

# **EXPLORING THE RELATIONSHIPS BETWEEN FORMAL AND INFORMAL TRADING ALONG RALEIGH STREET IN YEOVILLE**

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A research report submitted to the Faculty of Engineering and the Built Environment, the University of Witwatersrand Johannesburg, in partial fulfilment of the requirements for the degree of Masters of Science in Development Planning

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## DECLARATION

I declare that this thesis is my own unaided work. It is being submitted in partial fulfilment of requirements for the degree of Masters of Science in Development Planning at the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other University.

\_\_\_ **Willy-Claude Hebandjoko Mbelenge** \_\_\_\_\_

(Signature of candidate)

\_ **On the** \_\_\_\_\_ **Day of June** **of the** \_\_\_\_ **year** \_\_\_\_\_ **2011**



## DEDICATION

*To my parents and to my beloved fiancée **Mishondo Michelle Lungambo Emishe.***

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## ABSTRACT

This thesis explored the relationships between shopkeepers and street traders who sell the same products along Raleigh Street in Yeoville. The research began with a discussion of concepts of formal and informal trading and scholars' various viewpoints to understand whether there are complementarities, competition and conflict between the workers within the two trading forms of the Yeoville economy. The understanding of these complex relationships aimed to improve accessibility and equity for both street traders and shopkeepers, and to effectively manage street trading which could participate in economic growth. This would avoid the perpetual instability of informal trading created by the government biased interventions which result in inconsistent relationships between street traders and the local authorities.

The research used three reliable and valid methods for data gathering which proved the existence of the three business relationships between the operators of the two sectors of the economy in Raleigh Street. The research findings helped in suggesting potential interventions (pedestrianization of the market, linear market and the marking of concentrated informal business activities) as alternative visions of the market models in Yeoville to accommodate both street traders and shopkeepers in the same business environment. Therefore, the study showed that street trading requires a particular managerial attention from the local authorities (good policy, planning and strategies).

**Keywords:** Informal sector, formal economy, growth, linkages, relationships, complementarities, competition, conflict, networks, street trading, shopkeeper, Raleigh Street, Yeoville.

## LIST OF ACCRONYMS

ABSA:	Amalgamated Banks of South Africa
CAD:	Computer-Aided Design
DD:	Department of Development
DITSBO:	Durban Informal Trading and Small Business Opportunity
FIFA:	Fédération Internationale de Football Association (International Federation of Association Football)
FNB:	First National Bank
GDP:	Gross Domestic Product
GNP:	Gross National Product
ILO:	International Labour Organization/International Labour Office
JPTD:	Junior Primary Teaching Diploma
METRO:	City Police/Metropolitan police
MTC:	Metropolitan Trading Company
UN:	United Nations



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## CHAPTER ONE: **AT THE DAWN OF THE DAY**

### **1.1. Research background**

This research arises from a scenario observed in front of a Pakistanian shop when the metro police of the City of Johannesburg employed to keep order were busy evicting street vendors from Rockey-Raleigh<sup>1</sup> Street.

While the metro police were progressing, I suddenly saw a Pakistanian formal shopkeeper coming from inside the shop and quickly collecting the stocks exposed on the pavement in front of his shop from where a black man was selling and ran back into his shop. The black man who was selling those products from the street behaved like an innocent passer-by. At that point, the incident raised my curiosity and my interest to explore the nature of relationships that may exist between formal and informal trading in Rockey-Raleigh Street, following the scene that I observed.

Furthermore, the school of Architecture and Planning started a research project, the Yeoville Studio that looked at diverse topics in Yeoville, one of which was trading. During my work on my research, I had input of different lecturers and colleagues who helped me better conceptualizing my work.

Rockey-Raleigh Street was chosen for this research because it is the main, vibrant, and commercial road in Yeoville. As a public space, this road is occupied by both formal shopkeepers and street vendors who often sell some similar products. Beside formal and informal traders, there are also a lot of pedestrians and car drivers who use this public space. Most importantly, and depending on times of the day and in the week, this main road can be extremely busy. What could be the purpose of such study?

### **1.2. Aim of the research**

This research forms an exploratory study on the informal sector which aims at exploring relationships between formal and informal trading along Raleigh Street in Yeoville. It

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<sup>1</sup> Rockey-Raleigh Street is called as such because it is the very one road which crosses Bellevue and Yeoville. On the Bellevue side it is called Rockey Street and on the Yeoville side it is named Raleigh Street. Since the focus is on Yeoville, the research will only be limited to Raleigh Street.

attempts to understand whether there is competition, complementarities or conflict between the two trading forms within the Yeoville economy. Understanding this complex relationship will help improve accessibility and equity for both street traders and shopkeepers to effectively participate in economic growth of Yeoville.

To this extent, Gould (1969), cited by Moseley (1979:56) has noticed the sensitiveness to define and measure the term “accessibility” because it is commonly used by everyone in diverse manners. However, accessibility may be both a concept and a tool to deal with “*typical lack of consideration of policies relating to the alternative location and opening hours of desired activities*” (Ibid.). It describes the degree to which a product, device, service, or environment is accessible by as many people as possible.

The concept of “Equity” can be interchangeably used with the term distributive justice. Cook and Hegtvædt (1983:218) show that equity is an ordinary word in social psychology arising whenever two or more persons exchange valued resources, be it goods, services, money, love or affection. Equity has a lot to do with satisfaction in terms of perception of fair and unfair or justice distribution of resources among individuals within the society or in the city.

In other words, the understanding of the complexity of relationships that exist between street vendors and formal shopkeepers have helped in suggesting or recommending ways in which street traders could be accommodated in the market to avoid the perpetual instability created by eviction. This thesis is of an important contribution to the current policy debates on the relationships between formal and informal trading. It recommends possible solutions as well as provides support to the working poor in the informal economy who are always evicted from the streets. This is what raises the problem that is to be researched.

### **1.3. Research problem statement**

It may be argued that the development that does not follow or match with planning regulations is equally undesirable and illegal (UN-HABITAT, 2009: 132). Despite the prohibitive city bylaws and the fact that the informal sector is generally considered to deprive states of its revenues and workers of their social conditions (Arizona Daily Star,

2009); there is a necessity of such activities in cities. The informal Economic activities reflect the failure of the “conventional economy” to provide for citizens. Therefore the adoption of informal economic activities is a rational survivalist strategy by the actors in this economic sector otherwise referred to as the second economy, parallel economy, black market, and so forth. Though “*there is a great heterogeneity within most informal economies, informal economy occurs whether as exclusion or as a choice. It is seen as exclusion when people practice survivalist activities or when workers resort to informal jobs to survive. It is a choice when workers move voluntarily to informal jobs to improve their lot (less taxes, more independency and flexibility)*” (Maloney, 1999).

Accordingly, the option for informal activities seen either as exclusion or as opportunity often leads to constant mobility of workers in and out of the informal sector. The constant mobility of operators makes informality unstable. The above argument may demonstrate that it is the heterogeneity within the informal economies that may determine the types of relationships between formal and informal in the shared space.

However as opposed to formal economy, the informal sector is an economic activity that is neither taxed nor monitored and is not included in Gross National Product (GNP) of the country. The informal economy must not only be associated with developing countries because all economic systems contain an informal economy in some proportion (Vikkraman and Basakran, 2009). Here below is a photo that shows formal and informal activities that take place in the same environment in Yeoville. It is difficult to set up boundaries between the two sectors, except when the law intervenes.

**Photo 1: Street vendors in front of a shop along Raleigh Street in Yeoville**



Source: Author (06/05/2010)

The above photo indicates street traders in a sort of agglomeration in front of a shop along Raleigh Street on the side of Shoprite, which is one of the bigger shops in Yeoville. Economy of agglomeration is likely to raise lots of benefits and challenges in the business

environment when actors are focusing on selling same products. Business agglomeration may lead to diverse types of business relationships varying from complementary and competitive to conflictual relationships between trading players.

In the context of Raleigh Street, the street vendors can be seen or defined as excluded and marginalised people in urban economic system because of the low scale of their products (see photo 1). The small quantities of their stocks seem to put them at disadvantaged positions with regard to diverse relationships that are going on in the business environment, but those small quantities are easily carried as they always have to run away from the authorities' harassments.

Rogerson and Preston-Whyte (1991:1) say:

*“Historically, South Africa’s informal economy has been both a potential source of opportunity and upward mobility for some households and individuals, and a sinkhole of exploitation for many others. This ambiguity persists to the present day, with the occasional Horatio Alger case of the miraculous success of the ‘self-made person’ juxtaposed against common situations of bare survival, desperation, and drudgery”.*

The informal sector constitutes a large share of employment and output (International Labour Organization/ILO, 1972; Maloney, 1999; Skinner, 2008; and Badaoui, Strobl and Walsh, 2010). This is to say that the dynamic part of the informal sector is that it creates massive employment opportunities (Ranis and Stewart, 1999). Policy makers of planning regulatory framework must take into account or consider the relationships that may exist between the formal and the informal sectors.

Briefly, the formal system with its rigid legal requirements does not always work for the poor. While the informal, extra-legal, unregistered or unrecognised officially by the system does work for the poor. From the scenario that started this research, the concern is not around the debate of legal or illegal (regulatory framework) system that governs both the formal and informal trading. The Research questions underline the exploratory nature of relationships between these two parallel economies.

#### **1.4. Research questions**

It seems to be difficult to set up boundaries that distinguish and demarcate the two trends of economy (formal and informal) because they function in a very similar or close way. Therefore, the main research question is formulated as follows:

*What is the nature of the relationships between formal and informal trading in the use of space in Yeoville?*

The main question is connected and articulated with some sub-questions which help to explore the topic. Hence, they are designed as follows:

- How do shopkeepers and street traders view each other?
- How do street traders and shopkeepers interrelate?
- Where do street traders hide their stocks when they are evicted by the Metro police?
- Would it be possible for street vendors to have their stalls in the streets?
- Would street trading be a supplementary exposition of products?

The above questions have been applied and used in the research site located in Yeoville.

#### **1.5. Location of the research**

The Research fieldwork is located in Yeoville for three main reasons. Firstly, Yeoville is a place with a concentration of both formal and informal trading activities which are taking place along Raleigh Street. Secondly, there are different close communities of foreigners and South Africans in Yeoville which work together and can be positively exploited. Finally, Yeoville is my residential place and, being a foreign citizen myself, it is easy to have access to these different close communities using different languages for communication, such as English and French. The South African community is also open to me for the purpose of this research.

Yeoville is amidst the suburbs or areas in the city of Johannesburg in South Africa located closer to Hillbrow, Berea, Bellevue and Bertrams. Currently, Yeoville is multicultural and has become a place for both South African citizens and migrants from all over Africa and Asia. Many of these people set up successful businesses along Rokeby-Raleigh Street. The following map indicates boundaries of Yeoville, the suburb in which this research took place.

**Map 1: Neighboring areas of Yeoville.**



Source: Google Earth, (2010) Google Maps South Africa (Johannesburg), accessed 17/05/2010

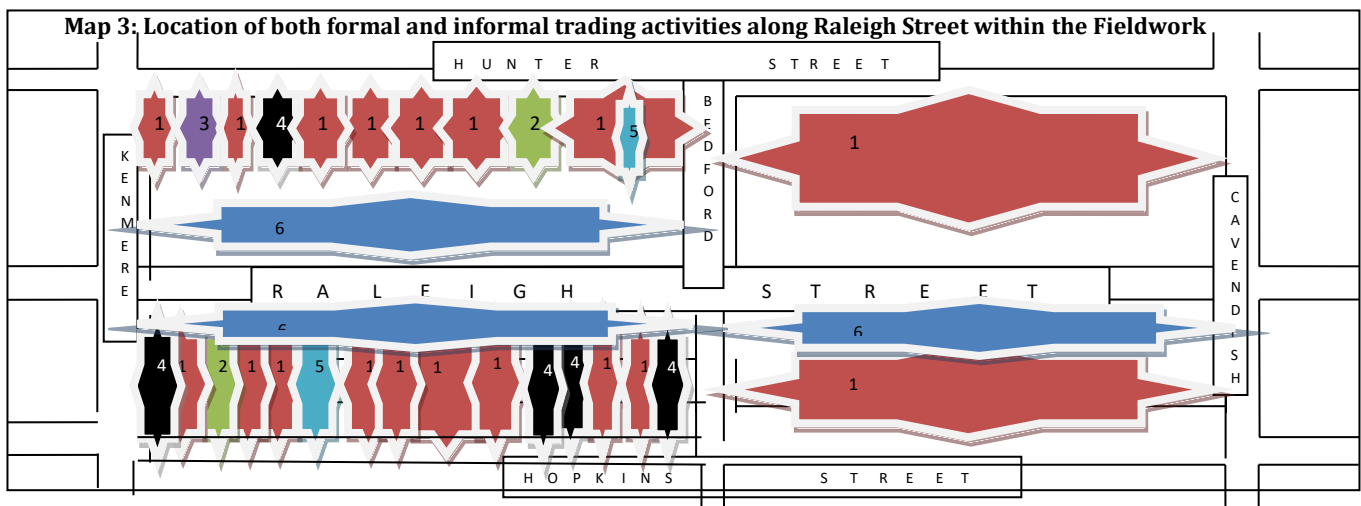
The map below describes the limited fieldside of the research within Yeoville along Raleigh Street. The area of the research in Raleigh Street is bounded by Cavendish road, border with Bellevue East (in the East), Kenmere road (in the West), Hunter Street (in the North) and Hopkins Street (in the South), crossed by Bedford road as highlighted in a blue color.

**Map 2: Delimitation of the fieldwork in Yeoville along Raleigh Street**



Source: Google maps South Africa/Johannesburg: Yeoville/ accessed on 05/31/2010







The location of the fieldwork has also taken into account some similar products sold by both street vendors and shopkeepers along Raleigh Street. In addition to this, the combination of mapping process and observation, which are well detailed in the research methods chapter 4, led to locate the exact places of concentration of formal and informal trading activities which are taking place within the limited area in Yeoville as shown in the map below (map 3).



Source: author (See annexure 3 for original Map 4)



### Legend interpreting map 3

1. : Formal shops and the Yeoville market.
2. : Banks (ABSA & FNB).
3. : Pharmacy.
4. : Restaurants.
5. : Bottle stores (in Shoprite and next to Supa Saver).
6. : Informal trading activities.

Source: Author

### 1.6. Literature review

The early 1970s has witnessed the launched and growing debates around the informal economy in Kenya (1972) and in South Africa (ILO, 1972; Hart, 1973; McGee, 1974). During the 1970s, the debate was articulated around the relationship between formal and informal economy in terms of regulation. The debate highlighted that the informal trading is not registered and is unrecognised by the system.

Regulation in general and legality in particular became key concept tools in analyzing and prescribing solutions for the informal sector. At that level of the debate, the informal sector was defined as a group of activities which are illegal in the sense that they do not comply with government regulations pertaining to economy, wages, employment, health, etc. The primary regulatory tools in the City of Johannesburg are street trading by-laws which are in line with the Business Act of 1993. There are numbers of stakeholders which deal with the organization of street trading in the city of Johannesburg to enforce trading by-laws such as the Metropolitan Trading Company (MTC), the City Police (Metro), the Department of Development (DD), the Department of Health, and the Chamber of Commerce. Each stakeholder has a specific concern and may approach informal trading quite differently. By-laws require then discipline and plans for the control of the informal trading activities in the city.

Hereby it is understandable that those who could not get a job in the formal sector must devise a way of obtaining an income (Sethuraman, 1976; Souza and Tokman, 1976; PREALC, 1981; Tokman, 1989). According to Portes et al. (1986), the informal sector is the amount or income that is generated by trading activities outside modern contractual

relationships of production. The focus has been put on employment and income generating capacity of informal sector.

Nevertheless, the consideration of the informal sector as a survival position occupied by poor people on the margins of society (Preston-Whyte and Rogerson, 1991:2) has changed or evolved in time. Portes (1986), and Preston-Whyte and Rogerson (1991) depict the evolution of the informal sector facilitated by the change that occurs in the institutional regulatory framework in connection with economic activities. The last authors say: *“The shifting contours of informal are conditioned by the changing institutional boundaries of the regulation of economic activities which produce a realignment of the formal-informal relationships”* (Preston-Whyte and Rogerson, 1991).

Lagos (1995) starts with a historical argument showing that numerous studies conducted on the informal sector since the earlier 1970s have used an approach based on the production rationale of the sector itself aiming to guarantee the subsistence of the family group.

The general focus of the abovementioned arguments or debates draws from the fact that informality, also called the unregistered or the illegal system of the economy, cannot comply with different legal requirements and/or with economic regulations which constitute barriers to be overcome. This shows that the informal sector is not only for the marginalized, but includes large corporations that engage in unregulated economic and labour practices (Portes, Castells and Benton, 1989).

Lagos (1995) takes a different perspective to examine or analyze the legal and bureaucratic barriers confronting informal micro-enterprises which seek to become part of the formal. He therefore assesses the costs in time and money involved in the process of formalization. At this stage, Lagos (1995) demonstrates that the formalization process varies according to countries and it is then impossible to claim that disproportionate regulation and bureaucracy constitute an insurmountable obstacle to the legalization of informal enterprises.

Here, the fact that street traders face eviction along Raleigh Street in Yeoville tells a lot about their legal situation with the relevant Department which could issue the official documents to allow them to trade. But the most important thing is either to regulate the sector and to accommodate and locate them in a convenient area which could be the market.

The debate has evolved from seeing informal trading as not registered and unregulated economy to the consideration that sees the formal and informal economies as a dual economy. According to dualists, informal and formal sectors are separated from one another. They are two different systems of the economy versus petty commodity production analysts who agree that the informal sector depends on the formal economy. Averitt (1968), O'Connor (1973), and Hodson and Kaufman (1982) underline the separation of the two systems (formal and informal). They depict the typical of the definition of economic dualism as emanated from distinction of the "centre" (firms in the large economy serving national and international markets) and the "periphery" (small firms dominated by a single individual or a family) economies. An important aspect of the dual economy is the specification of a dependency relationship between informal and formal, the two sectors of the economy. In the formal sector, the employment is relatively stable and secured compared to the informal sector characterized by the instability and movement into and out of the market.

The claimed dependency of the two economic sectors has resulted in the development of dependency theory which has brought about the dualist character of the economy stressing that the informal depends on the formal economy (Moser, 1984; Harriss, 1990) with the intervention of Neo-Marxist system. The Neo-Marxist system here is seen as an economic system that relies almost solely on the negative and exploitative aspects of capitalism, which had brought the notion of accumulation of properties or goods, creating therefore social inequalities in a globalized world. This has some ramification with urbanization theory, with the creation of a regulatory environment around the market, where the formality is associated with the state in terms of regulation because the state was viewed as the direct servant of the capitalist or ruling class (Moser, 1978).

It would be arguable that the dual economy is the recognition of the essentially dependent and evolutionary nature of the informal sector that has resulted in critical concern with the limitations of the dualist model, both as a theoretical concept and as a basis for policy recommendations. A more satisfactory and alternative model of the dualist economy is based on petty commodity production and its subordinate relationship to the capitalist sector. Through the exploitative linkages between formal and informal sectors, petty commodity production is tolerated by or functional to the capitalist system.

Consequently, this has led to see the informal sector as a peripheral economic orientation invaded by low-income, survival and entrepreneurial unemployed people (Moser, 1978; Gerry, 1978; Bromley, 1985). If the stress has to be put on entrepreneurship, the idea was stimulated by the privatization (capitalism). Wennekers and Thurik (1999) agree that an entrepreneur has a role of leading markets to equilibrium through the entrepreneurial activities. The entrepreneur usually combines resources to actually fulfill current unsatisfied needs or to improve markets efficiencies or deficiencies.

In 1980s, both the USA president Ronald Reagan and the Britain Prime Minister Margaret Thatcher, proponents of capitalism, initiated privatization whereby the state excessively had less intervention on the market. The new system, the so-called Neo-liberalism caused spectacular income inequalities and lower social cohesion because the role of the state was hollowed in order to allow the market to drive the society. This coincided with political revolution influenced by the explosion of globalization, human rights, democracy, new technologies in the production in terms of the ordinary economic principle of demand and supply as well (De Soto, 1989).

At this level, the Late Capitalism brought about competition and crisis in the market which consequently opened a large pathway to more informal economic activities with a remarkable imbalance between the population growth and the standards of living in many developing countries. Only the informal sector could constitute an alternative for people to make a living. This is why, referring to the South African context, Beavon (1989), and Dewar and Watson (1990) realize that the informal sector of the economy should be encouraged by public policy in order to assist in the alleviation of problems of poverty and

unemployment. This is well formulated in the following assertion: *“Given the growth in population compared to the low standards of living in South Africa, the informal sector should remain the major feature of South African economic life because the informal sector represents an accessible and an inexpensive means for people to test their talents in the market place”* (Dewar and Watson, 1990). Most importantly, instead of being considered as conflicting, the formal and informal economies must play a complementary role.

In supporting this argument, in 1990s some scholars such as Castells and Portes (1989), and Harris (1990) have agreed that informal economy offers a dynamic, not a static, concept and therefore becomes a process in which the novelty is the existence of formality, not informality. It is because there is a formal economy that we can speak of an informal one. Here, the stress is put on the fact that the informal sector is not marginal, but a dominant sector which provides a huge number of employment opportunities. The authors have taken the opposite or alternative part of the previous argument which tries to see the informality as a peripheral phenomenon from the formal sector.

To this extent, informal trade markets can create a very good environment for the informal trading sector to grow (Mitullah, 2006; Zibuyile, 2006; Skinner, 2008), if the policies set up can evolve to appropriately assist the growth of the informal sector and to also respond to augment the survival of others. To successfully achieve this, contexts or environments that facilitate the implementation of policies have to be put in place in order to empower the large number of workers in African cities involved in informal trade to promote the growth. Accordingly, policies must be conducive to a good business environment, especially about the rights of workers in the informal trading. After all, informality requires greater negotiation and dispute resolution mechanisms, but is appropriate as a base for livelihoods in a set of relationships that constitute social capital.

However, the increasing relational context of business depends upon the settlement of individuals in diverse locations. The extent to which the research entails relationships, the network exploration is very useful in defining the connection between different actors or role players (Lowe, 1975; Hromkov at al., 2005; Castells, 2005; and Wade Trappe and Liu, 2008) who can form a sort of “agglomeration” of economy. The agglomeration of economy

is used in urban economics to describe the benefits that firms obtain when locating near to each other (Masahita and Thisse, 2002; and Parr, 2005).

In concluding this section, it will be important to pick up the fact that the literature describes indeed a dominant negative perception, or criticism of informal trading which is mostly one-sided and which is seen as different from the formal economy. The debate focused mostly on the legal aspect which tries to separate the formal and the informal sectors with some concerns about the formalisation of the latter. In this perspective and rationally, the formalization or legalization of the informal sector seems to virtually be impossible because of government interventions through disproportionate regulation and bureaucracy. For example, different legal requirements for the formalization of the informal economy include: financial costs related to a series of initial registrations, the payment of tax and labour obligations throughout the lifetime of the unit. So, the rigidity of the legal framework explains the over-growing trend of the unregistered activities.

Accordingly this study explores relationships, not from the legal system viewpoint that involved the demarcation of formal and informal sectors leading to previous debates in which our predecessors engaged extensively. But the research seeks to explore the various relationships, be they of complementarities/complicity, competition or conflict between street vendors and shop keepers as the actors that operate within the two parallel economies.

