

**PROFILING INFORMAL TRADERS IN SOUTH AFRICA AND  
LESOTHO**

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**PROFILING INFORMAL TRADERS IN SOUTH AFRICA AND  
LESOTHO**

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Study Leader: Prof E Venter**

## DECLARATION

I, Nchochoba Tselane (218052820) and Pepeta Onesisa (214202607) hereby declare that the treatise, “profiling informal traders in South Africa and Lesotho, for the degree Bachelor of Commerce Honours, is our own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another university or for another qualification. All the sources that have been used or quoted have been indicated and acknowledged as complete references.

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October 2018

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## **ABSTRACT**

This study focused on the profiling of informal traders in South Africa and Lesotho. Despite the important role played by informal traders in economic growth, they are still facing numerous challenges that inhibit their growth and prosperity. Very little is also known about who exactly these informal traders are and what they do. Given the informal (or unrecorded) nature of businesses in the informal economy, not much is known about the individuals and the businesses that are operating in this sector of the economy. Therefore, the primary objective of this study was to profile informal traders and their businesses in the Nelson Mandela Bay municipality (South Africa) and in Maseru City Council (Lesotho).

An overview of the literature was provided highlighting the nature of informal traders and their importance, as well as the three different types of informal traders. In addition, the contribution of informal traders towards the economic growth of South Africa and Lesotho were also highlighted. The relationship between the formal and informal economy was discussed and economy elaborated. The study revealed some challenges face by informal traders and were discussed namely, starting a business, managing the business and formalising the business.

A quantitative research methodology was adopted in order to profile the informal traders. A sample was drawn using convenience sampling techniques, from the informal traders based in Nelson Mandela Bay and Lesotho. The study made use of the survey methodology and a structured questionnaire was used in order to collect data from the respondents. The sample included a total 100 questionnaires were distributed in Nelson Mandela Bay in South Africa and Maseru City Council in Lesotho and bonus of five extra questionnaires.

Data collected was coded, analysed using appropriate statistical techniques to transform data into meaningful information. The main statistical techniques used in this study were

descriptive statistics, which consists of standard deviations, frequencies and percentages.

In the main findings of this study the researchers summarised the demographic profile of South African and Lesotho informal traders. The findings revealed that informal traders in Nelson Mandela Bay are mostly females that are single and some married, ranging between the age of 25 and 65 years. The findings also suggested that in Lesotho informal traders are a majority of married females between the age of 18 and 62 years. With regards to formal education majority of the informal traders in Nelson Mandela Bay only attended high school (matric), whilst in Lesotho most of the traders attended high school (matric), minority hold an undergraduate certificate and attended primary school. In addition, the results suggested that in South African and Lesotho the traders employment status of their household is mostly one earner and two earners. The number of dependents in South Africa ranges between one and six dependents, whereas in Lesotho the number of dependents ranges between zero and eight dependents.

Furthermore the finding revealed that informal trade businesses in South Africa have been in existence for more than 2 years but less than 38 years. Also majority of the traders operate their businesses in a semi-static structure. The results also show that in Lesotho informal traders business have been in existence for less than 1 year and maximum existence of 33 years. Further, most traders in Lesotho operate their business in a static structure.

Given the empirical findings in this study, quite a number of recommendations were provided to the local municipality, informal traders associations such as WEIGO and the informal traders. Basic recommendations in order to improve the sector in terms of management as well as increase information about the informal traders and informal economy are highlighted as apppoint that could significantly improve the sector as a strategic tool to fight unemployment and poverty in South Africa and Lesotho.

**KEY WORDS:**

Informal economy, informal traders, business profile, type of informal traders, Maseru City Council, Nelson Mandela Bay.

## **CHAPTER ONE**

### **INTRODUCTION AND BACKGROUND TO THE STUDY**

#### **1.1 INTRODUCTION**

The informal economy has grown in developed and developing countries over the past years (Chen 2007:2). The informal economy is very important as it is a source of employment but also contributes to local communities by producing goods and services to meet the needs of the people (International Labour Organisation 2013:3). Similarly, Becker (2004:5) identified the insufficient creation of employment by formal labour markets as one of the key reasons for the growth in the informal economy. In developing countries, the 'economic structural imbalance' which results in poverty and unemployment has been identified as the main driver of the informal economy (Kekana 2001:4). Blaauw (2011:5) mentions that in South Africa the informal economy has been estimated to be contributing 7% to 12% of the economy. The Herald (2014) support Blaauw's statement by mentioning that informal businesses contributed about five percent to South Africa's gross domestic product (GDP) from 2001 to 2013 and that 1.5 million informal traders operated in South Africa in 2013. According to Seeiso and McCrindle (2009:237), informal business contributes 80% of economic growth and reduction of unemployment, as well as poverty alleviation, in Lesotho.

The preceding discussion shows that the informal economy and informal traders play a crucial role in the South African economy. Wills (2009:5) defines the informal economy as a "diversified set of economic activities, enterprises, jobs and workers that are not regulated or protected by the state". Given the informal (or unrecorded) nature of businesses in the informal economy, not much is known about the individuals and the businesses that are operating in this sector of the economy.

Demographic characteristics of individuals and organisations have been considered important variables when investigating perceptions, attitudes and behaviours in general and business related outcomes such as performance, job satisfaction, employee turnover

and job performance, in particular (Tsui & O'reilly 1989:403). According to Horn (2011:1), although some researchers have investigated the social economic characteristics of informal traders, changes in the South African context have occurred over the past decade which could influence who informal traders are, where and how they operate and what business activities they are engaged in.

## **1.2 PROBLEM STATEMENT**

Despite the importance of the informal economy and informal traders, researchers have paid little attention to this sector and the individuals who operate in it. This lack of insight into the nature of informal traders and their businesses perpetuates the challenges which these individuals face. According to the Sustainable Livelihoods Foundation (2016:44), in South Africa and Lesotho these challenges include, amongst others: a lack of resources, difficulties in accessing government support, inappropriate regulation, trading restrictions, crime, police harassment, insecurity of land holding, poor linkages to public utilities and unreliable electricity support and the absence of opportunities for integration with formal business services and value chains. However, to formulate and implement appropriate interventions to support the informal economy and informal traders, an accurate and contemporary account of the informal traders and their business is required (Kekana 2001:3-4) and (Mudupi 2017:81).

Previous research on the informal economy and informal traders in for example South Africa, revealed several inadequacies. Wills (2009) created a statistical profile of informal employment in South Africa between 2005 and 2007 using data from the South Africa Labour Survey. The analysis included informal employment and its contribution at both a national and metropolitan levels. However, due to insufficient sample sizes, only areas in the Gauteng province were considered, namely the East Rand, Johannesburg and Pretoria. Although the study by Wills (2009) provides valuable insights into informal employment, it does not capture the entirety of informal trading and the data used, as well as the finding presented may be outdated.

Horn (2011:1-5) conducted research that explored the social and economic characteristics of people involved in street trading. The research focussed on four South African metropolitan areas and more specifically, the central business districts (CBDs) of Johannesburg, Tshwane, eThekweni/Durban and Cape Town. Data was collected by means of a survey using questionnaires and personal interviews. A number of criticisms can be levelled against the work of Horn (2011:1-5). Firstly, the research adopted a narrow conceptualisation of informal trading by only considering it as street trading; secondly, the focus of Horn (2011:1-5) was only of the individuals involved in street trading, neglecting the characteristics of their businesses; lastly, attention was only paid to four CBDs, thus ignoring other metropolitan areas.

It is evident that research into informal traders and their businesses require a broader conceptualisation of informal trading to better capture its complexity and that more research focus needs to be given to the profile of informal traders and their businesses in other municipality areas.

### **1.3 RESEARCH OBJECTIVES**

The primary objective of this study is to profile informal traders and their businesses in the Nelson Mandela Bay municipality (South Africa) and in Maseru City Council municipality (Lesotho). Several secondary objectives, as well as methodological objectives, are formulated to support the primary objective.

#### **1.3.1 Primary objective**

The primary objective of this study is to profile informal traders and their businesses in the Nelson Mandela Bay municipality (South Africa) and in Maseru City Council municipality (Lesotho).

### **1.3.2 Secondary objectives**

In support of the primary objective, the secondary objectives are as follows:

- SO<sup>1</sup> To establish the demographic profile of informal traders in Nelson Mandela Bay municipality and Maseru City Council.
- SO<sup>2</sup> To create a profile of informal traders; activities and their businesses in the Nelson Mandela Bay municipality and in Maseru City Council.

### **1.3.3 Methodological objectives**

In order to execute this study, the following methodological objectives will be perused:

- MO<sup>1</sup> To conduct a literature review on the informal economy, informal traders and informal trading.
- MO<sup>2</sup> To develop an appropriate research design to collect and analyse the data required for the present study.
- MO<sup>3</sup> To develop a research instrument to collect primary data from informal traders in the Nelson Mandela Bay municipality and in Maseru City Council.
- MO<sup>4</sup> To analyze the data collected from informal traders in the Nelson Mandela Bay municipality and in Maseru City Council using appropriate statistical techniques.
- MO<sup>5</sup> To recommend appropriate interventions geared towards meeting the needs of informal traders in Nelson Mandela Bay municipality and in Maseru City Council through their profiles.

### **1.3.4 Research questions**

- RQ<sup>1</sup> What is the demographic profile of informal traders in Nelson Mandela Bay municipality and Maseru City Council municipality?
- RQ<sup>2</sup> What is the profile of informal traders; activities and their businesses in the Nelson Mandela Bay municipality and in Maseru City Council municipality?

## **1.4 RESEARCH DESIGN AND METHODOLOGY**

According to Collis and Hussey (2014:97), research design is the process whereby different methods and techniques are utilised to enhanced knowledge in a certain field of study, it set direction in order to find sustainable results. In the below section the research design and methodology are discussed in order to achieve the objectives.

### **1.4.1 Literature review (Secondary research)**

Secondary research should be conducted in order to enable the researcher to reach the primary purpose of the study. According to Longenecker, Moore, Petty and Palich (2006:134) secondary data is processed data that was collected and analysed by someone else, for specific use and Quinlan (2011:242) support Longenecker et al definition by stating that secondary data is statistics that has been previously collected. Secondary data includes internal or external data sources such as the Internet, journal articles, books, newspapers, magazines, annual reports and sales records (Strydom 2011:265).

Secondary data for this study has been sourced from academic books and journals, EBSCO, as well as reputable internet sites and reports which mostly is available at Nelson Mandela University library. The purpose of the literature review is to provide a theoretical basis for the study and identify possible questions for the questionnaire.

### **1.4.2 Empirical investigation (primary research)**

The primary objective of this study is to profile informal traders and their businesses in the Nelson Mandela Bay municipality (South Africa) and in Maseru City Council municipality (Lesotho). The empirical investigation will encompass several subsections, namely an overview of the selected research methodology, the study population, sampling techniques and data collection methods, as well as the design of the measuring instrument and data analysis methods that will be used during the study.

### **1.4.2.1 Research methodology**

Netsianda (2008:6) describes the qualitative methodology as data collected in a form of words, the responded tells and describe 'how and why'. Qualitative research is based on gathering 'non-numerical data' and interpreting the data with a purpose of understanding the society or the population the study is targeting and when presenting information gathered using qualitative methodology is normally 'less-formal' compared to quantitative methodology (Quinlan 2011:286).

Collis and Hussey (2014:50) highlight the difference between qualitative and quantitative methodologies. Quantitative methodology uses bigger samples compared to qualitative methodology, quantitative focuses on testing the assumption whereas qualitative creates thesis and quantitative produce findings with high consistency and low authority, which is visor-versa to qualitative methodology. In this study, the researchers have adopted a quantitative methodology, since the study will focus on measuring occurrence, collecting and analysing numerical statistics.

Collis and Hussey (2014:50) highlight the differences between qualitative and quantitative research methodology. Quantitative methodology uses bigger samples compared to qualitative methodology and quantitative methodology focuses on testing assumptions whereas qualitative methodology creates thesis. In addition, quantitative methodology produces findings with high consistency and low authority, whereas qualitative methodology produces a low consistence and high authority findings. In this study the researchers have adopted a quantitative methodology, since the study will focus on measuring incident or event, collecting and analysing numerical statistics.

### **1.4.2.2 Population, sampling and data collection**

It is usually quite hard to describe the study population when the research topic is broad. According to Ferreira (2017:40), the population, refers to occupants of a particular place. When researchers specify the population of the study they highlight 'units, size and even

the place'. The population are all the informal traders in operating in the Nelson Mandela Bay (NMB) municipality in South Africa and in the Maseru City Council (MCC) municipality in Lesotho.

Instead of going through all the informal traders in NMB and MCC, the sample of informal traders will be selected by researchers. Collis and Hussey (2014:197) explain a sample as a sub component of the population while sampling technique described as a method by which the researcher can derive a sample from the population. Ferreira (2017:36) maintain that they are two reasons for conducting a research and those reasons are; to predict framework of the population from "sample statistic" and to categories the population base on their responses.

The researcher will choose between two sampling types, namely; probability and non-probability (Welman, Kruger and Mitchell 2005:56). Probability sampling uses a numerical technique to determine the size of sample, each person in the population has recognized chance of being chosen and it is compulsory to have a sampling frame. With non-probability sampling chances of selection are not easily determined, there are no requirements one must meet to be chosen and it is not feasible calculate sampling error (Ferreira 2017:42-52). Ferreira (2017:52) further mentions that each type of sampling is made up of the following; probability sampling consists of simple random samples, systematic, stratified and cluster sampling and non-probability sampling consist of convenience, purposive, snow ball sampling. The study will be using the convenience sampling. Ferreira (2017:52) defines the convenience sampling as a technique where the respondent assistance is independent. This technique is normally used in a population that evolves around open spaces such as malls; it is very fast and less expensive even though researchers have no control over who will be in the sample.

According to Punch (2003:41), data collection methods selected normally has an important impact on the standard of the data and results of the research. In this study data will be collected using structured questionnaires.

The techniques to distribute and complete the questionnaires will be achieved through personal delivery to respondents. Researchers intended to distribute hundred questionnaires fifty in Nelson Mandela Bay and fifty in Maseru City Council.

#### **1.4.2.3 Design of the measuring instrument**

The questionnaire will consist of different sections and concepts, which is a cover letter explaining the purpose of the study, research ethics and what will be expected from the respondents. Section A which will focus on the demographic information of the informal traders in Nelson Mandela Bay municipality and Maseru City Council, for example gender, age, marital status and who founded the business.

Section B focused on the demographic information of the informal traders' businesses such as the number of years in operation/existence, the size and type of business. There will also be open-ended questions requesting information from the informal traders concerning the challenges they are facing, the advantages and disadvantages of being an informal trader, as well as the support received from the local municipality and trader associations.

#### **1.4.2.4 Data analysis**

Data analysis is defined as a procedure of studying or analysing data with the purpose of revealing the meaning, the data is analysed to discover 'patterns and trends" (Quinlan 2011:06). Therefore, the researcher will transform raw data into meaningful information. Data collected from informal traders of the Nelson Mandela Bay municipality and Maseru City Council municipality in the form of questionnaires will be coded, be analysed using appropriate statistical techniques.

The main statistical techniques used in this study will be descriptive statistics, such as, standard deviations, frequencies and percentages will be used to describe informal traders and their business in the Nelson Mandela Bay municipality and the Maseru City

Council municipality. Zikmund et al. (2013:54) define descriptive data as a term that used to describe the characteristics of object, people, group, organisation or environment. According to Ferreira (2017:72), descriptive is a design method which presents absolute and facts presentation of factors and variable which are appropriate to research study.

#### **1.4.2.5 Research ethics**

Due to many reasons, it is frequently difficult to get people to participate in a study or research questionnaire, it may be the targeted respondent is busy, uninterested and some may be identity theft consciousness that is why introducing the research study and research ethics is important. According to Collis and Hussey (2014:30), ethical consideration is based on merit and integrity that form extensive 'code of conduct' for managing a research. Nevertheless, of the research results, the rights and safety of the research respondents should always be considered by the researcher. Klee (2014:119) discuss three ethical principles that are binding and should be taken in to account by the researchers, that is; "informed consent, privacy and confidentiality".

