

**REGULATING INFORMAL TRADING IN LOCAL GOVERNMENT:  
THE CASE OF POLOKWANE LOCAL MUNICIPALITY**

by

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## DECLARATION

I hereby declare that this mini-dissertation submitted for the degree of Public Administration (MPA) is my own original work and has not previously been submitted to any other tertiary institution, and all the sources I have used or quoted are and acknowledged by means of a comprehensive list of references.

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## **ABSTRACT**

The study focuses on the regulation of informal trading, specifically street traders, within Polokwane Local Municipality. Municipalities required to manage street trading, and to deal with the challenge of increasing numbers of informal traders, which is affecting the formal trading economy.

A small income and the limited ability of the government and the formal business sector to provide sufficient employment opportunities to people in the economically active age categories are two of the main reasons for informal trading in South African cities. As a result, the informal street trading sector plays an important role in providing a security net for millions of unemployed in the South African economy. However, informal street trading is not without its problems (Willemse, 2011:7). Often people blame government for not creating employment. When government is unable to provide sustainable employment to all the people, informal jobs emerge. Thus informal trading has become the only option for survival. Informal trading is a major source of income for the majority of the urban poor and therefore requires a properly regulated environment to address issues of income and unemployment for the poor.

This study undertook to investigate how Polokwane Local Municipality regulates informal trading in the city of Polokwane. The research method employed in this study is qualitative. The main finding of the study is that because informal trading plays a significant role in creating employment, it must be well regulated and supported by the municipality in order to be organised. The main recommendation on the basis of this finding is that there should be a new approach, especially in terms of enforcement of by-laws. Most informal traders have applied for permits and have been waiting for a response from the Polokwane Local Municipality for years. In this regard, most of the informal traders are dissatisfied with municipal treatment of informal trading in the city. This dissatisfaction is also caused by lack of consultation.

## **KEYWORDS**

- Informal trading
- Informal traders
- Regulations
- Polokwane Local Municipality
- By-laws

## **TABLE OF CONTENTS**

### **CHAPTER 1 GENERALA INTRODUCTION**

<b>1.1 INTRODUCTION</b>	<b>1</b>
<b>1.2 PROBLEM STATEMENT</b>	<b>1</b>
<b>1.3 MOTIVATION/RATIONALE FOR THE STUDY</b>	<b>2</b>
<b>1.4 SIGNIFICANCE OF THE STUDY</b>	<b>3</b>
<b>1.5 AIM OF THE STUDY</b>	<b>3</b>
<b>1.6 OBJECTIVES</b>	<b>3</b>
<b>1.7 RESEARCH QUESTION</b>	<b>3</b>
<b>1.8 DEFINITION OF CONCEPTS AND TERMS</b>	<b>4</b>
<b>1.9 OUTLINE OF DISSERTATION</b>	<b>5</b>
<b>1.10 CONCLUSION</b>	<b>6</b>

### **CHAPTER 2 LITERATURE REVIEW**

<b>2.1 INTRODUCTION</b>	<b>6</b>
<b>2.2 CONCEPT OF LITERATURE REVIEW</b>	<b>6</b>
<b>2.3 REGULATING INFORMAL TRADING</b>	<b>8</b>
<b>2.4 CONCLUSION</b>	<b>14</b>

### **CHAPTER 3 RESEARCH METHODOLOGY**

<b>3.1 INTRODUCTION</b>	<b>15</b>
<b>3.2 CHOICE AND RATIONALE OF RESEARCH DESIGN</b>	<b>15</b>
<b>3.3 POPULATION</b>	<b>17</b>

<b>3.4 SAMPLING METHODS AND SAMPLE SIZE</b>	<b>18</b>
<b>3.5 DATA COLLECTION</b>	<b>19</b>
<b>3.6 DATA ANALYSIS</b>	<b>20</b>
<b>3.7 DEMOGRAPHICS OF INFORMAL TRADERS</b>	<b>21</b>
<b>3.7.1 Sample profile</b>	<b>21</b>
<b>3.7.2 Gender</b>	<b>21</b>
<b>3.7.3 Age</b>	<b>22</b>
<b>3.7.4 Education levels</b>	<b>22</b>
<b>3.8 ETHICAL CONSIDERATION</b>	<b>23</b>
<b>3.9 CONCLUSION</b>	<b>23</b>
<b>CHAPTER 4 DATA ANALYSIS AND RESEARCH FINDINGS</b>	
<b>4.1 INTRODUCTION</b>	<b>25</b>
<b>4.2 FINDINGS FROM QUESTIONNAIRES AND ANALYSIS</b>	<b>25</b>
<b>4.2.1 Number of years in informal trading</b>	<b>25</b>
<b>4.2.2 Reasons for entering into informal trading sector</b>	<b>26</b>
<b>4.2.3 Knowledge of by-laws</b>	<b>27</b>
<b>4.2.4 Impact of by-laws</b>	<b>27</b>
<b>4.2.5 Organisation of informal traders</b>	<b>28</b>
<b>4.2.6 Trading environment</b>	<b>29</b>
<b>4.2.7 Enforcement of by-laws</b>	<b>30</b>
<b>4.2.8 The perceived future of the informal trading sector</b>	<b>31</b>
<b>4.2.9 Support requirements</b>	<b>32</b>
<b>4.3 FINDINGS FROM MUNICIPAL OFFICIALS</b>	<b>33</b>

<b>4.3.1 Perceived role of informal traders</b>	<b>33</b>
<b>4.3.2 Management of informal trading</b>	<b>34</b>
<b>4.3.3 Perceived future of informal trading within the City</b>	<b>35</b>
<b>4.3.4 Support of informal traders by Municipality</b>	<b>35</b>
<b>4.4 CONCLUSION</b>	<b>36</b>
<b>CHAPTER 5 CONCLUSION AND RECOMMENDATIONS</b>	
<b>5.1 INTRODUCTION</b>	<b>37</b>
<b>5.2 CHAPTER SUMMARY</b>	<b>37</b>
<b>5.3 CONCLUSION</b>	<b>38</b>
<b>5.3.1 <i>The Constitution of South Africa, 1996</i></b>	<b>39</b>
<b>5.3.2 <i>Business Act, 1991</i></b>	<b>39</b>
<b>5.3.3 <i>Local Government Municipal Systems Act, 32 of 2000</i></b>	<b>39</b>
<b>5.3.4 <i>National Environment Management Act, 1998</i></b>	<b>40</b>
<b>5.3.5 Regulation 918</b>	<b>40</b>
<b>5.3.6 Street trading strategy</b>	<b>40</b>
<b>5.4 RECOMMENDATIONS</b>	<b>41</b>
<b>REFERENCES</b>	<b>44</b>
<b>ANNEXURE A: Semi-structured questionnaire: informal traders</b>	<b>49</b>
<b>ANNEXURE B: Semi-structured questionnaire: Municipal officials</b>	<b>54</b>
<b>ANNEXURE C: Report control sheet from Polokwane Local Municipality</b>	<b>56</b>
<b>ANNEXURE D: Approval to undertake research study</b>	<b>57</b>
<b>ANNEXURE E: Application letter from UL to collect data</b>	<b>58</b>
<b>ANNEXURE F: Application letter from MR PW Mabitsela to collect data</b>	<b>59</b>

## **LIST OF FIGURES**

<b>FIGURE 1: GENDER COMPOSITION</b>	21
<b>FIGURE 2: AGE</b>	22
<b>FIGURE 3: EDUCATION LEVEL</b>	23
<b>FIGURE 4: ORGANISATIONS OF INFORMAL TRADERS</b>	28

## CHAPTER 1 GENERAL INTRODUCTION

### 1.1 INTRODUCTION

South Africa's high unemployment rate remains one of the government's most crucial challenges (Fleetwood, 2009:34). The government is not able to provide or create employment for everyone. As a result of this unemployment challenge, many consider informal trading as a solution to survival. The number of informal traders has increased significantly since the demise of apartheid (Skinner, 200:229). The informal sector contributes significantly to the South African economy because it is estimated that approximately 2.2 million people are employed in this sector in 2010 (Quantic Research, 2011). An estimated 46 000 additional people entered the sector in the first quarter of 2011. Yet, 25 percent of the nation's workforce remains unemployed (Statistics South Africa, 2011: VI).

The most noticeable contributor to the informal economy is street trading, which refers to people trading in the street. Street trading is a major source of income for the majority of the urban poor and therefore requires proper intervention and management by municipal officials. Street trading is linked with numerous urban management problems such as crime and littering, in most instances badly affecting the ability of the formal sector to grow. Therefore the study focuses on the regulation of informal trading, specifically street traders, within Polokwane Local Municipality. The problems associated with street trading are a sign of systematic problems in public institutions, especially municipalities that are mandated by Chapter seven of the *Constitution* to be developmental.

### 1.2 PROBLEM STATEMENT

Hewlette, Werbeloff and Zandamela (2008) define a problem statement as a "clearly constructed paragraph that succinctly states the problem to be researched, which would help to solve and also identify the knowledge gap, provide a context for the study, as well as persuade the reader through logic and documentation that there is a pressing need for the research". The statement of the problem is that public institutions, especially municipalities, are facing a challenge in regulating increasing

numbers of informal traders and balancing the tension between the formal and informal economies (Mitullah, 2003:21). Municipalities are required to “clean” their towns and cities of all street traders as a result of concerns usually raised by formal businesses. Some local officials view street trading as an illegal activity that undermines the healthy functioning of formal businesses, and as a result street vendors are viewed and treated like criminals (Bhowmik, 2003:2256; Mitullah, 2003:3)

According to section 152(b) of the Constitution, local municipalities are required to promote development. On the one hand, local officials focus on their right to enforce safety and health regulations, while on the other, informal street traders focus on their right to trade (section 22 of the Constitution). The challenge facing municipalities is how to manage the informal business sector (informal traders), considering the fact that the sector plays an important role in the economy of communities. Municipalities are expected to ensure that the operations of the informal business sector, especially street trading, do not negatively affect the formal business operations. Informal trading problems should be considered as a sign of a systematic problem in public institutions, particularly municipalities that are required to deal with street trading issues. The focus area of study is the city of Polokwane, which falls under the Polokwane Local Municipality. The study seeks to investigate how Polokwane Local Municipality regulates informal trading in Polokwane.

