

**THE IMPACT OF ETHEKWINI MUNICIPALITY POLICIES ON
INFORMAL TRADERS: A CASE STUDY OF THE NORTHERN
REGIONS OF ETHEKWINI**

Submitted in fulfilment of the requirements of the degree of Doctor of
Philosophy in Business Administration in the Faculty of Management
Sciences at the Durban University of Technology

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April 2020

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DECLARATION

I, the undersigned declare that:

THE IMPACT OF ETHEKWINI MUNICIPALITY POLICIES ON INFORMAL TRADERS: A CASE STUDY OF THE NORTHERN REGIONS OF ETHEKWINI is my original work, that all sources used or quoted have been acknowledged in the list of references, and that this dissertation was not previously submitted for a degree at any institution of higher learning.

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DEDICATION

I dedicate this study in memory of my guardian angels:

My beloved late father **Mr Krishanpershad Ramsuraj**. He taught me to persevere and prepared me to face the challenges with faith and humility. He was an inspiration to my life. His support gave me the strength to strive and achieve my goals in life. Dad, *“You raised me up to more than I can be”!*

To my late sister **Tina Sardar** who was the proudest eldest sister to know that her little sister was embarking on Doctoral studies. She was the kindest soul and an inspiration in my life. Thank you for setting goals and being the role model to follow.

ACKNOWLEDGEMENTS

The successful completion of this research would not have been possible without the support, guidance and encouragement of certain individuals. A special thanks and appreciation to the following individuals:

- First and foremost, I am eternally thankful to God Almighty for the strength and courage throughout the tough, trying and fulfilling times during this Doctoral degree.
- To my mum, Mrs Mahadevi Ramsuraj, thank you being my pillar of strength, believing in me and being my biggest cheer- leader.
- I would like to express my gratitude to my supervisor Professor Malcolm Wallis, whose guidance and support have been essential in completing this thesis. It was a real privilege to have you as a supervisor.
- To my brother Sashin Ramsuraj and sister Nirvana Ramsuraj, thank you for your continuous support and encouragement.
- Special thanks to the Municipal Institute of Learning, eThekweni Municipality for being my gatekeeper and granting me permission to conduct this study.
- Willard Zvarevashe for your mentorship and support throughout this thesis.
- To Junaid Khan thank you for your moral support through this journey.
- I express my sincere gratitude to all the informal traders who participated in the research study and gave so generously their time.

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LIST OF ABBREVIATIONS

ANC:	African National Congress
CBD:	Central Business District
DEDT:	Department of Economic Development and Tourism
DRC:	Democratic Republic of Congo
DSBD:	Department of Small Business Development
DTI:	Department of Trade and Industry
EM:	eThekweni Municipality
GDP:	Gross Domestic Product
GEAR:	Growth, Employment and Redistribution strategy
GIBUS:	Gauteng Informal Business Upliftment Strategy
IDP:	Integrated Development Plan
ILO:	International Labour Organization
IMESP:	Informal and Micro Enterprise Support Programme
ITUP:	Informal traders upliftment project
ITSBO:	Informal Trade and Small Business Opportunities
JASPA:	Jobs and Skills Programme for Africa
NDP:	National Development Plan
NIBUS:	National Informal Business Upliftment Strategy
PAYE:	Pay As You Earn
Q3:	Third quarter
Q4:	Fourth quarter
QLFS:	Quarterly Labour Force Survey
RDP:	Reconstruction and Development Programme
SA:	South Africa
SALGA:	South African Local Government Association
SEDA:	Small Enterprise Development Agency
SEFA:	Small Enterprise Finance Agency
SMME:	Small, Medium and Micro-enterprises
UIF:	Unemployment Insurance Fund
WIEGO:	Women in Informal Employment: Globalizing and Organizing

ABSTRACT

The informal economy contributes about 5.2% of the gross domestic product of South Africa. It is estimated that it employs more than 2.6 million people which represents about 10% of the total employment in the country. However, this is considered to be low if it is compared to other African countries, despite the high unemployment in the country. Therefore, there may be some constraints hindering the growth of the informal sector. The apartheid government that was in place before 1994 enacted laws and policies that hindered the growth of the sector. In recent times the South African government has been revising the laws and putting in place policies that encourage the growth of the informal economy. A number of studies have shown that eThekweni Municipality has one of the best policies which target the informal economy in South Africa. Some of the policies that have been launched include National Informal Business Upliftment Strategy at national level and Durban's Informal Economy Policy. The current Integrated Development Plan for eThekweni Municipality has sections specially dedicated to the informal economy. Despite the efforts of the national, provincial and local governments, the policies have been failing to be more effective to achieve the intended results due to several issues. This study aims to assess and analyse the municipality's policies that impact on the growth and prosperity of informal traders as well as the challenges that they encounter as a result of these policies. This study also monitors and evaluates the policy and implementation at municipality level. The informal traders located in the northern parts of eThekweni are focussed on as a case study.

The study involved use of both secondary and primary research. In the secondary research literature review on both the informal economy and the policies that affect the people that operate within this sector was done. In the primary research structured interviews were used to gather primary data required for this study backed up by onsite observations.

The results from the study show that there is lack of awareness of the informal sector policies by the informal traders. Most of the informal traders are not registered and they do not see any benefits of doing so. There is still hostility between the informal and

formal traders. Informal traders highlighted a number of challenges they face every day, such as lack of shelter, storage space and running battles with law enforcers. The study showed that there was lack of involvement of the informal traders in planning such that some of the stalls that were built by the municipality remain vacant due to several issues they pointed to such as low numbers of customers in the area. The study makes some recommendations based on the findings and other studies.

CHAPTER ONE: INTRODUCTION

1.1 Introduction

Informal trading refers to economic activities by individuals and/or groups involving the sale of legal goods and services, within public and private spaces, normally seen as unconventional for the exercise of such activities. It is sometimes shambolic and not always registered as a formal business activity. In its most basic form, this type of trading takes place on streets and pavements, on private property that is used primarily as the entrepreneur's place of residence and tends to require little more capital than the actual goods and services to be traded. Governments and Municipalities in South Africa and elsewhere have various policies directly and indirectly impacting on operations in the informal sector.

The informal economy the world over employs a significant percentage of workers. Some of the unskilled workers who cannot be employed in the formal economy are absorbed by the informal economy and therefore resulting in reduction of unemployment. South Africa's unemployment rate stands at about 27%, which is very high when compared to many developing countries (Stats SA, 2019). The informal economy provides opportunities to absorb a large percentage of unemployed and sometimes unskilled workers. However, despite these high percentages of unemployed people, South Africa has a relatively low penetration of the informal economy. The informal economy contributes about 10% of South Africa's gross domestic product, which is very low when compared to other African countries and developing nations (Valodia, 2006:26; Stats SA, 2016). One of the major hindrances of the penetration has been the historical background of the country (Valodia, 2001:23). The apartheid government that was in power before 1994, enacted policies and laws that were against informal trading. However, after 1994 there was a relaxation of some of the apartheid laws. The South African government, after realising the potential of the informal economy's contribution towards gross domestic product and reduction of unemployment rates, enacted laws and policies that support the informal economy.

Despite the government support there has been slow growth of the informal economy. Therefore, there is a need to investigate the reasons why the sector is still contributing

less than expected to the growth of the overall economy. This study seeks to interrogate the impact on informal economy of policy change by the government of South Africa.

Durban is one of the first cities in South Africa that embraced the informal economy and included it in its planning. In 2001 it launched its first informal economy policy called Durban's Informal economy policy (Durban Unicity Council, 2001). Therefore, it will be interesting to investigate the impact of policy change on the informal economy. Informal traders are attracted to Durban because of its large economy and the economic opportunities that the city offers as well as a lower crime rate than most other cities. Informal traders conduct a wide range of enterprises. Street vendors, who sell a wide range of products and services from flowers to sheep to hair salons, make up the most visible components of this sector. A large number of backyard activities such as knitting, vehicle repairs, panel beating, hair care, photography, artistic painting, masonry and other enterprises are also undertaken.

This study focuses on public policies pertaining to informal trading in this one part of South Africa, using data gathered and examined to understand the impact of Municipality policies on Informal Traders. A case study of the Northern regions of eThekweni Metropolitan Municipality is used in this study. eThekweni Metropolitan Municipality is a metropolitan municipality created in 2000 that includes the old city of Durban and many surrounding towns such as Pinetown and Phoenix. eThekweni is the biggest economic contributor in KwaZulu-Natal. It is one of the 11 districts in the province. Published literature and qualitative data obtained from in-depth interviews with local informal traders were used to carry out the study.

1.2 Background of the study

The informal sector has become an integral part of the South African economy and society, contributing to its social and economic upgrade (ANC Gender Paper, 2012:16). The National Development Plan envisioned that by 2030 small, medium, micro enterprises (SMMEs) would be contributing to more than 60% of GDP growth and more than 90% of the 11 million new jobs (Vuba, 2019:4). This will be in line with

the global trend where 60-70% of new employment is provided by SMMEs. South Africa has one of the highest unemployment rates in the world which stands at 27.1% as shown by the 2018 Q4 report (Vuba, 2019). Policy is the main driver of the growth of SMMEs with South Africa having a history of changing policies towards informal traders. This study aims to assess and analyze the municipality's policies' impact on the growth and prosperity of informal traders as well as the challenges that they encounter as a result of these policies. This study also monitors and evaluates the policy and strategy implementation at municipality level.

Informal trading along pavements and similar places came into prominence due to people striving to make a living as a result of the rise in unemployment since the year 2000. The motivation behind this study was to understand the dynamics of growth and the challenges that the sector faces and its influence on the lives of communities. The sector contributes to the South African economy; reduces unemployment and poverty and enables entrepreneurs to support themselves (Mindset, 2015). The South African informal sector is one that is flourishing through its various distinctive, dynamic activities. It has demonstrated its developmental contribution and value in money related and social terms over the previous years. The informal economy is acknowledged for the massive economic contribution that has been made and can be made to the eThekweni economy. In view of this contribution, the municipality has committed itself to providing spaces to accommodate informal workers (eThekweni Municipality, 2016:1).

The inspiration driving this study was fundamentally to look at the impacts of the eThekweni Municipality policies on informal traders in the northern locales of eThekweni. The informal sector adds value to the South African economy, lessens unemployment and destitution and assists business people to advance themselves (Mindset, 2015). This research may help to assist the municipal, provincial and national government to understand the impact of the policies that are targeted at informal traders. The policy makers may then revise and craft strategies and policies that are more responsive to the needs of the informal traders as well as the formal economy and bring the much-needed development and employment.

1.3 The Research Problem

South Africa is one of the strongest economies in Africa but the unemployment rates and poverty appear to have been growing (Endeavour SA, 2010). Approximately 27% of the working age population is unemployed (Statistics SA 2016:1). Vuuren and Groenewald (2011:269) mention that the decline in the growth rate of global economies has become a major factor in the increase of unemployment and poverty in many countries. The government is unable to generate jobs for every citizen, and South Africa is no exception. It is faced with insufficient job creation. This has resulted in an increase in activities such as 'shebeens' (illegal bars) which may cause morale decay and an increase of drunkenness, spaza shops which may end up selling expired products to maximise profits because of lack of control. Apart from the legal business activities, one finds a large number of illegal activities such as sale of heroin and methane, illegal tobacco products and prostitution (these were excluded from this research).

Since the activities of the informal sector are not fully recorded, it is impossible to determine its size. This sector is probably conducting its activities in silent rebellion against excessive regulatory measures (mainly municipality policies) and often hides its activities. Studies indicate that from five to as much as fifty percent of South Africa's population participates in informal sector activities.

As Skinner and Valodia commented, "throughout South Africa, local government interventions that target the informal sector have largely focused on street trading" (Skinner *et al.*, 2003:432). Not all of these policies have been consistent but Durban has always been accommodating informal traders. Johannesburg tried to remove all traders from its central business district in 1999, largely due to pressure from property owners, relocating them to markets (Skinner *et al.*, 2003). This has, however, not stopped them from trading as the Johannesburg municipality still tries to find ways to contain the ever-increasing number of informal traders. Most of the spaces traders use are regarded as illegal since they have not been set aside for trading.

Despite their seemingly shady operations the informal sector provides employment. Due to the uniqueness of this sector, it holds particular advantages for a country. Many see the informal sector as the most important self-help option currently available in South Africa. According to the South African Local Government Association (SALGA) (2012:1) for many unemployed citizens in South Africa the informal economy has become the main alternative to unemployment. SALGA (2012:1) also argued that without the informal economy, the unemployment rate would rise from what it is currently at about 25% to approximately 47.5%.

1.4 Aim of the Study

The aim of this study is to investigate the effects the eThekweni municipality policies have on informal traders in the Northern region of eThekweni and to make recommendations to the various stakeholders on ways to improve the sustainability of informal traders.

1.5 Research Objectives

The research objectives are as follows:

1. To examine the impact of policies imposed by Municipalities on informal traders.
2. To determine what challenges informal traders are facing in eThekweni to start their own businesses;
3. To determine the needs of informal traders with regard to support, training and development
4. To determine the impact of these challenges on sustainability of the business; and
5. To make recommendations to deal with the challenges which informal traders are facing.

1.6 Research Questions

1. What effects have the policies had on the activities of the traders operating in and around the northern regions of eThekweni?
2. What are the eThekweni municipality policies regarding the formalisation of the informal sector?

1.7 Research Methods

Research is undertaken in order to find out about topics and issues in a systematic way, thereby increasing knowledge of important issues (Saunders, Lewis and Thornhill, 2016:4). The purpose of this research is to review the impact of municipal policies on informal traders as well as to suggest areas where regulatory reform may be required in order to reduce the impact and the costs of compliance. This section will present the research methodology that will be utilized in gathering data. The study involved both secondary and primary research.

1.7.1 Secondary Research

This part of the study consisted of a literature review on both the informal economy and the policies that affect the people that operate within this sector, in the northern region of eThekweni Municipality, South Africa. Previously published journal articles, newspaper articles and case studies were referred to. Any notices or other documents that directly affect the informal traders in eThekweni Municipality were examined. Literature about the experience of other countries was also reviewed.

1.7.2 Primary Research

A structured interview method was used to gather the primary data required for this study and onsite observations. The interview guide is a list of questions or issues that are to be explored in the course of interviews (Rule & John 2011:154). An interview guide is prepared to ensure that a number of people respond to the same questions. The use of questionnaires with close ended questions was used to some extent to cater for individuals who are unable to understand English well.

The target population for this study was the informal traders in the northern regions of eThekweni. The target population was the informal traders within the municipal markets and the informal traders who operate on the pavements outside the markets.

It is not always possible to conduct research across the whole population hence this study used sampling as an aid to provide reliable information regarding the impact of Municipality policies. A sample is a subset of the target population in which the

researcher is interested (Martins, 2011:199). Sampling is generally reliable, saves time and has a high suitability for this type of research. The purpose of sampling is to enable researchers to estimate some unknown but relevant characteristics of the population (Martins, 2011:23).

1.8 Analysis of findings

The grounded theory model of analysis was adopted and used after interviews were recorded and themes extracted from the interview transcripts. Common themes were identified, presented and discussed in line with literature gathered for this study. The sub-questions guided the analysis and assessment of the secondary sources of material. The secondary sources informed the conceptual framework section of the dissertation; this produced a large amount of qualitative data that was sifted through according to the information needed to answer the sub-questions.

1.9 Limitations of the Study

- The informal economy is broad and includes businesses that cannot be accounted for due to the mobility of the traders. Therefore, for this study, only unregistered informal traders that have physical location they operate on day to day basis were considered.
- Informal trading has a high number of entry and exits into the business and many do not stick to the same kind of business for more than a year. To overcome this challenge the study considered only those that have been operating in eThekweni for more than 5 years.
- Due to the limited time frame the study could not be carried out over a long period to find empirical evidence of the policy changes' impact on the sector. To overcome this the researcher relied on the information given in the interviews through the experience of the interviewees. Furthermore, the information from the interviews was compared with published literature such as municipal reports and newspaper articles.

1.10 Significance of the Study

The Informal economy has been identified by the South African government as a source of employment for the country. Recently there have been a number of policies and strategies that are being implemented from national to local government. The policies that are implemented by municipalities are the most important for informal traders as they are localised according to local needs and these affect their operations daily. There are several challenges that emanate from the implementation of the policies. The study uses a case study of Northern eThekweni Municipality to find the impact eThekweni policies on informal traders. The research is done as a case study, but it may be generalised to any developing country with similar conditions as South Africa. The results may be used to assist the government and informal traders to deal with informal trading for the benefit of both government and traders. The findings may also assist the municipality to determine the way forward to develop a policy that would work better for the informal trader. It is also envisaged that the findings may contribute to the body of academic knowledge on the informal sector globally.

1.11 Chapter Organisation

Chapter 1: Background and motivation of the study: This chapter introduces the study and presents a background.

Chapter 2: Literature Review – the literature gathered for the study is presented in this chapter. The literature gathered and critiqued is aligned to the research objectives that have been formulated for this study.

Chapter 3: Theoretical/Conceptual/Analytical framework – the framework that this study has been built upon is presented in this chapter.

Chapter 4: Research Design and Methodology – This chapter discusses the methodology used to gather the primary data that is required for this study.

Chapter 5: Research Findings and Discussion – once the primary data is analysed, it is presented and discussed in this chapter.

Chapter 6: Conclusion and Recommendations – this chapter presents a summary of both the primary and secondary findings. The recommendations gathered from this study will also be presented in this chapter.

1.12 Conclusion

Informal trading started from an individual need to survive and make a living as a result of experiencing unemployment or the challenge of not finding employment at all. However, the informal sector has now grown into a major provider of employment to many that struggle to find employment elsewhere. In addition, the informal economy is a significant contributor to the economy. A case study of South Africa is presented in this study therefore, the background to the study and the problem to be investigated were covered in this chapter. The possible value of this study was also presented. The next chapter discusses the literature reviewed for this research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Chapter one introduced the study. The background and motivation were also discussed. Chapter two discusses the literature in relation to the objectives of the study. First, the history of informal trading in South Africa is discussed followed by some definitions. The impact of policies imposed on the informal sector are discussed broadly in a worldwide perspective and then in South Africa. There are a number of policies and laws that have been introduced over the years that directly affect the informal economy and these are reviewed. The eThekweni Municipality informal policy is discussed followed by challenges experienced by informal traders in South Africa and elsewhere. Lastly factors that hamper development of informal trading and those that can accelerate it are discussed.

2.2 Defining the Informal Economy/Trading

There are various definitions of the informal economy and it is given different names. The informal economy, “can generally be regarded as that part of the country’s economy activity that is not recorded in its official statistics, i.e. the statistically unrecorded part.” (Beavon, 1989: 1). There are also many activities involved in the informal economy from shoe shiners to fast food stalls where policy makers are not aware of all the challenges they face. Most of these activities are not recorded and so there is a lack of information about them, although research has changed the picture somewhat as this thesis demonstrates. This data gap becomes a difficulty for policy makers as they try to create policies that can address most of the issues that participants in the informal sector face.

The most common activity in the informal economy since the 1980s is street trading. “In recent years, thousands of street vendors, hawking fresh fruit and brightly hued textiles, have brought both colour and commerce into our cities.” (Beavon, 1989: 9). Trading can be defined as the exchange of goods or services in the form of a sale or exchange.

Leonard (2000: 28) defines street trading as “an activity for marginalised groups in society who trade informally owing to lack of capital, as an alternative to formal economy employment to supplement wages and welfare benefits to purchase basic household needs”. Ramaite (2006: 6) describes street trading as a “visible and distinctive part of urban landscape, offering a range of goods from small informal stalls; from mats on the pavements; baskets that they carry on their heads; from pushcarts; or wares in baskets on poles on their shoulders”.

Selling of goods, dry goods and personal services such as hair dressing are the most common trades in the streets of Durban (Lund *et al.*, 2000: 16). In this research it was discovered that almost half (46%) sell food, for example, meat, poultry and unprocessed food items (such as ground nuts, vegetables and sweet potatoes), while 32% sell various other items, for example, garments, shoes, discs and just 22% are occupied with services, for example, hairdressing, vehicle repairs and shoe repairs. The study also considered street traders who sell their wares on the street corners and shopping mall entrances such as movie disc traders and clothing. Many people coming into the informal economy find it easier to sell fresh produce as the start-up capital needed is low according to Witt (2000: 25).

There are several problems that street traders face. One of them is storage space especially if they do not take their goods home at the end of the day (Lund, 2000: 31). They are left with no option other than to pay for storage space which is likely to be expensive for them. A storage space for goods was built by the eThekweni municipality at the Warwick Junction area in 2001 (Skinner, 2009). Affordable accommodation is one of the major problems street traders face. Several street traders in urban areas stay in rural or semi-rural households, which are often at a distance (Lund, 2000: 31). Due to lack of affordable accommodation and storage space, huge numbers of street traders are sleeping in the streets. This in turn has created health and aesthetic problems and to some extent leads to increases of the crime rate (Personal observation, July 2016).

The most popular places traders are located are street corners and near transport stations so as to get maximum exposure to potential customers. They have specifically targeted highly populated areas in the city. The taxi ranks are the most popular sites. By simple observation it can be seen that most traders are located along the pavements where there is high volume of people passing. Traders often see the number of people who pass on a daily basis as potential customers.

During the apartheid era, the street traders were seen as a nuisance and disturbing the sidewalks and therefore they were constantly harassed by police. "The economic activities of the informal sector are often declared illegal and traders are frequently harassed by local authorities." (Beavon, 1989: 2). To get a permit in the 1980s was troublesome and the laws that were there enabled nearby authorities to expel or migrate dealers any time (Skinner, 2000: 60-61). In this period the police would confiscate and sometimes destroy goods which were intended for sale. According to Preston-Whyte and Rogerson (1991:93) as recounted in a story: "On this particular day, a Friday, which also fell on the last day of the month, the 'white dogs' (as they refer to the white police) had dashed in to kick the rows of boxes on which the women had exhibited their hard earned wares."

In Durban it is hard to know the quantity of traders in the streets. The number varies each day as they have different trading patterns. Some of the traders would be on their sites for a certain number of hours and in most cases they do not come every day. Others use different areas for different times and days. Others target a certain time of the month.

Naidoo (2006) at a presentation at the International Conference Centre in Durban at an informal economy conference reported "Currently between 25% and 30% of the labour force work in the informal economy. The informal economy is one of the few areas where the number of workers continues to increase." (Naidoo, 2006: slide 8). In this presentation in KwaZulu Natal, 30 percent of the workforce works in the informal economy. It was additionally discovered that most of the merchants are African (98%) and more than half (58%) are women (Naidoo, 2006:slide 8).

Several street traders consider trading as their job and way of life and a major source of income. It gives them independence and pride. The 'unskilled' labourer has found a way to earn a living. As was discussed earlier street trading will not fade away any time soon and it is actually growing and is expected to continue growing and will contribute to the South African economy.

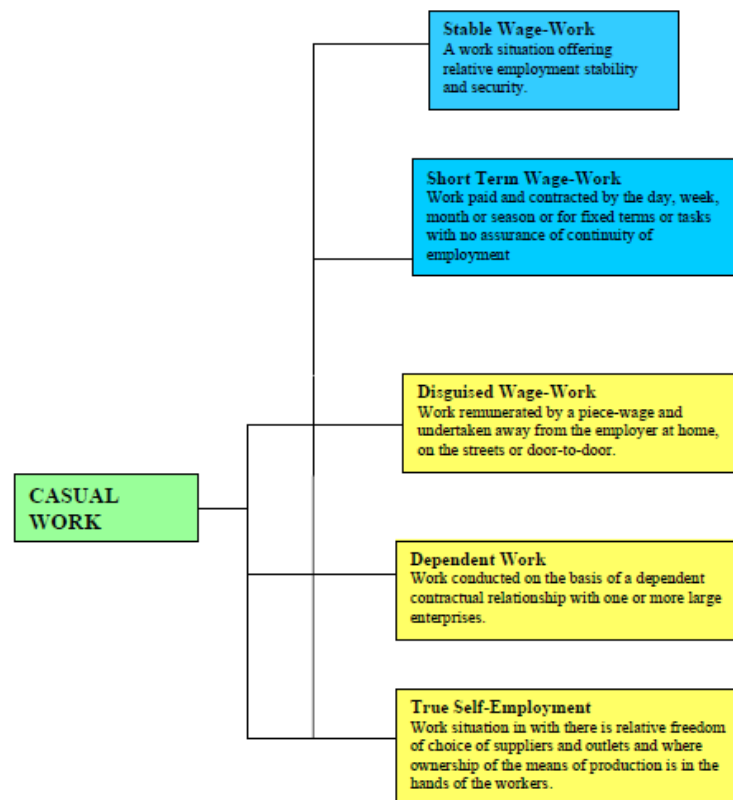
The informal economy does not have laws to protect it compared to the formal economy. The government of South Africa has crafted a number of policies targeting informal trading which often do not create guidelines to be followed. This is a distinguishing feature of the informal economy. The most common characteristic of the informal economy is that it does not operate completely inside the legal framework. "There is another sense to which the informal sector transcends formal boundaries; while many economic activities are taken into account in the compilation of national statistics; informal earnings often elude official records." (Kirsten, 1991:149). Most of the activities in the informal economy are not recorded, therefore its control and regulation becomes difficult for legal and related purposes.

The Informal economy as defined by Lund (2000:10) is a place in which people are trying to earn a living and that it is not just a process. "People who work in the informal economy are those who earn an income outside the formal economy. They may be self-employed, or employed by the owners of small, unregistered businesses, or under contract to large businesses." (Lund, 2000: 10). In the late 1990s a study revealed that the majority of traders are not educated and also not categorised as skilled as they lacked the qualifications that reflected their skills but have learned their trade through experience such as carpentry, weaving and as car mechanics (Lund, 2000: 10).

Portes et al (1989:12) define the informal economy as "a process of income generation characterized by one central feature: it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated." (Portes, 1989: 12). There is a clear relationship between the informal and formal economy and the former is dependent on the latter (Portes, 1989: 14). The study further stated that an

informal economy cannot exist on its own without the formal economy. “The basic distinction between formal and informal activities proper does not hinge on the character of the final product, but on the manner in which it is produced and exchanged.” (Portes, 1989: 15).

People employed in formal employment work for a certain number of hours and they are guaranteed a wage at the end of a month or week. The contrast between the work circumstances for individuals utilized in the formal and informal economy is in a chart in figure 2.1. As far as casual work is concerned, there are three fundamental sorts of business as shown in the figure below (shaded yellow).



(Adapted from Pillay, 2008)

Figure 2.1 The contrast between the work circumstances for individuals utilized in the formal and informal economy

2.3 History of Informal Trading In South Africa

The informal sector emerged as a development issue and a topic for researchers in the 1970s and has been growing rapidly since then. This is attributed to economic restructuring in many parts of the world, South Africa included (Portes, 1989: 27). The first world recession in the years 1974-75 and 1980-83 caused many people to lose jobs in the formal economy and as a result some of them joined the informal sector. According to Portes *et al.* (1989:29), “the final and important reason for the growth of the informal sector results from the effects of the economic crisis since the mid-1970s throughout the world.” (Portes, 1989: 29).

After the end of apartheid, the growth of business created more opportunities in the economy. Skilled and educated people were more preferred and found employment in the formal sector. People who were less educated often found employment in the informal economy instead (Carr and Chen 2002: 2). In developing countries there is a large percentage of people who are employed in this sector since there are large numbers of people who are unskilled and therefore fail to secure employment in the formal economy.

The South Africa economy has a history of not tolerating the informal sector by employing restrictive laws that stifle its growth. The laws during the apartheid era were crafted specifically to demarcate by race. ‘White’ people were protected so that they managed to get the best jobs’ (Nel, 1999: 84). “The policies launched under apartheid had a particularly negative influence on African and other black people (term collectively used to refer to Africans, Asians and ‘Coloureds’). Skilled jobs were denied to them and there was an imbalance in state expenditure in favour of whites and non-Homeland areas” (Nel, 1999: 84). This was the reason for the major financially uneven characteristics and isolation which caused stagnation in the development of the informal economy.

It was very common for there to be clashes between street traders and the law during the Apartheid era. An example is a clash of the coffee-cart traders in the streets of Johannesburg in the 1940s. “In the late 1940s a series of raids were made on the cart

operators who were prosecuted for unlicensed trade in restricted foodstuffs.” (Beavon, 1989: 44). The laws that existed at the time allowed the government to restrict trading in the city streets. Raids and confiscation of goods were very common not only in Johannesburg but in major cities in South Africa. This resulted in the formation of the African Council of Hawkers and Informal Businesses in 1986 in response to the harsh working conditions and unfair treatment of the informal traders.

Since the end of apartheid in 1994 the South African government has crafted policies which aim to promote sustainable growth of the informal sector. Approaches that have been adopted are the Reconstruction and Development Programme and the Growth, Employment and Redistribution strategy (GEAR). The former tended to support the necessities of poor people, while the last propelled South Africa into the worldwide markets. As Skinner argues “GEAR polices say that to create jobs in the future, South Africans will have to face some painful short-term cuts in government spending and in the provision of facilities.” (Skinner, 2000: 6). The growth of privatization following GEAR meant there was a high demand for skilled labour and unskilled workers were rendered jobless. Those who were jobless were expected to be employed in the informal economy. This was the trend worldwide.

In South Africa, “most informal businesses are small, one-man operations and include subsistence farmers, hawkers, street vendors, home businesses, backyard manufacturers, taxi-owners, craft and curio makers, moonlighters and even black marketers.” (Pillay, 2008:22). Drug dealers, shebeen queens, prostitutes (sex workers), and street trading stand out amongst the most practised and regular informal economic activities both in many countries and in South Africa but these types of business are either illegal or on the borderline of being so. These types of business do not form part of this study.

2.4 The Informal Economy In South Africa

The characteristics of the local economy and the operating environment play a major role in the formulation of policy in any country and South Africa’s informal economy is no exception. In this section, the informal economy and history of policies in South Africa is discussed.

In a study done by Valodia (2006: 26) the informal economy is seen as contributing approximately between 7-12% of the gross domestic product of South Africa and was expected to continue growing. This researcher estimated that about 46% of those in the informal economy in South Africa, are engaged in trade, 14% in agriculture, 10% manufacturing, 6% transport, only 3% in finance and business and in other services 9%. Trading is the most oversubscribed in the informal economy mainly because of the entry capital that is needed to start. The operational costs are very low as the traders only need to buy in bulk and sell their merchandise in smaller quantities without much value added.

The South African informal economy has a diverse set of workers. There is a large percentage (64%) of them that are employees. This includes people working in informal sector entities, such as small corner shops or hair salons; and informal employees in formal firms or private households who do not have social protection or job security. It is estimated that about 28% of informal workers are 'own-account' workers, these people are self-employed in activities such as street trading or waste collection. This group is not registered for tax included Value Added Tax (VAT) and they do not normally have full time employees (Rogan, 2019). This 28% is the main focus of this study.

Since the post-Apartheid period the South African government has become more developmental and therefore more tolerant towards the informal economy (Valodia 2001: 23). To cement this shift the government formulated a policy which was intended to be pro-poor, the Reconstruction and Development Programme (RDP). The policy addresses underdevelopment through a basic needs-based approach to development. In this policy there is more focus on small, medium and micro-enterprises (SMMEs) which were seen a major catalyst of economic development and job creation. The Department of Trade and Industry developed the White Paper on SMMEs of 1995 and hence additionally the Small Business Development Act of 1996 (Rogerson 2004: 44). This White Paper suggested three private venture bolster projects to encourage independent company advancement (Cheru 2001; Valodia 2001; Devey, Skinner and Valodia 2006). These projects incorporated Khula Enterprise Finance Facility,

Manufacturing Advice Centers, and Ntsika Enterprise Promotion Agency. Each of these projects have been accused of encouraging particular casual monetary businesses. Since it was observed that there is lack of business and management skills, these were to be addressed through skills development and training through the Sector Education and Training Authorities, and the National Skills Fund (Devey, Skinner and Valodia, 2006).

The assessment of the success of the SMME policies is divided, with some studies questioning its value, such as Ligthelm (2004: 7), Rogerson (2004:25) and Monkman (2003:4). In the study by Monkman (2003: 6) the author highlights five major deficiencies in SMME programmes as “gaps between businesses’ needs and the types of services offered; programmes that do not develop an entrepreneurial culture; a tendency to serve larger, small and medium enterprises better than smaller ones; low usage of the Department of Trade and Industry and agency programmes; and cumbersome administration.” Rogerson (2004: 67) noted that there is an absence of exact information for measurement of SMME advances and the way that SMMEs are not developing adequately to address joblessness issues. Ligthelm (2004:44), states that insufficient change has been made by these initiatives to help micro-enterprises. The facilitative way to deal with the informal economy is commendable for the South African government as it endeavours to address the needs of the informal traders.

There have been significant changes on the policy side in South Africa to encourage informal financial practices, with the expectation that these practices will convert into reasonable formal operations. The Business Act, which was adopted in 1991 and later amendments, which were made to this Act, shows the government commitment pre 1994 and post-Apartheid in fostering small business development in South Africa. It is noted that, after 1994, there was an intensification of government efforts to foster the growth of small business, with policies formulated to specifically aimed to address the needs of SMMEs (Rogerson 2006:45).

The South African government believes that formalising of the informal economy will result in more work opportunities, especially for the low-income earners, and make a

positive contribution to the GDP. Therefore, the policy should be directed at empowering the informal sector through financial support in any way possible as this will make possible the required transition into the formal economy.

In the second quarter of 2015 a study showed that there were more than 2.2 million SMMEs in South Africa and 1.4 million of them were unregistered SMMEs (Stats SA, 2016). Only 34% that were owned by blacks were registered. Summary of the statistics are shown in table 2.1 below.

Table 2.1 Key Highlights of the SMMEs in South Africa

KEY INDICATORS	2015 Q2
Number of SMMEs	2 251 821
Number of formal SMMEs	667 433
Number of informal SMMEs	1 497 860
SMME owners as % of total employment	14%
% operating in trade & accommodation	43%
% operating in community services	14%
% operating in construction	13%
% operating in fin. & business services	12%
% contribution to GVA*	21%
% black owned formal SMMEs	34%
% operated by income group < R30k pa	7%

***GDP before taxes and subsidies**

(Source: Stats SA, 2016).

In many African countries the policy framework for street vending was inherited from the colonial urban past regarding street trading (Mitullah 2003:47). The historical belief was that informal trading does not contribute anything that may be positive to the economy and the urban environment (Natrass 1987:52).