Even if the topic on the understanding of the dynamics of the relationships between informal and formal trading has often been studied, the current study orientates those relationships towards actors in both formal and informal trading activities in order to integrate street trading into future planning of cities. This will provide presence and efficacy of mechanisms for negotiation with street traders, according to the Bellagio Declaration held in Italy in 1995 and signed by seven (7) countries, South Africa among them. The Bellagio Declaration reads as follows: *“This called for national policies for street traders which would, among other things, give traders legal status, provide legal access to the use of appropriate space, treat vendors as integral part of the urban distribution system, enforce regulations and promote self-governance”* (Lund, 1998:5). From the Bellagio

Declaration, it seems that South Africa, one of the signatory countries, is failing in applying or implementing this policy by continuously evicting street traders without any alternative appropriate place.

I argue that, despite a by-now voluminous literature, not enough attention has been paid to the nature of relationships that may exist between the formal and informal economies per se. This paper does not revisit the conception of the informal sector which does not convincingly describe the nature of relationships between the formal and informal sectors.

I argue that as a first approximation we should think of the informal sector as the unregulated rather than a residual comprised of disadvantaged workers rationed out of good jobs. Given that workers in the informal sector are unregistered, and to avoid constant evictions, it will be necessary to accommodate or locate them in areas from which they can freely trade.

Also, the panel data will permit following careful study of the characteristics of relationships between street traders and shop keepers in Raleigh Street in Yeoville. As such, the study will provide an interesting paradox of a relatively flexible labour market accompanied by a very large informal sector if any complicity/complementarities is confirmed in the relationships between street vendors and formal shop keepers. Here, the view of the entrepreneurship and network in the informal sector has important implications for how we think about good versus bad jobs.

The previous studies or researches conducted on the relationships between the formal and informal economies were preoccupied to distinguish them from the regulatory perspective, and the informal sector was understood as not only the not regulated, but also as the production rationale to guarantee the subsistence of the families. Research methods were used to gather relevant data.

### **1.7. Research methods**

The exploratory orientation of this research has helped to collect main data from the field site in Yeoville. The research used three (3) methods of data collection: mapping,

observation, and the combined structured and semi-structured interviews which are explored in details in the fourth chapter.

### **1.7.1. Mapping**

Mapping is an academic exercise that involves drawing Computer-Aided Design (CAD) maps of the area. In the case of this survey, the mapping of the field site was manually designed (see annexure 3 for original map 4). The process entailed locating within the specific area the very same products sold by both street vendors and shop keepers to facilitate the research. Therefore, the map helps in identifying and selecting the right informants from both shopkeepers and street vendors.

### **1.7.2. Observation**

Observation is seemingly the most passive phase or tool in the study as it involves looking and listening very carefully (Langley, 1988). As Pelli (2005:2) puts it, "*it is the quality of the observation that most distinguishes the important discoveries*". Therefore, observation can be a powerful check about people themselves. Mainly because I am a Yeoville resident, it is easier for me to observe the phenomenon around the relationships between street traders and shopkeepers. In this perspective, the primary data collection method was observation which gave birth to this study.

In this sense, this method is used throughout the study as a different method from participant observation. I am an observer, unobtrusive observer who does not typically become a participant in the activity of trading. Instead, there is a more detached perspective. Here, the study is interested in both knowing what diverse perspectives of relationships are and understanding the interplay among the formal and informal trading. Hence, this method was chosen because it allows the exploration of contexts, relationships, and behaviour. Nevertheless, it is not time-consuming and requires less conscious effort, but it requires objectivity because the method is inherently subjective.

### **1.7.3. Structured and Semi-structured interviews**

A set of questions combining structured and semi-structured interviews have been designed which were tested in a neutral field (Hillbrow) in order to avoid contamination in the real area (Yeoville). This process has helped to refine the questionnaire. Respondents



or research participants were personally contacted in the fieldwork according to their availability and convenience. After testing the questionnaire, structured and semi-structured in-depth personal interviews were conducted using field notes and codes. Structured and semi-structured interviews were the main data gathering methods for this research.

In fact, a basic structured questionnaire was used with open-ended questions that arose during the interviews. In-depth personal interviews are an open-ended and a discovered-oriented method used to overcome the poor response rates of a questionnaire survey and to obtain detailed information about a topic (Miller and Dingwall, 1997). However, *“interviewing may be a problematic method for obtaining the views of some groups, since it is a cooperative activity and relies upon a shared notion of the process of research”* (Bowler 1997: 66). In addition, several meetings were also organized in platform discussions with different supervisors which greatly contributed to the design of this study.

Hence, conducting this research in Yeoville puts me in a position of an insider rather than an outsider who would be more open to access information freely. For this reason, it appears as doing anthropology at home, like Strathern (1987) and Onyango-Ouma (2006) have explained it. More clearly, Strathern (1987) highlights that auto-anthropology is carried out in the social context that produced it, whereas Onyango-Ouma (2006) underlines that fieldwork at home is an anthropological study of social cultural system by a member of society concerned.

### **1.8. Ethical concerns**

Given the fact that the research involves or relies on the co-operation of individual people using human participants, ethical issues must be considered. As such, steps must be taken to protect and ensure the dignity and welfare of all participants, as well as those who may be affected by the results of the research project.

The research used a covert observation research method that raises ethical considerations. Given the fluidity of the market with new faces of people that come in and out of informal sector and new shops that are built or closed down along Raleigh Street, all the identities of respondents selected were kept anonymous. Some pictures were taken with participants’

permission whose photos were printed and given back as they requested. The findings of this study will be given back to the research participants in the form of a publishing report (book) of the Yeoville Project because this research was part of the project.

In addition, an informed consent form was included in the questionnaire which was used in the field research to ensure that no sensitive issue was explored in this research. The purpose of the informed consent is to ensure and to guarantee a total confidentiality and anonymity of the informants. For this reason, codes were more importantly used to maintain privacy. I have also obtained a verbal permission to interview the traders from the Manager of Yeoville Market.

This thesis is constituted of Six (6) chapters. The first chapter is an introductory part of the thesis. The second chapter reviews the linkages between formal and informal economies in the form of the literature and theory. The third chapter focuses on the significance of conceptual framework and the research questions to apply in the case study. The fourth chapter expands on the research methods. The fifth chapter presents and analyzes data collected. The sixth chapter concludes with the dissemination of the research findings and suggestions for potential interventions to link formal and informal in the same business environment.

## CHAPTER TWO: **LINKAGES BETWEEN FORMAL AND INFORMAL ECONOMIES**

### **2.1. Introduction**

The significance of the informal sector and its relationships to the formal economy have been widely demonstrated and assessed. Gërkhani (2004) demonstrates and assesses that nowadays the informal sector plays a very important role and contributes immensely in the growth of the economy. Therefore, it is considered as a central aspect of the economic and social dynamics of any country, but especially to the less developed ones (*Ibid.*). The fundamental task here is to understand the forces and behaviour that drive those relationships between the two poles of the same economy.

Since the appearance of the informal economy in the early 1970s, the debates around its relationships with the formal sector were focused either on regulation (ILO, 1972; Hart, 1973; McGee, 1974; Moser, 1978; 1984; de Soto, 1989; Portes and Schauffler, 1992; Skinner, 1999 and 2008; and Chen, Jhabvala and Lund, 2001); either on the structure in terms of the productivity of the informal and formal sectors (Bromley, 1978; Portes, 1983; Portes, Blitzer and Curtis, 1986; Rowski, 1994; Lagos, 1995; Williams and Windebank, 1995; Rogerson, 1996; and Chen, Vanek and Carr, 2004); or on tax evasion with regard to national statistics that contribute to GDP (Portes and Sassen-Koob, 1987; Williams and Windebank, 1995; Jain, 1999; Maloney, 1999; and Gërkhani, 2004).

The legalists have mentioned that the informal sector is an unregulated economy which bypasses the national regulation (by-laws). The informal economy is not officially recognized by the system and its activities are not reported. Therefore, the legalists thought that this form of economy was taking place mainly in developing countries and will disappear when urbanization actually takes place.

The structuralists (Marxist approach) argued that the informal sector appears as an exclusion from regular formal employment (Bromley, 1978; Portes, 1983; Rogerson, 1996; and Chen, Vanek and Carr, 2004). The structuralist approach might portray street traders' complaints because there is very limited collective mobilization, discourse or representation around this second approach which highlights exploitation and economic

linkages. This is where structuralists distinguished the formal as separated from the informal. In so doing, they brought in the debate the notion of duality. For this trend of thinking, the informality is a niche for the survival, the poor and the marginalized that seek the subsistence. Therefore, the informal was seen as a peripheral economy to the formal sector which was considered as the centre and the mainstream economy.

Those who were interested in economic growth have stated that the informal sector was looked at as the hidden economy that escapes the taxes and reduces the costs. This category of scholars (Portes and Sassen-Koob, 1987; Williams and Windebank, 1995; Jain, 1999; and Maloney, 1999) thought that the informal activities do not contribute to the growth of the national economy because tax evasion creates a gap in the development of the country. Therefore, shop keepers might complain about evasion of resources and adopt an entrepreneurial perspective.

In summing these three perspectives, the legalist aspect seems to be the most relevant because if the informal trading is legalized, it can complement with the formal economy. Although in sharing the same trading environment informal businesses may compete with the formal sector, legalizing informal trading would avoid or reduce conflicting situations between economic players and would help informal sector to grow big and to contribute in the economic growth.

Although the literature explored the relationships between the two sectors of the economy, there is a limit and gap on the exploration of those relationships between formal and informal. Relation between businesses is described by this research either as complementarities, competition and conflict between the players of the trading activities. This raises the question about the relationship between these two different economies: are they similar to formal, or are they different?

This chapter is a review of the literature on the relationships that may exist between the formal and informal economies, which have already been highlighted in the first chapter. The literature review is combined with related theories of agglomeration, business to business and business relations. Most importantly, the chapter draws on the debates on the formal and informal sectors. The implication of these linkages is that profitability and

opportunities may arise as the direct result of understanding those relationships through regulation aspects.

## **2.2. Regulation aspects for the formal – informal relationship**

The by-laws are one of the policies aimed at controlling street trading activities in the city. Street trading by-laws seek to promote social and economic development in a safe and clean environment related to the use of public spaces. At policy and practical levels, the by-laws intend to ameliorate the social and economic conditions of those at the lower reaches of the informal economy like street traders (Skinner, 2000:51).

The local government uses by-laws not for the purpose of the promotion of social and economic development, but for the eviction of street traders which arouses conflict. Conflict between formal and informal traders is often generated from partial or biased government's intervention (Wolf, 1993). According to Skinner (1999:19), street trading is frequently described as being a political 'hot potato' which requires a carefully thought-out plan and a much more holistic approach. The first chapter has indicated one of the trends in the evolution of the debates on the relationships between the formal and informal economies dominated by the school of de Soto (1989a) in terms of legality. Here, the informal trading is considered to be an unregulated sector of the economy. Most often, the actors of informal trading have been complaining that they are reported to authorities by formal business operators; these complaints have aroused a conflicting relationship. This has happened when the street traders were being evicted from the street by the Metro police.

According to Rogerson (1996), policies should be designed with specific groups' needs in mind. The local government has a clear responsibility to protect and enhance the public good and the reasonable rights of all individuals. In addition, the 1995 International Declaration on Street Vending provides a useful set of guidelines with attention paid to legal recognition of street traders. It contains measures that protect the right to seek secure livelihoods and enable access to secured space. It also specifies the importance of increasing the allocation of resources to street trading, including facilities and infrastructure (Ibid.).

Unfortunately, the local government acts promptly on the street vendors by depriving them of their livelihood. Dewar (2005) suggests that the local authority's primary role should be one of monitoring and regulating in an impartial way that seeks to balance the needs of all affected parties. Thus, the local authority should be proactive in securing economic development, in providing services, in promoting economic development, and in stimulating the commitment to participative governance.

Most importantly, the law enforcement or eviction mainly concerns informal trading activities. Johannesburg seems to be a business based city which recognizes the importance of street trading (Rooyen and Malan, 2007). Therefore, it should encourage street trading as an innovative city that was built on speculators. Its policies should be designed and developed accordingly.

However, Skinner (1999) reports that street trading by-laws generally contain clauses:

- which prevent the traders from obstructing the movement of traffic or pedestrians;
- which ensure that the movement of safety and of vehicles of service is not restricted;
- which protect the public from potentially dangerous street trading equipment like cooking fires, gas or electrical equipment or unsafe stacking of goods;
- which limit the attaching of street trading equipment to fire hydrants, buildings, road signs or other structures which the public needs to see or have access to;
- and which ensure that traders keep their sites clean.

The street traders are considered as unlawful entities and are subjected to continuous harassments by civic authorities (Bhowmik, 2003:10). Eviction resulting from the regulation may well highlight the nature of the relationships between the formal and informal trading activities. Regular evictions of the street traders may equally raise a conflicting relationship between informal operators and officials on one hand, and also between formal and informal operators on the other hand.

The conflicting relationship between the local authorities (Metro police) and the informal operators arises following economic survival of the street vendors in the way the former approach the latter through confiscation of goods (Roever, 2005). But conflict between operators in the formal and informal sectors is built upon suspicions (Muiruri, 2010).

When the operators of the informal sector experience the eviction, they suspect those working in the formal sector of complaining and reporting them to the Metro police. Another aspect of regulation is based on tax. Here, the members of the formal sector are constrained by a particular institutional set of rules to pay a different series of transaction costs than those faced by members of the informal sector (Feige, 1990:990).

The above arguments highlight that the formal and informal activities of the economy are not managed by a similar trading regulation. There is a different treatment pertaining to the series of transaction costs that each sector faces. The informal income, also known as unreported income, usually does not pay registration fees and licensing to any relevant government organ. Given that the operators of the informal trading are not registered and they do not comply with any regulation pertaining to the economy, this is likely to raise the discontentment of the formal workers who face transaction costs, which often results in conflict between the trading operators.

The informal economy, also known as the hidden economy provokes “*tax-gap*” because the amount of income that should be reported to the tax authorities is not recorded (Feige, 1990). Tax-gap is simply considered as tax evasion of state’s revenue that affects the size of budget and government debts, including tax reform policies which poses problem for development. The hidden economy and tax-gap have significant implications in the budget and income distribution (Giles, 1999: 622). It is difficult to obtain accurate estimates of both transaction costs and rates of growth of informal economic activities. This results in the failure to build adequate fiscal institutions in developing nations.

It is notable that national accounting systems are based on data sources primarily collected from the formal sector with perceptions of development based on official statistics. Consequently, policy decisions are based exclusively on information provided by official sources (Feige, 1990). However, the logic of the above argument has neglected that the large and growing informal sector contributes or leads to the growth of economy, as demonstrated later on Gërzhani (2004), although its activities are not recorded in the official sources.

However, operators of informal activities evade and escape taxes which are one of the national economic regulations. In so doing, they are excluded from the institutional system of rules, rights, regulations and enforcement penalties that governs formal agents engaged

in production and exchange (Feige, 1990: 991). The idea is that “*businesses cannot operate efficiently under enormous regulatory red tap*” (Porter, 1998:80). The author tries to demonstrate the negative impact of legal system and corporate tax rates which affect the business environment.

As participants in the informal trading activities avoid institutional regulations, they develop a penchant for secrecy and camouflage (Feige, 1990). This is also reflected in the location of unrecorded informal businesses along Raleigh Street whereby the operators evade taxes and they pay nothing to the relevant local government organ. They even illegally occupy the space in the street.

In conclusion, the relationship based on regulation aspects between the formal and informal operators have been highlighted in terms of by-laws and taxes which help to design policies that manage trading activities. The fact that informal trading is a hidden economy leads to tax-gap phenomenon, which has significant political and social implications for development. The regulation aspects between formal and informal are closely linked with the location of businesses.

### **2.3. Location of business**

The role played by the location of business activities contributes to the understanding of the types of relationships that exist between street traders and shopkeepers. The location is as important for street traders as for shopkeepers in the business. As Karam and Rubin (2010) have maintained, the choice of location of the business (informal) is a rational choice. Traders consider several factors when choosing their location (Karam and Rubin (2010: 4). This means that the traders do recognize the value of their specific location which is seen as having a strategic opportunity to attract the clients. The informal location follows the same ideas, models and theories as formal businesses. Both formal and informal vendors seek to be established in the busiest nodes, most often along main streets and in densely concentrated commercial areas (Roever, 2005). Both street traders and shopkeepers understand the dynamics of location and situate themselves appropriately (Karam and Rubin, 2010).

The location of business can bring harmonious complementarities to facilitate mobility of resources that integrates formal and informal, a competitive advantage for the



performance of trading and a strong perception of conflict in the same environment (Porter, 1998) which may result in disjuncture between formal and informal. The location of business is one of the factors that explore complementary, competitive and conflicting relationships between actors of the formal and informal economies. The operators of the informal businesses are often located in front of formal shops. This prime position of the informal trading actors determines the extent to which cooperative, competitive and conflicting trading activities take place in a shared environment with those working in the formal economy. At times, the informal traders encounter location challenges with the well established businesses in the form of formal trading economy.

Further, business location causes diverse conflicts (Hinds and Mortensen, 2005). As such, informal traders conflict with public health standards in selling unhygienic foodstuffs; with public safety with regard to pedestrian obstruction and traffic circulation conflict (congestion). Informal traders are often accused of unreasonable nuisance in making noise, smell and litter implying a negative impact on the public spatial environment. Regularly their location in front of shops results in unfair competition in blocking entrances of formal trading premises which leads to a declining confidence and cooperation between informal and formal operators (Schabracq et al., 2001; Omoro et al., 2005; and Nath Shankar, 2010).

A particular business location is strongly influenced by the quality of the local business environment. The location decision of business must be enlightened by both total systems costs and innovation potential favored or encouraged by the by-laws (Ackerman and Stewart, 1985). The location of business implies the agglomeration which is about economic activities spatially concentrated. These concentrated economic activities rely on the trade-off between various forms of increasing returns and different types of mobility costs (Fujita and Thisse, 2002:1). It means that agglomeration arises under the form of large commercial concentrated activities in an area (city). This is generally the case where street vendors and shopkeepers sell similar products and form clusters along Raleigh Street in Yeoville.

Agglomeration suggests that there is a tendency for salespeople to engage in a selling constellation behavior focused on the long-term relationships (Porter, 1996). The

agglomeration of economy is used in urban economics to describe the benefits that firms obtain when they are located near to one another (Masahita and Thisse, 2002; and Parr, 2005). Business location is enhanced by high contact intensity, mutual disclosure, and cooperative intentions which in turn have a favorable effect on the customer's perception of relational quality (Crosby and Evans, 1990). The theory of agglomeration is used here to denote both formal and informal activities because they are not opposite to one another. Those concentrations appear to be built upon close community systems of relationships (Porter, 2000).

In sum, despite the impact of globalization that has opened the market and therefore has diminished the role of space, the formal and informal business location still plays a major part in defining the nature of the relationships between the operators of the two parallel economic sectors. The formal or informal business is likely to take place in an agglomerated environment whereby operators constitute a constellation which favors complementarities, stimulates competition, or engenders conflicting relationships.

## **2.4. Relationships**

This section defines the competitive, conflicting and complementary nature of relationships that may be found within informal and formal trading as the two sectors of the economy using theories of business to business.

### **2.4.1. Complementarities**

Porter (1998) says that complementary relationships between businesses come in diverse forms. The most obvious is when products complement one another to meet customers' needs. Also, the coordination of activities in order to optimize collective productivity is also seen as a complementary relationship in the business perspective. Porter (1998) thinks that complementary relationships between formal and informal economies are determined by the satisfaction of service provided to clients, exportation of goods and services to the community, and also interaction between the operators of both sectors.

It is here that Tokman (1978) have already put the stress upon the integration of the informal economy with the formal economy because they export not only products but mainly and directly services to the community. In so doing, these two parallel sectors of the

economy are linked and complementary. It is then observed that both formal and informal sectors play “*a crucial role in the circulation process by being located near to the consumers, by providing credit, by selling in as small units as required, and by keeping adequate stocks*” (Tokman, 1978:1066).

Hart (1970) mentions that traders in both formal and informal trading activities are engaged in vertical exchange of goods, either in selling goods to the urban population or in selling urban produced goods. To this extent, the integration of formal and informal is seen in the export of services activities, such as commerce and domestic services which bridge the complementary relationships between the two sectors. Through the exchange of goods, the prevailing complementary relationships enhance access to markets, in order to favor growth within each sector. Therefore, the dynamic complementarities of these relationships should guide policy formulation which could boost the growth of informal trading activities.

The state's policy must draw on the effective management of trading activities to improve and support the complementary relationship between formal and informal businesses (Porter, 2000). An improved policy environment will also help to shift resources from the formal to the informal sector allowing the absorption of the increasing labour force for higher levels of productivity in both sectors (Tokman, 1978:1067). This is to say that none of these sectors is completely autonomous. Although they present a certain level of independence from each other, they maintain significant links.

Moreover, informal trading activities present disadvantages because they are often judged with the formal sector's criteria. In this sense policy decisions do not favor growth and the policy environment does not encourage informality. Instead, policy formulation continues to create “*structural disadvantages*” (Emmerij, 1974) for the informal sector. Indeed, a complementary relationship between formal and informal in an integrated manner encourages authorities even on a national scale to structure trading policies that enhance the growth of the two sectors. There is a range of formal and informal trading operations that take place through interaction and communication between the actors of the two sectors.

Communication can briefly be described as the glue that holds together a channel of distribution (Mohr and Nevin, 1990). Communication is an important mechanism of interaction between parties. It is a channel through which persuasive information is shared and transmitted. Communication may facilitate complementarities, may favour competitiveness and may avoid conflicting situations in a trading environment between formal and informal sectors to ensure success.

It implies that communication empowers and enhances the level of skills. This means that information sharing and casual conversations between operators could serve as a crucial route to improve the skills. Timely, accurate and relevant communication is essential to the continued growth of the trading businesses. Therefore, communication between the actors of formal and informal economies is essential in order to achieve the benefit of collaboration (Mohr and Spekman, 1994). It is argued that by sharing information, which is an indicator of acknowledgement about each other's businesses, operators are able to act independently in maintaining complementary relationships, managing competitive relationships and preventing conflictual relationships over time (*Ibid.*).

Communication problem may cause difficulties in the market operation between the players of the two parallel sectors of the same economy. This is often the case whereby the local authorities or the decision-makers try to set policies that directly affect businesses without consulting the actors. This is where conflict is caused by ineffective communication which leads to misunderstandings, incorrect strategies and feelings of frustration (Mohr and Nevin, 1990).

There is a range of formal and informal trading operations that take place through interaction and communication between the actors of the two sectors which is essential to facilitate complementarities. A trading environment continues to be conducive, to exist and to function only through good communication and all social interactions between operators (Noble, 1967:29) in a complementary way. In general, it may be said that the complementary relationship between businesses is a more complex system consisting of goods, services, energy, money and information. For instance, communicational aspect between businesses is of great importance in connecting formal and informal activities

(Mohr and Nevin, 1990). The two sets of actors of the economic sectors have reciprocal influence on each other (Haufler, 1993). Therefore they must always establish interactions in order to be efficient and effective in providing and exporting services to the community via the market, given that communication strengthens formal and informal business activities (Hartman, Rubin and Dhanda, 2007).

