jack of all trades by managing, leading and serving an employees in their respective businesses. All businesses need to produce a balance sheet at the end of every financial year to test the solvency and economic viability of their businesses – informal businesses need to prove their solvency in order that they stand better chances of developing and advancing into the formal sector as small to medium sized enterprises. Thus, effective financial management is therefore crucial to the success of informal businesses. On the other hand, maintaining a good customer relationship is crucial in order that you motivate customers to rate the enterprise highly which suggests that they would keep purchasing goods and services at the enterprise. 43% of the total

respondents in Polokwane city CBD suggest that maintaining a good relationship with the customers is crucial to protect the image of the enterprise. Therefore, maintaining a good relationship with customers means that the informal trader should be willing to reduce the price of goods and services to accommodate those consumers who might not have enough money for consumption. Inasmuch as price reduction would disadvantage the trader for a short period, it surely attracts a majority of customers that would rely on the enterprise. Therefore, given that the informal economy in Polokwane city CBD is perfectly competitive, maintaining a good customer relationship is always useful. Lastly, according to the respondents who participated in the survey at Polokwane city CBD, communication skills and general leadership skills amount to 7% and 3% respectively. The former is crucial in that the informal trader should be able to communicate and sell the product or service to the informal trader convincingly. Communication skills requires one to market and convincingly sell a product for service to the customers. Lastly, general leadership skills are crucial in that the owner of the enterprise needs to be the principal operator of his/her enterprise to organizing, coordinating, managing and successfully spearheading the enterprise.

#### 4.4.6. Savings Status of Informal Traders

Resilience in an economic subsystem requires one to be financially savvy in order that they may recover from a variety of stressors and shocks that impinge on the economy. Furthermore, economic activities that are embedded within the informal economy are prone to a variety of stressors and shocks that are external the business environment. These could include but not be limited to the following: an abrupt loss of assets, theft, environmental elements and political instability inter alia. Thus, it is crucial that participants of the informal economy have an adequate scope for savings in order that they may recover from external pressures, stressors and shocks that threatens their assets and consequently livelihoods. Figure 4.14 below provides an illustration of the savings status of informal traders in Polokwane city CBD who participated in the interview survey.

**Figure 4.14: Savings Status of Informal Traders**

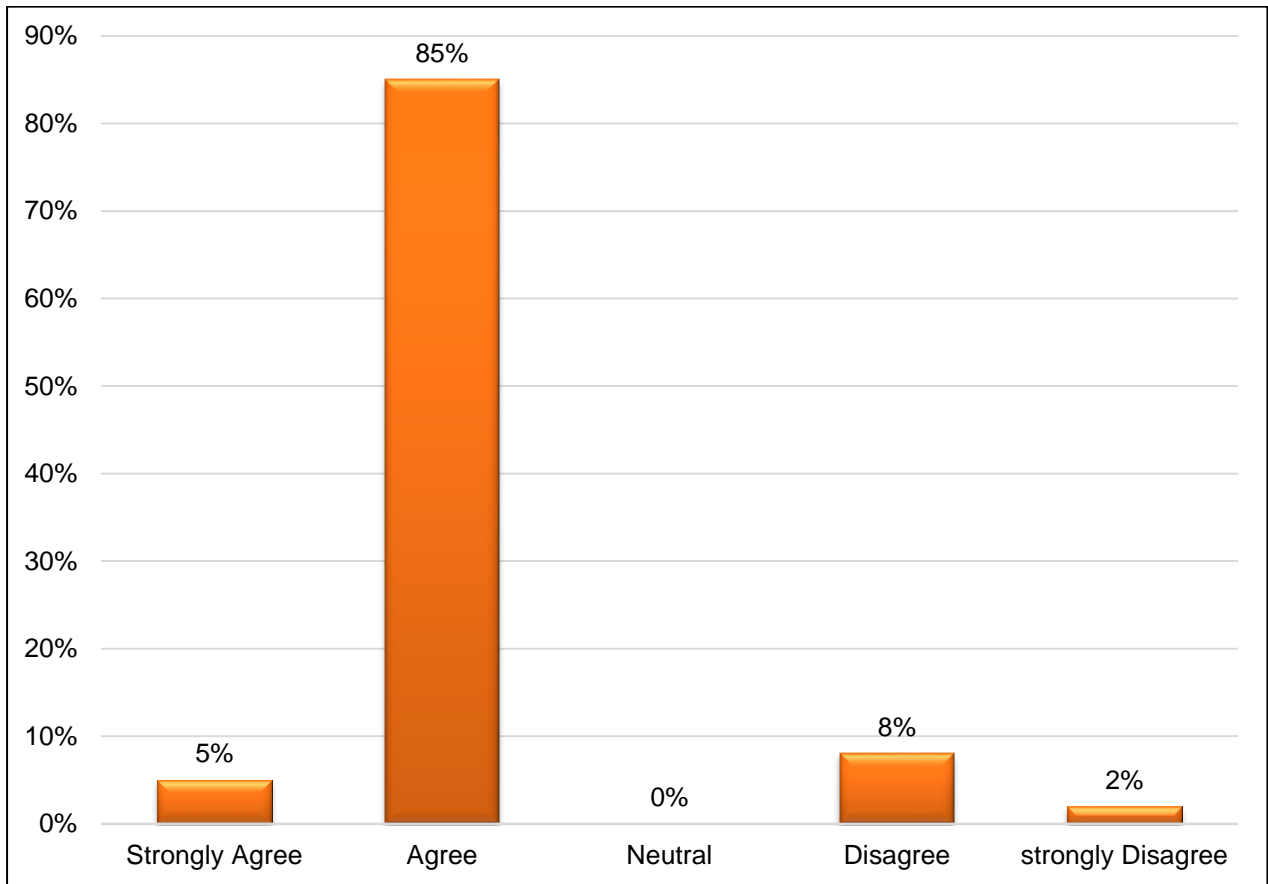
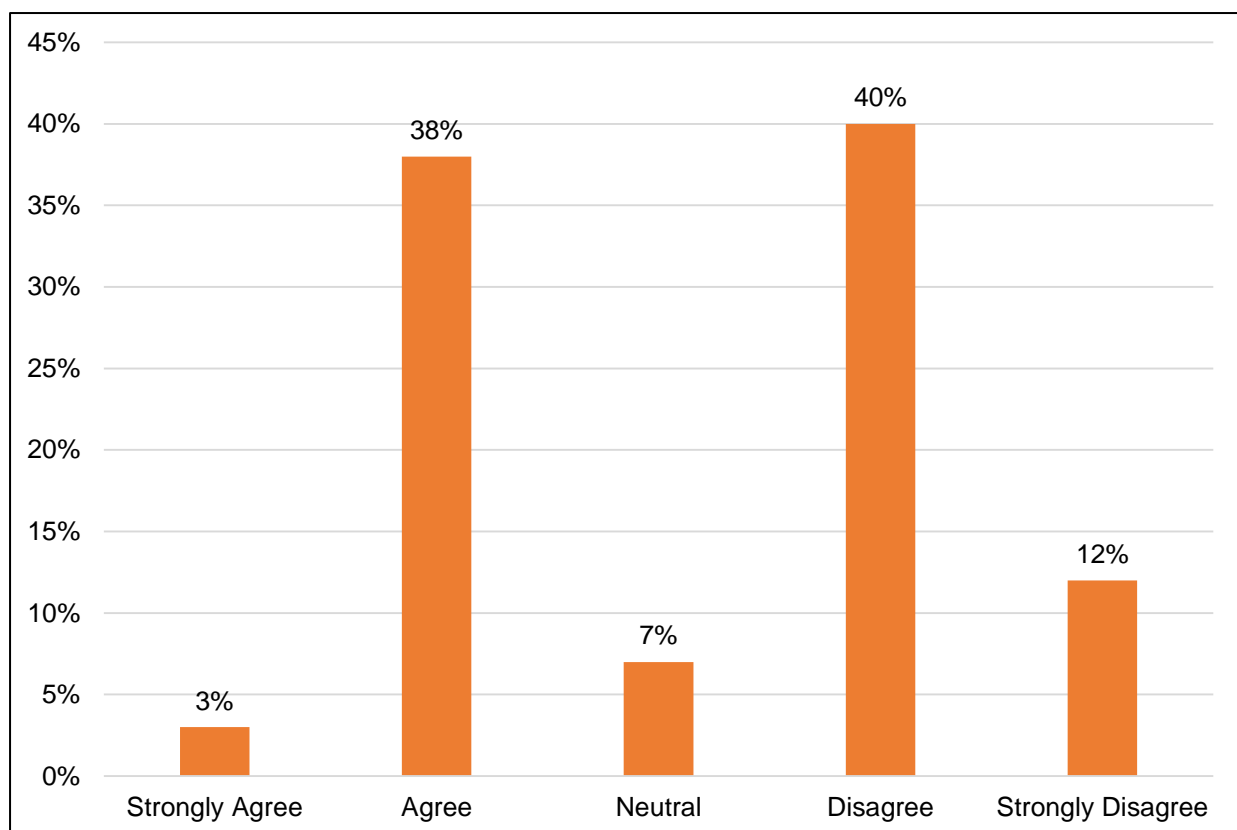