Informed consent is where by a researcher plead and acquire permission from a respondent to take part in the research project, the consent is acquired the researcher publishes a written full disclosure to the respondent and willingly participate in the research (Labaree 2009). According to Collis and Hussey (2014:33), privacy means the information gathered from the respondent will only be used for this used for this study and to ensure there is no privacy violated the information will only be kept in access to the researchers of the study and the study leader. Collis and Hussey (2014:32) conclude by explaining confidentiality as an assurance from the researchers to respondent, that the information gathered will only be utilized for the study. In this study the researchers will retain the respondent confidentiality by keeping the name and identity unidentified.

## **1.5 SCOPE AND DEMARCATION OF THE STUDY**

As was discussed in the beginning, the study is about the profiling of the informal sector. It focuses on the different types of informal traders as well as their contribution to economic growth and poverty alleviation globally. This study encompasses gathering of raw information from informal traders and their businesses in the Nelson Mandela Bay municipality (South Africa) and Maseru City Council municipality (Lesotho). This will be achieved by distributing a hundred questionnaires; fifty of these questionnaires will be distributed to Nelson Mandela Bay and another fifty to Maseru City Council.

## **1.6 CONTRIBUTION OF THE STUDY**

The informal sector is reported to be one of the growing sectors in the world, which is a good thing as it has been repeatedly stated in the literature review that it elevates some of the economic issues such as poverty and unemployment (Chen 2007:2). The growth of the informal sector does not only improve the standard of living for people but also assist in the formal sector as means of out sourcing, a supplier and customer (Valodia 2007:7).

The South African and Lesotho economy and government are aware of these informal traders and their businesses but cannot identify exactly who they are. For example, are they mostly women or men; are they single parents, what kind of businesses they operate, the size of their businesses and how long they have been operating their businesses?

## **1.7 DEFINITION OF KEY CONCEPTS**

With the study focusing on the profiling of informal trader businesses, below is the definitions of these terms:

### **1.7.1 Informal economy**

For the purpose of this study, the informal economy is based on informal activities that are operated illegally and are not listed for tax or income tax with the Receiver of Revenue.

### **1.7.2 Informal trader**

In this study, informal traders are defined as an individual's that provide products or services to the public without having a stable facility and without being recognised by tax authorities in the area they are operating in.

## **1.8 STRUCTURE OF THE STUDY**

### **Chapter 1: Introduction and background to the study**

It is the introductory chapter of this study and it presents the background to the topic under investigation. The introduction is followed by the problem statement, research objectives and research questions. The introduction of primary and secondary research also falls under this chapter. Furthermore, this chapter includes the scope and demarcation of the study, contributions of the study, definition of the key concepts and structure of the study.

### **Chapter 2: Literature review**

This chapter will include a discussion in contextualising the informal economy, defining informal traders, describing the three different types of informal traders, namely street vendors, house hold services workers and waist collectors. Like in any sector there are considerable challenges that the informal sector is faced with when starting business, managing the business and when formalising the business.

### **Chapter 3: Research design and methodology**

This chapter involve the research methodology that is going to be used. Firstly the chapter commences by explaining the research design and methodology adopted in this study. The population, sampling frame, sampling techniques, as well as data collection and data analysis methods are also discussed in the chapter.

### **Chapter 4: Empirical findings**

In chapter four the empirical of the study will be presented and the results of findings from the questionnaires will also be presented as well.

### **Chapter 5: Conclusions of the study**

Chapter five will be the final chapter of the study and conclude the study by giving overview summary of the preceding chapters. Conclusions will be drawn based on the literature review and empirical investigation. The contributions and possible shortcomings of the study will be discovered and discussed. Lastly, recommendations and suggestions for future research will be suggested.

## **CHAPTER TWO**

### **THE NATURE AND IMPORTANCE OF INFORMAL TRADERS IN SOUTH AFRICA AND LESOTHO**

#### **2.1 INTRODUCTION**

In this chapter the focus is on contextualising the informal economy and defining the informal economy and formal economy, as well as the three types of informal economies. Thereafter the importance of the informal economy and the relationship between the formal and informal economy discussed and the relationship between the informal and formal economy will be elaborated.

In this chapter informal traders will also be contextualised by defining informal traders, as well as describing the three different types of informal traders, namely street vendors, house hold services workers and waist collectors. Like in any sector there are considerable challenges that the informal sector is faced with when starting businesses and when managing businesses as well, which will conclude the discussion in this chapter.

#### **2.2 CONTEXTUALISING THE INFORMAL ECONOMY**

According to Kavese (2015:6), tighter economic conditions, weaker economic growth prospects, more unemployment and poverty are coercing government into achieving its objectives of creating straight jobs, poverty reduction and overcoming inequality more quickly in South Africa. Moreover, Kavese states that severe poverty and unemployment, people embark on different survival activities such as self-employment in informal businesses. The confirmation is that increase in informal employment has outpaced expansion in formal employment (Kavese 2015:6). In 2013, jobs in the informal sector improved by 64% whereas jobs in the formal sectors decrease by 14% (Kavese 2015:6).

In addition, for every 100 people working in the Eastern Cape's formal economy in 1995, there were 14 % less people in 2013 (Kavese 2015:7). Nevertheless, for every 100 people working in the Eastern Cape's informal sector in 1995, there were 64 % extra people in 2013. In other words, the employment change from formal economy to the informal economy has taken over the past couple of years, given the trend towards a growing and larger informal economy and self-employment results in the need for training and skills development of entrepreneurs (Kavese 2015:7).

### **2.2.1 Defining the informal economy**

The concept "informal economy" was commenced by Keith Hart in his investigation of the "monetary" exercises of the poor suburban in Accra, Ghana, in 1973 (Huag, Zhang & Xue 2017:3). Hart utilised the phrase to refer to small income exercises of the poor suburban citizens who could not find paying jobs. The concept was embraced and advanced by the International Labour Organization (ILO) in an informal economy structure (Williams 2014:3). According to Adom and William (2012:2), the informal economy can be defined as the paid manufacturing of unrecorded products and services and work that is "illegal" because it is unacknowledged by the state for tax purposes and by the "social security". Adom and William further explain that what constitute an informal economy varies between countries. For example, in some countries illegal services may vary because of different beliefs and values, such as prostitution and selling marijuana which are legal services in some countries such as the Netherlands (Adom & William 2012:2).

Jamela (2013:16) explains that before the concept informal economy was initiated, "the sector was directed to as the traditional sector or small-scale economic activity" and was observed as a short-term solution for shortfall of employment caused by population increase and "rural-urban migration". Williams (2014:3) define the informal economy as an economy mostly dominated by the retail, agriculture and financial sector that are unrecognised by the government. Williams also highlights that the informal economy is mostly known as the "black/parallel economy, second economy, underground economy and hidden economy" and maintains that the concept has adopted many definitions and

is branded to be the smallest sector, but still plays a role in the growth of the economy and is distinctively determined by its characteristics.

Becker (2004:8) and Brown, Lyons and Dankoco (2010:667) give more attention on the informal economy definition that focuses on “activities” that are not recorded, protected or even regulated by government authorities, these authors maintain that the informal economy consists of people that operate outside formal legislation and may not have any trading rights, provide goods and services in public places without permanent facilities and outside enclosed premises, such as bus stops. On the other hand, the informal sector is regarded as an effective sector with the capability to provide employment and sincerely contribute to the growth of the economy. Throughout the apartheid period in South Africa, the phrase “informal, black and illegal” were substitute with the term “unwelcome economic activities” and informal trading mainly in the suburban areas.

Bennet and Venkatesh (2016:7) maintain that are three schools of thoughts that define the informal economy namely: The Dualist, the Structuralist and the Legalist School of Thought. According to Chen (2012:4), the Dualist School of Thought defines the informal economy as small activities performed by the poor for income purposes that do not have any link to the formal sector. Chen (2012:5) explains that the Structuralists School of Thought views the informal economy as a less important sector that assist the formal sector in factors such as decreasing ‘input cost’ and workforce cost. Jamela (2013:22) makes use of the Structuralist School of Thought when observing the August 2003 State of the Nation Address of South Africa, where the “two economies concept” were presented and it was distinctly highlighted that one of the economies is distinguished by the less developed, contributes small portion to the GDP, consist of great number of the population including deprived rural and suburban society and is “incapable of self-generated growth and development”.

According to Chen (2012:5), the Legalist School of Thought defines the informal economy as a small economic feature operating against the rules and regulations. The informal economy is based on informal activities that are operated illegally and are not listed for

tax or income tax with the Receiver of Revenue (Husmanns 2005:2). The informal sector can be pointed to be an outcome of uncontrolled incompetent government regulations, “implying that it is when people find it difficult to comply with unreasonable bureaucracy that they tend to go informal” (Jamela 2013:23). For the purpose of this study the researchers will focus on the Legalist School of Thoughts to define the informal economy because it has a significant link towards the problem statement and objectives of the study. The study focuses on informal traders that are not listed for income tax, registered as traders nor recognised by the government and legal authorities such as South African Revenue Service (SARS).

According to Chen (2007:1), the Association of the Women in Informal Employment Globalizing and Organizing (WIEGO) and Association of the International Labour Organization (ILO), worked together to expanded the concept of the informal economy, avoiding the previous concept that was centred on businesses that were not ‘legally regulated’ and unregulated employment. Chen (2007:1) analysis the concept informal economy more, by highlighting that informal economy focuses on employment outside and inside the agriculture sector and all structures of informal employment such as ‘employment with no labour or social protection and self- employment in unregistered enterprises’. Jamela (2013:17) implies that the International Labour Organisation (ILO) gave away a classification that consists of “ease of entry, small-scale enterprises, family ownership and utilization of labour-intensive technology”. In the following section the different types of informal economies will be discussed.

### **2.2.2 Different types of informal economies**

Andrews, Sanchez and Johansson (2011:8) conducted research based on the aspects of the informal economy and concluded that the informal economy consist of classified individuals that perform different informal activities. Husmanns (2004:4) and Andrews et al. (2011:8) both support the statement by discussing five types of informal economies, namely:

- Household production in units: this includes individual groups that produce goods to sell for income purposes. For an example if a person starts up an informal business of growing vegetables and selling them.
- Informal employment: consist of employment in the informal economy and can also consist of employment in the formal sector, meaning employees may be recruited “off the record” by a formal business.
- Voluntary members: include employees in the informal sector that are unpaid such as a family member, employees with “precarious status in formal businesses and unpaid domestic workers”.
- Self-employed: by self-employed meaning people who work for their informal businesses and pay themselves out of ‘cash in hand’. For an example a shoe fixer may open a stand in a pedestrian area and work on the stand themselves with no employee helping them.
- Informal production by firms: this type of informality consists of formal businesses that tend to employ informal businesses as freelance for certain projects. A possible reason maybe to reduce costs or to avoid paying VAT. For an example, a formalised clothing boutique may freelance sewing individuals to produce the clothing items to be sold.

Moreover, Charmes (2012:106) viewed the composition of the informal economy as a concept that contains small and unregistered employment enterprises as well as unsecure contracts, benefits or social insurance in their salaries.

### **2.2.3 The importance of the informal economy**

According to Rogerson (2016:175), the informal economy is very important in the sub-Saharan African countries, including South Africa as it encourage local economic development. Kavese (2015:9) mentions that the informal sector is well recognised globally as major sources of economic growth, as well as the highest contributor of about three quarters (74%) of employment opportunities and poverty alleviation. In addition, the informal sectors are closing the gap between the poor, unskilled and income inequality and even eliminates hunger and improve sustainable and better livelihoods (Kavese 2015:9). Pyles (2007:466) established that in the United States of America the informal sector is the most leading sources of gross domestic product (GDP), by reducing both the unemployment rate by 37 million people and poverty rate 35%. Recently in Asia, it has been discovered that informal sector contributes 10% of job creation (Rogerson 2016:176).

According to Benjamin, Beegle, Recantini and Santini (2114:6), informal traders are well recognised globally as the leading source of employment opportunities, poverty reduction and economic improvement. Benjamin et al. (2014:6) further state that globally developed countries experiences a lower rate of informal traders compare to developing countries, mostly the urban areas. Benjamin et al. (2014:6) continues by implying that informal traders in developed countries contribute 20% of economic growth world-wide, while in developing countries informal traders contribute more than 75% of economic improvement and employment creation by informal trader are estimated at 90%, as well as 80% contribution to GDP.

Benjamin et al. (2114:6) identify that in Sub-Sahara Africa informal trading is the most leading sector and economic growth is estimated to be at a rate of 72%, followed by Asia by 65%, Latin Africa by 51% lastly North Africa of 48%. In African countries, (Backer 2004:17) informal traders were mostly found in the agricultural sector, which mostly operated informally, with approximately 60% to 90% of employment compare to the non-agricultural sector. In Ghana the informal sector is roughly estimated to contribute 70%

of economic improvement and approximately 70% of employment reduction (Rogerson, 2016:17). In addition, Rogerson (2016:17) highlight that informal businesses in Ghana is more important than in the past decades due to lack of infrastructure and formal employment.

Furthermore, in South Africa the contributions of the informal sector are well acknowledged and it is estimated that the informal sector has reduced the unemployment rate by 25% (Rogerson 2016:17). In addition, informal businesses have a positive impact on economic growth and development. The creation of employment opportunities by informal traders is estimated to 2.4 million people in 2012. Informal sector businesses reduced poverty alleviation and also contribute 28.4% of gross domestic products in South Africa (Strydom 2011:312).

Rogerson (2016:175) emphasises the significant of the informal sector involvement in generating jobs and decreasing poverty in South Africa. Becker (2004:14) explains that the individuals that enter the informal sector in order to make a living have many reasons why they do not start up formal businesses. One of the reasons may be because of the complications of registering a business. Becker further explains that this type of sector attracts a lot of people since there are barely any barriers to entry and that in general, informal trading enables these individuals to boost their 'labour' status (Rogerson 2016:175).

Sets`abi and Leduka (2008:227) discovered that in Lesotho informal traders consist of 59% woman, with men only 41% and also 83% of these traders are the self-employed; employees being 15% and 2% relatives. Sets`abi and Leduka (2008:227) further added that 50% of informal traders in Lesotho are succession businesses, 10% are retirees from formal sectors and former miners from South Africa and 40% are still employed in formal sectors.

According to Rogerson and Letsie (2013:192), the informal sector in Lesotho play a crucial role by contributing 3.1% to GDP and poverty alleviation from 2012 to 2017, as

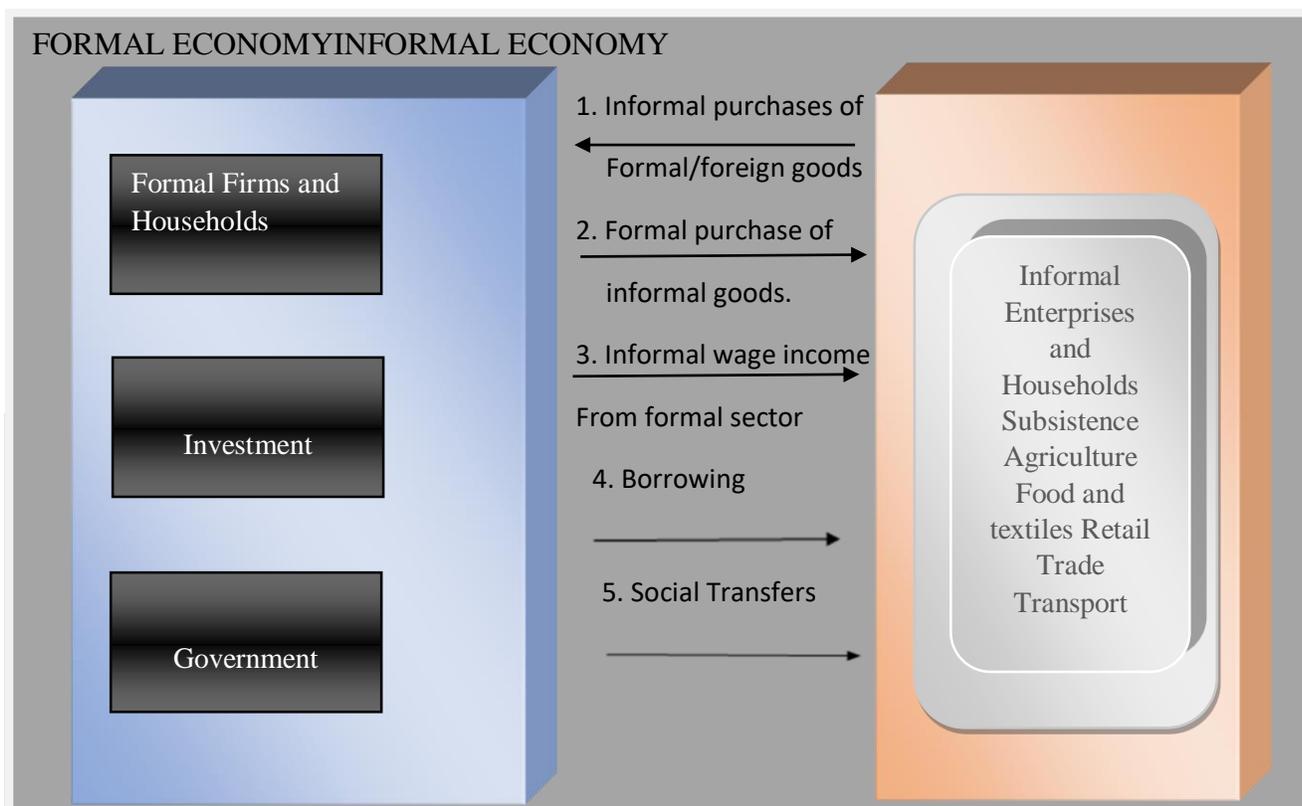
well as job opportunities estimated to 14,200. Furthermore, Rogerson and Letsie justify that informal sector contribute towards product development and as a result economically and environmentally increases overall national as well as social goals. Chingono (2016:633:634) mentions that in Lesotho, informal traders are the highest contributors of more than 70% towards the economic growth as well as 65% of employment opportunities since 2003.