In a communicational context, there must be a level of mutual acceptance between formal and informal operators because both transmitter and recipient have a common appreciation of the market situation (Noble, 1967:30). In using the social route through communication, formal and informal businesses complement one another in establishing and maintaining good relationships and contacts which are expressed through daily greetings. In this sense, communication is the means of socialization where it is supposed that both the shopkeepers and street vendors are active members of the business sharing the same working environment (*ibid*).

The literature notes that operators in the informal sector have low education levels and are unskilled (Moser, 1978; House, 1984; Gindling, 1991; Lubell, 1991; Meagher, 1995; and Devey *et al.*, 2003). This means that the workers in the informal trading are not well skilled or are not able to successfully compete with their counterpart working in the formal sector. However, what starts as casual conversations can develop into business helpful conversation to improve the skills (Mercer, 2000). This depends also on the entrepreneurial spirit and the time spent in the business for a particular job.

Communication between formal and informal enterprises directly contradicts perceptions and attitudes towards individuals and stimulates positive changes to greater acceptance (Noble, 1967). In addition, communication between formal and informal actors boosts the level of cooperation and enhances a mutual understanding which leads to a trusting and satisfactory relationship which can lead to financial gain (*Ibid*).

Satisfaction is an emotional condition that occurs in response to an evaluation of the relations experiences (Westbrook 1981). Here, satisfactory relationship between the operators of the two parallel sectors of the economy supposes service exchanges which show a level of cooperation. Service exchanges then help to build interpersonal relationships and enhance complementarities in the sales environment (*Ibid.*). It is the quality of relationships that they maintain which determines the continuity of interchange

and transaction in future sales opportunities to create trust and satisfaction. Hence, cooperative intentions, mutual disclosure and intensive follow-up contact generally produce a strong acceptable and complementary relationship between formal and informal (Crosby, Evans and Cowles, 1990:68).

For a relationship to be deemed complementary between formal and informal in the business context, it has to be of a long-term nature in commitment and business transaction (*ibid.*). The ongoing services provided by both formal and informal sectors to the community or to the market (clients) are often a major component of complementary relationships. The personal capacity to be responsive to market needs and deliver adequate services plays an incommensurable role in bringing about satisfaction. Here, satisfactory relationships do not only involve sellers, but customers as well.

In summary, in spite of market uncertainty in ways that affect demand and supply, the environment must be dynamic to establish complementary relationships in integrating formal and informal. From the perspective of same or similar goods sold and expertise (experience, skills and ability) in the sales sector, the market uncertainty leads then to competitive relations between the actors of the two economies.

#### **2.4.2. Competitiveness**

A competitive relationship between the actors of both economic sectors is based upon service quality provided to the clients through business transactions in order to respond to the market principle of demand and supply. The possibilities of survival in a competitive framework are higher in those cases where informal manufacturing activities are already well established (Tokman, 1978). One must bear in mind that the informal sector is not only for the survival poor and the marginalised, but it includes also big and well structured firms which decide to operate informally. Those informal manufacturing firms bring a higher competitive behavior in the sales environment.

A competitive business environment can create a positive relationship between market orientation and performance among players (Matsuno and Mentzer, 2000) which occurs in the form of monopoly. Monopoly as a control of the market is positive for the seller but negative for the client. What matters in competition is earning more profit. This is created by a competitive advantage by doing what the competitors do, but better; or in delivering

unique value to customers by doing things differently than competitors. Michael Porter (1998:79) sustains that competition can coexist with cooperation because they occur on different dimension and among different players. To this extent, modern competition depends on output but not on access to inputs or the size of individual enterprises (*ibid.*). Competition between the formal and informal sectors may be based on the quality of products sold by both street traders and shopkeepers, as well as on customer care.

The pattern of price competition in a market is consequently a function of the shape of the distribution of relative preference (Blattberg and Wisniewski, 1989). This could create uniformity for the products sold in the market. But the assumption is that individual preference is always the result of many influences from the variety of products. Products of high quality have generally high prices. In a competitive environment, products may be sold in lower prices in spite of their high value because a client may have a lower willingness to pay for quality (*Ibid.*). From here, price, product quality, client and preference seem to lead competition following the trend of the market.

Though a product may be of a high quality, the fact that it is sold either inside the shop or outside in the street makes a huge difference in the perception of buyers (Bowbrick, 1992). Most of the buyers perceive the products sold by street vendors in the informal sector to be of lower quality and therefore cost less or cheaper than the same products traded in the formal sector (Porter, 1998). The perceived difference in the quality between goods may be one of the leading factors in price competition between formal and informal players, including conditions in which goods are sold to influence customers' preferences because the market consists of sellers and buyers.

Competition between formal and informal trading activities influences the relationship in the market which can result in asymmetric sales effects. This means that in a competitive market environment the price of goods can have unidirectional pattern depending on the quality of goods. For example the products of higher or lower quality will have similar prices (higher or lower). However, competition can stimulate price promotion or price deal (price cut) implying large sales losses for brands (Blattberg and Wisniewski, 1989). This shows in general that the markets are homogenous in product features, except only quality levels which vary. Crosby, Evans and Cowles (1990) point out the fact that a competitive relationship led by quality is seen as a higher-order construct composed of at least two

dimensions: trust in the salesperson and satisfaction with the salesperson. This is what is called customer care or customer orientation.

The relational competition between formal and informal highlights the importance of trust in individual entrepreneurial capacity as the operator becomes able to manage resources in a way that improves his operational effectiveness and his strategic positioning (Porter, 2000). If trust is imperative in interpersonal relationships, it is much more needed in the entrepreneurship because it actively engages the salesperson to take risk while optimizing business opportunities. The competitor's trust in relational sales contexts can be defined as a confident belief that the salesperson can be relied upon to behave in such a manner that the long-term interest of the customer will be served, given that the customer's best assurance of future performance is a continuous history of personalized interaction (Crosby, Evans and Cowles, 1990).

Many street traders that are located in front of formal shops sell the same products as the formal shops in order to maximize their profits. The close proximity of street traders with shopkeepers leads to direct interaction which favors the building of vertical networks in an integrated way. This means that demand variability of the market is the main reason for vertical integration (Carlton, 1979). Competition at this level is played around the price to attract customers in diversifying items. However, vertical relationships can allow potential competition to have a similar role in a dynamic setting (Vickers and Waterson, 1991).

Competition has a general and positive effect on business performance. The linkage between relational quality and sales effectiveness is intended to reflect sales outcomes of successful competitive relationships in service exchange settings (*Ibid.*). Relationship quality, as explored under the competitive relationship between actors of the two economic sectors has a significant influence on competitors' anticipation of future interaction. The competitive environment influences the form and effectiveness of a business' orientation for actors. The focus on client's needs is mainly important to lead the salesperson on the new products to provide on the market. This means that competition is dynamic and rests on innovation and the search for strategic differences (Porter, 2000).

Competition plays a key role and contributes to market growth in augmenting sales volume when the market is well targeted because items are provided according to customer preference and needs (Srivastava, Shervani and Fahey, 1999). The implication is that the



better the quality service provided, the greater the positive impact of competitors on performance. On the contrary, the poorer the quality service, the greater the negative impact of competitors on performance and growth. This indicates that the operators of the formal and informal economies always have powerful influence to determine the level of competition which puts pressure on the market in providing higher quality or more services.

Nevertheless, competition for resources or opportunities engenders conflict in a business environment (Panteli and Sockalingam, 2005). In addition, competition with such a pressure on players (sellers) who are keen to make profit and grow in the business is likely to arouse conflicting relationships among them.

### **2.4.3. Conflict**

Conflict does not necessarily involve violence. It only appears as a question of optimization and maximization in pursuing opportunities at the individual level, and societal equilibrium at the aggregate level (Schelling, 1980). Thus, a conflicting situation between formal and informal trading depends upon opportunities, preferences and perceptions (Feige, 1997). A conflicting relationship in the trading environment will develop in a competitive context where there is lack of cooperation and communication. As already highlighted, the location of the operators of formal and informal sectors close to each other could raise conflicts which provoke dissolution or disjunction in the business environment.

Ponty (1967:296) admits that "*the concept of conflict has been treated as a general social phenomenon, with implications for the understanding of conflict within and between organizations*". Conflict expresses antecedent conditions in the sense of scarcity of resources, stress or tensions between individuals involved. But this does not mean that every conflict implies an open aggression because the parties in relationships may not be aware of any basis of conflict and they may not develop hostile affections for one another. This applies to the business environment between formal and informal sectors which apparently work closely together to fill the gap in the market with regard to demand and supply. These two sectors of the economy are supply channels of goods. That is, conflict has a negative effect on the success of the business in both formal and informal trading

activities. A conflicting relationship often leaves residual, lasting consequences and negative feelings.

For instance, formal and informal economic sectors' relationship is likely to constantly shift and evolve from competitiveness to conflict (Chen, Jhabvala Lund, 2001). Conflict usually arises from competition in terms of opportunities of resources and preferences in location. This is a normal situation in business.

However, for the operators of the two trading sectors to sustainably face the market challenges, they have to be proactive because the two economies complement each other as supply channels to the market, even though there is a competitive relationship that results into conflict as normal proceedings in business. They therefore must build strong business networks to avoid conflict among themselves.

## **2.5. Networks**

The use of the concept or term network refers to both formal and informal modes of connections, communications and relationships (Giarchi, 2001). Networks are group-level characteristics grounded on an individual level (Kate et al., 2010). Mutual understanding and harmony always facilitate the interacting behaviour between actors in a network relationship. Relationships in business networks are generally said to be built upon trust and mutuality bound by adaptation and financial investment. Networks can be vertically or horizontally oriented. This means that networks are referred to as the level of connectedness among the actors in a social network. Networks are therefore based on connectedness to facilitate the flow of information (knowledge) that exerts an influence on individuals in order to enhance the relationships with regard to accessibility of resources (Salazar, 2003).

Anderson, Håkansson and Johanson (1994:1) consider business networks as sets of connected firms. Every relationship should be viewed as being part of a network and connected to each party. In this regard, activities or resources of other actors in one sector may be partly determined by what is achieved in the other sector in terms of dependency in established relationships. The increasing business networks depend upon the settlement of individuals in diverse locations (*Ibid.*). The Networks involve business to business relations or settings in which cooperation between formal and informal trading players

acquire significance (Welch *et al.*, 1998). The network is very useful in defining the connection between different actors of the two economies (Lowe, 1975; Hromkov *et al.*, 2005; Castells, 2005; and Wade Trappe and Liu, 2008). The spatial location of the two forms of trading activities inform on the “agglomeration” of economy within which networks are built.

Business networks facilitate the development of cooperation between parties involved in the relationships. In this understanding, business networks between formal and informal are essentially made of and based on profits in connection with available resources and market opportunities. The consideration of the individual relationships and what occurs within them often is insufficient. Network relationships in business activities are of paramount importance. Through networks, products are rolled out to service the community and the markets. Networks enable traders in both sectors to efficiently and effectively respond to demand and supply and stimulate entrepreneurial spirit with typical attributes such as self-confidence, perseverance, resourcefulness, risk-acceptance, and achievement motivation (Johannisson, 1988).

Furthermore, networks are the form of non-hierarchical structures which are open-ended orientated (Agranoff, 2006). This is to say that even if kinship and ethnicity may lead to an agglomeration of linkages, the strength of a tie is related to financial investment (Tokman, 1978:1072). The formal and informal sectors play an important role as supply channels because they cater mainly for the daily needs of large numbers of customers (Ligthelm, 2004).

Business networks between formal and informal trading activities are of vertical and horizontal dimensions (Bengtsson and Kock, 1999). The horizontal and vertical linkages between operators in the two economic sectors may form a sort of groupings of activities or agglomerations which benefit to both parties, and which may determine the kind of relationships they may have. Horizontal networks take place between operators within one sector, be it formal or informal. They are vertical when they connect the players of both formal and informal sectors.

Vickers and Waterson (1991) observe that vertical arrangements may be profitable by increasing the efficiency of supply (lower costs and/or higher quality) or by enhancing

market power. Vertical relationships between operators of the formal and informal trading activities help to increase the integration of the two sectors, to promote cooperative behavior and to prevent conflicts. Vertical relationships do not provide retailers with protection against possibilities of an entry by rivals retailers into the sector because of the flexibility of the informal economy (*Ibid.*). Vertical relationships are the starting point through which the salespeople get into the market because they buy from the formal sector which constitutes the main structure of the economy according to the dualist trend. Most of businesses also set up horizontal connections.

The relationships are horizontally organized when they take place among operators within the same sector (e.g. among street vendors, among shopkeepers, or among people from the same nationalities). They are built to exploit inter market opportunities. The relationships are mixed when they are built horizontally and vertically at the same time. Thus, horizontal relationships are “*built on a distribution of activities and resources among actors in a supply chain*” (Bengtsson and Kock, 1999:178). To this extent, three types of horizontal or lateral relationships are distinguished between formal and informal businesses, namely: coexistence, cooperation and competition.

Bengtsson and Kock (1999) argue that a lateral relationship in a network is said to be coexistent when it does not include economic exchange. The actors explore a variety of topics to maintain their relationship which results in a positive perception and a high level of trust. There is cooperation when exchanges are frequent between actors, including business, information and social exchanges. There is proximity between operators. Cooperation in networks supposes economic and non-economic exchanges. Conflicts are rare here as operators live in harmony. Competition arises with an action-reaction pattern because operators follow each other. At this stage interaction is direct and competition within the same sector is less intensive as competitors tend to avoid rivalry than between different sectors or groups. The degree of close proximity between competitors is also of importance for the kind of relationships that emerges.

In summary, the formal and informal businesses are horizontally or vertically connected. Most importantly, the power between actors in the formal and informal economic activities

depends on the position in the business networks. However, the profitability in networks is led by the quality and the price of products.

## **2.6. Pricing**

One must bear in mind that how prices change in the market influences the pattern of competition in the world of business (Blattberg and Wisniewski, 1989). Lower prices and price reductions or price deals are an important component of the marketing strategy in competition. Price reductions or price deals drastically increase the sales volume of products, although it affects the overall profitability of products from both economic sectors. Difference in pricing structures affects the competition in the sense that products remain unchanged when prices are decreased. There are few published studies directly concerned with measuring the effects of price reductions or price deals on unit sales, and still fewer examine how such price reductions affect the unit sales of other competitive products in the two systems of the economy (*Ibid.*).

Both the formal and informal sectors often sell in retail and lower prices as the most preferable strategy to stay competitive in the business environment. The fact that people involved in the informal sector do not pay rent and other services (overhead) may affect competition as their prices may undermine the price structure of the formal sector. Yet the informal vendors become themselves clients of the operators in the formal economy and sell their goods in pieces by cutting prices (Losby et al., 2002). The author says that price factor is a competitive indicator that can restrict the entry of any person into the market by setting high prices. In a competitive business environment, no one has the monopoly to control others because the game is played around the price reductions to augment the volume of sales products for a high profitability. The power of the market is therefore decentralized, depending on the best price cut, the quality service and the way goods are exposed to attract more customers or buyers (Porter, M.E., 1998).

Nevertheless, products situated close to one another are viewed as competitive, regardless of the level of price. This implies that the proximity of products influences the decrease of price competition. Price competition, as Blattberg and Wisniewski (1989) have singled it out, should be symmetric or bi-directional in the sense that a price decreases when the unit sales are situated close to one another. The risk in this case is the standardization of prices

for the same products sold. It is here where the profitability of products is affected due to the lowering prices. This shows that the formal and informal economies have a large number of products that are competitively priced against one another to varying degrees. Price competition operates in both directions in the sense that a price reduction in one item results in significant numbers of consumers switching from the non-reduced to the reduced items (Kreinin, 1961).

In addition, how prices change themselves between formal and informal economies influence market structure. In the same way, low prices and price deals affect competition as well as profitability in introducing promotion. The game is played either on the quantity of the same products that are sold by both street vendors and shopkeepers with exclusive prices or on the quality service and the quality of the same goods with its attractiveness, as long as the quality of the same goods is an overall preference for a particular usage or occasion. It is clear that the quality of goods greatly contributes to price competition between formal and informal sectors (Barras, 1986).

Hence, some consumers may place much greater importance on quality than others, and that this idiosyncratic desire for quality can have a significant effect on the price (Blattberg and Wisniewski, 1989). A given consumer may be willing to pay for a specific level of quality. This helps in diversifying products in the market.

## **2.7. Diversification of products**

Diversification of products has both competitive and performance implications (Hitt, Hoskisson and Ireland, 1994). Products diversification is a strategy or a way of adding diverse products by re-allocating actively funds and maximizing profits when varying products in which the returns are high (Dees and Anderson, 2003). This strategy is used by both formal and informal trading workers to increase financing that is then diverted to other more productive goods. For example, street vendors and shopkeepers may sell fruits and vegetables, but they diversify products in introducing to the market different and specific items which may necessarily not be sold by both. They add goods in order to vary and optimize the profitability. Here, intensive transaction requires high mobility to speed up the pace in a buy-sell perspective (Dwyer, Schurr and Oh, 1987). This suggests an

interdependent relationship in terms of completely related investment, which establishes a complementary relationship between formal and informal.

The diversification of products refers to choices that guide the diverse variables in organizational adaptation to the market (Hitt, Hoskisson and Kim, 1997). Competition brings about environmental constraints which give rise to strategic choices. At this level, we deal with an important interactive nature of organization-environment relationships in the adjustment process (Hrebiniak and Joyce, 1985). Most of the literature has focused on diversification of products and strategic choices in defining the level of competition between formal and informal sectors. In the decision-making process a basic adaptation capacity is required to adjust to market needs and offerings and to environmental changes. In this regard, diversification of goods by the players of the two economic sectors depends on strategic factors namely, concentration of business activities, availability of some goods sold, and location of a particular business to achieve desired outcomes.

The operators in both formal and informal sectors need to acquire the ability to diversifying products in a competitive way. The diversification of products between the two economic sectors entails a certain level of good financial management skills and market knowledge in selecting relevant items that are in demand to increase financing and to be ready for business competition. This insight comes from Donaldson (1984), cited by Stein (1997), where it is observed that the most critical choices top management makes are those that distribute funds among competing strategic investment opportunities (Stein, 1997:112).

The informal is the same as the formal. Therefore they need to have a great managerial skill to enhance the level of business relationships between them because the skill can change the pattern of a relationship between formal and informal trading (Attanasio, Goldberg and Pavcnik, 2004).

## **2.8. Conclusion**

This chapter has traced the relationships between formal and informal economies. The chapter has portrayed that the informal trading sector is always considered as unregulated sector seen from the legality perspective. This one-sided view from the top-down model has neglected the self-organizing capacity of individuals from the bottom because informal does not mean chaotic or unstructured. It was shown that government interventions in the

markets disadvantage the informal workers. Instead, there is a need for equity, efficiency and good policy in order to manage the trading sector.

In the debate there was a tendency which sees the formal and informal economies as two separate sectors, the informal depending or relying on the formal. This dual view considers the formal economy as the centre and the informal as the periphery. The location of the business has emphasized the duality. This is explained by the fact that the informal workers are located outside along the street and they face eviction, whereas the workers in the formal economy are safe in the shops.

However, the chapter focuses on complementary, competitive and conflicting relationships between the formal and informal players. Complementary relationships are described in the form of satisfaction of services provided, communication between operators and export of goods and services to the community. The most interesting thing is to find balance between the two sectors and tackle policy interventions to help the poor to unlock their potential through markets. The chapter asserts that competitiveness may raise conflicting relationships between operators in both formal and informal economies (Chen, Jhabvala Lund, 2001). This is a normal phenomenon in the business environment.

Complementary, competitive and conflicting relationships between formal and informal trading are built through their connectedness to each other. Those networks may be vertically or horizontally oriented and form agglomeration in order to be responsive to market deficiencies in a competitive and productive manner. Therefore, the pricing issue is important in determining complementary, competitive and conflicting relationships between the two economic sectors to increase profitability. This requires also diversification of products on sale. Diversification of products by both formal and informal sectors shows the spirit of entrepreneurship which is to be promoted because it is the key to economic growth, job creation and improved competitiveness in a country. There are linkages between the operators of formal and informal economies. Therefore, they should work hand in hand in order to boost economic growth.

The following chapter structured as conceptual framework will be elaborated around the problems of concern in this study in order to provide operational definitions of the relationships.



## CHAPTER THREE: **CONCEPTUAL FRAMEWORK AND RESEARCH QUESTIONS**

### **3.1. Introduction**

The fundamental task of this research is to explore diverse relationships between formal and informal sectors in Raleigh Street in order to understand the complementarities, competition and conflict between the operators of the two trading sectors. In the search of the understanding of these relationships, this work looks at the improvement of accessibility and equity for both street traders and shopkeepers to help them to participate in economic growth. This requires good policy structures at national and local level to manage trading activities in an effective manner in order to accommodate street trading with an alternative vision.

This chapter provides a comprehensive review of the relationships that exist between the formal and informal economies through the conceptual framework which helps in identifying research questions to be tested in the case study.

### **3.2. Conceptual framework**

From the discussion in chapter 2, we can see that the severity of trading regulations against the informal sector can shape the relationships between both sectors formal and informal economies. The fact that the businesses are located close to each other and also might be selling the same products leads to a complementary, competitive and conflicting type of relationships. Formal and informal due to the pricing system are actually targeting different cliental. These previously mentioned concepts will define the relationships between the formal and informal. Therefore the concepts or themes that emerge from the literature review need to be carefully analyzed in the context of Raleigh Street in order to define the nature of the relationships that may be found between informal and formal trading activities.

#### **3.2.1. The informal trading as unregulated economy**

The informal sector is known as an unregistered economy (Skinner, 1999) which does not comply with the government's requirements. The informal sector is not regulated by the state and is characterized by free and easy entry, and its activities are hidden and

unreported (Maloney, 1999). The amount of income that should be reported to the tax authorities is not reported. Therefore, the unregistered or the officially unrecognized trade by the system suffers from eviction and spontaneous interventions of the local authorities. The use of by-laws to control street trading activities is done in a biased way that raises suspicions from those who work informally because they look at their counterpart who work formally as the one who report them to the authorities (Goldman, 2003). Suspicion between the operators does not help in promoting a business environment to be conducive for a good cooperation or a complementary relationship.

Carraher and Schliemann (2000:240) sustain that the informal sector is generally distinguished as an unofficial part of the economy which is constituted by relatively unskilled jobs that are not regulated by government organs. Given that the informal sector is an unofficial part of the economy, informal traders do not benefit from services that are provided to formal workers such as water, electricity, toilet, cleaning service, managers, etc. The use of water and toilet or electricity by informal traders during the working hours may create conflicts with formal traders as the later pay for the services provided.

The operators of the informal business have access to the space without any payment (tax or rent) made to the relevant government organ or to the owner of the shops, while only the members of the formal sector are constraint to pay a series of costs (Feige, 1990). This is likely to create discontentment of those working formally and raise a conflicting relationship between the players of the two poles of the economy. The unfair competition is also due to illegal occupation of space by street traders located in front of shops outside in the street (pavement), contrarily to the shopkeepers who hold registration documents which allow or give them the right to operate from the given places (Badaoui, Strobl, and Walsh, 2007). This may often lead to a declining confidence and cooperation between informal and formal operators (Schabracq et al., 2001; Omore et al., 2005; and Nath Shankar, 2010). The illegal occupation of spaces in Yeoville by street traders leads also to constant harassments which give the impression that the informal trading is a peripheral economy. Because of the sudden eviction by the local authorities, street traders often leave the place dirty in front of shops when they run away. This raises conflict between the street

traders and shopkeepers. The legal aspect of trading also plays an important role in the conflicting relationship that opposes the players of formal and informal sectors.