Figure 4.14 above illustrates that 85% of the total respondents in Polokwane city CBD suggest that they do have a scope for savings out of the monthly income generated from their informal enterprise inclusive of 5% of respondents who strongly agree. These statistics suggest that informal traders in Polokwane city CBD possess an understanding of financial education that will assist in becoming economically resilient in times of need. Furthermore, the amount of money saved from these informal traders varies according to the distinctive sizes and financial returns of the informal businesses. On the contrary, 8% and 2% of the respondents in Polokwane city CBD suggest that they do not have enough money to save from the total turnover they generate each month. The inability to save each month could be justified by the fact that the kinds of businesses operate on a relatively small as compared to other larger informal entities that have a scope for savings. Additionally, informal traders who do not possess the ability to save might have other responsibilities of heading the household and possibly supporting other family members.

#### 4.4.7. Polokwane City CBD Business Viability

Figure 4.15 below provides a statistical exhibition, from the total respondents surveyed in Polokwane city CBD on whether there exists a conducive environment that enables smooth operation of their businesses in the area. Literature indicates that the informal economy, given its unregulated and semi-legal nature, gives birth to multiple challenges that the local public authorities should remedy. That is, congestion, pollution, crime, piracy and the sale of illegal goods like marijuana and drugs. As a result, municipalities in the city are continually on a quest to infiltrate the informal economy and ameliorate the illegal activities. Furthermore, in their quest to infiltrate the informal economy, they end up distressing the multiple livelihoods of indigent urban inhabitants.

**Figure 4.15: Conduciveness of Polokwane City CBD on Informal Trading**



3% of the informal traders who participated in the survey indicate that Polokwane city CBD does provide a conducive environment for their informal businesses to operate. This statistic of those who strongly agree only accounts to a select few informal traders

who do not endure the challenges of operating as a trader in the city CBD. In Addition, 38% of the respondents indicated that Polokwane city CBD provides a conducive environment for their businesses to flourish. Majority of these traders originate from peripheral rural areas where there is a limited consumer base as compared to the city CBD where there is a continuous inflow and outflow of people who are prospective consumers. Additionally, a variety of factors could justify why 38% of informal traders regard Polokwane city CBD as being conducive for their enterprises. Strategic location of the enterprise, the type and quality of goods offered and the fact that the city is consists plethora of potential consumers. On the contrary, 40% and 12% of the respondents disagree and strongly disagree respectively, that Polokwane city CBD provides a conducive environment for their enterprises. Foreign nationals who operate in the city CBD are required to produce trading permits to validate their ability to trade in the city. Therefore, the application process is often referred to as protracted and seemingly impossible for most informal traders, who are predominantly foreign nationals to adhere to municipal requirements because most traders do not have the necessary documentation required by the municipality. Abrupt policing, monitoring and removal of other informal traders who are regraded to be those that sell illegal goods creates a state of uncertainty and instability for most traders in the city. Ordinarily, informal traders in Polokwane city CBD operate in areas that are either owned by the public or private sector. Consequently, this suggest that majority of traders would operate in a state of apprehension become their forceful removal by local authorities could occur any time. 7% of the informal traders are neutral on whether or not Polokwane city CBD provides a conducive environment for their informal enterprises.