### **1.3 MOTIVATION/RATIONALE FOR THE STUDY**

Public institutions are confronted with the challenge of ensuring proper governance, while at the same time managing development in their areas of jurisdiction. Davies and Thurlow (2009:2) point out that South Africa at this moment is faced with ever-rising unemployment and low literacy levels. Due to these problems, informal trading is seen as part of the solution to the unemployment rate. The topic was selected to develop the body of knowledge concerning informal trading and to evaluate the effectiveness of intervention by the Polokwane Local Municipality and thus find a solution to the problem. The focus of the study is the regulation of informal trading by Polokwane Local Municipality.

#### **1.4 SIGNIFICANCE OF THE STUDY**

The study undertakes to determine the regulation of informal trading by Polokwane Local Municipality. This investigation is made in order to make a contribution to resolving the fundamental problem with street trading regulation. The shortcomings for both formal traders and informal traders will become known and a new policy will be recommended to improve the functionality of informal trading and to overcome the challenges faced by Polokwane Local Municipality in dealing with this matter. Both informal traders and Polokwane Local Municipality could benefit in terms of policy reconsideration.

#### **1.5 AIM OF THE STUDY**

An aim is a general statement of intent, a broad goal with very little precision, that the researcher plans to achieve when the research is completed (Nkatini, 2005:26). The aim of this study is to investigate the regulation of street trading in Polokwane. Problems associated with informal trading are usually just a symptom of problems in public institutions, particularly municipalities that are required to manage informal trading in their localities.

#### **1.6 OBJECTIVES**

An objective is a specific and precise goal that the research sets out to achieve during the research process (Nkatini, 2005:26). This study has the following objectives:

- Determine regulatory mechanisms necessary to manage the informal trading.
- Assess the support provided to informal traders in contributing to the local economy of the city.

#### **1.7 RESEARCH QUESTIONS**

A research question is very similar to a research objective except that where the objective is a declarative statement, the question is an interrogative statement. A

research question is used for the same purpose as an objective (Brink, 1996:90).  
The research questions are:

- What are the regulatory mechanisms necessary to manage informal trading?
- What kind of support is needed by street traders to perform better and contribute to the economy of the city?

## 1.8 DEFINITION OF CONCEPTS AND TERMS

**By-laws** are legislation that is passed and enacted by a Municipal Council. Cities use by-laws to deal with various issues pertaining, to among others, parking meters, street trading, littering, noise, informal trading and swimming pools (Memeza, undated).

**Informal trading** means the selling of goods and/or services by an informal trader in the designated area, which includes, without any limitation, the forms of trading more fully set out in Section 3 (Polokwane Local Municipality, undated).

**Local government** is the sphere of government established as per section 151 of the *Constitution of the Republic of South Africa, 1996* (Chapter 7).

**Prohibited area** means a place declared in terms to be an area in which street trading is prohibited (Polokwane Local Municipality, undated: 4).

**Policy** is a plan of action to achieve a preferred outcome within the overall purposes of government (Venter & Landsberg, 2010:89)

**Public administration** is the process by which the entire state apparatus is organised, managed, administered and controlled. It deals with the nature and practice of government and the public sector (Venter & Landsberg, 2010:84).

**Restricted area** means any area, including an area created for the purpose of street trading markets, where street trading will be subject to such specific conditions and restrictions as the Municipal Council deems fit (Polokwane Municipality street trading by-laws, undated:5).

**Street trader** means a person selling goods or rendering a service and includes a seller, peddler or hawker and also:

- a person who as principal agent, assistant or employee carries on the business of street trading
- a person to whom a stand has been leased or allocated in terms of section 8 of these by-laws for as long as the person is carrying on the business of a street trader on it (Polokwane Municipality street trading by-laws, undated:6).

## **1.9 OUTLINE OF THE DISSERTATION**

### **Chapter 1 General Introduction**

This chapter state why the research is being conducted and cover the overview of the topic, introduction, problem statement, motivation/rationale for study, significance of the study, aim, objectives, research question, definition of the concept, research question and outline of dissertation.

### **Chapter 2 Literature review**

This chapter deal with critical evaluation of the existing literature regarding informal trading. The literature that will be evaluated to provide background for the empirical data describe in Chapter 4.

### **Chapter 3 Research methodology**

The research methodology which is the research design, population, sampling, data collection, data analysis, demographic of informal traders and ethical consideration, would be discussed in this chapter.

### **Chapter 4 Data analysis and research findings**

In this chapter, the findings of the study are presented and analysed, and inferences made. The responses from the respondents are analysed, and presented in various ways.

### **Chapter 5 Conclusion and recommendations**

The conclusion and recommendations concerning the research findings is the focus of this chapter.

## **1.10 CONCLUSION**

This chapter has introduced the research subject, providing an introduction to the research, as well as the scope of the study such as the statement of the problem, aim, objectives and significance of the study. In addition, it has provided an overview and structure for the whole study, raising relevant issues to be determined in detail. The next chapter will describe the literature that is related to the research study.

## **CHAPTER 2 LITERATURE REVIEW**

### **2.1 INTRODUCTION**

Chapter 1 of this study reflects the introduction and statement of the problem as well as methodological choices. In this chapter, a literature review concerning informal trading is undertaken and covers the following information: the concept of a literature review, regulation and contribution of informal trading, and a conclusion. A literature review as a concept is elucidated first in order to provide clarity to inform the approach undertaken in this study. The concept of informal trading by several scholars will be explained below to inform a comprehensive understanding of the definition.

### **2.2 CONCEPT OF LITERATURE REVIEW**

A literature review can be defined as the selection of available documents (both published and unpublished) on the topic, which contain information, certain aims or views on the nature of the topic, how it is to be investigated, and the effective evaluation of these documents in relation to research being proposed (Ridley, 2010:3). Diana (2010:2) further states that a literature review is where one identifies the theories and previous research that have influenced the choice of research topic and the methodology chosen. A literature review can be used to support identification of a problem to research and to illustrate that there is a gap in previous research that needs to be filled.

In other words, a literature review is a summary of research that has been published about a particular subject. It provides the reader with an idea about the current situation in terms of what has been done, and what we know. Punch (2006:40) confirms that a good literature review demonstrates a dissertation topic, and is much more than a summary of relevant literature. According to Babbie (1998:112), one of the most crucial elements of a good literature review is that it assesses whether there has been a consistent finding on the proposed research or whether past studies disagree with each other. A literature review also assists in finding out whether there are flaws in the body of existing knowledge that one can remedy. It

enables the researcher to formulate a hypothesis for the study. The aim of a literature review is to demonstrate skills in library searching, to show command of the subject area and understanding of the problem, and to justify the research topic, design and methodology (Hart, 1998:13). De Vos, Strydom, Fouche & Deport (2005:123) provides the aim of literature review as contributing towards a clearer understanding of the nature and meaning of the problem that has been identified.

However, there is also a danger in conducting a literature review in that one may become influenced by the results of previous research or that one may accept findings without proper criticism. The influence may prevent the research from discovering new possibilities. Although a literature review is essential in acquiring background knowledge before commencing with a study, it is not the only means. Unpublished personal experiences, discussions with people involved with a similar issue, direct observation or participation may all give a researcher the necessary background about a particular subject of study (Bless, Higson-Smith & Kagee, 2006:27). It can be concluded that a literature review is a concept that enables the researcher to identify and analyse information from related and relevant sources that contributes to the research problem. A literature review provides a theoretical perspective and necessitates a consideration of similar studies and how they can be of benefit to the research at hand. The literature on informal trading is reviewed below.

### **2.3 REGULATING INFORMAL TRADING**

The focus area of study is the regulation of informal trading in Polokwane. The objective of this study is to determine regulatory mechanisms necessary to manage the informal trading and to describe the kind of a support needed by street traders to perform better and contribute to the economy of the city. According to Willemse (2013:166), informal trading plays an important role in the economy of South Africa by providing the unemployed with income-generating employment opportunities.

According to Mokgatetswa (2014:19)'s analysis of Small Enterprise Development Agency's generic informal/street trading policy framework, the terms illegal, informal

and black were used synonymously but two of these terms had been dropped by 1990. The informal sector is defined as follows:

- Informal trading sector refers to the unregulated nature of activities such as subsistence agricultural workers, domestic workers, home-based workers and commercial sex workers.
- Another simpler definition of informal trading is those businesses that are not registered to pay VAT and are also not subject to other formal regulation or taxation, especially in retail and hawking.
- The third definition concentrates on businesses carried out in public places. Informal trading is the economic activity undertaken by entrepreneurs who sell legal goods and services within a space deemed to be public property.
- Informal trading refers to economic activity by individuals and/or groups involving the sale of legal good and services, within public and private spaces, which spaces are generally unconventional for the exercise of such activity. It is generally unorganised and not always registered as a formal business activity. In its most basic form, informal trading takes place on the streets and pavements, on private property (used primarily as the entrepreneur's place of residence) and tends to require little more than the actual goods and services to set up.

Masonganye (2010) defines informal trading as a commercial activity undertaken by entrepreneurs (individuals and/or groups) in the informal sector. It is more prevalent in developing countries. The phrase 'informal trading' is used interchangeably with the phrase "street trading". Trading in private residences in the form of, among others, spaza shops, shebeens and taverns are included in the definition even though some occupy private space. The definition clearly excludes criminal and illegal activities in terms of the laws of the country, although by definition unlicensed traders are trading illegally in many contexts.

Trading is divided into different types:

- Survivalist trading: the informal trader whose income is barely sufficient to sustain the trader and his family.

- Informal trading: the trader makes a sufficient income with which to support personal and family needs, and is also able to operate on a profit basis.
- Formal trading: there is a fixed location and/or with a fixed structure, and it is run on formal business principles.

The terms “informal trading” and “informal employment” are used interchangeably. Some authors prefer informal trading while others, such as Willemse (2011) in his articles titled “Opportunities and constraints facing informal street traders: Evidence from four South African cities”, use informal employment. The preferred term in this research will be informal trading rather than informal employment. Willemse (2013:7) quotes Statistics South Africa, 2011, to define informal employment/informal trading in his articles as a precarious employment environment. Informal employees are those who do not have a written contract of employment, are not registered for income tax or value-added tax, and do not receive basic benefits such as pensions or medical aid contributions from their employers. As is evident from the aforementioned definition, the informal economy includes a variety of different types of employment.

Meyer (2015) points out that informal trading may include any of the following forms of trading: street trading, which comprises the selling of goods or supply of services for reward in a public road; selling of goods in a designated area; sale of goods or services in a public place; mobile trading such as from a caravan and light motor vehicles; selling of goods in stalls or kiosks; and selling of goods at special events. (South African Local Government Association), quoted by Meyer(2015), further defines informal trading as an operation of an informal, unregistered, small business from one’s place of living. This includes any roadside shops, spaza shops, newspaper and other vendors, windscreen washers, hawkers and any goods or services traders operating outside of a formal, privately owned, registered space.

