

Opportunities and constraints facing informal street traders: Evidence from four South African cities

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Abstract

A small income and the limited ability of the government and the formal business sector to provide sufficient employment opportunities to people in the economically active age categories are two of the main reasons for informal trading in South African cities. As a result, the informal street trading sector plays an important role in providing a security net for millions of the unemployed in the South African economy. However, informal street trading is not without problems. The aim of this article is to report on some of the opportunities and constraints faced by informal street traders in the central business districts (CBDs) of the four main metropolitan areas of South Africa.

GELEENTHEDE EN BEPERKINGS VIR INFORMELE STRAATHANDELAARS: GETUIENIS UIT VIER SUID-AFRIKAANSE STEDE

'n Klein inkomste en die beperkte vermoë van die regering en die formele ekonomiese sektor om voldoende werkseleenthede te skep vir mense in die ekonomiese aktiewe kategorie van die land se bevolking is twee van die hooforsake vir die bestaan van die informele ekonomiese sektor in Suid-Afrikaanse stede. Gevolglik voorsien die sektor van informele straathandel 'n sekuriteitsnet aan baie mense wat andersins werkloos sou wees. Hoewel dit werk aan miljoene mense verskaf is informele straathandel nie sonder probleme nie. Die doel van hierdie artikel is om verslag te doen oor die geleentheid en beperkings wat deur informele straathandelaars in die sentrale sakekerne (SSKs) van die vier groot metropolitaanse gebiede van Suid-Afrika ondervind word.

MENYETLA LE DITHIBELO TSE TJAMELANENG LE BAHWEBI BA MEBILENG: BOPAKI HO TSWA METSEMEHOLO E MENE YA AFRIKA BORWA

Tjhelete e nyenyane e kenang le bokgoni bo filhaelang ba mmuso le ba kgwebo e molaong ho fana ka menyetla e lekaneng ya mosebetsi ho batho sehlopheng sa ba dilemong tsa ho ka sebeta ho tsa moruo ho na le mabaka a mabedi a maholo a bahwebi ba seng molaong metsemeholo ya Afrika Borwa. Ka baka leo, lefapha la bahwebi ba mebileng ba seng molaong le entse mosebetsi wa bohlokwa ka ho fana ka tshireletso ho dimilijone tsa batho ba sa sebeta seng moruong wa Afrika Borwa. Le ha ho le jwalo, kgwebo ya mebileng ha ho bolele hore ha e na mathata. Sepheopheo sa ditaba tsena ke ho etswa pehelo ka menyetla e meng le dithibelo tse tjameletseng bahwebi ba mebileng ba seng molaong ka hara di tsi tsa dibaka tsa metsemeholo ya Afrika Borwa.

1. INTRODUCTION

There are considerable debates about how to define informal employment or the informal economy. Without a clear definition it is difficult to determine the range of activities in the informal economy and to devise appropriate measures to control it (Dewar, 2005: 1; Ligthelm & Masuku, 2003: 3; Skinner, 2008b: 228). Informal employment has been described as a precarious employment environment. Informal employees are those who do not have a written contract of employment, are not registered for income tax or value-added tax, and do not receive basic benefits such as pensions or medical aid contributions from their employers (Statistics South Africa, 2011: XVII). As is evident from the aforementioned definition, the informal economy includes a variety of different types of employment. However, in this article and in the literature review reference to the informal sector, informal economy, informal business and informal trader refers only to people who conduct informal street trading on a small scale, mostly from street pavements, and who as a group

offer a large variety of products and basic services to prospective clients.

Informal trading has long been a controversial issue. According to Dewar (2005: 2), some view it as "a symptom of developmental backwardness – a problem that needs to be resolved, [while others regard it as a] positive dynamic which enables large numbers of people to gain a foothold in the urban economy". In many developing countries and throughout most of Africa the informal economy contributes significantly to the provision of employment of people (Fleetwood, 2009: 23; Neves, 2010: 2). During the years of apartheid, anti-street-trading measures such as the payment of excessive fines and confiscation of goods were employed to prevent street trading in the cities of South Africa (Skinner, 2008b: 231). Since then street-trading has become a common occurrence in South African cities, but by-laws have been put in place to regulate it. In terms of the by-laws, informal street trading is restricted to certain areas while it is prohibited in others (Rogerson, 1996: 168; Skinner, 1999: 19; Skinner, 2008b: 236). The post-apartheid government instituted key measures for the deregulation of business activities and the removal of barriers to the operation of informal activities (Skinner, 2008b: 236). Deregulation continues, although the focus has shifted slightly towards critical economic development – creating jobs and income for the poor and improving the management of informal economic activities through registration, site allocation, operating charges and by-laws (Skinner, 2008b: 236).

South Africa's high unemployment rate remains one of the government's most crucial challenges (Fleetwood, 2009: 34). The number of informal traders has increased markedly since the demise of apartheid (Skinner, 2008b: 229). The informal sector contributes significantly to the South African economy, because it is estimated that approximately 2.2 million people were employed in the informal sector in 2010 (Quantec Research, 2011). An estimated 46,000

additional people entered the sector in the first quarter of 2011. Yet, 25% of the nation's workforce remains unemployed (Statistics South Africa, 2011: VI).