#### **2.2.4 Relationship between the formal and the informal economy**

According to Charmes (2012:106), the formal and the informal economy are often linked and almost 90% of the formal economy supply or share the same suppliers with the informal economy, raw material and finished goods or services. In addition, Charmes (2012:106) explain that many formal businesses employ wage workers under informal employment conditions, such as part-time workers, temporary workers and home workers (Charmes 2012:106).

The informal and formal economies are different in nature even though some of the informal and formal businesses share the same characteristics such as contributing towards economic growth, poverty alleviation and reduction of unemployment (Charmes 2012:106). Valodia (2007:7) explains that most of the informal and formal economies work together in the form of alliances and according to Backer (2004:17), the informal and formal economy vary with the economy status, which is why informal and formal businesses increases when the economy is at a boom phase and also decreases when the economy is at recession. For example, during the FIFA soccer World Cup more informal and formal businesses enter the market and during the political instability some businesses exit the market. In the section below Figure 2.1 shows more information on the linkages between the formal and informal economy.

**FIGURE 2.1 Linkages between the formal and informal economy**



Source: Damacon (2010:282)

From the above diagram by Damacon (2010:282), shows the linkages between the formal and informal economies. From Figure 2.1 it is clear that the formal economy is a supplier of goods and services to the informal economy. For an example a retail street vendors purchase soft drinks from Coca-Cola. The second arrow presents the formal purchase of informal goods, in other words, the formal economy becomes a customer of the informal economy. For example, the individuals involved in Agriculture in the informal economy supply the formal economy with fruits and vegetables.

The third arrow in Figure 2.1 shows the employment relationship, whereby the formal businesses employ informal economy individuals or businesses and compensate them with wages. For example, a formal business such as a clothing boutique may outsource sewing activities to local individuals that are good in sewing clothes. Furthermore, the

formal economy invests in the informal economy by borrowing the informal trader's capital to start up their businesses and in return the capital borrowed is paid with interest, an example of formal businesses that borrow informal traders capital, loan shacks and banks. In the last arrow in Figure 2.1 social transfers, represents the link between the informal economy and the government, that provides security, regulations and constitutional rights for all citizens such as section 22 of the constitution that mentions that all citizens have a right to trade

Benjamin et al. (2014:7) compare that the majority studies on informal businesses output demonstrate that informality is linked with lesser growth and productivity than formal businesses. In addition, Benjamin et al. (2014:7) discovered that the output gap between formal and informal firms is due mostly to uneven access to community services. When evaluating the output of formal economy and informal economy via surveys on the speculation environment for a measure of countries in Southern and Eastern Africa, the results prove that formal sector businesses are overall more creative and active than informal businesses (Benjamin et al. 2014:7). To conclude Benjamin discussion, state that the informal economy and formal economy feature to the differentiation in the value of the business background and the enforcement of policy. The relative limitation of the state in East Africa undermines the act of formal businesses and provides slight encouragement for tough informal businesses to formalize, thereby lowering the different between formal and informal businesses outputs (Benjamin et al. 2014:7).

According to Chingono (2016:637), most of the products offered in the informal economy are bought in the formal economy, either from wholesalers such as ones in Maseru city or South Africa; therefor the informal economy supplies a complete market for the formal economy. Chingono (2016:637) state that succeeding some commodities being sold in the formal economy are bought in the informal economy such as: beef from livestock rustling and smuggled electronic gadgets. Therefore, it is evidence the informal economy and the formal economy equally feed on each other and the separation between the two economies must not be overstated (Chingono 2016:637).

Williams, (2014:13) argued that most of formal and informal traders are classified to be in the same bracket since they have similarities or uniform products and services as well as same suppliers and are also competitors to one another. Furthermore, Williams (2014:13) justify that the only difference between the two is that the formal traders are governed by rules and regulations such as income tax levy, while informal traders operate out of law. However, Williams (2014:13) adds that security and health of the informal sector environment is not as conducive as the formal traders, as a result they have fewer similarities. In addition, Williams (2014:13) agrees with Figure 2.1, that the informal traders and formal traders are suppliers and customers to each other. Limited (2008:23) maintain that the associations worldwide are trying to develop an approach to apply to sustain the growth of the informal economy

According to Chan (2007:7), the relationship between informal and formal economy are divided into three categories: individual transactions, sub-sector and value chain. Individual transactions refer to several informal businesses employees trade commodities with formal enterprises in what may be characterised as release or clean market trade “(in the sense of independent units transacting with each other)”. In such cases, the more competitive the businesses are in terms of market understanding and authority, as well as the capacity to change if the business does not develop, controls the trade or operation (Chan 2007:7).

Sub-sectors refer to numerous informal firms or own report operators manufacture and trade commodities with formal enterprises in what are called sub-sectors, concerned in the manufacture and allocation of a goods or service. In such networks, personality units are involved in operations with suppliers and consumers. The conditions and situations of these businesses are governed mostly by the more competitive enterprises in specific transactions but as well by the ‘rules of the game’ for the sub-sector as a whole, which typically are resolute by leading businesses in the sub-sector (Chan 2007:7).

## **2.3 CONTEXTUALISING INFORMAL TRADERS**

### **2.3.1 Defining informal traders**

According to Tengeh and Lapah (2013:8) an informal trader may be defined as an individual that provides products or services to the public without having a stable facility and without being recognised by tax authorities in the area the individuals operate in. Modupi (2017:31) maintains that Section 22 of the South African Constitution state that all residents of South Africa have the right to select trade of their choice openly and is restricted by the section that claims that “the practice of trade, occupation or profession may be regulated by law” and this statement is known to be freedom of trade. As a result, freedom of trade expands to the informal sector (Modupi 2017:31). Will (2009:44) maintain that there are three sub-groups or types of informal traders, namely: street vendors, household service workers and waste collectors and are discussed in the sections to follow.

### **2.3.2 Types of informal traders**

#### **2.3.2.1 Street vendors**

Bhowmik (2005:2256) define a street vendor as an individual that sells goods without authorisation by government or have a reliable place to sell in. Street vendors are mostly situated in public or open space areas with a lot of pedestrian traffic. Williams (2014:5) maintain that the informal traders are the people who trade in informal locations, for an example alongside pavements, taxi ranks and sometime go from one place to another using ‘carts or baskets’. Modupi (2017:26) supports William`s statement by identifying street vendors as the people that sell products in markets, mobile trading such as caravans and installs or kiosks. Street trading in Africa is performed largely by African women and men that provide fruits, vegetables and cooked food (Williams 2014:50).

### **2.3.2.2 Household service workers**

Wills (2009:44) describes household service workers to be the people who perform “market” activities at home or properties either self-employed or as an employee. They are further distinguished as individuals above 15 years of age who identifies the work destination as own home grounds; they are not often identified as “agricultural workers or domestic workers” (Wills 2009:44). Further highlights that 62% of the household service workers in the informal economy are women (Wills 2009:44).

### **2.3.2.3 Waste collectors**

Hayami, Dikshit and Mishra (2006:42) maintain that there are two types of waste collectors, namely the individuals that visit places such restaurants and households to collect waste and reuse it to produce other products. Other type of waste collectors includes waste pickers who are those individuals that pick waste in public places like parks. Both these groups have a significant contribution in the environment but then are the lowest earners in the economy.

## **2.4 CHALLENGES FACED BY INFORMAL TRADERS**

According to Kavese (2015:29), more than 30% of the informal sector lack continuity and contribution towards economic growth. Kavese further explains that informal traders are unable to link with large formal businesses as well as access to important information, opportunities and reliable suppliers. In Ghana, it has been reported that more than 30% of informal traders are not contributing to the economic improvement, since they are not making any savings and their spending pattern are low (Rogerson 2016:17). It has been discovered that the informal traders in Lesotho, are mostly contributing to collapse of the economy due to strikes and riots (Chingono 2016:637). This relate to the fact of being chased by the Maseru City Council (MCC) and the police and Herald (2014) mentions that informal businesses contributed about five percent to South Africa’s gross domestic product (GDP) from 2001 to 2013.

Authors such as Becker (2004), Chingono (2016), Rogerson (2016) and many other authors have previously constructed separately research on challenges faced by informal traders and some of those challenges are discussed in detail below.

#### **2.4.1 Starting a business**

According to Becker (2004:22-23), there are a number of challenges faced by informal traders. Becker (2004:23) further explains that the main reason for many of these challenges is the absence of funds or certain knowledge and those informal traders cannot acquire resources such as financial support, education and training. Bonner and Spooner (2011:90) maintain that many informal employees and traders are located in scattered areas and have to travel long distances compared to formal organisations where employees can integrate.

Becker (2004:22) and Rogerson (2016:175) mention four challenges that seem to be affecting informal traders when they are starting a business, namely:

- Infrastructure difficulties focusing on imperfect development, water and electricity and storehouse.
- Institutional issues such as the lack of learning and training, restricted access to government legislations regarding start up business and less or no access to social security.
- Economic issues such as the traders having less knowledge about technology, have low business earnings and shortage of working capital which may lead to obtaining credit in unfavourable terms.
- A shortage of informal trader associations and the absence of decision making and “regulatory environment and issues of intergovernmental coordination”.

## 2.4.2 Managing the business

According to Chingono (2016:637), informal traders in Lesotho experience. Challenges which amongst others include, competition and low incomes, harassment by the MCC police, the perishability of goods and failure to settle debtors, and rising transport costs.

Firstly, informal traders are facing fierce competition between themselves and the formal traders (Chingono 2016:637). Due to high competition, the products such as fruits and vegetables become stale or lose value as a result, which means that the price needs to be reduced, fighting for customers, going up-and-down looking customers or even reducing the quantity of their commodities as well as closing businesses late, which is not save more especial to females trading. Also long hours are worse to woman due to the fact that often they are involved in managing a household, being involve in the community and managing their own businesses. Therefore, as the results of the high competition their income become low (Chingono 2016:637).

According to Chingono (2016:637), the second challenge informal traders face when managing their businesses is the pressure and threats from Maseru City Council (MCC) and the police. Informal traders are chased in every street and every street corners. The government is aware that the vendor building space is not enough to all traders in all ten (10) districts of Lesotho. Furthermore, Chingono explained that the government and the MCC are removing the informal businesses from the streets for the reason that they do not want the visiting SADC heads of states and governments to witness the depressed poverty that informal businesses are experiencing in this country. Whenever the MCC police attack the vendors, the confiscated matters are hardly ever returned, frequently important to a total end of business.

Thirdly, most of the informal traders sell products such as fruits and vegetables as well as cooked food, which last for one or two days, that leads to not making profit (Chingono 2016:637). Due to the fact that informal traders purchase uniform products, if there are no customers the product will lose value and quality as a result they will reduce the price

or use take them home. Therefore, profit will be less, as results, they will not afford to pay their liabilities, school fees as well as other costs.

### **2.4.3 Formalising the business**

There are also some challenges faced by informal traders when formalising their businesses (Williams 2014:14). Williams identify three challenges when informal traders want to formalise their businesses. The first main challenge is that the businesses will no longer be capable to utilise the informal sector to test-trade the business when starting-up. This, however, can be basically overcome by policy-makers recognising that in some instances, it may be essential to accept a regulatory approach towards business start-ups to allow the informal sector to perform as an incubator for original business ventures. In addition, Williams (2014:15) indicated that the second major challenge of pursuing formalisation is that clients of businesses working in the informal sector will require paying the full market price, since the occupation of the informal sector in providing contact to avoidable goods and services will no longer be accessible. The third challenge is that it may be impossible to shift all informal businesses into the formal sector.

Damacon (2010:28) justify that informal traders face the challenge of formalising the business due to the high cost of income tax regulation by government and local authorities since their businesses are small and profitable. Moreover, Damacon claims that formalisation of the informal business will negatively affect informal traders, due to certain financial condition, reliability and competition from the formal sector the informal businesses may not stand or last and even make enough profit in the market for a long period.

Williams (2014:15) further indicated that even though formalising informal businesses is the most practical policy choice for policy-makers to follow, many of the negative effects can be defeat by recognising that policies might from time to time have an additional sustaining role to cooperate (Williams 2014:15). Williams further clarifies that doing nothing might sometimes have a sustaining role to play such as in relation to small-scale

businesses endeavour for secure public relations since such action is not liable to exchange into formal employment.

## 2.5 SUMMARY

In summary, it is by evidence that the informal sector is firstly growing and making a great impact in economy world-wide. In this chapter the researchers touched base on important points to know when looking at profiling informal activities in South Africa and Lesotho. Researchers have divided the chapter in to five sections, namely: Introduction, Contextualizing the informal economy, contextualizing informal traders, Challenges faced by informal traders and Summary.

The researchers have gathered definitions of the informal economy by previous researchers such as Adom and William 2012 and Hussmanns (2005:2) and discovered the three School of Thoughts that define the informal economy, namely: The Dualist, Structuralist and the Legalist, based on studying the three Schools saw the study mostly relates and transparent to the Legalist School of Thought definition that defines the informal economy as informal activities that are operated illegally and are not listed for income tax with the Receiver of Revenue. The researchers also highlighted the different types of informal economies, the importance economy and the relationship between the informal economy and formal economy; this is where by the researchers made use of figure 2.1 by Damacon (2010:282) to elaborate more on the relationship between the two economies.

In the third section researchers define informal traders and identify the different types of informal traders to be: Street vendor, Household service workers and waste collectors. Waste collectors are known to be the lowest earners in the economy yet the work they do drastically change to the environment, for an example by collecting the waste and reusing or selling they clean the environment, decreasing pollution and in the fourth section the researchers elaborate on the challenges faced by informal traders and have identified those challenges to be: starting a business, managing the business and formalizing their businesses.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 INTRODUCTION**

In the previous chapter the informal economy and informal traders were contextualised, including the importance of the informal economy and the different types of informal traders. Chapter Three commences by explaining the research design and methodology adopted in this study. The population, sampling frame, sampling techniques, as well as data collection and data analysis methods, are also discussed in this chapter.

#### **3.2 RESEARCH METHODOLOGY**

According to Netsianda (2008:6), a qualitative methodology is data collected in a form of words and describe 'how and why'. Quinlan (2011:286) support Netsianda's statement by stating that qualitative research data collection is based on gathering 'non-numerical data' and interpreting the data with a purpose of understanding the society or the population the study is targeting. Collis and Hussey (2014:130) reveal that when collecting data using qualitative methodology one may use instruments such as audio or recordings, video and broad cast during interviews and Collis and Hussey also state that the data collection must be standardized and well organised.

Bryman, Bell, Hirschsohn, Dos Santos, Du Toit, Masenge, Van Aardt and Wagner (2014:31) describe a quantitative methodology as a particular research approach that collects numerical data and "adopts an objectivist conception of social reality". Quantitative methodology concentrates in measuring phenomena and it involves collecting and applying statistical data (Netsianda 2008:6).