Meyer (2015) points out that informal trading is, for many South Africans, the “alternative to unemployment”, and should be viewed as a way to “address unemployment” and “reduce vulnerability”. As mentioned in Chapter 1, Fleetwood (2009:34) states that South Africa’s high unemployment rate remains one of the government’s most crucial challenges. These challenges cause an increasing number of informal traders to flock to Polokwane, looking for a solution. Willemse

(2013:174) points out that lack of formal employment in South Africa is the main reason why people began trading informally. Nombulelo (2013) explains further that despite its relatively modest appearance, street trading is one of the largest sectors of the informal economy. Unemployment, as a social issue, remains one of the major factors that continue to make the informal trading sector grow at a rapid pace because a large share of the labour force is unemployed (Ganief & Thorpe, 2014).

One of the factors that contributes to an expansion of the informal sector is that the formal economy does not create enough jobs for those seeking employment. In this instance, people might start their own businesses in the informal economy. In some countries, growth in high-technology sectors relegates people without high skills to joblessness, and they become absorbed by the informal economy. To harness this potential for job creation and contribution to economic growth, government policies to manage the sector should lead to the creation of productive employment (Bhowmik, 2003; ILO, 2002a:29).

A labour force survey conducted in 2000 estimates that there are 500 000 street traders across South Africa, 70% of whom deal with food items. Street trading is a source of livelihood for the majority of the urban poor, but if not properly regulated, can be problematic.

Nombulelo (2013) further explains that informal trading has become a common feature in all urban areas in both major cities and smaller towns wherever there is traffic, such as at bus stops, train stations, truck stops and, of course, the streets. In major African cities, markets and street traders were found to be a major source of provision for poor, urban households. In fact, in Sub-Saharan Africa, the informal sector accounts for up to 60% of the economy. As such, an important role of informal trading is its ability to absorb unemployed people, young and old. Former Polokwane Municipal spokesperson, Tshidiso Mothapo, told *The New Age* (3 March 2012) that the municipality had developed a hawker management strategy. It provides a mechanism by which traders can be supported and regulated by placing them in designated areas so that they do not infringe on formal businesses. "We believe that as the government we have an obligation and responsibility to support and create space for those in the second economy to grow and to develop (*The New Age*, 2012).

The informal economy has always been thought of by economists as bad news for the world economy. Authorities have viewed this sector as a nuisance to other commercial activities and to traffic, due to the fact that it takes place mainly at road intersections (Bhowmik, 2003:02). Sometimes referred to as the underground economy, the informal economy is becoming far more important now, providing relief from the effects of the global financial meltdown (Barta, 2009). Some researchers argue that the informal economy is becoming a permanent element of some poorer countries. In certain instances, it is argued that this sector grows due to the inability of the formal sector to create jobs that match population growth (Barta, 2009). It is also acknowledged that this sector plays an important role in economic growth and poverty reduction. In fact, the informal economy is now seen as a safe haven for the darkening financial climate. There is acknowledgement that there are insufficient economic opportunities in the formal sector. Although informal trading plays an important role in the economy by creating employment, there are some challenges faced by informal traders. Masonganye (2010), in his analysis of SEDA's generic informal/street trading policy framework research, states that there are several constraints that negatively impact on informal traders. Some of the main challenges include:

- lack of access to financial services such as credit and savings
- limited access to training in areas such as business skills, technical training and other basic education and training
- sector specific problems, especially with improper linkages with and supplies from formal businesses
- limited access to infrastructure and basic services such as housing, water, electricity, refuse removal
- limited access to business-related infrastructure such as manufacturing space, closeness to others involved in similar activities, and trading and storage space
- government regulations particularly on how public space is regulated but also issues such as liquor licensing
- lack of or limited or uncoordinated communication strategies and channels

- lack of or limited capacity in collective bargaining among those working informally
- crime including violent crime, shop lifting and employee theft, especially among hawkers who do not take stock of their products
- competition from peers due to over-trading (especially among hawkers) and effects of competition from large retailers
- unwillingness of informal traders to undergo training because they will lose out on the trading hours as most of them are one person traders
- instances of “fronting” to subvert the licensing processes, coupled with a general reluctance by informal traders to pay rentals.

The fact that these traders are associated with dirt, crime and squalor is also a major challenge on its own because it means that even potential customers will have such a view of the informal trading sector and this affects their use. Wiego (in Heidemann, 2012) identifies critical problems faced by the informal economy/informal trading including the lack of adequate data as a basis for local policy development, and lack of policy approaches. Heidemann (2012) further explains that perhaps the most visible side of the informal economy is street traders. Municipalities tend to see street traders as a problem, causing congestion and undermining formal businesses. However, these businesses are serving a market, which sustains them, thereby attesting to a niche that they clearly fill within the local economy. Rather than see informal traders as a problem, municipalities should embrace the informal economy and manage it better, as some indeed have with high levels of success, to avoid its adverse effects.

Governments currently regulate the formal economy. The question in this regard is whether and how should government regulate the informal trading (Chen, Vanek, Lund, Heintz, Jhabvala, & Bonner, 2005:87). Different approaches are pertinent. The legalistic route maintains that government should make legalisation easy and less bureaucratic to encourage registration (Mitullah, 2003:10). The International Labour Organisation (ILO), United Nations Development Programme (UNDP) and United Nations Development Fund for Women (UNIFEM) identifies the following roles for government: (i) promoting economic opportunities; (ii) developing appropriate

regulatory and legal frameworks; (iii) promoting of social dialogue increase representation of informal workers; and (iv) extending social protection (Chen *et al.*, 2005:87).

Excessive taxes and excessive regulatory systems play a major role in discouraging people from running formal businesses, encouraging them to rather go into the informal trading sector because it is regarded as easier and cheaper (Aswani, 2007). The *Local Government Municipal Systems Act 32* of 2000, which is committed to local government, was developed to also cater for informal trading. The *Local Government Municipal Systems Act 32* of 2000 deals with issues that include informal traders and goes further to state how municipalities should integrate informal trading in their developmental goals (Masonganye, 2010). Governments should therefore focus on enforcing these regulations in a manner that will be deemed promotional by those on whom they are supposed to be enforced, and this will result in the traders often following the regulations (Aswani, 2007). These regulations are often imposed on the traders who trade in cities and those who are trading in the townships are seemingly exempt from the harsh treatment their city counterparts receive (United Nations Development Programme, 2007).

## **2.4 CONCLUSION**

In order for Polokwane Local Municipality to ensure smooth management of informal trading more emphasis should be put on developing current regulations. This will encourage entrepreneurs to go into informal trading due to the positive results it can bring. This would also ensure that there is a clear understanding of the regulations and how to observe them. This would in turn reduce the number of traders who opt to remain unlicensed. Existing literature about informal trading has been reviewed. Areas of studies that were pursued by different scholars were explored. A literature review as a concept has been described in order to obtain a holistic understanding before the actual discussion, using the perspective of different scholars. After the literature has been reviewed, there is still a need to pursue the study of whether Polokwane Local Municipality supports informal trading. The next chapter explains the research methodological activities undertaken to validate the collected data.



## **CHAPTER 3 RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

The previous chapter reviewed the literature related to this study. This chapter goes into detail to fully explain and outline how the relevant data for the study was collected and the processes that were followed. In other words, this chapter focuses on the research design and methodology used in the study to provide guidance on data collection methods, analysis and interpretation, among others. Further, the chapter outlines the road that was travelled during the research project to obtain the data. The chapter summarises the methods and techniques used during the research project. It indicates the method that was used to select the sample, and explains how data was collected and processed within the framework of the research process. In addition, the techniques used to analyse the data are discussed.

Chapter 2 outlines who informal traders are, the challenges they face while trading, the kind of business they do, their importance in the city, and their relationship with the municipality. The study goes as far as interrogating the relationship between informal traders and the municipality and how regulations and by-laws are enforced by the municipality. The questions that form the basis of this study are: a) how does the city of Polokwane deal with the regulation of informal trading activities in the city? b) how are these regulations received by informal traders? c) What kind of support is needed by informal traders to perform better and contribute to the economy of the city? This research is qualitative research as it studies the situation of informal traders in Polokwane with the view to understanding the reality that informal traders face on a daily basis.

### **3.2 CHOICE AND RATIONAL OF RESEARCH DESIGN**

A research design is a plan or blueprint of how one intends conducting research (Mouton, 2001:55). Nachmias (1996:99) define research design as a blueprint that enables the investigator to generate solutions to problems and guides the various stages of the research. Unlike research methodology, research design focuses on the logic of research. Every research project requires a carefully tailored research

design that will help address the research problem. Babbie and Mouton (2003:647) argue that a research design is a structured framework of how one intends conducting the research process in order to solve a research problem. Research methodology focuses on the procedures and tools to be utilised in collecting data leading towards solving the research problem. Unlike research design, the focus is on developing a plan that enables the researcher to collect data leading towards solving the research problem. De Vaus (2001:9) points out that the function of research design is to ensure that the evidence obtained enables the researcher to answer the initial question as unambiguously as possible.

Several scholars, such as Modjadji (2010:263) and Mukhola (2000) have used qualitative and quantitative design together. On the one hand, for example, when assessing the extent of street vending in Polokwane, pictures were taken in areas where street trading is prevalent. These pictures provide a clear picture of the challenges facing both the municipality and the informal traders. The questionnaire, on the other hand, provided both qualitative and quantitative data. Mokgatetswa (in Babbie & Mouton, 2006) uses a qualitative design, stating that qualitative research is especially appropriate to the study of attitudes and behaviours, which can best be understood within their natural setting, as opposed to the somewhat artificial settings of experiments and survey designs.

This study uses a qualitative research design. Qualitative research as explained by Creswell (2009:4) is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves merging question procedures, data typically collected in the participant's setting, data analysis, inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data. Leedy and Ormrod (2005:96) further explain qualitative research as when the researcher seeks a better understanding of a complex situation. The work of the researcher is often exploratory in nature, and may use observations to build theory from the ground up. Leedy and Ormrod (2005:96) provide the purpose of qualitative research as to describe, explain, explore, interpret and build theory. Qualitative research can serve an evaluation purpose as it provides means through which the researcher can judge the effectiveness of a particular policy, practice or innovation. Mokgatetswa (2014:34, in Gall, *et al.*, 1996) states that the aim of qualitative research is to gain as much

information as possible and to interrogate it in order to understand the meaning of the information and reach conclusions.