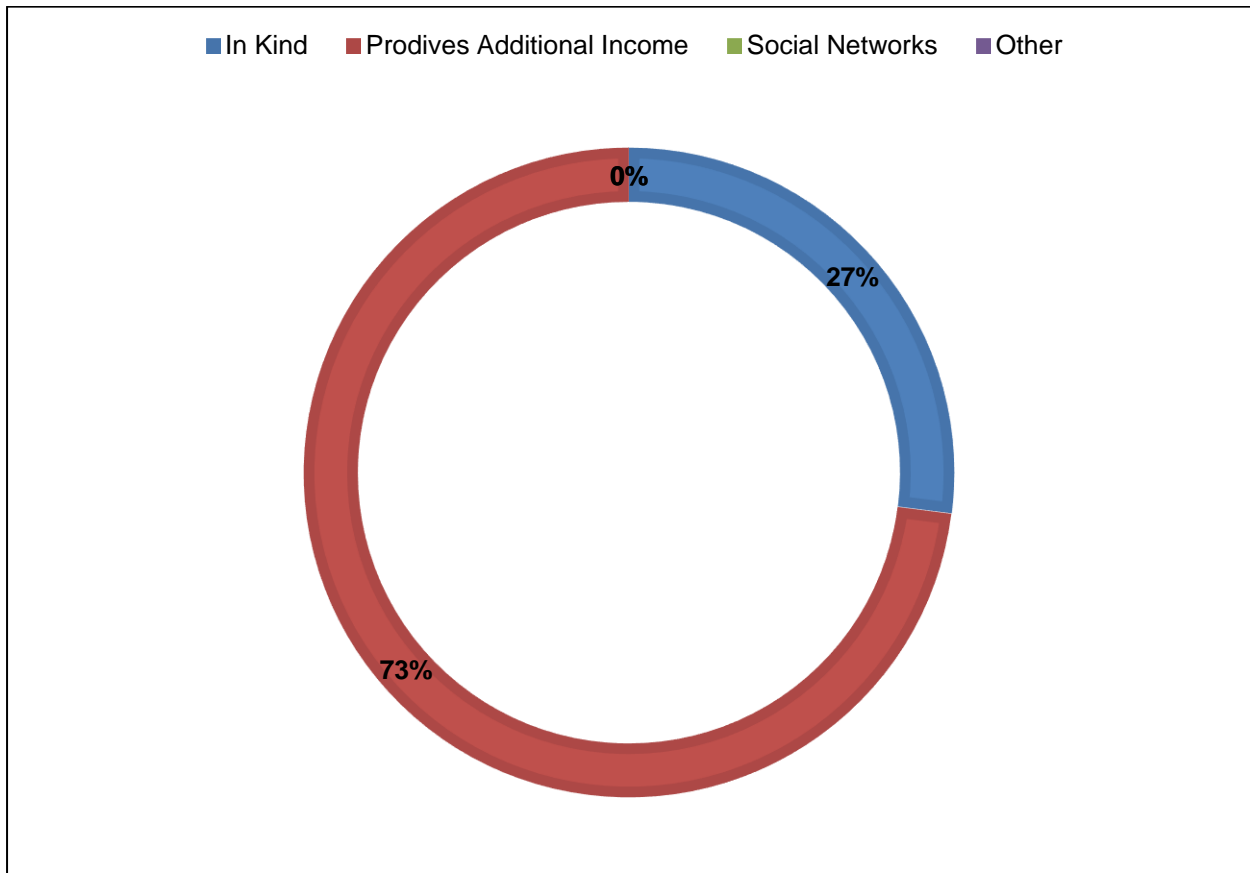
#### **4.5. Contributions of Informal Trading towards Urban Livelihoods**

##### **4.5.1. Contributions of Informal Trading in Households**

Literature suggest that a large proportion of informal economic activity contributes to the household in-kind given that these enterprises do not generate adequate income. By nature, informal enterprises do not consists of a production process and a scope of practice that could yield higher financial returns, which suggest that the likelihood of the owners and/or workers benefiting in-kind are high. Nonetheless, figure 4.16 below exhibits the manner in which contributes to the household.



**Figure 4.16: Contributions of Informal Trading to Households**



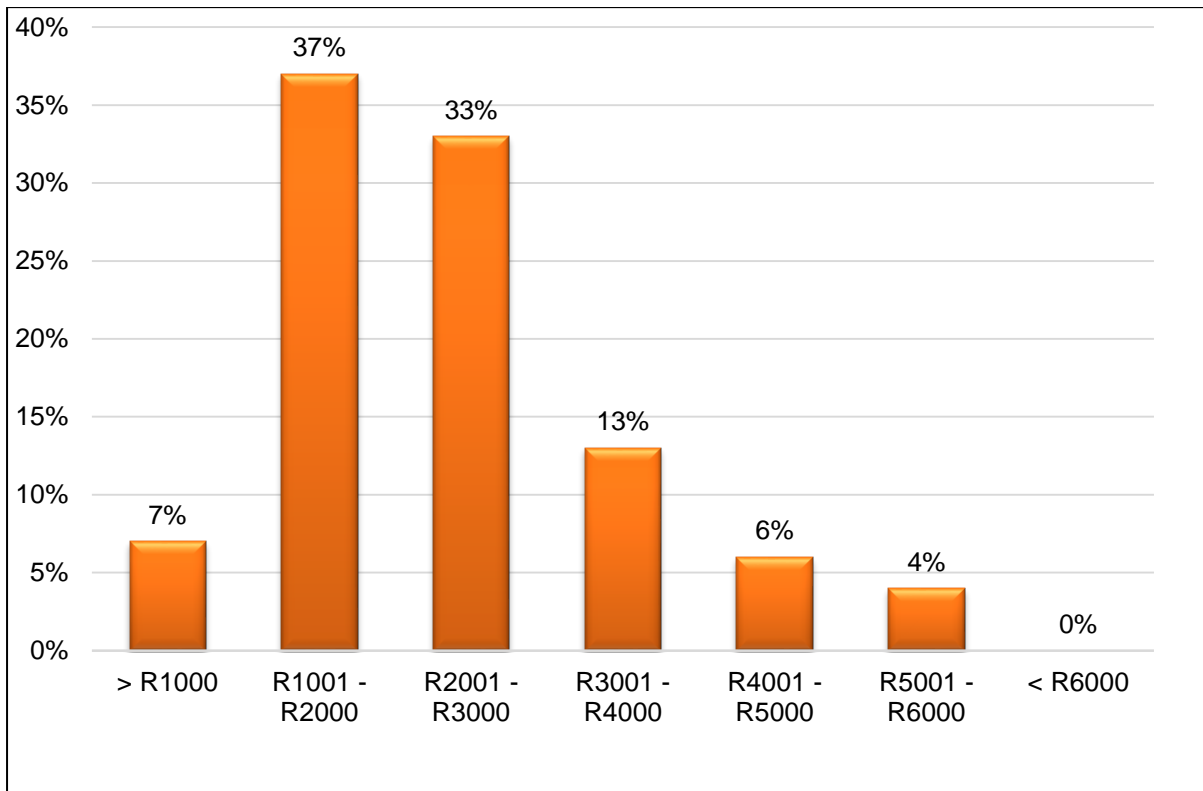
27% of the respondents who participated in the survey at Polokwane city CBD indicate that their informal businesses contributes to the household in-kind. A large majority of informal enterprises that contributes to the households in-kind are those entities that sell perishable foods and products. Understandably, provided the informal traders do not meet their target of selling all the products to their targeted customers, they eventually consider those products for household consumption. In addition, these kind of traders operate in approximately the same way as subsistent agricultural workers. Furthermore, traders that sell agricultural products could also be regarded as both subsistent and commercial participants of the informal economy in that their success is contingent on the output of their enterprises. On the other hand, 73% of the respondents in Polokwane city CBD indicate that their informal enterprises provides additional income to their households. Fathomably, these enterprises could be categorized as the highly competitive informal businesses in the second economy of Polokwane city CBD. These enterprises could include but not be limited to the informal enterprises that do not operate in a highly competitive market structure. That is, informal cafeterias/food outlet, Shoe and electronics repairs and wholesale informal

traders *inter alia*. Therefore, a large majority of informal enterprises in Polokwane city central businesses district, according to the respondents, provides additional income as opposed to contributing in-kind.