Collis and Hussey (2014:50) highlight the differences between qualitative and quantitative research methodology. Quantitative methodology uses bigger samples compared to

qualitative methodology and quantitative methodology focuses on testing assumptions whereas qualitative methodology creates thesis. In addition, quantitative methodology produces findings with high consistency and low authority, whereas qualitative methodology produces a low consistence and high authority findings. In this study the researchers have adopted a quantitative methodology, since the study will focus on measuring incident or event, collecting and analysing numerical statistics.

### **3.3 RESEARCH DESIGN**

According to Lillah (2014:121-122), research design is based on the kind of approach the researcher uses to construct an efficient and objective sections of the study, by making sure the research problem is conveyed. Collis and Hussey (2014:97) define research design as a process of setting direction or techniques for conducting a research in order to find sustainable results.

### **3.4 DATA COLLECTION**

According to Van Zyl (2014:156), a data collection strategy selected for a study has a remarkable impact on the value of the data, it mostly affects the reliability of the research results. The data collection process includes making use of information from previous sources, organising, recording and analysing data. In this section, the methods involved in sourcing secondary data and primary data collection will be reviewed in more details.

#### **3.4.1 Secondary data collection**

Quinlan (2011:242) define secondary data as statistics that has been previously collected, in summarized terms it is 'data from secondary source". Collis and Hussey (2014:59) also define secondary data as statistics gathered from available sources such as the "internet and publications". The advantages of using this data are less costly, easily accessible, less time consuming and it is high quality data (Bryman et al. 2014:268).

Secondary data for this study has been sourced from academic books and journals, EBSCO, as well as reputable internet sites and reports which mostly is available at Nelson Mandela University library. The purpose of the literature review was to provide a theoretical basis for the study and identify possible questions for the questionnaire.

### **3.4.2 Primary data collection**

Collis and Hussey (2014:59) define primary data as data created by original sources, for an example a self-constructed questionnaire survey or an experiment. Quinlan (2011:242) maintains a short simple definition of primary data, as data that has been created by researchers on their own.

#### **3.4.2.1 Population, sampling frame and sample**

According to Ferreira (2017:40), the population refers to occupants of a particular place. When researchers specify the population of the study they highlight 'units, size and even the place'. It is usually quite hard to describe the study population when the research topic is broad. In this study the population consisted of all informal traders in South Africa and Lesotho. Sets'abi and Leduka (2008:227) discovered that in Lesotho informal traders consists 59% of women and 41% of men and Rogerson (2016:17) estimate that about 25% of the businesses in South Africa are informal businesses.

Lillah (2014:123) describe a sampling frame as a record of all sampling components that formulate a population and that leads to a selection of a sample. According to Bryman et al. (2014:171), in inadequate sampling frame exists where the sampling is unreliable, the sample cannot portray the population regardless of the sampling technique being used. On the other hand, Collis and Hussey (2014:197) describe a sample as a subgroup of population that is fair and they maintain that it must always symbolise the importance of the study.

According to Lillah (2014:124), the aim of sampling is to decrease the cost of collecting data, while improving the speed of collecting data. For the purpose of this study there was no sampling frame available of all the informal traders in South Africa and Lesotho. Because there was no sampling frame, the researchers restricted the data collection to a large metropolitan area in South Africa and Lesotho namely Nelson Mandela Bay and Maseru City Council.

### **3.4.2.2 Sampling techniques**

In this section the researchers discuss two sampling techniques, namely; probability and non- probability sampling.

According to Ferreira (2017:52), probability sampling uses a numerical technique to determine the size of sample and each person in the population has a recognised chance of being chosen. In this case it is important to have a sampling to use. Ferreira (2017:52) further mentions probability sampling consists of simple random samples, systematic, stratified and cluster sampling.

Levine, Krehbiel and Berenson (2013:255) maintain that in a simple random sampling is a sampling where by every potential participant of the population has same opportunity of being chosen, without being bias. They feather state that the acquired outcome of using simple random sample cannot be speculated above selected population. For example, in a simple random sample of say a dice with six numbered sides, regardless of the colour or even the side, each number will have equal opportunity of appearing (Ferreira 2017:42).

According to Collis and Hussey (2014:200), a stratified random sampling, solves a simple random sample difficulty that may result in the population being significantly less or above portrayed. Ferreira (2017:50) states that in a stratified random sampling the population is divided into strata and members elected individually from a category in a simple random sampling. For example, if a sampling frame contains of all the workers of a certain

business, the strata can be distinguished as follows: senior managers, supervisors, and junior staff. If 30 percent of the workers were junior staff, the researchers would conclude that 30 percent of the sample is portrayed by junior staff (Levine et al. 2013:257).

A systematic sampling is whereby from sampling frame the researcher selects the population using nth number, the nth stands between the number 0 and the range of the sample that researcher wants to choose (Van Zyl 2014:100). For example, if the researcher wants a sample of 20 house members from an entire population of 160 houses in a specific community, then the researchers may sample every eighth house beginning from a random figure 1 to 8. Suppose that the random figure is 8, therefore the houses numbered 8, 16,24,32,40 and the rest, can be sampled until 20 houses are selected (Levine et al. 2013:257). The last example of probability sampling is cluster sampling. According to Van Zyl (2014:102), cluster sampling simply means choosing a group of components instead of sole components. This method is best used when doing a face-to-face interview, whereby for certain reasons it is forceful to limit the geographic coverage (Collis & Hussey 2014:200).

With non-probability sampling the chances of selection are not easily determined, there are no requirements one must meet to be chosen and it is not feasible to calculate the sampling error (Ferreira 2017:42, 52). Non-probability sampling consists of snow ball sampling, quotas and convenience sampling. In the snowball sampling the researcher approaches an individual or certain group of people who relate to the basis of the study population, conduct the research with the individual and afterwards ask the individual to suggest anyone that meets the basis of the study (Quinlan 2011:214).

According to Quinlan (2011:214), quota sampling is the process whereby the researcher creates a representative of participants for the study making use of contrary quota principles. Lillah (2014:126) mentions that quotas maybe put in order in regards of age, gender, nationality, education and life style. Lillah further mentions that the use of quota sampling enhances the value of data, but the results are influenced by the researcher's knowledge when designing the quota demands.

Ferreira (2017:52) defines convenience sampling as a technique where the respondent assistance is autonomous. This technique is normally used in a population that revolves around open spaces such as malls; it is very fast and less expensive even though researchers have no control over who will be in the sample.

For the purpose of this study respondents will be chosen using non-probability convenience sampling. The use of this sample means that the informal traders will be selected based on availability and convenience to the researchers. The researchers will collect the data from informal traders that are available at that specific time in the Nelson Mandela Bay municipality (SA) and Maseru City Council municipality (Lesotho).

### **3.4.2.3 Research instrument (questionnaire)**

According to Punch (2003:41), the data collection method selected normally has an important impact on the standard of the data and results of the research. In this study data will be collected using structured questionnaires.

The techniques to distribute and complete the questionnaires will be achieved through personal delivery to respondents and hundred questionnaires will be delivered: fifty to informal traders operating in the Nelson Mandela Bay municipality while the other fifty will be delivered to be completed by informal traders in Maseru City Council municipality, five extra questionnaires will be a bonus. The questionnaire will consist of different sections and concepts. There will be a cover letter explaining the purpose of the study, research ethics and what will be expected from the respondents.

Section A which will focus on the demographics for example age, gender of the informal traders in the Nelson Mandela Bay and Maseru City Council. Questions from this section were generated from previous studies and are demonstrated in the Table 3.1 below.

Section B focuses on the demographic information about the informal trader’s businesses such as number of years in operation/existence, the size and type of business. There will also be open-ended questions requesting information from the informal traders concerning the challenges they are facing, the advantages and disadvantages of being an informal trader, as well as the support received from the local municipality and trader associations. The questions for this section were constructed from previous studies and the researchers have demonstrated in the Table 3.1 below.

**Table 3.1 Scale used for questionnaire**

Scale	Sources
<ul style="list-style-type: none"> <li>• Initial investment was measured as the amount of money invested at the start of the venture.</li> <li>• Training attendance, whether the informal trader had attended any trading skills development programme.</li> <li>• Gender measured as a double variable, with male indicated as 1 and female as 2 and age was measured in years.</li> <li>• Hours worked per day and days worked per week.</li> <li>• Level of education measured as no schooling, primary school, high school, post matric and post graduate</li> </ul>	<p>(Callaghan 2014)</p>

<ul style="list-style-type: none"> <li>• Place of origin</li> </ul>	(Huang, Zhang and Xue 2017)
<p>Sources of financing</p> <ul style="list-style-type: none"> <li>• Family or relatives, friends or neighbours, self-funding, bank loan</li> </ul>	(Williams, Shahid and Martinez 2016)
<p>Household employment status</p> <ul style="list-style-type: none"> <li>• One earner, two earners or three or more earners.</li> </ul>	(Williams 2017)
<p>Location of business</p> <ul style="list-style-type: none"> <li>• Permanent stall, mobile truck or semi-static.</li> </ul>	(Peberdy 2016)
<p>Average monthly sales income</p> <ul style="list-style-type: none"> <li>• R0-R350, R351-R750, R6000+</li> </ul>	(Kavese 2015)
<ul style="list-style-type: none"> <li>• Advantages and disadvantages of operating informally.</li> </ul>	(Losby, Kingslow and Else 2003)

**3.5 DATA ANALYSIS**

Data analysis is defined as a procedure of studying or analysing data with the purpose of revealing the meaning, the data is analysed to discover ‘patterns and trends’ (Quinlan 2011:06). Therefore, the researcher will transform raw data into meaningful information. Data collected from informal traders of the Nelson Mandela Bay municipality and Maseru City Council municipality in the form of questionnaires will be coded, data will be captured in Excel and analysed using appropriate statistical techniques. After the data has been captured in Excel, the researchers will check the data for any errors and missing data and if errors or missing data is identified, researchers will go back to the questionnaires to

make corrections. If the respondents have not indicated any response researchers will leave it as it is.

The main statistical techniques used in this study was descriptive statistics, such as the mean, standard deviations, frequencies and percentages to describe informal traders and their businesses in the Nelson Mandela Bay and Maseru City Council. Zikmund, Babin, Carr and Graffin (2013:54) define descriptive data as a term that used to describe the characteristics of object, people, group, organisation or environment. According to Ferreira (2017:72), descriptive analysis outlines the data by giving out statistical measure for example "central tendency or dispersion", it is a method which presents facts of factors and variable that are appropriate for the study.

Levine et al. (2013:120) define the mean as an ordinary measure of central trend and is calculated as total amount of all the values of the sample divided by number of the values, it is set as a "balance point" in an arranged data. Mode is the number that is most visible in the data and median is the value that appears in the middle of the arranged sample beginning with the lowest and ending with the highest number (Buijs 2015:31). Ferreira (2017:78) explains range as the difference between large and small number given by the respondent, it is calculated by subtracting the smaller number from the biggest number. Bodie, Kane and Marcus (2011:157) define standard deviation as the square root of variance and is used to calculate or identify risk. According to Ferreira (2017:74), percentage is a range per hundred parts, when calculating percentage one simply add the sum numbers of the data and divided by its total number then multiply by 100. After the researchers have captured the data, analysed and made use of the descriptive statistics the results will be presented by mean of tables, pie charts, bar graphs, amongst others.

### **3.6 SUMMARY**

In this study the researchers have indicated that to conduct the study they have adopted a quantitative method, further identified the population sample the study will focus on, which is the informal traders in Nelson Mandela Bay and Maseru City Council and further in detail the sampling frame, sample and research tool were provided. This chapter concluded with data analysis, highlighting that researchers for this study will make use of questionnaires to collect primary data, data will be captured on excel and analysed using statistical technique. The results of the statistical analysis will be presented in the next chapter.

## **CHAPTER FOUR**

### **EMPIRICAL FINDINGS**

#### **4.1 INTRODUCTION**

In the previous chapter the research design and quantitative methodology used in this study was discussed. To examine the theoretical characteristics of the study an empirical investigation has been conducted. The empirical data in this chapter was gathered using a structured questionnaire. The population of this study consisted of informal traders operating in the metropolitan areas of South Africa and Lesotho, namely the Nelson Mandela Bay municipality (South Africa) and Maseru City Council municipality (Lesotho).

In this chapter the researchers start by providing a sample description of the informal traders that participated in the study, followed by providing a business profile of the businesses of the respondents. In addition, a discussion will also follow on the advantages and disadvantages of being an informal trader, followed by a description of the role of the local municipality and other informal trader associations when operating an informal business amongst respondents in this study.

#### **4.2 THE PROFILE OF INFORMAL TRADERS IN SOUTH AFRICA AND LESOTHO**

##### **4.2.1 Sample response**

The tables below present characteristics of the respondents who participated in the study. In executing this study, a sample of 105 informal traders participated. Section A of the questionnaire focused on the demographic information of the informal traders in South Africa and Lesotho themselves, while Section B focused on profiling the businesses of the informal traders. A total of 50 respondents were informal traders from Lesotho and 50 informal traders from South Africa, an extra five respondents from Lesotho serve as a bonus.

#### 4.2.2 Gender

In Table 1 below the gender of the respondents is illustrated.

**Table 1: Gender of respondents**

Gender	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Male	32	30.48	12	28.00	20	21.82
Female	73	69.52	38	72.00	35	63.64
Missing	0	0.00000	0	0.00	0	0.00

From Table 1 it is clear that the majority of the respondents in this sample is female (70%) and the rest was male (30%). Furthermore, Table 1 illustrates that 72% represented females and 28% males from South African and 64% females and 21% males from Lesotho.

#### 4.2.3 Marital status

In Table 2 the marital status of the respondents is illustrated for the sample as a whole, as well as for South African and Lesotho respectively.

**Table 2: Marital status of respondents**

Marital status	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Single	36	34.29	20	40.00	16	29.09
Married	45	42.86	19	38.00	26	47.27
Widow	10	9.52	4	8.00	6	10.91
Divorce/ Separation	8	7.62	4	8.00	4	7.27
Cohabiting	6	5.71	3	6.00	3	5.45
Missing	0	0.00	0	0.00	0	0.00

According to Chikanda and Tawodzera (2017:9) informal trading is regularly for people who are single and free of commitments. However, the two-thirds of the total respondents in this study are married (42%), which consists of 38% South Africans while Lesotho was leading by 47% which shows that married respondents are more than the single

respondents in this study by 9%. From the results of this study it can also be seen that only one-third of the respondents in this study were single. Looking at the South Africa sample 40% of the respondents are single while 29% of Lesotho information traders are single. In addition, the results show 10% widowers, 8% divorcees as well as 6% cohabiting.

#### 4.2.4 Nationality

Respondents in this section were requested to indicate their nationality, which is illustrated in the table below.

**Table 3: Nationality of respondents**

Nationality	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
South African	41	39.05	41	82.00	-	-
Basotho	55	52.38	0	0.00	55	100.00
Nigerian	2	1.90	-	-	-	-
Zimbabwean	6	5.71	-	-	-	-
Tanzanian	1	0.95	-	-	-	-
Missing	0	0.00	0	0.00	0	0.00

The results in Table 3 shows that the majority of the respondents were from Basotho nationality (52%), while 39% of the respondents were from a South African nationality. Other categories of respondents included Zimbabwean informal traders (6%), Nigerian (2%) and Tanzanian (1%).

#### 4.2.5 Race group

In this section respondents were requested to indicate race group they belong to, which is illustrated below.

**Table 4: Race group respondents belong to**

Race	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Black	102	97.14	48	96.00	55	98.18
Coloured	2	1.90	2	4.00	0	0.00
Indian	1	0.95	0	0.00	1	1.82
Missing	0	0.00	0	0.00	0	0.00

Table 4 illustrates that 97% of respondents were Black and only 3% were from other race groups. An even number of South African respondents (96%) and Lesotho respondents (98%) were Black, while only 2% South African respondents indicated that they were Coloured and 1% of the Lesotho respondent indicated that he/she was Indian.

#### 4.2.6 Residents of respondents

The respondents were requested to indicate the area or suburb where they are currently residing. The responses are illustrated in Table 5. From Table 5 it can be seen that 102 informal traders out of the 105 sample indicated the area where they are currently residing. Of the 102 respondents, 49 indicated areas in South Africa and 53 indicated areas in Lesotho. In addition, 41 unique residential areas were mentioned by the informal traders. Out of the 41 unique residential areas, 21 were residential areas in the Nelson Mandela Bay area and 20 were residential areas located in Maseru City Council. KwaNobuhle-Uitenhage, Maseru and Khubetsoana are unique residential areas that were most frequently mentioned by the informal traders.