The relationship between the Polokwane Local Municipality and informal traders is what informs the choice of the study. Informal traders are not satisfied with the way Polokwane Local Municipality often treat them. Informal traders feel that they have to fight for their survival. The crucial role of the Polokwane Local Municipality is to balance the need for business retention and expansion of formal businesses, as well as to support the informal business sector as a means to poverty eradication and job creation. This study considers the crucial issues that are necessary when a policy for regulating informal traders is developed. This is because a policy is a management tool that can assist an institution to address any societal problem effectively.

The research is within the discipline of Public Administration, and it will be based on a qualitative method in order to develop a body of knowledge on the issue, to contribute to the growth of that knowledge, to evaluate the effectiveness of informal traders and to find a solution to help the profession. A case study design will be used. Bertram and Christiansen (2014:42) define a case study as a systematic and in-depth study of one particular case in its context, where the case may be a person (such as a teacher, a learner, a principal or a parent), a group of people (such as a family or a class of learners), a school, a community or an organisation. In this research, the case study is on informal traders and municipal officials. According to Bertram and Christiansen (2014:42), a case study may use a combination of both qualitative and quantitative methods.

### **3.3 POPULATION**

Punch (2005:10) refers to population as the total target group who would, in the ideal world, be the subject of the research, and about whom one is trying to say something. The entire set of objects or people who form the focus of the research and about which the researcher wants to determine some characteristics is called the population (Bless *et al.*, 2006). According to Polokwane Local Municipality statistics (2015), there are 882 registered informal traders and 19 738 unregistered one. Populations that are involved in finding answers to the objectives of this

research are the municipality and the informal traders. The focus of the study is the informal traders and Polokwane Local Municipality management division.

It is, however, impossible to test the entire population during the study. As a result, only a part of the street traders operating within Polokwane City CBD, the Indian centre and Limpopo Mall will be studied. It is believed that the fraction that will be selected will be sufficient to understand pertinent issues of the informal trading population.

### **3.4 SAMPLING METHODS AND SAMPLE SIZE**

Sampling means a process of identifying and grouping a subset of the entire population (Bekwa, Botha, Coetzee & Woolfaardt, 2004:105). According to Sapsford and Jupp (2006:26), sampling is a set of elements selected in some way from a population. The aim of sampling is to save time and effort, but also to obtain consistent and unbiased estimates of the population status in terms of whatever is being researched. There are two kinds of sampling procedure, probability and non-probability sampling. The selection of a sample in this study is based on non-probability sample. Non-probability sampling includes accidental sampling, quota sampling and purposive sampling.

The sample frame of this study is based on accidental sampling. Accidental sampling (convenience) is defined by Leedy and Ormrod (2005:206) as any case that happens to cross the researcher's path and has anything to do with the phenomenon, and who is included in the sample until the desired number is obtained. Authors cited by De Vos (1998:198) such as Bailey, Collins, Gabor and Nachmias, call this type of sample a convenience or availability sample and add that the respondents are usually those who are nearest and most easily available. The focus of this study is informal traders of Polokwane, who currently serve Polokwane Local Municipality under the Capricorn District Municipality. Accidental sampling was used to collect data. According to Polokwane Local Municipality there are three organisations of informal traders: Limpopo Small, Medium and Micro Enterprise Hawkers Association (LISHA), Limpopo Small Business Micro Enterprises Hawkers Association (LISHMAU) and Independence.

Accidental sampling was used to collect data. The targeted study sample for this study was 28 participants (20 informal traders and eight officials from Polokwane Local Municipality management division) in order to be balanced and sufficient enough to draw valid conclusions and give an adequate reflection of the study population.

### **3.5 DATA COLLECTION**

Burns and Grove (2005:733) describe data collection as “a way of gathering relevant information in order to address a research problem”. Mouton (1996:67) points out that data collection involves applying the measuring instruments to the sample or cases selected for the investigation. This implies that once the sample has been selected for the research population, certain instruments would then be used to collect the necessary data. However, the type of research determines the choice of such data collecting instruments. In this study, new data was created through information from the informal traders and municipal officials. Data was collected through two semi-structured questionnaires (annexure A and B): one for informal traders and another one for municipal officials. Mouton (1996:146) further points out that the objective of data collection is to produce reliable data. This means that such data is consistent over time and place. It is on this basis that it is important for the researcher to use appropriate data collection instruments that enable him/her to produce reliable and valid data.

According to Birley and Moreland (1998:41-44), data collection should be informed by the following principles:

- **Validity:** the instruments used to collect data should ensure that data sets collected are relevant to the research. For example, if a questionnaire is used, then the research questions must assist in providing responses that answer research questions.
  - **Reliability:** this principle maintains that the instrument should have the ability to produce consistent results if applied more than once to the same people under standard conditions.
  - **Ease of use:** data collecting instruments must be easy to administer.

The data collection method employed in this study falls into the qualitative method. Semi-structured interviews will be used with a standardised questionnaire. Data collected includes general information such as demographic and related information. Creswell (2009:178) points out that the idea behind qualitative research is to purposefully select participants or sites that will best help the researcher understand the problem and the research question.

### **3.6 DATA ANALYSIS**

Patton (1980:268) points out that data analysis involves organising what one has seen, heard and read so that one can make sense of the collected data. De Vos *et al.* (2005:333) define data analysis as the process of bringing order, structure and meaning to the mass of collected data. Data analysis can take many different forms, depending on the nature of the research question and design, and the nature of the data itself (Bless *et al.*, 2006). Both a focused literature study and analysis of the findings from the interviews were used to determine the problems with regard to informal trading.

Thematic analysis was used to facilitate the data analysis process. Thematic analysis is a qualitative analytic method for identifying, analysing and reporting patterns (themes) within data. It minimally organises and describes the data set in detail. However, frequently it goes further than this, and interprets various aspects of the research topic (Braun & Clarke, 2006:79). Braun and Clarke further explain why thematic analysis should be used. It is simple to use, which lends itself to use by novice researchers who are unfamiliar with more complex types of qualitative analysis. It allows for flexibility in the researcher's choice of a theoretical framework. Some other methods of analysis are closely tied to specific theories, but thematic analysis can be used with any theory the researcher chooses. Through this flexibility, thematic analysis allows for rich, detailed and complex description of data. Boyatzis (1998: vii) describes thematic analysis as a process of "encoding" qualitative information. Thus the researcher develops "codes," words or phrases that serve as labels for sections of data.

### 3.7 DEMOGRAPHICS OF INFORMAL TRADERS

#### 3.7.1 Sample profile

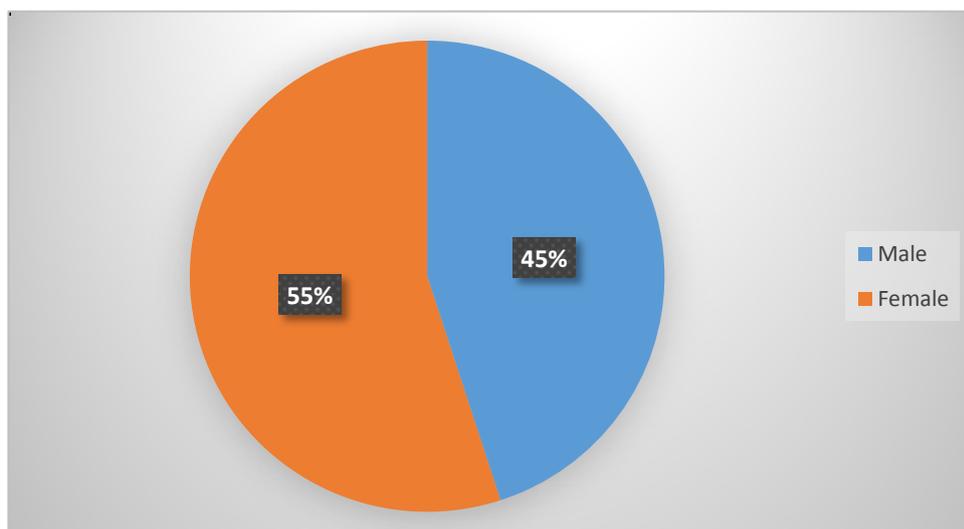
The respondents were asked 23 questions of which the first five were based on their demographic profile in terms of age, gender, nationality, marital status and qualifications. The semi-structured questionnaire (Annexure A) was distributed to 22 informal traders from different organisations (LISHA, LUSHMEU and Independent) and five Polokwane Local Municipality officials.

The collected data reveals that eight respondents were aged between 18 and 35, 11 of them between 36 and 50 and three of them over the age 50. Only 10 out of 22 respondents were married. Only two of the respondents had a post matriculation qualification such as a National Diploma, 12 have matriculated and eight dropped out before matriculation.

#### 3.7.2 Gender

Twelve out of 22, thus the majority of the respondents (55 percent), were female. This suggests that there are more female informal traders within the city of Polokwane. This might be the case because males enter this sector and then leave as soon as they find formal employment, whereas their female counterparts continue working in the informal sector for much longer. These figures are captured in the diagram below.

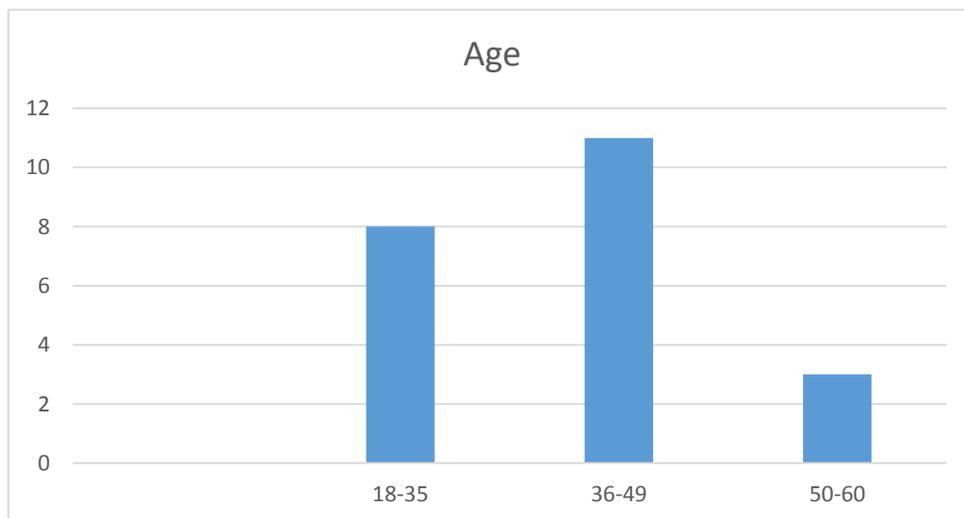
**Figure 1 Gender composition**



### 3.7.3 Age

Only three of the respondents are over 50 years. This means that the employable people are mostly in this sector and probably adult. Figure 2 below presents the distribution of age in the sample. It shows that most informal traders are adults aged between 36 and 50. This shows that informal trading is made up mainly of the adult population. Adults believe that this research could help them to improve their business in order to support their children.