The formal economy constitutes the mainstream source of state revenue which contributes to the country's growth through the GDP. This leads to the notion of hierarchical or vertical relationships between formal and informal. The fact that the informal sector is an unregulated economy puts it as the subordinate side of the economy to the formal sector. The informal trading becomes then a peripheral economy that depends on the formal, the centre (Tokman, 1978). Relationships in this case are unbalanced and influenced by the formal sector considered as the mainstream of economy. There would be neither complementarities nor good competition, but conflict between the operators.

Contrarily, Gërkhani (2004: 268) has demonstrated and assessed the consideration of the informal sector as a central aspect of the economic and social dynamics of any country, especially of the less developed ones. Therefore, informal and formal trading activities do contribute to economic growth due to the absorption of a huge number of workers in the sectors in a complementary manner.

In the South African context, the informal sector was seen as moving away from the over-determined rule or law of the central state in economic planning (Rogerson, 1991). The local government must find a mechanism to identify the operators of the informal sector and accommodate them in the market in order to enhance cooperation between the formal and informal trading actors. This will help to manage the street trading and avoid regular tensions between traders and the authorities. Such a mechanism needs a strategic trading plan to deal with the informality which is negatively perceived as constituting a separate or dual economy.

### **3.2.2. The formal and informal trading as a dual economy**

Averitt (1968:1) defines the dual economy in terms of two disparate types of business organization. The locations of businesses along Raleigh Street can give the exact impression that there is a separation between formal and informal trading activities because most of informality takes place outside in the street and on the pavement which is certainly an appropriate location for street traders, but not for the authorities; while the formal takes

place in the shops. Such a dualist view gives the impression that the two sectors are opposed and do not connect with each other, while they do have a relationship. This is certain with regard to the pricing issue which raises both competitive and conflicting relationships between formal and informal.

As Blattberg and Wisniewski (1989) have put it, how prices change in the market influences the pattern of competition and conflict in the world of business between the formal and informal operators. Price competition between formal and informal is based on the same products sold by both, while price conflict is based on taxes and rent. For example, the fact that shopkeepers and street traders sell the same items results in price competition (price cut). On the other hand, the fact that street traders do not pay taxes, rent and other services has an effect on the price of the same goods sold by both actors. Usually, street traders sell cheaper products than shopkeepers, which is likely to raise conflict because street traders will attract many customers by selling cheaper goods. The difference of pricing for the same items being sold will help to understand the type of relationships between street traders and shopkeepers.

In selling goods in small amounts and in lower price, the informal sector provides services and goods to not only lower-income and poor people, but also to the working class and middle class people in a hurry. In so doing, the informal sector complements the formal economy, although they can compete and conflict. Here, the power of the market is decentralized, depending on the best price cut, the quality service and the way goods are exposed to attract more customers or buyers (Porter, 1998).

In reality, the two sectors are not separated. They work hand in hand in a complementary relationship to provide services and goods to the community. Although the two sectors may compete and be conflicting in the manner with which they operate to respond to the market needs. This does not trace boundaries between formal and informal in how they serve the community and therefore forces the move beyond the duality in conceiving good policies that improve even more the integration of the two economic sectors as channels of goods and services.

### **3.2.3. The formal and informal sectors as a supply channel of goods and services**

The formal and informal sectors are the supply channels understood in the perspective of their capabilities of matching the market needs and the extent to which the services provided to the community are successful. This is based on complementary, competitive and conflicting relationships between the two sectors.

The expansion of the economy facilitates the emergence of new demands of goods in the market. The complementary role played by the operators of formal and informal sectors in providing products and services to the community aims at responding to customers' needs in order to sort out the market deficiency. The quality of local demand plays a central role in amplifying the pressure to innovate and upgrade the quality of services to render to the community (Porter, 2000).

Formal and informal sectors as a supply channel are also understood in the diversification of products. There are products that may not necessarily be sold by both actors in the market which gives opportunity to buyers to satisfy their needs or their preference. Services and certain goods that are not found in the shops are provided by the street traders in a complementary way to maintain market equilibrium. Both formal and informal sellers add products to vary and optimize profitability. This promotes an innovative spirit which enhances entrepreneurial skills in a competitive trading environment. In a competitive trading environment conflicting relationships are a normal situation.

However, the two sectors of the economy are strongly integrated in exporting directly products and services to the community via the market. They do the same job and they are even located near the consumers. This should inspire states to implement policies that facilitate the growth of the two trading sectors: formal and informal and promote entrepreneurship.

### **3.2.4. Entrepreneurship**

Entrepreneurs can be described as those who are alert to market opportunities (Holcombe, 2003). Wennekers and Thurik (1999) have already agreed that an entrepreneur has a role of leading to markets equilibrium through the entrepreneurial activities; people involved in efforts to start firms and to manage new businesses. Shane and Venkataraman (2000) also said

that entrepreneurs have the ability and willingness to exploit the opportunities. Entrepreneurship is related to skills (education) which frame the relationship between the actors of economic activities (Groen, 2005) in a context through which individuals and teams create wealth by bringing together unique package of resources to exploit market opportunities. Market opportunities often create tensions between business operators. The more skilled formal or informal entrepreneurs are, the more able they will be to manage opportunities that are available in an uncertain business environment. Entrepreneurship may enhance complementarities, competition or conflict between the actors depending on the level of skills in each sector (Porter, 2000).

Entrepreneurship helps in differentiating between “*necessity entrepreneurs or survivals that enter the business world to escape from poverty and unemployment. This is not as a result of seeing prosperous opportunities; and opportunity entrepreneurs seeing lucrative business opportunities but elect to remain informal due to various reasons*” (Ligthelm, 2004:1-2). Entrepreneurship can function as incubator where the pool of potential entrepreneurs can learn certain practices, identify market opportunities, accumulate capital, and form contacts or linkages (Lalkaka, 2003). One must be able either to choose market niches or segments within the constraints lay down by the environment, or to pursue effective generic strategies (Hrebiniak and Joyce, 1985).

As already argued in the previous chapter 2, Alvarez et al. (2006:1) indicates that the evolving twenty-first century may be well termed as a time of uncertainty. They notice that cycles of boom and bust in the rising global competitive scene have presented firms with complexities and increasing difficulties to foresee the future because old technologies and products, as well as methods of production, are destroyed and replaced by the very new and most sophisticated ones. Briefly, they comment that entrepreneurship and innovation have come to be perceived as engines of economic and social development in many nations throughout the global competitive landscape. This implies that if formal and informal business operators are entrepreneurs, they are likely to promote economic growth that integrates both sectors.

Both street traders and shopkeepers show the entrepreneurial spirit and innovation at different levels when they add and vary items they sell to maintain the equilibrium in the market. This opens different opportunities and alternatives to many clients to choose

whether they want to buy bigger quantities or smaller ones. The complementary and competitive combination of resources by street traders and shopkeepers can effectively be used to actually fulfill current unsatisfied needs or to improve markets efficiencies.

The promotion of the entrepreneurial spirit in a country is the key to economic growth, job creation and improved competitiveness (Ligthelm, 2004). States should therefore encourage entrepreneurship in both formal and informal sectors in the form of diversified products with clear planning policies that could favour the economic growth. These concepts raise certain research questions.

### **3.3. Research questions**

The research question establishes the direction of the study. This section formulates questions to explore relationships between traders in both formal and informal trading activities. With regard to the conceptual framework, it seems to be difficult to set up distinctive boundaries between the formal and informal economy. They function in a similar or close way, except the fact that the formal trading operates in the shops and the informal economy is outside in the street (on the pavement). The relationships between operators of both sectors are of diverse types. Therefore, the main research question is formulated as follows:

***What is the nature of the relationships between formal and informal trading in the use of space in Yeoville?***

In asking this question, I intend to understand whether the Yeoville business environment offers opportunities for complementary, competitive, or conflicting relationships. I also aim at exploring the extent to which operators manage these different relationships. The main question is connected or articulated with some sub questions which help to deepen the topic. Hence, they are designed as follows:

**•How do shop keepers and street traders feel about each other as they are closely located?**

This question engages with the dynamics of the relationships in connection with the locations of businesses. Distance, proximity, and same items on sale

by both actors are key elements which can tell more about mutual perceptions.

**•How do street traders and shopkeepers interact?**

Interaction covers psychological and social aspects of human beings. Specifically here, the emphasis is put on the elastic types of business relationships. The attempt is to encapsulate the major relationships built between operators of enterprises in terms of horizontality, verticality, mixture and networks. The question deals then with the interplayed power between workers in both formal and informal economy.

**•How do street traders behave, respond and react to the authorities' (Metro police) intervention?**

In South Africa, the local government through its officials has a clear responsibility to protect, and enhance the public good and the reasonable rights of all individuals. The main concern of such question is to discover the effectiveness with which the local authority (government) enforces the law. Beyond this, I attempt to know whether or not street vendors hide their goods in the formal shops when the Metro police harass them. This will help to understand if the environment is conducive for business activities.

**•Would it be possible for street vendors to have their stalls in the streets?**

The relevance of this question is based on market model suggestion or design. By so doing I will contribute, from a planning perspective, in finding a way of accommodating street vendors and giving them equitable access to the business environment. This model will protect them against evictions and they will be given the formal rights to trade. At this level, they will contribute to economic growth by paying taxes and rent to relevant state organs.



**•Would street trading be a supplementary exposition of products in Raleigh Street?**

This question draws on the competitive ability of business opportunities and outlines innovative character of street traders as entrepreneurs.

In most of cases, research questions are tested and applied in a case study. For this research the case study has been chosen in Yeoville along Raleigh Street as described in the first chapter.

**3.4. Conclusion**

This chapter was structured into two main sections, namely: Conceptual framework and research questions. The conceptual framework looked at concepts of the study which presented the comprehensive review of the relationships between formal traders and informal vendors in terms of complementarities, competition and conflict.

The section described informal sector as an unregulated economy. The legality aspect highlighted informality as escaping taxes, invading the space and not paying any amount to a relevant government organ. This trend sustains that the informal trading is a hidden economy and its activities are neither reported nor included in the official statistics. This is the reason why the operators of the informal trading face constants harassments which raise conflicting relationships.

The informal trading was seen as a peripheral economy to the formal sector. The formal business is looked at as the mainstream of the economy, the superior one and the centre. The informal, the periphery and subordinate, depends on the centre. This perspective indicates the hierarchical position between formal and informal.

The literature has demonstrated that despite its hidden character, the informal economy does contribute to the growth because it absorbs a huge number of employment opportunities. There are scholars who have indicated that informal sector is becoming the dominant and the central sector of the economy.

The formal and informal businesses were seen as a dual economy. This perspective tries to separate and oppose the two parallel sectors of the same economy. This is due to the fact that the formal sector operates in the shops whereas the informality takes place outside in the street. Although there may be competition between the actors of the two business trends which may also lead to a conflict, there is a need to move beyond this duality because the two economies are neither opposed nor separated.

The chapter indicated that the two sectors are complementary given that they provide diverse services and various goods to the community through the market. In doing so, the operators are entrepreneurs who combine opportunities to fulfill the current market deficiency. Entrepreneurship should be encouraged by states because it is an engine to development and growth. Therefore, states should design good planning policies which can effectively accommodate and integrate the two sectors in order to maximize the economic growth.

The conceptual framework has highlighted the broader ideas of the study saying the severity of regulations can shape the relationships between formal and informal. The proximity of businesses may lead to complementary, competitive and conflicting relationships between the formal and informal players who may target different cliental due to pricing system.

These concepts raise certain research questions to explore relationships between traders in both formal and informal trading activities which need accurate research methods to gather relevant data.

## CHAPTER FOUR: **RESEARCH METHODS**

### **4.1. Introduction**

Bryman (2001) defines research methods as a model of the research process applicable to the study of people and society. This chapter describes the mixed research methods that were used during data gathering and analysis. The data used is both qualitative and quantitative because both qualitative and quantitative methodologies are not necessary mutually exclusive. Differences between the two approaches are located in the overall form, focus, and emphasis of study (Maanen, 1979). The purpose of the research looks at the human relationships that are involved in the economy in order to explore the relationships that exist between operators of formal (shopkeepers) and informal (street traders) trading activities. This helps to answer the question: *What is the nature of the relationships between formal and informal trading in the use of space in Yeoville?*

The data was collected using research instruments administrated by the researcher and which consist of observation, mapping process, and the combined structured and semi-structured interviews, each of which has its own advantages and disadvantages separately exploited under each research method section. I have conducted several social surveys in the past couple of years, even for the purpose of one of the courses; hence I can do them myself. I have obtained the permission to interview the traders from the Manager of Yeoville Market. The nature of research required different types of data as exposed below.

The research methods are divided into six sections. The first section focuses on the techniques of gathering data; the second section presents research methods; the third section expands on the shopkeepers and street traders as respondents from whom data were collected; the fourth section explains the reliability and validity of the methods used; the fifth section introduces data presentation and analysis; and the sixth section concludes with the limitations of the study.

### **4.2. Data gathering methods**

Data was collected in the form of observation, mapping process, and the combined structured and semi-structured interviews, including the range of available materials in libraries and on the internet. Breakwell et al. (2006) report that data gathering itself falls into two recognizably different activities: data elicitation and data recording. For them,

elicitation is about accessing information, opening it up for examination; whereas recording is about codifying the revealed information in such a manner that it allows the research question to be addressed.

The exploration of the relationships between shopkeepers and street traders along Raleigh Street has used the combined structured and semi-structured interviews conducted after the mapping of the precise location of areas where the trading activities are concentrated. The mapping process was motivated and informed by observation technique in order to randomly select the informants.

#### **4.2.1. Observation**

The primary data collection method was observation which led to the questions of this study. For Babbie (2007), observation, which was direct and unobtrusive, is known as a careful and deliberate activity which keeps the research open. He says that observation is more appropriate when the study requires an examination of complex relationships and intricate pattern of interactions. For Rubin and Babbie (2009), unobtrusive observation means that the observer blends into the observation setting in such a way that the act of observing and recording is by and large not noticeable to those who are being observed. Pelli (2005) points out that it is the quality of the observation that distinguishes the important discoveries; this applies to this study about the relationships between street traders and shopkeepers. As mentioned earlier it is what I (as a researcher) observed that led to this study.

In this research, unobtrusive observation has helped to maintain objectivity by the distance between the observed (formal and informal trading operators) and me (the observer and researcher) along with the possibility of external checks upon the questionnaire (Bryman, 1984). The advantage of using unobtrusive observation here is that such research can be replicated in another context by employing the same research instrument. Therefore, unobtrusive observation was the most salient in designing this research and collecting baseline data. A regular and continuous site visit was done at different times of days focusing on apparent occurrences in complementary, competitive and conflicting relationships between formal and informal trading actors and the location of people observed or studied.

In this sense, observation used has helped to encapsulate a wide range of observational practices in the field between formal and informal traders. At this stage, data collected provide basic evidence on the issue at hands.

The use of unobtrusive observation in this research has led to cover many aspects of the relationships between shopkeepers and street traders, although there may be a gap on what formal and informal trading actors report to do or feel and what I have seen them doing or feeling. This means that I may have also missed something from my observation given that I could not spend an entire day in the site. The fact that I was in the field at limited times of days (not every day either) and during certain periods of the year could have limited my observation and therefore missed important points of business relationships in which shopkeepers and street traders are involved. Unobtrusive observation was focused on the same goods sold by both street traders and shopkeepers. Such restriction to same items being sold by formal and informal traders may not have given as much insight as possible to the research, which could be differently done if the focus was also put on transactions or business operations between sellers and buyers.

This method has helped to record preliminary information which has given insights on what other research techniques to be used such as semi-structured interviews and the mapping process. These data gathering methods are useful when exploring the relationships between the formal and informal traders.

#### **4.2.2. Mapping process**

Eppler (2001) says that mapping is merely an enabler, a means to a more important end because it is a vehicle for expressing and releasing the knowledge, creativity, and energy that lies within every group, regardless of its position or level within an organization. In other words, the author tries to explain that the mapping process itself involves the context for mapping and the individual elements that are mapped to find relevant information. This has helped to visualize and display the information and relationships with differing dynamics in the items sold and the location.

The location of the research was surrounded by remarkable places of concentrated trading activities in Raleigh Street. It is these concentrated trading activities that gave an insight on the possible types of relationships to be explored. The mapping process has associated

information in such a way that the mapping itself creates additional knowledge playing the role of geographic map in the sense that it has increased visibility of the formal and informal traders (Ibid.). This method, which is used to feature a global understanding of the business environment in the site, has also facilitated and accelerated the process of locating the key informants who are connected with each other in a complementary, competitive or conflicting manner.

Basically, the map drawn from the observed places of business concentration has helped to locate shops that sell the same goods as street vendors. Through observation, the mapping process has also helped to identify the location dynamics of relationships between the operators. According to the scenario observed which raised my curiosity and interest to conduct this study the map drawn manually helped in randomly selecting the respondents from both street traders and formal shopkeepers for interviews as shown in map 4 in annexure 3.

The mapping process undertaken has identified three types of same products sold by both the shopkeepers and the street traders which are Fruits & Vegetables (tomatoes, onions, pepper, apples, oranges, avocados, potatoes, spinach, cabbage, chips, eggplants, bananas, pineapple, cucumber, papayas, etc.); sweets, biscuits, cigarette; and manufactured goods (clothes, belts, socks, gloves, caps, face towels, batteries, tooth pick, tooth brush, etc.) as described in the pictures 2, 3 and 4 below. These photos 2, 3 and 4 taken on the 22/06/2010 from my fieldwork describe the close proximity and the variety of products sold by street traders in front of formal shops. However, the products sold by street traders have not been mapped because of the mobility of the actors.

**Photos 2, 3&4: Sorts of same goods sold by both the shopkeepers & the street traders**



Source: Author

The mapping process has also some associated disadvantages lying in the danger of misinterpretation, and of information overload if the map represents too many elements or dimensions of knowledge. This research technique can also neglect other perspectives of the issue to be studied and presents the difficult depiction of dynamics of the relationships resulting in the reduction of complex structures to graphic symbols (Ibid.). The numerous disadvantages have to be weighed against the benefits that result from establishing relevant information from the mapping process. Therefore, semi-structured interviews were using to fill the gap in the collection of data.

#### **4.2.3. The combined Structured and Semi-structured interviews**

The interviews are said to provide more systematically collected data and are thus more scientific in one sense, although less so in another, for they can only report what people say they do and feel, and not what a researcher has seen them say, do and feel (Bryman, 1984). The combined structured and semi-structured interviews were the main data gathering research method because they are well suited for the exploration of the relationships between the respondents (street traders and the shopkeepers). They have led to clarifying answers and have the potential to overcome the poor response rate of the questionnaire (Barriball and While, 1994).

The wording and sequence of all the questions were standardized for each respondent so that the project can ensure that differences in the answers are due to differences among respondents rather than in the questions asked. This research tool was particularly suitable to be used in this project because it provided opportunities to evaluate the validity of respondents' answers by observing non-verbal languages or indicators, and hence ensured that all questions are answered by each respondent without receiving any assistance from others while formulating a response.

In contrast, the challenge of conducting the combined structured and semi-structured interviews with respondents whose English or French is the second language may have been a difficulty. The opportunity to change the words in the attempt of explaining the questions if the respondent does not understand may have also been a disadvantage because not every word has the same meaning to every response and not every respondent uses the same vocabulary (Ibid.).

The combined structured and semi-structured interviews were conducted in English. Although questions were prepared in English, they were also asked in French for French speaking people I met in the fieldwork but their answers were immediately recorded in English. All the interviews, which took place at the interviewees' working places, were conducted and managed by the researcher. Although the conditions were not conducive because of disturbances and interruptions of the Metro police and due to sales that were occasionally taking place during interviews, the experience of being in the site strengthened the richness of observations.

A set of questions were designed and tested in Hillbrow along Pretoria Street to avoid contamination of the real fieldwork in Yeoville. The neutral field research is limited by Banket Street in the West and Catherine Street in the East, joined by Pretoria Street. This testing field has a similar business context with Yeoville in terms of concentration of trading activities and street traders located in front of shops as shown in picture 5 below.

**Photo 5: The testing field in Hillbrow: opposite side of Shoprite**



Source: Author (05/06/2010)

Improvements to the research questionnaire were made based on the testing. The socio-economic characteristics of the respondents, which were previously put in the beginning, had to be moved to the end of the questionnaire because the respondents were not very comfortable to answer. Questions on monthly income of both formal and informal actors, and on registration documents intended to shopkeepers (how and when did you get them?) have to be canceled because they seemed irrelevant to explore business relationships between street traders and shopkeepers. The question on what the shopkeeper does when the Metro police come had been canceled because it was a repeated one with "Does the shopkeeper help you when the Metro police come? How?"



The testing of interview questions in a similar business environment has helped to record relevant data in the real fieldwork (Yeoville). In order to ensure that informants were comfortable with interviews, the researcher was introduced to them by the Yeoville Market Manager from whom I obtained the verbal permission to interview traders, as mentioned earlier on.

#### **4.3. Research method**

The data was collected through the answers from shopkeepers and street traders. As it was impracticable to interview all the Shopkeepers and street vendors along Raleigh Street, it was decided that a total population of thirty (30) informants randomly selected would provide the best sample. It was anticipated that this selection would improve the representativeness of the sample and improve the validity of the findings. To overcome bias, the map guided the selection of respondents from both formal and informal traders according to their location and the similar products sold. Therefore they are the research subjects from whom the main data were gathered. They are research informants through whom the relationships that exist between them in the two sectors of economy along Raleigh Street in Yeoville were explored.

The focus in the selection was particularly drawn on the street traders that are located in front of shops and who are selling the same goods than shopkeepers. In this regard, the semi-structured interviews of the length of about twenty minutes divided into two. Fifteen (15) formal shopkeepers and market traders were selected out of 27 formal shops, including the Yeoville market, to be interviewed and another fifteen (15) targeted street traders out of 43. It is important to note that the number of street traders may have increased or decreased after the time of selection because of the high mobility and the instability of the sector.

#### **4.4. Data collected**

The data collected required answers from both street traders and shopkeepers as the key informants of the research.

#### **4.4.1. Street traders**

According to Khoboso Nthunya in Lund, Nicholson and Skinner (2000), a street trader is a person whose activities are not recognized in the statistics that are used in the national records on production. The authors say that street traders are those who work informally in the sense that they are not registered with any government organs and do not have any official document which allows them to trade. This makes the street trader's labour not valued and his contribution to national welfare and development is not properly understood. An unpublished report by Karam et al. (2009) on the research conducted on "The role of the land markets in people's livelihood strategies within the informal sector in Johannesburg" has confirmed it.

The street traders include both women and men who are selling in the streets as the demarcation of their working areas. They do not have storages and affordable accommodations for their goods. Therefore, they face police eviction and persecution. They are said to be unstable and mobile with a lower educational level and less innovation than formal shop keepers.