**Table 5: Suburb where respondents are currently residing**

Frequency that each unique residence that was mentioned	n	%
Maseru	9	9%
Borokhoaneng	1	1%
Lithabaneng	6	6%
Naleli	4	4%
Ha foso	2	2%
Ha Thamae	3	3%
Bochabela	1	1%
Ha Mabote	1	1%
Khubetsoana	8	8%
Semonkong	1	1%
Ts'enola	2	2%
Ha Thetsane	3	3%
Ha pita	1	1%
Korsten	2	2%
Central,PE	3	3%
New Brighton	2	2%
Location	1	1%
North end	2	2%
Missionvale	4	4%
Kwamagxaki	1	1%
Kwazakhele	2	2%
New Brighton	2	2%
Kwadwesi	1	1%
Zwide	4	4%
Ha Tsolo	2	2%
Ha Matala	1	1%
Sekamaneng	2	4%
Kolo	1	1%
Ha 'Masana	1	1%
Mazenod	3	3%
Moshoeshoe 2	1	1%
KwaNobuhle, Uitenhage	10	10%
KwaLanga, Uitenhage	3	3%
Motherwell, Port Elizabeth	2	2%
CBD,Uitenhage	3	3%
Khayelitsha, Uitenhage	2	2%
Joe Slovo, Port Elizabeth	1	1%
Dispatch	1	1%
Gunguluza, Uitenhage	1	1%
Zinyoka	1	1%
Walmer location	1	1%
Total frequency	102	102%

#### 4.2.7 Age

In this section respondents were requested to indicate their age, which is contained in Table 6 below.

**Table 6: Age of respondents**

Age	N	Mean	Median	Minimum	Maximum	Lower quartile	Upper quartile	Std. Dev.
Overall sample	105	39.47	39.00	18.00	65.00	32.00	47.00	10.70
South Africa	50	42.06	40.00	25.00	65.00	33.00	48.00	10.56
Lesotho	55	37.11	38.00	18.00	62.00	29.00	45.00	10.36

Table 6 above shows that the average age of respondents in total was 39 years, while the average age for South African respondents was 42 years and that of Lesotho respondents 37 years. It is interesting to note that the average age of South African respondents are 5 years older compared to their Lesotho counterparts. For the total sample the age of respondents varied between 18 and 65 years, while the age for South African respondents ranged between 25 and 65 years and for Lesotho respondents between 18 and 65 years.

#### 4.2.8 Level of education

In this section respondents were requested to indicate their level of formal education, which is illustrated in Table 7 below.

**Table 7: Educational level of respondents**

Education Level	Overall sample		South Africa		Lesotho	
	n	%	N	%	n	%
No Schooling	10	9.52	1	2.00	9	16.36
Primary School (grade-7)	19	18.10	6	12.00	13	23.64
High School (Matric)	54	51.43	35	70.00	19	34.55
Under graduate	20	19.05	8	16.00	12	21.82
Post graduate	2	1.90	0	0.00	2	3.64
Missing	0	0.00	0	0.00	0	0.00

Table 7 illustrate that more than 70% of the respondents had either a high school, undergraduate or post-graduate qualification. Of the 70% about 20% of the respondents completed undergraduate qualifications, with 2% holding a bachelor’s degree. Table 7 further reveals that 18% of the respondents only had a primary school (maximum grade 7) qualification, whilst 10% did not attend school. Furthermore, Table 7 shows that the majority of respondents (70%) attended high school in South Africa while 35% attended high school in Lesotho.

#### 4.2.9 Previous employment of the respondents

In this section and illustrated in Table 8, the respondents were requested to indicate whether they were previously employed before starting their informal businesses.

**Table 8: Previous employment of respondents**

Prev. Employment	Overall sample		South Africa		Lesotho	
	N	%	n	%	n	%
Yes	55	52.38	30	60.00	25	45.45
No	50	47.62	20	40.00	30	54.55
Missing	0	0.00	0	0.00	0	0.00

Table 8 demonstrates that more than half of the respondents (52%) were employed in different workplaces and occupations before engaging in the informal sector as traders, while less than half of informal traders (48%) have not been employed before. Of the 55 informal traders previously employed, 30 were from South Africa and 25 informal traders from Lesotho. Of the 50 informal traders not employed before the majority was from Lesotho (30 traders) and only 20 from South Africa.

#### 4.2.10 Previous occupation

The respondents that were employed previously were also requested to indicate their previous occupations.

**Table 9: Previous occupation**

Frequency that each unique occupation that was mentioned	n	%
Accountant	3	6%
Polling officer	1	2%
Factory worker	1	2%
Butchery worker	1	2%
Monitoring and Evaluation	1	2%
Shop worker	3	6%
Packaging in a clothing firm	1	2%
Government worker	1	2%
Driver	2	4%
Marketing Department	1	2%
Cook	2	4%
Domestic worker	5	9%
Cleaner	6	11%
Bartender	1	2%
Tsitsikama mining	1	2%
Construction worker	1	2%
Cashier	2	4%
Casino worker	1	2%
Nail Technician	1	2%
Waitress	1	2%
Delivery man	2	4%
Shelf Packer	1	2%
Clerk	2	4%
Grocery packer	1	2%
Till Packer	1	2%
Dressmaker	1	2%
Credit controller	1	2%
Receptionist	1	2%
Baker	1	2%
Taster at a restaurant	1	2%
Packer	1	2%
Quality assurance	1	2%
Packer at the harbour	1	2%
Security	1	2%
Farm worker	1	2%
Total frequency	53	100%

Table 9 shows that 53 respondents specified their previous occupation, while 52 did not specify. There were 34 unique occupations mentioned by the respondents and that of being a cleaner (11%) or domestic worker (9%) were the most frequently mentioned unique occupations. The rest of the unique occupations frequently mentioned were as follows: 2% was mentioned twenty-six times, 4% was mentioned five times and 6% was mentioned two times.

#### 4.2.11 Employment status of respondents

In this section the respondents were asked to indicate their household employment status and as a result Table 10 was created to illustrate the responses.

**Table 10: Household employment status**

Employment Status	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
One/single earner	45	42.86	18	36.00	27	49.09
Two earners	41	39.05	19	38.00	22	40.00
Three/ more earners	19	18.10	13	26.00	6	10.91
Missing	0	0.00	0	0.00	0	0.00

From Table 10 out of the 105 respondents, 45 informal traders (43%) indicated that there is only one earner in their households. Of the 45 respondents, 18 were traders operating their businesses in South Africa and 27 were traders operating in Lesotho. Of the total sample 41 of the respondents indicated there were two earners in their households, 19 and 22 respectively for South Africa and Lesotho. Furthermore, the results show that 19 traders indicated three or more earners for their households, of which 13 were informal traders in South Africa and 6 were informal traders in Lesotho.

#### 4.2.12 Number of dependents

In this section respondents were requested to indicate how many people are dependent on the income of the business (Table 11).

**Table 11: Number of dependents**

No. dependents	N	Mean	Median	Minimum	Maximum	Lower quartile	Upper quartile	Std. Dev.
Overall sample	94	3.27	3.00	0.00	8.00	2.00	4.00	1.66
South Africa	47	3.21	3.00	1.00	6.00	2.00	4.00	1.40
Lesotho	47	3.32	3.00	0.00	8.00	2.00	4.00	1.90

Table 11 reveals that the average number of dependents for both South African and Lesotho informal traders is 3 dependents. The overall minimum and maximum dependents range between 0 and 8 dependents.

#### 4.2.13 Relation dependents

In this section the respondents were also requested to specify their relationship with their dependents, which is shown in Table 12. Table 12 shows that 92 respondents indicated the relation of the people dependent on the income of the business. Of these 63% indicated multiple dependent relations while 37% of the respondents indicated single dependent relations. Of the 24 unique relations that were mentioned by the informal traders, the majority of the informal traders indicated their children as dependent on the income from their businesses with 25% of the total frequency.

**Table 12: Relation of informal trader with dependents**

Frequency that each unique relation dependents was mentioned	N	%
Children	42	25%
Employees	1	1%
Immediate family	3	2%
Husband	12	7%
Parents	10	6%
Mother	17	10%
Father	3	2%
Daughter in law	1	1%

Spouse	5	3%
Wife	8	5%
Friend	1	1%
My child	29	17%
Grandchildren	6	4%
Sibling	9	5%
Girlfriend	1	1%
Niece	4	2%
Relatives	1	1%
Grandchild	5	3%
Siblings	4	2%
Orphan	1	1%
Nephew	1	1%
Father in law	1	1%
2 nephew	1	1%
Child's mother	1	1%
2 daughters	1	1%
Total frequency	168	100%

#### 4.2.14 Additional income for the respondents

The respondents were asked to indicate if they have any activity or job that generate additional income, their respondents are illustrated by the table below.

**Table 13: Additional activities or jobs that could generate income**

Category	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Yes	35	33.33	16	32.00	19	34.55
No	69	65.71	34	68.00	35	63.64
4	1	0.95	0	0.00	1	18.18
Missing	0	0.00	0	0.00	0	0.00

Table 13 shows that only one third of respondents (33%) indicated that they have an additional source of income besides their informal businesses. Of these that have indicated an additional income 32% and 35% are from South Africa and Lesotho respectively. The majority of respondents (66%) indicated that they rely only on the income generated from their informal businesses, of which it is the case for 64% informal traders in South Africa.

#### 4.2.15 Sources of additional income

The respondents that indicated in the previous section (Table 13) that they have additional income were also requested to indicate their sources of additional income, which is revealed in Table 14 below.

**Table 14: Sources of additional income**

Frequency that each unique additional source of income was mentioned	n	%
Salary	1	3%
Teacher	1	3%
Government employee	3	10%
Money lending	2	6%
Spouse salary	1	3%
Social grants	6	19%
Business Driver	1	3%
Salary	1	3%
Sell Tupperware	2	6%
Sell Avon	1	3%
Herbalife seller	1	3%
Hairdressing	2	6%
Gardening for people	1	3%
Baby-sitting	1	3%
Event decorating	1	3%
Renting out a house	1	3%
Doing laundry for others	1	3%
Selling cell phone chargers	1	3%
making music	1	3%
Taxi conductor	1	3%
Death pension fund-military	1	3%
Total frequency	31	100%

The outcome in Table 14 reveal that a number of 20 unique additional sources of income were mentioned. The majority of respondents who indicated they have other activities or jobs generating additional income did not specify whether the activities involved informal trading or not. The table shows that 29% specified the main source to be the government via social grants (19%) and being a government employee (10%).

### 4.3 BUSINESS PROFILE OF INFORMAL TRADERS

In the previous section the demographic profile of the respondents themselves were revealed and discussed. In this section the business profile of the informal traders is discussed.

#### 4.3.1 Training attended by the respondents for managing business

In this section the respondents were asked to indicate if they received any training that would enable them to manage their businesses, which is illustrated in Table 15 below.

**Table 15: Training attended for managing the business**

Training	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Yes	26	24.76	14	28.00	12	21.82
No	79	75.24	36	72.00	43	78.18
Missing	0	0.00	0	0.00	0	0.00

From Table 15 it is evident that only a quarter of informal traders attended training for managing their businesses. Only 28% in South Africa received training and 22% in Lesotho did receive training. Unfortunately, the majority of South African (72%) and Lesotho informal traders (78%) never received any kind of training that would enable them to manage their businesses.

#### 4.3.2 Sources of training

In this section the respondents that did receive training to manage their businesses were requested to indicate the sources of training.

**Table 16: Sources of training to manage business**

Frequency that each unique source of training was mentioned	n	%
Road safety	1	4%
Institute of Development Management	1	4%
Vodacom	1	4%

School	1	4%
Down town beauty school	1	4%
Knitting programme	1	4%
College	1	4%
Municipality entrepreneurship programme	1	4%
MUD Nigeria Hairdo me academy	1	4%
My father taught me	1	4%
Beauty and hair dressing Tech	1	4%
Government youth empowerment	1	4%
Basotho Enterprises Development Corporation	3	12%
School of catering	1	4%
Lerotholli Polytechnic	1	4%
Small Enterprise Development Agency	2	8%
Coca Cola	3	12%
Parent(mother).	1	4%
Elder Rastas	1	4%
Restaurant	1	4%
Total frequency	25	100%

Table 16 shows that 88% of the respondents that indicated they received training specified the training source. Of them 61% of the respondents specified they received training in South Africa and 39% in Lesotho. Analysing the responses, 20 unique sources of training were mentioned and one respondent indicated multiple sources of training, while 22 respondents indicated a single source of training. Table 16 further illustrates that the Basotho Enterprises Development Corporation and Coca Cola are the training sources that were frequently mentioned the most out of the unique sources of training.

#### 4.3.3 Existence of the business in years

The respondents were requested to indicate for how long their businesses have been in existence (Table 17).

**Table 17: Years the business is in existence**

Existence in years	N	Mean	Median	Minimum	Maximum	Lower quartile	Upper quartile	Std. Dev.
Overall sample	105	8.04	5.00	0.42	38.00	2.50	9.50	8.37
South Africa	50	10.47	6.50	2.00	38.00	5.00	15.00	9.20
Lesotho	55	5.84	3.42	0.42	32.58	1.25	6.00	6.91

Table 17 above reveals that the average existence of the businesses in this sample is in existence for 38 years. The average age of businesses in South Africa (10 years) is almost double the average age of businesses in Lesotho (6 years).

#### 4.3.4 Founder of the business

The respondents were requested to indicate in Table 18 who founded their businesses.

**Table 18: Founder of the business**

Founder	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Founded alone	63	60.00	30	60.00	33	60.33
Founded with family	25	23.81	11	22.00	14	25.45
Business partner	11	10.48	5	10.00	6	10.91
Family business	5	4.76	3	6.00	2	3.64
Missing	1	0.95	1	2.00	0	0.00

Looking at the results from Table 18, the majority (60%) of the respondents founded their businesses alone. Almost 39% of the respondents indicated they did not found the business alone, instead they founded the business with either family, a business partner or is part of a family business. Of the 60% informal traders who founded their businesses alone, 60% respondents were informal traders from South Africa while 63% represented Lesotho respondents. From the 39 % respondents, 22% of South African respondents founded the business with family, 10% with partners and 6% is part of a family business. In Lesotho, 25% respondents founded business with family, 11% with a partner and 4% is a family business. Further the results from Table 18 shows that one respondent from South Africa did not respond to the question.

### 4.3.5 Start-up capital required

In this section the respondents were requested to indicate the amount of capital that was required to start their businesses. Their answers are revealed in Table 19 below.

**Table 19: Start-up capital required**

Start-up capital	N	Mean	Median	Minimum	Maximum	Lower quartile	Upper quartile	Std. Dev.
Overall sample	97	2385.15	800.00	20.00	25000.00	350.00	2500.00	4017.48
South Africa	43	1574.19	500.00	20.00	25000.00	150.00	1000.00	4022.62
Lesotho	54	3030.93	1000.00	20.00	20000.00	500.00	5000.00	3931.08

Table 19 reveal that for the total sample the average amount to start the business was R2 385. Furthermore, Table 19 highlight a minimum of R20 start-up capital required and a maximum of R25 000 start-up capital required. Interesting to note from Table 19 is that the average start-up capital required in Lesotho (R3 031) is almost double the average amount of start-up capital required in South Africa (R1 574).

### 4.3.6 Sources of start-up capital

The respondents were also requested to choose from different combination of sources of start-up capital, illustrated in Table 20 below and discussed thereafter.

**Table 20: Sources of start-up capital**

Source of capital	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Family/Relative	33	31.43	14	28.00	19	34.55
Friends/neighbours	5	4.76	4	8.00	1	1.82
Self-funding	47	44.76	24	48.00	23	41.82
Bank loan	2	1.90	0	0.00	2	23.64
Family & Friends	2	1.90	2	4.00	0	0.00
Family & Self-funding	7	6.67	2	4.00	5	9.10
Friends & Self - funding	2	1.90	2	4.00	0	0.00
Self-funding & Bank loan	2	1.90	0	0.00	2	3.64

Self-funding & Business partner	1	0.95	0	0.00	1	1.82
Business partners	1	0.95	0	0.00	1	1.82
Family, Friends & Self-funding	1	0.95	1	1.00	0	0.00
Missing	1	0.95	0	0.00	1	1.18

From Table 20 it is evident almost 45% of the informal traders acquired their start-up capital from funding themselves, while 31% borrowed money from family/relative to start their businesses. Very few started their informal business with money from either informal sources (such as loans from non-relatives, informal financial institutions and money lenders) or from formal sources (such as banks and micro-finance institutions). According to the informal traders, relatives and family are the second best source of loans because they do not pay interest to the relative's family and family are more likely to understand should they default on the loan or delay the repayment.