This study showed that informal trading has indeed been problematic as it caused financial stress in the management of the cities and towns through the dilapidation,

lawlessness and decay they may cause. In South Africa areas around Park Station in Johannesburg have become synonymous with crime due in part to the high number of informal traders which enables criminals such as thieves and confidence tricksters to take advantage of the high volumes of people moving around the area. In 2016 IOL Property reported that there were about 120 buildings in Durban Central Business District (CBD) that were decommissioned due to the state that they were in (IOL Property, 2016). It was identified that buildings between 126 and 136 Joseph Nduli Street were home to 500 people in November 2015. The buildings were housing a number of people who would usually share small spaces. Most of these people were families of informal traders who were cutting costs of accommodation and supporting large extended families with consequent over-crowding to an often unacceptable degree.

The old white government used to pass laws and formulate policies that were meant to limit and control the migration of black people into the urban areas in South Africa. The set of laws were deeply rooted in the colonial era which tried to maintain urban areas as the domain of the white people (Maylam 1995: 52). During this era, black people were only permitted to be residing in urban places for particular work or labour needs of the whites. After ceasing to play this role it was expected that they would return to townships and rural areas such as the 'homelands' like Transkei (Eastern Cape) and KwaZulu (KwaZulu Natal) (Maylam 1995:52).

The historical regulatory framework approach to street trading which has been spelt out above provides a solid basis and background to carry out a further investigation of the policies currently in place in South Africa. The discussion will focus on the policies emanating from the three arms (spheres) of government, that is, national government, provincial government and local government in respect of the informal economy.

A portion of the Apartheid enactments and approaches became redundant for clear reasons from the mid-1990s onwards as South Africa advanced in the democratization process, and strategies focused on the informal economy turned out to be more dynamic. In 1994 democratization achieved its first triumph with democratic elections. One positive result of this was accordingly shown in 1996 with the advent of the

Constitution of the Republic of South Africa. The Constitution gives the foundation of a constructive system of administration and governance between the three spheres of government that is the central government, provincial government and local government (Republic of South Africa 1996). All these three spheres of government are intended to make arrangements for supporting development (Rogerson 2004:16).

The Constitution, in section 152, places an emphasis on the contribution of local government in that it must establish a conducive environment for human development. This directly implies that the local government system is responsible for enacting and creating an enabling environment for local business (Republic of South Africa 1996). In turn this directly affects the informal traders (Lund, Nicholson and Skinner 2000:21). In 1991 the Business Act was also enacted by South African government. The later changes to the Act created an inclusive approach to the informal economy (Lund *et al.*, 2000:33). It acknowledged that informal traders may play a major critical role in contributing to the goal of positive economic growth instead of being viewed by city officials as people who disturb urban order (Dewar 2005:17).

Another policy was formulated in 1996 to support the Business Act, called the “White Paper on a National Strategy for the Development and Promotion of Small Business” in South Africa. The White Paper clearly stated the vital role of small businesses and also the role street traders can play in the economic development of the country. It addressed matters like institutional reform and providing support frameworks for players in the informal economic arena. These support structures were established with the intention of creating a conducive environment for economic success of those businesses active in the informal economy

The White Paper on Local Government (1998) clearly spelt out how the local government should conduct its management. It specifically sets out the framework regarding the establishment of developmental local government. There are three basic characteristics that the local government should have according to the white paper, namely

1. “exercising municipal powers and functions in a manner which maximises their impact on social development and economic growth;

2. playing an integrating and coordinating role to ensure alignment between public and private investment within the municipal area; democratising development; and
3. building social capital through providing community leadership and vision, and seeking to empower marginalised and excluded groups within the community” (White Paper on Local Government: 1998:8).

The importance of public participation is highlighted in the White Paper. It also sets out clearly that local government should create a socio-economic environment in which citizens have equal opportunities to change positively their standard of living. If the public is consulted before the creation of policies it will result in decisions that are enacted that meet the local needs of the community or the targeted interest groups concerned (Davids 2005: 34). The white paper also focuses on the vulnerable groups in the community and this normally consists of those who are active in the informal economy. It prioritizes the support for micro-enterprises which are the largest in this sector. (Skinner 2000:6).

The Business Act was first enacted in 1991 before the demise of apartheid and was amended in 2003. These amendments were targeted at clearly stating the responsibilities of the Minister of Finance in making an environment that is helpful for the development of independent small businesses. One of the roles the minister must play is creating an environment for a council that will be in charge of the plan and execution of systems that will direct small businesses venture improvement in South Africa. The council's essential target is to bring about a lawful system that would be effective for the creation, running and development of private small business ventures.

The foundation and directing standards for the control of informal trading is given by national legislation. The provincial and local governments are expected to then react to and manage the requirements of the street traders in their neighbourhoods.

2.4.1 Informal Economy Hierarchy

Some authors have shown that the informal economy consists of a single undifferentiated group of workers, but there is evidence that shows that informal

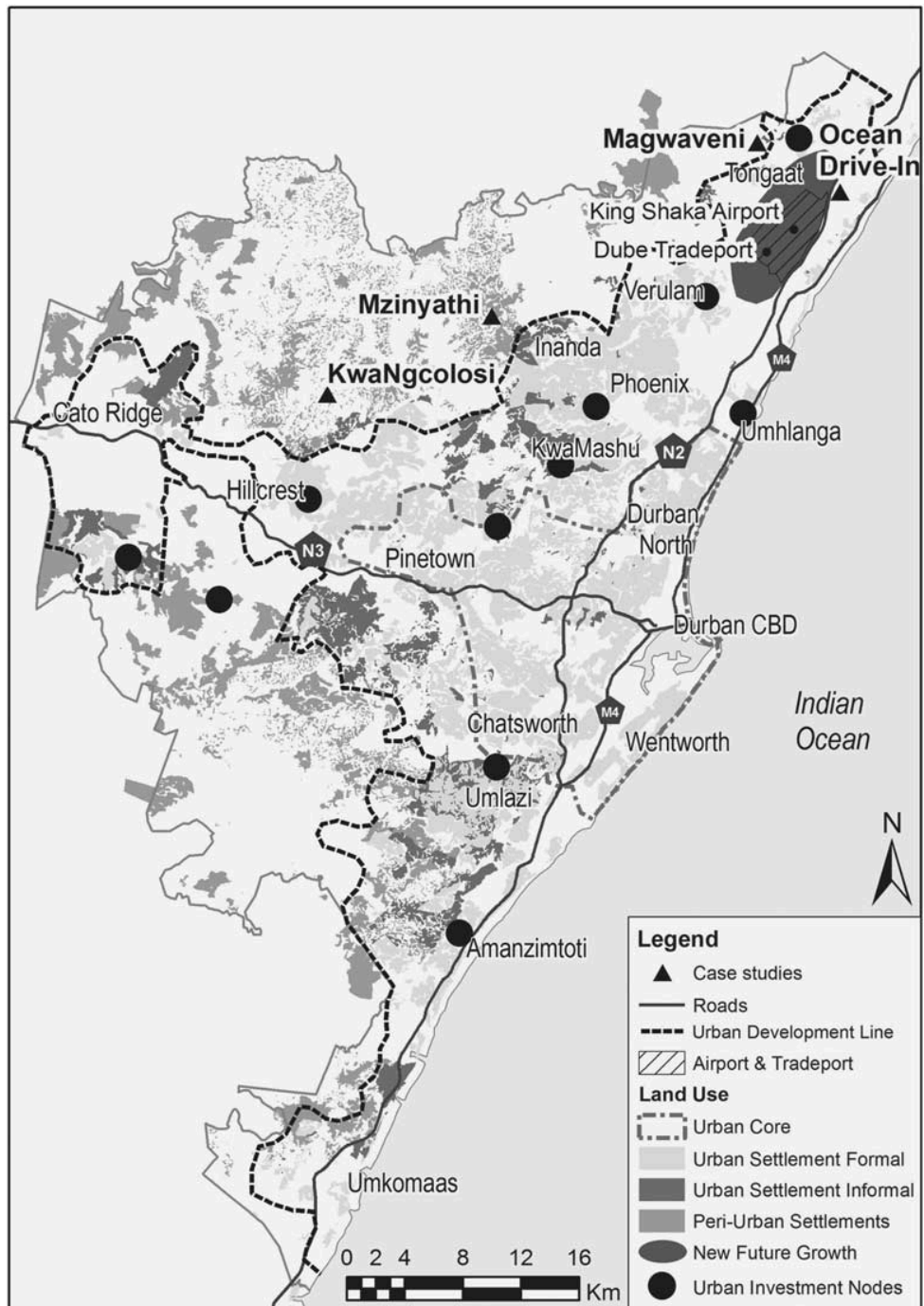
employment is complex and made up of various segments. The South Africa's 2015 Labour Market Dynamics data showed that there were wide gender based inequalities in the form of pyramid hierarchy (Rogan, 2019). Understanding this pyramid is very vital for developing policies for the informal economy. It was found that up to 90% of employers in the informal economy are men so therefore any funding policy towards entrepreneurs in the sector will likely be gender biased towards men. Additionally, the female employees earn less than their male counterparts and in some instances (e.g wives and daughters) are not even paid at all. The bottom of the pyramid, where earnings are lowest and there are poverty risks, consists of only a small percentage of men.

2.5 History of eThekwini Municipality

The case study undertaken in this thesis is based on the informal economy in Northern region of eThekwini Municipality. In this section, history and the current structure of the municipality is provided.

The original settlers of Southern Africa, the Khoi/San, inhabited Durban before the Nguni people came. The Portuguese explorer, Vasco da Gama, in 1547 passed through the mouth of Durban Bay and promptly named it Rio de Natal (Christmas River) (eThekwini Municipality, 2019). This name is assumed to have come from the several rivers which flowed into the bay. Later, Rio de Natal became a stop-over for traders and explorers. The first European settlers came in 1823 led by James King and it was now then as Port Natal. In 1835 the area was renamed in honour of Governor of the Cape, Sir Benjamin D'Urban. Several battles were recorded between the local Zulu tribe and the British until 1844 when the British managed to annex the southern portion of Natal to their already existing Cape Colony. In 1860 the British started importing hundreds of labourers from India to work in the sugar cane plantations due to the lack of cooperation from the local Zulu population. Between 1860 and 1900 Durban began to develop at a faster rate as there was a discovery of minerals in the country which helped the growth of the town as a port (eThekwini Municipality, 2019). It had now hardened roads, built a sewage system and railway line which linked it to Johannesburg and other areas. This helped the town to become a major tourism

destination, a tag which it still retains up to this day. A number of satellite towns were incorporated into Durban in 1932 and in 1935 it was granted a city status. After the world war 2 up until 1994 the city was involved in the fight for equal rights and against apartheid. This also saw the mushrooming of shack settlements in and around the city. Some of them are still in existence up until today. In 1996 Durban was further enlarged to become the Durban Metropolitan Region, or Durban Metro, which now included large areas in north, south and west of the city. In 2000, a further expansion resulted in the inclusive Durban Unicity. This is when eThekweni Metropolitan Municipality was formed, which now included north, south and west of Durban and Durban Unicity. The current map of the eThekweni Municipality is shown in figure 2.2 below. The metropolitan area now consists of 3,5 million inhabitants which spans an area of approximately 2297km² (eThekweni Municipality, 2019).



(Source: Sutherland *et al.*, 2015).

Figure 2.2 The urban core and rural periphery of eThekweni municipality.

2.6 Policies on the Informal Sector

The potential role played by the informal economy in South Africa is undisputed in most quarters. A large percentage of the population is now being employed in this sector and there has been a positive contribution to the overall GDP of the country. It is therefore very vital for the government to create a conducive environment for the continuation of the creation and growth of the informal economy (Singh, 2004:23). Singh (2004:23) adds that the policies should encourage growth and make it possible for the traders to move away from survivalist to larger businesses that can contribute positively to the local and national economy. It is also important for policy makers to consider all the stages of operations in the informal economy from those that are in the survivalist stage to those at the growth stage.

In 2012 the national government started addressing its lack of specific policies that were directed at informal economy (DTI, 2013a). This was mainly pushed by the fact that there were rising unemployment levels which were now 25% and the informal economy was providing livelihood opportunities for more than 2.4 million people in South Africa (Skinner, 2014). The DTI then made an announcement that there were resources that were now being committed to “develop the strategy for intervening in the informal economy” (DTI, 2013b: 16). In the DTI a new directorate was established called the Informal Business and Chamber Support, this was viewed as a positive step towards recognition of the importance of the informal business sector in the broader economy especially in terms of “broadening economic participation and creating decent employment” (DTI, 2013a: 26). One of its mandates was to establish the National Informal Business Development Strategy (NIBDS) which was to guide government’s intervention in the informal sector (Nkondo, 2012).

2.6.1 National Informal Business Development Strategy

The NIBDS sought to design unique programmes that would uplift the businesses in disadvantaged communities such as townships, rural areas and informal settlements in South Africa so that they can be gradually integrated into the mainstream economy (DTI, 2013a: 26).

A reference group was initiated by the DTI's Broadening Participation Division to support "broadening economic participation" and to be driven by the proposed NIBDS to advance "the growth and sustainability of enterprises in the Informal Economy". The main aim of NIBDS was to offer advice and support to the highly enterprising businesses in the disadvantaged communities (DTI, 2013a: 10). Additionally, it was constantly highlighted that it was the intention to ensure that the informal economy becomes part of the economic mainstream of the country (DTI, 2013a: 5). Through a number of programmes and initiatives the intention of NIBDS was to unleash the innovative potential to broaden the economy and ensure that there was inclusive growth (DTI, 2013a: 5).

For its authors the preparation of this strategy was viewed "as a milestone for the Informal Business Sector" (DTI, 2013a: 9). It was considered to be transforming the position of the country's informal business entrepreneurs from the economic margins and enabling them "to actively and competitively contribute to the overall economic development of the country" (DTI, 2013a: 11). The strategy emphasised its focus on the previously disadvantaged communities such as townships, informal settlements and rural areas. The strategy seeks to address several challenges faced by informal traders that were highlighted by stakeholders. Some of the challenges that were identified were grouped broadly into 5 sets which were lack of access to finance, poor access to skills training and technology, the informal business associations weakness and their lack of voice, the legal and regulatory environment problems and issues of intergovernmental coordination. Some of these issues such as lack of finance, little or no institutional representation, lack of informal business policy and lack of training that were being faced by SMMEs had previously been identified in other government investigations (Osiba Research, 2011; Rogerson, 2004).

The NIBDS analysis was unique in that it raised issues around the legal and regulatory environment concerning the coordination of government departments. It pointed out challenges of lack of nationally coordinated informal economy policy. It also talked about over-regulation in some instances of the informal economy that stifles growth and has no strategic focus (DTI, 2013a: 20). A major challenge that was identified in the industry was selling of counterfeit goods. Another challenge that was highlighted

in the NIBDS is the influx of foreigners in the informal sector (DTI, 2013b: 20). It noted that there was lack of coordination between DTI and Home Affairs to control the number of foreigners entering South Africa to participate in the informal economy and there was a lack of strategy (DTI, 2013b: 20). The strategy argued that “the Immigration and Refugee Status Act is still perceived by majority citizens (sic) to be too lenient to foreigners; giving them an unfair advantage over nationals” (DTI, 2013a: 29). The report went on to quote policy initiatives in countries like Ghana, India and Malaysia where they have restrictions in certain segments of the informal economy which are kept for the nationals or special groups (DTI, 2013b: 21).

In December 2013 the first public announcement on the support of the informal economy by DTI was made. It was announced that there were to be some incentives for the informal economy that were to be proposed to the cabinet (Ensor, 2013). These incentives were meant to encourage development of the small businesses.

2.6.2 National Informal Business Upliftment Strategy (2014)

The National Informal Business Upliftment Strategy (NIBUS) (DTI, 2014) is the first national policy post-apartheid that directly targeted the informal economy. This policy is managed by the Department of Small Business Development to address the development of the SMMEs. It seeks to offer support to informal businesses and uplift them and also support the Municipal Local Economic Development offices and programmes. It was observed that the majority of operators in the informal economy are also the most vulnerable people in the country, therefore the policy prioritises them. These include the women, youth and disabled people especially in townships and rural areas. The strategy specifically targets entrepreneurs in the informal sector since it had been identified as a critical means of addressing some of the key developmental goals of the Government, such as addressing poverty, unemployment and inequality. There were wide consultations carried out with all stakeholders in the economy which included the people in the informal economy and from the formal economy (such as financial institutions, intermediaries such as wholesalers, service providers, the private sector as a whole and civil society bodies).

The main aim of NIBUS is to address the development void affecting the lower level SMMEs where the owners tend to be living in conditions of poverty or only marginally above it. The main focus of NIBUS is therefore, the disadvantaged groups in the economy that is the youth, women and people with disabilities especially in townships and rural areas of South Africa such as large parts of KwaZulu Natal, the province where the study area for this thesis is located (DTI, 2014). The strategy supports the government's priority of increasing growth rates, creation of employment, sustainable livelihoods and inclusive growth.

The strategy mainly targets small businesses in the informal economy. This part of the economy was identified as very important in addressing poverty reduction, reduction of unemployment and also addressing inequality. The strategy was mainly driven by the fact that there are more than two million South Africans in the informal economy. However, most of them are trying to run basically survivalist enterprises. There are also vibrant enterprises in the sector that nevertheless need more support for there to be sustainable growth.

There was apparently wide consultation for the development and implementation of NIBUS with many stakeholders, which included national departments, provinces, municipalities, agencies, chambers of commerce/business, sector departments such as Trade and Industry and Transport, Treasury, and others. There was also involvement of donors, national funding institutions, intermediaries, service providers, the private sector, informal business organisations/associations and other components of civil society (DTI, 2014).

2.6.2.1 Targeted Informal Business Beneficiaries

In coming up with the targeted business beneficiaries, the Government's Programme of Action and the National Development Plan's objectives and targets were taken into consideration. These initiatives formed important parts of a national strategy moving the country beyond earlier plans and programmes such as the Reconstruction and Development Programme which was implemented, mostly without success after 1994.

However, surprisingly South Africa did not have a national development plan until 2012, development planning being confined to the other spheres of government..

The strategy for small business acknowledges as one of its starting points that informal business activity cuts across economic sectors; for example, it is not just about retail businesses such as small shops or market stalls. At national level the strategy prioritises five economic sectors for intervention. provincial and municipal governments can also identify their own priority business beneficiaries. The identified five sectors are:

- a. **Retail:** This consists of about 78 percent of the informal businesses nationally. This consists of street traders, 'spaza' shops (these are very small shops often located in someone's house or shack), general dealers and markets. Increasing skills and infrastructure upgrade will have positive impacts on the sector and its competitiveness. One of the goals is for the growth of business functions such as bulk buying, warehousing and improvement of distribution (DTI, 2014: 2);
- b. **Manufacturing:** Value addition is very important in terms of potential to create more jobs and make a greater contribution to the Gross Domestic Product of the country. This further advances the objectives of the Industrial Policy Action Plan (IPAP) and the National Growth Path (NGP) (DTI, 2014: 2);
- c. **Services:** Several businesses in the townships and in parts of cities such as Hillbrow in Johannesburg and Albert Park in eThekwin are found in this sector, which includes, auto body repairers (panel beaters, spray painters and others), car mechanics, car washers, hairdressers and day-care centres (DTI, 2014: 2);
- d. **Agriculture:** The sector is mostly rural based. The primary and secondary (agro-processing) activities are being targeted; the aim being to encourage small farmers to have a greater share of an industry which has been dominated by large scale (commercial) farms which are mostly owned by whites, and
- e. **Construction and maintenance:** Given South Africa's focus on Strategic Infrastructure Projects, building a force of technicians such as plumbers,

electricians, bricklayers, and tilers who are also entrepreneurs is critical (DTI, 2014: 2).

2.6.2.2 Strategic Intervention Pillars

The strategy identified 5 strategic pillars which were:

1. **Pillar One:** Creating an Enabling Legal and Regulatory Environment
2. **Pillar Two:** Upliftment through Enterprise Development
3. **Pillar Three:** Facilitate Intergovernmental Relations for Delivery
4. **Pillar Four:** Partnership and Stakeholder Management, e.g. business associations, civil society organisations, cooperatives etc.
5. **Pillar Five:** Empowerment through Information (Knowledge) Management” (DTI, 2014:1).

2.6.2.3 NIBUS Implementation

The NIBUS was to be implemented through the Shared Economic Infrastructure Facility (SEIF), Informal and Micro Enterprise Support Programme and Informal traders upliftment project (ITUP).

The Shared Economic Infrastructure Facility will fund common new, upgraded or maintained Infrastructure that is shared by a number of informal businesses, SMMEs and co-operatives. Some examples of this infrastructure are markets and township industrial parks such as those in places like Umlazi near the old airport and KwaMashu in eThekweni.

The Informal and Micro Enterprise Support Programme (IMESP) targets informal business and it gave priority to women, youth and people with disabilities who own businesses based in townships, rural areas and informal settlements. Some of the activities that were to be supported were skills development (technical, business and computer skills etc.), marketing and branding, product improvements (standards, quality, recipes, manuals etc.), technology support, stock (raw materials, supplies etc.), tools, machinery and equipment (heavy, fixed and immovable), basic compliance

(Business Registration at municipalities, rates, Unemployed Insurance Fund (UIF), Pay As You Earn (PAYE), Accreditation, licensing), Projects support (linked to the Department of Small Business Development's incentives, etc.) and basic office infrastructure and technology (computers, printers, software, internet and landline connectivity desks, storage, etc.).

The Informal traders upliftment project (ITUP) is a pilot project which emanated from IMESP. The main aim of this project is to increase the capacity of informal traders or retailers so that they can be competitive and create more jobs within the sector. The project goal is "to identify, train, coach, mentor and provide infrastructure support to 1000 informal traders including capacity building for Informal Trader Organisations in all nine provinces over 18 months in partnership with relevant stakeholders" (DTI, 2014). The expected outcomes from this project are an increase in profits; new jobs created; business sustainability and expansion; growth in the asset base; eligibility for intermediary and advanced programs and finally business formalisation.

2.6.3 The Informal Economy Policy of Kwazulu-Natal Province (2010)

The Kwazulu-Natal provincial government in 2010, enacted the Informal Economy Policy (2010), which was formulated, by the Department of Economic Development and Tourism (DEDT, 2010). In 2002 the then Department of Economic Development and Tourism (DEDT) commissioned a research project to look into the state of the informal economy in Kwazulu-Natal. A steering committee was established. The result of this study was a Green Paper on Policy for the Informal Economy of KwaZulu Natal which was published in 2003 (DEDT, 2010:8). Case studies were then done in throughout the province on all sectors in the informal economy in informal settlements, rural areas and cities. A draft policy was then published in 2009 and there was another empirical study done to find whether the findings were still valid. After this the policy was published in 2010.

The goal of this policy was "the creation of an environment that supports sustainable economic growth in the informal economy wherein all laws that are not in line with this vision have been repealed or amended. The KwaZulu-Natal Province through this

policy framework hopes to bring informal economy into the economic and social mainstream, thereby reducing their vulnerability and exclusion of those working in this sector” (DEDT, 2010: 16). In this policy, there were two main purposes; the first one being to create an environment that supports a sustainable economic growth in the informal economy. The second aim was repealing or amending the then laws that were seen to be prohibitive to government’s developmental role in regulating the informal economy. Therefore, through this policy the KwaZulu-Natal Province wanted to increase the inclusivity of the informal economy in all its planning to reduce the vulnerability of the informal economy.

The policy defines the informal economy as “all economic activities by workers and economic units that are - in law or in practice - not covered or insufficiently covered by formal arrangements” (DEDT, 2010:10). It went further to state that it does not cover unlawful activities such as drugs trading, firearms trading, and money laundering. The objectives of the policy were to:

1. Promote co-operation between all spheres of government; between departments within provincial government; between private sector and public sector and between informal economy actors and government officials;
2. Develop guiding principles that can be applied in supporting and developing the informal economy and
3. Creating support mechanisms or an enabling environment for the informal economy since the existing legislative framework is mainly geared towards policing, regulation and taxation with limited scope for an enabling environment (DEDT, 2010: 16-17).

The strategic pillars of the Kwazulu-Natal Master plan on the informal economy are;

- An integrated, coordinated and responsive legal and policy framework to facilitate the transition from the informal to the formal sector;
- Effective promotion and protection of the human rights of workers and economic units operating in the informal economy;
- Ensuring a balanced approach among incentives, enforcement and compliance measures;

- Promotion of social protection rights for all persons in the sector and
- Promotion of enterprise development during the transition processes.

The informal policy was to ensure that there is a data base of most or all informal economy operators. It recommended registration of the operators. It also wanted measures to be put in place that flush out illegal informal activities. The formal economy was to be protected by ensuring that there is no further informalisation of the sector. It also proposed that there be records kept of all activities in the informal economy so that opportunities can be identified for new entrants. the Business Regulation Directorate of the Department of Economic Development, Tourism and Environmental Affairs was to coordinate and direct the local economy. Since before the policy there was no accommodation of the informal economy, an informal business chamber was established at district and municipal level (DEDT, 2010). Each municipality was to establish operating sites for registered informal traders. Furthermore, the municipalities were now required to do the following:

1. They were now supposed to include informal economic goals in the integrated development plans, local economic development plans and spatial frameworks;
2. They were to come up with informal economic strategies which also included a space allocation policy;
3. They were to come up with informal economy by-laws.

In 2017 80% of the municipalities in Kwazulu-Natal Province had informal economy policies, but this was not in itself enough as these needed to be fully implemented (Top Business, 2017). This thesis also evaluates the processes and the results of implementation of policies in the eThekweni Municipality.

2.6.4 eThekweni Municipality: Informal Trading By-Law (2014)

The Constitution of South Africa gives municipalities power to come up with by-laws which help them to govern their areas of jurisdiction. It is under this power and guided by the national and provincial policies on informal traders that the eThekweni Municipality enacted the Informal Trading By-law (a by-law is a law made by a local

authority which only applies in its area of jurisdiction). The eThekweni Municipality by-law of 2014 stated that its purpose was “to provide for the right to engage in informal trading; to establish informal trading areas and informal trading sites on municipal property; to provide for the granting of trading permits to trade on municipal property; to restrict and prohibit informal trading in certain areas; to regulate the conduct of informal traders; to regulate informal trading at special events; to provide for measures to ensure health and safety; to create offences and penalties; to provide for the repeal of laws and enactment; and to provide for matters incidental thereto” (EM, 2014:2). The by-law gave the municipality sweeping powers that seek to regulate the informal economy in eThekweni. The municipality acknowledged that the city needed to adopt the developmental approach towards the sector to empower the disadvantaged people in the municipality (EM, 2014:2). In managing the informal economy it was to be recognised that there must be social economic development, promotion of safety and a healthy environment, municipal planning, licensing of operators, control of those who sell food to the public and management of roads and other public areas.

The by-laws covered issues like operating hours, trading sites, operating permits, trading fees, the restrictions that were to be followed, penalties and other miscellaneous matters. The informal traders were, not surprisingly, against the power that was given to the municipal police of confiscating their wares if they were trading in prohibited areas. In 2015 a trader managed to challenge the municipality against confiscating a trader’s wares (Benjamin, 2015). The court ruled that the power given to the eThekweni municipality to confiscate goods under the 2014 Informal Trading Bylaw was unconstitutional, unlawful and invalid. The court ordered that the trader was to be paid back the value of his goods and the two bylaws were to be struck down.

An amendment to the 2014 bylaw was made in 2017 under the eThekweni Municipality: Informal Trading Amendment By-Law, 2017 (EM,2017). The by-law amended the eThekweni Municipality: Informal Trading By-Law, 2014 so as “to prohibit an informal trader from trading in an area or place where informal trading is prohibited or restricted; trading in restricted areas; to provide for certain restrictions on informal trading; to provide for the impoundment of goods; to provide for the regulation of abandoned goods; and to provide for matters connected therewith” (EM,2017: 2).

The informal traders were against the amendments that were proposed to the extent that they demonstrated against them (Xolo, 2018). They were against the amendments which were published by the municipality as part of the inner-city regeneration initiative and it was to render more than 280 traders jobless. The march was organised by one of the informal traders associations called Market Users Committee (MUC). They also demanded that a Commission of Inquiry be held into the allocation policy for trading sites and allocation procedures. A petition was handed to the provincial Minister for Economic Development, Tourism and Environmental Affairs.

2.6.5 A Rental Policy for Informal Trading in eThekweni (May 2004)

The Rental Policy for Informal Trading was developed in order to support Durban's Informal Economy Policy. It was observed that before 2004 the rental system for informal traders that was in place in the then eThekweni UniCity was not uniform and lacked consistency. This created dissatisfaction in the informal traders (EM, 2004:2). In a report that was done after a census of informal traders it was found that only 20% paid rent and only 6% had trading licenses. In this survey, the traders indicated that they were dissatisfied with the rental policy that was in existence. Therefore, eThekweni Municipality formulated this policy with the main purpose of standardising the rental policy. The rentals to be charged were now to consider the size and location of the sites. It also dealt with the methods of paying the rentals. Penalties for defaulters were also dealt with.

Durban's Informal Economy Policy highlighted that the informal traders must be treated as small businesses and there was a need to put value on the informal trading sites. It was observed that a number of traders understood that rentals needed to be paid although in practice very few paid them. The policy was developed with the understanding of both the traders and the municipality that rentals needed to be differentiated according to site, type of traders and those operating from built markets (EM, 2004:12).

The following important criteria were suggested in the Informal Economy Policy for the development of the rentals structures:

- the rentals were linked to “site, size, desirability of location and the level of service that was provided;”
- the rentals to be paid were linked “to the cost of providing the sites and services to the traders.” The Municipality was also mindful of the need to subsidise new entrants;
- a basic rental should be set for street traders. The level of rentals is determined by the services available per site, however the standard service included “a shelter, solid waste removal, water, toilets, lighting and storage facilities” (EM, 2004:12).

The rental policy also dealt with collection of the rentals, penalties for non or late payment, implementation and recommendations.

2.6.6 Durban’s Informal Economy Policy

The vision in this policy is to make the city a safe place for its citizens with a healthy and well managed urban environment. It further states that the economic growth of eThekweni depended on attracting new investors. It also clearly states that formal and informal economies cannot be completely separated. It stated that they both must be given similar attention. The challenge for local government was creation of employment while at the same time maintaining a safe and clean environment.

Prior to the policy was made a considerable measure of discussion took place with pertinent stakeholders. A great number of workshops and meetings were held with formal and informal organizations, for example authorities such as, councillors, community associations and development forums. These consultations were done with a specific end goal to create an approach that addresses the issues of all the significant partners and those influenced by the informal economy. The technical task team was appointed and it involved the formal business and street traders.

The policy notes that the informal economy then was not well understood in South Africa. In 1996 research carried out found that there were about 20 thousand street traders and about 60% of them were female (Durban Unicity Council, 2001: 7).

Therefore, there was a need to have a policy that regulates and creates a conducive environment for the informal sector. The research also found that most of the traders were in the buying and selling business and this category numbered about 14 thousand. Approximately R500 million was made in the informal economy in 1998, but because of lack of documentation the real amount could not be substantiated.

Durban has often been highly credited for leading in the integration of the informal economy with the formal economy in South Africa (Durban Unicity Council, 2001). As far as street trading is concerned, the Development Facilitation Department has policy and planning divisions. In order to encourage traders to register their businesses incentives were offered. Despite these efforts the results were not encouraging.

Resources for managing the informal economy have not been a problem but rather the implementation and distributing of those resources has been. Of the financial backing reserved for capital activities just 20% was spent in informal divisions situated in areas which are not in residential areas (Durban Unicity Council, 2001: 8)

2.6.6.1 Main elements of the Policy

The major components of the policy are covered in the following paragraphs.

a) Diverse economic opportunities

The section 5 of the policy states the responsibility of the municipality in terms of advancement of differing economic opportunities. The municipality must provide management support, planning, allocation of sites and the creation of rental policy were listed as the responsibility of the municipality. In doing so it must recognise the need for vibrant land use, orderly town planning and good transport infrastructure. It also notes the need for proper resource allocation and establishment of new markets. It was noted that consultations and surveys were necessary for planning purposes. There was a need to register all informal traders. The local government should have the responsibility of setting up prices of sites taking into account size and location. The

issue of foreigners as traders also needed to be managed (Durban Unicity Council, 2001:66).

b) Area based management and support of small enterprises

Section 6 deals with area and sector based administration to support SMMEs which was seen as making for better management. The demarcation of management zones for specific uses is a fundamental piece of the advancement for human development. The approach is that trading ought to be permitted in particular regions, with other regions such as tourist areas being restricted. It additionally states that there must be adaptation to specific regions depending on the surrounding environment (Durban Unicity Council, 2001). The local government should have an award system for traders that keep to environmental standards and ensures that the city is clean (Durban Unicity Council, 2001).

c) Management and support for entrepreneurial development

Section 7 deals with management and support for SMMEs and their regulation. There is a need to move towards the integration of management, support and regulation which is within the ITSBO to provide regulations and self-regulation. There was a high demand for advanced skills, basic education and financial support. The vehicle was to be used for resource and facilities allocation is the ITSBO. An integrated data base that provides services to informal traders needed to be created so as to bridge the present information gap and meet the demand for better understanding by traders.

d) Integrating environmental health into the informal economy

Section 8 of the policy talks about the environmental health aspects in the informal economy. It is very critical to informal economy as it deals with the quality of life and the well-being of the traders and the public. There has been great improvement in providing health education that is also linked to the HIV/AIDS epidemic. There is a need to keep information on working patterns related to HIV/AIDS. It also stated that there was a need to integrate environmental health into the policy.

e) Organizational capacity

Section 9 deals with building the organisational capacity of informal workers. It was noted that informal traders need to speak from a position of strength. Therefore the local government should play a central role in creating this position of strength through their representative organisations. This will help in promoting self-regulation. The local government should strive to make representative organizations known.

f) Safety and security

The promotion of safety and security is covered in Section 10 of the policy. There is a need to make people change their perceptions about crime in the areas where they sell their wares and trade. It was shown previously that tourists tend to shun visiting Durban because of the crime rate. The way forward includes traders patrolling areas at particular times of the day and night. The media can then be engaged in a campaign led by traders to change the perceptions people have of traders.

g) Participation of formal businesses in the informal economy

The biggest role that the local government needs to play is that of meeting the needs of both the formal and informal economies. Therefore, there is need for participation by the formal organisations. In section 11, it is emphasized that formal organizations need to connect with the informal economy. Already there was a hostile relationship between the two described as unscrupulous and misuse by bigger organisations. Key drivers can be distinguished to change discernment about the informal economy with the goal being that they can cooperate. The way forward proposes that all associations ought to be incorporated into area-based administration. The 'one trader one permit' system ought to be utilized completely and consistently to dodge misuse by bigger organizations.

h) Inclusive platform for formal and informal sector

The local government sector must also create an inclusive platform for both the formal and informal economies. This is covered in Section 12 which states that they must meet in the same structures where they are all represented. Previously the two sector interests were separated.

i) Monitoring and evaluation

For better management there is a need for regular monitoring and evaluation. Previously although there was vast amount of money going into the informal economy there was little to no monitoring and evaluation of its effect on the informal economy. There was minor attention on effects of the new sites being built for the informal economy. It was noted however that going forward there is need for research and monitoring. It also notes that data collection in the informal economy and doing policy reviews according to the current needs was necessary.

j) Transitional arrangements

Section 15 looks at how to prioritize and sequence transitional arrangements. An incorporated data framework is organized. Sub-committees for the Implementation Workshop Groups ought to be made to screen the data framework. There is need to rebuild ITSBO, better administration of assembled markets, to offer help to labourer associations and to help endeavours inside the informal economy. An inter-departmental Human Resources review must be completed if the significance of natural wellbeing is to be featured and the move to area based administration and sector based support is to be fruitful.