#### 4.5.2. Approximated Monthly Turnover of Informal Trading

Figure 4.17 below indicates the approximated monthly turnover of informal enterprises in Polokwane city CBD. Normally, informal enterprises are generally characterized by a micro scale of production which is limited in scope and scale thereby suggesting that the financial returns of informal enterprises will be less given the size and scale of operation of the enterprise. The approximated monthly turnover of informal businesses in Polokwane city CBD suggested that 37% of the total respondents generate between R1000 - R2000 of turnover. The aforesaid category of informal traders are street vendors that operate at a micro scale of production. Furthermore, they operate in a perfect competition which suggests that the possibility of them having limited financial returns is higher. On the other hand, 33% of respondents who participated in the survey generate between R2000 – R3000 per month. These informal traders also fall under the informal trade category that operate on a larger scale of production which allows for the sale of goods and services that would yield better financial returns.

**Figure 4.17: Approximated Monthly Turnover of Informal Enterprises**



Conversely, 13% and 6% of the respondents that took part in the survey articulated that the returns generated from their informal businesses are between R3000 – R4000 and R4000 - R5000 respectively. Informal businesses that fall within the abovementioned category are those that have possibly created a lucrative market niche for themselves through penetrating the market by diversifying their products and services in order that they may attract a broader audience of customers. These activities expand the market opportunities of their informal entities suggesting that the possibility of acquiring multiple customers would present itself. On the other hand, 4% of the total respondents who participated in the survey are those that generate an approximated monthly turnover of R5000-R6000. These traders are mostly informal economic activities that is based within the informal food outlets. Such informal food outlets receive a higher financial return given that the scope and scale of production of their enterprise is higher than most micro-sized informal enterprises. The informal foods market in the city CBD of most developing countries is growing. Polokwane City CBD is no exception – the informal food market is priced in such a manner that it becomes easier for the consumers to purchase most goods and products that has

been prepared. Lastly, 7% of the respondents in Polokwane city earn an approximated monthly turnover of less than > R500. Majority of these type of informal traders are hawkers and mobile small scale mobile informal entrepreneurs. Moreover, what justifies the micro-nature of their financial returns is the fact that they sell petty goods and services that are relatively priced in a manner that it would not yield larger financial returns.

#### **4.6. Conclusion**

Informal trading in Polokwane city CBD is inundated by a plethora of challenges, stressors and shocks that together negatively affect the contributions of informal trading towards urban livelihoods. That is, a variety of political, economic, social and climatic stressors and shock are frequently cited as contributing negatively towards urban livelihoods in Polokwane city CBD. On the other hand, notwithstanding these challenges, informal trading is responsible for sustaining majority of households through generating additional income and contributing in-kind. Additionally, support from the local government in Polokwane city, according to the respondents is regarded as unsatisfactory towards the phenomenon informal trading. Nonetheless, notwithstanding the fact that there exists multiple difficulties that contribute negatively towards urban livelihoods in Polokwane city, informal trading is responsible for sustaining majority of livelihoods.

## **Chapter Five**

### **Summary, Findings and Recommendations**

#### **5.1. Introduction**

The study investigated the contributions of informal trading towards urban livelihoods at Polokwane CBD, Limpopo Province. Measurements and analysis of informal trading towards urban livelihoods was done through several indicators. To this extent, specific objectives of the research were articulated and sought to study the typologies, characteristics and challenges of informal trading. Furthermore, the determinants of urban livelihoods was part of the specific research questions. Overly, this chapter provides an overview of the preceding chapters including brief summaries and conclusions. Lastly, the chapter recommends possible measures that could be employed in order to improve the contributions of informal trading towards urban livelihoods in Polokwane City CBD.

#### **5.2. Findings & Summary of the Study**

The study was conducted in Polokwane city CBD Limpopo province with the aim of discovering the pragmatic experience about the contributions of informal trading towards urban livelihoods at Polokwane city CBD. The research project reached the following findings based on purpose on the study;

- The findings of the study indicate that informal trading is regarded as the tiniest typology of trading in the informal economy which is characterized by trading that is small in scope and scale. Furthermore, Literature indicate that informal traders are mobile, stationary or a combination of both typologies given the nature of the enterprise itself. Literature on Small, Medium and Micro-enterprises SMMEs suggest that informal traders are budding entrepreneurs who have not yet mastered the art of the business industry. Informal trading is often characterized by workers/assistants who are predominantly family members whose remuneration status is uncertain given their arrangements with the owners of the informal enterprise. Thus, informal businesses do not possess adequate physical assets and resources that could facilitate the

production processes. Informal trading is noticeable around public transit stations, pavements and shopping malls in most urban settings.

- Participants of the informal economy are ordinarily, by virtue of their operation in the informal sector regarded as destitute entrepreneurs who are predominantly uneducated and unskilled. These informal traders are often regarded as members of the informal economy that do not possess a tertiary education. Ordinarily, high school education is often associated with informal traders because, understandably, they do not have the necessary skills required to acquire employment in the formal sector.
- Various challenges impinge on the ability of informal trading to grow, and improve their quo and possibly advance into registered formal businesses. That is, access to financial capital/ start-up cost is more often than not cited as the major challenges facing informal trading across majority of developing economies. Moreover, the inability of informal traders to possess collateral as a way of acquiring loans to fund their businesses was also articulated by multiple scholars as the central challenge facing informal trading notwithstanding other difficulties of the informal economy. Additionally, informal traders are operate their businesses in a perfectly competitive market structure which allows for free entry and exit of prospective traders who sell homogenous goods and services. As result, congestion pollution and crime becomes one of the challenges that form part of the informal economy.
- Urban informal trading is vulnerable to a variety of stressors and shocks that tests the ability of informal trading to contribute positively towards urban livelihoods. Such stressors include, environmental elements like natural shocks and disasters, economic stressors manifested through micro and macro-economic stressors and shocks, societal stressors including but not limited to HIV/AIDS and other related diseases. Additionally, the rampant political environment is habitually referred to as the main contributor to the demolition and deterioration of the diminutive physical assets of informal traders. The political environment in urban informal economy is utterly formidable to majority of indigent informal traders in that the occurrence of a violent protest, civil unrest

and riot *inter alia* more often than not entails the destruction, demolition and decay of the physical assets of destitute informal traders in the informal economy.