#### 4.3.7 Operating capital required monthly

The respondents were requested to indicate the amount of capital required to operate the business on a monthly basis. Their answers to this question is illustrated in Table 21.

**Table 21: Monthly operating capital required**

Operating capital	N	Mean	Median	Minimum	Maximum	Lower quartile	Upper quartile	Std. Dev.
Overall sample	100	3466.00	1500.00	200.00	45000.00	675.00	3000.00	6917.09
South Africa	45	2483.33	1200.00	200.00	40000.00	700.00	2000.00	5859.31
Lesotho	55	4270.00	1500.00	200.00	45000.00	600.00	5000.00	7634.20

Table 21 reveals that for the total sample the average amount required to operate the business on a monthly basis was R3 466. Furthermore, the table highlight a minimum of R200 and a maximum of R45 000 needed to operate the business on a monthly basis. Again a difference is revealed comparing the South African and Lesotho respondents.

The South African informal traders indicated that they needed an average amount of R2 483, while the average monthly amount needed by Lesotho informal traders (R4 270) is almost doubled.

#### 4.3.8 Financial services used by the respondents

In this section the respondents were requested to choose relevant options from the categories “types of financial services”, they use to run their businesses, illustrated in Table 22. Table 22 illustrates that 78 respondents of the overall sample use financial services to run their business, while 26 respondents do not use financial services. There are 37 respondents that indicated they use current/savings, 11 use money transfer while 10 respondents indicated they use a combination of current /savings and money transfer. Furthermore, majority of respondents in South Africa (20) use current/savings while 9 do not use any financial service. In Lesotho 17 respondents indicated they use current/savings and also 17 respondents indicated they do not make use of any financial services to run their business.

**Table 22: Financial services used by respondents to operate their businesses**

Financial Services	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
None	26	24.76	9	18.00	17	30.91
Current/savings	37	35.24	20	40.00	17	30.91
Investment account	6	5.71	0	0.00	6	10.91
Bank Loan	3	2.86	0	0.00	3	5.45
Money transfer	11	10.48	6	12.00	5	9.10
Current account & Bank loan	1	0.95	0	0.00	1	1.81
Current account & Money transfer	10	9.52	7	16.00	3	5.45
Investment account & Bank loan	1	0.95	0	0.00	1	1.81
None & Vodacom Lesotho	1	0.95	0	0.00	1	1.81
None & Salary	1	0.95	0	0.00	1	1.81
Stokvel	5	4.76	5	10.00	0	0.00
Savings at home but not at the bank	1	0.95	1	2.00	0	0.00
Current account, Bank loan & Money transfer	1	0.95	1	2.00	0	0.00

Missing	1	0.95	1	2.00	0	0.00
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#### 4.3.9 Sector of the respondents business

In this section the respondents were requested to choose relevant options from the category the sector in their businesses operate in (Table 23). Table 23 reveals that most of the informal traders in both South Africa and Lesotho (49%) operate in the retail sector. In South Africa 56% of the informal traders are in the retail sector, while 42% of the informal traders in Lesotho are also in the retail sector. The second most popular sector in which both informal traders from South Africa and Lesotho operate in was the service sector. A smaller portion (6%) operate in the combined category of retail and manufacturing sector and the rest of the informal traders were spread more or less equally over the other sectors.

**Table 23: Sector in which the business operates**

Sector	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Service	28	26.67	8	16.00	20	36.36
Retail	51	48.57	28	56.00	23	41.82
Manufacturing	4	3.81	1	2.00	3	5.45
Agricultural	3	2.86	2	4.00	3	5.45
Service & Retail	3	2.86	2	4.00	1	1.82
Service & Manufacturing	3	2.86	2	4.00	1	1.82
Service & Agriculture	1	0.95	1	2.00	1	1.82
Retail & Manufacturing	6	5.71	6	12.00	-	-
Retail & Agriculture	2	1.90	2	4.00	-	-
Service, Retail & Manufacturing	1	0.95	-	-	1	1.82
Missing	3	2.86	0	0.00	3	5.45

#### 4.3.10 Primary customers of the informal traders

In this section the respondents were requested to specify who their primary customers are and most of the respondents indicated more than one primary customer as shown in Table 24.

**Table 24: Primary customers of the business**

Frequency that each unique customer that was mentioned	n	%
Car owners	1	1%
Villagers	10	9%
General Public	77	66%
Driving school learners	1	1%
Scholars	6	5%
Family	3	3%
Females	6	5%
Taxi drivers	7	6%
Males	2	2%
Civil servants	1	1%
Traditional healers	1	1%
Municipality workers	2	2%
Total frequency	117	100%

Table 24 shows that 102 informal traders of the 105 sample indicated who their primary customers are and of them 15% indicated more than one primary customers while 85% indicated a single primary customer category. The general public was the most frequently mentioned primary customer with about 66% of the total frequency.

#### 4.3.11 Structure of business operation

In Table 25 the respondents were requested to choose the structure in which the business is operating in.

**Table 25: Structure of business operation**

Structure	Overall sample		South Africa		Lesotho	
	N	%	n	%	n	%
Static (fixed stall)	46	43.81	17	34.00	29	52.73
Semi-static	40	38.10	28	56.00	12	21.82
Mobile	18	17.14	5	10.00	13	23.64
Missing	1	0.95	0	0.00	1	1.82

Table 25 demonstrates that 44% of all the respondents had a static/fixed stall as their business structure, while 38% structured their businesses as a semi-static structure. In Lesotho the majority of the respondents (52%) also had a static/fixed stall business structure. However, in South Africa the majority of the respondents (56%) had a same-static structure, meaning they had to dismantle after working hours. Approximately 17% of total respondents sell products moving from place to place (mobile) and one respondent did not indicate the structure of the business.

#### 4.3.12 Reason for chosen location

In this section the respondents were requested to specify the reason why they located their informal businesses in a particular location, illustrated in Table 26 below.

**Table 26: Reason for chosen location**

Frequency that each unique location that was mentioned	n	%
Consumable	1	1%
Busy spot	60	64%
Next to school	1	1%
Only option	8	9%
People are willing and able to buy	1	1%
Ability to move from place to place	4	4%
No competition	1	1%
Easily accessible	4	4%
It is convenient	3	3%
It is secured	2	2%
it is cantered by my suppliers	1	1%
There is big space	2	2%

Suggested by a friend	1	1%
Most informal traders are situated here	2	2%
Cheaper rent	1	1%
No rent required	2	2%
Total frequency	94	100%

In Table 26 majority of the traders indicated a single reason for choosing the current location of their businesses. Most of the informal traders (64%) mentioned the main reason they located their businesses at a particular location was because it was a “busy spot”.

#### 4.3.13 Operating hours per day

In this section the respondents were requested to indicate the hours they work per day (Table 27).

**Table 27: Operating hours per day**

Operating hours/day	N	Mean	Median	Minimum	Maximum	Lower quartile	Upper quartile	Std. Dev.
Overall sample	105	9.34	9.00	5.00	18.00	8.00	10.00	2.34
South Africa	50	9.30	9.25	6.00	13.00	8.00	10.00	1.68
Lesotho	55	9.37	9.00	5.00	18.00	8.00	10.00	2.82

Table 27 reveals the average number of hours both South African and Lesotho informal traders operate their businesses for is 9 hours. Furthermore, the table highlight a minimum of 5 hours and a maximum of 18 hours per day.

#### 4.3.14 Operating days per week

The respondents were requested to indicate how many days on average the business operates. The results are demonstrated in Table 28.

**Table 28: Operating days per week**

Operating days per week	N	Mean	Median	Minimum	Maximum	Lower quartile	Upper quartile	Std. Dev.
Overall sample	105	5.96	6.00	4.00	7.00	5.00	6.00	0.72
South Africa	50	5.94	6.00	5.00	7.00	6.00	6.00	0.42
Lesotho	55	5.98	6.00	4.00	7.00	5.00	7.00	0.91

Table 28 shows the average days per week the informal traders operate their businesses was 6 days per week. Furthermore, the table highlight a minimum of 4 days and a maximum of 7 days per week.

#### 4.3.15 Number of employees

In this section the respondents were requested to specify how many employees they employ in their businesses (Table 29).

**Table 29: Number of employees**

No. employees	N	Mean	Median	Minimum	Maximum	Lower quartile	Upper quartile	Std. Dev.
Overall sample	105	83.00	0.00	0.00	15.00	0.00	1.00	1.84
South Africa	50	49.00	0.00	0.00	2.00	0.00	0.00	0.65
Lesotho	55	34.00	1.00	0.00	15.00	0.00	2.00	2.37

Table 29 confirms that informal traders are largely self-employed, whereby the majority (83%) works alone. Furthermore, table 28 shows a maximum number of employees to be 15 employees. In South Africa 49% of informal trader work alone while Lesotho 34% of informal traders working alone.

#### 4.3.16 Average monthly sales income of the business

In this section the respondents were requested to indicate the average monthly sales income they generated from their informal business. Table 30 below illustrates the informal traders' responses.

**Table 30: Average monthly sales income of the business**

Income	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
R0-R350	3	2.86	0	0.00	3	5.45
R351-R750	11	10.48	3	6.00	8	14.55
R751-R1500	43	40.95	27	54.00	16	29.10
R1501-R3000	24	22.86	13	26.00	11	20.00
R3001-R6000	14	13.33	5	15.00	9	15.36
R6000+	8	7.62	0	0.00	8	14.55
Missing	2	1.90	2	4.00	0	0.00

Table 30 shows that the majority of informal traders (41%) in both Lesotho and South Africa have an average income of between R751-R1500. In South Africa that includes 27 informal traders (54%) and in Lesotho 16 traders (29%). Of the 24 informal traders that have a monthly average sales income of between R1 501 and R3 000, 13 of the respondents are from South Africa and 11 from Lesotho.

#### 4.3.17 Use of income generated from the business

In this section the respondents were requested to indicate what they do with the income generated from their business, as shown in Table 31.

**Table 31: Use of income generated from the business**

Income use	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Family needs	28	26.67	9	18.00	19	34.55
Personal savings	11	10.48	0	0.00	11	20.00
Pay previous debts	1	0.95	0	0.00	1	1.82
Re-invest	6	5.71	0	0.00	6	10.91
Family needs & personal savings	13	12.38	8	16.00	4	7.27
Family needs & previous Debts	4	3.81	4	8.00	0	0.00
Family needs & Re-Invest	9	8.57	7	14.00	2	3.64
Personal savings & Re-invest	4	4	2	4.00	2	3.64
Family needs, Personal savings & pay employee	1	0.95	1	2.00	0	0.00

Family needs, Personal savings, Previous debts & pay employee	2	1.90	1	2.00	0	0.00
Family needs, Re-invest & spend with partner	1	0.95	0	0.00	1	1.82
Family needs, Personal savings, previous debts, Re-invest and pay partners	1	0.95	1	2.00	0	0.00
Family needs, Personal savings, Previous debts	5	4.76	2	4.00	3	5.45
Family needs, Personal savings & re-invest	13	12.38	9	18.00	4	7.27
Family needs, Previous debts & re-invest	1	0.95	0	0.00	1	1.82
Personal savings, Previous debts & re-invest	1	0.95	0	0.00	1	1.82
Family needs, Personal savings, Previous debts & re-invest	2	1.90	1	2.00	0	0.00
Missing	2	1.90	2	4.00	0	0.00

Table 31 illustrates that 28 respondents of the overall respondents indicated they use the income generated from the business for family needs. An equal number of 13 respondents indicated they spend the income on family needs and personal savings and on family needs, personal savings and on re-investing.

#### 4.3.18 Interaction between respondents and formal business

In this section the respondents were requested to state whether there is any interaction between their businesses and the formal sector (Table 32).

**Table 32: Interaction between respondents and formal business**

Linkage	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Yes	25	23.81	15	30.00	10	18.18
No	80	76.19	37	74.00	43	78.18
Missing	0	0.00	0	0.00	0	0.00

From Table 32 it can be concluded that only a small percentage (24%) of all the informal traders have interaction with formal business. South African informal traders have a little

bit more interaction with the formal sector (30%), while only 18% of informal traders have interaction with the formal sector. Furthermore 25 informal traders that specified there is an interaction between their business and the formal sector, 30% were informal traders in Nelson Mandela Bay (NMB) and the other 18% were informal traders in Maseru City Council (MCC).

#### 4.3.19 Nature of the interaction between business and the formal sector

In this section the 25 informal traders who indicated in Section 4.3.18 that they have an interaction with the formal sector, were requested by means of an open-ended question to indicate the nature of this interaction (Table 33).

**Table 33: Nature of the interaction between informal traders and formal sector**

Frequency that each unique link-nature was mentioned	n	%
Go to work during the week	2	8%
They supply the business with stock	16	64%
Obliged to Paying tax	1	4%
They are my customers	3	12%
I pay rent to them	1	4%
I seek business advice from bigger companies	1	4%
Network ink	1	4%
Total frequency	25	100%

Eight unique forms of interaction were mention by the respondents and of them ‘They supply the business with stock’ was the most frequently mention nature link with a 64% of the total. The other respondents indicated various other forms of interactions.

#### 4.3.20 Challenges faced by respondents when operating business

In this section the respondents were required to indicate whether they face any challenges when operating their business, results are shown in the table.

**Table 34: Challenges faced by respondents when operating their businesses**

Challenges	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Yes	81	77.14	38	76.00	43	78.18
No	23	21.90	11	22.00	12	21.82
Missing	1	0.95	1	2.00	0	0.00

Table 34 reveals that the majority of all informal traders (77%) experience challenges when operating their businesses. Furthermore, the results show that both countries have above three quarter of total respondents who face challenges when operating their businesses. Lesotho had a majority of 78% respondents and South Africa had 76% of respondents who indicated that they experience challenges when operating their businesses. The nature of these challenges will be illustrated in Table 35 and discussed in the next section.

#### 4.3.21 Nature of the challenges faced by the respondents

Of the 81 informal traders that specified that they experience challenges managing their businesses (Table 34), they were requested to indicate the nature of these challenges, demonstrated in Table 35.

**Table 35: Nature of challenges faced by informal traders**

Frequency that each unique challenges was mentioned	n	%
Lack of water	6	6%
Competition	8	8%
Goods perish	5	5%
Stock and income control	2	2%
Delay debt payments	7	7%
Lack of customers	12	12%
Thieves	7	7%
No support from the government	5	5%
Expenses are high	4	4%
Work overload	5	5%
No proper facilities to do business	10	10%
Communicating is hard (Xhosa language)	1	1%
Harsh weather conditions	18	18%

Transport is high	1	1%
No recognition by investor and customers because business is informal	3	3%
No electricity	2	2%
Lack of financial support	1	1%
Satisfying the customers	2	2%
No fixed monthly income	1	1%
Lack of security	2	2%
Total frequency	102	100%

Table 35 shows that 20 unique challenges were mentioned by the respondents. The most frequently mentioned challenges were the harsh weather conditions (18%), lack of customers (12%) and no proper facilities to do business (10%). Other challenges include, amongst others high competition (8%), their customers delay to pay the debts (7%), people still their product (7%) and they did not receive support from Government (5%) as well as work overload.

#### 4.3.22 Advantages of being an informal trader

In this section the respondents were required to voice their own opinions to the perceived advantages of operating a business informally, which is illustrated in Table 36. Only 87 out of the 105 informal traders responded to this open question and the various advantages mentioned are listed in Table 36.

**Table 36: Advantages of being an informal trader**

Frequency that each unique adv. informality was mentioned	n	%
Enjoy all the profit made	23	22%
Being my own boss	35	34%
No tax payments or any legalities involved	7	7%
Customers enjoy my products and services	7	7%
Few competition	1	1%
Low expenses	1	1%
Flexible working hours	16	15%
Able to support my family	11	11%
Socialising and knowing different cultures	1	1%
Few requirement to start business	1	1%
I can easily reach my target	1	1%
Total frequency	104	100%

From Table 36 the most frequent advantages of being an informal trader include, amongst others, being one's own boss (34%), making profit (22%), having flexible hours (15%) and being able to support one's family (11%). Other advantages included no payment of tax (7%), customer satisfaction also (7%) and less start-up capital (1%).