#### **4.4.2. Formal shopkeepers**

A shopkeeper is seen as a salesperson that owns or manages a shop. Formal shopkeepers are registered with government organs and hold official documents which give them the right to operate. They pay taxes, rent and contribute in the growth of national economy. Their trading activities take place in stable areas or in a fixed location such as shops.

This category includes the Yeoville market traders who are different from hawkers because they are formally located in the market by the Metropolitan Trading Council (MTC). It is worth noting that market traders were previously street traders banned from the street and have different modes of relationships with street traders. According to Zimmer and Aldrich (1987), shopkeepers have social networks composed mainly of linkages with many others: family, friends, customers, suppliers, employees, and moneylenders.

The selection of shop keepers was done according to the location of street traders in front of the shops to better explore the dynamism of diverse relationships that may exist between them. Their goods are also affordable to customers and their pricing differs from that of street vendors. Most importantly, they are seen as opportunity entrepreneurs with

high educational level which may raise the question of reliability and validity of the research methods.

#### **4.5. Reliability and validity of the research methods**

According to LeCompte and Goetz (1982:31), the value of scientific research is partially dependent on the ability of individual researchers to demonstrate the credibility of their findings. The authors add that while reliability is concerned with the replicability of scientific findings, validity is concerned with the accuracy of scientific findings.

On one side, validity requires determining the extent to which conclusions effectively represent empirical reality and assessing whether constructs devised by researchers represent or measure the categories of human experience that occurs (ibid:31). It is understandable that validity of the research refers to the accuracy of instruments, findings and conclusions derived from the data in a research. On the other side, reliability refers to the extent to which studies can be replicated (Ibid: 35). One must understand that reliability refers to whether or not one gets the same answer by using an instrument to measure something more than once. For this dissertation, both validity and reliability were ensured by the use of the research techniques described above. Anyone who uses these data gathering methods will get the same results in the same context of study.

Although validity and reliability is a major challenge for the research based upon semi-structured interview method (Barriball and While, 1994), the willingness of respondents to be good informants has implications for validity of the data. Uncertainty about the constant changes in location of street traders who have moved to other places and the shops that have been added in Raleigh Street, and the feeling of fatigue due to several similar researches conducted on street trading over the last years might also affect validity of the research.

The validity of my questions was measured when the questionnaires were tested in a neutral field site in Hillbrow (see pictures 4&5). This process has helped to carefully review, restructure and design the questions of interviews to become more reliable for retrieving relevant information. The accuracy was determined by the length of the questionnaires. Less than 20 minutes long lasted the interviews with shopkeepers and about 20 minutes only were spent in interviewing Street traders.

The worthiness of the three research methods used in this survey is noted in the fact that the same data gathering methods, namely observation, mapping process, and semi-structured interview, can be used in many different types of research design. All these three methods can generate either qualitative or quantitative data records.

Nevertheless, the distinction between qualitative and quantitative methods is not a division inevitably determined by the nature of data used but in the way data are recorded and then subsequently treated. To this point, the methods used in this research have helped in testing theories that grounded the relationships between formal and informal economies in the context of Yeoville along Raleigh Street.

Here, it is important to note that results from this research are specific to relationships between formal and informal economic sectors tagged as street vendors and formal shopkeepers along Raleigh Street in Yeoville. The results are trustful, and might be applied and generalized to other parts of the developing countries. The objective of this research was merely to scrutinize and explore whether relationships between street vendors and formal shopkeepers were of complementarities/complicity, of competition or of conflict. This was the task of the fifth chapter which presents and analyses data.

#### **4.6. Data presentation and analysis**

Data collected from the fieldwork through the research questionnaire were presented and analyzed according to the emerged themes on possible relationships between street traders and shopkeepers. The themes were structured following the questions designed and were grouped according to different areas of relationships to be explored.

For instance, the exploration of complementary, Competitive and conflicting relationships between the trading actors was focusing on regulation aspects, location of businesses, pricing, communication, diversification of products, etc. Another aspect has assessed the relationships in terms of demand and supply and the ability to service the market, seeing formal and informal as a supply channel of goods and services. The study was also looking at the networks built between shopkeepers and street traders taking into account the socio-economic aspects of the interviewees, although some limitations may have occurred.

#### **4.7. Limitations of the study and Risks in the management**

There were many things over my control that disturbed the pace and progress of the research among which:

1. Financial difficulties or money limitation: Being a self-supporting student, I have sometimes postponed the interviews because I had to make a living by doing some small jobs to raise money.
2. Language barrier: The majority of respondents were not fluent in English or in French.
3. Time constraint: The time frame was disturbed during the FIFA 2010 Soccer World Cup event. It was difficult to conduct fieldwork at that period because the respondents were preoccupied on watching games. Also, exams have negatively affected the research schedule.
4. The research was carried out while studying at the same time. This could not enable me to be in the site during long hours of days to enhance my observation of different aspects of the relationships between the formal and informal operators.
5. Harassments of the traders by the metro police: Many times when I got to the field site I could not find the street traders for the interviews and other interviews were interrupted because the respondents had to run away from the local authorities.
6. The study considered the aging factor in the interval between 20 and 70 years old. But the average age of the respondents varies between 20 and 50 years old as it is the average age of informants in Raleigh Street. Therefore, I had to conform to the type of information that I had at hand.
7. In one case, a respondent decided to drop the interview because she was not interested in continuing to answer the questions and stopped during the process. It could indicate fatigue due to the number of researches going on in Yeoville at the same time.

8. Some of the informants (street traders) selected for interviews have moved to other places due to their high mobility which causes instability to informal economy. This made it difficult for the follow-up process of the research.

#### **4.8. Conclusion**

The three research methods used in this study, namely observation, mapping process, and the combined structured and semi-structured interviews are valid and reliable instruments which were accurately used in the collection of data. They are reliable methods to gather relevant information in the exploration of relationships between operators of both formal and informal economies. These same research gathering methods or tools may be used in other researches to gain valid and reliable findings.

The research questions were grouped into themes inspired by the literature review. It is worth noting that these research methods can be used in many other types of research design. Although these methods can generate both qualitative and quantitative data records, it is the way data are recorded and treated that determines whether they are qualitative or quantitative because these two methodologies are not necessarily exclusive to each other. Data collected through these three research methods are presented and analyzed with details in the following chapter.

## CHAPTER FIVE: **DATA PRESENTATION ANALYSIS**

### **5.1. Introduction**

Thirty interviews were conducted with operators from both the informal traders (street traders) and the formal traders (shopkeepers and market traders). They were equitably selected as 15 shopkeepers and 15 street traders, males and females. The average age ranged between 20 and 70 years old. Given that there could not be found people older than 48 years old, the researcher decided to reduce the age interval of the interviewees which varies between 20 and 49 years old. Therefore, it is assumed that this is the average age (20 - 49) of active and working labour force along Raleigh Street in Yeoville for both the shopkeepers and the street traders. The findings are based on the overall number of 30 informants who represent 100% of the random sample. The respondents were selected according to the availability and convenience of particular times during which I was in the field. It implies that of the 100% of the random sample of the respondents, street traders and shopkeepers represent equally 50% each (15/15). It is important to remind that the shopkeepers include also the Yeoville market traders, like it was already explained in chapter 4.

The current chapter discusses findings, presents and analyzes data collected from the field on different aspects of relationships in which the street traders and the shopkeepers are involved.

### **5.2. Data presentation and analysis**

This first part presents the demographic and socio-economic characteristics of the interviewees; the second section will present the answers to different aspects of the research questionnaires, including the analysis of data.

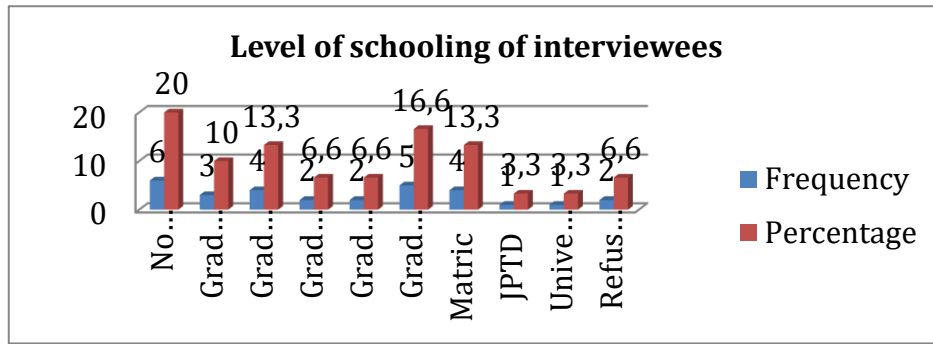
#### **5.2.1. Demographic and socioeconomic characteristics of the interviewees**

The demographic and socio-economic characteristics of the interviewees are limited into four aspects such as educational levels, places of birth, age profile and gender distribution. These demographic and socio-economic characteristics contribute to the insight of the nature of relationships that exist between shopkeepers and street traders within the

trading environment. Refer to annexure 2 for more details on gender distribution, age profile and places of birth of the interviewees.

### Interviewees' educational levels

Graph 1: Educational levels of traders

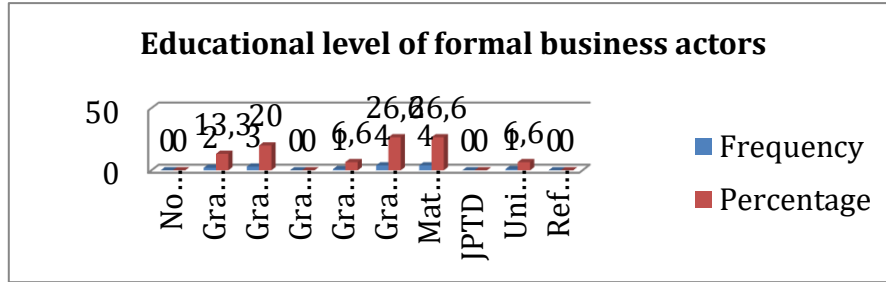


Source: Author

The majority of the traders (20%) did not go to school, 16.6% of the traders are above Grade 10 but not matriculants (Grade 11); 13.3% of the respondents represent respectively those who completed Grade 8 and those who hold matric levels; 10% of the interviewees stopped schooling at Grade 7. The 6.6% of the interviewees are equally distributed between those who attended Grade 9 and Grade 10, as well as those who refused to tell their level of education. The 3.3% of respondents are shared between qualified teachers who hold a Junior Primary Teaching Diploma (JPTD) and those with University degree. It was important to know exactly the educational level per sector because education (skills) determines whether exploitative or working relationships between shopkeepers and street traders under the umbrella of commission selling and dependent working (Bromley, 1978). This contributes to a better analysis of the relationships between the players of both economic sectors.



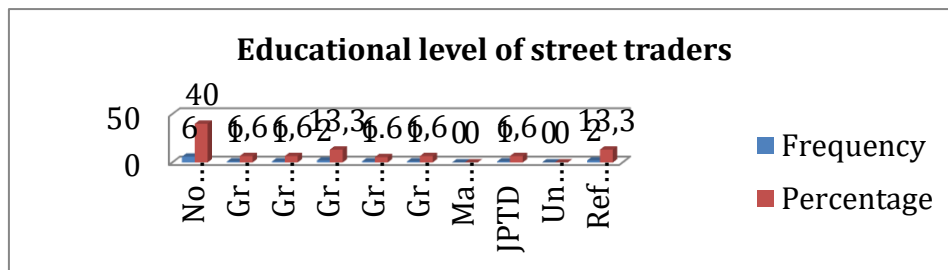
**Graph 2: Detailed educational levels of shopkeepers**



Source: Author

In the formal sector, of 26.6% of the respondents are equally shared between the majority of both the shopkeepers and the Yeoville market traders who attended Grade 11 and those who hold matric level; 20% of the interviewees have completed Grade 8, while 13.3% of them stopped schooling at Grade 7. 6.6% of the formal traders are shared between those who completed Grade 10 and those who hold a University degree. The educational level in the formal sector tells that those who hold a university degree, matric and Grade 11 may be able to build and to control diverse business relationships in which they are involved because they are more skilled than others.

**Graph 3: Detailed educational levels of street traders**



Source: Author

On the other side, most of the street traders who represent the majority of the respondents selected (40%) never went to school. They maybe find themselves in disadvantaged business relationships. 13.3% of the informal traders represents those who stopped schooling at Grade 9, as well as those who refused to answer; whereas 6.6% of them are respectively shared by those who attended Grade 7, Grade 8, Grade 10, Grade 11, and JPTD (see graph 3). It is interesting to note that the informal trading sector does not seem to

require high educational level. This means that the sector is accessible to everybody; suffice it to have an entrepreneurial spirit to start the business and the ability to connect to other businesses. Here, the ability to establish relationships depends on the personal ability stimulated by educational level in order to connect with others. This finding confirms studies by House (1984), and by Losby et al. (2002), and by Lalkaka (2003), and by Ligthelm (2004).

### 5.2.2. Answers to the combined structured and semi-structured interviews

This section contains data from the research questionnaire that has helped to explore the relationships between the formal and informal economic players in order to know whether there is competition, complementarities or conflict. The questions focused on the trading activity, the willingness in regularization, relationships between formal and informal business operators, also between trading operators and the local authorities. There were some questions intended specifically to each particular group.

#### About trading activity

Trading activity included the goods that are sold by the operators of the two forms of trading activities that were identified during the mapping process, working hours, how they access the place of the business, reasons for choosing this kind of business, time spent in the business, etc. This is to discover and understand the types of relationships that exist between shopkeepers and street traders.

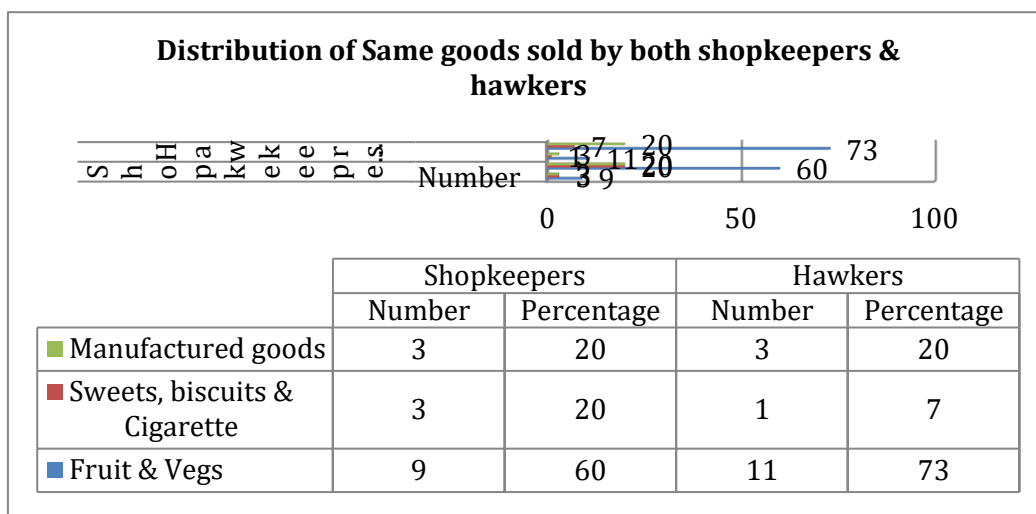
**Graph 4: Some goods on sale by both shopkeepers and street traders**



Source: Author

Of the total 30 (100%) of all the respondents, 20 (67%) are selling Fruit & Vegetables, whereas 6 (20%) sell manufactured goods, and 4 (13%) sell cigarette, biscuits & sweets (see graph 4). This demonstrates that it is likely that those who sell the same goods may be in complementary, competitive and conflicting relationships. Where there is conflict, it is likely to experience disjuncture between shopkeepers and street traders. The fact that both street traders and formal business operators sell the same goods allows the existence of many types of relationships. There are complementarities in the sense that both street traders and shopkeepers service and provide the community with products. They are the supply channel in doing the same job. This raises competition in terms of payoff or profitability. The fact that street traders sell the same products than shopkeepers may prevent customers from buying into the shops, which can be seen as an unfair competition that is likely to result in a conflicting relationship.

**Graph 5: Detailed graphic showing the trend of each sector according to same goods sold**

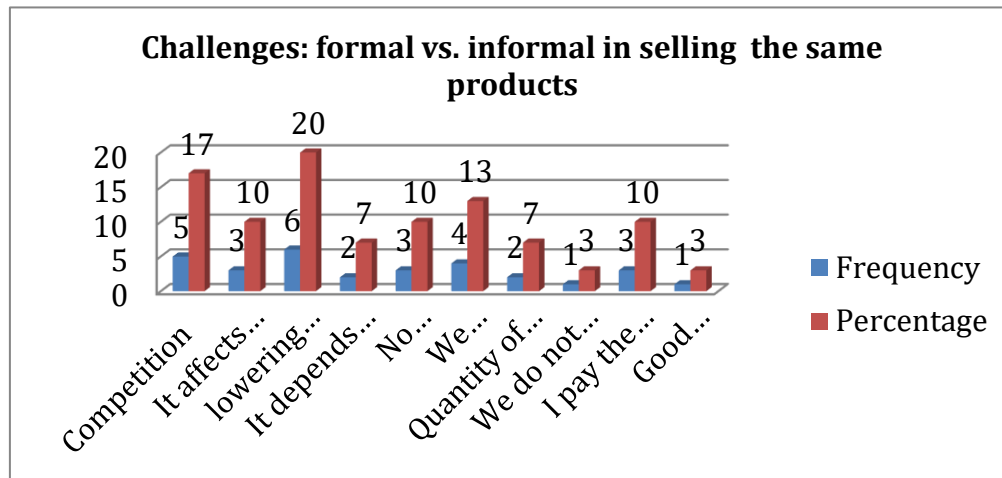


Source: Author

In the formal sector, 9 (60%) of the respondents selected (shopkeepers) are selling Fruits & Vegetables, while 3 (20%) sell sweets, biscuits and cigarette, and the other 3 (20%) sell the manufactured goods. In the informal trading, 11 (73%) of the interviewees (the street traders) sell Fruits & Vegetables, 3 out of 15 (20%) are involved in selling manufactured goods, while only 7% sells sweets, biscuits & cigarette (see graph 5). This shows that there

may be many and different types of challenges in selling the same products in the same environment.

**Graph 6: What challenges do you experience when selling the same products with him/her?**

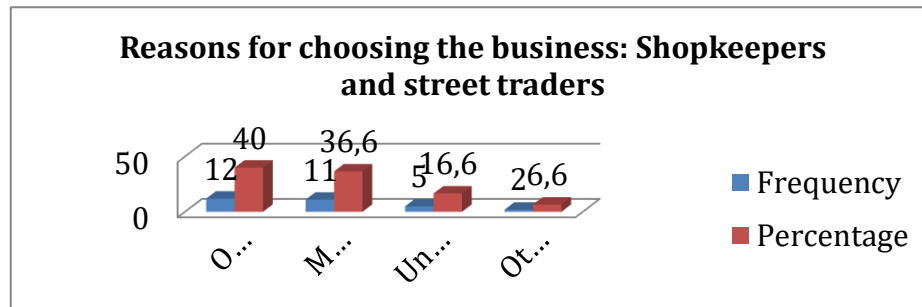


Source: Author

Different challenges in selling the same products in the same market environment were reported by the traders (street vendors, market traders and shop keepers). The majority of the respondents (20%) said that the biggest challenge they face is lowering prices (price cut) of items due to the fact that they sell the same products near each other (economic agglomeration). This has been highlighted in the literature as a strategy in a competitive business environment which affects businesses as well. 17% of the interviewees who are mainly shop keepers described the challenge in terms of competition which is one of the marketing relationships. Of the 13% of the traders (street traders and shop keepers) said that there were complementary relationships among them. 10% of the respondents (market traders) stated that the fact that they sell the same products affects the business; therefore this may raise conflict between actors of the economy; the other 10% which certainly represents the shopkeepers and Yeoville market traders complained on the fact that they pay the rent, whereas the street traders do not pay rent. This also indicates a conflicting relationship. Surprisingly, the other 10% did not see any challenge. While only 7% of the respondents who are street vendors thought of the quality of goods on sale and a need to add more goods to face the challenges in an entrepreneurial spirit. A tiny 3% of

street traders thought that the challenge is based on the profit (they do not make enough profit) therefore they need to work on customer care (service). The above different challenges stated in graph 6 help to understand whether there are opportunity and necessity entrepreneurs when highlighting the reasons why the traders have chosen their particular work in the following graph 7.

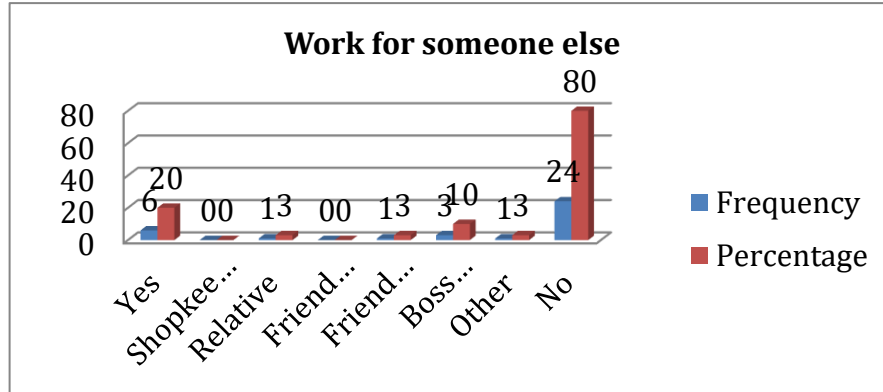
**Graph 7: Breakdown reasons why interviewees have chosen their particular business**



Source: Author

There were a number of reasons why shopkeepers, market traders and street traders chose to go into their specific businesses. The vast majority of 40% of the traders, most of whom are street vendors, stated that they had begun the work because there was nothing else they could do. This category is equally that of unskilled people as shown of their lower level of education. Therefore they are ranked under necessity entrepreneurs according to Lightlem (2004). Thirty six and six over ten percent of the business traders (shop keepers) said that they saw that trading was a market niche for them to make profit. They could fit in the category of opportunity entrepreneurs (Lightlem, 2004) whose skills are derived from their level of education. The other 16.6% of both formal and informal traders said that they started their trading activity because they were unemployed and entered into the industry to make a living. Thus, only 6.6% started the business for the unknown reasons (graph 7). This demonstrates whether or not the actors are able to build connections among each other. Refer to annexure 2 for details on the length of time in the business.