- Social capital is regarded as *inter alia*, relationships of kinships, social-ties and reciprocity. These factors are crucial to the formation and operation of businesses in the informal economy. Understandably, the informal economy, by nature, is unregulated which suggests that there is complete freedom of entry and exit in the market. As a result, multiple traders that do not possess adequate institutional support from both private and public sector begin to bombard the informal sector without any support structure from a reputable business organization. Consequently, informal traders spontaneously converge thereby creating a sense of connectedness and the development of social capital that is regarded as instrumental to the existence of their business. Notwithstanding the crucial aspects that are central to business success including, business management skills, leadership skills and financial literacy *inter alia*, social capital is viewed as the cornerstone of business success in the informal economy.
- The empirical findings of the typologies and characteristics of informal trading in Polokwane city CBD suggest that an assortment of informal enterprises exists in the city CBD. These include: Informal food outlets, informal hairdresser, hawker, tailor makers, shoe repair, retail outlet and a variety of street vending activities. A majority of these informal business establishments presents themselves as stationary traders where they operate as fixed traders with limited or no workers/ employees. Process of production is limited in scope and scale given that a large amount of informal traders sell petty goods and services. These informal traders ordinarily position themselves predominantly, at public transit stations (taxi ranks and bus stations). The rationale behind this kind of positioning is that a large amount of prospective customers present themselves on a daily basis given that they need to utilize public transportation. Additionally, majority of informal traders who operate at public transit stations are street vendors and Hawkers. The latter operates as a mobile trader who sells petty goods and services. Seasonal informal traders also who ordinarily

sell agricultural products that are contingent on seasonality are mushrooming in the urban informal economy. 68% of informal traders in Polokwane city CBD operate as individual traders, whereas 27% consists of one to three employees/workers and only 5% consists of a total staff of four to six employees/workers. 4% of informal enterprises in Polokwane city CBD have existed for less than one year ( > 1 year), 35% of other informal businesses have existed for one to three years ( 1 – 3 years) , 41% have existed for four to six years (4-6 years), 6% have existed for seven to nine years ( 7 – 9 years) and, lastly, 14 percent of informal businesses in Polokwane city CBD Have existed for more than 10 years ( < 10 years).

- Fathomably, education level is often associated with the ability of an individual to influence creative thinking, cognitive ability and the capability of improved decision making. Nonetheless, in Polokwane city CBD, 7% of the respondents have acquired primary education. 18% of the respondents have acquired tertiary education. Lastly, 75% of respondents in Polokwane city CBD have received secondary education.
- In Polokwane city CBD, a variety of challenges affect the daily operation of informal enterprises. 23% of informal traders cited financial capital as being one of the challenges they experience. 12% of informal traders indicated that business/operation space is not conducive for the daily operation of their businesses. 20% of respondents articulated that they are experiencing a challenge of limited. Whereas 40% of respondents on the other hand, indicated that high competition within the informal economy, mainly amongst traders who offer homogenous goods and services. Lastly, 5% of the respondents suggest that the sanitation poor sanitation as a result of their participation in the informal economy is also a challenge that threatens their health and quality of trading on a daily basis.
- The approximated Monthly turnover generated by informal enterprises in Polokwane city CBD is as follows: 7% of the informal traders in Polokwane city CBD indicated their informal enterprises generate a turnover of less than R1000 per month (> R500/pm). 37% of informal traders suggest they generate



between R1001 – R2000 on a Monthly basis. In continuation, 33% of traders indicate that R2001 – R3000 is the approximated turnover generated by their informal businesses per month. On the other hand, 13% of traders suggest that they generate between R3001 – R4000 of turnover on a monthly basis. 6 % of informal businesses generate between R4001 – R5000 per month. Lastly, 4% of the respondents generate between R5001 – R6000 per Month.

- 15% of informal traders at Polokwane city CBD indicate that financial literacy skills is important for the success of their businesses in that numerical skills and attributes of the business owner are amongst other things, a determinant of business success. In continuation, 11% of the respondents suggests that stokvels and community co-operatives characterized through a circular distribution of money has a positive influence on the success of their businesses in that one way or the other, it injects resources to the informal enterprise whether financial or physical resources. On the other hand, 31% of informal traders in Polokwane city CBD indicate that social networks, social-ties and relationships of reciprocity are curial determinants of business success in the informal economy. Lastly, 43% of informal traders indicated that business management skills are important for success of their enterprises.
- According to informal traders at Polokwane city CBD, various stressors affect livelihoods in the urban informal economy. The findings of the study indicate that 15% of the respondents in Polokwane city CBD suggests that macro and micro-economic instability manifested through general price increase is of the pressing challenges affecting urban livelihoods. Volatile prices of consumer goods and services often suggest that inputs of the business will be expensive for informal traders and subsequently the consumers thereby changing the economic landscape of the informal economy. 20% of informal traders indicate that crime is another stressor that affects traders in the urban informal economy. 16% of informal traders indicate that political that often occurs abruptly, also serve as stressors that have an impact on urban livelihoods. 4% of respondents suggest that HIV/AIDS are amongst the stressors that affect urban livelihoods. Lastly, 45% of traders in the urban informal economy indicate that environmental elements that tests the existence of livelihoods in the

informal economy. These include various climatic conditions ranging from rain, storm, floods and severe windy conditions.

- 7% of respondents in Polokwane city CBD indicate that communications skills are a crucial contributing factor towards urban livelihoods. 3% of the respondents suggests that general leadership skills inclusive of the ability to spearhead, manage and oversee the project is a contributor to business success in the informal economy. 43% of informal traders articulate that maintaining a good customer relationship is an important assets of informal traders. Lastly, 47% of informal traders indicate that financial management skills is crucial as a contributing factor towards urban livelihoods.
- Savings are frequently cited as important in that they allow the informal traders to possess a certain level of economic resilience which is crucial to the informal traders in difficult times. The following findings where acquired. 5% and 85% of informal traders strongly agree and agree respectively to the fact that they do have a monthly scope for savings out of their monthly income generated from the informal businesses. Lastly, 8% and 2% of the respondents agree and strongly disagree, respectively, that their businesses do not generate adequate income to save on a monthly basis.
- 27% of informal enterprises in Polokwane city CBD indicate that their informal businesses contributes to their household in-kind. Whereas 73% of other informal traders in Polokwane city CBD indicate that their informal businesses contributes to the households through providing additional income. The former group of informal traders that constitute 27% could be regarded as those traders who might be breaking even in sales. Whereas the latter group are those traders that do generate profit.
- 3% and 38% of informal traders strongly agree and agree, respectively, that Polokwane city CBD provides a conducive environment for their businesses to contribute positively towards urban livelihoods. 7% of the respondents are neutral as to whether or not the physical, environmental and socio-economic circumstances in Polokwane city CBD have an effect on the contributions of

informal trading towards urban livelihoods. 40% and 12% of informal traders in Polokwane city CBD, disagree and strongly disagree, respectively, that the circumstances in Polokwane city CBD create a conducive environment for informal to contribute commendably, towards urban livelihoods.