Despite the government's change in attitude towards the informal sector and the attention it has received from researchers over the years it still faces significant challenges. The rationale for this study is that it would be advantageous for both policymakers and researchers to determine the primary issues facing those trying to enter informal trading in order to adapt policies to better suit the requirements of the informal street traders (Cichello, 2005: 32). This article highlights some of the main opportunities and constraints that were identified in a study of informal street traders in the central business districts (CBDs) of South Africa's four major metropolitan areas. It starts with a literature review of opportunities and constraints facing informal street traders, followed by a brief description of the methodology. Thereafter an exposition and discussion of the findings are provided, ending with a number of conclusions.

2. INFORMAL STREET TRADE IN CONTEXT: EVIDENCE FROM THE LITERATURE

Because the informal business sector has been studied by governments, development agencies and academic institutions for many decades an enormous body of research has developed on the topic over the years. A selection of literature, focusing specifically on informal street traders, was consulted to highlight the most obvious opportunities afforded to informal street traders and the main constraints they face.

2.1 Opportunities offered by informal street trade

The primary market of the informal sector lies in the provision of basic consumer goods and services to people in the low-income categories (Akharuzzaman & Deguchi, 2010: 48; Bhowmik, 2005: 2256; Companion, 2010; Tambunan, 2009: 41). Middleton (2003: 94-95) argues that as the purchasing power of the lower income classes declines, they tend to purchase lower quality goods at lower prices from street traders. Offerings in the informal trading, therefore, tend to be flexible, relative to its larger competitors, because it has to be able to rapidly adapt to changing market conditions (Tambunan, 2009:

41). Collectively, informal trade tends to contribute significantly to the Gross Domestic Product (GDP) of developing countries (Bhowmik, 2005: 2258; Canagarajah & Sethuraman, 2001: 8; Hunter & Skinner, 2003: 309; Kusakabe, 2010: 120; Onyenechere, 2009: 86; Skinner 2008a: 12; Skinner, 2008b: 230; Soetan, 1997: 42).

Informal street traders also rely on opportunities of collective bargaining. Cases exist where informal street traders used collective action (Skinner, 2008b: 239) and tax evasion (Cohen, 2010: 279; Skinner, 2008a: 27) as bargaining tools – if taxes were to be paid guaranteed services were demanded from the government. “[Joint] action is one of the few routes to secure gains for traders, since individually they are weak in the face of large [private sector] bureaucracies” (Skinner, 2008b: 239). Bhowmik (2005: 2257) calls this process of collective action, ‘unionisation’ among street traders. In Bangladesh trade union action was used to legalise street vending.

Many informal street-trading businesses are started with loans from social networks – friends and family – which emphasises the lack of formal financing (Canagarajah & Sethuraman, 2001: 2; Cichello, 2005: 23). Trading informally on the streets can function as a survival or coping strategy for the poor to avoid starvation by generating limited income (Fonchingong, 2005: 249; Kusakabe, 2010: 125-126; Tambunan, 2009: 40). Income accrued is used to supplement family income; expand businesses; make remittances to family; clothe, feed and educate children, and save money in informal rotating savings and credit associations (ROSCAs) (Akinboade, 2005: 263; Neves, 2010: 17; Skinner, 2008a: 25; Soetan, 1997: 43; Tambunan, 2009: 40). In Fonchingong (2005: 247-248), women save their money in a ‘Njangi’, which is similar to ROSCAs. The money can also be used for various activities, but the ‘Njangi’ prefers that strict savings be made for the informal business ventures of the members.

Informal street vendors also provide informal training or apprenticeships to people who would otherwise have remained unemployed or might have engaged in criminal activities. By starting informal trade operations and saving small amounts of money, informal traders take risks which enhance the entrepreneurial abilities of the

poor (Neves, 2010: 3; Soetan, 1997: 43; Tambunan, 2009: 40). Informal street trading can enhance the confidence levels of street vendors, because they feel a sense of economic independence by being able to take care of their family by earning small incomes (Kusakabe, 2010: 127). The entrepreneurial abilities of informal street traders are well demonstrated by one informal trader in Kusakabe (2010: 127) who indicated: “It is [dignifying]. I can earn money by myself. No one will look down upon [me]. [I am] independent. I am my own boss. I have money to pay for my house rent and to spend each day”.

2.2 Constraints on informal street trading

Generally, informal street traders face four common constraints: economic pressures; sociocultural challenges; adverse political conditions and policies; and operational challenges (Tambunan, 2009: 46).

‘Economic barriers’ are the primary hindrances people face to successfully enter informal street trading. Many people have no alternative but to enter informal street vending because they cannot find employment in the formal sector, or they earn insufficient income elsewhere, or they have large households to sustain, or a combination of the above (Akinboade, 2005: 257; Cohen, 2010: 279; Fleetwood, 2009: 23; Fonchingong, 2005: 243; Madichie & Nkamnebe, 2010: 305; Onyenechere, 2009: 85; Skinner, 2006: 130). Finding start-up money through savings or loans is especially problematic for the poor (Lighthelm & Masuku, 2003: 37; Madichie & Nkamnebe, 2010: 307). Ownership rights are required as collateral for bank loans. If informal street vendors cannot provide collateral, they cannot obtain access to formal credit from banks for example. Consequently, they have to find alternative ways to obtain money to start their informal businesses (Cichello, 2005: 19; Fonchingong, 2005: 247; Kusakabe, 2010: 128-129; Soetan, 1997: 44; Tambunan, 2009: 48). Alternative financing occurs through savings or loans from informal sources, including family or moneylenders. High interest rates are typically charged on such loans which the informal traders battle to repay thereby increasing their debt, often disastrously (Fonchingong, 2005: 247; Hansenne 1991: 28-29; Tambunan, 2009: 48).