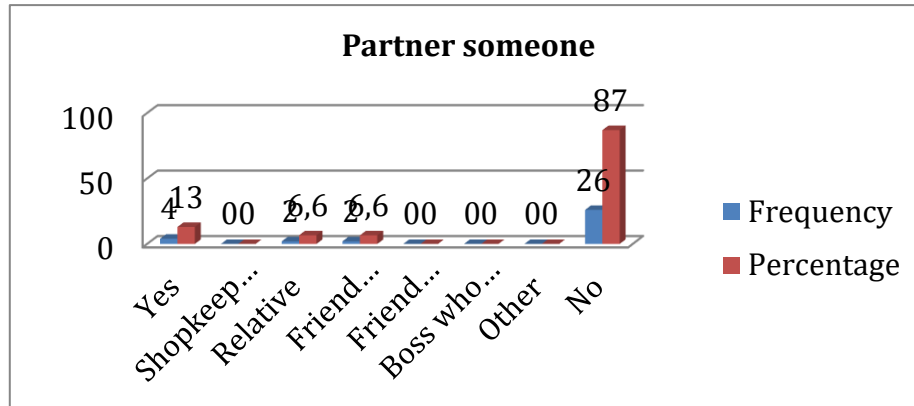
**Graph 8: Work for someone else**



Source: Author

A further consideration around the relationships between the shopkeepers and the street traders intended to examine if the respondents work for someone else. Of the 30 (100%) of the respondents, the vast majority of 24 (80%) of street traders and Yeoville market traders are self-employed and they do not work for someone else. Of the 6 (20%) of the interviewees who reported that they work for someone else (who is neither a shop keeper nor a friend from home), 10% of traders are working for a boss who is not a family member. This 10% represents people who sell in shops, but who are not necessarily shop owners. They work for bosses who are shop owners and whom I did not interview during my research. Therefore, those shop sellers are not allowed to exchange goods with street traders to establish complementarities (see graph 15). The other 3% is equally distributed between those who work for a relative, those who work for a friend made here, and for another boss who is not identified. The fact that there are 10% and 3% of the traders who work for someone else shows that there is horizontal connection in the Yeoville business environment. There is a low rate (3%) of business connectedness among individuals of the same community (relative). Instead, there is a high possibility (10%) of connectedness among individuals of different communities (boss who is not a family member). Given that the majority of the street traders and market traders are self-employed and do not work for shopkeepers, the business relationships are likely to shift from complementarities and competition to conflict.

**Graph 9: Partner with someone**



Source: Author

The business partnership was another indicator to explore the relationships between the actors of the two forms of the economy. The figure describes only 13% of the interviewees who said that they work with a partner and the other 87% reported that they do not have any partner in their work. The business partnership is more restricted and takes place among the members of the same community. Only 6.6% have a partnership with their relatives and 6.6% are partners with friends from home. However, 13% of those who have a partner in their work is slightly insignificant compared to the dominant majority of 87% who are owners. This cannot avoid the existence of complementary, competitive and conflicting relationships within Yeoville business environment.

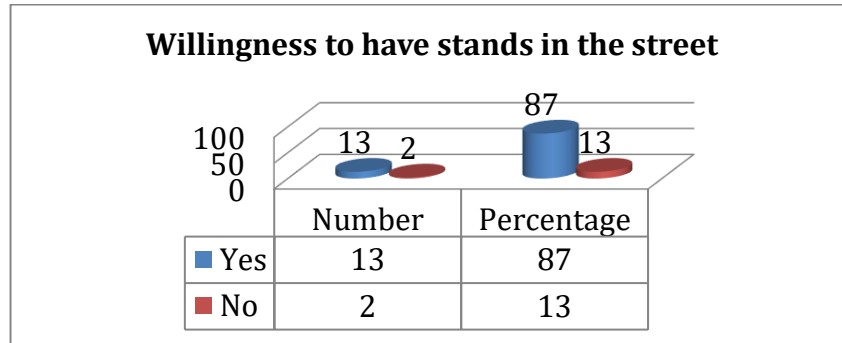
### The location of the business

From the literature review it was understood that the legal aspect was playing an important role in the business relationships between street traders and shopkeepers, as well as between street traders and the local authorities. This section focuses on the location of informal businesses with regard to by-laws, if street trading is to be promoted and well managed.

### Intended for the street traders

These questions of the survey were specifically designed to know the willingness of the street traders to legalize or formalize the place from where they work: to have stands in the street, to pay rent for the facilities, and to suggest the affordable amounts.

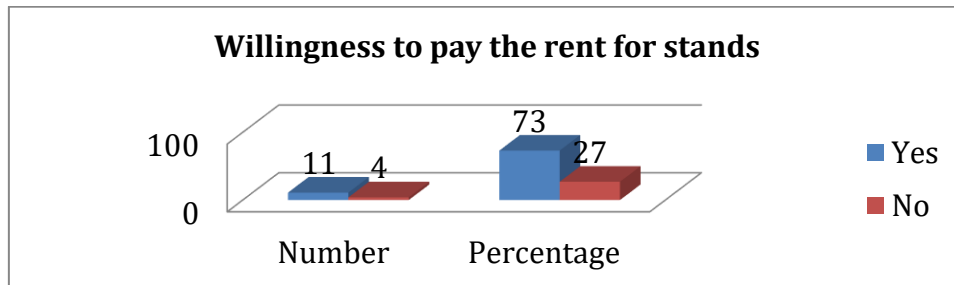
**Graph 10: Would you like to have a stand in the street?**



Source: Author

Among the 87% of all street vendors would like to have a place for their work on Raleigh Street, while the other 13% did not want to have stalls in the street. The stands in Raleigh Street were considered as a better solution to manage and regulate street trading activities. This helps in suggesting a market typology in the area that deals better with the street trading and integrates formal and informal sectors in order to greatly contribute in the economic growth of the suburb, as well as of the country as a whole.

**Graph 11: Are you willing to pay for facilities?**



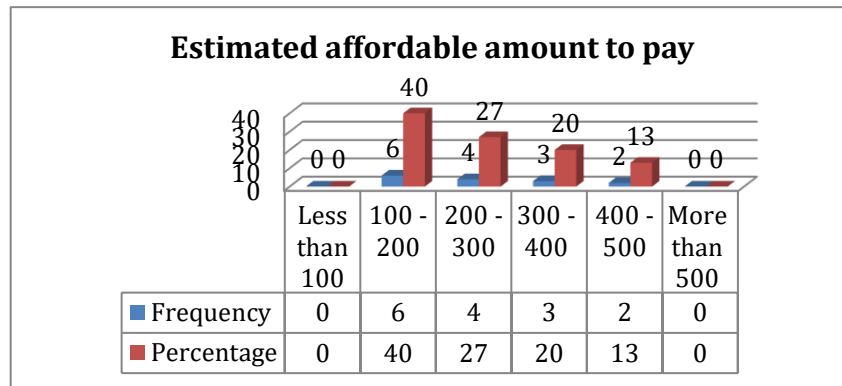
Source: Author

The graph above shows that 11 (73%) of the respondents are willing to pay for the facilities from where they could freely trade without any harassment. On the other hand,



there were 4 (27%) of the respondents who are unable to pay for the facilities and would prefer to occupy spaces without paying for the access. These few respondents would like to remain informal and unrecorded, and continue to face the harassment. Most importantly, the willingness of the Yeoville street traders to pay for facilities should inspire planning policy to design a convenient and decent model of the market to accommodate them.

**Graph 12: A monthly affordable amount suggested to be paid**



Source: Author

When asking if the street traders could suggest any monthly amount to pay for the facilities, the general trend of the vast majority of 40% of the interviewees was suggesting that they could afford to pay an amount between R100 and R200, which is reasonably an amount close to that paid by the majority of the Yeoville market traders. Such a monthly amount, if paid by each of the street vendors, could considerably contribute in the economic growth of the country given the fact that informal trading constitutes a dominant economic sector. Although there were 27% of the interviewees who suggested to pay a monthly amount between R200 – R300, the ideal option will be that of the general trend which suggested an amount between R100 and R200.

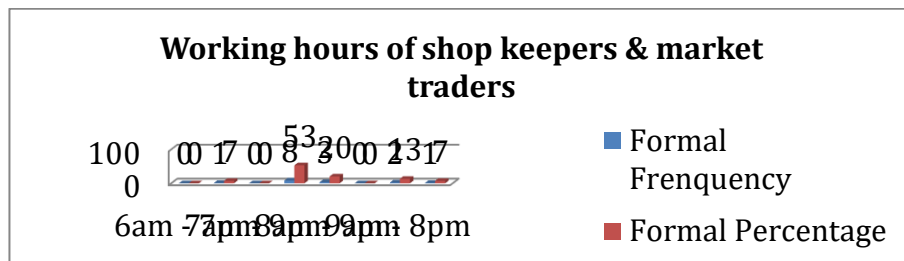
However, taking into account the fact that the street traders occupy the prime position in the sales environment (in front of the shops), the amount suggested would seem to be insignificant because they make a huge benefit favored by their business location. Would they accept to pay double the amount for the rent that is paid by the Yeoville market traders? In a sense, because street traders are already in Raleigh Street, a need is to

conceive a market plan that is inclusive, integrated and workable for both street traders, market traders and shop keepers.

About trading times

By exploring the trading times of the shopkeepers and street traders, the research has intended to explore the correlation that might give more insights about the relationships between trading operators.

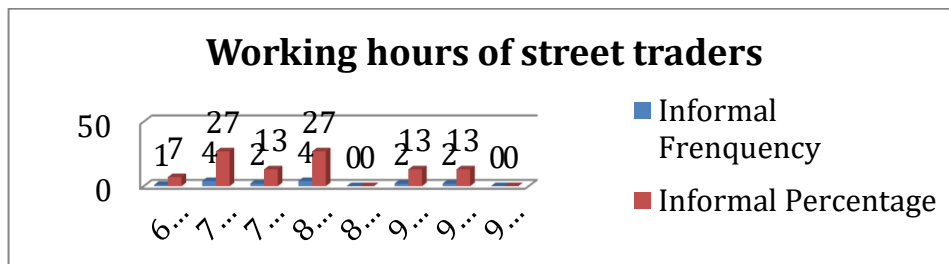
**Graph 13: Breakdown working times of shop keepers & market traders.**



Source: Author

Along Raleigh Street, shopkeepers and street traders do not have the same working times. There are some who open and close earlier than others (see graph 13). However, the large majority of the shopkeepers (53%) operate between 8am and 8pm, which are competitive working hours for shop keepers. There are also 20% of them who work between 8am and 9pm.

**Graph 14: Working hours of street traders**



Source: Author

On the other side, the majority of the 27% of the street traders opens earlier at 7am and closes at the same interval of time than shopkeepers in the evenings (8pm), while the other

27% of street traders operating at the very same times as shop keepers (8am – 8pm). They think that these working hours help to complement with shop keepers in the provision of services to the community. Interestingly, there is another 13% of the interviewees from both shopkeepers and street traders who open and close at the same times (9am – 8pm).

The working times for street traders are not chosen coincidentally. Most of the street traders have reported that they also share the same customers with the shopkeepers (see graph 19). The location of their business in prime position (in front of the shops) aims at benefiting from the influx of the clients who buy from the shops. They therefore need to accommodate their working time to those of shop keepers. The operators complement each other in the sense that items that are not affordable in the shops in packages may be afforded in the street, in piece and in lower price (cheap) as it can be read in the picture below.

**Photo 6: Some items sold in cheaper price on the street**



**Source: Author (date)**

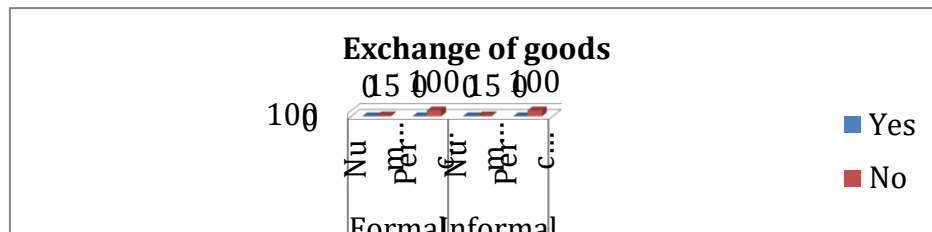
This photo was taken on the 10/09/2010 in front of Hyper Meat next to Supa Saver Shop (Yeoville) to show that products are sold in small amounts on the street; they are cheaper than those sold in shops.

The following section is the core section of this study which explores directly complementary, competitive and conflicting relationships between the formal and informal business operators along Raleigh Street in Yeoville.

### ***Complementary relationships***

Complementary relationships are understood in terms of exchange of goods which expresses cooperation and vertical relationship between the actors of the economy, and communication which favours interaction between formal and informal operators to help the exportation or the provision of goods and services to the community in an integrated manner.

**Graph 15: Do you give him/her some products to sell? Or does he/she give you some products?**

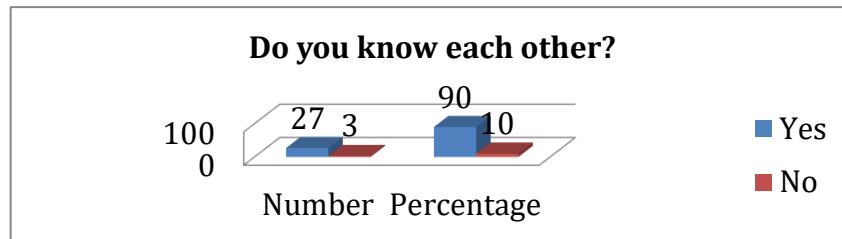


Source: Author

100% of the respondents from both the shopkeepers and the street traders unanimously answered that they do not exchange the products. The unanimous negative answer in the exchange of goods contradicts the assumption of complementary relationships between the shopkeepers and the street traders in Raleigh Street. All of the 15 shopkeeper respondents said: ***“I would not form a business relationship with them because they are illegal, but many of them are our clients”***. On the other hand, the 15 street traders stated: ***“We are just friends because we do the same job”***.

Here, the research did not investigate more to know what the respondents mean by “clients” and “friends”. Client relationship could be understood here in a sense that street traders buy from shops. They are therefore clients to shopkeepers. A friendship is established in a sense that street traders can rely on shopkeepers if they need something (products) from them or they can borrow from shopkeepers. This can be seen as not doing business but as helping a friend. If they do not exchange goods, they at least share the clients because they are operating in the same business environment.

**Graph 16: Do you know each other?**

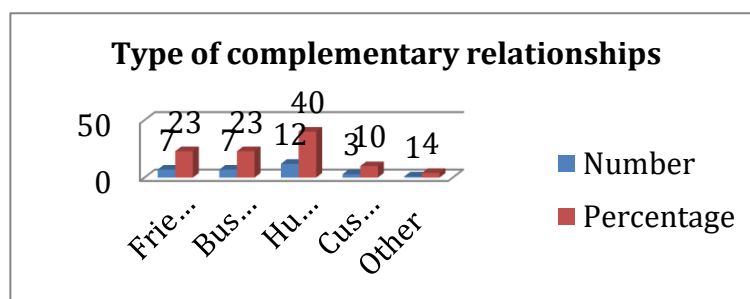


Source: Author

The figures in this graph 16 indicates that 27 (90%) out of 30 of the interviewees reported that they know each other which is the starting point of any established relationship between human beings. This relates to the number of years during which the traders in Raleigh Street have been working closer to each other. Those who have been working for long periods of time would better know and understand one another more than those who have just entered the business environment. The proximity or the closeness in the working environment could likely have helped to build strong relationships. In the other hand, there is a very tiny 10% of the respondents who do not know each other, despite the fact that they work in the same environment everyday and close to each other.

**What is your relationship with him/her?**

**Graphic 17: Type of complementary relationships**

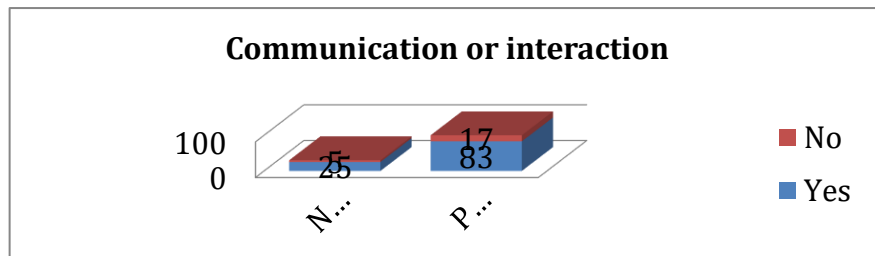


Source: Author

Graph 17 depicts that 40% of the traders (the shopkeepers) answered that they were in humanitarian relationships with street traders. Most of the shopkeepers interviewed are employees not the owners of the shops. They have a humanitarian relationship with street traders because they might find themselves in the street if they are retrenched.

Furthermore, Yeoville is an African business node where majority of the residents are from African countries. Although they may be involved in businesses, the characteristics of African human culture should not be neglected. The humanitarian relationships are significant in the provision of a variety of services to confirm the extent to which the operators know each other as proven in graph 15. Of the 23% of the respondents said that they are in a friendship and have business relationships, which is conducive for a good and complementary trading environment. The 10% of some of the street traders reported that they buy many items from the shops and sell them outside in front of the same shops. Therefore they maintain a marketing relationship with the shopkeepers as being their customers. The rest of the 4% of the respondents have other forms of complementary relationships that are not defined or not disclosed. This may stimulate future researches to deepen the disclosure of these hidden relationships.

**Graph 18: Do you talk to each other?**

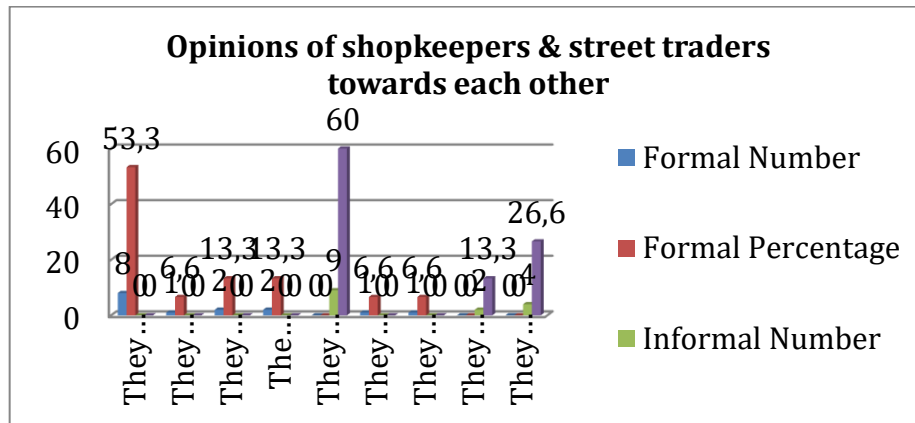


Source: Author

Graph 18 suggests that 83% of respondents do talk to each other everyday exploring a variety of topics such as greetings, jokes (socializing), soccer, exchanging money, business, discussion about the space when customers complain about congestion, and so forth. The fact that they do talk everyday proves that they are in a constant communication. Communication is the process of socialization. Hence, it is supposed that both the shopkeepers and the street vendors, as active members of the business, understand the rules and regulations of their work environment. Communication directly contradicts perceptions and attitudes towards individuals and stimulates positive changes for a great and incredible acceptance. In addition, communication boosts the level of cooperation and enhances a mutual understanding which leads to an unsuspecting and satisfactory

relationship. To this extent, communication may also develop from casual to business between the workers of the two forms of the economy as supported by Mohr and Spekman (1994).

**Graph 19: Is he/she a good person?**



Source: Aurhor

In exploring opinions that favor the relationships between the shopkeepers, market traders and the street traders, the general trend of perception was positive. For instance, 60% of the street traders stated that the shopkeepers were good people because they are not chasing them from the front of the shops. On the other side, 53.3% of the shopkeepers spotted that the street traders were good because their presence in the street brings and attracts the customers to the shops. This is a specific form of complementary business relationship that is not based on exchange of products between economic actors. Furthermore, 13.3% of the shopkeepers stated that if street traders are not there, the place will be quiet. The presence of street traders makes the Yeoville main Street vibrant and attractive which also indicates another specific complementary relationship.

This shows in general a good level of the interactive experience and a sufficient proof of cooperative relationships which are part of the satisfaction. They are satisfied to work closer to one another in a transactional and relational nature of demand and supply. The understanding of the market demand (customers' needs) gives them all the orientation and hence the ability to appropriately vary or diversify items.

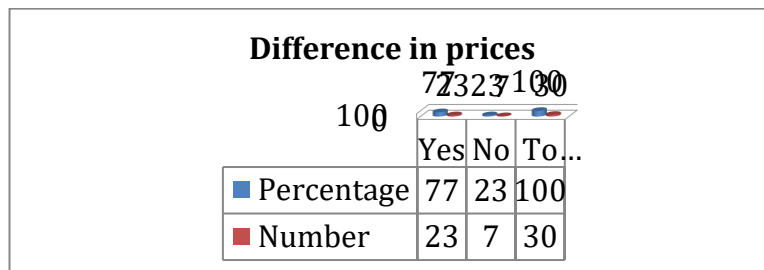
Nevertheless, a tiny 13.3% of the street traders complained that the market traders may be the ones who report them to the Metro police to chase them away. Such a complaint may raise conflicting relationships between the operators of the two economic sectors. However, the findings demonstrate that the shopkeepers and the street traders (26.6%) do benefit from each other and they work in a confident trading environment because they trust one another: *“He/she is a good person”*.

### ***Competitive relationships***

The exploration of competitive relationships between the shopkeepers and the street traders was based on price, quality of items sold, the location of businesses, the exposition of goods in the street and customer care or customer service.

### **Pricing issue and quality of goods**

**Graph 20: Are your prices different?**

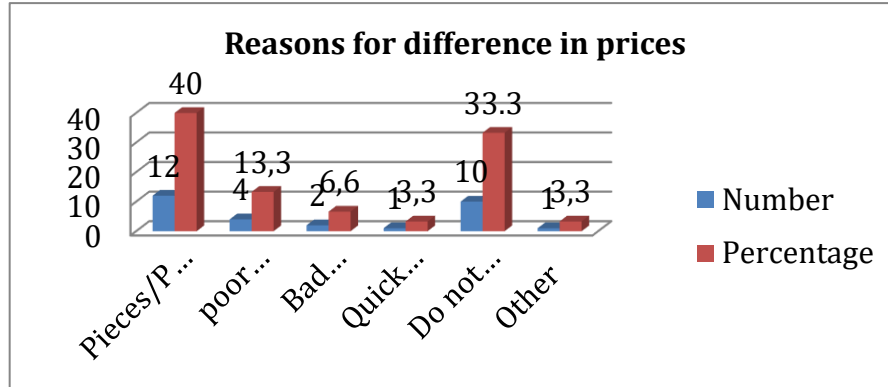


Source: Author

The general trend of the interviewees showed that there was a higher difference in prices. The figure indicates that 77% of the traders thought that there was a huge difference in the prices of the same goods that they sell, despite the fact that they buy the items from the same suppliers. The difference in price is due to the fact that street traders sell in lower prices because they do not pay taxes and rent, whereas shopkeepers pay transaction costs to the government and rent the spaces of their work. On the other hand, 23% of the traders stated that there is no difference in their prices. The interesting thing is to know the reasons of the difference in the prices.



**Graph 21: Reasons why the prices are difference**

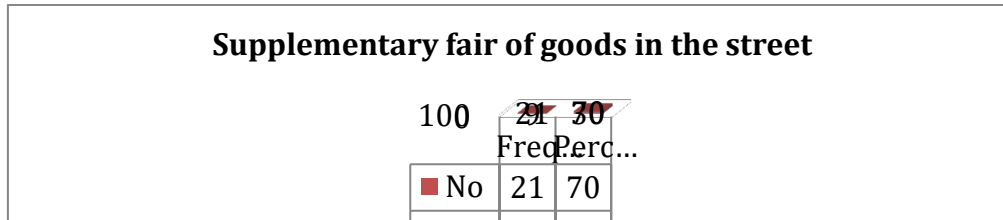


Source: Author

Many reasons were mentioned to justify the huge difference in prices. The vast majority (40%) of the traders admitted that the difference in prices was due to the fact that the shopkeepers sell packages while the street traders sell in pieces, they are retailers (see graphic 21). 33.3% of the traders stressed that the difference in prices depends on whether one pays for the space or not.