#### 4.3.23 Disadvantages of being an informal trader

In this section the respondents were required in their own opinion to mention the disadvantage of operating informally, which is revealed in Table 37. The majority of respondents (91) responded to this open question and the various disadvantages mentioned are listed in Table 37.

**Table 37: Disadvantages of being an informal trader**

Frequency that each unique disadvantage. was mentioned	n	%
Lack of financial assistance (Loans and investors)	11	10%
Lack of equipment goods get spoilt	5	4%
No guaranteed success	3	3%
No Electricity	2	2%
Low income and slow sales	15	13%
Legal authorities and formalising procedures	5	4%
Few customers	2	2%
Harsh weather conditions	11	10%
No time to rest, too much work	1	1%
Unsafe, no security	13	12%
Customers do not pay debt in time and cannot take legal actions against them	4	2%
High competition	2	2%
Profit and loss are enjoyed by the owner	1	1%
No insurance or retirement fund	2	2%
Not paying tax	1	1%
No respect from customers	4	4%
Too many competitors, selling the same thing	6	5%
streets are dirty	1	1%
No fixed income	7	6%
No shelter to do business	4	4%
Lack of water	3	3%
No electricity	1	1%
Lack of training	2	2%
I don't trust my employees	1	1%
Lack of time to rest	1	1%
Independence is demanding	1	1%

No government support	1	1%
Lack of space	2	2%
Thieves	1	1%
Total frequency	113	99%

Table 37 reveals the most frequent disadvantages of being an informal trader include, amongst others, low income (13%), less security (12%) and harsh weather condition (10%). Other disadvantage includes, fixed income (6%) high competition (5%) and less static shelter (4%), there are experiencing low respect (4%) and formalizing procedure is high (4%).

#### 4.3.24 Informal traders' associations contribution

Respondents in this section were requested to show whether informal traders' associations make any positive contribution to the trading environment of their businesses, which are illustrated in Table 38 below.

**Table 38: Informal traders' associations**

Association	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Yes	10	9.52	0	0.00	10	18.18
No	95	90.48	50	100.00	45	81.82
Missing	0	0.00	0	0.00	0	0.00

Table 38 shows that only few (10%) respondents have indicated that informal trader associations have a positive impact towards their businesses. Table 38 shows that in South Africa there is no respondents that indicated that there is a link, while in Lesotho there is 18% of the respondents. The majority of the informal traders (90%) indicated that they do not experience any positive contribution from trade associations.

#### 4.3.25 Nature of the informal trader association contribution

In this section the respondents who previously indicated that indicated the informal trader's association positively contribute to the trading environment or business, were

requested to specify in what ways do informal traders association contribute. Results are shown below.

**Table 39: Nature of informal trader association contribution**

Frequency that each unique trader association contribution was mentioned	n	%
Not pay tax	1	14%
Interfere when government impose heavy laws against us	1	14%
Contribute to economy	1	14%
Buy sweets	1	14%
Giving opportunity to serve customers	1	14%
Bring more customer our way	1	14%
They clean around their store	1	14%
Total frequency	7	100%

From Table 39, the few informal traders that experience a positive contribution from trade associations, indicated the nature of this experience as not paying tax, assist in contributing to the economy and bring customers their way.

#### 4.3.26 Local municipality support to empower the respondents

In this section the respondents were required to indicate whether the local municipality support and empower their businesses (Table 40).

**Table 40: Local municipality support**

Municipality	Overall sample		South Africa		Lesotho	
	n	%	n	%	n	%
Yes	12	11.43	5	10.00	7	12.73
No	93	88.57	45	90.00	48	87.27
Missing	0	0.00	0	0.00	0	0.00

Table 40 reveals that less than one quarter of respondents indicated that the local municipality support or empower their businesses. Furthermore, more than three quarters of the informal traders did not get any support or empowerment from the local municipality. Most of the informal traders in South Africa (90%) and Lesotho (87%) indicated that they did not receive any support from local municipality. In addition, the

informal traders that indicated “yes” were 10% South African traders and while in Lesotho is 13% of the traders.

#### 4.3.26 Nature of the contribution of local municipality

In this section the respondents who both previously indicate whether or not the local municipality support and empower their business were requested to state how and if not, state the problem. Table 41 below illustrates the responses.

**Table 41: Nature of support offered by local municipality**

Frequency that each unique support category mentioned	n	%
Motivate the community to be entrepreneurs	3	30%
Keep environment clean	3	30%
High charges when caught trading informally	1	10%
Corruption	1	10%
Buy my products	1	10%
Do not offer informal businesses opportunities to grow	1	10%
	10	100%
Frequency that each unique no-support category mentioned		
Lack of water and sanitation	5	7%
Enforce law regulations ( close my stall, chase me away)	5	7%
Lack of infrastructure	20	27%
No actions taken by municipality to meet our demands	21	28%
Corruption	4	5%
Do not offer informal businesses opportunities to grow	3	4%
Lack of safety and security	5	7%
town is not always clean	1	1%
No engagement or communication	5	7%
No assistance regarding permits, legal documents required to trader	6	8%
Total frequency	75	100%

Based on the data collected Table 41 shows that of the 12 respondents (Table 40) that indicated they receive support from the local municipality 10 respondents specified the type of support they receive, while two other did not specify. Furthermore, Table 41 shows 6 unique support categories were mentioned. Of them two were more of a problem than a support namely; corruption and local municipality do not offer informal businesses opportunity to grow. The most frequently mentioned support category was that the local

municipality motivate the community to be entrepreneurs (30%) the other was keep environment clean (30%).

Furthermore, Table 41 illustrated that the vast majority of informal traders (Table 40) indicated that the experience several problems with the local municipality. The most important problems experienced with the local municipality included: Municipality does not take any actions to meet the informal traders' demands (28%), lack of infrastructure (27%). Other problems with the local municipality includes, not being assist with the required documents for trading (8%), lack of water and sanitation (7%), lack of safety and security (7%), and no mode communication (7%).

#### **4.4 SUMMARY**

The purpose of this chapter was to present the empirical results of the study where by a sample of 105 informal traders are examined. The chapter commenced by providing a sample description of the informal traders that participated in the study, followed by providing a profile on the informal trade and a profile of their businesses. Followed by a discussion on the advantages and disadvantages of being informal traders, a report on the contribution of the local municipality and informal trader associations when operating an informal business.

The researchers generated unique findings on the backgrounds of the informal trader's businesses in the metropolitan areas in South Africa and Lesotho. In the next chapter, chapter five researchers will focus on the research design of the study, main findings from the literature review also main findings from the empirical investigation.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 INTRODUCTION

In Chapter Four the empirical results of the study were introduced and Chapter Five will be the final chapter. An overview of the research objectives and research design of the study will be discussed first, followed by a discussion of the main findings from the literature review and the empirical investigation. Lastly, the conclusions and the recommendations of this study will be highlighted, as well as the shortcomings and future research.

#### 5.2 RESEARCH OBJECTIVES

The primary objective of this study was to profile informal traders and their businesses in the Nelson Mandela Bay municipality (South Africa) and in Maseru City Council (Lesotho). Several secondary objectives, as well as methodological objectives were formulated before the study commenced. Table 5.1 gives an illustration of these objectives, as well as how and in which chapters they were achieved in this study.

**TABLE 5.1 RESEARCH OBJECTIVES ACHIEVED IN THIS STUDY**

<b>OBJECTIVES</b>	<b>CHAPTERS IN WHICH OBJECTIVE(S) WERE ACHIEVED</b>
<b>Primary objective</b>	
The primary objective of this study is to profile informal traders and their businesses in the Nelson Mandela Bay municipality (South Africa) and in Maseru City Council municipality (Lesotho).	Chapters 1-5

<b>Secondary objectives</b>	
To establish the demographic profile of informal traders in Nelson Mandela Bay municipality and Maseru City Council municipality.	Chapters 4 and 5
To create a profile of informal traders' activities and their businesses in the Nelson Mandela Bay municipality and in Maseru City Council municipality.	Chapters 4 and 5
<b>Methodology objectives</b>	
To conduct a literature review on the informal economy, informal traders and informal trading.	Chapter 2
To develop an appropriate research design to collect and analyse the data required for the present study.	Chapter 3
To develop a research instrument to collect primary data from informal traders in the Nelson Mandela Bay municipality and in Maseru City Council municipality.	Chapter 3 and Annexure A
To analyse the data collected from informal traders in the Nelson Mandela Bay municipality and in Maseru City Council municipality using appropriate statistical techniques.	Chapter 4
To recommend appropriate interventions geared towards assisting informal traders, as well as the local municipality and trader associations, in Nelson Mandela Bay municipality and in Maseru City Council municipality, to improve the success and longevity of these businesses.	Chapter 5

### **5.3 RESEARCH DESIGN**

According to Collis and Hussey (2014:97), research design is the process whereby different methods and techniques are utilised to enhanced knowledge in a certain field of study. In the section a summary of the research design and methodology used in this study is discussed. In the secondary research or literature review in Chapter Two the study concentrated on contextualising informal traders by defining informal trader, as well as describing the three different types of informal traders, namely street vendors, house hold services workers and waist collectors.

Like in any sector there are considerable challenges that the informal sector face when starting the businesses, when formalising the business and when managing informal business. Furthermore, the Nelson Mandela University library and facilities such as Emerald, Google scholar, Academic Source Premier, MasterFile Premier, Business Source Premier, ScienceDirect and EBSCO were used to gather information on the nature and importance of informal traders and the informal economy nationally and internationally.

In Chapter Three the research design and methodology used in this study was discussed and encompassed five subsections, namely an overview of the selected research methodology, the study population, sampling techniques and data collection method. In addition, the design of the measuring instrument, data analysis methods and the research ethics have been discussed in this chapter. In this study a quantitative research methodology was adopted and a survey using a structured questionnaire was the data gathering method. The main reason the researchers have chosen this approach was quantitative data enabled the researchers to demographically profile informal traders, as well as the nature of their businesses and activities.

The population of the study was all the informal traders in South Africa in Nelson Mandela Bay (NMB) and in Maseru City Council (MCC), Lesotho. For the purpose this study, convenience sampling was used because no existing database of informal traders in the

Nelson Mandela Bay or Maseru City Council was available. In this study data has been collected using structured questionnaires. The technique to distribute and complete the questionnaires was achieved through personal delivery to respondents and hundred and five questionnaires were completed and used in the statistical analyses. Fifty questionnaires were completed by informal traders in Nelson Mandela Bay, while fifty questionnaires were completed by informal traders in Maseru City Council an extra five questionnaires served a bonus completed by informal traders in Maseru City Council. The questionnaires consisted of different sections and type of questions. After the cover letter, Section A focused on the demographic information of the informal traders themselves (e.g. age, gender), while Section B focused on the information concerning the businesses of the informal traders and their activities.

Open-ended questions requested informal traders to mention the advantages and disadvantages they experience being informal traders, the challenges they are facing, as well as the type of support they received from trader associations and the local municipality. Data collected was coded, analysed using appropriate statistical techniques to transform data into meaningful information. The main statistical techniques used in this study were descriptive statistics, which consists of standard deviations, frequencies and percentages.

#### **5.4 MAIN FINDINGS FROM LITERATURE REVIEW**

Chapter Two presented the in-depth literature review and contextualised the informal economy and informal traders and also concentrated on the challenges faced by informal traders. The chapter commenced by putting in context previous studies on the informal economy, followed by defining the informal economy. In this section three schools of thought that define the informal economy were extracted from previous research namely: the Dualist, the Structuralist and the Legalist School of Thought. However, in this study the main focus has been on the Legalist School of Thought to define the informal economy because it illustrates a significant link towards the problem statement and objectives of this study.

The importance of the informal economy was discussed and according to Rogerson (2016:175), the informal economy is very important in the sub-Saharan African countries, including South Africa, as it encourages local economic development. Benjamin, Beegle, Recantini and Santini (2014:6) supported Rogerson statement by adding that informal traders are well recognised globally as the leading source of employment opportunity, poverty reduction and economic improvement. The relationship between the formal and informal economy were broadly discussed and demonstrated by Figure 2.1, illustrating that the informal traders and formal traders are suppliers and customers to each other and that they work together to form alliances.

In addition, in Chapter Two, different types of informal traders were identified, namely: street vendors, household service workers and waste collectors. Chapter Two further elaborated on the challenges faced by informal traders and the researchers have identified those challenges to be mainly challenges associated with starting a business, managing the business and formalising the businesses. Becker (2004:22) and Rogerson (2016:175) mentioned four other challenges to be lack of infrastructure, institutional issues such as training, restricted access to government legislations and less or no access to social security, economic issues and shortage of informal trader associations.

Chingono (2016:637) mentioned that informal traders in Lesotho experience challenges which, amongst others include, competition and low incomes, informal traders selling perishable goods, which may result in informal traders losing value and quality which result in price reduction and lose of sales. There are also some challenges faced by informal traders when formalising their businesses and in chapter two Williams (2014:14) identify that informal traders face when they want to formalise their businesses namely, firstly when business is formalised it will no longer be capable to utilise the informal sector to test-trade the business when starting-up, secondly clients of businesses working in the informal sector will require paying the full market price and thirdly it may be impossible to shift all informal businesses into the formal sector.

## **5.5 MAIN FINDINGS FROM THE EMPIRICAL INVESTIGATION**

In Chapter Four, the findings of the empirical investigation regarding the informal traders in South Africa and Lesotho were discussed. This chapter commenced by providing a profile of the informal traders, followed by a profile of their businesses and activities, challenges they face and support by trader associations and the local municipality.

### **5.5.1 Profile of the informal traders**

From the findings of this study, it clearly shows that women in both South Africa and Lesotho doubled the number of males in the informal sector. In addition, most of the informal traders in Lesotho are married in both, while most of the informal traders in South Africa are single and minority is divorced and cohabiting. The average age of the informal traders in both South Africa and Lesotho ranged between 18 and 65 years. The findings of this study is in contrast to previous research who indicated that informal trading was regularly for people who were single and free of commitments (Chikanda & Tawodzera 2017:9). Also the study of Kavese (2015:27) revealed that most informal businesses are predominantly run by married males between the ages of 34 and 60 years, while most informal businesses run by females are informal traders who are single and below 34 years of age (Kavese 2015:27).

Some of the informal traders in this study hold a bachelor's degree and almost the majority of the informal traders have a high school certificate, or an under-graduate or post-graduate qualification. In addition, the findings further indicated that the majority of respondents who attended high school are South African informal traders. In Lesotho the majority of the respondents only had primary school (maximum grade 7) qualification, whilst few informal traders did not attend school. This is in accordance with previous research which have highlighted that most informal traders have matric certificates whilst few have had no schooling (Limited 2008:28).

Furthermore, the findings indicated that most of the informal trader's employment status of their households is two or more earners, while few informal traders had only one earner in their households. Kavese (2015:24) illustrated that taking care of one's household improve or contributes towards the reduction of poverty and inequality as well as economic growth. The results also revealed that the average number of dependents for both South African and Lesotho informal traders is 3 dependents.

Another interesting result when profiling the informal traders is that most of them were employed in different workplaces and occupations before engaging in the informal sector as traders and the majority of the informal traders who have been employed before are from South Africa compared to Lesotho.

In summary, in this study the demographic profile of South African informal traders are as follows:

- The informal traders in Nelson Mandela Bay are mostly females that are single and some married, ranging between the age of 25 and 65 years.
- The majority of the informal traders only attended high school (matric) as a level of formal education
- The employment status of their household is mostly one earner and two earners and the number of dependents ranges between one and six dependents.

In summary in this study the demographic profile of Lesotho informal traders are as follows:

- The majority are married females between the age of 18 and 62 years.
- Most of these informal traders attended high school (matric) as level of formal education, minority hold an undergraduate certificate and attended primary school.
- The employment status of their household is mostly one earner and two earners and the number of dependents ranges between zero and eight dependents.

### **5.5.2 Business profile of informal traders**

In this section the most important empirical findings pertaining to the business profile of the informal traders are summarised. The average age of informal traders in the South African sample is ten years, which is almost doubled compared to the average age of informal businesses in Lesotho (6 years). Kavese (2015:24) in his study found that informal traders that have been in existence for more years shows profitability in the informal business, because no entrepreneur will carry on doing business for loss. Further Kavese maintain that the number of years in existence express a form of sustainability. In contrast to previous research that have highlighted that most business in Lesotho have a number of years in existence of 26 to 49 years (Rogerrson & Letsie 2016:495 and Willemse (2011:11) highlighted that the average existence in years for informal businesses in South Africa is 31 to 50 years.