Competition and jealousy among street traders frequently jeopardise their ability to work collectively and ultimately influence their ability to increase or maintain their income levels (Companion, 2010: 176; Ligthelm & Masuku, 2003: 50). Lower demand by consumers, limited product differentiation and more competition from new traders can lead to an overall drop in consumer demand resulting in varying and lower profits (Cohen, 2010: 281; Companion, 2010: 176; Onyenechere, 2009: 87). This can further limit the buying power of informal traders, which can influence the decisions of suppliers about giving discounts or not (Canagarajah & Sethuraman, 2001: 70; Kusakabe, 2010: 128; Ngiba, Dickinson, Whittaker & Beswick, 2009: 471). However, street traders in Indonesia indicated that higher levels of competition in the market resulted in more competitive pricing and a higher quality in their produce (Suryadarma, Poesoro, Akhmadi, Budiayati, Rosfadhila & Suryahadi, 2010: 81-82).

To eliminate competition and ensure repeat clientele, traders sometimes provide small loans to their customers that are never repaid or they sell products at lower prices. Ultimately, the traders incur losses (Companion, 2010: 174; Neves, 2010: 10). Other mechanisms that are used to decrease competition in Indonesia and Cambodia include consumer-friendly policies (such as being polite), providing quality products, having effective price control and having the willingness to sell more or different types of goods (Kusakabe, 2010: 130; Suryadarma *et al.*, 2010: 82).

'Sociocultural constraints' are disproportionately faced by women who experience gender-specific barriers to informal street trading (Akharuzzaman & Deguchi, 2010: 47; Akinboade, 2005: 257; Bhowmik, 2005: 226; Fleetwood, 2009: 1; Fonchingong, 2005: 247; Onyenechere, 2009: 86). Informal traders, especially women, are often excluded from the labour market, resources, income, education, decision-making, social services and -networks (Companion, 2010: 167; Fonchingong, 2005: 245; Ligthelm & Masuku, 2003: 21; Madichie & Nkamnebe, 2010: 305; Soetan, 1997: 43).

Lack of technical, business and entrepreneurial skills deter informal street vendors from effectively conveying the opportunities of their informal businesses to financiers (Cichello, 2005: 26; Soetan, 1997: 44). The lack of proper social

and market knowledge is also often an inhibiting factor to informal street traders, because they often teach themselves how to do their jobs, or they learn from someone else who is unqualified (Companion, 2010: 87). However, the quality of training depends on the expertise of the instructor and his or her ability to communicate the knowledge effectively without exploiting the trainee (Hansenne, 1991: 29-30). The street traders in Quito, Ecuador, indicated that improving skills allow them to take advantage of employment opportunities offered by the expansion of tourism in the country and assist them in expanding their informal street-trading businesses by setting up micro-enterprises (Middleton, 2003: 97).

'Political conditions and policies' often present difficulties to informal traders. Skinner (1999: 17) reported that South African policies tend to restrict informal trading operations rather than facilitating them, especially during the years of apartheid. The absence of appropriate policies (in the past and currently) can cause an escalation of taxation rates, increase income vulnerability, limit trading participation, constrain responses to expansion, and distort incentive structures (Canagarajah & Sethuraman, 2001: 5; Onyenechere, 2009: 97; Skinner, 1999: 17). The absence of vital infrastructure such as good access roads, efficient and affordable public transport and accommodation, schools, hospitals, banks and post offices (Akinboade, 2005: 261; Canagarajah & Sethuraman, 2001: 25; Hunter & Skinner, 2003: 310; Ligthelm & Masuku, 2003: 58), and essential services comprising electricity, water, telephones, ablution and health facilities (Madichie & Nkamnebe, 2010: 310; Onyenechere, 2009: 99; Skinner, 2006: 136-137) severely limits the ability of informal street traders to do their work properly.

Wars and civil conflicts can initiate forced migration to areas of safety. Many foreign refugees have no alternative but to start street trading in order to survive (Akinboade, 2005: 260-261; Hunter & Skinner, 2003: 308). However, foreigners face additional barriers to participating in street trading because government policies are designed to first protect the interests of their own communities (Hansenne, 1991: 36): a lack of recognition of their input as economic role players; absence of work permits or identification documents; lack of rights to trading sites, and threats

of deportation (Hunter & Skinner, 2003: 310; Skinner, 2008b: 230).

Madichie & Nkamnebe (2010: 310) concluded that deprived 'operating conditions' resulting from policy failures could deter informal traders from accessing informal trading. According to Hansenne (1991: 6), informal traders operate on the fringes of the law. They are often associated with criminal activities and are consequently subjected to harassment. Informal traders face major difficulties such as fear of violence, crime, theft of stock and (Cichello, 2005: 20; Ligthelm & Masuku, 2003: 58; Neves, 2010: 14; Skinner, 2006: 141-142). Foreigners have the added fear of xenophobic attacks (Hunter & Skinner, 2003: 311; Skinner, 2008b: 230).

In addition, street traders are inundated with permit fees to operate in demarcated areas (Neves, 2010: 14; Skinner, 1999: 22). Suppliers also have power over informal traders by not providing discounts because the street traders purchase products in small quantities. Higher purchase prices and limited product differentiation increase competition, especially for perishable commodities sold for lower prices to avoid loss through spoilage (Akinboade, 2005: 264; Kusakabe, 2010: 128; Ngiba *et al.*, 2009: 472). Acquisition and security of storage facilities are often a predicament for informal traders who live far from their business sites or stalls. Some transport their goods in taxis or trolleys, while others pay fees to store their products and goods in storage facilities (Kusakabe, 2010: 128; Ngiba *et al.*, 2009: 468; Skinner, 2008b: 235).