### **5.3. Recommendations**

- Of the 75% and 7% of respondents who acquired only secondary and primary education respectively, it is important that provision for education and training, specifically entrepreneurial training workshops are put in place by various support institutions in order to improve the business decision making of destitute informal traders who evidently have little knowledge of business education. Moreover, even the informal traders who have acquired tertiary education need to be empowered with entrepreneurial education specifically for informal traders that are located in the informal economy.
- Currently, limited or no support programme(s) exists for businesses that are within the informal economy. As a result, they endure a plethora of challenges that form part-of the informal economy. Accordingly, given that majority of informal traders do not possess any collateral to qualify for loan or other prospective funding opportunity, there is a need for the creation of an incubation programme, that is specifically aimed at ameliorating and uplifting budding businesses in the informal economy.
- Inasmuch as it could be seemingly impossible for the creation of business stalls or operating areas for informal businesses –a strategy should be devised in order to provide informal traders with business stalls that are easily convertible onto trolleys and/or containers that could carry the produce and distinctive products of informal traders. It could be ideal if these suggested devices have a shelter that protects the trader from heat and rain. Additionally, these suggested devices, whether permanently erected or temporary will be instrumental especially in the event of an environmental stressor.

- A collaborative effort should be encouraged between police officers and informal traders who have mobilized themselves into a form of an association/ co-operative in order that they can jointly fight various criminal activities that usually threatens the livelihoods of informal traders.
- Informal traders should be equipped and capacitated with a variety of business investment and savings skills in order that they could be able to deal with the multiple micro and micro-economic stressors and shocks that are ordinarily manifested through price increase. Various institutions and organs of state that are intended towards the support of informal businesses should place concerted efforts on prioritizing financial management and investment skills. Institution like SEDA (Small Enterprise Development Agency), SEFA (Small Enterprise Finance Agency), IDC (Industrial Development Corporation), Ntsika Enterprise Promotion Agency (NEPA), National Small Business Council (NSBC) and the Ministry of SMMEs. Additionally, student structures like ENACTUS (Entrepreneurial-action –us) and BMF (Black Management Forum) that are intended towards the support of informal enterprises should collaborate with the aforementioned organs of state.
- It is important that in the event of a political disruption, manifested through a strike, service delivery protest or xenophobic attack, the police officers become extensively mobilized in order that they ensure that the physical assets and of informal traders are not destroyed. Often, the physical assets of informal traders are disregarded in the event of a strike not taking in to consideration that they are crucial resources of informal traders that operate on a daily basis. Accordingly, various policing measures should be employed by the police services in order to protect the assets of informal traders.

#### **5.4. Conclusion**

The contributions of informal trading towards urban livelihoods in Polokwane city CBD is faced by countless, stressors, shocks and challenges that informal traders themselves do not have the ability to influence their occurrence. Moreover, informal economic activities in Polokwane do not possess the economic resilience necessary to recover from the aforesaid stressors and shocks. As a result, the practice of informal

trading in Polokwane city CBD becomes vulnerable to multiple external stressors mostly those that range from political, economic and environmental amongst others. Furthermore, the local government in Polokwane city appears to be delaying the informal traders with regard to the acquisition of trading permits to legitimize their practice. Additionally, internal business constraints including limited financial capital, business management skills and lack of a decent and safe trading/operation stall are the most pressing challenges affecting informal trading and subsequently their contributions towards urban livelihoods. Therefore, it is crucial that various public and private sector institutions through the collaboration with informal traders coordinate their efforts towards support and stimulation of businesses in the informal sector as they are responsible for sustaining majority of households.

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**Appendix A: Semi-Structured Questionnaire Survey for Informal Traders**



**University of Limpopo**

**Semi-Structured Questionnaire Survey**

**2016**

**By**

**Kevin Kwena Meso**

**201108225**

**This questionnaire is structured to carry out an individual survey for the research project titled; contributions of informal trading towards urban livelihoods at Polokwane city central business district, Limpopo Province.**

**This research Project is registered with the Department of Development Planning and Management at the University of Limpopo, Turfloop Campus.**

**Please be of assistance by providing relevant information required for this questionnaire survey. This questionnaire is structured for the purpose of gathering information on People's Opinions.**

**Your Identity will not be disclosed.**

***Please mark with an X on the applicable box provided below.***

## SECTION A: Demographic Profile of Informal Traders

1. Please select your gender.

- |                |                  |
|----------------|------------------|
| 1. Male [    ] | 2. Female [    ] |
|----------------|------------------|

2. Please select your race category.

- |                               |                                    |                    |
|-------------------------------|------------------------------------|--------------------|
| 1. Black South African [    ] | 2. White [    ]                    | 3. Coloured [    ] |
| 4. Asian [    ]               | 5. African Foreign National [    ] |                    |

3. Please select your age range.

- |                         |                         |                         |
|-------------------------|-------------------------|-------------------------|
| 1. 16 – 29 Years [    ] | 2. 30 – 43 Years [    ] | 3. 44 – 57 Years [    ] |
| 4. 58 and Above [    ]  |                         |                         |

4. Which of the following best describes your education status?

- |                              |                               |
|------------------------------|-------------------------------|
| 1. Primary Education [    ]  | 2. Secondary Education [    ] |
| 3. Tertiary Education [    ] | 4. None of the Above [    ]   |

## SECTION B: Details of the Informal Trading Business

1. Which of the following categories best describes your business?

- |                         |                           |                         |    |
|-------------------------|---------------------------|-------------------------|----|
| 1. Hair Salon [    ]    | 2. Hawker [    ]          | 3. Tailor Maker [    ]  | 4. |
| Restaurant [    ]       | 5. General Dealer [    ]  | 6. Street Vender [    ] |    |
| 7. Retail Outlet [    ] | 8. Internet Outlet [    ] |                         |    |
| 9. Other [    ]         |                           |                         |    |

Please explain below.

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2. Your business benefits from the market it operates in?

1. Strongly Agree [ ]	2. Agree [ ]	3. Neutral [ ]
4. Disagree [ ]		
5. Strongly Disagree [ ]		
Please explain below.		

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3. What is the reason behind establishing the business?

1. Unemployment [ ]	2. Retrenchment [ ]	3. Insufficient
Income [ ]	4. Market Opportunities [ ]	5. Other [ ]
Please specify below.		

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4. Which of the following challenges affect your business?

- |                          |                         |                         |
|--------------------------|-------------------------|-------------------------|
| 1. Financial Capital [ ] | 2. Business Space [ ]   | 3. Access to Market [ ] |
| 4. Limited Customers [ ] | 5. High Competition [ ] | 6. Other [ ]            |

Please specify below.

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5. What was/is the source of start-up capital for your business?

- |                      |                              |                    |
|----------------------|------------------------------|--------------------|
| 1. Money Lender [ ]  | 2. Friends and Relatives [ ] | 3. Own Savings [ ] |
| 4. Other Sources [ ] |                              |                    |

Please explain below

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6. How many employees do you have in your business?

- |             |            |            |             |                 |
|-------------|------------|------------|-------------|-----------------|
| 1. None [ ] | 2. 1-3 [ ] | 3. 4-6 [ ] | 4. 7-10 [ ] | 5. Above 10 [ ] |
|-------------|------------|------------|-------------|-----------------|

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7. How long has your business been operating?