The average monthly amount required to operate the business for the total sample was R3 466. The minimum amount for South African informal traders was R200 and the maximum amount needed R40000 For Lesotho informal traders the minimum monthly amount required was R200and the maximum amountR45000 Comparing South African and Lesotho respondents, the findings reveal that the South African informal traders indicted that they needed an average amount of R2 483, while the average monthly amount needed by Lesotho informal traders, R4 270, was almost doubled the monthly amount needed by South African informal traders.

Most of the informal traders receive a monthly average sales income ranging between R1 501 and R3 000. Furthermore, the empirical findings revealed that the majority of South African informal traders receive an average monthly sales income that ranges between R751-R1500, whereas in Lesotho minority of informal traders receive an average monthly sales income that ranges between R751-R1500 and R1501-R3000. In their study Chikanda and Tawodzera (2017:11) found that most informal traders received more than R500 sales income and therefore were not considered to be poor as they made a net profit above the minimum living level.

In Lesotho the majority of the respondents had a static (fixed stall) business structure, while in South Africa the majority of the respondents had a same-static structure, meaning they had to dismantle it after working hours. Looking at previous research Chikanda and Tawodzera (2017:25) maintained that the majority of the traders in their sample sold their goods in their own stall in the informal sector, whereas some of the informal traders do businesses at their homes, some sell their products in stall (fixed, lock up markets stall/kiosk) which is similar to the findings of this study.

Chikanda and Tawodzera (2017:25) further mentioned that a few of the traders sold their products from door-to-door.

In summary in this study the business profile of South African informal traders is as follows:

- It is informal businesses that have been in existence for more than 2 years and less than 38 years, with an average age of ten years.
- For most of the traders, they required an amount ranging between R200 to R40000 to operate their businesses monthly and the majority of these businesses receive an average monthly sales income ranging between R751-R1500.
- The majority of South African traders operate their businesses from a semi-static structure.

In summary in this study the business profile of Lesotho informal traders is as follows:

- It is informal businesses that have been in existence for less than 1 year and maximum existence of 33 years, with an overall average age of 6 years.
- The majority of informal traders require an amount ranging between R200 to R45000 to operate their businesses monthly and the majority of these businesses receive an average monthly sales income ranging between R751-R1500 and R1501-R3000.
- Furthermore, most traders operate their business from a static structure.

### **5.5.3 Challenges faced by informal traders**

The findings of this study show that the majority of all informal traders experienced challenges when operating their businesses. Furthermore, the results show that both countries have above three quarter of respondents who face challenges when operating their businesses. Lesotho respondents indicated more challenges than South African informal traders. The challenges that informal traders in this study faced, include, amongst others:

- bad weather conditions;
- lack of customers due to high competition;
- no proper facilities and infrastructure to do business;
- crime; and
- delayed debt payments.

These challenges are similar to that experienced by informal traders in other studies (Mudupi 2017: 81), namely: insufficient basic infrastructure; insecurity and crime; migrants competing; creation of new markets; destruction of space; most foreign nationals are operating shops which results in local traders going out of businesses; and most businesses licenses are in South African names.

### **5.5.4 Advantages and disadvantages of being an informal trader**

Informal traders were requested to indicate what their perceptions are of the advantages and disadvantages associated with being an informal trader. The most frequent mentioned advantages of being an informal trader included, amongst others: being one's own boss; making one's own profit; having flexible hours; as well as being able to support one's family needs and wants.

Furthermore, the findings revealed that the most frequent disadvantages of being an informal trader include, amongst others: earning a low income; having less security; and experiencing harsh weather conditions. Previous research from Chikanda and

Tawodzera (2017:33) are in contrast to the findings of this study as they maintained that the disadvantage of operating informally for most informal traders are: rivalry from large retailers or supermarkets; confiscation of products; and difficulties getting stock back. In the same manner Limited (2008:43) mentioned the disadvantages of informal traders are as follows: there is no guaranteed success; no financial resources and the informal traders are unable to establish marketing linkages.

### **5.5.5 Support from trader associations and local municipality**

The empirical findings of this study revealed that only a few informal traders experienced a positive contribution from trade associations and the local municipality when operating their informal businesses. The nature of the support are as follows:

- The association helps the informal traders when the government forces the traders to evacuate the streets and informal association becomes the traders forefront in formal talks.
- The trader associations bring more customers their way and they buy their products.
- The local municipality motivates the community to be entrepreneurs.
- The local municipality keeps the space where informal traders do their businesses clean and the informal trader association buys some of the informal traders products.

However, the majority of respondents in this study gave negative when asked whether they experience any support from trader associations or the local municipality. The majority of the informal traders in South Africa as well as in Lesotho indicated that they did not receive any support from local municipality. Listed below are some of the problems informal traders have towards the local municipality and informal trader associations.

- No action taken by municipality to meet the informal traders' demands.
- Lack of infrastructure.
- No assistance regarding permits or legal documents required to trade.

- No engagement or communication between the local municipality and informal traders.

The lack of support experienced by informal traders in this study is similar to previous research. According to Mudupi (2017:74), problems faced by informal traders regarding local municipality are as follows: there is small trading space, no provision of donations and no funding provided by local municipality when starting business, no security or electricity and equipment.

## **5.6 RECOMMENDATIONS**

From the investigation and findings, it has been established that the local municipality is not doing a great deal of work to include the informal sector or street vendors particularly in the decision making, economic budget plan and development plan. However, basic recommendations can be made in order to improve the sector in terms of management as well as increase information about the informal traders and the informal economy. This would significantly improve the sector as a strategic tool to fight unemployment and poverty in South Africa and Lesotho. The following recommendations are therefore put forward.

Government and the local municipality are the main suppliers of utility service also, infrastructure providers and control land utilisation. It is in this way, that the government and local municipality takes the lead in supporting informal traders. The local municipality must motivate formalisation of informal businesses undertaking their ability to generate jobs by reducing restrictions and simplifying administrative requirements. Limit avoidance of tax and regulatory consistence for those businesses that have the monetary means to operate formally. What the local municipality can also do is provide seek slots in the community radio stations where informal trader associations such WEIGO and informal traders can share was to overcome problems and challenges they may face, give guidance, entrepreneurial business training talks, educations and networking topics should also be covered.

In view of the increasing number of persons (both national and non-national) engaged in informal trading in Nelson Mandela Bay and Maseru City Council, the municipality should make provision for more trading space and infrastructure to accommodate this increasing number of traders. Local municipality and traders associations should promote informal trading, improve informal employment, protect informal employers and employees and advance the 'voice' of informal traders by including the traders in formal discussions and decision in making, taking action regarding the traders complains.

Informal traders association should make the traders aware of the organisations that can assist them with finances, infrastructure, training and any legal, formal issues. Some of the organisations made available are: National Youth Development Agency (NYDA) which is a grants program made available to young entrepreneurs in the informal or formal sector as an opportunity to access monetary and non-monetary business development support (Crampton 2018). National Empowerment Fund (NEF) grant focuses on black economic empowerment dealings, it provides financial and non-financial assistance and it also creates a "culture of savings and investing (Crampton 2018). Basotho Enterprise Development Corporate (BEDCO) is an organisation that assist small and medium businesses in Lesotho, with business development support services (Nhlopo 2018). (Women in Informal Employment: Globalization and Organization (WIEGO) is a worldwide system concentrated on securing maintenances for the working poor, mostly women, in the informal economy (WEIGO 2018) and many others.

The informal traders associations should empower and encouraged informal traders to learn from successful informal and formal business encourage self-employment in the informal sector to reduce dependence on the government and the formal sector for employment. This could be done through open days, competition and awards to informal traders. This would go a long way to reduce dependence on the government and reduce xenophobic attacks that have often been directed towards foreign informal traders.

In addition, informal traders should attend small business workshops and entrepreneur training programs provided by the local municipality in the community for an example the

National Youth Development Agency (NYDA) normally host entrepreneurship training and workshops to assist both informal and formal entrepreneurs and those that wish to start a business in near future, which will assist them gain more skills and knowledge, customer care. Furthermore, for informal traders to maximize profit and decrease the cost, they should form cooperative or alliance with their competitors, that may help when buying inventory, buy in large quantities to receive discounts and for those that provide credit, may charge interest for late payment for long- term sustainability.

## **5.7 SHORTCOMINGS OF THE RESEARCH AND FUTURE RESEARCH**

The sample size of the current study was small and restricted to one municipality in South African and one in Lesotho. The current study was conducted in the Nelson Mandela Bay municipality (South Africa) and Maseru City Council (Lesotho) and therefore one cannot generalise the findings of this study to all informal traders in these two countries. Another limitation was that convenience sampling was used. Future research should make use of an existing database from trader associations or local municipalities that work with informal traders, in an attempt to conduct probability sampling. However, this study still provided insight into the nature and challenges faced by informal traders in South Africa and Lesotho. Future research should however include informal traders from other municipal areas in South Africa and Lesotho as well.

In addition, since the study adopted a quantitative research approach, no detailed explanations were recorded from the informal traders concerning their demographic profile, as well as the challenges they face, why they are facing them and so forth. As a result, the researchers were unable to get enough valuable information from the respondents as they did not answer the questionnaires efficiently as expected.

For future research purposes some of the possible studies that can be done can be entrepreneurial motivations for informal traders in the Nelson Mandela Bay and Maseru to know what motivates the traders to start businesses in the informal sector. A combination of the current study and the proposed study would be helpful mostly to local

municipality and informal trader associations, to know who are these informal traders what has motivated them to start informal businesses and what assistance do they need to grow their businesses.

## **5.8 CONCLUSIONS AND CONTRIBUTIONS**

This study contributed to the scant body of knowledge on informal traders in South Africa and Lesotho by exploring the profile of these traders and their businesses. This study has achieved its primary and secondary, as well as methodological objectives. In particular, the development of the questionnaire (see Annexure A) can be seen as a contribution of this study as future research could be conducted among other informal traders in other areas using the same measuring instrument.

This study also provided insights into the challenges facing informal traders and also highlighted the limited support they still receive from their local municipalities, as well as trade associations. However, because of its continued growth and importance in alleviating poverty and social injustices, more research should be done amongst informal traders in both South Africa and Lesotho in an attempt to assist this very important sector to grow and prosper.

## **5.9 SELF REFLECTION**

On achievement of this study, the researchers have gained insight into the informal trader's business situation, experience importance and the challenges they face. In addition, the researchers have gained more understanding on the informal traders businesses and its significance in the economy and their accomplishment and despite the challenges and problems, as the researchers of the study, have learned that the informal traders play a vital role towards the economic growth, by creating employment as well as reducing poverty.

The researchers' knowledge has also enhanced as well as our research skills and study methods and techniques, but also to compile a capability. Not only has this study equipped the researchers with new capabilities to effectively accomplish questionnaire, summarises, interpret, and write up research.

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## ANNEXTURE A

• PO Box 77000 • Nelson Mandela University  
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• <http://www.nmmu.ac.za/busman>

**NELSON MANDELA**  
UNIVERSITY

**Summerstrand South Campus**  
**DEPARTMENT OF BUSINESS MANAGEMENT**

**June 2018**

**Dear Respondent (informal trader)**

The Business Management Honours students at the Nelson Mandela University have been instructed to complete the following project.

**Topic:** Informal trading in South Africa and Lesotho.  
**The Aim:** To investigate informal trading in South Africa and Lesotho.

Students are required to gather the necessary information from **informal traders in South Africa** (Nelson Mandela Bay) and **Lesotho** (Maseru). The informal trader should be over the age of 18 years as well own and run an informal business in **South Africa** (Nelson Mandela Bay) or **Lesotho** (Maseru).

It would be greatly appreciated if you could respond to the following questions so as to assist the students in the completion of this project. The questionnaire **should take about 20 to 30 minutes** to complete. There are no right or wrong answers. Only your honesty and the perceptions you hold are important.

**All information will be treated in the strictest confidence** and you are under no obligation to participate. Please note that the information obtained will be used for research and publication purposes only and you may withdraw from the study as any time. The final report will not include any identifying information. Please feel free to contact me with regards to any queries you might have. Your participation in the project will be most appreciated.

Yours Faithfully



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**SECTION A: GENERAL INFORMATION**

**Please mark your selection to the following questions with an “X”**

1. Please indicate your **gender**.

Male		1
Female		2

2. Please indicate your **marital status**.

Single, never married		1
Married		2
Widowed		3
Divorced/separated		4
Cohabiting/living with partner		5

3. Please indicate your **nationality**.

South African		1
Mosotho		2
Other, please specify:		3

4. Please indicate your **race group**.

Black		1
Colored		2
White		3
Asian/Indian		4
Other, please specify:		5

5. Please indicate the **area/suburb where you are currently residing?**

\_\_\_\_\_

6. Please indicate your **age**:

_____ years
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7. Please indicate your **level of formal education**.

No schooling		1
Primary school (Grade 1 - Grade 7)		2
High school (Grade 8 - Grade 12)		3
Post Matric (e.g. Higher certificate, Diploma, Degree)		4
Post graduate (e.g. Honours, Masters, Doctorate)		5

8. Have you received any **training to run a business**?

Yes		1
No		2

9. If yes, please specify the **source of training**:

\_\_\_\_\_

10. Were you **employed before starting your own businesses**?

Yes		1
No		2

11. If yes, please **specify your previous occupation**:

\_\_\_\_\_

12. What is the **employment status of your household**?

One earner		1
Two earners		2
Three or more earners		3

13. **Who founded the business** which you are currently operating?

I founded it alone.		1
I founded it with (a) family member(s).		2
I founded it with (a) business partner(s).		3
A family member founded the businesses.		4
Other, please specify:		5

_____years _____months
------------------------

14. How long have you been **operating your business**?

15. What **amount of capital** was required to start your business?

R

16. Where did you **source capital from to start your business** (choose all relevant options)?

Family/relative		1
Friends/neighbours		2
Self-funding		3
I applied for a bank loan		4
Other, please specify:		5

17. What **amount of capital** is required to operate your business every month?

R

18. Which **financial services** do you use to run your business (choose all relevant options)?

None		1
Current/savings account		2
Investment account		3
Bank loan		4
Credit facility		5
Money transfers		6
Other, please specify:		7

19. Which **sector** does the business operate in (choose all relevant options)?

Service sector		1
Retail sector		2
Manufacturing sector		3
Agricultural sector		4
Other, please specify:		5

20. Who are your **primary/main customers**?

---

21. What **structure are you operating your business from**?

Static (fixed, lock up market stall/kiosk)		1
Semi-static (dismantle after working hours)		2
Mobile (move from place to place)		3
Other, please specify:		4

22. Why have you **located your business at this spot**?

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23. How many **hours** do you **work per day**?

_____ hours
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24. How many **days** do you **work per week**?

_____ days
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25. How many **employees** are **working in your business**?

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26. What is the **average monthly sales income** from your business?

R0 - R350		1
R301 - R750		2
R751 - R1500		3
R1501 - R3000		4
R3001 - R6000		5
R6000 +		6

27. What do you do with the **income generated from your business** (choose all relevant options)?

I spend it on my family's needs (food, housing, education, household goods etc.).		1
I use it for personal savings.		2
I use it to pay previous debts.		3
I re-investment it in my business.		4
Other, please specify:		5

28. **How many people are dependent** on the income from your business?

\_\_\_\_\_

29. If there are people dependent on the income from your business, **please indicate their relation to you:**

\_\_\_\_\_

\_\_\_\_\_

30. Do you have **any other activities/jobs that generate additional income?**

Yes		1
No		2

31. If yes, specify the **source of this income?**

\_\_\_\_\_

32. Is there any **interaction between your business and the formal sector?**

Yes		1
No		2

33. If yes, **in what way?**

\_\_\_\_\_

\_\_\_\_\_

34. Do you face any **challenges when operating your business?**

Yes		1
No		2

35. If yes, please specify:

\_\_\_\_\_

\_\_\_\_\_

36. In your opinion, what are **the advantages of operating informally?**

\_\_\_\_\_

\_\_\_\_\_

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37. In your opinion, what are the **disadvantages of operating informally**?

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38. Do **informal trader associations** make any positive contribution to your business or the trading environment?

Yes		1
No		2

39. If yes, specify how informal trader associations contribute to your business or the trading environment:

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40. In your opinion, does the **local municipality** support and empower your business?

Yes		1
No		2

41. If yes **state how** and if not, **state the problem**?

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