Canagarajah & Sethuraman (2001: 14) summarise the constraints of informal trading well by stating that

informality compounded by market imperfection, renders [the activities of the informal street traders] less viable and more vulnerable. Their ability to compete in the market is diminished, especially against some products and services of the formal sector, which tends to enjoy favoured treatment in the policy framework. They are unable to minimise the cost, nor are they able to diversify their output. They have few incentives to accumulate capital, acquire skills, and improve technology.

Through the mobilisation of a community's talents as entrepreneurs and their capacity for capital generation, informal street trading can function as

an important sector. It can promote survival and poverty reduction among impoverished urban communities by creating employment and savings opportunities, and enhance community development through improved entrepreneurial skills (Tambunan, 2009: 39). However, the "inability of the informal sector to comply with certain aspects of labour legislation is a reflection of the unsatisfactory conditions in which the informal sector operates" (Hansenne, 1991: 38-39). Regrettably, economical, sociocultural, political and operational constraints sometimes outweigh the opportunities of informal trading. In the next section opportunities and constraints that have been determined in a study of the informal sector in the CBDs of four of the metropolitan areas of South Africa are discussed.

3. STUDY AREA AND METHODOLOGY

This article intends to give the results of a comparative analysis of the main opportunities and constraints facing informal traders in the CBDs of four South African metropolitan areas, namely Cape Town, eThekweni, Johannesburg and Tshwane (Figure 1). The research forms part of the SANPAD project started in 2008 and entitled 'The spatial and structural relationships between formal and informal economic sectors in South African city centres' (Project number 08/04).

The empirical survey was conducted in the CBDs of the abovementioned cities, where there are relatively large numbers of informal street traders. The total number of informal traders in each city was obtained through consultation with the different branches in each municipality that are responsible for informal trade. Field visits were also conducted to confirm the findings of the municipalities. Most of the informal traders in the city centres are only allowed to trade in designated areas. Traders often challenge the enforcement of this condition by municipalities. This has consequently not always been very successful. Due to the dynamic nature of the informal sector (Dewar, 2005: 1; Skinner, 1999: 7) and the fact that the traders do not always trade every day of the month or at the same spots, the number of informal traders could change from time to time.

With the aforementioned challenges in mind, the survey sample was determined with the available information obtained. Overall, 103 traders were surveyed in Cape Town, 125 in eThekweni, 126 in Johannesburg and 111 in Tshwane. The questionnaire that was used covered the following fields: demographic profile, product profile, economic profile, physical characteristics of informal businesses, operating characteristics, relationship with other businesses, and perceptions about surrounding areas. This article focuses specifically on the economic profile and operating characteristics, with some

indication of the demographic profile of the respondents.

The data analysis was done in SPSS with frequency counts to eliminate any errors in the data. Descriptive statistics and cross-tabulations were also done to analyse the data. It is difficult to measure the profits of informal traders accurately, because most of them do not keep precise records of their gross income, business-related expenditure, wages and profits (Fonchingong, 2005: 249; Skinner, 2006: 134). According to Fonchingong (2005: 249), inaccurate or incomplete business records could give an indication that the informal street trading is buoyant. However, real figures could provide a very different picture. Furthermore, informal traders may be reluctant to disclose their incomes due to a fear of being taxed and regulated (Dewar, 2005: 2; Ligthelm & Masuku, 2003: 42). Consequently, questioning the respondents about their average incomes from informal trading would probably prompt no or at best unreliable information. As a result, the amounts of money spent by the customers per visit and the number of customers per day were used to calculate the gross mean turnovers of the respondents.

4. RESULTS AND DISCUSSIONS

Before presenting and discussing the opportunities and constraints faced by the informal traders in the CBDs of the four metropolitan areas, a synopsis of the 'demographic profile' of the four sets of respondents is given. With the exception of eThekweni, male respondents outnumbered female respondents in all the cities. Research elsewhere has shown that informal trading sometimes follows a patriarchal system in which instances women face additional challenges (Akharuzzaman & Deguchi, 2010: 47; Companion, 2010: 85; Fonchingong, 2005:247; Onyenechere, 2009: 86). Most of the traders in Cape Town (41.2%), eThekweni (44.6%) and Tshwane (29.2%) provide sustenance to four or more dependents. Those in Johannesburg (30.3%) provide for smaller households – two dependents on average. In the study dependents were defined as a group of people forming a household who 'eat from the same pot' and share a minimum of three meals per week. The literature also indicates that informal traders usually have to support large households (Akinboade, 2005: 263; Neves, 2010: 8; Soetan, 1997: 44).



Figure 1: Locations of the cities studied, Cape Town, eThekweni, Johannesburg and Tshwane

Most of the informal traders that responded in Johannesburg (53.6%) and Tshwane (47.3%) are relatively young (18 to 30 years old), whereas most of the respondents in Cape Town (45.6%) and eThekweni (48.4%) are older (31-50 years old). Lack of sufficient education is evident among the informal traders in all four cities. Overall, 39.1% of the respondents in Johannesburg and 33.6% of those in Tshwane have completed some secondary education. Large percentages of respondents in eThekweni (24.8%) and Johannesburg (30.9%) have a primary education or no formal schooling at all. Cape Town's respondents (18.8%) are the only ones having a substantial contingent with tertiary-level education. The findings of an overall lack of education are consistent with those of other studies (Companion, 2010: 173; Kusakabe, 2010: 125; Ligthelm & Masuku, 2003: 21; Madichie & Nkamnebe, 2010: 305; Soetan, 1997: 44).