2.6.7 eThekweni Integrated Development Plan

The Municipal Systems Act (No.32) of 2000 (MSA) requires that local government structures prepare Integrated Development Plans (IDPs). The IDP is a major tool used to transform local governments to gear towards development within their areas of authority. The Act has mandated all municipalities in South Africa to use IDP as a driver to achieve development goals. In eThekweni Municipality the responsibility of preparing the IDP was delegated to the municipal manager.

Every municipality in South Africa is required to come up with an Integrated Development Plan (IDP). All the development needs of local government are to be

captured in this IDP. Each IDP has a lifespan of five years. Most of the projects that are captured in the IDP will be linked to the annual budget of the local government.

The eThekweni Municipality's commitment to "developing a caring and liveable city will be the focal point of the 2012/13 – 2016/17 IDP, with a specific emphasis on the alignment of the Municipal Vision, strategy and implementation" (EM, 2015:7). The 2012 to 2017 IDP focuses on building a more inclusive developmental local government that would then translate the vision of the municipality into action.

eThekweni Municipality enacted its IDP in 2015. In this plan identified the informal economy as one of the strategic areas which require attention and management. It also highlighted the fact that informal economy was a "demanding task involving demarcation of trading areas, issuing of permits, organising traders into area committees that feed into a citywide forum, and on-going collection of rentals" (EM, 2015:220). The plan also noted that there was a need of enforcing regulations and by-laws in conjunction with the Metropolitan Police as well as resolving disputes that may arise within traders themselves or with the formal economy.

The Integrated Development Plan's (IDP) 2015/2016 and 2017/2018 contains what is called the 8 point plan. These are the cornerstones of the development plans. Plan 2 has programme that mainly focuses on the informal economy. However, there are other plans apart from Plan 2 which have direct and indirect impacts on the operations of the informal sector. A discussion of them will help to explain why the municipality has to stick to certain rules and regulations. Some of the main features of the plans are discussed below.

Plan 1: Develop and sustain spatial, natural and built environment

The goal of this plan is to "lead, direct and manage the spatial, built and natural environment to ensure the sustainable and integrated growth and development of our Municipality for the benefit of all its citizens" (EM, 2018: 325). There are several implications for small business. This plan may affect where informal businesses are located by, for example, avoiding areas prone to flooding.

Plan 2: Developing a prosperous, diverse economy and employment creation

The main goal of this plan is to develop economic wealth of eThekweni that will benefit its citizens materially. The desired outcome from this plan is to bring about “strong economic growth, sustainable job creation and poverty alleviation” (EM, 2018: 377). The plan was said to be necessary in order to create employment, alleviate poverty, and have an equitable distribution of wealth. In the end eThekweni must become the leading metropolis of the country in terms of creating jobs and sustainable growth. The plan identified the current problems that eThekweni was facing such as high unemployment, lack of direct investment, poor growth rates, poor partnership with the private sector and high poverty levels. For sustainable growth the eThekweni municipality must align itself with the national goals such as Vision 2030 and the National Development Plan. Some of the pointers from the national government were: “resolving the energy crisis; revitalizing agriculture and the agro-processing value chain; advancing beneficiation or adding value to our mineral wealth; more effective implementation of a higher impact Industrial Policy Action Plan; encouraging private sector investment; unlocking potential SMMEs, cooperatives, townships and rural enterprises and state reform and boosting the role of state owned companies” (EM, 2018:379). SMMEs, cooperatives, township and rural enterprises are mostly businesses that are found in the informal economy.

The plan has several strategic focus areas. One of the strategic focus areas is Enterprise and Sector Development, while management of the informal economy is also listed as one of the core programmes (EM, 2018:380). “The management of the informal economy, especially street trading is a demanding task involving demarcation of trading areas, issuing of permits, organising traders into area committees that feed into a citywide forum, and on-going collection of rentals” (EM, 2018:398). Additionally it also consists of enforcement of bylaws in conjunction with the municipal police which is, inter alia, responsible for the regulation of traffic and City Health which is responsible for public health (e.g. the preparation of food stuffs for sale to the public). There is conflict resolution that needs to be continuously carried out, not only among the street traders themselves but also with the formal economy. This programme speaks about the support that is going to be given to the informal economy such as infrastructure support, advisory and information services and help in improving product quality.

The innovation programme seeks to introduce youth and SMMEs to the world of innovation through the use of technology and the internet. “It seeks to promote innovation as a means of youth and women economic empowerment while facilitating entrepreneurship in the rapidly changing innovation economy” (EM, 2018: 381). The municipality established a non-profit organisation called Innovative Durban with the mandate and resources to run programmes that capacitate disadvantaged groups such as youths and women.

There are various plans/strategies/policies which are linked to plan two. Some of these are discussed below as they are relevant to the informal economy.

1. Markets Policy for eThekweni Municipality

The market policy feeds into the broader informal economy policy and encourages and supports informal traders who are on market sites to ensure that they are properly managed by on-site management (EM, 2018:422). The market policy’s main aim is to provide guidelines for the support, management and monitoring of the traders who operate in the sites around the city.

2. Allocations Policy Governing Trading Opportunities and Permits to Informal Traders on Council Owned Properties

The main aim of the Allocation policy is to provide support and opportunities for new entrants in an economically, socially sustainable way. It is a powerful tool that can be used to create employment. It also balances the situations of inexperienced and experienced operators to ensure that neither is marginalised excessively (EM, 2018:422).

3. Durban’s Informal Economy Policy

This is a comprehensive policy that offers guidelines and management of the informal economy. It was developed after realising the immense contribution of informal economy to employment and development in Durban. The challenge for local

government is creation of employment and at the same time maintaining a safe and clean environment. Some of the contents of the policy are included in section 2.7.6 of the thesis.

4. Business Support and Markets Unit Improvement of SMME access to Finance Strategy

The aim of the SMME Strategy for the eThekweni Municipality is to “promote SMME policies and regulations which have been established at national, provincial as well as local levels, by developing strategic interventions that will create an enabling environment and provide support to SMMEs” (EM, 2018:423). Examples of policies developed which are targeted at the SMME sector are the National Informal Business Upliftment Strategy and Informal Economy Policy.

5. A Consistent Rental Policy for Informal Trading in eThekweni Unicity

The policy seeks to have a consistent rental policy in the eThekweni Unicity (EM, 2018:423). The seeks to have a standard rentals so that the charges take into consideration the location and facilities available. This resulted in reduction of rentals in some areas and increase in some instances if the trading place is located in a busy area.

Plan 3: Creating a quality living environment

The goal of this plan is “Promote access to equitable, appropriate and sustainable levels of household infrastructure and community services, and facilitate access to housing” (EM, 2018:425).

Plan 4: Fostering a socially equitable environment

The goal of this plan is “to promote and create a safe, healthy and secure environment” (EM, 2018:459). The plan is presented in two strategic areas which are promoting safety and health for citizens. For example, informal businesses often operate in areas where there are high risks of crime including violence and where inadequate sanitation poses serious health challenges such as outbreaks of cholera which is associated with contaminated water sources.

Plan 5: Supporting organisation design, human capital development and management.

The goal of plan 5 is to “help the City have an effective organisational design and provide support, management and development to human capital” (EM, 2018:485). The desired outcome of this plan is to have skilled and capable citizenry which contributes to the economic development in the eThekweni municipal area. The other two desired outcomes are a skilled work force which leads to quality work output and a ‘learning’ city. Census 2001 and 2011 is showing encouraging evidence that there is a marked decrease in the functionally illiterate from 16% to 4.2% in eThekweni (Stats SA, 2011). The relevance of this for the present study is that participants in the informal sector will come to have better skill sets.

Plan 6: A vibrant and creative city - the foundation for sustainability and social cohesion.

The goal of this plan is to have a city where people interact creatively in their diversity to stimulate economic growth and social cohesion (EM, 2018:505). There is scope for more innovation in the informal sector, examples being arts and crafts and catering.

Plan 7: Good governance and responsive local government

The goal of this plan is to “ensure a strong, caring and democratic institution to promote and support a consultative, ethical, effective, efficient and participatory local government (EM, 2018: 531). Some of the desired outcomes are good governance; a stronger and more efficient public service; participative and responsive municipality services in all levels and the eradication of past inequalities particularly as experienced by the historically disadvantaged groupings. This implies that the informal sector needs to become less marginalised within the city’s system of governance.

Plan 8: Financially accountable and sustainable city

The goal of this plan is to “To maximise the Municipality’s financial resources to ensure long-term financial viability and sustainability” (EM, 2018: 558).

The IDP is aligned to the National Development Plan (NDP). The informal economy is covered under plan 2, which seeks to develop a prosperous, diverse economy and employment creation. On its focus on economy and employment urban renewal and township development are highlighted. This is where managing the informal economy often falls down (EM, 2018: 327).

The IDP is also aligned to the Provincial Growth and Development Strategy for example the sections that deal with the informal economy. The section highlights the importance of informal economy and the need to include it in the development plans of municipalities. The informal economy is covered under plan 2 which seeks to develop a prosperous, diverse economy and employment creation (EM, 2018: 328).

2.7 Government Agencies that Support Small Businesses

2.7.1 The Small Enterprise Development Agency

The Small Enterprise Development Agency (SEDA) was established as an agency under the Department of Trade and Industry in December 2004 through the National Small Business Amendment Act, Act 29 of 2004 (SEDA, 2018:18). This was done through merging the Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre (NAMAC), and Community Public Private Partnership Programme (CPPP). In 2006 the Godisa Trust and National Technology Transfer Centre were also integrated into SEDA. SEDA's mandate and functions were moved to the Department of Small Business Development in 2014.

The vision of SEDA is “to be the centre of excellence for small enterprise development in South Africa” (SEDA 2018: 19). According to the official website of the agency, its main mandate is to “to implement government’s small business strategy; design and implement a standard and common national delivery network for small enterprise development; and integrate government-funded small enterprise support agencies across all tiers of government” (SEDA, 2019:1). The mission of SEDA is thus to “develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability in co–ordination and partnership with various role players,

including global partners, who make international best practices available to local entrepreneurs” (SEDA, 2018:19).

The national office of SEDA is located in Pretoria where it is responsible for the overall coordination and providing support services and systems to the provincial offices. There are various delivery points located around the country that provide the interface points with the target markets, and are responsible for the provision of the products and services that SEDA offers its clients. Currently the delivery points consist of SEDA branches and Enterprise Information Centres (EICs) and Technology supported business incubators. It has a substantial office and trading complex in the Warwick Market in eThekweni.

In the 2017/2018 annual report, SEDA reported that for the year ending March 2018 the organisation achieved or exceeded targets on 84% of its planned performance measures, against a target of 75%. It states that some of the most notable achievements during the year under review were:

- It managed to reach 54,063 clients through provincial promotional and marketing actions.
- There were 12,132 clients who were supported by Seda through the branch network.
- There were 3,829 clients supported through various technology interventions.
- There were 1,563 new jobs that were created by supported incubators.
- 872 cooperatives were functioning and were supported through various interventions.
- It managed to launch online a portal developed platform.
- It managed to get R24,46 million worth of support from partners.
- 80.91% of the SEDA budget was allocated to core delivery of the agency (SEDA, 2018:16).

2.7.2 Small Finance Enterprise Finance Agency

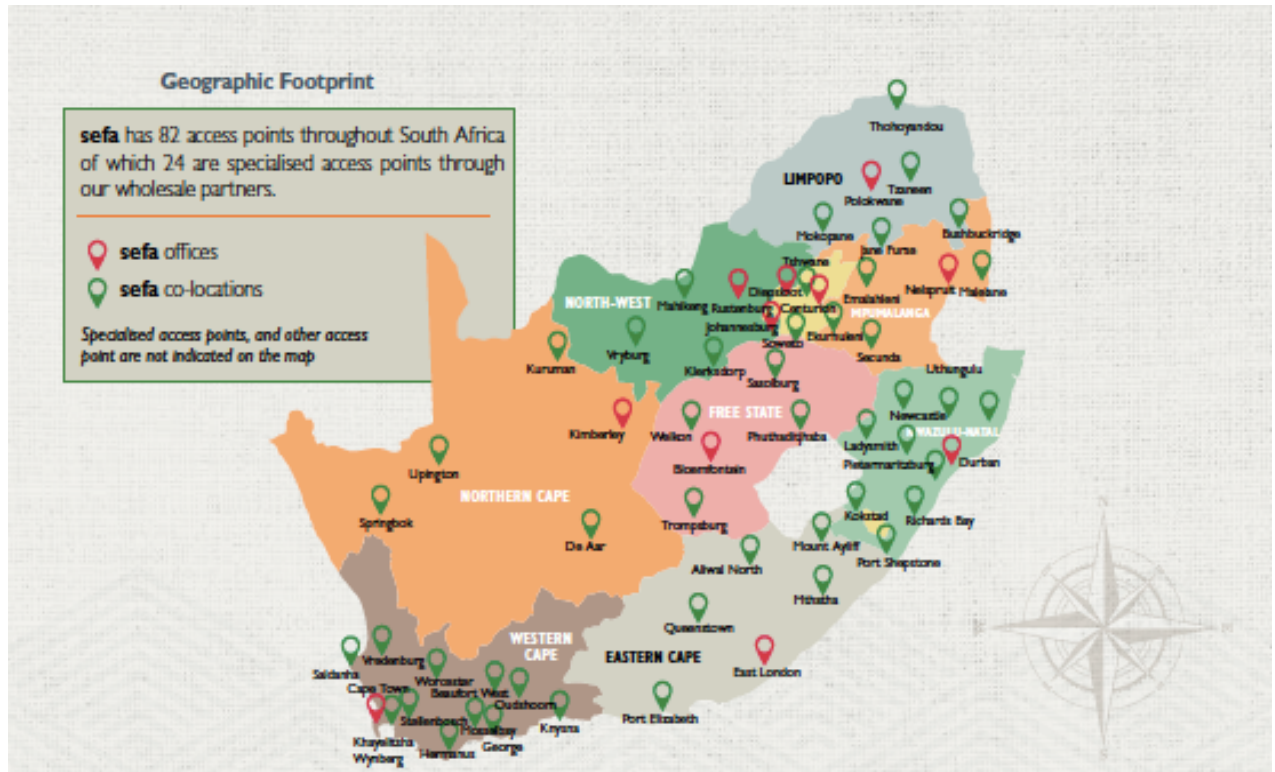
The Small Enterprise Finance Agency (SEFA) was formed on 1 April 2012– in terms of Section 3 (d) of the Industrial Development Corporation Act, No. 22 of 1940 (IDC Act), after a cabinet decision and the 2011 State of the Nation Address to merge the three agencies: Khula, the South African Micro-Finance Apex Fund and the IDC's small business funding into a single entity (SEFA, 2018:7). The agency is a wholly owned subsidiary of the Industrial Development Corporation Limited (IDC). SEFA falls under the Minister of Small Business Development. SEFA's core function is "to foster the establishment, development and growth of SMMEs and Co- operatives, and to contribute towards poverty alleviation, job creation and economic growth" (SEFA, 2018:6).

SEFA is entrusted to forge successful partnerships that contribute to the growing of enterprises. The contribution of the agency does not only cover financial needs of the SMMEs and co-operatives but also bring the expertise they have to the enterprises so as to induce growth and lasting values.

The main task of SEFA is to provide SMMEs and co-operatives throughout South Africa with simple access to finance in an efficient and sustainable manner, by:

- "providing credit facilities or products;
- providing credit guarantees to SMMEs and Co-operatives;
- supporting the institutional strengthening of financial intermediaries, so that they can effectively assist SMMEs and co-operatives;
- creating strategic partnerships with various institutions for sustainable SMMEs development and support;
- monitoring and evaluating the effectiveness and general impact of SEFA financing, credit guarantee and capacity development activities; and
- developing (through partnerships) innovative finance products, tools and channels, to speed up increased market participation in the provision of affordable finance" (SEFA, 2018:9).

SEFA is widely spread in South Africa with 82 access points. Its main office in eThekweni is in the central business district. The graph below shows the reach of SEFA throughout South Africa.



(Source: SEFA Annual Report 2018).

Figure 2.3 SEFA offices and co-locations throughout South Africa.

In the SEFA 2018 report, it was highlighted that in the 2017 to 2018 reporting year it managed to disburse R416 million (32%) to women-owned businesses, R903 million (69%) to black-owned businesses, R462 million (35%) to enterprises in priority rural provinces and R204 million (16%) to youth-run businesses. The total amount of money disbursed for the year was R1.313 billion. In the process it contributed to the creation of 54 thousand jobs.

2.8 Impact of Policies on The Informal Economy

The informal economy plays a pivotal role in the developing countries and has done so for some time (Becker 2004: 11). Informal economic policy formulation and

implementation are very important in developing countries (Horn *et al.*, 2002: 22). In some instances, in developing countries people augment their income from the formal economy through the informal economy as their main income may not be enough. Subsequently, the approaches that empower or enable those people in the informal economy to expand their financial pick up are significant.

Political systems in place at any given time influence policies made for the informal economy (Peattie 1987:22). In the 1970s and 1980s, policies were crafted in Latin America in countries such as Brazil, with the aim of formalising the informal economy. These policies relied on the need to control the informal economy and to subsequently expand the tax base through tax collections from the informal traders (Maldonado 1995:719). Since the late 1980s, numerous legislatures in developing countries understood that casual financial exercises can possibly be the wellspring of feasible business for residents (Charmes 2001:15). This change of views on informal trading was supported by an economic philosophy guided by an aim of neo-liberalism, which encouraged only limited state interference in the markets (Cox & Watt 2002: 33). Informal economic activities were now viewed as a means to address poverty in many countries, South Africa included. (Ligthelm 2006: 31). Developed countries' companies were relocating their production to developing countries in part because there is less regulation in such economies (Chen and Carr 2001: 23). In doing so, these companies cut expenses by taking advantage of weak laws. However, this is a cost to the country hosting these corporates in terms of the poverty cycle as low wages are more likely to be permitted.

There is a need to formulate policies at an international level that target the informal economy so that workers in this economy may be protected to avoid exploitation by formal sector firms.

2.9 Experience of Foreign Nationals in The Informal Sector

A number of the immigrants who fail to get employment end up taking employment in the informal economy. There has been a significant number of foreign nationals in the

informal economy of South Africa. This has had a direct effect on the local traders who are South Africans. This has led to competition in the market and straining of resources. It was discovered that immigrant street traders tend to be more resilient than their local counterparts. It was noted that they are united when they face a certain challenge and tackle it as one. They have also created a credit facility for themselves to finance their small businesses. Additionally, their education and previous experience help them to survive even the worst experiences. It was also noted that they assist each other in terms of accommodation and capital for business if someone is trying to set up their own ventures and this is done in most cases based on the nationality of the immigrants (Maldonado,2015: 716). People who come from the same country assist each other to start a small business, whereas South Africans do not enjoy the equivalent support from compatriots.

It was noted that immigrant street traders do not always participate in the set-up structures provided by local government to support them. In most cases when they face challenges they individually deal with them. This was mainly caused by their status of illegality in the country (Maldonado 2015:718).

It was found that foreign nationals tend to dominate certain trades and in some cases particular areas (Maldonado, 2015:718). Additionally, according to Maldonado (2015:718) male foreign traders were found to be in business which required slightly higher start-up capital but female migrants are also at a disadvantage as they cannot safely take up informal trading in risky areas such as places with higher crime rates, for example inner city areas and some crime prone townships such as KwaMashu (in eThekweni) unlike some of their male counterparts. This was found to be mostly the case with Ethiopians (Maldonado,2015: 719)

Generally foreign informal traders are at a disadvantage as the laws and policies do not favour them as preference has to be accorded to indigenous business owners.. The areas they want to operate in are often types of business and trades that may be in effect or by law reserved for local South Africans such as taxi operators and hair salons. The laws, constitution and policies of South Africa give preference to the indigenous South Africans. Additionally, they do not have the same access to finance

as their indigenous counterparts. Despite all these difficult operating environments many of them have continued operating with some success.

2.10 Challenges Experienced by Informal Traders

Informal traders also have rights which are clearly stipulated in Section 152 of the Constitution of South Africa (RSA, 1996). This section states that the local government must promote social and economic development as well as a safe and healthy environment. Despite the policies that have been enacted both at national and local government spheres, there are still challenges that the informal traders face in their day to day operations. The various common challenges that face the informal traders around the country, as shown in the literature, are covered in the paragraphs below.

2.10.1 Cost of sites

A trading space is allocated to registered traders who have permits. For them to get a permit they must pay a certain amount. Although this has helped the local government to generate income some find it difficult to raise the required amount (Skinner, 1999: 22). The amount that traders pay for permits is calculated as a percentage of their income, but in some cases will be too high to be affordable.. According to the study by Skinner (1999) these permits have not been accompanied by infrastructural developments such as shelter, tables or toilet facilities. This leads to discussion of the next challenge of infrastructure.

2.10.2 Lack of infrastructure

There is a lack of or limited facilities such as shelter, toilets, water and storage at the sites where informal traders operate from (SEDA, 2008: 32). In the end they incur storage costs as they pay to get this service in nearby shops. In the streets there are a number of women trading with children but there is lack of day care facilities to help take care of their children (Mitulla, 2003: 15). According to Evans-Klock (2000: 54) developed infrastructure is very critical in any business and can help to grow the businesses in a locality.

2.10.3 Trading space

The created trading places that were on offer in eThekweni Municipality are sometimes not being optimally used. The major reason seems to be that they are located in areas which have low pedestrian traffic (which means potential customers). To avoid such situations consultations with the stakeholders, mainly the street traders, as a bottom-up approach would be more helpful. Some areas, which have more pedestrian traffic, were declared restricted trading zones (Skinner, 1999: 21). This sometimes creates conflict between municipalities and the street traders.

2.10.4 Lack of financial support

Due to lack of financial support most traders rely on personal savings, support from relatives or friends (Mitulla, 2003: 19). A 2010 survey carried out by FinMark trust it was found that 87% small firms had never accessed credit and another survey in 2016 reported that the lack of access to finance led to collapse of 28% of these businesses (Vuba, 2019). The Global Entrepreneurship Monitor (GEM) reported that South Africa has one of the highest small business failures with up to 70% failure within two years. This result in less uptake of the start-up business as the funders such as development financial institutions, commercial banks and venture capital funds are less risk appetite. Those that are willing to finance have stringent conditions that they set that cannot be met by the small businesses. As a result the small businesses may fail to produce all the required documentation. There is now a big gap in the expectations by the funders and the start-up businesses (Vuba, 2019).

Financial assistance can be of advantage to the street traders especially if it is arranged in the interest of the them for example in Kenya a Micro Entrepreneurs Bank was set up which helped small entrepreneurs to access loans at a low interest (Mitulla 2003: 9). Street traders can have the capacity to purchase in bulk thus they get markdowns, in this manner expanding their benefits. The achievement of small businesses relies upon the elements that quicken its development and improvement.

2.10.5 Confiscation of goods

The wares of the street traders are often confiscated without compensation if they are caught not abiding by the city by-laws. This is a common practice in the city of Johannesburg, where officials are authorised to remove or impound property of a street trader which is found not abiding by the by-laws City of Johannesburg Metropolitan Municipality, (2004: 27). Skinner (1999: 17) argues that a street trader should be cautioned before his or her merchandise is appropriated. This ought to be a composed cautioning and the substance of the notice be verbally disclosed to the street trader. In the event that the merchandise is confiscated this will be a notable setback for the dealer as it will require more investment to raise capital again for the business.

2.10.6 Safety and security

The street traders also face a challenge of safety and security of themselves and their goods. They are also often worried about the security of their customers (Mitulla, 2003: 18). It was also found that sometimes they are removed from their operating places as they are rightly or wrongly deemed to be harbouring criminals. The street traders view safety and security as an economic priority as it can directly affect their business. Therefore, the municipality should look at how they can create a safer environment.

2.10.7 Access to training

It was found that the street traders in South Africa have at most primary education (Mitulla 2003: 6). It therefore becomes a challenge for them to read and understand the contracts, by-laws, training materials and any notices which may be of importance to them. The traders do not have time such that if they are to attend training they see this as a cost because at the same time they are thinking of lost business in the street (Agrisystems Consortium, 2008: 20). To achieve high attendance in the training workshops they must be held outside the business hours or the peak periods. According to Agrisystems Consortium, 2008: 20 the critical areas that can be covered are customer care, buying, financial management and market analysis. These areas

can assist them to grow their businesses. E-learning can likewise be considered for training purposes for the individuals who are fairly well educated and if they have access to the internet so they can learn outside business hours.

2.11 Factors That Hamper the Development of Street Trading

A number of small businesses remain at micro level, with between 6 to 20 employees due to lack of management of growth and lack of resources. This directly affects their ability to contribute towards the reduction of unemployment in South Africa (Nieman, 2006a; Struwig, 2006). Additionally, there is a high failure rate in small businesses. Some researchers have shown that up to 80% of new businesses fail in the first 2 years after inception (Pretorius, 2003: 260). Some even in a sense fail before they have started because they do not open for business at all. There are various reasons for this failure which range from financial, management skills, regulations and the operating environment (Nieman, 2003a: 232; Pretorius, 2006: 232-234). The factors that hamper the development of the informal economy are discussed in detail in the following paragraphs.

2.11.1 Inability to secure start-up capital and poor quality of business plans

The difficulties of business owners to get start-up capital make it inconceivable for the business to seek growth regardless of whether the proprietor has an entrepreneurial attitude. Poor marketable strategies make it troublesome for a potential business person to get stores from financial specialists. On top of that failure to comply with bureaucracy may delay or make them lose out on possible investors. (Maas *et al.*, 2007: 12). Charman *et al.* (2007: 98) found that among entrepreneurs who are service-oriented, just 50% of them are considered to be credit qualified to acquire funds from businesses, banks or private loan specialists.

2.11.2 A lack of business skills and misunderstood positioning

South Africa as whole is suffering from a lack of skills which can be seen by the number of job advertisements and levels of unemployment. There are skills shortages in the formal economy as well as the informal economy. The SMMEs ecosystem has

provided platforms for mentoring, coaching and training for the entrepreneurs so that they can grow their businesses. However, it was found that lack of ability, time and skills is hampering their progress of entrepreneurs. Therefore, they see no benefit in implementing them in their businesses (Vuba, 2019).

A considerable number of the street traders are knowledgeable and experienced in their fields of specialization and the running of their business, but, be that as it may, they are seen to need important business management aptitudes (Maas *et al*, 2007: 12; Perks, 2006: 191). This absence of business abilities on the part of the proprietors will smother the business from accomplishing its maximum capacity. An incompetent proprietor might be hindered by a lack of common sense in administrative, promoting, and monetary issues (Perks, 2006:192; Pretorius, 2006: 234-234).

2.11.3 Lack of financial control

Street traders have a big challenge when it comes to not being able to separate business finance from personal finance, which can mean that they may find themselves using the income money for personal expenses meant for business. This lack of financial control results in cash flow problems. In a business, if the money used for other things, which are not business related, funds may run out and the business may then fail (Perks, 2006: 193). Street trading is often more about survivalist or subsistence enterprises where traders are more worried about money to support the family than growing the business.

2.11.4 Lack of Government Support

It is vital for street traders to get support for the development and growth of their businesses from government. They need to access certain networks beneficial to the survival of their businesses.

The White Paper on National Strategy for the development and promotion of Small Business in South Africa (RSA,1995) stated that small enterprises need a “supportive legal and regulatory environment; access to markets, finance, appropriate resources and technology; training in entrepreneurship, skills and management, tax and other

incentives.” “Notwithstanding the White Paper, there is as yet broad discernment in South Africa that there is no sufficient legislative help for SMMEs” (Von Broembsen, 2007:17). In any case, Anonymous (2006: 38-39) differs and contends that there is adequate help for SMMEs. However the issue is that business owners and their associates and partners do not know where and how to get the important support they require.

They have to get access to specific systems that are helpful to the survival of their businesses. The White Paper on National Strategy for the development and promotion of Small Business in South Africa (RSA,1995) states that SMMEs require strong lawful and administrative conditions; access to business sectors, finance, suitable assets and innovation; preparing for the enterprises, abilities and administration, assessment skills (business planning) and different motivating forces such as support from peers. Despite the White Paper, there is up until now a wide spread belief in South Africa that there is not adequate official help for SMMEs (Von Broembsen, 2007:17). Regardless, Anonymous (2006: 38-39) differs and contends that there is adequate help for SMMEs but the issue is that business owners don't know where and how to get the important administrative and other support they require.

2.11.5 Lack of an entrepreneurial mind-set as well as a low desire to grow

Nieman (2003a: 233) refers to the absence of an entrepreneurial mentality or want to develop involvement by numerous business entrepreneurs as a significant hindrance to development. The study maintains that development and the need to develop go as an inseparable unit and consequently it ought to be inserted in the plans of the business vision. Furthermore, the study highlighted that entrepreneurs need more business training to gain skills to run their business. Entrepreneurial training must include the most efficient method to identify opportunities, to be imaginative, participate in new and innovative ideas, and to accomplish profitability and development through key administrative support (Megginson *et al.*, 2006: 9). Occasionally when bigger business owners get engaged with street traders on account of need, they find that the street traders do not seem to have adequate entrepreneurial attitudes (Mawila, 2006:

7). The rate at which the street traders grow depends mostly on their ability to manage their finances.

2.11.6 Red Tape

South Africa has significant number of laws that govern businesses from small to large companies which are found to be regulatory obstacles from registering a company, labour laws, regulatory compliance for a company and laying off of workers (Vuba, 2019). The small business owners often find the regulatory requirements to be obstacles, time consuming and they not have the skills to manage and execute them. This has resulted in non-compliance and in some cases additional costs in trying to be compliant but the SMMEs can still fall short of what is required..

2.12 Factors That Accelerate Street Trading

Cant and Erdis (2005: 35) noticed that for street trading to add to positive economic development it has to develop past the micro level and should be equipped to last longer than is the case now. This should be made possible by making an empowering and reasonable environment that would advance the development and survival of small businesses. Over and above that there is need to equip street traders with the vital information and aptitudes they have to impact development in their enterprises (Ladzanil, 2001: 2-3).

Factors that affect the success and growth of street trading will be outlined as in the following sections:

2.12.1 Financial management

Greater monetary control of the businesses' incomes, as indicated by Dlodlo and Dhurup (2010: 169), positively affects business stability and growth. In a business subsidizes should be directed to business exercises, which helps in having smoother operations which prompts expanded efficiency. Street traders with access to solid and dependable accounts will probably succeed while those with poor access could find that it is hard to achieve sustained development.

2.12.2 Adequate capital funding

A lot of the street traders often use their personal or family's money to set up and run their establishments. It was found that at least 80% of enterprises were financed through personal savings (Skinner & Valodia, 2003: 16). Many SMEs in South Africa suffer from lack of access to finance therefore not being able to bring about the successful development of SMEs. The Department of Trade and Industry (DTI) in conjunction with Khula Enterprise Finance Limited has designed schemes to improve SMEs' access to finance. However, it was noted that fewer SMEs benefit from these government interventions (Fatoki & Garwe, 2010: 730). Additionally, they suffer from low equity contributions to the business.

2.12.3 Marketing management

Kotler and Keller (2006: 6) describe marketing management as "the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value". In order to market the products and services successfully, the entrepreneur needs to develop a proper marketing mix (one likely to succeed) (Herbst, 2006: 57). The mix consists of 4Ps, that is: Product, Price, Place and Promotion (Kotler and Armstrong, 2006: 50). Marketing should be made core in a business activity so that it can grow and develop. This will also help them in understanding the customer service and customer loyalty. In this way they will gain a competitive edge over their competitors.

2.12.4 Operations management

The exercise of operations management functions rotate around the making of goods and provision of services (Nieuwenhuizen & Kroon, 2003: 139). Operations management is very critical in the overall strategy of the business. This is where the inputs in a business are transformed into finished goods and services. This contributes immensely to the competitive advantage of a company over others. There should be continuous improvement in the quality of the product. (Alasadi and Abelrahim, 2007: 4).

2.12.5 Human resource management

Successful business depends heavily on human resources. Therefore, according to Poee and Mafini (2012: 99) a business should aim to attract the right people with the right skills to carry out the required tasks. Small businesses often cannot attract qualified people as they cannot reward them or utilise them meaningfully.

2.12.6 Regulatory requirements

The registration process of a business is complex and cumbersome such that it acts as a hindrance to its growth and development of SMEs (Buys and Mbewana, 2007: 358). This has resulted in many SMEs not being registered. Although DTI carried out a campaign to reach out to SMEs by simplifying and assisting SMEs in registering their entities the response was very low and there are still many unregistered SMEs.

2.12.7 Business skills and adequate business knowledge

Perks and Smith (2008: 148) noticed that sound business aptitudes of the business person can help the business to accomplish its maximum capacity to develop and create. They point out that businesses run by a talented business visionary flourishes through the capacity of the proprietor to deal with the business difficulties, for example, planning, marketing and settling on sound money related strategic and operational choices.

2.12.8 Entrepreneurial competencies

Buys and Mbewane (2007: 358) highlighted that the growth of SMEs relies on the business owner's abilities, network, theoretical, organising, techniques and management capabilities. The entrepreneur's experience, education and training can be viewed as the forerunners of entrepreneurial abilities

2.12.9 Political stability

Maximum productivity is best achieved in a stable political environment. (Bowen, Morara and Moreithi, 2009: 22). In economies where there are no constraints or no

political obstructions such as uprisings, seizure of assets or rent seeking small businesses are more successful than in those in nations where such barriers exist. Some street trading gets a considerable measure of income from tourists where there is a stable political atmosphere.

2.12.10 Economic factors

The street traders need the capacity to make better decisions that can direct their business if they have a better understanding of the economy. These economic factors have a greater impact on SMEs than other factors since the informal economy heavily depend on the formal economy performance. Victor (2013:3) suggested that the overall economic performance has a direct impact on the sales of street traders. If the economy is not doing well there is likely to be low sales and vice-versa (if the economy thrives businesses are likely to have better sales figures).