The fact that the street traders have occupied the space (see graph 27) without paying any amount may have an impact or an influence on the price. This is likely to arouse discontentment and conflict. There were also 13.3% of the traders who reported that the quality of some goods on sale by both the shopkeepers and the street traders does have an impact in the difference of prices. Generally, it is known that good quality products are of high value. Hence, desire for quality may have a significant effect on the price. The shopkeepers are selling a range of different products in bulk and they are trusted in terms of quality. Of the 6.6% of the traders interviewed have mentioned that the conditions in which products are sold seemed to have less impact in the pricing issue, although they contribute in competition. The pace in selling (quick or slow sales: 3.3%) was not considered as a major indicator in the competitive business environment of Raleigh Street and the other 3.3% of respondents thought that there were unknown reasons that contribute in differentiating the prices.

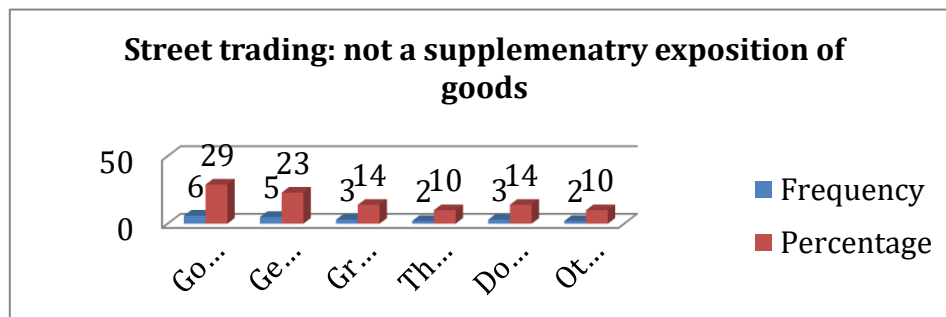
**Graph 22: Would it be a supplementary exposition of goods?**



Source: Author

There were 70% of the respondents who stated that the fact that goods are sold on the street by street vendors would not be a supplementary exposition (fair). This means that they encourage competition for the growth of the street trading activities in Raleigh Street. This is however not in line with the city's by-laws. Therefore, a good planning policy and market design need to be set in place to avoid dysfunctional planning processes. On the other hand, 30% of the interviewees thought that selling on the street was a supplementary exposition of goods. All of the respondents gave the reasons to explain their opinions.

**Graph 23: Reasons given by those who do not see street trading as supplementary exposition of goods.**

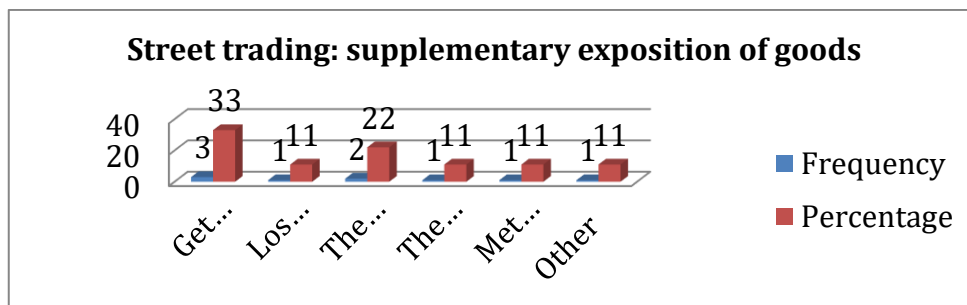


Source: Author

The vast majority 6 out of 21 (29%) of the shopkeepers argued that the exposition of goods in the street was good for competition in the business because it brings about innovation and entrepreneurial spirit (the know-how). Promoting the entrepreneurial spirit in a country is the key to economic growth, job creation and improved competitiveness. However, 5 out 21 (23%) of the market traders said that street trading is good as long as street traders can get stands and pay rent. They will then take good care of the place (cleanliness: 10%) and grow in the business (14%).

However if facilities are provided to the street traders, this should be done in line with the city’s vision because those facilities will need good management with attached services for maintenance. Therefore, it would be crucial to identify the land that would accommodate the plans efficiently and effectively. The figure in this regard are as follows: 14% of the respondents who are shopkeepers thought that the exposition of goods in the street will help the street vendors grow in their business, even though there are similar numbers of the interviewees who do not mind. The other 10% of the shopkeepers interviewed reported that the street will become neat as street traders will need to take good care of their workplace before they set up their goods. It is important to note that if facilities are provided to street traders, attached services must also be provided which will take care of the places of street traders’ work. The cleanliness will then depend on the management of the services provided by the entity in charge, be it MTC or some other organizations.

**Graph 24: Reasons given by those who see street trading as supplementary exposition of goods.**

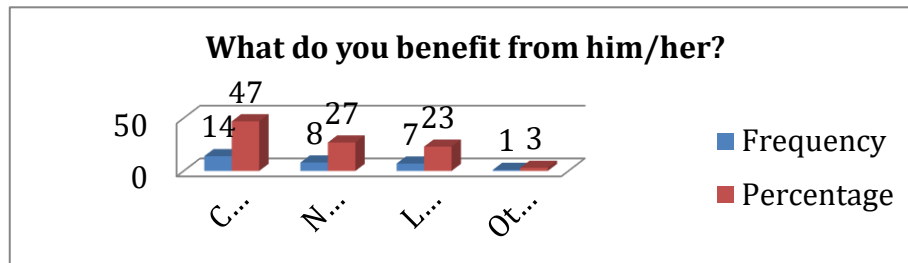


Source: Author

Of those who see street trading as a supplementary exposition of goods, a third of the respondents suggested that the street traders should get the place in the market. This reveals a level of conflict between the business operators and encourages the research to suggest a market model that fits in Yeoville to accommodate not only the street traders, but even the formal traders that are struggling to have a convenient place. While 2 out of 9 (22%) of the respondents complained that it was not good to expose goods on the street because the street traders do not pay rent, 1 out of 9 (11%) of the respondents expressed the fear to lose the customers, and another 1 out of 9 (11%) of the respondents noted that the place would become dirty due to littering. Interestingly, the other 1 out of 9 (11%) of the interviewees has elaborated on the Metro police harassments. These reasons of those who

did not like the exposition of goods in the street seemed to highlight conflicting relationships between the shopkeepers and the street traders.

**Graph 25: What do you benefit from him/her?**



Source: Author

Of the 47% of the traders thought that their business closeness to each other was benefiting them from getting customers, despite the 23% of the respondents who expressed the fear to lose the customers. There were 27% of the interviewees who said that there was no benefit in their business, although they work in the same environment. A tiny 3% remained unknown. This demonstrates the combined relationships that exist between the shopkeepers and the street traders. The benefit in customers may likely enhance complementarities and competition, whereas fear to lose the customer base may likely arouse conflicting relationships in the trading environment. This has justified the virtual absence of the street trading activities in front of the Yeoville market. Contrarily, the street traders are prevalent in front of the Townfood Shop, which is located opposite to the Yeoville market (see photo 6 below).

### ***Conflicting relationships***

Conflicting relationships were looked at in terms of preference in the location of the business that seeks to maximize opportunity of resources, price and legality. The latter focuses on the biased government interventions (by-laws) in connection with tax and rent. The picture below describes the locational conflict between street traders and Yeoville market traders.

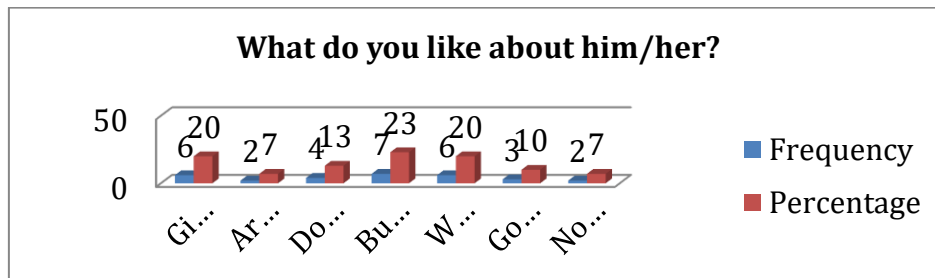
**Photo 7: Apparent conflicting relationship between the Yeoville market traders & street vendors**



Source: Author

This photo describes an environment of conflictual business relationship in Raleigh Street between street traders and Yeoville market traders taken on 15/01/2011. Street traders are located in front of TownFood Shop, opposite to Yeoville market.

**Graph 26: What do you like about him/her?**

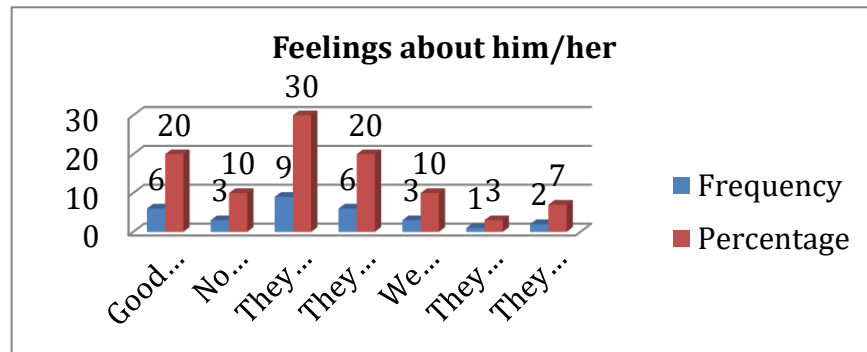


Source: Author

The large majority of the traders (23%) thought that they had business relationships which could be competitive or complementary. 20% of the respondents said that they were happy with the company that they get from each other because they know each other. This enhances the level of cooperation. 13% of the shopkeepers have a good perception of the street traders because they do not do wrong things. The 7% of the respondents went further to state that armed robbery is not easy in the shops because of the presence of the street traders. This shows that the presence of street traders in Raleigh Street does contribute to the safety of the Street. Their presence or location in front of shops keeps a good company, it is accepted and appreciated by shopkeepers. They are good friends and

lovely people in the world of business (10%). The answers to this question did not give insight on the conflicting relationships in the business.

**Graph 27: How do you feel about him/her?**



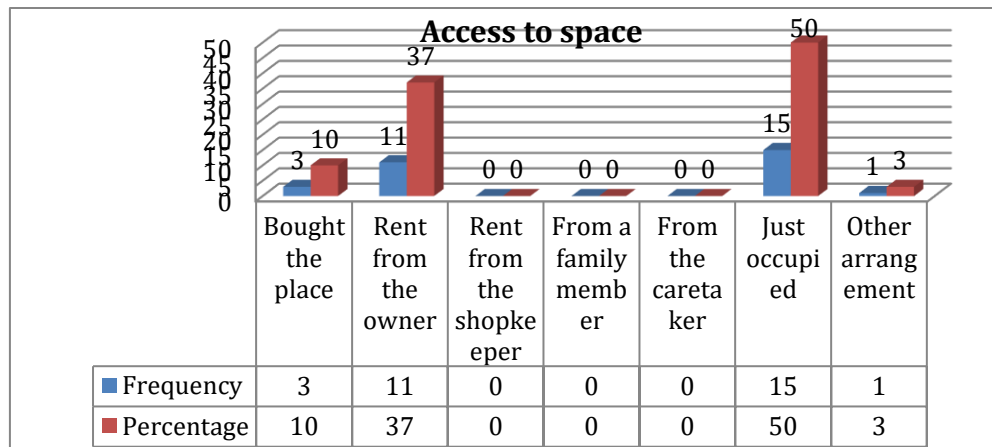
Source: Author

Graph 27 indicates all types of relationships existing between the shopkeepers and the street traders. For example, 30% of the traders (shop keepers) reported that street traders do send customers to the shops in a sort of business networks, as well as in a complementary relationship. They promote the business and maintain good contacts in sending the customers to the shops. While 20% of the traders spotted that they look at each other as good people, the other 20% of the respondents who are market traders stated that the street traders kill their business, therefore they should get out of the place (3%), which might provoke tensions and conflicting relationships in a competitive business environment. There was 10% of the respondents (shop keepers and street traders) who answered that there was no problems between them, although there was another 10% of shop keepers that reported clearly that they do have arguments when the suppliers come to deliver the products to the shops which shows an open conflicting situation.

The 20% of traders who stated that street traders could kill their business is a fact why there is no informal business taking place in front of Yeoville market. As a reminder, the Yeoville market was built to accommodate all the street traders that were selling along Raleigh/Rockey Street in Yeoville. The street traders that were allocated in the market are trading formally now and they know better the reality of the prime position of street trading. They cannot allow street traders in front of the market. Along Raleigh Street it

shows that informality takes place between Kenmere and Cavendish, except in front of the Yeoville market. This indicates a conflicting relationship between street vendors and Yeoville market sellers to the extent that this particular environment is not conducive for informal businesses.

**Graph 28: How did you get the place where you are selling from?**



Source: Author

Access to space in which trading activities are taking place is another aspect of exploring relationships between the shopkeepers and the street traders. As the figure shows, there are 3 major arrangements to access the places from which traders work. Half of the respondents (15 out of 30 or 50%), all of whom are the street traders, decided to occupy the place from which they trade without any payment or arrangement. This is a free occupation of public space by street vendors which leads to harassments by the local authorities because it is seen as illegal occupation. The majority of the street traders (50%) have situated or located themselves on pavements therefore they do not need to pay anything or they do not pay protection money. Likely for shop keepers and market traders who have accessed the formal economy (37% or 11 out of 30 respondents) had to pay to access the space which is either the shop or the Yeoville market. There is a 10% of shop keepers who have bought the place from which they work.

The figure supports that the 37% of the respondents have gained the access to their space from the owner. A very tiny number of the interviewees (3 or 10%) work from their own places because they have bought them. Some undefined arrangements (3%) were also

exploited to gain the place along Raleigh Street. The free occupation of public space is not in line with the city's bylaws. At this stage, the Johannesburg local government is lacking (struggling) to manage the public space and street trading because of the absence of a good planning policy of street trading. The local authorities do not have an alternative plan or vision, except the continuous harassments which have proven their ineffectiveness. Instead, there is an imperative need of rethinking the regulation or the city by-laws.

**Intended for the street traders**

This picture below shows street traders running away from the metro police harassment which is likely to raise suspicion and conflict between both formal and informal actors and the local authorities.

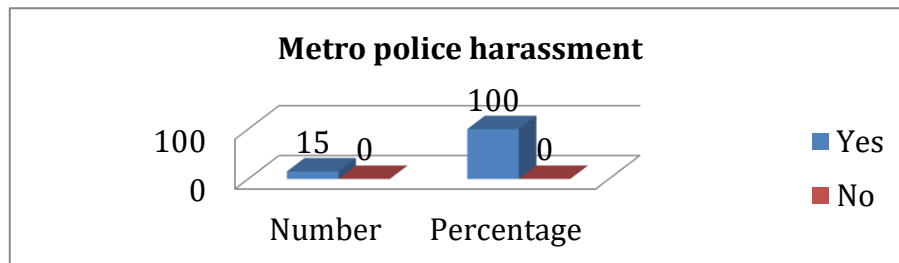
**Photo 8: Street traders facing eviction & running away all over from the Metro**



Source: Author (22/06/2010)

The above picture shows street traders all over the street, running away from the metro police harassment and creating a disturbing atmosphere.

**Graph 29: Are you experiencing any problem with the authorities (Metro police)**

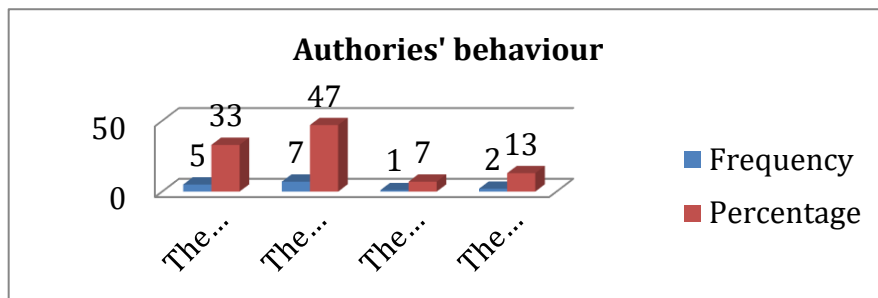


Source: Author



100% of the street traders reported that they were experiencing harassments from the authorities (Metro police). The continual eviction in Raleigh street demonstrates both the failure of the local government to effectively enforce the law and the lack of imagination of alternative solutions. The local government through its trading structure such as Metropolitan Trading Company should be able to deal with street trading and allocate the street traders in an alternative market to avoid the permanent eviction or the Metro police harassment. Police harassment has created conflict between the authorities and the street traders.

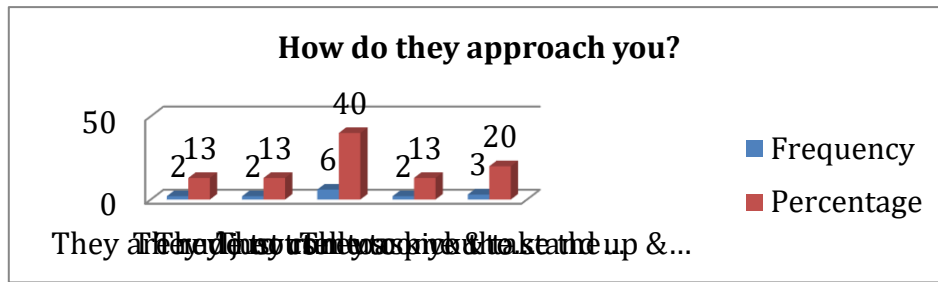
**Graph 30: What do they do when they come?**



Source: Author

Of the 47% of the street traders complained about the confiscation of their goods by the Metro police. Thirty three or a third of the street traders stressed that the Metro police takes everything. There was 13% who reported that the metro police surprise them. What is bad is that the Metro police goes beyond their limits by hitting the street traders (7%). Although it may not be the focus of the research, this kind of Metro police behaviour arouses concerns about the rights of the street traders because the local government should have a clear responsibility to protect and enhance the public good and the reasonable rights of all individuals. Dewar (2005) suggests that the local authority's primary role should be one of monitoring and regulating in an impartial way that seeks to balance the needs of all affected parties. Such Metro police's behaviour of confiscation and hitting are likely to raise conflict between street traders and authorities which might stimulate bribery. Corruption does not contribute to economic growth because the resources (money) go to private pockets.

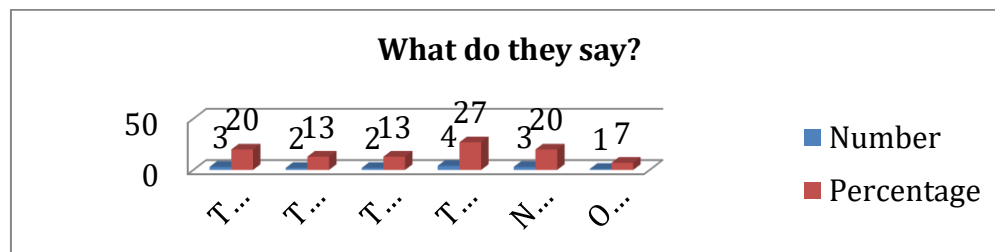
**Graph 31: How do they approach you?**



Source: Author

The large majority of 40% of the street traders said that the Metro police just come and take their stuff without any warning (*They do not tell us when they come 13%*). 20% of the street traders said that when the police come, they ask them to stand up and leave everything, while 13% confirmed that the Metro approached them in an unexpected and unprofessional manner (*They are rude to us*), sometimes they just run towards street traders to take their products (13%). This kind of treatment faced by street traders tells that street trading in Yeoville continues to be seen as a peripheral economy, separated from the centre. Such a biased government intervention cannot help the integration of both formal and informal sectors. The research has demonstrated that the street trading sector in Yeoville is also accessed by the foreign people (see graph 7, annexure 2) seen as the affected group really in need to be protected and taken care of. The Metro police's behaviour may highlight the lack of management of the street trading along Raleigh Street which may also result in conflicting relationship. Considering the nature of the informal trading in general (high mobility and instability), it seems ambitious to provide all the street traders with a decent accommodation in the street.

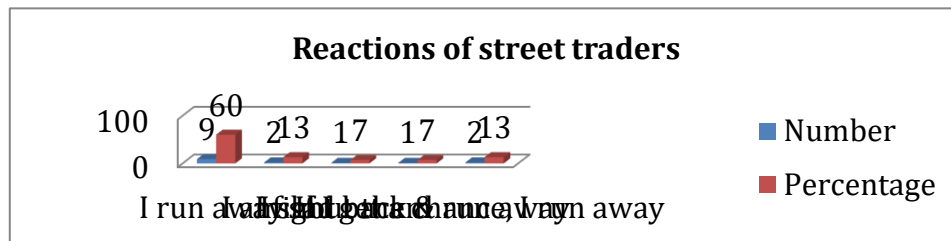
**Graph 32: What do they say about your activity?**



Source: Author

The 27% of the street traders have stated that the Metro police say that the place is not for trading, but they are failing to provide an alternative solution. Twenty percent of the street vendors reported that the Metro police say that they are doing their job; while the other 13% are equally distributed between those who stated that the Metro told them to go to the market and those who were told to just move away from their products, who might not know why they should not sell in the street. This clearly shows the lack of imagination of alternative visions to accommodate the street traders in Yeoville. The local government should be able to explain the by-laws to the street traders or the policy that guides the street trading in the City of Johannesburg.

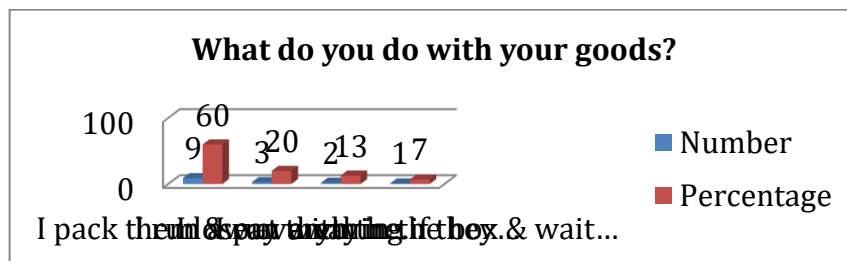
**Graph 33: How do you react to that?**



Source: Author

The large majority of 60% of the street traders, men and women, have thought that running away from the Metro police was a good solution to survive the eviction. 13% thought that they run away with their goods if they get a chance to do so. They become sad if their products are taken, while 7% of them thought that they could either fight back or shout at the Metro in order to keep their goods. Such a reaction from the street traders indicates the failure to comply with the bylaws.