4.1 Opportunities for informal street trading

Opportunities in the context of this article refer to favourable circumstances with uncertain outcomes. This may require some commitment of resources and involve exposure to risk (Businessdictionary, 2011: online). The respondents viewed the incomes generated through the informal sector as opportunities to keep them alive. This seems to be a general view shared by informal merchants (Fonchingong, 2005: 249; Kusakabe, 2010: 125-126; Soetan, 1997: 42; Tambunan, 2009: 40).

Although a minority, some of the respondents have additional sources of income, mostly in the form of government grants. Most of the respondents (overall 35.1%) in the four study areas obtained funds to start their informal street businesses from savings (either from their own savings or from savings of household members) rather than relying on credit or loans. Cichello (2005: 24), Hansenne (1991: 28), Madichie & Nkamnebe (2010: 308) and Tambunan (2009: 41) report that informal traders usually use savings or loans from formal or informal sources to start their businesses. Those respondents who obtained loans (14.6% in the four cities) did so from a relative or friend instead of using formal banking facilities. The majority (approximately 60%) of the respondents spent less than R500 to start their informal businesses in eThekweni, Johannesburg and Tshwane. By contrast, just over one half of the respondents in Cape Town spent more than R2,000 (Figure 2).

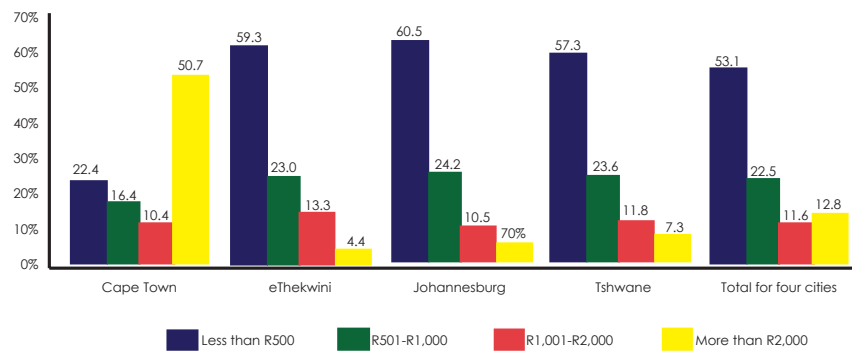


Figure 2: Amounts spent to start informal business
Note: Percentages do not all total 100 due to rounding

Overall, 47.4% of the respondents do not make use of either formal banking facilities or informal sources (Figure 3).

respondents in Cape Town, and 46.3% in Johannesburg make use of formal banking.

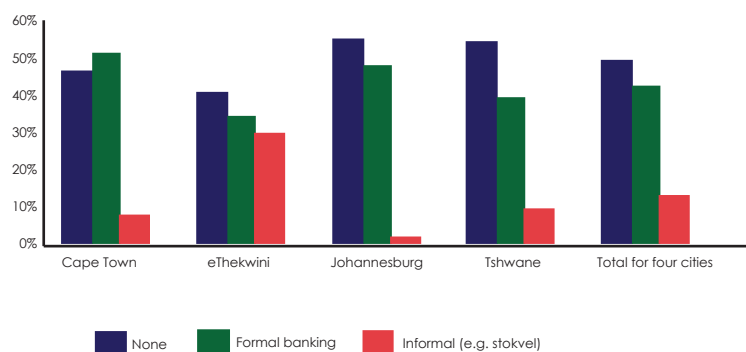


Figure 3: Banking facilities used for business purposes by informal traders
Note: Percentages do not all total 100 due to rounding

More surprising is that just over one half of the respondents in Johannesburg (52.8%) and Tshwane (52.7%) do not make use of any form of banking, formal or informal, whereas the corresponding proportion in eThekweni was 39.2%. Informal banking includes stokvels – the practice where money is pooled monthly between members and each member is then given the opportunity to receive the pooled amount at the allotted time. 28.3% of the respondents in eThekweni are the most inclined to access funding from informal sources, while 49.3% of all the

Street trading depends heavily on the number of customers served per day and the amounts each customer spends per visit. According to Figure 4, most customers only spend R1-R50 per purchase in all four cities. Nearly half of the respondents in Cape Town and 37.8% in eThekweni serve fewer than ten customers a day, whereas just over 40% of the respondents in Johannesburg and nearly half in Tshwane sell to more than twenty customers daily (Figure 5).