2.12.11 Inflation

The street traders also need to try to keep up with the price changes that are normally driven by inflation. As the market grows, so do the opportunities to provide services. General price increases can pose both a challenge and opportunity for street traders. It will be a challenge if after selling their wares they find that they can afford less or their profit is eroded when they want to restock. It will be a better option if they can find ways to buy their products at a cheaper price and sell them at a higher price to match the new prices and therefore realising a slightly higher margin (Victor, 2013: 3).

2.12.12 Government Support

Recently the government of South Africa hosted a job summit where it was looking at opportunities to create more employment for unemployed people in South Africa. The country's unemployment stands at 27.2% which is way above the world standard of 7.6% and Africa's 8.8%. This was not encouraging given the government emphasis on 'jump starting' the informal economy and the development of 'township economy.' The summit provided a broader perspective on the "township and informal settlement

enterprise support”, but lacked the finer details on it (Rogan, 2019). The government provides the regulatory framework and broader strategy on the growth of informal economy. Rogan (2019) highlighted that a good start for government support is obtained through providing a lesser stringent regulatory environment, basic social protection and supportive infrastructure. Durban’s Warwick Junction Market is noted as a good example of supportive infrastructure (Rogan 2019:19).

2.13 Conclusion

The main purpose of this chapter was to review literature that is relevant to street trading. It has been shown that the operating environment for the informal economy has improved since the end of apartheid. Before 1994 street trading was seen as nuisance to the white controlled cities and formal businesses. Today a larger percentage of employed people are in the informal economy. In some instances, street trading has moved from being a survivalist business to a going concern. It is because of these positives that the national, provincial and local governments have enacted laws and policies that aim to favour and support the informal economy. It all started with laws with sections solely dedicated to informal economy and now there is a whole policy framework that is made for the informal economy.

An overview of the operating environment of eThekweni local government was presented. This is the main focus area of this research. eThekweni municipality is highly regarded for being one of the first local governments to formulate policies that are favourable to the informal economy as part of local economic development and . in 2015 the municipality informal economy was identified as one of the strategic areas in the IDP of eThekweni.

A review of literature on the factors that hamper and accelerate the growth of street trading was also presented. These factors range from financial challenges, lack of training, lack of skills, political trends and situations, the regulatory environment and the operating environment. The main challenges that street traders face were thus also covered.

The next chapter discusses the theoretical framework for the study of the impact of eThekweni Municipality policies on informal traders.

CHAPTER THREE: THEORETICAL FRAMEWORK

3.1 Introduction

This chapter discusses the theoretical framework for the study of the impact of eThekweni Municipality policies on informal traders. The literature on the historical context, theoretical perspectives, neo-liberal, revised neo-liberal and Marxist approaches. The new neo-liberal perspective is adopted for this study. South Africa is coming from a highly regulated formal economy such that the informal economy is still at its infancy when compared to other developing countries. The neo-liberal perspective brought new understanding of the informal economy. The informal economy is seen as bringing in indigenous entrepreneurial dynamism with potential to create employment and economic growth. The state models as suggested by other authors are discussed in detail and the Neo utilitarianism is adopted for South Africa as the government still provides regulations in the operations of both formal and informal economy. South Africa is a liberal state with minimal regulations and strong state institutions. Therefore, the informal policy and regulations become very critical.

3.2 The Informal Economy: Historical context of a concept

Studies in the 1950s and late 1960s showed that with a right mixture of economic policies and resources, the informal economy can be transformed into vibrant formal economy (Leys, 1996:420; Martinussen, 2004:24). In that period the view was that the informal economy which consisted of small traders, small producers and many types of other casual work would then be absorbed into the formal economy and disappear. This view was cemented by the successful rebuilding of much of Europe and Japan after the World War II. Around the same time in the late 1960s in developing countries there was a growth of unemployment. A number of people who could not get employment in the formal economy turned to the informal economy and the optimism about the prospects for economic growth in developing countries began to give way to concerns about persistent widespread unemployment.

In the 1980s, the informal economy debate now included the changes that were occurring in developed countries. In North America and Europe companies were now favouring a form of production which was decentralized into a more flexible small scale mode of production. The traditional mass production by big organizations was giving way to “flexible specialization” and in some instances opting for sweatshop production (Piore and Sabel 1984:24; Scott, 1988:172; Van Dijk *et al*, 1997:46). This subcontracting of goods and services was seen as informalization of the economy. Therefore, the informal economy then became to be seen as a permanent feature of the economy, but still dependent on the formal capitalist economy (Lewis, 2013).

During the same period of the 1980s, in the developing countries and especially Latin America, there was an economic crisis and at the same time there was a growth of the informal economy. This brought in another perspective to what might appear to be the paradoxical effect that the informal economy tends to grow in the times of economic crisis (Tokman 1992:1066; Pieterse, 2010:45). This view was also supported when similar patterns happened in former East Asia ‘Tiger’ countries such as the 1997 financial crisis when there was economic crisis and millions of people lost their jobs and went into the informal economy (Lee, 1998:24).

Globalization of economies in the 1990s further contributed to this shift (Standing, 1999; Pieterse, 2010:). With the coming in of globalization new jobs are created through new markets, however, in developing countries there was evidence which shows that not all jobs met the requirements of a minimum wage (Carr and Chen, 2001:2). At the same time disadvantaged producers are not able to seize the opportunity that comes with it (Standing, 1999). A study also showed that global competition results in erosion of employment relations through encouragement of formal firms hiring at low wages and also subcontracting for goods and services (Standing, 1999). Informal firms and small firms suffer from competition through global integration as cheaper imports are brought into the country (Rodrik, 1997).

In Africa people who lose their jobs in the formal economy through economic adjustment or economic crisis or transition have often found (or tried to find) employment in the informal economy. It was observed that there was exponential

growth of informal economy when there was economic crisis. During an economic crisis formal companies would retrench and downsize their operations and in some cases they would close, and the workers who lose their jobs would find employment in the informal sector. (Bangasser,2000). Another study found that those that are employed in the formal economy also supplement their incomes through informal economic activities (Meagher, 1995:270).

An employment mission in the early 1970s noted that the informal economy was not decreasing but expanding and in some cases, it was now becoming more profitable and informal businesses were becoming more efficient in their operations (ILO, 1972). At that time, the Kenyan mission no longer used the term 'traditional sector' as was the norm around that time but renamed it 'informal sector' when referring to small businesses and unregistered businesses. This term 'informal sector' was perhaps first used in 1973 in a study by Hart (1973:63) in Ghana, when referring to small unregistered economic activities. The study by Hart and the Kenyan mission helped in bringing about a new theoretical perspective on the informal sector; emphasizing its efficiency, creativity, adaptability and resilience, but in some development circles it was not yet acceptable. During this time, a number of studies subscribed to the belief that the informal economy was small or peripheral, did not contribute meaningfully to development and was not linked to the formal economy (Tokman, 1978:1066). They argued that in the developing countries such as Kenya and Ghana, once they are fully developed with strong industries, the informal economy would disappear (Trager, 1987:240). However, Peattie (1987:855) argued that the path of development in developing countries might actually take a different route and the informal economy might actually expand as a result.

The Kenya Case

The case of Kenya is very relevant. The International Labour Organisation (ILO) report on Kenya represented a significant paradigm shift in that it radically changed theorizing about development, not just in Kenya but in a number of other countries around the world facing similar dilemmas (Ramsuraj and Wallis, 2019:4). This was at the time a new approach which was a challenge to governments and local governments in

particular. For Kenya it implied changes in policy. The colonial model was one based on a white dominated exclusion policy inherited at independence in 1963. It was one in which business was regulated in ways which discouraged and even made illegal many of the types of entrepreneurship that African people could undertake. This exclusionist approach, for example, even after independence in 1963 involved forcible removal of traders from the central business districts of Nairobi and other urban areas such as Mombasa and Nakuru. Nairobi was almost viewed as a European city which happened to be in Africa (rather like South African cities), a perspective that was a hangover from colonial rule. In that way of thinking there was no room for small business other than the 'bazaar' and 'duka' shops owned by members of the Asian (Indian) community which mostly traded in items like clothing, fabrics, spices, confectionery and radios. What the report argued for was a reversal of such policies. This was disturbing to many in authority at the time who had bought into a colonially derived vision of urban development (often referred to as 'modernization') which would have little or no space for small business other than in tightly regulated markets owned and run by local government. It was unsettling to the emerging Kenya elite to be expected to govern cities in ways that would be conducive to the needs of the urban poor instead of trying to apply 'standards' which would attach greater priority to the needs of the incoming and more long term expatriates and the new elite. Because of these factors, this case study of eThekweni Municipality may also be seen as a contribution to a deeper understanding of African cities.

In the more developed nations there has been reduced interest in the informal economy but it has proved to be useful as a concept for academic research on poverty reduction. The renewed interest worldwide in the informal economy stems from its growth and in some instances its unexpected success (Lee, 1998, Hart, 1990:140). This renewed interest has been accompanied by rethinking of the concept in tandem with a re-conceptualization of the informal economy.

This study of eThekweni closely looks at the relationship between the local government and the informal economy in the development process. This relationship still needs scrutiny especially in the developing countries.

3.3 Contending Theoretical Perspectives on the Informal Economy

A number of scholars coming from different disciplines and theoretical persuasions have carried out studies on the informal economy and come up with different definitions. The concept of the informal economy was born in the developing countries, out of a series of studies on urban labour markets in Africa. Hart, the economic anthropologist who coined the term, saw it as a way of giving expression to “the gap between my experience there and anything my English education had taught me before” (Hart, 1990:158). In his study, the empirical observations about popular entrepreneurship in Accra, Ghana and other parts of Africa were at odds with received wisdom from “the western discourse on economic development” (Hart, 1990:158). In his report to the International Labour Office (ILO), Hart postulated a dualist model of income opportunities of the urban labour force, based largely on the distinction between wage employment and self-employment. In his study he noted that the informal economy was associated with self-employment. The concept of informal trading according to Hart went beyond street trading (Hart, 1990:68).

However, this dynamic characterization of the informal economy was then not accepted in the bureaucracy of the ILO although the picture changed later following the publication of its seminal report on Kenya referred to earlier (Omosa, McCormick and Alila 2007: 7, ILO 1972). This highly detailed report, which was released in 1972, generated much debate not just in Kenya but around the world, although South Africa’s isolation at the time of its publication explains why its importance, or even its existence, was not recognized in that country until much later.

In the event the informal economy was seen as primarily an urban phenomenon characterized by people with no or low skills, with low capital and organization. Some studies showed that most of the businesses were family owned with small operations and on top of that often using old technology. The businesses in the informal economy were also seen as under or unregulated (Sethuraman 1981; Klein and Tokman 1988). There is still controversy about government policies on the informal sector.

Case Study of Rwanda

Rwanda is referred to here as it shows how government policies can still be obstacles to the growth of informal sectors and thus shows that theories supportive of the informal sector do not always coincide with government thinking.. In that country there has been a clamp down on informal business in the capital city, Kigali, with an approach based on the Singapore model which reflects the highly formal and discipline based way that city state is governed (Van Schie 2019: 20).

The City of Kigali in Rwanda is often touted as the cleanest city in Africa. In 1996 the population of Kigali was 358 000 and this has grown to 1,3 million in 1995. It is expected to grow to 3 million in 2030 (Van Schie, 2019:19-20). Many people migrate to Kigali hoping to find jobs, but they have failed to get formal employment and resort to informal trading. However, informal trading is not allowed in Rwanda and if you are caught you will be jailed for some months and in some instances without trial. This has not deterred informal traders in the city such that many of them have been arrested countless times. In 2016 a woman was killed by law enforcers after her wares were confiscated and she begged to get her goods back. The government after this incident build a number of stalls around the city. Despite the availability of the markets, several of them still trade in the streets, dogging police and they have cited cost and closeness to the people as the reasons why they have not opted to go to the market. The markets cost around 5 500 francs (R80) per month but it is still unaffordable to them. The government argues that they want to maintain law and order and cleanliness of the city. The traders on the other hand cite lack of job opportunities as reasons why they continue trading in the streets (Van Schie, 2019: 19-20). This case shows that the issue of informal traders' legitimacy and contribution to the growth of economies is still up for debate.

In the following sections a theoretical perspective on the informal economy is elaborated upon and , using existing studies, and concludes by showing that a new study such as this thesis can advance our understanding of the topic.

3.3.1 Early Neo-Liberal and Marxist Approaches

During the 1950s and 1960s the development economists and Marxist writers of the 1970s had a view that the informal economy only existed as a survival means in less privileged societies (LeBrun and Gerry, 1975; Leys, 1973). The two schools of thought disagreed on whether the penetration of the "modern sector" was the solution or the cause of the informal economy in relation to poverty. According to Martinusse (2004) the marginalist view of the informal economy was based on three basic assumptions ingrained in both conventional and Marxist theories of economic development. These were:

- (1) That the informal economy is temporary and in transition;
- (2) That the people in the informal economy are only there for survival and only generate incomes for subsistence-level needs;
- (3) That the informal economy is primarily a feature of a very minor economy and it will disappear with capitalist development. This assumption restates the first assumption.

Since the 1970s, two interrelated developments have emerged which have challenged these marginalist views. In most developing countries development which is government led has failed to expand and absorb all job seekers and it is expected that the informal economy will continue growing. On the other hand, there has also been a rapid growth of the informal economy in the developed countries as well and the view that there is potential for its growth in the future because of widespread recession and even disintegration in those countries.

3.3.2 New Neo-liberal Perspectives and States in Economic Crisis

The above-mentioned economic developments have given rise to significant changes in the understanding of the informal economy. In the 1970s, a new neo-liberal perspective also emerged. These scholars contradicted the marginalists on their views of the informal economy concept. They suggested that informal economy provided for an indigenous entrepreneurial dynamism with a potential to create employment and growth. They argued that the informal economy was a victim of excessive government intervention with the formal economy having a monopoly over resources, which is

inefficient, thereby forcing the bulk of the population to find goods and services outside the formal economy.

Since then, this neo-liberal view was further developed and championed by the World Bank and popularized in Hernando De Soto's *The Other Path* (1989). According to the World Bank perspective, the informal economy has managed to develop entrepreneurial skills and organizational skills, which are necessary for economic development. This can be attested by the resilience shown even in hostile circumstances where there a number of restrictions from the government as well as instability in politics. Therefore, the promotion of the informal economy is seen as a standard for free market and economic deregulation (Pieterse, 2010:46).

As opposed to the neo-liberal position, a reformist position championed by the ILO perceives a considerable potential for dynamism in the informal economy, a view that echoes the earlier discussion of the Kenya case. However, it finds the impediments to its realization not just in the state but rather in the shortcomings inborn in the informal economy. Low incomes and productivity as well as limited skills, and lack of innovation are viewed as constraints to informal economy growth. The ILO solution is instead one of less government interventions with a positive but lighter approach. This approach would include fostering productivity in the informal economy, providing resources and the removal of unnecessary regulations (Bromley 1990; ILO, 1972).

The revised neo-liberal position is widely credited for being the first to recognize the potential of the informal economy to play a central rather than a peripheral role in the growth of the economy. However, the major constraint of the neo-liberal position is that it views the informal economy as economically independent of the formal sector rather than viewing it as part of the whole economy. However, it cannot exist without the formal economy. Additionally, there is a lack of analysis of the direct operation and impact of linkages with the formal sector. Further, there is no analysis of the class relations within the informal economy, which is invariably represented as an undifferentiated collection of dynamic small-scale entrepreneurs instead of looking at poverty and its opposite within the sector. .

3.3.3 Marxist Reappraisals and the Global Economic Crisis

Nearly a decade later after neo-liberal writers in the 1980s Marxist commentators on the informal sector and their conceptual response to the changing economic context of informality emerged. The core of the shift in Marxist analyses was a movement away from the conceptually loaded and empirically weak character of many of the studies of the 1970s, towards an approach that attempted to make Marxist analytical categories more effective and relevant for the empirical investigation of specific informal sector experiences

The Marxist type of analysis has moved in development studies from being more theoretically based in the 1970s to a far more practical examination which takes into account the changes happening in the economy which could also be applied to informal sector analysis (Gerry, 1987; Portes *et al*, 1989; Martinusse, 2004). As Chris Gerry explains, some of the archetypal Marxist interpretations of the nature and economic role of informality were analysed closely:

“This relatively recent Marxist reappraisal calls into question the notion that petty commodity producers are disguised wage laborers exploited by capital. It also questions the functionalist proposition that small-scale production subsidizes peripheral capital accumulation by providing cheap essential consumer goods for the mass market and by holding down wage levels through the role it plays as a major part of the industrial reserve army” (Gerry, 1987:24).

The Marxist thinkers moved away from analysing the informal economy as petty traders to capital/labour relationships, as employers, owners and various forms of salary and wage labourers (Bernstein, cited in Gerry, 1987). Further, the universal view of the role played by informal activities has moved from not playing any role in the economy to being a critical part of the economy in solving and regulating the economic crisis.

The informalization approach speaks to the most thorough and most experientially grounded endeavour to do this reappraisal. Informal economy study is done as a social

and historical process not just as a sector of the economy. Specific consideration is given to the ways that informal activity includes the avoidance and slackening of the institutional system, of labour regulations set down in developed and developing societies in the post-war period. This trend is analysed in the context of the global restructuring of productive relations in response to recession, mounting indebtedness and increased competition from the newly industrialized countries (Portes and Sassen-Koob, 1987, Castells and Portes, 1989). Bigger companies have been moving away from the formal way of production to smaller informal ways of production and distribution to cut costs and becoming more efficient in the use of labour. This is being done to avoid the taxation associated with labour and overheads in formal operations. The informal production and distribution is done to cut costs of social security obligations and other substantial overheads of the formal economy. Additionally, there have been changes as households turn to the informal economy to supplement their incomes which were being eroded by falling real wages and rising unemployment (Beneria, 1991; Roberts, 1991).

Albeit progressively unavoidable, the development of the informal economy is not viewed as an immediate after effect of economic recession but certain economic characteristics are required for it to develop as a viable strategy. Informalization of big organizations where capital is highly concentrated and where production cannot be readily decentralized, is not likely to happen because of the nature of many businesses, such as the automobile industry. In these industries decentralization is generally not possible. However, they have adopted alternatives such as employing immigrant workers (Castells and Portes, 1989; Weiss, 1987). In the developing countries structural adjustment reforms have decongested capital in the public sector in the process, creating a more conducive environment for the growth of the informal economy.

Beyond Marxist analysis, Weiss (1987:209) argues that the characteristics of the industry or economic performance can provide the necessary conditions for the development of informal economy and the related characters of the society in terms of socio-economic set-up. These characteristics include the number of small-scale operators, a constrained labour source (such as women, youth or vulnerable ethnic

communities) and a dense system of social networks. These lead to appearance of the informal economy but not because there is an economic crisis. In some cases, the historical background such as Weiss's example, Italy, or in East and West Africa, may have led to greater weakness of such societies and led naturally to creation of an informal economy. Increasingly, however, these features are being created by deliberate government policies of restructuring the economy through decentralization, retrenchment and reduction of budgets in social services. In many countries, even the expansion of the informal economy is directly linked to the government in times of crisis. Therefore, the expansion of the informal economy can not only be attributed to global economic crisis or the historical background of some societies but also the government regulations.

In the informalization framework as found in the literature there are four issues that have been identified that help to understand the informal economy. Castel and Portes (1989:16) list them as:

- “(1) Features of differentiation within the informal sector and the specific character of informal sector labour,
- (2) Linkages with the formal economy; and
- (3) The attitude of the state toward the informal sector.”

The fourth issue needs special attention according to the students of the informal sector which is: “the role of informal social networks in providing an organizational structure for production and marketing within the informal sector, and a framework for the recruitment and use of informal sector labour” (Weiss, 1987:210).

In the informal economy, there are generally few institutional regulations in contrast to the formal economy. Therefore, workers are exposed to bad working conditions and in some instances, work in illegal and unsafe operations that may endanger them. Additionally, the informal economy being largely established outside the protective laws of the government and trade unions, is normally self-regulating. It is worthy of research to examine how best the government can regulate and protect the workers employed in the informal economy without hindering its growth.

This thesis focuses on the role of the local government institutions in relation to the informal framework and assesses how they can engage each other for positive outcomes. Most importantly, borrowing from Evans (1985:89), the thesis goes beyond uncritical analysis of the state as a unitary entity by differentiating various types of states while focusing specifically on the developmental state, within which local government is an important component.

3.4 Conceptual Framework Adopted for the Study

This study of the informal sector was guided by a theoretical framework that situates the research in existing literature which is used as a guide. A framework that critically analyse the government policies and informal sector literature is deduced. The government and the informal traders are said to operate in some cases in tangent. The government generally is a regulator and seeks to ensure that everyone is following the laws and regulations set and ensures that there is even playing field for everyone. In contrast the informal economy will try by to avoid any regulations and looks for the cheapest way of operating and is not considerate to other players in the industry as there is significant competition (Treisman, 2000, Lomnitz, 1988). The relationship between the informal sector and the state has therefore been articulated as one of inevitable conflict and antagonism, a relationship that is structural in nature. It follows from the above premise that the more pervasive the enforcement of state rules and the greater the penalties for violation, the greater the effort informal agents will make to avoid regulation. Based on the above characterization of the relationship, it is possible to expect a close relationship between the capacity of the state to enforce rules and regulations on one hand, and the character and scope of the informal sector. On cursory appraisal, it would seem that there is a linear inverse relationship between government laws and informality but, in reality, the relationship is not as simple as that as there are additional factors like the regulatory intentions of the government, the nature of civil society which are subject to it as well as the type of state in question for example. whether the government is developmental or not.

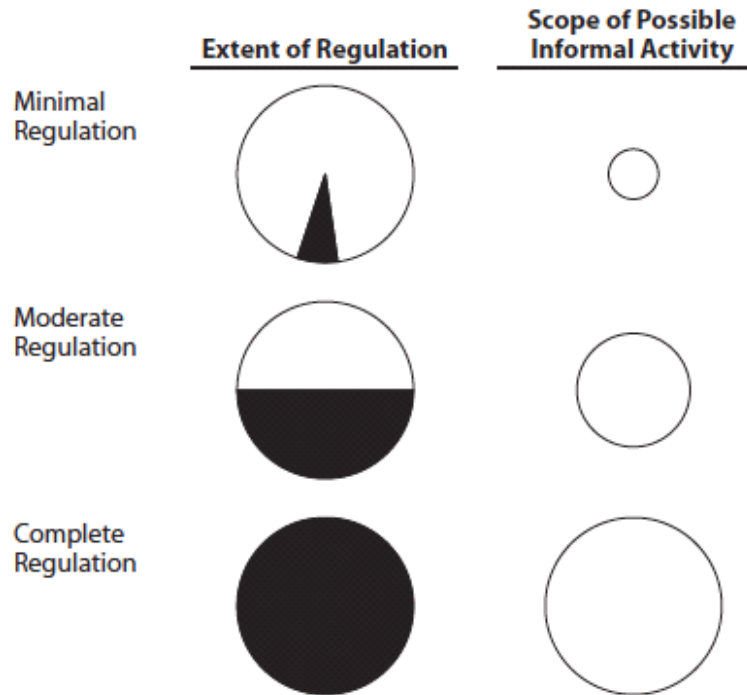
Evans (1989) for example analyses various models of the state by comparing the neo utilitarian model, with those of Weber, Gerschenkron and Hirschman. Neo utilitarianism has minimal government intervention in the economy, while in the Weber model the belief is that coherent bureaucracy is necessary whilst in the Gerschenkron model the government is a surrogate entrepreneur and in the Hirschman model government must provide incentives to invest. Evans uses these theoretical models of the state as a background to compare a developmental state (Japan) with a predatory state (Democratic Republic of Congo- DRC) in the 1980s. Evans cited DRC as an example of what he called a predatory state in the in the developing countries. In his study for the period when DRC was under the regime of Mobutu Sese Seko, the country degenerated into a country consisting of feudal domains that survived on collection of rents from companies and the population at large (Evans,1989:89). Such a state cannot be expected to have the capacity to engage the informal sector meaningfully as a partner in the development process. The DRC predatory state even now (post Mobutu) is an extreme example buttressing neoliberal and neoclassical critique of the nefarious consequences of state interference in the economy. For these advocates, states sooner or later become predatory and inefficient in the allocation of resources. This is the position that has been advanced by neo-utilitarian theorists who argue that there should be no government interference in the market as it hinders development. This is also the position that was advanced by De Soto (1989).

Another perspective on the predatory state highlights the behaviour of rapacious state officials as de facto employees of outside entrepreneurs in an instrumental Marxist sense, who hire their services in order to obtain privileged access to government resources. In the end some of the officials are willing to bend some rules for a price and as long as this continues to happen it creates a free market where the person who is willing to pay more will get the goods or services, which equates to what in South Africa is called state capture (Martin *et al.*, 2016:22; Pons, 1992). The marketization of state services does not in any way represent a triumph of the informal economy so much as the elimination of the distinction between the formal and informal sectors. Where the state does not regulate anything because it is at the mercy of market forces, there is likely to be little or no formal economy. Hence the formal/informal distinction

loses meaning since all economic activities approach the characteristics of those labelled informal.

If a country is purely market led, as anticipated by the neo-liberals, and does not approach capitalist development, the opposite may actually happen. When there are no laws and regulatory framework, the long-term production in the economy may become very difficult. In these circumstances there will be lack of entrepreneurship as there will be many opportunists who have access to state resources since there will be no strong regulator and the rules are in any case not applied so that the end result will not be any genuine development. Therefore, for growth and fairness there must be rules that must be enforced so that agreements and contracts are observed and becomes more predictable in the markets.

Polanyi (1957:245) argued that free market economy was the most efficient model with very minimal government regulation. Therefore, the government just plays a pivotal role in the growth of the economy in creating a conducive environment for business operations. Adams (1975:60) also pointed that “the more we organize society, the more resistant it becomes to our ability to organize it.” A simplistic evolutionary view of the informal sector would depict it as dominant during an early era of weak regulation, while gradually becoming marginal and even insignificant as all facets of economic activity fall under state control. It was observed that the opposite might be the case. Since informal economy characteristics are more defined by avoiding regulations which therefore means the more regulated the economy becomes the more the opportunities to bypass them. Lomnitz (1988:43) states the point succinctly that “order creates disorder; the informal economy creates its own informality.” In an economy, the more regulated it is the more likely it is to see an increase of the informal economy as the government seeks to obliterate unregulated activities in the economy it will achieve the exact opposite. This is shown by the diagram presented below in figure 3.1 (Portes and Haller, 2010:24).



(Source: Portes and Haller, 2010:24).

Figure 3.1 The Paradox of Government control: regulation and the informal economy.

If there is less government control and intervention the economy becomes self-regulated but there would not be any need of the informal economy. However, as more rules are enforced the greater the opportunities to bypass them until the whole economy finds an incentive to bypass the rules for profit. This is the case with taxes, as if there are more taxes introduced by government the more profitable it becomes to bypass them.

The level of regulation and its effects on the economy in terms of growth of informal economy apparently varies between countries. An example that can be cited is that of northern Europe nations which have a number of regulations but this has not created fertile ground for the growth of the informal economy as could be predicted in fig 3.2 above in the study by Portes and Haller (2010:24). Similarly, in some of the old cities of United States of America, where people have lost their jobs due to changes in the economy, there has not been reciprocal growth of the informal economy. Although these retrenched workers engage in casual jobs for subsistence for them to consider

getting fully employed in the informal economy is beyond their comprehension. There has not been a creation of complex informal economy like in other areas in the world. According to Waldinger, (1985:324), the informal economy activity remains but is confined for the most part to areas which are dominated by immigrants in the United States.

Given these complications cited above in the Europe and USA, this research adopts Adams's and Lomnitz's assertion as summarized in figure 3.2 which predicts that the more regulated the economy the more opportunity there is for the growth of an informal economy but this does not determine the actual size and form. The implementation of these informal sector opportunities depends on three other factors:

- a) government's regulatory and institutional capacity
- b) types of regulation (intervention)
- c) appropriateness of regulations

The capacity of official agencies and institutions to enforce the rules that they promulgate affects the extent to which informal opportunities can be appropriated and the forms they can take. It is also important to note that regulations and enforcing institutions must fit a specific context (context is used here to depict the structure and characteristics of the informal sector) and must be appropriate to enhance efficiency of outcomes.

Mann (1986) describes two types of state power: a despotic state that uses regulations but not being able to effect them, and another one which is able to effect them. If there is discrepancy between the two it gives rise to the informal economy. At one end of the diagram is the liberal state, prized by neoclassical theorists. In this instance, since their regulations are not that many, the costs of formality then becomes low. The informal economy becomes small since there are not many laws that are there and there is enforcement of the few laws that are there. At the other end is the developmental state which exhibits a high regulatory intent albeit with context specific regulation backed by high regulatory capacity. Although the costs of formality may be high in this instance, effective implementation of regulation limits informal sector activities.

State Strength	Regulatory Intent		
	Minimal	Limited	Total
Weak	The "Frontier" State	The "Enclave" State	The "Mercantilist" State
Strong	The Liberal State	The Social Democratic Welfare State	The Totalitarian State

(Source: Portes and Haller, 2004:411).

Figure 3.2 Types of State by Relative Strength and regulatory intent and the informal economy.

At the base of this schematic (Figure 3.2) there are 'Weak and Frustrated States'. A weak and/or absent state is one in which the state has low regulatory intent and a weak capacity to implement regulations. In this type of state the market is self-regulated and the norms of the local society then kicks in. In these economies, there is no informal economy because there are no set regulations that can be violated. When the law is applied in a controlled manner then it creates an enclave type of formal economy. This type of economy is very common in Sub-Saharan Africa. In most cases the regulations are mostly found in the cities and other economically active areas such as mines and commercial agricultural areas. Most of the actual economies of these countries remain self-regulated rather than informal (Portes and Haller, 2004:411).

A frustrated state is one which is highly regulated and is much involved in the market. In most cases the government is not able to implement most of the regulations approved. This was the case in many Latin America economies in the 1980s as studied

by De Soto (1989) and also Bromley (1994:88). in some Latin American economies. These states were described as frustrated states because of the large amount of regulations that were there on paper and the failure to implement them. In these economies there is a rise of informal economy because of the incentive that is available to violate these regulations. According to the study by De Soto (1989, 2000), these states, were labelled as mercantilist and they promoted permanent inequality, because they restricted the protections and resources associated with formality to the elite. The ordinary citizens could not benefit from the wealth of the country because they were not connected to the elite in the country.

3.5 Conclusion

In this chapter, discussion of the historical and theoretical background of the informal economy was covered. Historically the informal economy started growing globally in both the developing and developed world in the 1970s when it came to be realized that it could become an important way forward. Studies in the 1960s pointed that informal economy could grow and become part of the formal economy. It was, however, taken as a small and peripheral economy and was seen as not likely to be contributing anything meaningful to the formal economy. This was closely linked to the Marxist writers which viewed the informal economy as basically survivalist. These writers said people in the sector were only there to make a living but once they get an alternative in the formal economy they would abandon their activities there. However, this is contrary to the new neo-liberalist understanding of the informal economy. This approach viewed informal businesses as key parts of an economy that helps indigenous entrepreneurial dynamism with the potential to create employment and growth.

The theoretical framework adopted is that of a state where development policy is deployed to advance the informal sector alongside a supporting regulatory framework. The new neo-liberal perspective is adopted for this study as the South African government plays a central role in the operations of both formal and informal economy. The country is coming from a background of highly regulated economy which did not tolerate the informal economy. After 1994 the government has been relaxing many

laws and regulations and implementing new ones which encourage growth of informal economy. The discussion in this chapter has shown that South Africa is a liberal state with minimal regulations and with strong state institutions which can implement the laws and regulations. It therefore, becomes very important to carry out a study on the impact of policy on informal economy. Since the attainment of democracy in South Africa there have been significant changes in the laws and regulations targeting the growth of the informal economy which are discussed in the next chapter.

CHAPTER FOUR: SOUTH AFRICAN INFORMAL ECONOMY

4.1 Introduction

This research helps to give more empirical substance to the idea of a developmental state and the idea of developmental local government illustrated by the case of eThekweni. It focuses on the developmental state aspect of the above-elucidated framework as applied through such perspectives as local economic development. It is an interrogation on how eThekweni Municipality's developmental policy deploys its capacity and regulation framework to actively engage the informal sector or otherwise as part of its overarching development project. The eThekweni Municipality was selected because of its policy agenda, which included a whole section dedicated to the informal economy (EM, 2015). It was one of the first municipalities in South Africa to have a policy on the informal economy. The first policy on informal economy was endorsed by the then Durban Unicity Council in December 2001. In the Integrated Development Plan (IDP) of 2015/2016 informal economy is listed as a strategic focus area (EM,2015:220).

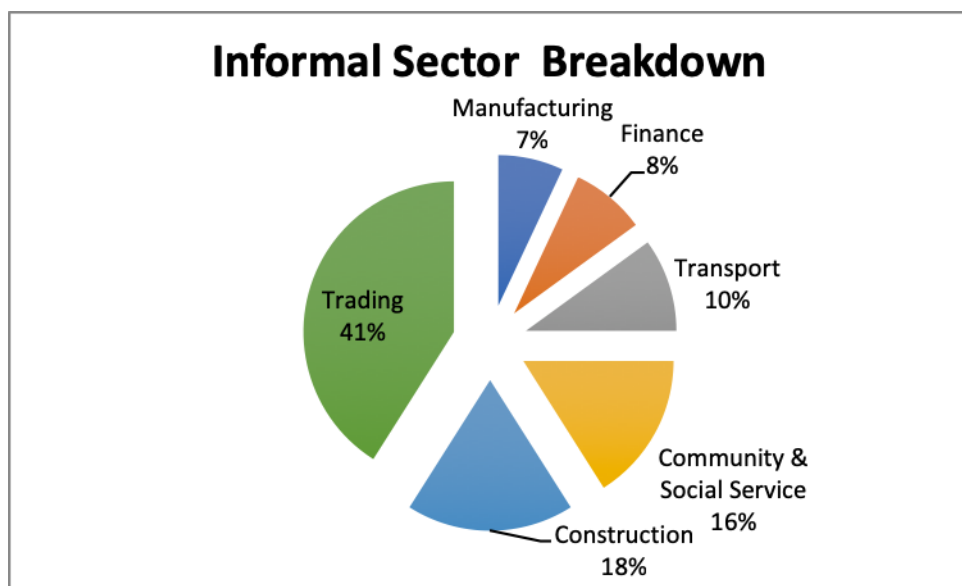
In this chapter the contribution of the informal economy and its size in South African economy is covered.