1. > 1 year [ ]    2. 1-3 years [ ]    3. 4-6 years [ ]    4. 7-9 [ ]    5. < 10 years [ ]

8. What is the estimated monthly income generated by your business?

1. >R500 [ ]    2. R1000- R2000 [ ]    3. R2001- R3000 [ ]    4. R3001- R4000 [ ]  
 5. R4001- R5000 [ ]    6. R5001- R6000 [ ]    7. R6001-R7000    8. < R7000 [ ]

**SECTION C: Determinants of Urban Livelihoods**

1. Which of the following assets would you regard as key to the existence of your business?

1. Financial Capital [ ]    2. Social Capital [ ]    3. Social Networks [ ]  
 4. Business Management Skills [ ]    5. Other [ ]

Please explain below

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2. Which of the following capabilities have a positive contribution to your business?

1. Communication/Presentation Skills [ ]    2. Financial Management Skills [ ]  
 3. Good Customer Relationship [ ]    4. General Leadership Skills [ ]

Please explain below.

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3. Which of the following stressors have a negative contribution to your business?

1. Price Increase [ ]	2. Political Instability [ ]	3. HIV/AIDS [ ]	4. Climatic stressors [ ]
5. Crime [ ]	6. Other [ ]		
Please explain below.			

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4. What do you spend majority of the income generated from your business on?

1. Food and non-food household items [ ]	2. Rent [ ]	3. Entertainment [ ]
4. Inventory for the business [ ]	5. Remittances for Dependents [ ]	
6. Petrol/Transportation Costs [ ]	7. Education [ ]	
8. Other [ ]		
Please explain below.		

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5. Does your business generate enough income for savings?

- |                          |              |                |                 |
|--------------------------|--------------|----------------|-----------------|
| 1. Strongly Agree [ ]    | 2. Agree [ ] | 3. Neutral [ ] | 4. Disagree [ ] |
| 5. Strongly Disagree [ ] |              |                |                 |

**SECTION D: Contributions of Informal Trading Towards Urban Livelihoods**

1. Does your business generate adequate Income for you/family to make a decent living?

- |                          |              |                |                 |
|--------------------------|--------------|----------------|-----------------|
| 1. Strongly Agree [ ]    | 2. Agree [ ] | 3. Neutral [ ] | 4. Disagree [ ] |
| 5. Strongly Disagree [ ] |              |                |                 |
| Please explain below.    |              |                |                 |

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2. If you were to be offered an opportunity for employment elsewhere given your education status and experience, would you take the offer and close down your business?

- |                          |              |                |                 |
|--------------------------|--------------|----------------|-----------------|
| 1. Strongly Agree [ ]    | 2. Agree [ ] | 3. Neutral [ ] | 4. Disagree [ ] |
| 5. Strongly Disagree [ ] |              |                |                 |
| Please explain below.    |              |                |                 |

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3. Would you advise anyone who is unemployed to become an informal trader?

1. Strongly Agree [ ]	2. Agree [ ]	3. Neutral [ ]	4. Disagree [ ]
5. Strongly Disagree [ ]			
Please explain below.			

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4. Do you think Polokwane CBD is favorable for informal trading to contribute towards livelihoods?

1. Strongly Agree [ ]	2. Agree [ ]	3. Neutral [ ]	4. Disagree [ ]
5. Strongly Disagree [ ]			
Please explain below.			

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5. Do you think your business has the potential for advancing into the formal sector?

1. Strongly Agree [ ]      2. Agree [ ]      3. Neutral [ ]      4. Disagree [ ]  
5. Strongly Disagree [ ]

Please explain below.

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**Section E: Recommendations**

1. What kind of support programmes should be implemented to stimulate the existence of informal trading?

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2. Which aspect of your business do you think the Ministry of Small Business and Entrepreneurship should prioritize to support informal trading?

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3. What would you suggest to be the ideal method to cope with various challenges affecting your business?

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4. What is your take on supporting informal trading as a strategy for creating urban livelihoods?

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## **Appendix B: Interview Schedule for the Key Informants**



### **Interview Schedule for the Key Informants**

**Research interview schedule for key informants at Polokwane Municipality.**

**Research Title: Contributions of Informal Trading towards Urban Livelihoods at Polokwane City Central Business District, Limpopo Province.**

**By**

**Kevin Kwena Meso**

**201108225**

**The interview schedule is drafted to solicit necessary information from key informants. The interview schedule is in fulfilment of the requirements for Master of Development (Planning & Management) degree to the Department of Development Planning & Management, School of Economics & Management, at the University of Limpopo.**

**Key informants, in this regard are encouraged to provide information regarding informal trading and urban livelihoods at Polokwane City Central Business District, Limpopo Province. Anonymity of key informants is guaranteed and thus they are required to provide information regarding informal trading and urban livelihoods. The overall interview schedule will be used solely for academic purposes.**

**Questions for the Key Informants at Polokwane Municipality**

1. What types and characteristics of informal trading exist around Polokwane CBD?

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2. What are the challenges facing informal trading?

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3. What is the significance of having informal trading in Polokwane CBD?

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4. Does informal trading generate enough income to create decent livelihoods at Polokwane CBD?

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5. Does informal trading receive any kind of support/assistance from your institution?

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## Appendix C: Ethics Clearance Letter



University of Limpopo  
Department of Research Administration and Development  
Private Bag X1106, Sovenga, 0727, South Africa  
Tel: (015) 268 2212, Fax: (015) 268 2306, Email:snoko.monene@ul.ac.za

05 February 2016

Mr KK Meso  
Department of Development Planning and Management  
UNIVERSITY OF LIMPOPO

Dear Mr Meso

### APPLICATION FOR ETHICS APPROVAL

Researcher: Mr KK Meso  
Title: Contributions of Informal trading towards urban livelihoods in Polokwane City Central Business District, Limpopo Province  
Supervisor: Prof JP Tsheola - University of Limpopo  
Co-supervisor: Dr AA Asha - University of Limpopo  
Served at TREC on: 27 January 2016  
Decision of TREC: Conditional Approval

### Conditions:

- (1) The researcher should expand on ethical considerations e.g. informed consent, right to privacy, voluntary participation, etc. and own it.
- (2) The researcher should indicate how he/she will address potential harms to the participant.

Kindly make the necessary correction and submit the required information as soon as possible so that your ethical clearance certificate can be processed.