As mentioned in the methodology, the results of Figures 4 and 5 were used to calculate the gross mean turnovers of

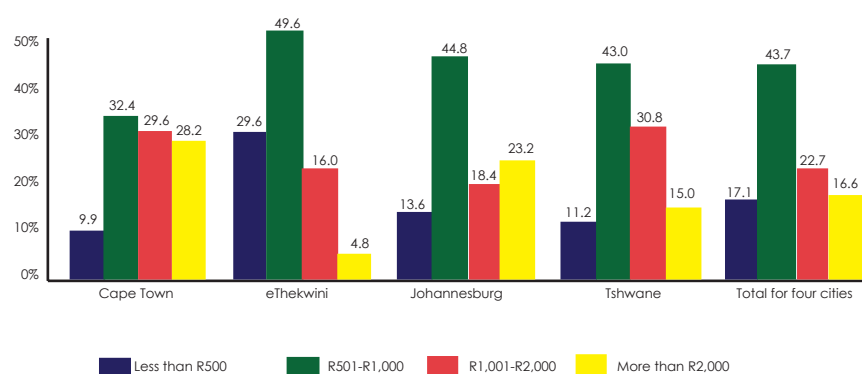


Figure 4: Amounts of money customers spend per visit
Note: Percentages do not all total 100 due to rounding

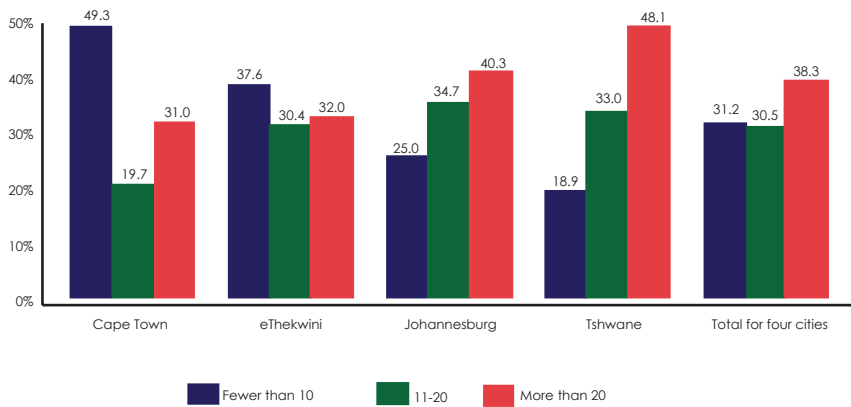


Figure 5: Number of customers served per day by informal traders
 Note: Percentages do not total 100 due to multiple responses

the respondents. The derived mean incomes of the respondents, based on the amounts of money customers spend per visit and the number of customers per day varies between R500 and R1,600 per day. Overall, it seems that the respondents in Cape Town and eThekweni earn the least, while the respondents in Johannesburg and Tshwane fare slightly better in terms of their daily incomes.

The majority of the respondents (73.4%) in the four cities provide employment to one person, which corresponds to the research of Neves (2010: 11), Soetan (1997: 44) and Tambunan (2009: 40). Although the respondents receive the aforementioned incomes from their informal street trading, the expenses incurred and wages paid to employees are excluded from the gross turnover calculations. Furthermore, the respondents also have large households to support with these relatively small incomes. Other studies (Skinner, 2008a: 25; Soetan, 1997: 43; Tambunan, 2009: 40) support the relatively small incomes that the informal street traders make in this study.

To summarise, the opportunities of informal street trading include the partial access to additional income, limited use of start-up capital, lack of usage of banking facilities, and limited incomes received from informal trading. The limited need by the respondents in the four CBDs for start-up capital could be beneficial to them, because they do not require large loans that have to be repaid at high interest rates. Alternatively, it could be argued that the respondents find themselves in a similar position as those in the work of Ligthelm & Masuku (2003: 38). Those researchers questioned whether the limited use of external capital in their study was because of not needing debt capital to start their businesses or

whether it was a matter of lack of ability to access external financial resources. The respondents in the four cities do, however, appear to benefit from informal trading by earning relatively small amounts of cash. This confirms the results of studies elsewhere (Neves, 2010: 12; Soetan, 1997: 42; Tambunan, 2009: 40).

4.2 Constraints for informal street trading

Constraints in the context of this article refer to elements or factors that restrict informal traders from achieving their potential (or higher level of output) with reference to their initial goals (businessdictionary, 2011: online). Informal trading encounters an array of interrelated constraints, as indicated by the literature. The major constraints the surveyed informal traders face are similar to those recorded in the literature and include economic, governmental and political conditions, as well as operational and other issues. There are, however, some constraints that are not mentioned to the same degree as in the literature. The present discussion starts with the main reasons why the respondents started their businesses and is followed by an examination of the major constraints faced.

Overall, the majority (77%) of the respondents in the four cities indicated that the lack of formal employment and the need to increase household income were the main reasons why they started their informal businesses. This corresponds with findings elsewhere (Akinboade, 2005: 257; Cohen, 2010: 279; Fonchingong, 2005: 250; Madichie & Nkamnebe, 2010: 305; Onyenechere, 2009: 84; Skinner, 2006: 133). For the majority of the respondents (83.6% in Cape Town, 68.8% in eThekweni, 81.8% in Johannesburg and 79.6% in Tshwane), street-trading activity is their only means of income. The absence

of additional income emphasises the pervasive poverty in the four cities, especially considering that most of the respondents in the four cities sustain four or more dependents.

Consequently, the main struggle is 'economic' in nature, which matches the work of Cichello (2005: 17), Fleetwood (2009: 46), Kusakabe (2010: 130), Ligthelm & Masuku (2003: 58), Madichie & Nkamnebe (2010: 307) and Tambunan (2009: 48). Most of the respondents in eThekweni (42.4%), Tshwane (31.5%) and Johannesburg (27.8%) complained that cash-flow problems are the most significant predicaments they face (Table 1). Concomitantly, most of the respondents in eThekweni, Tshwane and Johannesburg indicated that the availability of financial assistance would go a long way in improving their businesses. Cash-flow problems and the availability of finances are surprisingly low-key for Cape Town respondents.