4.2 South Africa's Informal Economy Size and Contribution

The income from individual informal traders is low but the contribution overall to the South African gross domestic product (GDP) was estimated to be 5.2% (Stats SA, 2015). According to the Quarterly Labour Force Survey for the third quarter (QLFS Q3) statistics (2016), more than 2,6 million South Africans work in the informal sector (Stats SA, 2016). This represents 16.7% of the total employment in the whole country. This is considered to be low as compared to other countries in Sub-Saharan Africa and other countries with the same level of income as South Africa. This suggests that there may be some constraints for entrance of new players considering the high percentage of unemployment in the country. However, the QLFS report noted that there are a large percentage of undocumented foreigners in the informal economy. There was also a decrease in the percentage of the women in the sector. In 2008, 45% of people

employed in the informal economy were women and this decreased to 37% 2016. (Stats SA, 2016b).

It was found that 41% of those in the informal economy were trading what were the rest doing? (Stats SA, 2016a). However, it was noted that this is decreasing. The food sector is the most dominating sector in the informal economy. The graph in figure 3.3 shows the breakdown estimation of the informal economy according to QLFS Q3 (Stats SA, 2016b). Manufacturing contributes to the list in the informal economy with only 7%.

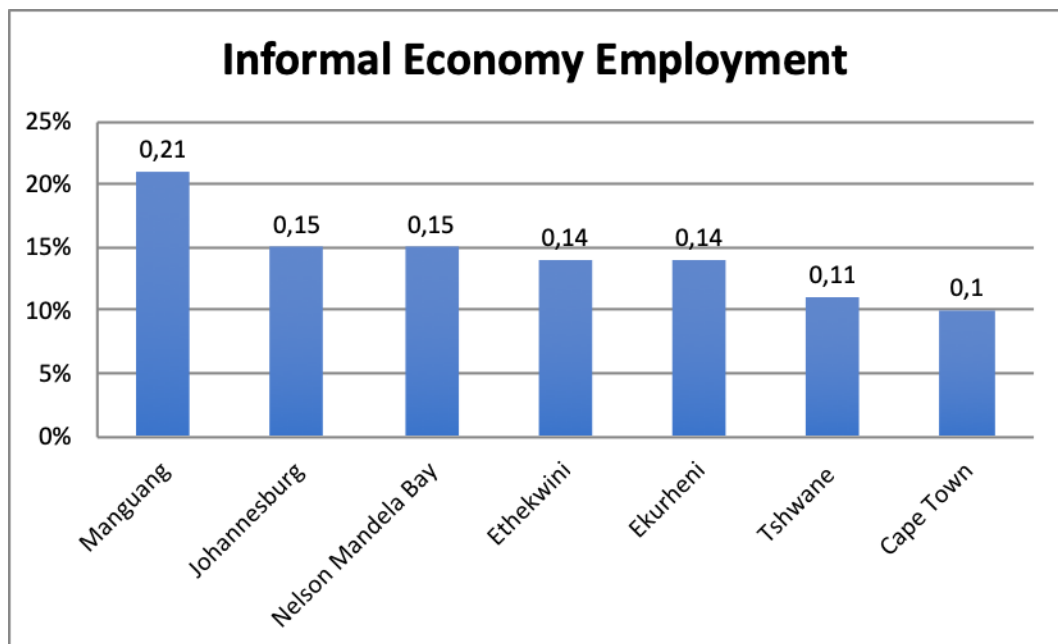


(Source: QLFS Q3, 2016).

Figure 4.1 Informal Economy Breakdown

A survey of employment statistics of major cities in South Africa, showed that in Mangaung Metropolitan Municipality (Bloemfontein and surrounding areas) in the Free State province 21% were employed in the informal economy, whilst in Johannesburg there were 15% and in eThekweni it was 14%. Cape Town had the lowest percentage (10%) of those employed in the informal economy (Stats SA, 2016a). According to research by Skinner (2016) the municipalities that have low levels of informal economy activity should find out if there are any barriers of entry. The research went further to suggest that there is need to have a sectoral/industry based approach to support this

growing part of the economy. Figure 4.2 shows the percentage contribution of the 7 major cities in South Africa.



(Source: Stats SA, 2016b cited in Skinner 2016:7).

Figure 4.2 Informal Economy Employment as % of Total Employment in South Africa.

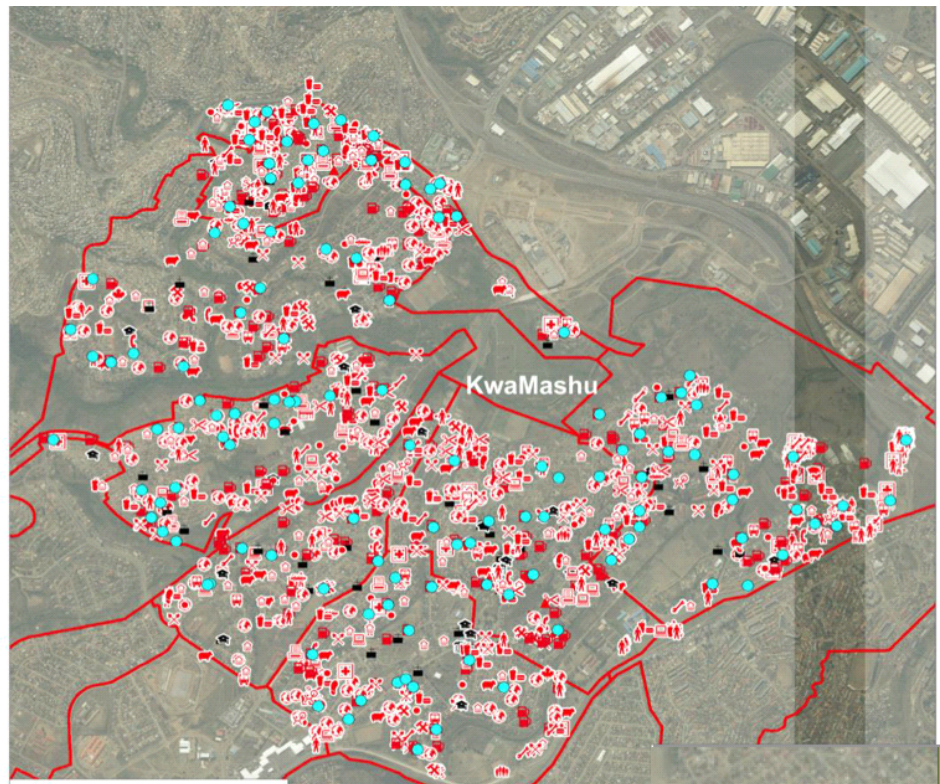
The informal economy in South Africa is mostly dominant in townships and central business districts (Skinner, 2016:7). A pictorial view of KwaMashu, a township in eThekweni Municipality in Kwazulu-Natal is shown in figure 4.3. This is area is part of this thesis. The informal economy activities in this township are numerous as they vary from services and selling of goods. The small businesses that are found there are spaza shops, street trading, liquor shops, green grocers, hairdressers, barber shops, car washes, drug dealers, transport services, restaurants, poultry and others. The figure below shows a pictorial and map view of the locations of the informal economy operators and their kind of business they are involved in.

Map legend

● Spaza shop

Enterprise category

- Liquor retail
- Recycling
- House shop
- Spaza
- Street trader
- Takeaway
- Agriculture
- ✕ Home maintenance services
- ✕ Micro-manufacture
- ✕ Business services
- ✓ Mechanical services
- ✕ Hair care
- Religious services
- Transport services
- ✕ Health services
- ☎ Telephone service
- ★ Educare
- Appliance repair
- Tailoring and cobbling
- Car wash
- ✕ Entertainment service
- ▲ Drug dealer
- Personal services
- Specialist shop
- Green grocer
- Community resource
- Meat, poultry and fish
- ✕ Restaurant



(Source: Skinner, 2016:8).

Figure 4.3 KwaMashu informal economy.

4.3 Policy and Strategic Framework

This section looks at the how the policies of South Africa are formulated and implemented from the national government to the local government with the main focus being on the informal economy policies. This will form the policy and strategic framework of the study. But it is also of importance that the constitution of South Africa which has been in operation since 1996 is the supreme law and all the laws and policies are guided by it. It is thus relevant to an understanding of the informal sector.

4.3.1 National Development Plan

The National Development Plan (NDP) is a long term South African development plan, which was developed by the National Planning Commission (NPC) after research and consultation with thousands of South Africans from all walks of life (NPC, 2013:1). It seeks to attain a better future for South Africans, where there is no person living in

poverty, there is no hunger, unemployment is reduced to an almost zero percentage and a nation which is united. The then Minister responsible for the plan, Trevor Manuel, is quoted on the NPC website to have stated at the launch that the NDP envisions a South Africa where “everyone feels free yet bounded to others” and “opportunity is determined not by birth, but by ability, education and hard work” (NPC, 2019:1).

The plan acknowledges the injustice and inequality of the past and seeks to eradicate poverty, reduce inequality and build an inclusive economy by 2030. It particularly points out that the youth deserve a better education and economic opportunities. It also stresses the need to eliminate gender inequality (NPC,2019:24).

The diagnostic report by the commissioners highlighted South Africa’s challenges since 1994 and grouped them into 9 primary challenges which were: high unemployment rate; poor quality education for black people; poor infrastructure which is also inadequate; spatial divides hobble inclusive development; economy is resource intensive and unsustainable; public health system was strained and cannot sustain quality; public services is not equitable and in many instances of poor quality; high corruption levels; and that South Africa is a divided society (NPC,2019:24). The plan was to provide a broad strategic framework to mitigate the challenges identified and develop South Africa.

The NDP aims to achieve the following objectives by 2030:

- “Uniting South Africans of all races and classes around a common programme to eliminate poverty and reduce inequality
- Encourage citizens to be active in their own development, in strengthening democracy and in holding their government accountable
- Raising economic growth, promoting exports and making the economy more labour absorbing
- Focusing on key capabilities of both people and the country
- Capabilities include skills, infrastructure, social security, strong institutions and partnerships both within the country and with key international partners

- Building a capable and developmental state
- Strong leadership throughout society that work together to solve our problems” (NPC, 2019:1).

In 2030 the NDP envisions that there will be a reduction in the number of people in households with monthly income below R419 from 39% to zero and reduction of inequality measured by Gini coefficient, from 0.69 to 0.6 (NPC, 2013:1).

Chapter 3 of the NDP focuses on the economy and employment. The main key points of this part of the plan are to eliminate poverty and reduce inequality. This has to be attained through inclusive growth. Some of the other key points include “raising exports, improving skills development, lowering cost of living for the poor, investing in a competitive infrastructure, reducing the regulatory burden on small businesses, facilitating private investment and improving the performance of the labour market to reduce tension and ease access to young, unskilled work seekers” (NPC 2013:109).

In the short to medium term the NDP recommended that public policy can be supportive through lowering of barriers to entry of new entrepreneurs by reducing red tape. It points out that the small businesses can help to provide solutions to the employment challenges facing the country. Most of these small businesses were noted to be service oriented. Significantly, these firms are often intensive in terms of mid- and low-skilled employment and therefore can often employ people who lack academic or technical qualifications (NPC 2013:115-116).

The NDP acknowledges the role played by SMMEs in terms of employment creation. It was pointed out that between 1998 and 2005 90 percent of jobs created were in the SMME sector. It went further to note that the rate of SMME activity in South Africa in relation to the total economy is about half that compared to other developing countries. Despite the potential advantages noted and lower SMMEs participation it went further to note that state efforts to assist the sector have had only limited success. This was partly attributed to the fact that there is a lack of robust data and that there was a continuing and long running debate around small and medium sized enterprises and their ability to assist in growing employment. Therefore, the issue has become heavily

weighted with ideology, assumptions, emotions rhetoric and anecdotes at the expense of objective assessment.

The contribution of small enterprises cannot be ignored and therefore the Plan makes the following key proposals to support small business development:

- Public and private procurement – make government procurement opportunities more available to small enterprises and streamline tender processes.
- Regulatory environment – simplify the regulatory environment. The first step identified was to appoint an expert panel that will review the regulations for small and medium sized companies. The regulations were to cover things such as business registration, tax, labour and local government.
- Access to debt and equity finance – the government and private sector must collaborate in providing finance to SMMEs for the start-ups and emerging businesses. There is a need to reform the finance institutions that currently exist in line with initiatives being taken.
- Small-business support services – create a small business service delivery agency. Incentives must also be provided for businesses that support the SMMEs.
- Address the skills gaps – this can be by through training of school leavers unemployed youths by providing skills of how to be entrepreneurs. This can also be extended to students currently in school so that they can be trained on how to develop entrepreneurial mindsets (NPC, 2013: 142-143).

The NDP points out that in order to address the poverty and inequality there has to be long term policies hence the National Development Plan has a 2030 perspective. The main aim of the NDP is achieving a better standard of living for all South Africans. This has to be attained through the core elements of housing, electricity, water and sanitation; reliable public transport; quality education; quality health care; social protection; employment; recreation and leisure; clean environmental conditions and adequate nutrition (NPC, 2019:1). These vital objectives cannot be achieved by government alone because what is also required is more genuine participation from

various stakeholders like the private sector, local government, other public sector entities (e.g. Eskom) and other partners such as donors and the non-profit sector.

4.3.2 The Local Government Municipal Systems Act of 2000

In 2000 the government of South Africa gazetted the Local Government Municipal Systems Act. The Act provides for the legal framework, powers and functions of municipalities as frontline development agencies, to provide resource mobilisation that can spearhead development and other responsibilities listed in the Act in ways that ensure smooth operations of municipalities and services to the communities where they have responsibilities (RSA, 2000:1).

The law gives a mandate to all municipalities to come up with the Integrated Development Plans (IDP). Each municipal council, after being elected, must adopt a single, inclusive and strategic development plan which “links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality; aligns the resources and capacity of the municipality with the implementation of the plan; forms the policy framework and general basis on which the annual budget must be based; complies with the provisions of the Chapter; and is compatible with national and provincial development plans and planning” (RSA 2000: 37). Therefore, the IDPs were not to be developed in isolation but must use the national and relevant provincial plans as guidelines.

During the process of drafting the IDP the municipality had to consult the community, organs of the states and traditional authorities. The local community must provide inputs on the needs of the community. According to section 30 of the law the executive committee or executive mayor of a municipality was to manage the drafting of the IDP and assign the responsibility of writing the IDP to the municipal manager (RSA, 2000: 41).

The IDP was to be used as a guideline as to how the resources of the municipalities were to be allocated. The municipalities were allowed under the law to amend the IDP

annually and they were supposed to let the public know of the amendments that were to be done. The IDPs were binding to the council on how they were to exercise their authority (RSA, 2000: 45). This then implied that municipalities could not operate contrary to what is in the IDP. Section 35 additionally says that an adopted IDP by council becomes “the principal strategic planning instrument which guides and informs all planning and development” (RSA, 2000: 45). This section emphasised the importance and authority that IDP has for the operations of a municipality.

The MEC for local government was mandated to provide guidelines in the drafting, adoption and review of the IDP. The MEC was also mandated to resolve any disputes that may arise between the municipality and a local community or in disputes with other municipalities (RSA, 2000: 43).

The study’s focus is on the eThekweni Metropolitan Municipality. The policies and strategies that pertain to the Municipality are summarised in the next section. This will form the policy framework for the study.

4.4 Policies and Strategies

Since the attainment of democracy in South Africa in 1994, there have been a number of laws and policies that have been enacted and implemented that are intended to be highly favourable to the informal economy. There has been a major shift in the tolerance of the government towards traders. The local government has become more engaging than before in coming up with policies to help small business.

The first national policy post-apartheid that directly targeted the informal economy was the National Informal Business Upliftment Strategy (NIBUS) (DIT, 2014). The NIBUS is driven by the Department of Small Business Development to address the development of the Small, Medium and Micro Enterprises. It seeks to offer support to informal businesses and uplift them and also support the Municipal Local Economic Development offices. Their main target groups are the most vulnerable people in society, such as the women, youth and disabled people especially in townships and rural and semi-rural areas of South Africa. The strategy specifically targets

entrepreneurs in the informal sector as it has been identified as critical in addressing some of the key developmental goals of the Government, such as the reduction of poverty, lowering of unemployment and bringing about greater equality. This strategy was a product of wide consultations with all stakeholders in the economy ranging from the participants in the informal economy, donors, financial institutions, financial and other intermediaries, service providers, the private sector and civil society organizations. This policy is currently being implemented through the NIBUS road map drawn up in 2014 (DIT, 2014).

At provincial level there have been a number of policies on the issues around the informal economy. In Gauteng province there is focus on the township economy and through the Gauteng Informal Business Upliftment Strategy (GIBUS). Through this strategy the provincial government has managed to support the informal economy with both financial and non-financial support. It was reported that in the 2016/2017 financial year over 746 township based informal businesses had been supported in various ways (Gauteng, 2017). In Western Cape the Informal Sector Framework (2014) was also launched. Of note is that the Western Cape policy makes reference to the encouraging roles played by the informal sector such as providing superior products at much lower prices than the larger businesses (Skinner, 2016). However, Cape Town, the urban core of this province, was found to be the least tolerant to informal traders by comparison with any other major cities. There are few resources allocated to informal trading with an example of only 410 street trading bays in the inner city (Bukasa, 2014:32).

In Kwazulu-Natal the informal economy is covered by the Informal Economy Policy (2010), which was formulated, by the Department of Economic Development and Tourism (DEDT, 2010). The policy has two main purposes. The first one was that there was seen to be a need to create an environment that supports a sustainable economic growth path in the informal economy. The second aim was repealing or amending laws that are seen as having prohibitive effects on government's developmental role related to the informal economy. Therefore, through this policy the KwaZulu-Natal Province wanted the informal economy to be included in all planning processes in the province to reduce the existing vulnerability of the informal economy.

4.5 Local Government and the Informal Economy

The local government sphere is the key player as far as the informal economy is concerned as it is in a municipality's geographical setting where the traders physically operate. Therefore, the policies and regulations that are drawn up and implemented should be acceptable to all stakeholders in the municipalities. They provide the zoning, infrastructure and the critical regulations which the traders must adhere to; so they place themselves at risk if they ignore legitimate municipal decisions and requirements.

This research's main focus municipality for study is the eThekweni Municipality. It has been a leading city in South Africa in terms of enacting bylaws and providing the infrastructure for the informal traders. However, there is still a need to find out more about the impact of the policies of eThekweni Municipality on the informal traders.

The currently applicable eThekweni Municipality informal trading bylaw was enacted in 2014 with the main purpose being to provide for determination of the rights to engage in informal trading, establishing informal trading areas, granting of permits, guidelines on areas to be used for informal trading, regulations for informal traders and enactment and amending of unsatisfactory laws on informal trading. It also sets out penalties for those who fail to adhere to the new regulations.

In 2015, in the Integrated Development Plan for eThekweni Municipality the informal economy was included as one of the strategic areas, which required attention and management. It highlighted the fact that the informal economy was a "demanding task involving demarcation of trading areas, issuing of permits, organizing traders into area committees that feed into a citywide forum, and on-going collection of rentals" (EM, 2015:220). The inclusion of the informal economy as a strategic area meant that for every budget in the next 5 years after the adoption of the IDP there would be included a certain percentage for development of the informal economy.

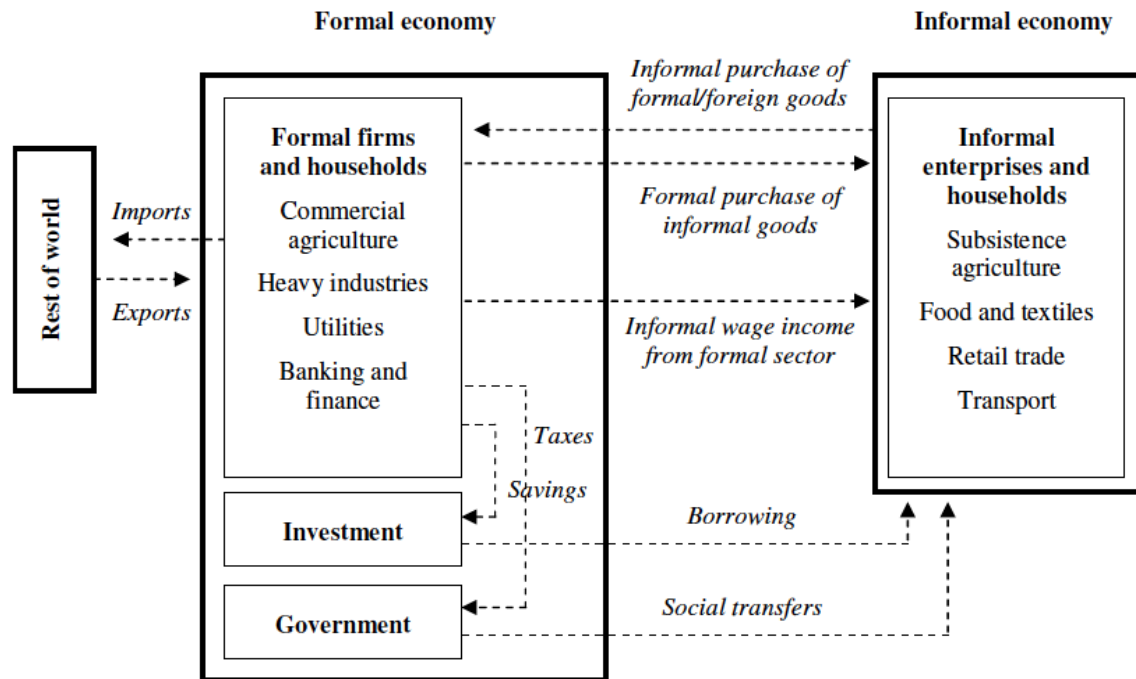
Another policy that was adopted in eThekweni was the rental policy for informal trading (EM, 2004) which only applies to some traders not all. It applies to those traders who

use municipal facilities such as market stalls as business premises. The policy provides a framework for a more consistent policy on the rentals for all informal traders in eThekweni Municipality. It also dealt with the method of collection, structure of the rentals and issues around the rent defaulters. Many of the traders researched for this thesis were and are using municipal services for which they pay rentals.

It has often been observed that the informal sector cannot survive on its own without the formal economy. There is a link between the two in which they depend on each other. This link needs to be investigated and a framework for its better functioning identified. The next section outlines a possible conceptual framework for formal-informal sector linkages.

4.6 Framework of formal-informal sector linkages

The South African formal economy includes a large number of components such as clothing, furniture, and similar goods which may be seen to have the effect of crowding out the informal economy (Philips, 2016). However, these two sectors also depend on each other on many fronts. Figure 4.4 provides the conceptual framework of formal-informal economy linkages.



(Adapted from Davies and Thurlow, 2009: 12).

Figure 4.4 Conceptual Framework of Formal-Informal Sector Linkages in South Africa. The arrows show the direction of the interaction between different business sectors.

Figure 3.6 provides a diagrammatic representation of the conceptual framework of the formal-informal sector linkages in the South Africa economy according to a study carried out by Davies and Thurlow, (2009: 12). In their study they presented a model that divides the economy into two markets, which are essentially the informal and formal economies.

The formal economy in South Africa is fairly autonomous except for those parts of it which are state owned such as electricity (ESKOM) and some airlines such as South African Airways. It produces goods and services for the public which pays for and consumes the products it produces. It also provides a link with the rest of the world through exports and also imports from other countries such as China. The formal economy uses formal financial institutions for their financial transactions such as savings and other banking functions. It also often receives and depends on subsidies from the state.

This is in contrast to the informal economy which manufactures fewer products usually on a small scale and heavily depends on the formal economy for the products they trade. It has less contact with the rest of the world, as it does not export in any meaningful way. This all implies that the informal economy is strategically vulnerable because it is spending on products rather than manufacturing them which therefore affects their sustainability and independence. In the model above it is shown that there are 5 linkages that generate earnings needed to finance the disequilibrium between the 2 economies which are informal purchases of formal goods, formal purchase of informal goods, informal wage income from the formal sector, borrowing and social transfers. It was identified that the informal economy generates some of its income by selling products to the formal economy.

According to the 2000 Income and Expenditure Survey (IES) about 5% in value of the food purchases and 3% worth of non-food purchases were transacted in informal markets by different households in South Africa (Stats SA, 2000). The research also showed that the low-income households spent more in the informal income than high end income households. The other source of income for such business types is borrowing from the formal economy, colleagues, family and friends. The last source of income that finances the informal economy is net receipt of social transfers from government such as public pensions and social grants. To clarify, these transfers are not business specific as they are primarily intended to be for subsistence purposes. They are normally not loans although some of the other sources might be such as funds received from savings clubs ('stokvels'). It was estimated that the income or total capital used in the informal economy is about 7.4% of the total amount (Davies and Thurlow, 2009: 13).

Although the informal economy mostly does not pay any corporate and income tax to government, the local government benefits through payment of rentals by tenant traders for their sites.

4.7 Local Economic Development

Sebola and Fourie (2007: 34) define local economic development (LED) as a process aimed at alleviating poverty by redistributing resources and opening up opportunities to benefit the local residents. LED is an economic development approach which allows and encourages communities to work together in achieving a sustainable economy (Beer *et al.*, 2002:62). It is therefore relevant to our understanding of the informal sector. It has become an important factor in South African development policy and in other countries in recent times. The thesis is about LED in one municipality. Without necessarily using the term, the LED approach gained support in the early years of the millennium in South Africa and elsewhere (Swinburn *et al* 2006)

According to the World Bank (2003:1) LED is a process in which the public sector, non-government organisations (NGOs) and the business sector work together to create better conditions for economic growth and employment generation. The World Bank states that the aim of LED is to improve the quality of lives within a community. The main aim of LED is to initiate economic activities, empower people, and develop economic streams for the beneficiation of local communities (Swinburn *et al.*, 2006:3). The success of LED should be to empower economies at the national, provincial and local level ensuring that citizens benefit from economic growth that is taking place around them. a successful process allows local role players to shape a shared common future (Pretorius, 2005: 83). It is built on the premise that each local community has a unique development structure, therefore development can be initiated from the local level for the benefit of all (Swinburn *et al.*, 2006:4).

According to Swinburn *et al.*,(2006:7-13) LED the strategic planning process consists of 5 major stages which are:

1. Organising the effort

This involves stakeholder participation from all the local leaders to political leaders. A LED team should be established which would initially manage the LED strategic planning process.

2. Doing the local economic assessment

A preliminary qualitative and quantitative analysis should be done to assess the local needs and resources available. After data collection a SWOT (strengths, weakness, opportunities and threats) analysis can then be done.

3. Creating the LED strategy

The professionals in the local government and other stakeholders need to balance the economic development with environmental and social priorities. The LED strategy consists of vision, goals, objectives, programs and projects and action plans.

4. Implementing the LED strategy

The implementation stage is guided by 3 key documents which are

- LED strategy (5-10 years)
- Implementation plan (annual or longer)
- Individual projects plan

5. Reviewing the LED strategy.

Although the LED strategy is written in 5 to 10 year period the review is done annually so that if there are any changes in local conditions it can be adjusted accordingly

LED was first introduced in South Africa as an economic policy in 2006 and its main aim was to build up the economic capacity of a local area to improve its economic prospects and the quality of life for local people (Breitenbach, 2006:2). The LED plan involves the local authorities, business and non-governmental organisations who work together collectively as stakeholders to ignite economic activities within a local area (Kanyane, 2011). In 2011, the Minister of Provincial and Local Government stated that LED would offer local governments, local communities, the private and the not-for-profit sectors the opportunity to work together to improve their local economies by

creating more income opportunities for more people with a focus on poor people (DPLG, 2011). These opportunities would increase competitiveness, increasing sustainable growth and ensure that growth is inclusive (Breitenbach, 2006:3).

The analysis of LED encompasses a range of disciplines including physical planning, governance, economics, and marketing. This broad policy framework is coordinated by the National government through policy formulation, research, and the provision of funding and support to ensure success (Ruecker and Trah, 2007:15). Within this broad framework, municipalities decide on strategies and processes which are specific to their local conditions. The development of infrastructure such as markets and sanitation within the specific municipality must take place in order to ensure smooth operations in the implementation of the policy.

The success of any strategy relies on the principles that govern that strategy and the LED policy framework provides yardsticks which are important in achieving its objectives. The first yardstick is the alleviation of poverty through job creation and promoting entrepreneurship (Rogerson and Rogerson, 2010:469). According to Kanyane (2011), any poverty alleviation initiative should start first by ensuring that previously disadvantaged communities which were marginalised are empowered. In the same accord, the promotion of entrepreneurship should focus much of its attention on Small, Medium and Micro-Enterprise's (SMMEs) and ensure that they are given an opportunity to participate fully in the economic life of the country. It is also imperative to ensure local people get involved in the decision making processes in ensuring that the policy documents reflect their aspirations and speak to their challenges (Ruecker and Trah, 2007:16).

South Africa consists of three spheres of government which are theoretically equal, autonomous and non- hierarchical, namely: the national, provincial and local (DPLG, 2006). Each of these spheres is distinct and has different economic and political mandates. The economies of municipalities house the actual economic activities at the implementation level which may consist of the varied mix of activities such as mining, processing, services, trade, and industries. The pyramid presented in Figure 4.5 depicts the different levels of LED legislation and planning in South Africa.



(Source: Toolkit for Local Economic Development (Department of Provincial and Local Government)
Accessed 2 July 2019.)

Figure 4.5: Levels of LED legislation and planning in South Africa

The local authorities play a central role in the implementation of the LED policy (Wallis, 2012:2-4). Some of the responsibilities are; reducing the cost of doing business, strategic planning which reflects the LED priorities, providing leadership for LED, coordinating and funding of LED projects, providing incentives to attract new investors and others. In recent years a positive development has been an attempt to link the procurement policies and process to LED in support of small businesses (Wallis, 2012:6). The rural based municipalities lack capacity to bring any meaningful LED initiatives (Wallis, 2012:9). The main aim of the national department is to ensure that there is consistency in policy and coordination (Wallis, 2012:4). The other important role players in the LED are civil society and the private sector. A key player has been the South African Local Government Association (SALGA) which has contributed significantly to LED planning and implementation through, for example, sharing knowledge between municipalities (SALGA, 2011):

4.8 Conclusion

The policy formulation related to the informal sector in South Africa was discussed. The process of how the policy starts from the national government until it then cascades to the local municipality level was laid out. There are a number of policies and laws that have been passed which encourage growth in the informal economy. These range from NIBUS at national level to eThekweni Municipality informal trading bylaws at local government level.

A discussion of the contribution of the informal economy in the South African economy was presented. It was highlighted that in 2015 2,6 million of the people employed were in various parts of the informal economy. The informal sector contributed about 5% of the Gross Domestic Product (GDP) of South Africa.

Having given the background of the informal economy in South Africa and the theoretical framework, this research goes on to investigate the effects of policies in the eThekweni municipality on informal traders in the northern region of eThekweni and makes recommendations to the various stakeholders on ways to ensure the sustainability of informal traders.

CHAPTER FIVE: RESEARCH METHODOLOGY

5.1 Introduction

This chapter explains the research methodology that was applied in the field work part of the study, the research location where this study was conducted, the study population, the sampling method used, the data collection instruments and the data analysis techniques all of which are highlighted in this chapter. Reliability and validity issues are also addressed. This chapter ends by addressing ethical issues which arise in research of this kind which were considered and managed during the conduct of this study.

5.2 Research Design

The main focus of research design is the aimed for end-product and all the steps needed to be followed in order to achieve the desired outcomes. It can be viewed as a functional plan in which certain research methods and procedures are linked together as a means of acquiring a reliable and valid body of data for empirically grounded analyses, conclusions and possibly theory formulation (Welman *et al.*, 2009:46). The research design thus aims to provide the researcher with a clear framework; which guides the methods, decisions to be made and sets out the basis for interpretation of the data. According to Saunders *et al.* (2015) a research design is the general plan, which lays out how the research questions are going to be addressed by the researcher. Bless *et al.*, (2006:71) define research design as "... operations to be performed, in order to test a specific hypothesis under a given condition". It should clearly state the resources to be used in the collection of data, and how the data is going to be collected and analysed. It also takes into account the constraints encountered in terms of such factors as time, data, location and financial availability. According to Mouton (1996:107), the main function of a research design is to enable the researcher to anticipate what the appropriate research decisions are likely to be, and to maximise the validity of the eventual results.

The research design should be seen as a 'mixed-bag' approach that implies choosing from different alternatives and options to ensure that the research purpose and perspective are clarified and achievable. In any study, the research problem at hand determines the methods, procedures, types of measurement, sampling to be done, data to be collected and the data analysis to be carried out (Zikmund *et al.*, 2010:66).

For the purposes of this study, the researcher decided to use an empirical study involving a survey, interviews and phenomenology to gain insight into the typical experiences of the participants in order to arrive at sound conclusions. Leedy and Ormrod (2010:141) state that a phenomenological study is one that attempts to understand people's perceptions, perspectives and views of a particular situation. By looking at multiple perspectives on the same situation, the researcher can then make some kind of generalisations on what something is like from an insider's perspective. The phenomenological approach aims to understand and interpret the meaning that participants give to their everyday life. Creswell (2007:57) regards a phenomenological study as one that describes the meanings that the lived experiences of a phenomenon, topic or concept have for various individuals. For example, in this case there was an effort made to understand and interpret the lived experiences of the informal traders in the geographical areas chosen for purposes of the study.

In the current study, the research was done using both the existing literature (much of it as reviewed earlier in the thesis in Chapter 2-4) and empirical research in the northern areas of eThekweni. The nature and complexity of the research problem that was identified, research questions and related research objectives gave direction to the study so as to arrive at a purposeful research design in order to achieve the research intentions. Qualitative method was chosen to conduct this research. It was chosen so that the research problem and related research questions can be addressed as effectively as possible.

The study is qualitative and descriptive, investigating the impact of the eThekweni municipality policies on informal traders in a particular area of a major city. Descriptive studies are conducted to answer questions such as who, what, when where and how (McDaniels and Gates, 2010). McGivern (2006) states that descriptive research aims

to build a picture of the interest group or population using a certain number of people, a sample, to find out more about a social phenomenon or a set of experiences.

The study uses a cross-sectional methodology, which involves the collection of data from a given sample of a population during a relatively short time, avoiding unduly long gaps in time. Cross-sectional methodology is said to be the most frequently used design in business management and social science research in general (Welman *et al.*, 2005).