**Figure 2**



### 3.7.4 Education levels

The informal sector is characterised by low levels of education because it does not require any formal qualification. Only two of the 22 respondents have a post matric qualification of a National Diploma. One has a National Diploma in Policing and the other in Entrepreneurship. This suggests that these two respondents might be entering the informal trading sector because they feel that they cannot find employment anywhere else because of a general lack of employment opportunities.

**Figure 3**

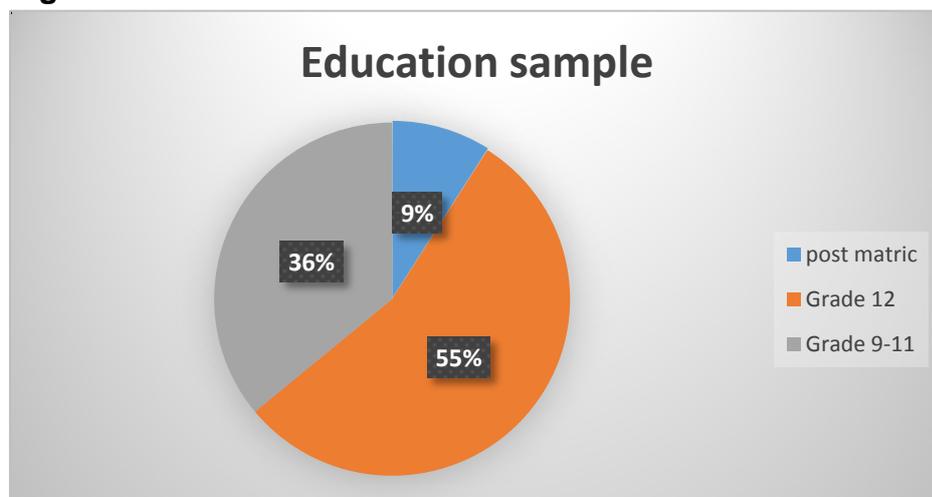


Figure 3 shows that 55 percent of the respondents have a Grade 12 and 36 percent have reached Grade 9-11. Only nine percent have a post matric qualification.

### **3.8 ETHICAL CONSIDERATIONS**

Although this research does not involve threats to respondents or harm to participants, there is still a need to observe ethical obligations. It might be considered that this study places undue emphasis on the process of obtaining informed consent, but participants have the right to understand what the information they are divulging is to be used for (Henning, Van Rensburg & Smit, 2004:69), and so respondents should give informed consent before they participate in any research (De Vos, 2001:25). It is the right of a participant to be fully informed before consenting to take part in a research project.

### **3.9 CONCLUSION**

This chapter has indicated the research design and methodology in the following segments; choice and rational of research design, population, sample, sampling methods and sample size, data collection, data analysis and ethical considerations. The population and sample size were clearly indicated. The population from whom the sample was selected is informal traders within the city of Polokwane. Different

data collection methods were discussed: for the purpose of this study a questionnaire and documentary analysis were utilised as means of collecting data. The study made use of qualitative research methods in the form of a semi-structured questionnaire using the help of the leadership of the associations of informal traders. Data analysis is done in detail in Chapter 4 of the study. The research findings together with the interpretations will be provided in the next chapter.

## **CHAPTER 4 DATA ANALYSIS AND RESEARCH FINDINGS**

### **4.1 INTRODUCTION**

Chapter three discussed the research methodology which also included appropriate data collection methods. Data is collected by means of questionnaires. A semi-structured questionnaire (Annexure A and B) was used as a tool to collect data. Annexure A was for informal traders and annexure B was for municipal officials. Responses from several questions asked in the questionnaires are discussed below. The purpose of this chapter is to provide solutions to the problem statement as highlighted in Chapter 1. This chapter analyses and interprets the data gathered from the questionnaires. The findings are a reflection of the data that was collected through the processes that are described in the preceding chapter.

In this chapter the themes identified include, among others, comments made by participants, the number of years the participants have been in business, the profile of business activities of participants, their future business aspirations, knowledge of by-laws, the impact of the by-laws, perception of the trading environment, enforcement of by-laws and support requirements. It also includes major findings from engagements with municipal officials.

### **4.2 FINDINGS FROM QUESTIONNAIRES AND ANALYSIS**

#### **4.2.1 Number of years in informal trading**

According to the response from questionnaires (Annexure A), it is evident that most of the respondents (32 percent) have been trading for less than ten years, eight (36 percent) have been trading for 10 to 20 years, three (14 percent) for 21 to 29 years, two (9 percent) for 30 to 40 years and two (9 percent) for 45 to 55 years. The fact that over 60 percent of the participants have been trading for over 20 years shows that these people enter this sector and stay in their chosen businesses regardless of the challenges they encounter and all the experiences they have while trading on the streets.

#### 4.2.2 Reasons for entering into informal trading sector

Respondents were asked to indicate their reasons for entering into informal trading. Here are some of the reasons mentioned by respondents:

**Respondent A** said: “It is difficult to find proper employment in town. I want to pay school fees for my children.” This statement proves that people enter into the informal trading sector due to lack of employment and in order to support their family, especially in sending their children to school.

**Respondent B** said: “We enter into informal trading because of high rate of unemployment.” Respondent B proved how serious the unemployment rate is. These statements agreed with Fleetwood (2009) as mentioned earlier in the introduction where it is said that South Africa’s high unemployment rate remains one of the government’s most crucial challenges.

**Respondent C** said: “We participate in this informal trading in order to fight poverty and to reduce the crime rate.” Respondent C shows the second major reason why people enter the informal trading sector: poverty, as mentioned earlier by Masonganye (2010) under the literature review.

The above statement shows that the major reasons why people choose to enter the informal trading sector range from having no job (68 percent), poverty (23 percent), and business (9 percent).

The percentages above show that the informal trading sector fills a huge vacancy created by lack of jobs, because a lot of people enter this sector as their last resort to make a living. It therefore proves the importance of this sector, not only to the economy of the city but also to South Africa as a country. Poverty has also been cited as a major reason for entering this sector because people have to feed their families and in the event that no one in the family is employed in some way, informal trading becomes their last resort to ensure that they can feed their loved one.

It is interesting, however, to note that only nine percent of the participants actually went into this sector out of their own free will to become independent by running their own businesses. So it is a clear indication that most of them do not have

entrepreneurial drive even though they are “entrepreneurs”, but the fact that they are actually counted as businesspeople means they must also be given the necessary support structures that are needed so that they can grow and sustain their businesses.

#### **4.2.3 Knowledge of by-laws**

Respondents were asked questions such as “Do you know of any trading by-laws/ regulations that govern informal trading in the city of Polokwane?” Only 50 percent of respondents answered in the affirmative.

**Respondent A** said: “Yes I do know about by-laws.” Respondent A acknowledges that she has knowledge of by-laws, revealing that not obeying them might be caused by negligence.

**Respondent B** said: “Yes, I know about the by-laws. Polokwane Local Municipality do not want us to sell on some pavements and parks.” This response shows that despite knowing them, she does not agreed with the by-laws.

**Respondent C** said: “No, I do not know by-laws; they change after every new leadership and the Municipality do not consult us when they change them.” Respondent C proves that there is lack of consultation when the Municipality drafts by-laws.

Responses show that only 50 percent of the informal traders have knowledge of the existing by-laws that govern the informal traders. This therefore means that there is some inefficiency in the manner in which the by-laws are enacted and enforced within the City of Polokwane. This shows that even though the municipality might have some measures in place to ensure that they run this sector in a proper manner, not much is being done to ensure that all parties are kept informed and that all parties adhere to the set rules and regulations.

#### **4.2.4 Impact of by-laws**

Fourteen (14) percent of the informal traders stated that they are not affected by the informal trading by-laws while, eighty-six (86) percent said that they are affected. Those who are affected gave the reasons as to why they are affected. Among those reasons are:

**Respondent A** said: “Failure of Polokwane Local Municipality to issue trading permits is a challenge to us. We cannot operate freely, at any time they may confiscate our stuff”, thus showing the negative effects of by-laws.

**Respondent B** said: “They (Municipal officials) oppress us, they don’t want our business growing”, showing that their view is that business is not growing due to the manner in which municipal officials enforce by-laws.

**Respondent C** said: “The municipal officials take our stock and sell it”, showing that the enforcement of by-laws needs to be review to avoid unlawful conduct.

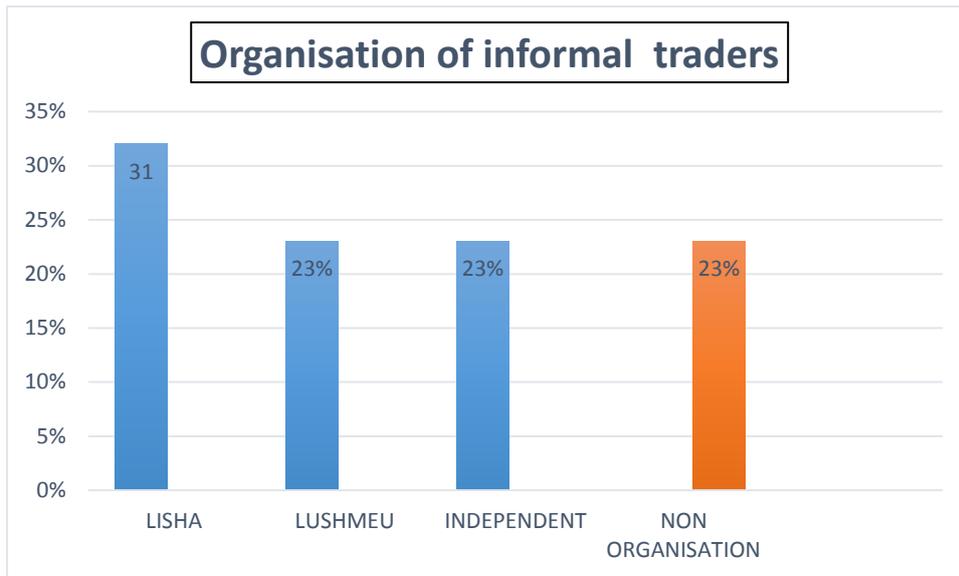
These statements show that more could be done if there were more consultations when drafting these by-laws and also when enforcing them, to ensure that those on whom they are going to be enforced also participate at the planning stage. Furthermore, the above statements shows that the traders are not supportive of the existing by-laws. One of the traders, as highlighted below, stated that they are not really affected because they do not know the by-laws. “Not really because I don’t know them but when they remove us they make us lose a lot of money because they even take our stock.”