Maintaining sufficient stocks is an average problem for 14% of the respondents in the four cities with Tshwane (18.9%) and Johannesburg's traders (17.5%) being the most seriously affected (Table 1). Similar results are observed in the South African research of Ligthelm & Masuku (2003: 58). Damaged stock, in particular fresh produce, is especially problematic, because it cannot be sold and the respondents make a loss, which corresponds with the work of Ngiba *et al.* (2009: 472). The ability to maintain satisfactory stock levels is also one of the three most important ways whereby 19.4% of the respondents in the four cities can improve their informal businesses (see the bottom half of Table 1).

Competition between informal traders is deemed to be a problem in the four cities as it can cause fluctuating and smaller profits (Table 1). The respondents in the four cities serve limited numbers of customers per day (Figure 5), thus increasing competition between them, decreasing the overall consumer demand, and forcing them to lower prices in order to attract customers. The increased competition, lower consumer demand and fluctuating incomes correspond to the results in Figure 4 and the international and South African findings of Cohen (2010: 281), Companion (2010: 176), Ligthelm & Masuku (2003: 60), Onyenechere (2009: 87) and Suryadarma *et al.* (2010: 82).

Table 1: Problems experienced by informal traders and the ways to resolve the problems

Problems and ways to resolve them	Cape Town	eThekweni	Johannesburg	Tshwane	Total for four cities
Problems faced by informal traders					
Poor cash-flow	5.8%	42.4%	27.8%	31.5%	27.7%
Maintaining stock levels	9.7%	9.6%	17.5%	18.9%	14.0%
Competition from other informal businesses	7.8%	12.0%	7.1%	3.6%	7.7%
Unavailability of transport	1.9%	4.0%	10.3%	10.8%	6.9%
Unavailability of funding sources to support start-up and expansion of business	1.9%	0.0%	4.0%	10.8%	4.1%
Insufficient structure or shelter	8.7%	29.6%	12.7%	2.7%	3.4%
Insufficient services and infrastructure (e.g. water, waste bins)	2.9%	0.8%	7.1%	2.7%	3.4%
Insufficient service from suppliers	1.0%	1.6%	4.0%	7.2%	3.4%
Unavailability of equipment	0.0%	4.8%	1.6%	3.6%	2.6%
Location of business	1.9%	0.8%	1.6%	0.0%	1.1%
Other	21.4%	15.2%	5.6%	5.4%	11.6%
Ways to resolve the problems					
Availability of financial assistance	7.8%	42.4%	37.3%	38.7%	32.5%
Improvements to structure or shelter	14.6%	32.8%	19.0%	9.9%	19.6%
Ability to maintain sufficient stock	12.6%	18.4%	24.6%	20.7%	19.4%
Improved security	1.9%	3.2%	3.2%	9.9%	4.5%
Competitive pricing	5.8%	4.8%	0.8%	4.5%	3.9%
Basic management skills	1.9%	4.0%	2.4%	4.5%	3.2%
Availability of better equipment (i.e. refrigerator)	1.9%	0.0%	3.2%	1.1%	2.4%
Access to more affordable transport	0.0%	3.2%	2.4%	1.8%	1.9%
Availability of basic services (e.g. water)	0.0%	0.0%	1.6%	0.9%	0.6%
Other	19.4%	12.8%	6.3%	2.7%	10.1%

The unavailability of transportation can be regarded as a 'governmental issue' (Table 1). It especially affects the traders in Johannesburg and Tshwane. An astonishing 53.1% of the respondents in the four areas transport their merchandise by carrying it or pushing it in trolleys. Overall, 21.3% of the respondents use public transport (trains, taxis or buses) to transport their goods. Ligthelm & Masuku (2003: 58) also found that transportation of products was problematic. Surprisingly, providing access to more affordable transport is not regarded as an important way to enhance informal business (Table 1), possibly because

limited incomes may prevent them from considering the notion of even using more affordable transport. Alternatively,

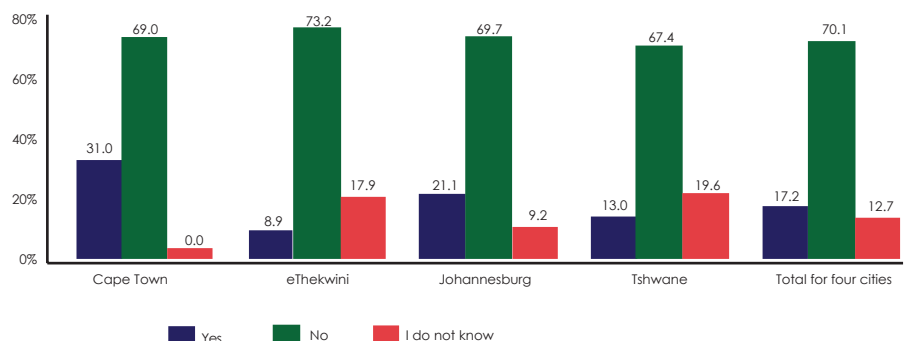


Figure 6: Informal traders' membership of trade associations

those informal traders who carry their products or push it in trolleys could live close to the sites they usually use and therefore would not need other forms of transportation.

A major cause of the overall poor 'political conditions' experienced by the respondents is reported by Bhowmik (2005: 2257) and Skinner (2008b: 239) as informal traders not having collective bargaining power to challenge poor government administration and discriminatory regulations and policies. Large majorities of respondents in all four cities do not belong to any trade associations (Figure 6). The low membership rates to trade associations seriously curb the possibility of collective action to achieve legal protection, formalise and enhance their businesses, and secure better operating environments.