A case study of the impact of the municipal policies on the informal economy of eThekweni Municipality was carried out and reported on in this thesis. According to Mutinta (2014), a case study is deep enquiry concerning the dimensions of a specific event, process or phenomenon over a sustained period. It helps the researcher to get a deeper insight into the situation being studied. The case study design approach was selected as it affords an in-depth opportunity to investigate the phenomenon of the informal economy by using the data obtained from informal traders in eThekweni's northern areas. It also had the benefit of connecting the researcher to the actual action in the field as closely as possible. Mutinta (2014) adds that a case study has the potential to generate better theory by enriching it by generating more data as a base on which to formulate new thinking around an issue. The focus of this study is to critically examine the impact of the eThekweni municipality policies on informal traders, using the methods outlined above.

5.3 The Research Philosophy

According to Saunders *et al* (2015), the term research philosophy refers to a system of beliefs and assumptions about the development of knowledge. In order to achieve a high level of quality research, it is imperative to ensure that the research design being used is thorough enough to adequately support the research philosophy.

Research philosophy should reflect the researcher's way of thinking, and how the development of knowledge is to be implemented. There are two main views of research philosophy which are positivism and phenomenology (Saunders *et al*, 2009). Saunders

et al. (2009) also mentioned that these philosophies are different, but, nevertheless, both develop knowledge that can play important roles in the management of research projects.

Positivism in the study of business adopts the philosophical stance of the natural scientist, for example biologists and physicists. Remenyi *et al.*, (1998, p32 cited by Saunders *et al* 2009, p 103)) mentioned that “the positivist researcher prefers working with an observable social reality; and such research would produce generalisations similar to those produced by the natural scientists.” Hussey and Hussey (1997) also support an approach based on positivism. The roots of positivism can be traced to Auguste Comte, who saw human beings as a phenomenon to be studied scientifically Babbie (2011:35). Thus, positivism may be seen as an approach to social research that seeks to apply the natural science model of research as the point of departure for investigations of social phenomena and explanations of the social world (Denscombe, 2008:14). The natural sciences are suitable for the study of the social world; and hence, many researchers assume that the positivist approach is scientific.

Positivists also believe that an objective reality exists outside personal experiences with its own cause-and-effect relationships. For example, there are verifiable statements which claim that climate change causes floods or pollution (the effects of climate change) Denscombe (2010:324). The positivist approach explain the causes of observable and measurable behaviour. The researcher prefers working with an observable social reality; and such research would produce generalisations similar to those produced by the natural scientists. Positivists also believe that an objective reality exists outside personal experiences with its own cause-and-effect relationships (Remenyi *et al.*, 1998:32).

On the other hand, the phenomenologist’s (interpretive) approach aims to understand the people affected by specified situations such as unemployment, lack of capital, lack of guidance, poor infrastructure or inadequate information on markets. (Babbie & Mouton, 2008:28). Interpretive social science can be traced to Max Weber (1864-1920) and Wilhelm Dilthey (1833-1911) (Neuman, 2011:101). Weber maintains that all humans are attempting to make sense of their worlds. In so doing, they continuously interpret, create, give meaning, define, justify and rationalise their daily actions (Babbie & Mouton, 2008:28).

Interpretivists believe that social reality is subjective because it is shaped by the perceptions of the participants, as well as the values and aims of the researcher. Hence, the phenomenological concept is focused on understanding human behaviour based on the researcher's own frame of reference (Collis and Hussey, 2003). The table on the next page will show the differences between the two philosophical stances or paradigms.

Table 5.1 Comparison between Positivistic Paradigm and Phenomenological Paradigm

Positivistic Paradigm	Phenomenological Paradigm
Produces Quantitative Data	Produces qualitative data
Concerned with hypothesis testing	Concerned with generating theories
Use large samples	Uses small samples
High reliability	Low reliability
Low validity	High validity
Data highly specific and precise	Data rich and subjective

(Source: Collis and Hussey, 2003).

This research used a positivistic paradigm as a research philosophy in order to critically examine the impact of the local government (in this case eThekweni) policies on informal traders. The main reason for choosing this approach was to get as highly reliable results as possible using types of data that are highly specific and precise so that future research on similar topics can draw on this study for guidance. Additionally, the study of eThekweni Municipality policies' impact on the informal economy may be generalised to the rest of South Africa where similar conditions prevail.

5.4 Research Methodology

Research methodology refers to the general approach to be carried out in the research (Leedy and Ormrod, 2010:12). According to Mouton (2001:56) research methodology focuses on the research process and the kind of tools and procedures to be used. The

most important part of the field of methodology is the data collection techniques used, the steps to be followed and the objective procedures to be employed. In this research the research methodology refers to the approach adopted in gathering and analysing data.

There are three basic types of research methodologies which are normally cited, namely quantitative, mixed methods and qualitative methods. A mixed method of research combines both qualitative and quantitative techniques in collecting and analysing data in a single study (Creswell, 2008).

According to Saunders *et al* (2009: 43), quantitative research seeks to analyse the subject matter in the context of the study's guidelines and assumptions to produce results which can be expressed by numbers. In quantitative research, therefore, there is numerical analysis of the data to find what relationships if any there are that may be found between the variables. This requires careful planning of the data collection instruments and processes. A typical type of research study that employs quantitative research would be an experiment or survey study (Maree 2016). The results of quantitative research are often relatively easy to analyse and interpret where they emanate from a carefully designed instrument which treats every individual in an identical manner, and therefore yields quantifiable data that can be numerically analysed. However, quantitative research methods focus on collecting numerical data and generalising it across the study (Babbie, 2010).

Qualitative research methods, on the other hand, focus on a deeper investigation of the experiences, perspectives, and ideas of subjects. In other words, qualitative research investigates meaning, purpose, or perceptions of reality (Harwell, 2011). When using qualitative research methods, the researcher is trying to understand and appreciate the meaning a person or a group of people put to a social or human problem such as unemployment, poverty or crime, all of which are discussed in this thesis.

In this study, a qualitative approach was selected because of a number of reasons as discussed below:

1. Qualitative research is not rigid in nature. This means that the researcher is less constrained by a 'blue print' from which deviation is not permitted even if there are unexpected issues such as variables not planned for (e.g. new types of business such as mobile banking, new policies, economic crises) that could open up new avenues for investigation.
2. It is exploratory in nature and hence allows the researcher to change data collection progressively so that an in-depth understanding of the phenomenon can be obtained. For example, there might be a need to check a policy document on small business which was not known of or had not been in the public domain earlier in the research such as consultancy reports.
3. It is often possible to adopt an insider view by interacting and observing the participants in their actual settings (such as market stalls, taxi ranks or pavement spaces) hence providing first-hand experience of the issues traders may face such as poorly located places for trade or behaviour as demonstrated by customers, traders or municipal officials.
4. The qualitative approach is holistic in nature in that it permits the researcher to collect different forms of data by interviews, questionnaires and other methods; This means that such an approach has the benefit of giving rise to a total picture rather than the superficiality of a mere snapshot.

Qualitative research makes use of small samples of people which can be studied by means of in-depth methods while taking into account that there are guidelines to be applied so as to avoid, for example, the pitfalls of samples that are too small to be valid (Creswell, 2015:180). This research was conducted by means of a combination of literature study and empirical research. The term *empirical* refers to knowledge derived by the process of practical and scientific experience, experiments and inquiries (Skager and Weinberg, 1971:4). An empirical investigation involves a planned process of collecting and analysing data – in a way that is systematic, purposeful and accountable (Isaac & Michael, 1997:2). The purpose of this empirical investigation is, therefore, to obtain reliable and valid data, in accordance with the research problem and the accompanying research aim and objectives. A

semi-structured interview were used to collect data. Data were connected in that the results of the qualitative section in coherence with the literature review were used to develop a measurement instrument. In this way an attempt was also made to ensure triangulation of data.

5.5 Population and Sampling

According to Saunders *et al.* (2012:260), the population is the full set of cases from which a sample is taken. It is from the target population that a smaller subset, called a sample, is selected for a research study. McMillan and Schumacher (2006:22) define the target population as “a group of elements or cases – whether individuals, objects, or events – that conform to specific criteria, and of which the study intends to generalise the results of the research.” In this study, the target population under study was the informal traders in the northern regions of eThekweni. There are estimated to be 924 informal traders in these regions of eThekweni so this was the target population (eThekweni Retail Markets 2016:1).

More specifically the study focuses on the street vendors, taxi operators, *shebeen* (tavern) owners and small retail shop owners, and hawkers in and around the chosen region of eThekweni. The choice of study focus is mainly due to the high volume of operations that occur in their respective businesses on a daily basis and also because these groups of informal traders constitute a greater percentage of informal traders in this region of the municipality..

5.5.1 Sampling

According to Wegner (2012), sampling is to gauge, tally, or observe the variables under investigation. For example, it may refer to a subset of the populace (Goddard and Melville, 2005). It must be precisely representative of the populace being examined all together for the findings obtained from observations to be generalised. The sample size generally indicates the degree of confidence (margin of error) in the data analysis: normally, it is suggested, the bigger the sampling size, the higher the data accuracy and relevance (Saunders, 2003).

5.5.2 Sample Size

A sample is a small portion of the population chosen to statistically represent the entire population. Sample size is the actual number of units or persons selected to participate in the study. For this study, the selected sample size was the following; numbers of traders in different places: 40 in Verulam Market, 25 in Hammersdale Market, 20 in Phoenix Market, 50 in Mansel, 25 Church walk Market and 30 Brookdale Market as shown in Table 5.2.

Table 5.2 : Sample size

Name of Market	Trading Facilities	No. of Participants to be recruited for research.
Verulam Market	200 Stalls	40
Hammersdale Market	130 Stalls	25
Phoenix Market	Security lights, water cleaning	20
Mansel Road	470 stalls	50
Churchwalk Market	129 stalls	25
Brookdale Market	185 stalls	30
TOTAL		190

5.5.3 Sampling Strategies

There are two main sampling strategies that can be used in a survey; probability sampling and non-probability sampling.

Probability sampling

Probability sampling is also known as 'random sampling' or 'chance sampling' (Bunda, 2007). In this sampling design, every item or person has an equal chance of being picked or chosen to be part of a sample. Moreover, the probability sampling technique involves the selection of a random sample from a list containing the names of everyone in the population being sampled. According to Saunders *et al.* (2003), there are five main techniques which can be used to select a probability sample, namely simple random sampling, systemic sampling, stratified random sampling, cluster sampling and multi stage sampling.

Non-probability sampling

Non-probability sampling is a method that does not use probability to choose an item or person to be included in the sample. Each item or person in the population does not in this case have an equal chance of being included in the sample. Non-probability sampling is also known as deliberate sampling, purposive sampling and judgment sampling (Kothari, 2004). According to Salkind (2012), there are five main techniques that can be used to select a sample using a non-probability sample, which are convenience sampling, quota sampling, purposive sampling, snowball sampling and self-selection sampling.

The sampling for this study

In this instance, the most suitable sampling method or procedure was found to be the purposive sampling method since the characteristics of each group in terms of the variables under study were known. Purposive sampling as defined by Welman *et al.*, (2009:69) is a non-probability type of sampling in which there is significant input from the researcher who uses his or her judgment on which unit(s) should be included in the sample according to the research needs. Greener (2008) describes purposive sampling as using one's judgement to select a sample and is often used with very small samples and populations within qualitative research. The purposive sampling method was used here because the researcher already had a knowledge of the type of people making up the target population. Selection was based on the choices of the researcher not by chance. Participants were only selected if they were knowledgeable and articulate about the subject and were willing to participate in this study. Inclusion in the sample largely depends on the judgment of the researcher (Welman *et al.*, 2009:69). It was decided to pursue this approach after due consideration of possible alternatives.

5.6 Data Collection Instruments

According to Bunda (2007), data collection must be accurate and, where tests are used, they must be scored correctly. It is vital that observations are made as systematically as possible. In-depth interviews were also used to collect data for this study.

There are three basic types of research: interviews, namely, structured, semi-structured and unstructured. The reason for the research interview is to investigate and explore opinions and knowledge related to the subject matter under discussion. Qualitative methods, such as interviews, have the potential to provide a more in-depth understanding and appreciation of the social phenomena than would be provided from purely quantitative methods, such as questionnaires (Mutinta, 2012).

Another qualitative way of collecting data is the use of focus groups. A group of usually between 6 to 12 people is brought together and engage in a guided discussion on a certain topic. This method has an advantage of bringing into play different opinions in an open forum. The other advantages are that it is flexible, it is socially oriented method, it is less costly and group dynamics helps to bring out aspects that might have been overlooked by a researcher. On the downside it may be difficult to control, it requires a skilled moderator, data is sometimes difficult to analyse, dominating characters may override conservative participants and the discussion must be held in a conducive environment (Ochieng *et al.*, 2018: 24-25).

An in-depth process of collecting information from participants is generally referred to as being through unstructured interviews. Usually it is basically the interaction of two people on any given topic. It affords the participants a chance for respondents to freely and candidly express themselves (Mutinta, 2012). Unstructured interviews provide the interviewer with the opportunity to read the non-verbal communication of the interviewee and to probe further where there is no clarity in the answers given.

Boyce and Neale (2006:3) postulate that in-depth interviewing is a “qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, programme, or situation. In-depth interviews are useful when detailed information about a person’s thoughts and behaviour is required or when there is a need to explore new issues in depth. Interviews are often used to provide context to other data (such as outcome data), offering a more complete picture of what happened and why”.

According to the same authors, the main advantage offered by in depth interviews is the unearthing of a higher level of detail. The primary advantage of in-depth interviews

is that it provides much more detailed information than what is available through other data collection methods, such as surveys. The in-depth interview also often provides a more relaxed atmosphere in which to collect information as people may feel more comfortable having a conversation with the researcher about their problems as opposed to filling out a survey. On the downside in-depth interviews are seen as time consuming, need a conducive environment which may be difficult to arrange and there is room for possible bias. (Boyce and Neale, 2006:3). The main reason for using an unstructured interview is that it gives the interviewer an opportunity to probe further what the participant is saying and by so doing gain a deeper understanding of the phenomenon can be obtained.

The role of the interviewers is a demanding one as they have to do much more than merely ask questions, as it is also essential to record answers which can be done by different methods such as taking notes or using technologies such as recording devices. It is also important try to keep the interview session interesting and worthwhile for the interviewees (Powney & Watts, 1987:7,42; Verma & Mallick, 1999:122). Interviews can bring on fatigue for both interviewer and interviewee which can result in less effectiveness. This can happen when too many questions are asked especially if they tend to be repetitive or irrelevant.

The circumstances in which a qualitative research interview takes place are highlighted below:

- “1. Where a study focuses on the meaning of particular phenomena to the participants;
2. Where individual perceptions are to be studied prospectively;
3. Where individual historical accounts are required of how a particular phenomenon developed: for instance, a new shift system;
5. Where exploratory work is required before a quantitative study can be carried out; and
6. Where a quantitative study has been carried out, and qualitative data are required to validate particular measures or to clarify and illustrate the meaning of the findings” (King, 1994:16).

In this study the informal traders' views on the impact of policies targeted at them is required. Their historical accounts of events will come in handy to understand how the sector has evolved over the years especially after implementation of new policies. Interviews to be carried out open room for exploratory work to be carried out through follow up questions which may not necessarily be those in the interview guide.

5.6.1 Interviews

The interview is a social relationship designed to exchange information between the participant (interviewee) and the researcher. The quantity and quality of information exchanged would depend on how astute and creative the interviewer is at understanding and managing the relationship (Monette *et al.*, 2008:178). The interviewers are deeply and unavoidably implicated in creating meanings that ostensibly reside within the participants (Greeff, 2011:342).

The goal of any qualitative research interview is therefore to see the research topic from the perspective of the interviewees, and to understand why they have a particular perspective (King, 1994:14). Therefore, to meet this goal, the King lists the following general characteristics of a qualitative research interview:

- there should be less structure imposed by the interviewer;
- a bias towards open questions;
- questions should focus on the situations and the world of the interviewee as opposed to mere opinions and assumptions.

The responsibility of the interviewer is very demanding as he/she must ask questions, record the answers and at the same time keep the interview session interesting and worthwhile for the interviewees (Verma & Mallick, 1999:122). There are some circumstances in which a qualitative research interview takes place which are:

- Where a study focuses on the meaning of particular phenomena to the participants;
- Where individual perceptions are to be studied prospectively;
- Where individual historical accounts are required of how a particular phenomenon developed and;
- Where a quantitative study has been carried out, and qualitative data are required to validate particular measures or to clarify and illustrate the meaning of the findings (King, 1994:16, Vosloo, 2014:331).

There are three types of interviews which are: standardised open-ended, semi structured and structured (Scott & Usher, 2011:116,117). This will depend on the nature of the event as determined by the researcher who initiates the interview (Greeff, 2011:347). In this study, semi-structured interview schedule was employed. This specifies predetermined questions and sequences for the interviewer. Semi-structured interviews leaves room for exploration and clarification of vague statements. The interview was guided by the interview schedule (see Appendix C).

5.6.1.1 Interview Schedule

For this study the interview schedule was developed according to the research aim and objectives. The interview schedule for this investigation was divided into five main sections. The first of these included the demographic questions (sex, age, country of origin and race). The second section of the questionnaire included the investigation of the type of trade, length (timelines) of operations and registration if any of the business. The third section covered the trader's awareness of the eThekweni Municipality's informal policy. This section aimed to investigate how much do informal traders know about the informal sector policies and the extent to which they have heard about them. The fourth section covered the challenges that traders face in their day to day operations. It included vital matters such as financial challenges, infrastructure and the lack of skills. The final section was an attempt to find out if there are any suggestions from the traders themselves on how their business can be improved and what type of support they may require from the government, local or otherwise.

The questions were carefully phrased to avoid ambiguity, and sensitive and provocative language. The questions were prepared in English which is the medium language of the eThekweni Municipality. These English language questions could be understood by the traders, although as noted below it was necessary to use isiZulu in some cases. The questions in the questionnaire were planned with the objective of making possible the answering of all the research questions. The order of the questions was designed such that it would be as easy as possible for the respondents to follow.

5.6.1.2 Interview Procedure

The informal economy is usually busy during the day therefore, in order to avoid disturbance to the flow of their business interviews were carried out at their place of operations. The responses were recorded using digital voice recorder and a back-up recorder. A copy of the interview schedule and the contact details of the researcher were provided to each interviewee for possible future enquiries.

5.6.4 Administration of Questionnaires

Questionnaire administration is the means through which respondents are contacted to obtain the necessary information (Neelankavil, 2007). Usually, primary data may be collected by questioning respondents via (e)mail, over telephone, in person, or through self-administered questionnaires (where respondents write in answers themselves) (Neelankavil, 2007).

In this study, questionnaires were administered through interviews. This was the approach chosen, as most of the traders do not have time to sit and fill in a questionnaire. Additionally, interviews can be done and the results returned to the researcher or her proxy in the shortest possible time.

5.7 Data Analysis

Data analysis is a process in which raw data is scrutinized and arranged in order to retrieve and interpret information. The process of arranging and screening data is important in understanding what data should be included and what is best excluded. Qualitative data is usually analysed by using thematic or content analyses (Sekaran and Bougie, 2010). According to Braun and Clarke (2012:1), thematic analysis “is a method for systematically identifying, organising, and offering insights into patterns of meaning (themes) across a dataset. Through focusing on meaning across a data set, thematic analysis allows the researcher to see and make sense of collective or shared meanings and experiences”.

Thematic analysis can be viewed as a possible data analytical strategy; it helps the researcher to proceed from a general reading of the data towards identifying common

patterns and developing themes. Thematic analysis was used to analyse data collected through interviews. Thematic analysis was chosen because of its accessibility and flexibility especially as it can benefit new researchers, it provides entry into a way of doing research that may otherwise seem meaningless, but it is nevertheless conceptually challenging and can be very sophisticated.

According to Braun and Clarke (2006), there are six thematic analysis phases. These were also applied in this study to code data:

1. **Phase one: Familiarising oneself with the data.** The initial phase was for the researcher to familiarise herself with the data. Prior to reading the interview transcripts, a "start list" of potential codes was created. The data from the interview transcripts was read and re-read in order to become familiar with the data. The recordings of the interviews were repeatedly listened to in order to ensure the asking of sufficiently pertinent questions.
2. **Phase two: Generating initial codes.** The second step in thematic analysis was to create an initial list of items from the data set that are appearing frequently. This is an orderly way of arranging and gaining meaningful types of data as it relates to the research questions. This process is referred to as coding.
3. **Phase three: Searching for themes.** A theme "captures something important about the data in relation to the research question and represents some level of patterned response or meaning within the data set" (Braun and Clarke, 2006:82). Examples of possible themes would be financial vulnerability or competition. In this phase themes were searched for and identified accordingly. This enabled the start of the analysis of potential codes. In this phase, it was vital to begin by examining how codes integrate to form over-arching themes in the data. At this point, a list of themes became available and the focus on general patterns in the data had begun thereby integrating coded data with proposed themes.
4. **Phase four: Reviewing themes.** This phase required the perusal of data that supports or refutes the previously proposed theory. This allowed for further sieving of themes as they developed. At this stage, there was a set of potential themes, as this is the phase where the reworking of initial themes took place. Some existing themes overlapped and therefore collapsed into each other, while other themes needed to be condensed into smaller units.

5. **Phase five: Defining and naming themes.** At this phase, identification of the themes' essences is related to how each specific theme affected the entire picture of the data.
6. **Phase six: Producing the final report.** The final report (thesis) was written after final themes were reviewed. While writing the final report, a decision has to be taken on the themes that made significant contributions to answering the research questions which were refined later to become final themes.

5.8 Validity and Reliability

5.8.1 Validity

"Validity is the most important quality of a measured dependent variable. This is because validity refers to the extent to which an empirical measure accurately reflects the concept it is intended to measure, yielding scores that reflect the true variables being measured. In other words, validity refers to the soundness of the interpretation of scores from a test, the most important consideration in measurement" (Vosloo 2014:346). Validity refers to the extent to which a methodology tests (measures) what the researcher wants it to measure and the results reflect the phenomenon under study (Collins and Hussy, 2014). Usually, research errors, such as faulty procedures, poor samples and inaccuracy or misleading measurements, can undermine validity (Collins *et al.*, 2014). Validity increases as sample population selected for a study truly represents the entire population for which the study is intended (Zikmund and Babin, 2002).

Various methods exist for establishing measurement validity. These can include translation, face or content validity, and also criterion validity such as predictive, concurrent, convergent, or divergent forms of validity (Thyer, 2010), population and ecological generalizability (Erford, 2015). Erford further asserts that these methods can be categorized into two groups: internal and external validity, where the former refers to the accuracy or authenticity of the description being made, and the latter refers to its application to other cases, across places and time (Scott and Morrison, 2006). Internal validity may be achieved through the use of at least two groups that are equal in respect of both the dependent variable and all nuisance variables. It is defined as the extent to which its design allows the researcher to draw accurate conclusions about cause-and-effect

relationships (Cozby, 2009:86). If a study lacks external validity, then findings cannot be applied outside the study. The most common threat to external validity is lack of random selection thereby not fully or reasonably representing the population (Suter, 1998:132). To ensure external validity the research must:

- Conceptualize performance indicators, so that other researchers can replicate the experiment;
- Ensure that the experimental and control groups are representative of larger populations;
- Be confident that the operationalized variables in the experimental setting can be replicated in real-life situations; and
- Be certain that internal validity variables such as history, maturation, pre-test sensation, test reliability and selection (Adams *et al.*, 2007:237-238).

5.8.2 Reliability

Reliability, according to Saunders *et al.* (2009:156), refers to the degree of applicability of the data collection techniques and analysis of the particular test in question. The more relevant the techniques and analysis are, the more consistent will be the findings, but not necessarily the accuracy of the research (Babbie *et al.*, 2001:123). Consistency means that the respondent should provide the same answer each time the same question is asked even in a different way (Sahu, 2013). Therefore, an instrument is reliable if the response remains the same under repeated observations, essentially under the same conditions (Sahu, 2013). Authentic information is obtained from sources which have credentials to report about the problem (Sahu, 2013).

To ensure reliability of the research tool, each question in the questionnaire was phrased as clearly and accurately as possible to avoid ambiguity to the maximum degree. It is understood that, *ceteris paribus*, the larger the sample the more reliable the findings are. In addressing reliability, the study made use as far as possible of standardised questionnaires and instructions for respondents prior to completion of the questionnaire.

It is rare to have perfect reliability, Neuman and Kreuger (2003:179,180), suggested procedures to increase the reliability of measures. These can be summarised as follows:

- Increase the number of items or observations, that is the use of multiple indicators of a variable;
- Eliminate items that are unclear;
- Increase the level of measurement;
- Standardize the conditions under which the test is taken;
- Moderate the degree of difficulty of the instrument;
- Minimise the effects of external events;
- Standardise instructions;
- Maintain consistent scoring procedures; and
- Use pre-tests, pilot studies and replications.

In this study, a pilot study was carried out and this was used to test the suitability of the interview schedule in answering the research questions. The pilot study was used to employ the procedure mentioned above.

5.8.2.1 Pilot Study

According to Zikmund and Babin (2013), a pilot study is a small-scale research project that collects data from respondents as a preliminary exercise prior to the full study. It is a sort of a dry run or simulation. Bless *et al.* (2006:184) define the pilot study as a small study conducted prior to a larger piece of research to determine whether the methodology, sampling, instruments and analysis are adequate and appropriate. For example, this can greatly help to gauge if the interview questions are too many or too few and also check that they are clear so that ambiguities are eliminated as much as possible (Barret and Hall, 2012). This can help to later revise the interview questions and design a more suitable questionnaire.

Welman *et al.* (2009:148) and De Vos *et al.* (2011a:237) summarise the purpose of the pilot study as follows:

1. To detect possible flaws in the measurement process (such as ambiguous questions and the time taken to answer a question);

2. To identify unclear or ambiguously formulated questions and items. In such a pilot study the actual questions are put to the participants and they are then asked to indicate how they have interpreted the formulated questions; and
3. To provide interviewers with an opportunity to observe non-verbal communication that can signify how far the interviewee is or is not comfortable with the item (this may result in possible revision of the item or its removal) (Welman *et al.*, 2009:148). This can be important in this kind of research for several reasons, for example there is the possibility that some business practices of the traders may be illegal or because family members involved in the business may be upset if information about their income or other circumstances is shared with outsiders.

The pilot study was conducted with all types of traders that formed part of the study population. In this case, a pilot test was conducted by selecting 10 (ten) random respondents who were not to form part of the sample respondents but who would participate in the pilot study instead. Furthermore, pilot studies may help the researcher to anticipate challenges and other areas of ambiguity (Walliman, 2011). However, results from the pilot study did not in practice reveal any major flaws in the questions. It did however indicate that there is a need to use gentle persuasion of the respondents as the traders tend to be busy with their work at the time of the interviews. As mentioned there was also a need to use the local language, iSiZulu, in some instances.

5.9 Data Quality Control

The quality of data should not be in doubt. The trustworthiness of qualitative content analysis is often presented by using terms such as credibility, dependability, confirmability, transferability, and authenticity (Elo *et al.*, 2014).

5.9.1 Credibility

The issue of credibility alludes to whether the findings of a study can be trusted and are truthful. Researchers must take steps to ensure that their findings are true and related to the data. Credibility refers to what extent the findings represent an honest and true

account of what emerged in the course of the research. Credibility automatically addresses key questions such as, “Did the researcher present what actually happened in the research setting?”; and “Did the researcher gather what he/she intended to gather?” Strategies for addressing this component of trustworthiness include triangulation, prolonged collection of data, member checks and peer reviews (Pitney and Parker, 2009).

5.9.2 Transferability

Transferability “refers to the potential for extrapolation. It relies on the reasoning that findings can be generalized and transferred to other settings or groups” (Elo *et al.*, 2014:2). For transferability to occur the researcher must address contextual factors such as the characteristics of the participants and the research settings or contexts.

5.9.3 Dependability

According to Elo *et al.* (2014), dependability refers to how stable the data is if exposed to different conditions over a period of time. Any changes to the conditions must be explained and how the researcher has addressed those changes must be presented. For example, there might be changes in municipal management midway through the research or restrictions might be lifted on the sale of certain products such as certain types of drug such as ‘dagga’ (cannabis)..

5.9.4 Confirmability

According to Elo *et al.* (2014:2), confirmability “refers to the objectivity of data. Researchers must ensure that personal feelings and opinions do not shape the results of the research”. For confirmability to occur the researcher must use quotations wherever possible to represent the voices of the participants and correctly translated where necessary. The researcher must approach the research without preconceived ideas or expectations as to the final results.

5.12.5 Authenticity

Authenticity refers to the extent to which the research was fair and faithful in presenting and analysing the data (Elo *et al.*, 2014). In order to ensure that the data had quality and credibility adequate details and supporting evidence was provided in this study. Checks were done with the participants because it is important for evaluating honesty and quality in a study like this. Data from the interviews were verified by the participants as they were better positioned to check the genuineness of the research findings since they had provided the information.

5.10 Ethical Considerations

According to Frick and Frick (2010:10), research ethics must ensure that the data collected from the participants will remain strictly confidential and their identities will be kept anonymous. Care was taken to observe this principle. To that end the purpose of the study was explained to all respondents in a covering letter attached to the final questionnaire.. In addition, all the research information gathered from other sources, publications or other individuals has been accurately and fully acknowledged in this study.

The researcher applied for permission to do the research through the relevant authorities (including the Municipal Institute of Learning – MILE at eThekweni Municipality) and the Durban University of Technology (Faculty of Management Sciences) review process. After reviews of the research proposal by each of these institutions clearance was granted. .

Participants were informed about their rights to withdraw from the research if they felt the need to do so, hence no participant was obligated to participate. Privacy and confidentiality were addressed with the participants before the interviews and an assurance was given that no names were to be published and that the information gathered was for academic purposes only. To ensure the constitutional right to human dignity participants were informed that they are not compelled to answer questions they were not comfortable with. In addition, interviews were conducted in as much privacy as possible to avoid, for example, noise or distractions from third parties.

All ethical issues were given due consideration as follows:

Ensuring Respondents are giving Informed Consent

During the scheduling of the interviews, the participants were informed of the nature and reasons for this study.

1. Ensuring no Harm Comes to Participants

All participants selected were over the age of 18 years. Their participation in the study was voluntary and the participants were well informed that they can withdraw from the study should they feel a need to do so. The very rigorous DUT review process looked thoroughly at the possibility of the research harming participants and confirmed that this issue was being handled properly by the researcher.

2. Ensuring that Permission is Obtained

This study involved different informal traders and not one particular organization or company. By participating in this study each participant is seen as giving permission to conduct research related to his or her business (or businesses if more than one).

3. Ensuring Confidentiality and Anonymity

The informal traders were guaranteed their privacy and confidentiality in that no names were to be used or disclosed in the final write-up or at any other stage or after completion of the thesis.

5.11 Conclusion

This chapter has detailed what was entailed in the research methodology and design. The necessary measures were fully followed to conduct this research. The research methodology covered critical aspects such as design, data collection methods and instruments used to collect that data. The research philosophy and strategies were also discussed. The qualitative research methodology was selected for the study. The non-probability sampling method using the purposive method was used to select the sample. The research questions were revisited and served the researcher as a central point from which to formulate the plan and subsequently pursuing the research going

forward. The data collection administration as well as the data analysis were discussed in detail and the procedures on how the questionnaire was to be managed for this research were fully explained. The next chapter is dedicated to the presentation of results, discussion of them, and interpretation of the findings of the study.

CHAPTER SIX: STATEMENT OF RESULTS AND DISCUSSION

6.1 Introduction

The analysis of the qualitative data is reported in this chapter. The process of analysing data in a qualitative study is to reconstruct the data so that it can be meaningfully linked to the research questions and at the same time capture the participants' accounts. Each response was transcribed verbatim and the totality of them analysed for common categories or themes. Themes were established using Nvivo 12 Pro, a qualitative data analysis package that was used to ground responses into common themes. All interview transcripts were imported into NVivo consistent spelling as needed which was auto coded into associated nodes. These nodes were the basis of the thematic construct of common embryonic themes that emerged from the primary data collected. Discussion of findings was based on emergent themes and supported by the literature consulted in the study.

Most of the responses provide data on the possible perceived impact or otherwise on the traders interviewed. For example, where traders express ignorance of a policy it is reasonable to say that the policy is not seen to have any impact. Of course, there may be impacts of which traders have no perception. It was not the intention in this research to analyse such issues.

6.2 Survey Responses

Interviewees were randomly selected in the informal sector of the surveyed areas of eThekweni. The responses were captured in the questionnaires. The confidentiality of the interviewees was maintained as their names and personal details were not captured. Interviews were used to collect the data which resulted in a 100% response rate as all 190 participants availed themselves for this study. This unusually high percentage was an excellent rate which was well above what was anticipated at the outset.

6.3 Results

6.3.1 Demographics

The majority of the respondents were females (56%) which signifies and reflects the numerical dominance of females in the informal sector in this particular study area . Figure 5.1 gives a diagrammatic representation of the gender distribution of the sector in the area.. The sector has relatively young traders with most being less than 40 years of age. However, there was equally a high percentage of traders who were over 60 years. The distributions of the age groups are shown in figure 6.2. Forty-nine percent of the traders are black, 46% are Indian and only 6% are from 'others', which includes foreign traders (figure 6.3).

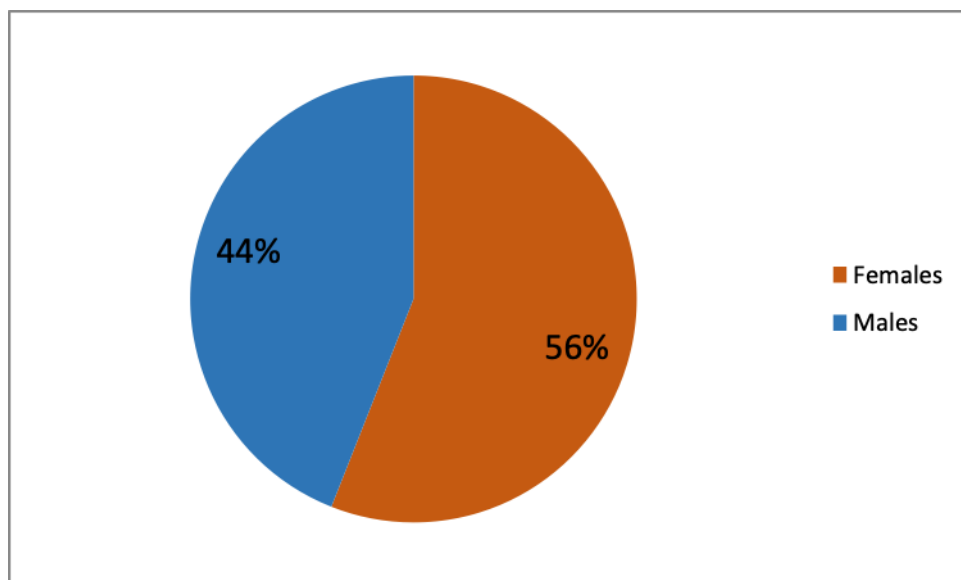


Figure 6.1 Gender Distribution of the participants.