#### **4.2.5 Organisation of informal traders**

The respondents were asked if they belong to any of the organisations for informal traders. According to Polokwane Local Municipality, there are three registered associations of informal traders known as Limpopo Small, Medium and Micro Enterprise Hawkers Association (LISHA), Limpopo Small Business Micro Enterprises Hawkers Association (LISHMAU) and Independent.

Semi-structured questionnaires were distributed to the three organisations. Figure 4 shows that seven (31%) respondents were from LISHA, five (23%) from LISHMEU, five (23%) from INDEPENDENT and five (23%) belong to any organisation. Figure 4 shows also that 78 percent of informal traders belong to an organisation and 23 percent do not.

#### **Figure 4 Membership of information trader’s organisations**



The respondents were also asked to give their opinion about the usefulness of informal traders' associations in addressing their problem. Fifty-nine percent said that the associations don't solve their problems while 41 percent agreed that associations were doing their best to solve their problems. Here are some statements made by respondents:

**Respondent A:** "No, the organisations do not take our problem into consideration." According to respondent A, organisations are not useful for them because they cannot solve their problem.

**Respondent B:** "No, I do not think that the organisation is solving our problems." Respondent B also does not see the importance of organisations in informal trading.

**Respondent C:** "Yes, organisations resolved our disputes with the municipality." Respondent C is more positive about the value of organisations. According to the respondent organisations are able to resolve their disputes with the Municipality.

The statements above show that there is a problem of communication between members of associations and their leadership in terms of reporting.

#### 4.2.6 Trading environment

According to the findings, only 41 percent of the respondents stated that they think the informal trading environment in Polokwane is conducive to growth because of the population growth. Among those who agree that the trading environment is

conducive, the following statements were taken from answers to the semi-structure questionnaire:

**Respondent A:** “Yes, Polokwane is growing fast and the population is growing.” The respondent acknowledged that the informal trading environment in the city of Polokwane is conducive for growth due to population growth.

**Respondent B:** “Yes, customers are attracted to our business due to long queues with formal trading.” Respondent B also acknowledged that the trading environment is encouraged due to long queues at formal trading centres.

**Respondent C:** “Yes, the place is clean and well prepared”. Respondent C believed that the trading environment is conducive for growth because Polokwane Local Municipality keeps the city clean.

Comments of those who did not agree that the trading environment is conducive:

**Respondent D:** “No, because we don’t see any meeting with commuters”. Respondent D does not believe the informal trading environment is conducive because it seems as if there is no meeting between commuters concerning issues related to them.

**Respondent E:** “No, it is not encouraging due to lack of support from Polokwane Local Municipality.” Respondent E complained about lack of support from Polokwane Local Municipality that is discouraging informal trader from growing their business.

**Respondent F:** “No, Polokwane Municipality does not treat us well.” According to respondent F’s comment, informal traders are dissatisfied with the way Polokwane Municipality treats them and such treatment is affecting the growth of their business.

#### **4.2.7 Enforcement of by-laws**

Seventy-seven percent of the informal traders have highlighted that they are not satisfied with the way the by-laws are enforced within the city. They state that the Local Municipality does not treat them well. This can be seen through the statements below:

**Respondent A:** “Enforcement of the by-laws by Polokwane Local Municipality is unfair. Some people have a permit and some don’t.” Some of the traders found the by-laws to be a bit unfair, especially in the way they are enforced within the city,

according to respondent A. The issue of permits should be taken into consideration to make sure that all informal traders receive a permit.

**Respondent B:** “Some of them are against the traders, for example, they sometimes require us to produce selling permits while they fail to supply us with them.” Respondent B showed that informal traders do not have a problem with permits but most of them had applied for a permit and had been waiting without an answer from Polokwane Municipality. This, to a certain extent, means that the traders do not really have a problem with complying with the by-laws but rather have a problem with the way these by-laws are enforced.

**Respondent C:** “Only foreigners are treated as people with respect. We as the citizens don’t get that treatment, we will suffer until we run away. They say we are lazy. They treat us like pigs, vandalising our goods.” The statement above is one that shows that South Africans have a problem with foreigners. According to responded C Polokwane Local Municipality treats them differently from the foreigners.

The above information shows that several traders are not satisfied with the way things are going within their sector. There is no consultation with informal traders before by-laws are established. Only 9 percent of the traders have said that they are satisfied with the way the by-laws are enforced within the city. They agree with the by-laws that state that they are not supposed to obstruct access to pedestrian crossings, parking or loading bays or even create a health risk.

#### **4.2.8 The perceived future of the informal trading sector**

About 55 percent of the participants think that the informal trading sector has a bright future within the City of Polokwane. As per the following statements below, it becomes clear that informal traders have some hope and do see a future in the informal trading sector.

**Respondent A:** “Yes but only if the LED can develop or train our people (informal traders).”

**Respondent B:** “Yes, because if you have a license you can trade freely and make a lot of money.”

About 45 percent of the participants perceive the future of the sector negatively and their major reasons include, among others, the treatment by the Polokwane Local Municipality and xenophobia, as stated in the statements below:

**Respondent C:** “No, because if you skip one month without paying your permit they don’t want to negotiate. You will lose your licence for trading and they just confiscate your goods.”

**Respondent D:** “No, you may be on the street for years but not making any progress because the Municipality don’t have a passion to groom the youth. They shy away from their responsibility.”

**Respondent E:** “No, as long as they don’t care about us, our economy will keep dropping day by day because 80 percent of those foreigners don’t want money to circulate. They don’t want use our banks. They just drop their money in tins or under their beds and that is very bad for our country.”

Respondent C, D and E believe that there is no future for informal trading based on their comments.

These responses show that the manner in which the foreigners do not spend their money locally which is affecting the economy of South Africa negatively.

#### **4.2.9 Support requirements**

Respondents were asked what types of support they are getting from Polokwane Local Municipality. Eighty-six (86) percent of them said that they are not supported by the Municipality. Only 14 percent agreed that they are getting support from Polokwane Local Municipality:

**Respondent A:** “They give us some training.” Respondent A acknowledged that Polokwane Local Municipality supports informal traders by offering them training on how to run their business.

**Respondent B:** “They support us by venue and water.” According Respondent B, Polokwane Local Municipality supports them by giving them water and a venue for their business.

The statements below are some of the issues raised by informal traders when asked what types of support they want from Polokwane Local Municipality in order to improve their trading conditions:

**Respondent C:** “We also need them to build some shelter for us so that we are able to sell even when it is raining and our stock will be protected from the sun and from thieves.”

**Respondent D:** “We need some shelter from them so that we can be protected and trade in a decent place like other people.”

**Respondent E:** “We need toilets near us because you cannot move and go to a toilet far away, while your stock is left unattended.”

**Respondent F:** “We need financial support in order to grow our business.”

The support requirements of the informal traders differ but to a certain extent, the majority of the traders require the municipality to offer them trading shelter and storage for them to organise their stuff. The majority of the respondents felt that the municipality is doing very little to assist them according to the comments mentioned by C, D, E and F.

### **4.3 FINDINGS FROM MUNICIPAL OFFICIALS**

Only the section that deal with informal traders within Polokwane Local Municipality were given the questionnaire (Annexure B) which is semi-structured questionnaires for municipal officials. A total of six (6) officials were given a questionnaires (Annexure B) in order to participate in this study, but only five responded while the fifth refused to complete the questionnaire. Among them were officials from different levels within Local Economic Development and Tourism. Three officials were from permits, one was from trade and the last one was from Economic Planning and Development.

#### **4.3.1 Perceived role of informal traders**

The perceptions of the municipal officials are that the informal trading sector is important not only to the community but also to the economy of the City of Polokwane and the country at large. The contributions of the informal trading sector

vary: the reduction of unemployment, eradication of poverty levels and contribution to the growth of the economy of Polokwane. Here are some statements mentioned by municipal officials concerning the role of informal traders:

**Respondent A:** “Informal trading contributes to a reduction of unemployment within the City of Polokwane. It serves as a ladder to formal business, which increases the number of employed in that formal business. It is one of the key components of strategies to address poverty.”

**Respondent B:** “Informal trading plays a pivotal role in poverty reduction within the Polokwane Municipality.”

Respondents A and B show that the sector is playing a very important role within the city. The contributions of the informal trading sector include the reduction of the unemployment rate, eradication of poverty and contribution to the growth of the economy of the city.

The statements above shows that unemployment and poverty continue to be a major reasons for people entering the informal trading sector. Unemployment and the inability of the formal sector to create adequate employment is a major impediment and will continue to be considered as such until the informal trading sector is taken seriously as an employment generating sector.

#### **4.3.2 Management of informal trading**

The officials were asked questions such as “What policies are in place for regulating informal trading?” The aim of these questions was to find out how Polokwane Local Municipality manages the informal traders. The following comments were made by the respondents.

**Respondent A:** “The Municipality has a well-structured document that is called street-trading by-laws. This document consists of numerous policies that are implemented to regulate street trading. The municipality also has a street trading strategy.”

**Respondent B:** “Chapter 7 (152) (1) (c) of the Constitution states that one of the objectives of Local Government is to promote social and economic development. Policies in place are street trading by-laws, and the *By-law Enforcement and Local*

*Government Municipal Systems Act 32 of 2000, which deals with the aspects of local government”.*

The statements above (Respondents A and B) show that the municipality manages the informal trading sector mainly through policies such as the Polokwane Local Municipality Street Trading By-law. Other measures that are there to manage the sector include LED, who handle complaints from the traders and are responsible for the development of proper and adequate infrastructure; the sector is also managed through the enforcement of the Street Trading by-laws, which ensure that peace and order are maintained within the City. The LED issues permits and trading licences, which are carried by the traders at all times to ensure that they can be recognised.

#### **4.3.3 Perceived future of informal trading within the City**

The general view of the officials with regard to the future of informal trading is that the sector is growing. One of the officials went as far as saying that “I believe that the informal traders are deriving the necessary economic benefits from doing business within the City of Polokwane. Street trading is a significant livelihood opportunity for historically disadvantaged, socially marginalised or under-resourced individuals. The value of street trading goes even beyond income generation. Street trading serves as an opportunity for marginalised individuals to develop positive self-identity by seizing opportunities, handling difficulties and fulfilling multiple roles.” This shows that the sector plays a very important role within the City. Another official answered the question with “Yes, because they bridge the gap within the economy. Economic gap refers to the alleviation of poverty and unemployment.”