'Operational constraints' seem to affect the respondents in all four cities (Table 1). This confirms the observations by Madichie & Nkamnebe (2010: 310). Insufficient and inadequate structures or shelters are a handicap to informal trading, because it is the second most important way to resolve their street-trading problems. Despite the aforementioned, only 19.6% of all the respondents cited that they require improvements to their business structures or shelters.

Although not listed in Table 1, a finding that corroborates Kusakabe (2010: 128); Ngiba *et al.* (2009: 468) and Skinner's (2008b: 235) observations is that the respondents complained of a lack of storage space. The majority of the respondents in the CBDs store their merchandise in lock-up storage facilities or on-site under security. Obtaining and using sufficient storage space with adequate security is reported to be difficult and expensive.

'Other obstructions' and 'ways to improve informal businesses' were frequently cited (especially in Cape Town) and they mostly relate to governmental, operational and sociocultural issues (Table 1). The inconveniences with municipal governments mainly refer to problems experienced in legally formalising informal street-trading businesses. Support from the police and metro-police is needed to enhance the overall quality of operating environments by limiting crime, violence and theft of stock in informal-trading areas. Cichello (2005: 34), Neves (2010: 13) and Skinner (2006: 142) all call attention to the need for policing. Bhowmik (2005: 2257) recommends an interesting approach. He suggests that municipalities should make the rules and regulations to manage street traders, while the police have to enforce the rules and regulations. Reducing high permit fees, as noted by Neves (2010: 14) and Skinner (1999: 22), can benefit informal street businesses, especially in eThekweni. Limited support is a sociocultural constraint faced by the respondents in all four cities. The respondents indicated, as found also by Companion (2010: 87) and Hansenne (1991: 29-30), that the issue of limited support can be resolved by providing general help, enhancing basic management skills, equipping respondents with efficient market and social knowledge, and providing financial donations that can be used to improve their street trading. According to Cichello (2005: 36), Kusakabe (2010: 127) and Soetan (1997: 45), technical, business and entrepreneurial skills are crucial in advancing informal street trading.

Other sociocultural constraints not explicitly mentioned in Table 1 but nevertheless important relate to the demographic profile of the respondents in the four cities. The limited opportunities and gender barriers to women participating in street trading are noteworthy impediments, as noted elsewhere by Akharuzzaman & Deguchi (2010: 47); Bhowmik (2005: 2261), Companion (2010: 85), Fleetwood (2009: 1) and Onyenechere (2009: 86). The respondents in Cape Town, eThekweni and Tshwane have high dependency rates, a predicament also reported in studies by Akinboade (2005: 263), Neves (2010: 8) and Soetan (1997: 44). The age distribution of the informal street merchants indicates that the respondents are all in the economically active age groups (18-30 and 31-50). In

addition, most of the traders in the four cities (to a lesser extent in Cape Town) lack sufficient formal education.

As found elsewhere, the constraints on the respondents in the four cities appear to outweigh opportunities for trading informally. The respondents rely on small amounts of capital to initiate their businesses, while making limited use of banking facilities (to avoid paying interest on loans). They generate relatively small amounts of income. The two aforementioned points could be mutually beneficial to the respondents. Despite restraining economic, governmental and political conditions, operational and other constraints, the surveyed traders in Cape Town, eThekweni, Johannesburg and Tshwane show admirable fortitude in supporting their dependents under trying conditions.

5. CONCLUSION

This article examined the main advantages and disadvantages of informal trading in the CBDs of four South African metropolitan cities. The single most important advantage is the opportunity to generate income, something traders would not have had otherwise. Another is the contribution the informal sector makes in providing additional employment.

However, the majority of the surveyed traders in the four cities are caught in a poverty trap. They are forced into the informal sector through their inability to find formal employment or sufficient income otherwise. Not surprisingly, they experience severe cash-flow problems which have a ripple effect on their ability to manage their businesses profitably and maintain sufficient levels of stock. High levels of competition between the respondents can adversely affect consumer demand, resulting in significantly fluctuating sales.

Problems that are experienced with local governments are mostly linked to inadequate public transport, especially in Johannesburg and Tshwane. The inability to bargain collectively through trade associations is a serious impediment to successful informal street trading. Enhancing the overall operational environment for informal street trading in the four cities is crucial. Poorly equipped structures or shelters and the lack of storage spaces are the main operational impediments.

Other constraints are associated with the formalising of businesses, obtaining

support from law enforcement officials to combat crime, high taxation, and the lack of general support and knowledge. The sociocultural and demographic characteristics of the respondents suggest difficulties because the respondents are mostly less-educated men between the ages of 18 and 50 who have to provide for many dependents.

The opportunities and constraints experienced by the respondents in this study mirror those in the literature. The results confirm Keith Hart's classic findings (Skinner, 2008b: 228) that informal street trading can be referred to as a 'survivalist mind set' where the actors struggle and suffer under cycles of poverty in which they are barely able to cope. The respondents mainly experience problems with low profit margins, which make it difficult for them to cope with the foreseeable fluctuations in demand (and income), especially if they are the only income earners. Hence, more thorough comprehension of the opportunities for and constraints on informal street trading can influence and assist policy planning to make innovative adjustments to create more inclusive and advantageous environments for the informal street traders in our cities and towns.

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