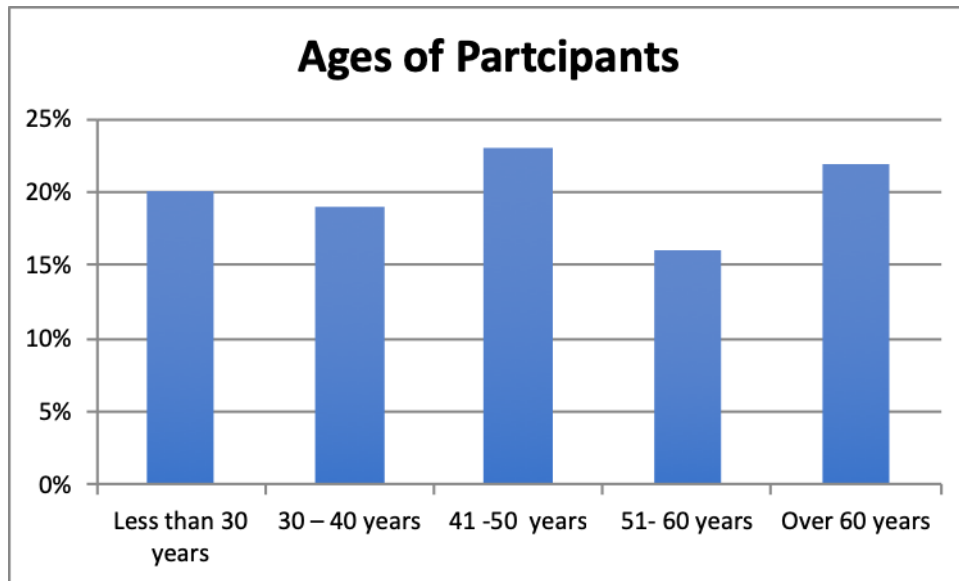


Figure 6.2 Ages of the participant.

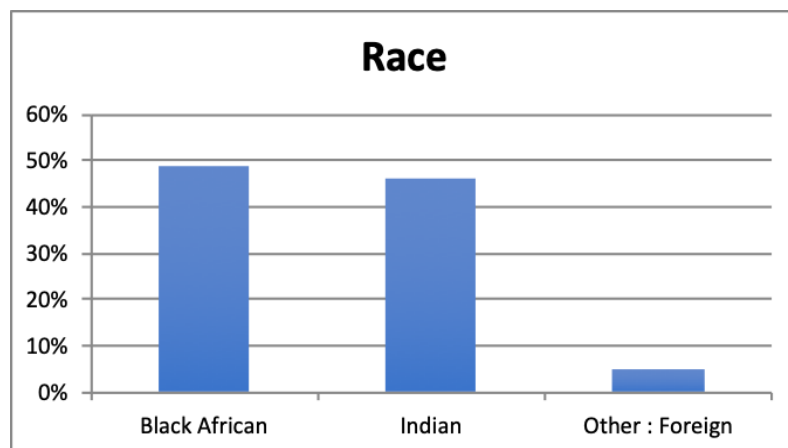


Figure 6.3 Race of participants.

6.3.3 Number of Years of Operation

The sample consisted of people who have operated at the same place of business for at least a year. 80% of the participants have been operating at the same place for at least 6 years which therefore means they are likely to be well informed about at least some of the changes that have happened in the informal trade. Figure 6.4 shows the years that the participants have been trading in the northern regions of eThekweni. It was also noted that 33% have been in the informal trade for more than 15 years. According to Lund (2000) many such traders who have been in the informal economy have made it the main part of their livelihoods and do it for a living, and they do not have any intention to look for a job in the formal economy.

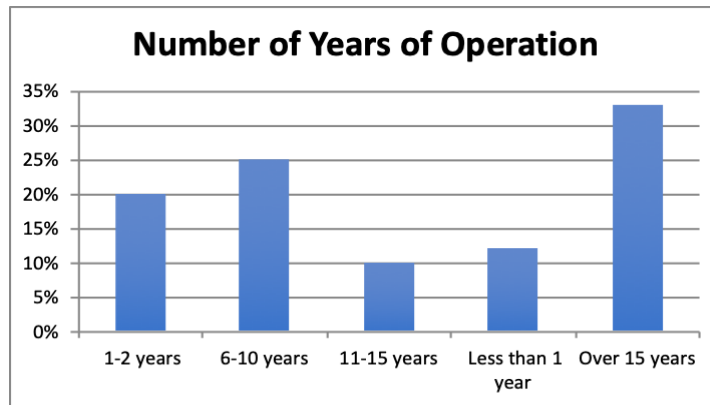


Figure 6.4 The years that the participants have been trading in the Northern regions of eThekweni.

Table 6.1 *The variety of goods and services traded in.*

A striking feature of this table is the large number of different products and services listed.

Goods/Services	No of Traders (%)
Accessories	5.26
Art	0.53
Automation	0.53
Beauty	6.84
Cell phones	0.53
Cigarettes	6.32
Cleaning	1.58
Clothing	14.74
Clothing and accessories	2.63
Cosmetics	3.16
Cosmetics and clothing	0.53
Food	12.11
Footwear	0.53
Fresh produce	10.53
General	2.07
Haberdashery	2.63

Hardware	1.58
Homeware	4.21
Information Technology	0.53
Meat	4.21
Media	0.53
Non-perishables	0.53
Savouries	1.05
Shoe wear	3.68
Spices	4.21
Spiritual and Herbal	1.05
Sweets	3.16
Toys	2.63
Woodwork	2.11

6.4 Discussion of Data from the Analysis of the Word Cloud

A 'word cloud' is a method of analysis which uses visual representation of word frequency. Thus words which appear more often are presented in larger images than those which are less frequent (figure 6.5). More commonly the term appears within the text being analysed, where the more frequently the word appears the larger the word appears in the image generated. For example, the word 'business' is larger than the word 'transportation' because it is much more frequent in the text. This method of analysis is becoming more common and is being used to identify the focus of written material. It is used in this analysis.



Figure 6.5 A word cloud diagram representing the proportional dominance of the more profiled items from informal traders' responses.

The word cloud shows the five most profiled items as: business; trading; affect; challenges and affected. Others of significance appear to be: transportation and municipality.

6.4.1 Registration of the Business

The participants were asked whether they have registered their businesses and why/why not. Their responses are summarized in the table 6.2 below. Participants who registered indicated that they only registered the business because of the fear of losing their 'place' (e.g. a stall in a market), fear of police presence (n = 4) and the need for a specific food licence to conduct the business (n = 9). However, 4 participants agreed that there was no incentive given to them when they registered their business. The hundred and fifty-seven participants who did not register their business indicated the reason for not registering was as follows: no incentives given (n = 37), do not want to pay tax (n = 37), too time consuming (n = 37), lack of cash (n = 44) and that their business was a simple business where they merely bought and sold goods (n = 4). The majority of participants indicated that they did not register their business as there were no incentives given by the government, even though they have to pay taxes and

the process was too time- consuming. Thus the advantages of non – registration seem to them to outweigh the advantages of registration.

Table 6.2 Registration of Business

Participants' quotes	Key words	Concepts Sub-themes
1. "I registered my business because the police used to always come around so I was too afraid to lose my place... but there is no incentive to register". 2. "I did register my business because of the food license that I needed". 3. "I registered my business because I was too afraid to lose my food licence".	1. Police presence (n = 4) 2. Food license (n = 9) 3. Fear of losing space (n = 10) 4. No incentive (n = 6) 5. Growth (6)	Registered
4. "I cannot register my business cos I don't make much money". 5. "I don't feel the need to register my business. There is no incentives to register my business... it only means I must pay tax. Also the process is too time-consuming and I cannot follow queues and leave my business unattended". 6. "I don't find the need to register...it's a simple business that I have.. I just merely buy and sell".	6. Lack of cash (n = 44) 7. No incentives (n = 37) 8. Simple business (n = 35) 9. Tax (n = 37) 10. Time consuming (n = 37)	Not registered

Statistics South Africa (2009:5) points out that the informal sector usually consists of businesses that are not registered in any way and that this is not merely due to the fact

that there are no incentives given. According to Maldonado, (2005), the policy for the informal sector was formulated to mostly control business activity and ensure tax payments. The Informal/Street Trading Policy Framework (2008:11) mentions that there is a deficiency in policy guidelines drawn up and issued by the local government authorities and this generates a scenario making for conflicting interests within the informal sector. This is probably why it is a characteristic of the informal trader to not register his or her business. In addition, The Informal/Street Trading Policy Framework (2008:11) mentions that there are incentives offered to the informal trader which include amongst others training and management skills. However, there is no awareness of these incentives, as indicated by all the participants. The finding consistent with all responses is 'the lack of government incentives' when and after a business is registered.

6.4.2 Awareness of eThekweni municipality's informal economy policy

Participants were asked whether they were aware of the eThekweni municipality's informal economy policy. Their responses are summarized in the table 6.3 below. Four participants mentioned that they are aware of the policy but the policy is not understood and there is no guidance or awareness of what the policy is about. Hence, they indicated that the policy does nothing for them. Nineteen participants indicated that they are not aware of the eThekweni municipality's informal economy policy which is also indicative that there is a lack of knowledge passed from the municipal authorities. According to Valodia *et al.* (2006:91) the city of Durban in South Africa in the 1990s established streets and some sections which were allocated to informal traders and financial resources to establish the necessary infrastructure was budgeted for. It is acknowledged as being the first city in South Africa to establish a policy for informal traders (Valodia *et al.*, 2006:91). This implies that even though there is a policy, there is little awareness being created to ensure that the informal traders understand the contents of the policy and hence more likely to abide by the laws supporting the policy.

Table 6.3 Awareness of eThekwini municipality's informal economy policy

Participants' quotes	Key words	Concepts Sub-themes
<p>4. "When you are as long in this sector like I am – you tend to know about the various policies... but I don't really understand the policy cos it does nothing for me".</p> <p>5. "no authority comes to guide us about the policy...this makes us all do our own thing on the street".</p>	<p>1. Length of time in the sector (n = 20)</p> <p>2. No understanding (n = 35)</p> <p>3. Policy does nothing for owner (n = 33)</p> <p>4. No guidance of the policy (n = 37)</p>	<p>Awareness of policy</p> <p>Lack of knowledge</p> <p>No visits from authorities</p>
<p>3. "I have no clue of policies of any kind....it seems to make no difference to me".</p>	<p>1. Makes no difference (n = 46)</p> <p>2. No clue (n = 19)</p>	<p>Unawareness of the policy</p> <p>Lack of knowledge from the municipal authorities</p>

If their responses about whether they were aware of eThekwini's informal economy policy is 'yes' they were asked where they had heard about it. This response is summarized in table 6.4 below. 11 participants indicated that they heard it from a newspaper. A large number (21) heard about it from other street traders. A very high number (157) say they have never heard about it.

Table 6.4 Where did you hear about the eThekweni Municipal policy?

Participants' quotes	Key words	Concepts Sub-themes
1. "I read about the Durban municipality's informal economy policy in the papers. When I registered my business I was told that they also have a policy for informal traders... but I have no clue what's in the policy cos no one showed me". 2. "By other street traders...but they have no clue how what's in the policy". 3. "From family members who work for the government". 4. "No, I am not aware"	1. Newspaper (n = 11) 2. Family members (n = 1) 3. Other street traders (n = 21) 4. No clue (n = 157)	1. Lack of knowledge of the contents of the policy

6.4.3 Effects of the policy on trading

Participants were asked how the informal sector policy had affected their trading and the results are shown in table 6.5 below. All participants (those who indicated that they are aware of the policy) have stated that the policy did not affect their trading in any way (n = 34). The findings are supported by the eThekweni Economy policy (2001:6) in that although many councillors and officials have spent time in discussions and negotiations regarding the informal trader, the lack of clear policy or terms of reference cannot guide the negotiations. Nteta (2015:1) adds that government provides a framework for the informal sector. However, the traders are often not allowed access to or to influence this particular framework.

Table 6.5 Effect of the policy on trading

Participants' quotes	Key words	Concepts Sub-themes
1. "It did not affect my trading in any way at all."	1. No effect (n = 32)	1. Policy has no effect on trading
2. "Has not affected my trading... but I think because of the policy I got a good space to do my trading."	2. Space allocation (n = 1)	2. Policy enabled space allocation
3. "Nobody abides to the rules set-people do their own stuff"		

6.4.4 Effects of the lack of knowledge of policies

The participants were asked how the lack of policies related to informal traders affects their business. According to Table 5.6 three participants indicated that maybe the policy can help them especially if they experience 'hassles' in their businesses, while one participant indicated that the lack of knowledge of the policy has no effect on trading. The majority of the participants (9) indicated that the lack of knowledge of the policy does affect them in terms of knowing their rights and privileges, while three participants mentioned that they are unsure of the rules and regulations that govern them in business matters. This means that many traders do things the way they see fit without regard to any regulations. eThekweni Municipality in one of its policy documents (2001:19) states that there is insufficient information regarding the various requirements of the informal sector. The support of local government is imperative as it has a strategic role in identifying the priority interventions which are needed, in an effort to disseminate good practices to assist the progress of the informal traders.

Table 6.6 Effects of the lack of knowledge of policies.

Participants' quotes	Key words	Concepts Sub-themes
1. "There are many people like me with a lack of knowledge but we just have to overlook it because we are all trying to make a living as we don't know what our privileges are". 2. "maybe there is help for us –but I don't know". 3. "the policy may have rules and regulations.. but eish I have no idea". 4. "We do not know what to do in times of hassles". 5. Participant 6: "We are kept in the dark about our rights. Business may be better if we are aware of the rights and our responsibilities". 6. "It doesn't affect me, I'm just here to make a honest living."	1. Rights/privileges of the trader (n= 39) 2. Rules and regulations (n = 38) 3. Help for traders (n = 100) 4. No effect (13)	1. Lack of knowledge keeps people in the dark about their rights 2. Unsure about rules and regulations 3. There may be help for the informal trader 4. Honest living is made irrespective of the policy

6.4.5 Effects of the lack of finance on the business

The participants were asked to indicate how the lack of finance affects their businesses. The results are shown in table 6.7. All participants indicated that due to the lack of finance they were at times unable to buy enough stock which is needed to run their business. Eighty-seven participants indicated that the lack of finance makes them unable to compete. Fifteen participants revealed that they resorted to selling cheaper products than is ideal only because of limited finances.

Table 6.7 Effects of the lack of finance on the business.

Participants quotes	Key words	Concepts Sub-themes
1. "Business is very quiet compared to the past years, sometimes it's very difficult to maintain the business because of finance... and I have to have money to buy new stock to keep up with the competition around me".	1. Lack of money (n = 87)	1. Need money to buy stock
2. "I have to pay high rate of electricity, water and pricing of food so whatever I have left I buy stock which is so limited just enough to survive the next month".	2. Competition (n = 50)	2. Lack of finance affects competition
3. "The lack of finance greatly affects my business, I can't expand and improve... or even sell a variety of products. my plans are on hold due to the lack of finance. The only product I can sell are DVDs and CDs cos it's cheap to buy and sell".	3. Expansion (n = 10)	3. Unable to expand
4. "Goods are bought on a daily basis no cash flow. You have to have money to trade. We don't much. We are really unable for compete. This is our disadvantage"	4. Cheap products (n = 15)	4. Cheap products have to be sold
	5. Variety (n = 13)	5. Unable to sell a variety of products
	6. Utility costs (n = 15)	6. High utility costs

All participants indicated that the lack of finance does not allow for the expansion and growth of their business. This implies that the informal traders are only surviving the difficult economic times and there is seen to be limited possibility of expansion of the business in the informal economy *let alone* go into the formal economy. Similar results

were also found in Ghana, where it was found that most informal traders lived on a 'hand to mouth' basis and their business becomes more one of survival (Trager, 1987). Nteta (2015:1) agrees that the access to capital is a common factor creating concern among many informal traders. The findings are also supported by Mumba *et al.* (2010:9), writing about Zambia in that insufficient finance is seen as a stiff barrier against the growing of a business, which ultimately results in the business being unable to take opportunities that are otherwise available to them. The findings are further supported by the ILO which has highlighted that the main constraining characteristic of the informal sector is insufficient capital (ILO, 2006). The findings are strongly indicative that the lack of finance does affect many businesses adversely.

6.4.6 Effects of the lack of pertinent skills

Table 6.8 shows the responses from participants on how their business is affected by the lack of pertinent skills. It can be seen that 102 participants indicated that they do not need any skills to run their businesses. 42 Participants indicated the needs for skills in his/her business as technology is constantly changing and s/he needs to keep abreast in order to make sure that the customer is satisfied by the service received. The findings are supported by Srinivas (2004) who also points out that the activities of the informal traders include street hawking, food stalls and other activities which require minimal (but not nil) skills. The study further highlights that most of the traders learn through their experience. The majority of the participants indicated that there is no need for pertinent skills to run their business which implies that there is little need seen by them for pertinent skills in the informal sector. Perry *et al.* (2007:22) add that "micro-enterprises that have no intention to enter the formal economy or who want to avoid company income taxes and employee regulation will opt to remain enshrined in the informal economy", hence in most cases keeping managerial skills to minimal levels. The findings are therefore indicative that the lack of managerial skills is not seen by the participants to negatively impact the informal trader.

Table 6.8 Effects of the lack of pertinent skills.

Participants' quotes	Key words	Concepts Sub-themes
<p>1. "Being in business for so many years... I am well skilled in my business".</p> <p>2. "It doesn't affect me... I don't need any skill to run my business... I just look at what the latest fashion is and I buy accordingly ... so not much skill required".</p> <p>3. "I sell simple fast foods so my business just requires a little skill... therefore there is no need for technical skills".</p> <p>4. "With a few skills I have progressed throughout the years, however, there is always room for improvement".</p> <p>5. "My job does require skill. Technology is constantly changing. I am skilled about my business. I try to learn from my friends about cell phones and updates. I also read about everything new so that I can give customers the right advice".</p>	<p>1. Skill needed (n = 40)</p> <p>2. No skills needed (n =102)</p>	<p>1. Well skilled due to time spent in the business</p> <p>2. No skills needed to run an informal business</p>

6.4.7 Effects of the lack of managerial skills in the business

The participants were asked to indicate if lack of managerial skills has an effect on their business. The results are shown in table 6.9. These results indicate that all participants are of the view that due to their business being so small and informal the lack of managerial skills does not affect their business in any way. The participants indicated that there is no need to fill tax forms or any other documents because of the small amount of money they normally make. Participants indicated that there is no real administration to do. Even those participants who have registered their business mentioned that there are not many managerial skills needed to run the type of business they have. However, participant 4 did mention that if there is too much to deal with, then managerial skills would have an impact on the business.

Table 6.9 Effect of the lack of managerial skills in the business.

Participants quotes	Key words	Concepts Sub-themes
1. "My husband and I were together in business, he passed on 7 years ago but I do manage on my own cos the business is very small... no stress for perfect management skills". 2. "I did not register my business so it doesn't affect me, I am free to run my business on my terms.... No tax forms or legal documentation is needed... I earn too little...". 3. "It only affects my business when I have too much to deal with".	1. Small business - no need for management skills (n = 186) 2. No legal documentation (n = 4)	1. Business is too small to require stringent management skills 2. Non registration means no legal documentation necessary

6.4.8 Effect of Competition on the business

The responses in Table 6.10 indicate that there was a unanimous response to the statement given. It suggests that there is a general perception from the participants that competition is seriously affecting their business. The findings indicated that competition is both prevalent and excessive amongst the informal traders in the northern region of eThekweni and that the traders end up competing with each other excessively and sometimes bargaining with customers to sell their wares rather than working with set prices. Informal traders consistently try to give their customers a better price than their competitors. Twenty-three participants indicated that they have loyal customers who support them. Traders try to attend to a customer's needs by lowering prices so that they purchase from them. The findings are supported by Aghion and Griffith (2008) who believe that the informal trader sometimes engages in anti-competitive practices which includes price fixing and product adulteration such as selling food stuffs that may have expired and are unsafe to consume which may of course constitute a public health risk.

This excess of competition happens mostly in cases where the business is overtraded such as hairdressing in certain corners and streets. This was also highlighted in a study by Aghion and Griffith (2008:24) who pointed out that some trades are over-subscribed in terms of the number of entrants. The customers or clients in this case will opt for the lowest priced goods or services, hence causing greater rivalry amongst traders.

Table 6.10 Effects of competition on the business.

Participants quotes	Key words	Concepts Sub-themes
1. "By dropping the prices of the goods sold around affects my business". 2. "Negatively, competition is everywhere making it hard to break even however we trust in our loyal customers to keep business going". 3. "Competition is very bad, everyone wants to copy you and sell the same things you sell".	1. Decrease in price (n = 98) 2. Loyal customers (n = 23) 3. Similar products (n = 69)	1. Competition brings a decrease in price 2. Reliance on loyal customers 3. Selling similar products makes competition inevitable

6.4.9 Effects of transportation on the business

The responses on how transportation affects their businesses are shown in Table 5.11. Seventy participants complained that transport was a problem and that it was, for example, difficult to carry many bags into a taxi. Participant eighty-seven indicated that there is no storage space provided so they have to take their stock back home and bring it in every morning to set up. Thirty-three participants indicated they have their own transport. Often this is due to the type of business they are in. These findings are supported by Rwigema and Venter (2008:61) in that a large number of informal traders find it very challenging to move their products to and from their residences to market place sites. Sometimes they are not allowed to take their many bags of stock into the public transport such as taxis. The lack of storage space further complicates the lives of the informal traders in that goods have to be carried daily to and from home. (Rwigema and Venter, 2008:61). Hence, it can be concluded that the transportation of their goods does negatively affect their businesses.

Table 6.11 Effects of transportation on the business.

Participants' quotes	Key words	Concepts Sub-themes
1. "I don't have transport problems...". 2. "I have my own van...". 3. "I find transport to be such a problem. I cannot take too many bags into the taxi...". 4. "I have to carry my stock every day from home in the taxi...so frustrating some days". 5. ".....transport is a big challenge for most of the informal traders and not just me... we should have a safe storage space so that we don't have to bring the goods in every day".	1. Own transport (n = 33) 2. Too many bags to carry (n =70) 3. Frustrating (n =87)	1. Own transport 2. No transport – storage space is needed 3. Bags are cumbersome to carry 4. Frustrating to carry all the products

6.4.10 Type of support received from government or financial institutions

Table 5.12 indicates that there was a unanimous agreement that no government or financial institutional support was received so there was no impact.. Four participants mentioned that they use their social grants, which are not intended for business expense, that they receive to sustain their business which ultimately sustains their homes. Fundie *et al.* (2015:51) supports these findings in that the government does not do enough financially to help the informal traders.

Table 6.12 Type of support received from government or financial institutions.

Participants quotes	Key words	Concepts Sub-themes
5. "I collect pension grant. That's what I use for my business". 6. "I don't receive any support".	7. Pensioner/grant (n = 42) 8. No support (n = 148)	9. Use of pensioners grant to sustain their business 10. No government support implies that business can grow

6.4.11 Other challenges that affect the businesses

Table 5.13 shows that there are other challenges that affect these businesses. Seventy-Six participants indicated that the weather is a challenge and the shelter provided at their place of trading is not enough to protect them. The weather plays an important role for the informal traders' day to day business activities. The weather determines how well an informal trader can sell in the day. Informal traders are not provided with shelter and this becomes a challenge for the individual to move his or her goods on a rainy day (Kirby and Watson, 2006:70).

All participants mentioned that the toilet facilities are in a bad condition and need to be upgraded. Nteta (2015:1) supports these findings and believes that amenities for the public should be provided in order to support the informal trading businesses. These amenities includes water, toilet facilities, removal of waste, proper shelter that protects the trader from all types of weather and storage are important infrastructures to have for informal traders.

Forty-eight participants mentioned that traders need to be relocated to a place where there is more passing trade. Kirby and Watson (2006:70) point out that in situations of dislodgement, the informal traders are frequently presented with a choice of locations external to the CBD where there is an inadequate amount of buyers with spending power. The CBD is intended for large scale traders and businesses. According to the

authorities, unlike the informal traders, the large scale traders and businesses do generally pay their taxes.

Table 6.13 Other challenges that affect the business

Participants quotes	Key words	Concepts Sub-themes
<ol style="list-style-type: none"> 1. "People will sell what you are selling and try to cut prices but being in business for so many years I overcome it... I wish I could be relocated to closer to the centre where there is more passing trade". 2. "The weather some days it's too hot and other days it's too cold, hence shelter is a problem" 3. "We don't have the enough space to sell our goods; there are too many people on the streets selling". 4. "The heat and untidiness of my streets at times... and the toilets are in a disgusting condition. 	<ol style="list-style-type: none"> 1. Relocated (n = 48) 2. Weather (n = 76) 3. Toilet facilities (n = 36) 4. More space (n = 30) 	<ol style="list-style-type: none"> 1. Relocated to place where more passing trade is present 2. Insufficient shelter for different weathers 3. Insufficient space to sell more goods as there are too many people trading

6.4.12 Impact of challenges on the business

Participants were asked about how any of the challenges that they highlighted have impacted their business. Summaries of the results are shown in table 5.16. All participants indicated that the challenges they faced did have negative impacts on their business as can be seen in Table 6.14. However, three participants mentioned that they stay positive in order to overcome their challenges. According to McClelland writing in general terms, (2006:73) certain types of infrastructure, which include water

and sanitation, are too often unavailable to the informal trader which ultimately affects their health as well as the business itself. They had to seek these facilities in nearby buildings. This was an inconvenience and a risk to the informal traders as sometimes they were forced to leave their wares unattended for a while.

Table 6.14 Impact of challenges on the business.

Participants' quotes	Key words	Concepts Sub-themes
1. "It does have a negative impact on my business but there's nothing that I can do." 2. "Challenges made me a better and stronger trader. I stay positive amidst all challenges". 3. "due to lack of space... cannot expand or grow". 4. "Some days I get sick cos of infections from using the toilets so I have to stay at home and hence, lose a day of my business... and then I also have to buy medication... eish already I haven't got much money".	1. Negative impact (n = 47) 2. Positive (n =33) 3. Lack of space (n = 44) 4. Infections (n = 66)	1. Challenges negatively impacts the business 2. Challenges makes the owner stronger 3. Cannot expand the business due to a lack of space 4. Lack of ablution facilities brings infection

6.4.13 Recommendations to improve the business

Table 6.15 shows the suggested recommendations from the traders on how their businesses can be improved. There were forty-nine participants who recommended that advertising will assist to grow their business, thirty-four participants mentioned that they need more space to trade, fifty-two participants reiterated finance as a recommendation, while four participants reiterated relocation to a busier place for their

business as a significant need. These findings are supported by Segal and Herington (2006:22) who believe that advertising creates a larger demand for products and where already known by consumers can maintain the demand for these products. The greatest challenge facing informal traders, particularly in the northern regions of eThekweni, is a lack of proper operating places and most of the traders use open spaces without any shelters. Most of the spaces traders' use are regarded as unlawful since no location was identified for trading. The findings are supported by the World Bank (2004) in that many street traders are not allocated a site hence they trade in places that are not visible to the authorities. In addition, there is insufficient consultation and participation during the development of certain satellite markets such as Verulam and Hammersdale Market. Hence informal traders are placed wherever a space is available. The response implies that if the location of the informal traders was moved closer to a centre where there are more people passing by, then this will improve their businesses by giving more them better proximity to possible customers.

Table 6.15 Recommendations to improve the business

Participants quotes	Key words	Concepts Sub-themes
5. "Advertising of street traders on local newspapers and radios will help the business grow".	1. Advertising (n = 49)	1. Advertising will help grow the business
6. "Provide more space and relocation to a busier place".	2. Relocation (n = 55)	2. Relocation to a busier place
7. "Finance from council."	3. More space (n = 34)	3. More space is needed to grow the business
	4. More finance (n = 52)	4. Government needs to help with finances

6.4.14 Other Suggestions

Other comments on the way forward for their businesses are shown in table 6.16 below. All participants indicated that an increase in security is necessary for their ways forward. Rwigema and Venter (2008:61) mention that the issue of safety is a key

concern for many individuals who are involved in street trading. The findings are indications that if there is security provided, more people will support the informal business. Forty-five participants mentioned that other traders in their areas are selling the same product as they are. These findings are in agreement with Mitra (2009) who believes that the selling of the same product brings about strife, arguments and excessive competition amongst the informal traders. Segal and Herington (2006:25) advise that market research is necessary to make sound decisions regarding the products and or services to offer. However, in this study it was found that there was no market research that was done. Therefore, there are significant businesses that were overtraded such as taxi businesses. In this industry there are a number of incidents of taxi violent clashes as taxi owners fight over the control of routes. In the case of other trades, there are significant number of traders selling similar products which result in unfair competition and dysfunctional rivalry (e.g. violence, selling at a loss)

Table 6.16 Other comments in the way forward for the business.

Participants' quotes	Key words	Concepts Sub-themes
1. "I would like more security... we get robbed or customers get robbed". 2. "I would like more security in the area... too many people get robbed so they are sometimes afraid to come near our area".	1. Trader is robbed (n = 56) 2. Customer is robbed (n = 36)	1. Security is a necessity if the business has to continue
3. "I wish the government comes up with a rule that each trader must sell different things... right now many of us sell the same product and we are all so close to each other...".	3. Different products (n = 45)	2. All traders must sell different products
1. "We want the local people to support us.... This will help ..". 2. "I wish more people will support us... this will help me tremendously and I can even give some else a job if my business grows".	3. Local support (n = 53)	4. Support from Local People will build the business and create employment

6.5 Conclusion

This chapter has captured the recorded data that was gathered from interviews with the selected sample. The participants made themselves available to ensure that their views and opinions were heard in order to assist them in the way forward. The findings revealed that there were mutual (shared) thoughts on the challenges faced by informal trading. The demographic data is presented concerning the composition of the sample.

Most of the participants had at least 5 years' experience in the informal economy. It was also revealed that the majority of the participants are not knowledgeable at all or only slightly so about the eThekweni informal economy policy. The participants lacked formal managerial skills for their jobs but often had also learned how to manage and run their business through experience. Through the responses, it was found that there was no or very little financial support that they get from government or the formal banking sector and that they would be willing to expand their business if they had more funding.

The chapter indicates that there is often poor communication between traders and the municipality. When traders lack information they are unable to make informed business decisions. The result has been lack of business growth and difficulties in surviving *let alone* achieving success.

Finally, it is clear that security stands out as a major concern. Many businesses suffer from inability to manage security themselves and do not always receive enough support from other sources.

The following chapter brings the study to a conclusion and offers relevant recommendations.

CHAPTER SEVEN: CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

The informal economy, being a vital part of the city's economy, is seen to add value to public places and to communities (eThekweni Municipality, 2015:1). The informal sector is the main source of job creation for the many individuals who are unable to earn a meaningful income otherwise (eThekweni Municipality, 2015:1). This final chapter provides conclusions based on both the primary and secondary data that were gathered for this study. The conclusions are based on a sample that was taken from the northern regions of eThekweni Municipality. The recommendations offered are based on the findings of this study.

7.2 Findings from the Study

This section summarises the major findings from the literature and primary research. The major findings will be linked to the findings of the literature review so as to outline the contrasts and correlations of the actual findings and the literature on the impact of eThekweni Municipality policies on informal traders. This helps in arriving at the conclusions of the study.

7.2.1 Findings from the Literature Review

These findings from the general literature were largely in line with those on the informal sector in the northern regions of eThekweni Municipality. These findings derived from the literature are summarised in relation to the research objectives of this study.

The informal trader is considered in most sources and in this thesis to be informal due to being unregistered or unrecorded in official statistics (World Bank, 2004). In addition, however, the informal trader mostly functions on a micro scale and with a minimal level of organisation although they are often part of various wider organizations such as business associations and cooperatives. Muller (2003:20) points out that employment within the informal business sector consists of different

activities not only in South Africa, but also globally. Devey *et al.* (2006a:3) add that the term informal trading is often used to depict the survival or subsistence activities of poverty stricken citizens. Muller (2003: 20) highlights that the activities of the informal trader include, but are not limited to, hawking, repairing of shoes, hairdressing, transport services and productive activities (for example manufacturing). All of these were, in varying degrees, found to be in existence in the study area for this thesis.

The informal sector in South Africa during apartheid was not tolerated and laws were enacted and often ruthlessly, even brutally, enforced which stifled its growth and eliminated any possibility of embarking on business activity within the law although some businesses operated illegally under conditions of vulnerability (Nel, 1999: 84). Clashes between street traders and law enforcers were very common during this era. This resulted in the formation of the African Council of Hawkers and Informal Businesses in 1986 (Bokasa *et al.*, 2014) in response to the harsh working conditions, restrictions and unfair treatment of the informal traders.

However, since the end of apartheid in 1994 the South African government has crafted policies which aim to promote sustainable growth of the economy as a whole, the informal sector included. Some of the policies that were launched include the Reconstruction and Development Programme and Growth, Employment and Redistribution Strategy (GEAR). According to Skinner GEAR policies, which were controversial, had an aim of creating jobs in the future, but South Africans needed to face some painful short-term cuts in government spending and provision of facilities (Skinner, 2000: 6). However, through this policy many people were made jobless and had to turn to the informal economy which thus experienced rapid growth. In order to promote job creation and growth, several policies were launched nationally which supported this growth of the informal economy. Some of the policies launched were the National Informal Business Upliftment Strategy (NIBUS) (DTI, 2014) and initiatives from the Kwazulu-Natal (KZN) provincial government which in 2010 enacted the Informal Economy Policy (2010). Some of the laws that were enacted by eThekweni Municipality were the Informal Trading By Law (2014) and eThekweni's Informal Economy Policy (IDP, 2015:220),

According to Mumba *et al.* (2010:9) insufficient finance is seen as a major challenge that hinders the growth of the informal sector and brings about their inability to take the opportunities that are available. Competition also stifles their businesses as more traders are given the space to sell the same products as them. This entails that their pricing has to decrease in order for them to get the customer to buy their products. Segal and Herington (2006:25) advise that new marketable products are needed to ensure the growth and sustainability of a trader. However, there is a strain or hostility between the informal traders as most of them are selling products that are similar to each other. There is unhealthy competition within the sector which is not conducive to business growth. The informal trader normally does not have the finance to buy different products that would expand the business (Mumba *et al.*, 2010:9).