#### **4.3.3 Support of informal traders by Municipality**

When informal traders were asked earlier about the kind of support they were getting from the Municipality, the majority of them said they do not get support from the Municipality. In order for the researcher to bring balance between informal traders and the Municipality, municipal officials were also asked “what kind of support do you offer informal traders?”

The officials identified the following areas of support:

- Capacity building (workshops, mentoring and training)

- Basic health, waste and fire management
- The necessary infrastructure required for the proper functioning of the business
- Coordination of activities and regulation of the hawkers within the Municipality

Comments by some of the officials:

**Respondent A:** “Polokwane Local Municipality offers basic health, waste management and fire management/fighter training on a quarterly basis. It also provides financial skills development.”

**Respondent B:** “The municipality provides informal traders with training/workshops in order to capacitate hawkers and, for others, seek, funding from other government agencies on their behalf.”

According to respondents A and B, Polokwane Local Municipality is doing their best to support informal trading within the City of Polokwane by providing training.

The aim of the abovementioned question was to find out about the relationship between the informal traders and the Municipality. The answers show that there is a gap between them that demonstrates a poor relationship.

#### **4.4 CONCLUSION**

The data was collected by means of semi-structured questionnaires from both officials and street traders. The findings of the research reflected through responses to the questionnaire have been presented in this chapter. General findings based on the respondents answers and the researcher’s observation are that the informal traders have a problem with the lack of support from Polokwane Local Municipality and with the enforcement of by-laws. The attitudes and treatment of Polokwane Local Municipality towards informal traders make it difficult for informal traders to accept the Municipality’s support. Some informal traders complained that when Polokwane Local Municipality drafts the by-laws they are not included and that the by-laws change regularly.

The general overview is that both the traders and the municipal officials believe that this sector is growing and has a bright future. More emphasis is therefore required on the enforcement of by-laws and on promoting the interests of this sector in a positive light to ensure future sustainability and attraction to the sector. The next chapter focuses on the main conclusions emanating from the study as well as providing recommendations.

## **CHAPTER 5 CONCLUSION AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

The role of informal traders in the economic development of South Africa should be taken into consideration. The resources raised in this sector are used to pay for services, taking children to school and putting food on the table. The success of the informal traders depends mostly on how they are regulated by the local municipality.

The previous chapter discussed the data analysis and findings obtained through semi-structured questionnaires. This chapter recapitulates the research findings and provides recommendations for developing a suitable way to assist the municipality to effectively regulate informal traders. The purpose of this chapter is to provide a conclusion and recommendations on the research problem raised in Chapter 1 (1.2).

### **5.2 CHAPTER SUMMARY**

The first chapter provides background and an introduction to the study with the research objectives, aim and definition of the research problem. In order to address the research problem, a research question was raised. The research objective was developed in order to assist in answering the question. The main objectives of this study are to determine what regulatory mechanisms are necessary to manage informal trading and to assess the support provided to street traders in contributing to the local economy of the city. The research objectives were formulated as the research question in order to arrive at a solution to the research problem. The purpose of Chapter 1 was to contextualise the study and explain its relevance and significance.

Chapter 2 of the study focuses on the evaluation of the literature review relevant to the topic. According to Hart (1998:1) “a review of literature is important because without it you will not acquire an understanding of your topic, of what has already been done on it, how it has been researched, and what the key issues are”. It is important to note that a literature review provides what others scholars have done in the investigation of a similar research problem, thus linking prior research and current research and contributing towards understanding the nature and meaning of

the problem. A critical evaluation of the existing literature by other scholars regarding informal trading was addressed. The literature review covers topics such as the role of informal traders in the economy, challenges faced by informal traders, and the role of the municipality towards the informal traders. Willemse (see section 2.3) as mentioned in Chapter 2 states that informal trading plays an important role in the economy of South Africa by providing the unemployed with an income and employment opportunities. The Local Municipality should try their level best to support this sector in the challenges they are facing. Former Polokwane Municipal spokesperson, Tshidiso Mothapo, told *The New Age* on 3 March 2012 that the municipality had developed a hawker management strategy in order to provide a mechanism in which traders can be supported and regulated, by placing them in designated areas so they do not infringe on formal businesses (see section 2:3). The literature review conducted was necessary in that it informed this study and enabled it to focus on a new research problem that has not been solved by other scholars.

Chapter 3 of the study provides information regarding the study methods and research design that were used, and the population from which the sample was obtained. Data instruments and processes employed for the study were also stated in this chapter. The data collection method was discussed. Two semi-structured questionnaires were utilised as a means of collecting data from traders and municipal officials. The research limitations that were experienced in gathering data were also explained and information regarding ethics and validity was also given in this chapter.

Chapter 4 of the study provides the analysis of the findings collected in the questionnaire. The analysis of the questionnaires was based on the responses which twenty-two respondents made. The questions related to regulating informal trading. The responses to the question were analysed in this chapter. The aim of this chapter was to address the research problem as raised in Chapter 1, section 1:2.

### **5.3 CONCLUSION**

The discussions were centred on the following research questions:

a) What are the regulatory mechanisms necessary to manage the informal trading?

According to the municipal officials, Polokwane Local Municipality has well-structured documents such as the Polokwane Local Municipality Street Trading By-Laws. These by-laws consist of numerous policies that are implemented to regulate informal traders.

Policies in place for regulating informal trading are as follows:

### **5.3.1 *The Constitution of the Republic of South Africa, 1996***

According to the section 162 of the Constitution, a municipal by-law may be enforced only after it has been published in the official gazette of the relevant province. A provincial official gazette must publish a municipal by-law upon request by the municipality. Municipal by-laws must be accessible to the public. This promotes the accountability and transparency of the municipality to the public, including informal traders.

### **5.3.2 *Business Act 71 of 1991***

The purpose of the *Business Act 71* of 1991 is to repeal or amend certain laws regarding the licensing and carrying on of businesses, and shop hours, to make certain of new provisions regarding such licensing and carrying on of businesses, and to provide for matters connected therewith (SA,1991:1). The Act enforces business owners to register their businesses.

### **5.3.3 *Local Government Municipal Systems Act 32 of 2000***

*Local Government Municipal Systems Act 32* of 2000, section 12(3) (b) states that “no by-law may be passed by a municipal council unless the proposed by-law has been published for public comment in a manner that allows the public an opportunity to make representations with regard to the proposed by-law”.

The *Local Government Municipal Systems Act 32* of 2000, which is mostly of concern to local governments, was developed to also cater for informal trading. The Act deals with issues that include informal trading and goes further to state how municipalities should integrate informal trading in their developmental goals (Masonganye, 2010).

The Act states that members of the local community have the right to be informed of decisions of the municipal council, or any other political structure or any political

office bearer of the municipality, makes and that affects their rights, property and reasonable expectations (SA, 2000:21). This Act allows the public to be informed before publication of by-laws.

#### **5.3.4 National Environment Management Act, 1998**

This Act provides for cooperative environmental governance by establishing principles for decision making on matters affecting the environment, institutions that will promote cooperative governance and procedures for coordinating environmental functions exercised by organs of state; and to provide for matters connected therewith (SA, 1998:1). The aim of this Act is to protect and conserve the environment in South Africa. Polokwane Local Municipality uses the *National Environment Management Act* to conserve the environment of Polokwane City.

#### **5.3.5 Regulation 918**

The purpose of Government regulation 918 is to regulate general hygiene requirements for food premises, food handling and the transport of food. No person may handle food in a manner contrary to the provisions of these regulations (SA, 2002:5). This regulation relates to the hygiene requirements specifically for street trading.

#### **5.3.6 Street trading strategy**

The street trading strategy is an integrated development plan. As far as the status of an integrated development plan is concerned, Section 35 of the *Municipal Systems Act* 32 of 2000 states that an integrated development plan adopted by the council of a municipality

“(a) is the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the municipality

(b) binds the municipality in the exercise of its executive authority, except to the extent of any inconsistency between a municipality’s integrated development plan and national or provincial legislation, in which case such legislation prevails

(c) binds all other persons to the extent that those parts of the integrated development plan that impose duties or affect the rights of those persons have been passed as a by-law.”

It seems that street trading by-laws are the major mechanism to regulate informal traders. The fact that 50 percent of the informal traders don't know anything about the existing by-laws shows that even though the municipality might have some measures in place to ensure that they run this sector in a proper manner, not much is being done to ensure that all parties are kept informed and that all parties adhere to the set rules and regulations. According to the *Local Government Municipal System Act 32 of 2000* section 12(3) (b) “No by-law may be passed by a municipal council unless the proposed by-law has been published for public comment in a manner that allows the public an opportunity to make representations with regard to the proposed by-law”. Therefore Polokwane Local Municipality should allow informal traders to be involved when by-laws are drafted.

What kind of support is needed by street traders to perform better and contribute to the economy of the city? Eighty-six percent of informal traders are not happy with the Municipality. They indicated that they do not get support from the Municipality. They stated that they need shelter, training, financial support, toilets near their businesses and proper stalls to be provided. One of the objects of municipalities set in the Constitution is to promote social economic development. Therefore it is a responsibility of municipalities to support informal traders through workshops and training in business management.

## **5.4 RECOMMENDATIONS**

The following recommendations are based on the findings, data analysis and conclusions of the study. These recommendations represent the perception of both informal traders and Polokwane Local Municipality officials.

### **Major finding 1**

#### **Knowledge of by-laws**

Findings from the research suggest that 50 percent of the informal traders do not have knowledge about the by-laws and even those who know do not have a clear

understanding of these by-laws. Therefore this might be one of the biggest contributors to the violation of by-laws.

### **Recommendation**

It is recommended that a new approach be developed to ensure that all informal traders are aware of by-laws. This is supported by the *Local Government Municipal System Act 32 Of 2000* section 12(3)(b): “No by-law may be passed by a municipal council unless the proposed by-law has been published for public comment in a manner that allows the public an opportunity to make representations with regard to the proposed by-law.” Municipalities should allow informal traders to be involved when drafting by-laws (see section 5.3). The Municipality can use the associations as a line of communication to informal traders.

### **Major finding 2**

#### **Enforcement of by-laws**

Seventy-seven percent of informal traders are not happy with the way by-laws regarding them are implemented. They feel that they are not treated as well as foreigners who sell goods without a permit, but are still removed from their place.