N Manene  
Secretary: Turfloop Research Ethics Committee

CC: Prof TAB Mashogo: Chairperson - Turfloop Research Ethics Committee  
Prof JP Tsheola: Faculty of Management and Law  
Prof MP Sjobola: School of Economics and Management

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## Appendix D: Data Collection Request and Acceptance Letters



### University of Limpopo

Private Bag X1106, Sovenga, 0727, South Africa  
Tel: 015 268-3198, Fax: 015 268-2215, Email: [johannes.tsheola@ul.ac.za](mailto:johannes.tsheola@ul.ac.za)

**TO:** Honourable Ms Faith Maboya, Municipal Manager  
Polokwane Local Municipality

**Cc.:** Mr Matome Makgoba, Director, Planning & Economic Development  
Polokwane Local Municipality  
Mr KK Meso (201108225), Lecturer & Masters Candidate, University of Limpopo

**From:** Professor Johannes Tsheola, Executive Dean & Supervisor

**Subject:** Request for Permission that Mr Meso Conducts Surveys in Polokwane City CBD

As Supervisor, I herewith make a sincere request to you to allow Mr Meso to conduct fieldwork, questionnaire and interview surveys in Polokwane City CBD, during March 2016. This request is referenced hereunder:

Mr Meso (201108225) is a Lecturer in the Department of Development Planning & Management at the University of Limpopo and is currently registered for a Masters Qualification with the same Department and University as follows:

**Title:** *Contributions of informal trading towards urban livelihoods in Polokwane City Central Business District, Limpopo Province*

**Candidate:** Mr KK Meso (201108225)

**Supervisor:** Professor Johannes Tsheola

*J. Tsheola*  
23/02/2016

Mr Meso's Masters Research Proposal has been approved by the University of Limpopo's School of Economics & Management as well as the Faculty of Management & Law Higher Degrees Committees (HDCs); and, the Turfloop Research Ethics Committee (TREC) requires that he secures a letter of permission for his fieldwork and survey in Polokwane City CBD.

His fieldwork and survey will include observations, photographic information, administration of questionnaires among selected informal street traders as well as interviews with purposively selected Polokwane City Officials. The purpose of the surveys is to determine the contributions

*Finding solutions for Africa*

of informal street trading towards urban livelihoods. The relevant data collection tool, questionnaire and interview questions, will be made available to Polokwane Local Municipality.

Mr Meso will be assisted by four of his Colleagues and Postgraduate Students: Ms Mmakgoshi Maloa, Ms Rejoyce Ngoepe, Mr Andani Madzivhandila and Mr Edwin Mutenyoka.

Mr Meso would be greatly assisted if he could be allowed permission to conduct fieldwork and survey as requested; and, shall observe all relevant research ethics in keeping with the University of Limpopo's standards and requirements. He is thoroughly trained as a researcher and he knows that he has to uphold the values, principles and guidelines applicable to Polokwane Local Municipality Community.

Also, all information to be collected will be kept confidential and made available to the Honourable Municipal Manager.

I herewith kindly request you to allow Mr Meso and his Assistants the opportunity to conduct the fieldwork, questionnaire and interview surveys as requested.

I look forward to your favourable decision.

Signed:

 23/02/2016

Professor Johannes Tsheola, Executive Dean  
Professor in Development Planning & NRF C3 Rated Researcher  
Faculty of Management & Law

SUBJECT: Request to conduct research for Mirex, Mirex, MIP, Mirex A/S Mexico

SECTION A: SUBMISSION BY SBU MANAGER  
 SBU: Human Resource NAME (AUTHOR):  
 SIGNATURE / SBU MANAGER: [Signature] DATE: 02/02/2016

SECTION B: AUTHORIZATION / SUBMISSION BY  
 DIRECTORATE: Corporate & Shared Services  
 SIGNATURE / DIRECTOR: [Signature] DATE: 04/02/2016

SECTION C: COMMENTS REQUIRED FROM: (TICK IN APPLICABLE BLOCK)

DIRECTOR: ENGINEERING SERVICES	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: DEVELOPMENT & ECON. PLAN	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: COMMUNITY SERVICES	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: CORP AND SHARED SERV.	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
CHIEF FINANCIAL OFFICER	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: COMMUNITY DEVELOPMENT	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: STRAT. PLAN, MONITOR & EVAL.	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
MAN: COMMUNICATION & PUBLIC PART.	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____

SECTION D: SECRETARIAT & ADMINISTRATION  
 REG. NO: \_\_\_\_\_ REG. DATE: \_\_\_\_\_ COMMITTEE CLERK: \_\_\_\_\_

SECTION E: MUNICIPAL MANAGER  
 APPROVED FOR SUBMISSION: [Signature] DATE: 2016/02/08  
 REMARKS: \_\_\_\_\_

ALLOCATION TO SPECIFIC COMMITTEES

FINANCE & LEG.	ENERGY	HOUSING	CULTURE, SPORTS, REC. & SPEC. FOCUS	ADMIN & GOV.
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WATER & SANITATION	COMMUNITY SAFETY	ROADS, SEWATER & TRANSPORT	WASTE & ENVIRON.	SPATIAL PLAN & DEV
--------------------	------------------	----------------------------	------------------	--------------------

#  
(29/01/2016)

DIRECTORATE: CORPORATE AND SHARED SERVICES

ITEM:

FILE REF: 5/16/2

REQUEST TO GRANT MR. K.K MESO, MS M.R NGOEPE AND MS. S MAAKE TO  
CONDUCT THEIR RESEARCH WITHIN POLOKWANE MUNICIPALITY

Report of the Director: Corporate and Shared Services

Purpose of the Report

To request approval from the acting Municipal Manager to give permission to Mr. K.K Meso, Ms M.R Ngoepe and Ms. S Maake to conduct their research within Polokwane Municipality.

Background and Discussion

Mr. K.K Meso and Ms M.R Ngoepe masters students under Department of Development planning and management at University of Limpopo and also Ms S Maake Doctoral Technologies student in business information systems at Tshwane University of Technology to conduct their research within Polokwane Municipality. The titles of their theses are as follows:

1. Mr. K.K Meso masters students under Department of Development planning and management at University of Limpopo and the title of his Thesis is *"Contributions of informal trading towards urban livelihoods: a case of Polokwane Local Municipality."*
2. Ms M.R Ngoepe masters students under Department of Development planning and management at University of Limpopo and the title of her Thesis is *"the effects of informal settlement upgrading on service delivery in distenseng: Polokwane Local Municipality"*
3. Ms S Maake Doctoral Technologies student in business information systems at Tshwane University of Technology and her thesis is *"Effective e-filing system usage to enhance service delivery in South African Public sector: a case of Polokwane Local Municipality."*

The information collected during the survey shall be kept confidential and the University promises to observe all relevant research ethics in line with the University of Limpopo and Tshwane University of Technology's standards and requirements. The university promises to make information available related survey to the municipality.

FINANCIAL IMPLICATION

There is no financial implication on this project

**RECOMMEND**

That approval be granted for Mr. K.K Meso, Ms M.R Ngoepe and Ms. S Maake to conduct their research within Polokwane Municipality.

The approval should be standard.  
I give comments a few weeks.  
Just let the showing of  
the research info be included  
in the approval letter.