Rwigema and Venter (2008:61) point out that because the transport system is a major challenge most of the informal traders find it very difficult to transport their goods from their living area, which they have to use for storage, to market place sites. Some transportation does not allow the informal trader to carry many bags or other containers onto the buses, minibuses or trains. Rwigema and Venter (2008:61) also highlight the lack of storage facilities as another challenge that is faced by the informal trader, which means that every day some informal traders must carry their unsold commodities back and forth. In some cases, this can be extremely time consuming and difficult as when distances are great and loads are often heavy.

The influx of foreigners who are also given a space to trade has negatively impacted the ability of the local traders to grow their businesses. This was also found in a study by Maldonado (2015) who pointed out that foreigners tend to dominate certain trades such as hair salons and vegetable trading. In some cases, they are dominant in certain areas within cities and make it hard for locals to penetrate as the foreign groupings are united in quite tight networks and they are able to provide on a mutual basis start-up capital for each other. They are also in some cases more resilient and slightly more educated than indigenous people thereby possibly having an advantage in those two respects.

The lack of clarity on policies is also seen as a challenge. Kahout *et al.* (2006:70) point out that the lack of a clear policy or terms of reference is also seen as a challenge, which ultimately leads to frustration between the local government and organisations of informal businesses.

Rwigema and Venter (2008:61) highlight the need for more security amongst the informal traders. They state that the areas are not only insecure from criminal activities, but from municipal authorities, who harass them, sometimes violently, and take away the products of the informal traders without any notification. This behaviour by the municipal authorities also threatens both the informal traders and their customers. If the environment is not secured, then customers are lost and tourists will be afraid to visit their areas. This in turn negatively impacts on the income of the informal trader especially those whose products, such as carvings, paintings and African style clothing are of a type likely to appeal to tourists.

The informal trader in starting a business not only contributes meaningfully to the informal economy, but they also have to somehow make provision for their families and perhaps create employment for those who cannot find jobs (Skinner, 2000:52). Hence, government support is imperative for the survival of informal traders who mostly operate and live in the poorer urban areas of cities such as KwaMashu in eThekweni where poverty and unemployment are prevalent (Skinner, 2000:52). Fundie *et al.* (2015:52) mentions that the perception of the informal traders is that the government does not do enough to help them and must do more to support them in future.

There are two major agencies that were created by government at national level, which are Small Enterprise Development Agency (SEDA) and Small Enterprise Finance Agency (SEFA). SEDA's main function is to implement government's small business strategy and integrate all government-funded agencies meant for small businesses. SEFA provides the financial support to the small businesses.

The support that is offered to SMMEs by government and other organisations through these agencies appear to have minimal impact as compared to the number of informal unregistered SMMEs which also includes street traders. SEDA and SEFA are meant to offer financial and expert support to SMMEs so that they can sustain themselves and have opportunities for growth.

7.2.2 Findings from the Primary Research

The aim of the fieldwork part of this study has been to investigate and reach conclusions about the effects of eThekweni municipality policies on informal traders in the Northern region of eThekweni and to make recommendations to the various stakeholders on ways by which to ensure the greater sustainability of informal traders. The literature highlighted that there are several effects that policies have on the informal sector, which can even be identified from an historical point of view as in the past the apartheid government was much less tolerant than it is now. Instead there is a context for business in which the modern democratic South Africa acts with more tolerance and actively supports the informal sector, even if in a limited way. The 1994 change in government and the enacting of new policies has had positive, neutral and negative effects on informal trading operations. The policy implications of the study, relating them to the findings of the study are summarised below.

Awareness of eThekweni's informal economy policy

The majority of the respondents who were interviewed highlighted that they were not aware of the informal sector policy. They also highlighted that there seemed to be little done to make them aware of the policy. Those who knew about the policy had heard about it through the newspapers or through other traders. It was also interesting to note that according to literature in the 1990s the city of Durban made a major policy change and established a section for street management and support and allocated resources to infrastructure development for traders, but traders are not aware of this major policy shift and do not see there to be an impact. This implied that there was a communication breakdown or lack of any communication at all between traders and the municipality.

The participants who were aware of the policy said it had no or little effect on their businesses. These findings can be linked to policy formulation which was highlighted in the literature by some authors such as Fundie *et al.* (2015:14) who noted that while the government provides a framework for the informal sector the traders are often not allowed access to or to influence this particular framework.

Registered business

There were very few informal businesses that were registered within the official bureaucratic framework. The reasons which were given by the traders were various with finance being the major reason that was given. The informal traders stated that they did not have the required money to register their businesses. The other reason which was pointed out by them was that their businesses were too small and had a low turnover, and therefore they saw no reason to register their businesses.

The municipality encouraged the informal traders to register their businesses in order for them to have advantages such as some level of stability, not having penalties to pay because of operating illegally and then being shut down. It was also interesting to note that various informal traders did not know the procedure of how to register their businesses and also they saw no need or benefit by being a registered trader.

Finance

Finance was highlighted as a major constraint in the operations of the informal traders. Lack of enough finance hindered them greatly from registering their businesses. This also impacted on the amount of stock they can buy and also limited the expansion of their businesses. On the cost side it was pointed out that the rentals and permits to operate were too costly for them which therefore resulted in adversely affecting their profits. Some traders operated only for limited periods such as 3 days per week but were required to pay rentals even for the days they did not trade despite the fact that their business activity would be very low during those days.

A number of traders highlighted that finance was affecting their growth and sometimes they are forced to reduce their stock as they would have failed to raise enough capital

from their sales. One of the problems was also the performance of the general economy as people now tend to have less spending money as compared to the years gone by when people used to spend more on their wares. This was a shared sentiment for many traders.

Competition

Competition is an important feature of economies such as South Africa's and as such is supported in principle. However, street traders have reservations about its merits. The street traders typically said there was high and increased competition in their areas of specialisation. This forced them to cut their prices and therefore their margins in order to make sales. This was a major challenge especially with traders who sell perishables such as meat, fruit and vegetables. Sometimes they would be forced to sell at a loss in order to recover some money from the sale of their goods. This would however, affect their next stock as they would not have the funds to be able to restock to the level that they were at previously. Competition was not beneficial to most traders as it directly eats into their profits and future operations. Some have been forced out of business or to change their trade in order to survive. Some larger companies have also joined in the competition with the informal traders. For example, some insurance companies employ informal workers to market their products in the streets and the supermarket chains are an important factor.

The informal trading which operates outside the formal economy is not thoroughly regulated. As such there is no monitoring of the goods that informal traders sell so that in some cases there would be repetition of the same product being sold at the same place or in different areas. This created unregulated competition which was not healthy to their operations. Lack of monitoring also resulted in people selling products and services that they should not be selling such as traditional medicines and pregnancy termination.

Transportation

Transportation is a major problem for informal traders. In most cases they are forced to use public transport such as taxis and buses as they cannot afford to acquire private vehicles for daily transport and more so to transport their goods. This transport challenge affected the amount of goods they could transport each time to the location where they operate. Limiting the quantity of their goods affected their daily turnover. This proved to be a major cost for those who did not have designated areas in which to operate, as they had to hire places to stock their goods overnight. Therefore, each time they had to watch the quantity they have in stock. The transport logistics also affected their operating hours as they had to work around the times when the public transport is running. Sometimes they were forced to cut their operating hours as they would want to catch their transport home or start late as they could not get transport from their homes. Transport negatively affects their ability to carry and transport sufficient stock. The respondents highlighted that transport is a major cost or input to be balanced against their daily sales.

Infrastructure

The operating environment for street traders is not conducive with the lack of basic infrastructure being a major challenge. If the infrastructure existed there was lack of maintenance. This can be shown in the figure 6.1 below which shows a blocked drainage system in one of the locations of the street traders. The street traders who were located in this place pointed out that they were exposed to flooding because of this difficulty.

The toilet facilities in business locations in most cases were not clean. The respondents further highlighted there was no access to clean water. This lack of clean toilets and water not only exposes them to diseases but also their customers. Water borne diseases such as cholera can easily become endemic in such a scenario.

Some respondents pointed out that they did not have shelter to store their goods thereby exposing the stock to heat and rain thereby causing damage. This has resulted in them at times incurring major losses. During rainy days they have low sales

because they have no access to their business locations and also customers would not come, so during a rainy day they may finish with zero income for the day or not trading at all. Weather dynamics is a big problem which they could not predict. Due to poor drainage in some areas where traders are located they are forced not to trade because of flooding, which is a common feature of the climate in that part of South Africa. One of these drains in the areas of this research is shown in figure 6.1 below.



Figure 7.1 A drainage system blocked with waste materials at Verulam Market

Location

The respondents pointed out that some of the locations of the stalls are not appropriate as they are not situated in busy areas but were in sites where there was low business activity. They also noted that most of the public transport does not stop at the market which therefore means there was low foot traffic. The informal traders depend heavily on such pedestrian passing traffic for business in order to make it possible for them to capitalise on impromptu spending by customers. The respondents also mentioned that the location of some of their stalls makes it difficult for elderly people to access them because they have insufficient mobility, for example being able to walk far. Another hindrance is that where the sheltered traders are forced to operate within the stipulated times which has led to lower sales. One of these areas is shown in figure 7.2 below. The trading hours are limited to Tuesday, Thursday and Saturday at Verulam Market, an area where there is a busy local economy to tap into.



Figure 7.2 Sheltered traders at Verulam Market, Northern eThekweni.

Poor government and other support

The policy and planning documents, such as Integrated Development Plans, show that the local government takes into account the informal economy in their planning. However, this was contrary to what is actually found to be perceived on the streets, as the street traders said there was really a lack of support from the government. There was lack of financial support so that the informal traders tended to use their personal savings or social grants they receive from government or borrow from other sources to finance their businesses. This hampered any opportunities for growth. It also limited the quantity of stock they could order. They also pointed to the fact (as they saw it) that there was no skills development training offered by government which also limited their growth. The lack of skills and finance were major barriers to their growth.

Political and legislative problems

The corruption of government officials and business people was mentioned by several respondents as a challenge which reduces the possibility of favourable impacts on traders. This made their operations difficult and costly. The corruption phenomenon has seen quite a number of unregistered informal traders having illegal permits. This means there was no incentive to have the business registered through the legal route.

According to the respondents the legislation on informal trading has not been well explained to them so they rely on their fellow traders to know the rules and regulations. Sometimes they only get to know the municipal bylaws at too late a stage when they are arrested and it is then explained to them. There was little or no accountability on the part of government officials.

Lack of skills

Although the lack of skills is said not to be a major barrier for small businesses as they can and do learn through experience, it is important when it comes to the vital elements of running a business, such as stock control, budgeting, marketing, relevant technical skills such as hair styling by which efficient and effective service to achieve customer satisfaction, and return/retention is ensured maximally. Most of these skills can be learned through training and they are also very vital for the growth and upkeep of the business. People may argue it is unnecessary due to their own ignorance or unawareness or because they have not reached the size where they have had to deploy business skills. One of the most important skills for sustainability and growth of a business is marketing, hence the suggestion to increase consumer awareness of the market and the need to advertise. But the lack of marketing skills or know-how is significant and perhaps a co-contributor to the problem.

7.3 Overall Conclusions

There is generally hostility in the relationship between the formal and informal traders. However, Mfaume and Leonard (2004:5) point out that the failure in the formal sector (particularly in small businesses) is what gives rise to the informal sector. There are still negative opinions of the informal trader even though there are many

improvements that have taken place such as being a source of crime and illegal activities. The licensing processes for an informal trader are complex, unmanageable and costly. Hence, there is no incentive for the informal trader to formalize his or her business. In addition, there is a lack of involvement during the development of some of the satellite markets, which means that the informal trader is placed in areas where there is not enough foot traffic to bring in the customers.. This ultimately negatively impacts on their business. Some of the stalls often remain empty because of lack of business at the location they are allocated to occupy (see, for example figure 7.3).



Figure 7.3 A less busy Phoenix market in eThekweni

There is also a challenge of inadequate communication between the law enforcers and the street traders. This has been cited as a problem as far back as the apartheid era. Although the communication barrier has somewhat improved since 1994 and the laws relaxed for the support of the informal economy, more still needs to be done.

Other challenges include, but are not limited to, transporting of their goods, lack of storage space, crime, harassment by municipal authorities, lack of shelter in times of severe weather and too many foreigners entering the sector. Literature has also revealed that globally informal traders have similar problems and challenges in operating in the market place (Rogerson, 2006:45)

7.4 Recommendations

This section provides recommendations to local government, provincial government, informal traders and other interested stakeholders on the ways to ensure the sustainability of informal traders. Listed below are specific recommendations based on the findings of the study.

7.4.1 Create an Awareness of the Municipality's Informal Economy Policy

The study has shown that there is lack of awareness of the municipal informal economy policy and strategies. The municipal authorities should do more to create an awareness and education of the informal economic policy and other initiatives for informal street traders. Educating informal traders is likely to lead traders to register their businesses which in turn will allow government to ensure that all traders are running a legal business. The raising of awareness can be done through municipal by-laws, media channels and municipal structures such as ward committees, community development workers and councillors.

7.4.2 Financial Assistance for the Informal Trader

The municipality should establish financial institutions and facilities to assist informal traders in borrowing money with lower interest repayments. The financial assistance should only be available to those traders who register their business. This financial assistance will enable informal traders to expand and make a significant amount of income to sustain their business and provide for their families. This in turn helps to decrease the amount of poverty that is prevalent in the area.

7.4.3 Provision of Better Infrastructure

One major challenge that informal traders face is infrastructure. There are too many informal traders in relation to the stalls and sites that are available to them to operate from. The local government can also take into consideration the number of traders that are found at any given time. When planning the stalls or sites to operate from the local government should take into consideration where there is high pedestrian traffic which creates more awareness on the part of customers. Some of the stalls are not fully utilised where they are; as traders understandably prefer locations where there is higher volumes of people at any given point in time.

There was also a lack of toilet facilities in some instances. This was posing a public health risk to not only the informal traders but also the general public as there was the possibility of serious outbreaks of diseases. There is a need to make available running water all the time in all existing toilets and near places where there is trading in fresh foods.

In areas where there was reasonable infrastructure there was a challenge of maintenance of the facilities. The infrastructure has been suffering from lack of maintenance for some time. The municipality should make provision in the budget for serving of the facilities and for general upkeep such as maintenance and cleaning.

It was also found that there is lack of, or seriously limited, storage facilities. This was a major cost to the informal traders as they ended up looking for alternative safe areas to keep their wares. There is a need to make provision for secure storage facilities around the areas where the traders operate. Secure storage facilities will also protect their goods from weather challenges mentioned earlier.

The infrastructure in which the informal trader operates is critical to their survival. The informal trader creates employment for others and themselves, hence government should provide proper infrastructure within which they can conduct their business. This ought to include better toilet facilities, provision of safe storage spaces, proper shelter to cope with any type of weather conditions, security from both the police (Metro and South African police services) and other municipal authorities. The

provision of better infrastructure would mean that the informal trader will be helped to become more able to not only sustain their businesses and their families but to also give them better opportunities to grow their business.

7.4.4 Advertising and sign posting

Participants have indicated that they cannot grow their business due to their locations being too far away from the main foot traffic. The municipality should insert a sign at traffic lights that lead to the informal traders hence making people aware of the informal trader's presence. These small businesses cannot do much advertising off their own bats. Other forms of advertising could be the local newspapers, school newsletters, debutante ball booklets and use of internet and social media. The more advertising that is done by the informal trader will eventually ensure that their business grows and provides further employment which will ultimately decreases poverty. Some traders are limited to very small business because of lack of opportunities. Lack of advertising results in limiting the traders to passer-by customers as is with the case with the trader shown in figure 7.4. Two traders from 2 different locations are shown in figure 7.4 and 7.5 below. The chicken trader takes up to a week to sell 25 live birds depending on the time of the month. If there was better marketing of their products, they could increase their sales and perhaps become bigger businesses.



Figure 7.4 An informal trader selling her products at Brookdale Market.



Figure 7.5 Informal trader at Verulam Selling live chickens

7.4.5 Security for the Informal Trader

The participants have indicated at various times as well as in this research that due to criminal activities in their areas, customers are afraid to come to their places of business. It is therefore recommended that in addition to ordinary policing, security firms should be hired in the area to ensure that crime is minimised. The presence of greater security will mean that more customers will come and support the informal trader which in turn assists government to decrease poverty.

7.4.6 Skills Development

The government policy is to see the informal economy contributing significantly towards the GDP of the country and creating more employment. In order to achieve this, goal the informal economy should also grow either by expansion of the current informal economy in the formal economy or by creating more opportunities. However, lack of prerequisite skills such as how to run a business is lacking in the informal economy. Therefore, it is recommended that the government should make provision for more skills training for the players in the informal economy where there is a major skills gap as compared to the formal economy.

7.4.7 Financial Assistance from the Government

Informal traders depend on their personal savings, social grants from the government and borrowing from friends and relatives for restocking and expansion of their business. There is minimal government financial support. It is therefore, recommended that the government should create facilities for the informal traders to borrow money just like the formal economy does. If skills are coupled with financial support, there will be more room for expansion and growth in the informal economy.

7.4.8 Improvement of the Market

There is a high level of proliferation of illegal traders who are not registered. The government should ensure that they eradicate or reduce the number of unregistered traders. This can be done through encouraging those that are not registered to register by reducing the fees and making it easier to register. The paperwork and the fees were discouraging them to register. There was also no incentive to register. Therefore, the local government should provide some form of incentive to register. The central

government or local government needs to ensure that they create a more secure corruption proof system that cannot be tampered with to prevent people getting licences even if they are not registered.

The rentals of the stalls need to be reduced as they were seen to be scaring away some of the street traders as they could not afford them. The municipality can carry out research on the average turnover of the street traders based on location so that they determine an optimal rent. Some of the stalls built by government were found to be empty due to lack of consultation by the government as shown in fig 6.6 below. The traders find that there is almost no business at the stalls and opt to remain in the streets.



Figure 7.6 A spiritual healer offering service at Verulam Market with empty stalls.

7.4.8 Communication

One of the major barriers faced by participants in the informal economy was lack of correct information about processes to be followed or to give advice. The municipality was not communicating well with the street traders such that they ended up depending

on the grapevine which obviously cannot be a reliable source. This gap was found in this study where most of the respondents said they did not know anything about the informal economy policy and those who knew about it only heard it from their fellow traders. It is recommended that the municipality should involve the street traders in their decision making. It should strive by all means to involve their leaders when coming up with legislation, location of stalls and other major decisions that affect them.

7.4.9 Recommendations to the Informal Traders

It is important that traders take action to deal with some of the problems. The government can make provision for and facilities available but there is bound to be a limit to how much it can do so it is up to the end user to utilise them, in this case the participants in the informal economy. What follows below are some suggestions which it might be helpful to convey to participants in the informal sector. It is therefore recommended that the informal traders should be given the following advice:

- Be familiar with and follow the bylaws of the municipality;
- Study and understand all the relevant informal economy policies;
- Register their businesses;
- Attend relevant meetings that are called by the municipality;
- Develop their business management, marketing, finance and other skills related to their form of business; It may be possible for them to obtain formal qualifications in some cases;
- Pool their resources together and buy in bulk and diversify the products they have for sale;
- Monitor and check what is being traded by others to avoid duplication and dysfunctional competition where possible;
- Improve operations and service delivery;
- Endeavour to grow their businesses from survival mode to sustainability;
- Follow proper channels to air their grievances, which can be through their business related leaders and local councillors.
- Take advantage of any financial assistance that may be made available.

7.5 Policy Recommendations

7.5.1 NDP

The NDP supposedly lays the foundation for the development trajectory of South Africa up to 2030 and beyond. It calls for action in a number of areas which are highlighted in this section as priorities. However, as with much planning implementation is a serious challenge to the capacity of the municipality.

The plan first of all highlights the major challenges that the economy of the country is facing. It noted some achievements that have been attained since 1994. Some of the major challenges pointed out were inequality, poverty and high unemployment levels. In order to address this, it proffers a solution of inclusive growth. Small enterprises are identified as one source of growth of economy. It noted that the regulatory environment needs to be reviewed in order to reduce red tape (unnecessary bureaucratic processes). Despite this being pointed out, there remains to be a very high percentage of unregistered SMMEs as was pointed out in this study. The challenges that were pointed out that are faced by SMMEs still exist up to the time when the study was carried out. These challenges include lack of skills, lack of finance and too many regulations.

7.5.2 The eThekweni IDP: Recommendations

Informal economy issues are covered in plan 2 of the IDP which highlights that “street trading is a demanding task involving demarcation of trading areas, issuing of permits, organising traders into area committees that feed into a citywide forum, and on-going collection of rentals.” It points to the complexity of the management of street vending in the municipality and directs most of the management to the Durban’s Informal Policy. However, the IDP is meant to direct the operations, budgeting and prioritisation of the municipality for a certain period to achieve certain goals whilst being guided by the municipal, provincial and national policies and strategies. The IDP should have laid out a more workable plan on how street trading is going to be managed. This is a priority need.

This study has shown that there is an information gap between the municipality and the informal traders. The informal traders are not well informed about the policies and strategies of the municipalities. This was highlighted earlier on, when street traders embarked on demonstrations opposing new bylaws.

The IDP lists one of the key performance indicators as “Managing the Informal Economy” by providing an enabling platform for the local informal sector by implementing a set of operational and management initiatives as outlined in the SDBIP for 2017/2018” (EM 2018:315). The five-year target to be achieved by 2022 is to have “a competitive informal economy with improved product quality and bigger market” (EM 2018:315). It is not clear how the informal economy competitiveness is going to be measured. Therefore the target is vague and needs to be clarified.

Although the IDP has made some positive strides towards managing and catering for the informal traders, there is still room for incorporating the concerns raised by the informal traders themselves as reflected, for example, in this thesis.

7.5.3 SEFA and SEDA Recommendations

The support that is offered by government, channelled through such agencies as SEDA and SEFA, is still very minimal and inadequate as related to the number of SMMEs in the country. It was reported that there were more than 1.4 million of informal unregistered SMMEs in South Africa as compared to only 54 thousand that SEDA managed to reach in 2018 reporting year. The government agencies are over whelmed by the size of the informal economy. Therefore, this might be the reason why most of the informal traders are not aware of any government interventions. In its 2017/18 SEFA report it highlighted that R1,3 billion was disbursed into the economy of South Africa to support SMME. In terms of percentage 32% went to women owned enterprises and only 15% supported youth owned enterprises (SEFA, 2018:8). These percentages were way below the demographic distribution of South Africa. The majority of South Africans are youth and this is a more marginalised age group together with women. In the future support by SEFA is therefore recommended that it may be revised such that it encompass more women and youth. The report also highlighted that SEFA support contributed to the creation of 54 thousand jobs. However, the report

did not specify if the jobs were all new jobs or it supported existing jobs. It is recommended that the government or other funders should increase the funding to the agencies that target the informal economy so that they can be able to reach to majority of the participants in the informal economy and in the end achieve the government goals. The agencies can also revise their funding models they use in order to reach more enterprises.

The study concludes that although the informal economy is seen to be consisting of a single “undifferentiated” group of workers, this is not the case as it has a very complex pyramid system. A large percentage (90%) of employers are male whereas the least paid are women and are at risk of poverty. The salaries were gender based as male and females doing the same job were paid differently. The bottom of the pyramid, which has the least paid and poverty risk group, consisted of largely women. Given this profile that was reported it is recommended that agencies such as SEFA and SEDA instead of mainly focusing on funding the small businesses they can also create special funds targeted at remunerating women in informal business. The other option would be to offer tax relief or assistance for businesses which are not underpaying female employees.

7.5.4 Small Business Development Department Recommendations

The department of small business development (DSBD) of small business development is the leader in policy formulation targeted at informal business. The recently held job summit highlighted the need to increase “township and informal settlement enterprise support”. However, there was lack of specific details of how this was going to be done. The policymakers in order to support jobs in the “township economy” need to understand the structure of the informal economy, the different characteristics of the workers who comprise it and, importantly, which risks they face in their day to day operations. Given the largely untapped informal business in South Africa and the potential it has to grow the economy and reduction of unemployment, there is need to have had more time to spend on discussing the specifics of how this is done. This can be broken down to large townships where there is potential of growth such as Umlazi, KwaMashu and Soweto. These townships although they have similar histories, all have different characteristics which can easily be identified by local

committees. For example, Soweto has a number of tourist attractions which can be maximised for the greater benefit of the informal economies in the township. These local committees can help to spearhead growth emanating from these townships. The DSBD needs to develop strategies on how to empower the vulnerable people in the bottom pyramid of the informal economy which mainly consists of women. These people are least paid and are at risk of poverty. Some of the strategies highlighted in the above section can also be employed by the department.

7.5.5 General Recommendations

The informal economy is major contributor to the GDP of South Africa. Various departments of the government can also take advantage of the informal economy to encourage growth. As an example as was pointed out in the study by Niselow (2019b) department of social service instead of using existing big formal organisations such as Shoprite and Checkers to make payments of social grants they can use 'spaza' shops which are located in the townships to distribute the payments. The Gauteng Premier David Makhura in his state of the province address in 2014 said the provincial administration was spending R600 million buying goods and services from township businesses, and that this has increased to more than R22-billion in the last five years (Niselow, 2019a:1). This can spearhead growth of township business; however, a study needs to be carried out to find how far this has been effective in inducing informal business growth in various urban places in South Africa..

7.6 Areas for Further Research

It is suggested that a study should be undertaken with customers who are situated close to the informal traders to investigate whether and to what extent they support the traders in this area. This study will give government the opportunity to see what level of support is given and if the informal trader is not supported then reasons could be asked as to why there is such a deficiency. The findings can assist government bodies to make more informed decisions regarding the way forward for the informal traders in this area by, for example helping to determine whether the informal trader must be moved closer to a shopping mall or a particular road or whether more advertising needs to be done at their current location.

One major weakness of informal trading is lack of funding for current operations and future expansion. The government has availed some funding opportunities but the majority of the informal traders are failing to access the finance. There is need to carry out studies on the funding models that can be followed by government that can help the traders to grow with possibility of being incorporated into formal economy. Studies can be done on countries which have a large number of small businesses such as China, Kenya and Thailand with a possibility of finding if similar models can be followed in South Africa.

South Africa, being one of the largest economies in Africa, attracts significant number of immigrants from the continent searching for better opportunities. However, several of these immigrants may fail to get formal employment and end up being in the informal economy. Therefore, there is a need to carry out studies on the impact of immigrants on the informal economy. The study can evaluate where there have been benefits or strains on the local economy.

The Small Enterprise Development Agency (Seda) is an agency of the Department of Small Business Development (DSBD) which provides non-financial support to small enterprises and cooperatives. The efforts being made so far, whilst commendable fall short of what is required. The effectiveness of SEDA in local communities is limited. Research needs to be carried out to find out how development agencies which target small businesses can be made more effective for street traders.

The *stokvel* system needs more research from a business management perspective. It is an informal way of raising capital or goods at community level and helping small business. It has a long tradition in South Africa as a popular source of finance. However, much depends on the honesty of members because of the *stokvels* informal status. A number of small businesses have been helped through such institutions to obtain start-up capital and also providing finances when they are struggling. In most cases the groups of people who forms a *stokvel* normally are in the same kind of business. The group members contribute a monthly premium which goes into a large pool and is distributed among the group members at the end of the year in form of goods or money (a kind of dividend). During the course of the year the group members

are allowed to borrow from the pool at a certain rate of interest. determined by the group. Informal traders that are part of the group have managed to finance their businesses through the loans they get from this pool. This is an alternative to members trying to borrow from commercial banks. In some cases, the *stokvel* may be able to open an account in its own name if it fulfils certain requirements such as having a constitution. This gives members indirect access to the formal banking sector which would not be open to them otherwise. However, a further study needs to be carried out on how effective the *stokvels* may have been in financing small businesses and providing start-up capital. For example, how do they cope with risks such as that of members not servicing their loans or ensuring the accountability of office holders?

An important issue which also emerged from this research is the gender factor. More work might be done on the particular gendered issues that may be obstacles in the way of women trying to forge a future for themselves in small business. This is important because of their large numbers within the informal sector as a whole.. For example, exploration of ways in which women are discriminated against could enrich understanding of small business.

There are other issues related to the question of sustainability which, although raised as concerns in the thesis, were not discussed in their entirety. There are also some issues which appear to be relevant but are barely found in the literature on small business. Although the research did not deal with them here are three such issues worth looking at further.

One is the fact that some types of business of the informal sector are illegal for various reasons apart from non-registration.. Some illegal businesses such as 'shebeens' are often tolerated while others such as selling certain drugs which are considered more dangerous than alcohol are not. However, they are informal businesses albeit of a special kind. They can be researched notwithstanding some of the methodology issues which will present difficulty. Studies of sex work are examples of this but the work of Trotter is an interesting exception; much of his research was on the eThekwin case (Trotter 2008). The fact that a business is illegal should not in itself make it impossible to research.

The second area for possible research also concerns legality. As these are small businesses which often have a solitary owner, the question that arises is the consequences of the death or other type of departure of the owner. As matters stand, such businesses cannot be passed on to someone else, especially when in the case of death of the owner, there is the likelihood that there is no will to enable the business to be inherited by a clearly identifiable heir. This is another area where some interesting research might be done.

The third area concerns the recent impact of the large supermarket chains opening for business in townships on small traders. Much of this was happening during the data collection period. For several types of retail business this form of competition may be very harmful to the types of business covered by this research.

7.7 Conclusion

This study has revealed in some detail the challenges facing informal traders in eThekweni. The findings have established that informal traders face many challenges which include inter alia the shortage of finance, lack of storage space and lack of awareness of the informal economy policy. The above mentioned challenges lead to inadequate business operations which ultimately can lead to the business being unable to grow and to maintain its sustainability. A number of recommendations have been made. Informal traders should be educated to become aware of informal policies to ensure that their business activities are managed appropriately. To support growth and the acquisition of knowledge, business management training will also enable informal traders to obtain skills that will empower them to improve their decision-making.

Finally, municipal authorities as well as other key players in other spheres of government and elsewhere, including policy makers, should take note that if the informal trader is successful as a result of an improved policy impact, then poverty will decrease as individuals will then create their own employment and ultimately enable employment opportunities for others if and when the business grows.

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APPENDICES

Appendix A: Letter to Participant

Dear Participant,

You are kindly requested to complete a consent designed for a research study on the impact of eThekweni Municipality Informal Economy Policies on Informal Traders in the Northern Regions of eThekweni. The research is a requirement for the fulfillment of my Doctorate in Management Science at Durban University of Technology which I am currently registered at.

Please be assured that the information provided is for academic purposes only and all responses will be treated “strictly confidential”. Your responses will remain completely anonymous and no name is required in the attached questionnaire. Feedback will be made available should you require it. Kindly answer all questions, as the quality and validity of the outcome will depend on your answers.

Your assistance will be much appreciated.

You may also contact the Research Office through:

Reuben Manele

Research Office

reubensm@dut.ac.za

Thank you for your contribution to this research.

Appendix B: Consent Form from Participant

DECLARATION

I..... **(full names of participant)** hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the research at any time, should I so desire.

SIGNATURE OF PARTICIPANT

DATE

.....

Appendix C: Interview Schedule

Interview No:

Gender

.....

1. Age

.....

2. Race

.....

3. What type of goods or services do you trade in?

.....

4. How long have you been trading in this area?

	Less than 1 year
	1-2 years
	6-10 years
	11-15 years
	Over 15 years

5. Have you registered your business and why? If so why – if not why not?

.....
.....
.....

Are you aware of the eThekweni municipality's informal economy policies?

.....
.....

6. How would you rate your knowledge?

	Nil
	Low
	Medium
	High
	Very High

7. If yes to above question, where did you hear about them?

	Radio
	Newspapers
	Internet
	Word by mouth
	Social Media
	Municipal Offices

8. If you are aware of the policy - How has the policy affected your trading? How have policies affected your trading?

.....
.....
.....

12. How does finance affect your business?

.....
.....
.....

13. Does a lack of skills affect your business? If yes, how?.....

.....
.....

14. How does competition affect your business?

.....
.....
.....

15. How does transportation affect your business?

.....
.....
.....

16. What other challenges affect your business?

.....
.....
.....

17. How have any of the challenges that you highlighted impacted on your business?

.....
.....
.....

18. What type of support do you receive from the government, financial institutions or other bodies such as NGOs?

.....
.....
.....

19. Can you suggest ways to improve your business?

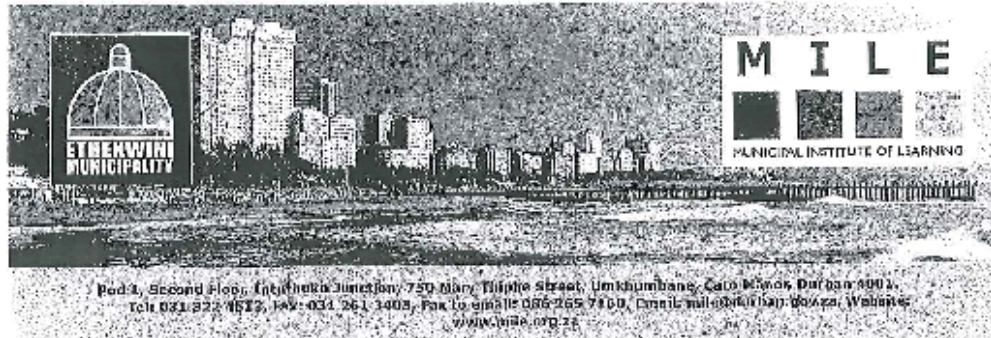
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.....

20. Do you have any other comments?

.....
.....
.....

Thank you for your participation in this study

Appendix D: Gatekeeper Letter



For attention:
Chair of Ethics Committee
Faculty of Management Sciences
Durban University of Technology
4000

11 August 2016


RE: LETTER OF SUPPORT TO T. RAMSURAJ, STUDENT NUMBER 21619464 - GRANTING PERMISSION TO USE
eTHEKWEINI MUNICIPALITY AS A CASE STUDY

The Head: Business Support, Markets and Durban Tourism as well as the Head: eThekweni Municipal Academy has considered your request to use eThekweni Municipality as a research study site entitled "The Impact of eThekweni Municipality Policies on Informal Traders: A Case Study of the Northern Regions of eThekweni" leading to the awarding of a doctoral degree (Management Sciences) at Durban University of Technology.

We wish to inform you of the acceptance of the request and hereby assure the student of our utmost cooperation towards achieving her research goals; the outcome which we believe will help our municipality in the long run.

In return, we stipulate as conditional that you inform the MILE Office (031 322 4513) on completion of this study so that arrangements can be made to present the results and recommendations of this study to the Business Support, Markets and Durban Tourism Unit.

Mr O.Nzama
Dep. Head: Business Support Unit
eThekweni Municipality


eThekweni Municipal Academy
eThekweni Municipality