### **Recommendation**

The informal trading sector is a main employer and job creator that should not be ignored. The Polokwane Local Municipality must work harder to acknowledge the informal sector as a key contributor to the economy and a means of creating jobs and reducing unemployment, but it must be regulated in a way that caters for everyone, including foreigners. Before the enforcement of by-laws, there must be consultation. Informal traders must be aware of the consequences of not obeying the law.

### **Major finding 3**

#### **Education**

The informal trading sector is characterised by a low level of education. Only nine percent of informal traders have a post-matric qualification. This is based on the perception that most of the respondents appeared not to care about getting more information than is relevant for the survival of their businesses (see section 3.7.4).

### **Recommendation**

Training programmes should be developed for the informal traders within the City of Polokwane to ensure their growth and the sustainability of their businesses. These programmes should be focused on training the informal traders on business issues that will help them to grow their businesses. The Polokwane Local Municipality (LED) should do more and collaborate with training institutions and universities to offer some training on financial management, marketing and general management. This kind of training would help the traders to better manage their businesses and cause them to be sustainable and grow as a result.

### **Major finding 4**

#### **Association of informal traders**

Informal traders in Polokwane are not organised even though they have associations to belong to. Some of informal traders' perception is that their associations do nothing to help them. These three association (LISHMEU, LISHA and Independent) compete with each other although they have one common factor: fighting for the rights of informal traders.

### **Recommendation**

Therefore the Municipality should assist traders to be organised by showing them the importance of belonging to an association. Most informal traders don't recognise the value of an association due to their high level of ignorance.

The solutions to the research problem indicated in Chapter 1 (1.2) have been addressed. The discussion in this chapter indicates that the objectives of the research study have also been addressed. Conclusions and recommendations were drawn as a result of the research objectives. Recommendations made in this study

will assist Polokwane Local Municipality to improve how informal traders are regulated.

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## **ANNEXURE A: SEMI-STRUCTURED QUESTIONNAIRE**

The purpose of this semi-structured questionnaire is to obtain information that will enable the researcher, P.W. Mabitsela, to answer the research question in Chapter 1 of this study. The results of the questionnaire will only be utilised in the mini dissertation for the Masters of Public Administration degree of P.W. Mabitsela. The participants will remain anonymous and the information provided will be confidential and only used for the research study.

### **Informal traders**

#### **BIOGRAPHICAL DATA**

Age:

Gender:

Nationality:

Marital Status:

Highest academic qualification:

#### **CORE QUESTIONS**

1. How long have you been an informal trader?

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2. Please indicate the reasons for entering this informal trading.

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3. What are your business goals?

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4. What do you need to achieve as an informal trader?

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5. Do you have some intentions of growing your business?

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6. Do you know of any trading by-laws/regulations that govern informal trading in the City of Polokwane?

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7. Do these by-laws/regulations affect your business operations and, if so, how?

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8. Do you belong to any of the informal trading organisations of Polokwane?

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9. When did you join the informal trading organisation?

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10. What is the name of the informal trading organisation?

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11. In your view or experience, do you think informal trading organisations are useful in addressing the difficulties informal traders have with the municipality?

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12. Is the Polokwane informal business trading environment encouraging for growth? Explain your response further.

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13. What do you think about the enforcement of the informal trading by-laws by the City of Polokwane?

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14. Do you think the informal trading sector has a future in the City of Polokwane? Explain your response further.

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15. What types of support are you getting from Polokwane Local Municipality?

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16. Is this support sufficient in relation to your individual and collective needs?

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17. If not, what types of support do you need from Polokwane Local Municipality to improve your informal trading conditions?

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18. What other informal trading support requirements do you think the City of Polokwane could make available for your sector?

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## **ANNEXURE B: SEMI-STRUCTURED QUESTIONNAIRE**

The purpose of this semi-structured questionnaire is to obtain information in order to enable the researcher, P.W. Mabitsela, to answer the research question in Chapter 1 of this study. The results of the questionnaire will only be utilised in the mini dissertation for the Masters of Public Administration degree of P.W. Mabitsela. The participants will remain anonymous and the information provided will be confidential and only used for the research study.

Polokwane Local Municipality officials

**Department:**

**Rank:**

### **CORE QUESTIONS**

1. What is the role of informal trading in the City of Polokwane?

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2. What policies are in place for regulating of the informal trading?

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3. Do you think these interventions are effective?

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4 What kind of support do you offer informal traders?

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5. Do you think that informal traders are deriving the necessary economic benefits from doing business within the Polokwane city? Why?

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# ANNEXURE C

#492637

## REPORT CONTROL SHEET

SUBJECT: Report to Conduct Research For Mr Mabitsela PW  
# \_\_\_\_\_

**SECTION A: SUBMISSION BY SBU MANAGER**

SBU: HR Training NAME (AUTHOR): P. Mello  
SIGNATURE / SBU MANAGER: [Signature] DATE: 30/03/2016

**SECTION B: AUTHORISATION / SUBMISSION BY**

DIRECTORATE: Corporate & Shared Services  
SIGNATURE / DIRECTOR: [Signature] DATE: 01/04/2016

**SECTION C: COMMENTS REQUIRED FROM: [TICK IN APPLICABLE BLOCK]**

DIRECTOR: ENGINEERING SERVICES	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: DEVELOPMENT & ECON. PLAN	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: COMMUNITY SERVICES	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: CORP AND SHARED SERV.	<input checked="" type="checkbox"/>	SIGNATURE: <u>[Signature]</u>	DATE: <u>01/04/2016</u>
CHIEF FINANCIAL OFFICER	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: COMMUNITY DEVELOPMENT	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: STRAT PLAN, MONITOR & EVAL.	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
MAN: COMMUNICATION & PUBLIC PART.	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____

**SECTION D: SECRETARIAT & ADMINISTRATION**

REG. NO: \_\_\_\_\_ REG. DATE: \_\_\_\_\_ COMMITTEE CLERK: \_\_\_\_\_

**SECTION E: MUNICIPAL MANAGER**

APPROVED FOR SUBMISSION: [Signature] DATE: 2016/04/08  
REMARKS: Approved

**ALLOCATION TO SPECIFIC COMMITTEES**

FINANCE & LED.	ENERGY	HOUSING	CULTURE, SPORTS, REC. & SPEC. FOCUS	ADMIN & GOV.
WATER & SANITATION	COMMUNITY SAFETY	ROADS, S/WATER & TRANSPORT	WASTE & ENVIRON.	SPATIAL PLAN & DEV
LAND USE MAN.	LOCAL LABOUR FORUM	COUNCIL	MAYORAL COMMITTEE	

APPROVED ITO DELEGATED POWERS: \_\_\_\_\_ DATE: \_\_\_\_\_

MM/ NUMBER ALLOCATED BY CAO – SECRETARIAT \_\_\_\_\_ MM/ \_\_\_\_\_

**APPROVAL OF EXECUTIVE MAYOR IN TERMS OF DELIGATED POWERS**

APPROVED ITO DELEGATED POWERS: \_\_\_\_\_ DATE: \_\_\_\_\_

EM/ NUMBER ALLOCATED BY CAO – SECRETARIAT \_\_\_\_\_ EM/ \_\_\_\_\_

# ANNEXURE D

# 515557  
MS. P Mello (30/03/2016)

**DIRECTORATE: CORPORATE AND SHARED SERVICES**

**ITEM:**

**FILE REF:**

**REQUEST TO GRANT MR MABITSELA P.W PERMISSION TO CONDUCT HIS RESEARCH WITHIN POLOKWANE MUNICIPALITY**

**Report of the Acting Director: Corporate Services and Shared Services**

**Purpose of the Report**

To request approval from the Acting Municipal Manager to give permission to Mr. Mabitsela P.W to conduct research within Polokwane Municipality.

**Background and Discussion**

Mr. Mabitsela P.W is a student at University of Limpopo studying Public Administration Masters request a permission to conduct his research within the Municipality and his topic of research is: "Regulating Informal Trading: A Case of Polokwane Local Municipality".

**The study will assist Polokwane Municipality in:**

In view of the potential contribution of this research to the advancement of ethical leadership practices in municipalities in general, and the theoretical contribution to the field of Public Administration.

**Financial Implication**

There is no financial implication

**Recommend**

1. That approval be granted for Mr. Mabitsela P.W to conduct his research within Polokwane Municipality.
2. That the findings emanating from the research study be shared with the Municipality before they are published.

POLOKWANE MUNICIPALITY
OFFICE OF THE MUNICIPAL MANAGER
2016 -04- 13
P.O. BOX 111, POLOKWANE 0700
LIMPOPO PROVINCE

# ANNEXURE E

*Africa Training Division*  
*Mrs. Rosemary Mello, the below*  
*matter is for your attention.*  
*18/03/2016*



**University of Limpopo**  
**Turfloop Graduate School of Leadership**  
**Master of Public Administration**  
P.O. Box 756, Fauna Park, 0787, South Africa  
Tel: (015) 268 4179, Email: kedibone.phago@ul.ac.za

**To :** To Whom It May Concern  
**From :** Prof. KG Phago  
**MPA: Programme Manager**  
**Date :** 18/03/2016  
**Subject:** Permission Letter to Collect Data

Dear Sir/Madam,

This is to confirm that **Mr. Mabitsela PW (201014751)** is a registered Public Administration Masters student with the Turfloop Graduate School of Leadership needs to collect data as part of the requirement to complete his mini-dissertation. The topic of his research is "**Regulating Informal Trading: A Case of Polokwane Local Municipality**". We therefore request permission from your institution for him to collect data.

Hope you will find this well.

Best Regards

Prof. KG Phago

Programme Manager: MPA

*Some conditions as*  
*after approval on*  
*segregating information*  
*Phago*  
*2016/04/08*

## ANNEXURE F

P O Box 155  
Seshego  
0742  
16 March 2016

The Municipal manager  
Polokwane Local Municipality  
802 Landros mare street  
Polokwane  
0699

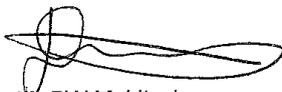
Dear Sir/Madam

**Request for permission to conduct the research study in fulfilment of degree in Masters of Public Administration.**

I Mr PW Mabitsele, ID no: 7202025684080 has registered Master's degree in Public Administration with Turfloop Graduate School of leadership for the year 2016. In effort to meet the requirements of the degree I have to conduct mini dissertation (research study). The topic of my research is "Regulating informal trading: A case of Polokwane Local Municipality".

In conducting study certain officials and informal street traders will be interviewed by means of a questionnaire. The information gathered from the research study will be for study purpose only and participants will remain anonymous.

With regards



Mr PW Mabitsele

Student no: 201014751

Cell no : 084 439 4892