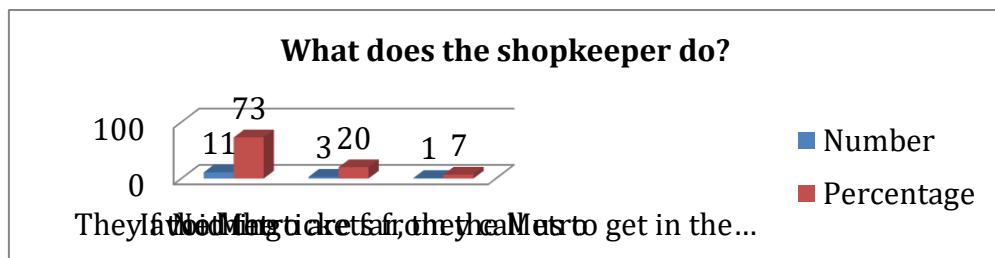
**Graph 34: What do you do with your products when the authorities come?**



Source: Author

Graph 33 shows that the 60% of the street traders thought that the ideal solution to escape the eviction is either packing the goods or running away with the remaining stuff (20%), while the 13% reported that they lost everything if they were caught by the Metro police; and a tiny 7% of them decided to hide their goods and wait until the Metro police to go away. None of the street traders reported that they could hide their stuff in the shop as recorded during the observation which led to this research. This might be due to the fact that either the respondents did not trust the researcher to disclose the information or they decided to protect the shopkeepers who are not owners of the shops, but workers with whom they have a humanitarian relationship (see graph 17). However, the strategies developed by the street traders to avoid the loss of their goods indicate both the lack of access to information by the street traders and the lack of management of street trading. This results in the lack of imagination of alternative visions and the lack of law enforcement by the local authorities (see photo 7 above). Eviction along Raleigh Street in Yeoville has become a usual game between the street traders and the Metro police and no one takes it seriously.

**Graph 35: What does the shopkeeper do when the Metro come?**

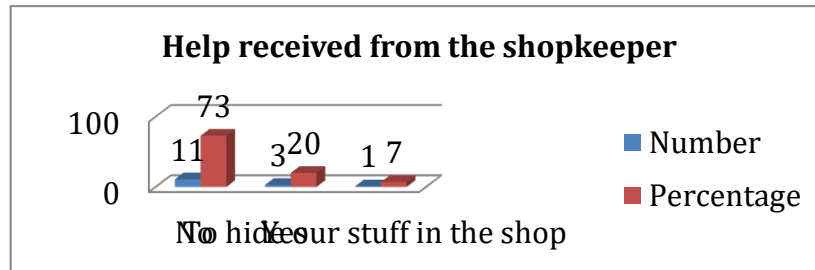


Source: Author

The 73% of the street vendors reported that the shopkeepers do not do anything when the Metro police come. This could be justified by the fact that they avoid sanctions from the Metro police (20%), or they did not want to disclose what the shopkeepers do for them. Only a tiny 7% of the street traders could tell that shopkeepers allow them to get into their shops with their goods to avoid the confiscation, which confirms the fact observed during the inception of this research. The general trend here demonstrates that the shopkeepers are not allowed to help the street traders in any manner to escape the eviction. Otherwise,

they will be acting against the City's trading regulatory framework. The friendly relationships between the shopkeepers and the street traders seem to have some limits when it comes to compliance with the law and that the by-laws do play a role in those relationships.

**Graph 36: Does he/she help you? How?**

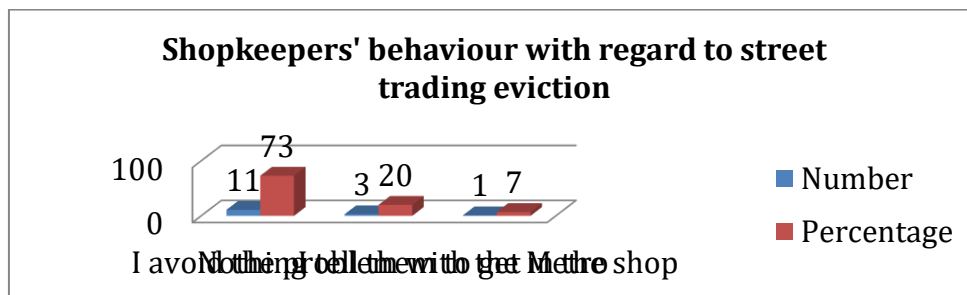


Source: Author

The 73% of the street traders answered that they do not get any help from the shopkeepers when the Metro police evict them from the street. However, 20% of the street traders told that they are helped by the shopkeepers when they revealed that they hide their stuff inside the shops (7%). Although the shopkeepers work in the same business environment and closer to the street traders in a friendly relationship or a humanitarian relationship, they seem to be limited to help the street traders against eviction. Those of the shopkeepers who have tried to offer any kind of assistance, they have done it at their own risk because they could get tickets from the Metro as sanctions.

**b. Intended for the shopkeepers**

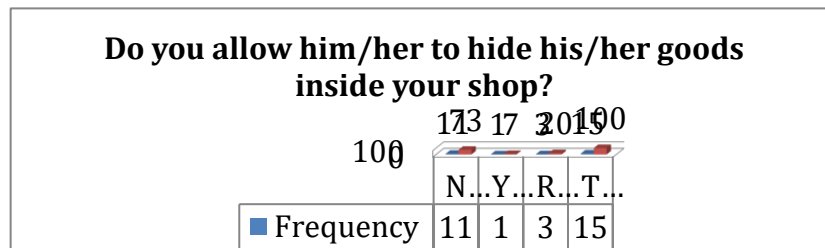
**Graph 37: What do you do when the Metro come?**



Source: Author

In interviewing the shopkeepers if they have done something to assist the street traders who were facing a constant eviction, the vast majority of 73% of them said there was nothing they could do because they avoided sanctions (20%), but only 7% of the shopkeepers could help the street traders against eviction. The fact that there were some 7% of the shopkeepers who assisted the street traders during eviction times shows the level of cooperation in the relationships.

**Graph 38: Do you allow him/her to hide his/her goods inside your shop?**



Source: Author

Of the 73% of the shopkeepers stated that they could not help the street traders to hide their products in the shops. Only 7% of them could help the street traders, while the other 20% refused to answer.

***Agglomeration***

According to the literature, agglomeration, built upon close community systems of relationships, is about economic activities spatially concentrated, which rely on the trade-off between various forms of increasing returns and different types of mobility costs (Fujita and Thisse, 2002:1). For instance, shopkeepers and street traders sell similar products and form clusters (constellations) along Raleigh Street in Yeoville. Agglomeration helps to identify different networks built between different formal and informal trading actors. Photo 8 describes an example of business agglomeration in the form of cluster.

**Photo 9: Street traders forming a business cluster**

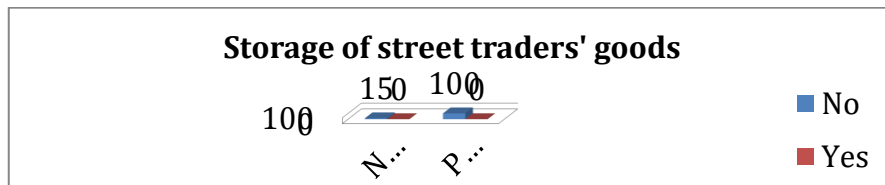


Source: Author (07/08/2010)

This picture shows street traders in clusters well located in front of Shoprite where there is a high flow of pedestrians. They create vibrancy in the area and attract many customers. This leads to good cooperation between the traders.

**Intended for the street traders**

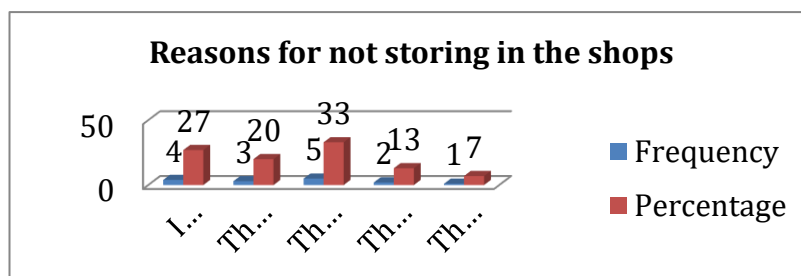
**Graph 39 Do you store your goods inside his/her shop after work? Why?**



Source: Author

In analysing the vertical relationships through the storage of goods of the street traders, all of the 15 (100%) street traders have reported that they do not store their goods inside the shops after working for several reasons stated below (see graph 40 bellow).

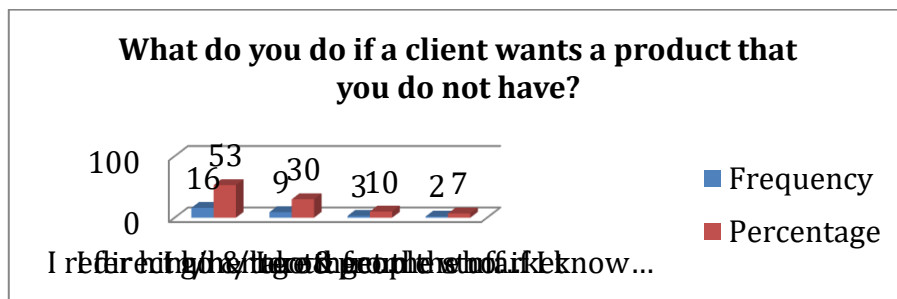
**Graph 40: Reasons why not storing inside the shops**



Source: Author

Of the overall 15 of street traders, 33% of them stated that they could not store their goods inside the shops because they work every day while the shops do not open on public holidays. 27% thought that the fact that they stay near to the market was not important to store their stuff inside the shops and they could take them home every day after work. One of the reasons why the street traders do not store their goods inside the shops was that the shopkeepers often open their shops very late. A very tiny 7% reported that they travel with their goods because they do not have the storage space (facilities) in Raleigh Street. Such statements (reasons) may suggest the relevance of planning in taking into account the groups' needs. If a storage facility was to be built in Raleigh Street, its management should be left in the hands of the street traders as they operate on a daily basis.

**Graph 41: What do you do if a client wants a product that you do not have?**



Source: Author

The exploration of the business connectedness led to define the networks that could be built between the shopkeepers and the street traders along Raleigh Street in Yeoville. The networks were analyzed when asking to both the shopkeepers and the street traders about what they do in the case whereby a client needs a product that they do not have or an item that they do not sell.

The majority of 53% of the traders conceded that they send other customers to buy to other partners in the business, if they do not have the product that a client wanted. Thirty percent reported that they could direct the customers to people who have the products needed. There were very few 10% and 7% of the traders who stated that they could go and get the item for the customers if they knew where to get it. The connectedness explains the horizontality and the verticality of the relationships between the traders in Raleigh Street.



## Intended for the street traders

Graph 42: Do you send some customers to buy from inside the shop?

Do you send customers to the shop?			
	Yes	No	T...
Frequency	15	0	15
Percentage	100	0	100

Source: Author

Overall of the 15 (100%) of street traders have stated that they send the customers to the shops to buy or purchase items that they could not find on the street. This shows the level of complementary relationships between the traders in the networks to facilitate the business.

### 5.3. Conclusion

This chapter presented the data to explore the different relationships that exist between the formal shopkeepers and the street traders in Yeoville. The survey demonstrated that the complementary, competitive and conflicting relationships are built in the Raleigh Street's business environment. Therefore, the vertical and horizontal relationships between the formal shopkeepers and the street traders constitute the main supply chain of goods to the market (customers). The coexistence of the operators is the appropriate cooperative relationship to achieve complementarities and competition, although the latter could arouse conflicts which might lead to disjunction in the business between the two economic sectors.

Most importantly, the research has depicted a very good environment for business constituted by Raleigh Street, especially for street trading, which needs to be promoted. The locational advantage of street trading in Raleigh Street gives access to everyone in the Yeoville Main Street.

Nevertheless, street trading seems to be inappropriate in Raleigh Street with regard to the bylaws and the local government policy on street trading. Therefore, there is an urgent

necessity for a good planning policy of street trading to be set up in Yeoville and a sustainable design of the market model which could successfully accommodate street traders. For instance, the local authorities' intervention in the market seems to lack dimensions of management of street trading. The chapter has revealed the lack of control of the space occupied by street traders, lack of imagination of alternative visions, and lack of the law enforcement by Yeoville local authorities. In the following concluding chapter the research disseminates findings from which potential interventions are suggested as a good opportunity for future research.

## CHAPTER SIX: **CONCLUSION, FINDINGS AND RECOMMENDATIONS**

### **6.1. Conclusion**

The research has explored the nature of the relationships that exist between operators of economies in both formal and informal. The study targeted the same goods sold by the formal shopkeepers and the street traders who are located in front of the shops along Raleigh Street in Yeoville. The study focused on the complementary, competitive and conflicting business relationships between the operators of the two trading sectors, which relationships could help to plan for potential interventions for the disadvantaged people such as the street traders who face constant harassments (evictions) by the local authorities. This research was articulated into six chapters which focused on understanding whether there is conflict, competition or complementarities between the formal and informal sectors of the Yeoville economy.

The understanding of the complexities of these relationships would help improve accessibility and equity for both the street traders and the formal shopkeepers to effectively participate in economic growth. Most importantly, the study showed that it seems difficult to set up boundaries to distinguish informal and formal because they operate in a similar way.

I reveal from this study that the relationships between the formal and informal economies are one-sided view oriented because the informal sector is looked from the formal criteria. The research considers that the one-sided view with its top-down perspective has neglected the self-organizing capacity of individuals from the bottom because informal does not mean chaotic or unstructured. Therefore there is a need to move beyond the one-sided view to find balance, continuity and integration of formal and informal economies in an environment that is conducive to promote complementarities and competition, even though competition often leads to conflict. In so doing, we would be able to tackle policy interventions which could help the poor to unlock their potential through markets.

To this extent, complementary relationships have been described in the form of the exchange of goods through networks built either vertically or horizontally; communication between the actors of the economy was likely to develop from casual conversations into

business skills. The diversification of products by street traders and shopkeepers in an entrepreneurial spirit could show a complementary managerial ability of skills of both formal and informal sectors to become supply channel of goods and services to the community. On the contrary, it seems that products are very similar and not at all identifying niches, a consequence of metro police harassments.

The elements strengthening competition were singled out and highlighted such as difference in prices, location of the businesses regrouped into constellation (agglomeration) to respond to the market deficiencies, and quality of goods and quality of service provided. A competitive business environment often raises conflicts. Conflicting relationships were raised around the overheads issue, and around the business location and the by-laws which provoke tensions not only between the business operators, but also between informal workers and the local authorities.

The research has faced some challenges (limits) which disturbed the schedule and delayed its progress. For instance, the selection of the key respondents from the informal trading was problematic due to instability and mobility of street traders. Given that the study used covert observation as research method, ethical concerns were dealt with in keeping anonymity of the respondents because the sector is fluid and there are always new people coming into the industry.

However, the valid and reliable research methods used for data collection were accurate. It is worth noting that these research methods can be used in many other types of research design because they generate both qualitative and quantitative data records. They are reliable methods to gather relevant information in the exploration of complementary, competitive and conflicting relationships between operators of formal and informal economies from which findings are disseminated for potential interventions and further research.

## **6.2. Dissemination of the research findings**

The research findings were structured into three major themes organized under conflicting, competitive and complementary relationships explored between street traders and shopkeepers along Raleigh Street in Yeoville.

### **6.2.1. Complementarities**

Unexpectedly, the research did not find the complementary relationships between the shopkeepers and the street traders in terms of exchange of goods (see graph 15, chapter 5). 100% of traders say they do not exchange goods, even if this data is contradicted by limited evidence. Instead, there were complementary relationships in terms of the services rendered to the community by the operators of the two sectors given that they do a similar trading work. For instance, if shopkeepers sell torches and street traders sell batteries, they are complementary. Therefore, street traders and shopkeepers constitute a supply channel in exporting goods and services to the community in a competitive way because they have the same customers (see graph 25, chapter 5). The coexistence (proximity) in the business environment favours an appropriate cooperative relationship to achieve complementarities. Most importantly, the study found that the shopkeepers and the street traders are benefiting from the same customers in Yeoville.

Also through the means of communication (interaction), which is vertically and horizontally done or established, the operators complement each other by building friendships and humanitarian relationships (see graph 18, chapter 5) favored by their proximity.

Given the fact that street traders and shopkeepers are in a good cooperation and collaboration, the shopkeepers are encouraging street trading because they also benefit from their business in terms of customers and vibrancy (see graph 19, chapter 5). Complementarities are based heavily on the perception that street traders make the street vibrant and attractive to customers. Therefore, they let them occupy the space and sell from the front of their shops. Given that the respondents were selected according to same products sold, it is not surprising that they eventually do not complement one another in terms of products. The idea of complementarities is based on an area effect (location of business) related to street atmosphere, vibrancy and attractiveness, which is extremely important for planners, politicians, and communities.

The research has demonstrated that the street traders and shopkeepers are connected in vertical and horizontal relationships. The majority of the respondents (53%) (see graph

42, chapter 5) have reported that they send other customers to buy from other partners in the business, if they do not have the products needed. On the other hand, all street traders interviewed have stated that they send the customers to the shops to purchase items that they could not find on the street.

The research has found that the majority of the street traders (87% see graph 10) would like to have a place (stalls) for their work on Raleigh Street. According to graphs 16 & 18, the data has shown that street traders and shopkeepers have good relationships because they interact in exploring diverse topics. The general trend of perception was positive. Graph 18 shows that 60% of the street traders stated that the shopkeepers were good people because they are not chasing them away from the front of their shops. Therefore, the majority of the traders (70%) do not see street trading as a supplementary exposition of goods (see graph 22, chapter 5).

The study revealed that the street traders could not store their products in the shops when they are evicted by the authorities. Instead, 60% of them have reported that they run away with their goods (see graph 34, chapter 5). This prime location of street traders results in competition.

### **6.2.2. Competition**

A high level of competition was identified through the price difference, the quality of goods, quality of service and the location of the business. The competitive relationships are the most frequent relationships in the trading context of Raleigh Street because of the coexistence of the traders and the sale of the same items as the formal shopkeepers. Different challenges in selling the same goods in the same market environment were reported by the traders (see graph 6, chapter 5). With regard to the price issue, it was found that the street vendors sell cheaper products as opposed to the formal business operators (see graphs 20&21, chapter 5). This is due to the fact that the street traders are selling in retail (pieces); they do not pay overheads for the space occupied. The quality of service provided to clients was not a major indicator in the competitive business environment of Raleigh Street. However, the quality of goods sold by formal and informal business traders was seen either as high and good or as low and bad. A product was seen as

of good and high quality when it is sold inside the shop, it was perceived as of low and bad quality ("*Fong Kong*") if it is found on the street. This perception is likely to raise conflict between the business operators.

### **6.2.3. Conflict**

Conflict in the business environment is a normal phenomenon. Although the study has found that the majority of the street traders are foreign nationals (see annexure 2, graph 7), there was not any conflicting relationship stated between the different communities in Yeoville in the business.

Besides the price issue, overheads and the business location specifically with the Yeoville market traders (see photo 6), the survey has identified a level of conflict between the street traders and shopkeepers in the form of complaints from street traders who suspect that shopkeepers are reporting them to the local authorities (see graph 19, chapter 5).

With regard to the bylaws, the research has found that the street traders are willing to pay for any kind of facilities (see graphs 10&11, chapter 5) that may be provided to them in order to work legally. This will avoid the conflicting relationships between the street traders and the shopkeepers in terms of suspicion when the former are evicted.

In summary, the research questions have helped to widely explore the complementary, competitive and conflicting trading relationships between the street traders and the shopkeepers in Raleigh Street, which are constructed at different levels to encourage possible interventions.

## **6.3. Potential interventions and recommendations**

### **6.3.1. Potential interventions**

The complementary, competitive and conflicting relationships that exist between the actors of formal and informal sectors need efficient and professional planning suggestions of a market model in Yeoville, given that street traders have expressed their willingness to have facilities and pay for them. Street trading needs to be promoted.

An urgent critical and planning thinking of the market dynamics, the by-laws and the business context should be put in place to redress the issues of urban migration, inequality, equity and accessibility. Therefore, an integration of formal and informal in the same business environment is a necessary need.

The ideas of building satellite markets in the periphery of Yeoville, pedestrianizing another street or broadening the Yeoville market (whereas the existing market is not sufficiently used) may be irrelevant or may not work because they are not based on business actual dynamics of the centrality of Raleigh Street. Given the fact that street traders are making money on Raleigh Street, but the market does not manage to attract more customers; given that most traders (shop keepers) think street traders make Raleigh Street an attractive and vibrant business place (see graph 18, chapter 5); given that street traders are ready and willing to pay rent for their trading space or for any facilities provided for them in this regard (see graphs 10&11, chapter 5); given that street traders, market traders and shopkeepers constitute a supply channel of goods and services to the community (see graph 25, chapter 5); given that their coexistence (proximity) in the same business environment favours an appropriate cooperation in building friendships and humanitarian relationships (see graph 17, chapter 5); the research therefore suggests three models of the market: the pedestrianized market by closing down the two blocs studied in Raleigh Street during certain periods of times in the day, the linear market, and the demarcation of places for trading activities.

The creation of temporary pedestrianization of the area in Raleigh Street between Kenmere Street and Cavendish Road with a better integration of the market would allow the flexibility of the market whereby the street becomes permeable for the flow of people.



**Photos 10& 11: Pedestrianization model of an area**



Source photo 10:<http://www.google.co.za/imgres/http://www.urbanphoto.net/blog/2007/01/23/pedestrian-streets-hong-kong-style/> accessed on 25/04/2011;

Source photo 11: <http://www.google.com/imgres?imgurl=http://images.travelpod.com/users/> accessed on 13/05/2011

Photo 10 shows a pedestrianization of an area in Hong Kong (China) with a board that reads: “***Pedestrian area. All vehicles prohibited***”. Photo 11 above shows another model of pedestrianization that can be implemented in Yeoville.

As written by Nelson and Nygaard Consulting Associates (2006), past experiences suggest that a successful pedestrianization program must begin with a few select streets. One should not simply ban traffic on these streets, as the resulting disorder might prove unsustainable. Many cities around the world have successful pedestrian streets, but like any civic venture it must be properly managed.

By so doing in Raleigh Street, street traders will be legalized to sell their products in the Yeoville Main Road, while leaving space for the flow of pedestrians or a one way for cars. Therefore, Hunter Street and Hopkins Street which are parallel streets from both sides of Raleigh Street could be used for traffic during the day. A close down model for pedestrian market is informed by the practice that exists in Kinshasa, the capital city of the Democratic Republic of Congo (DRC) whereby the street traders have illegally occupied and blocked certain streets. During trading hours from the early mornings to the late afternoons, there are no car traffics, except the rare vans for delivery. Pedestrianized market is likely to exist in many capital cities of developing countries in an illegal way, but which the study is

suggesting to be legalized in Yeoville. This market could be extended further to other blocs as the need arises or could be improved as the market grows.

Hass-Klau (1993) has proven a positive effect of pedestrianization showing that those (shops and street traders) trading inside the pedestrianized areas are more successful than those outside. A similar study by Sandahl and Lindh (1995) has demonstrated the benefit of pedestrianization through increased turnover in improvements to market including a better composition or regrouping of shops and street traders. Another research conducted by Chiquetto (1997) revealed that this scheme (pedestrianization) usually aims to provide better accessibility and mobility to pedestrians and enhance the volume of shopping and other business activities. Such an ideology or a typology of market model will create an open-air gathering place which functions as a trading area with more vibrancy. This is the case with Greenmarket Square in Cape Town which has shown a successful functioning in the city (Pirie, 2007).

The linear market in Raleigh Street may be inspired by the existing model found in the CBD at the corner of Rissik and Klerk Streets which demonstrates a success cohabitation and integration of formal and informal sectors in the same environment, impacting positively on each other. This model of linear market can create revolutionary business landscapes in Raleigh Street in playing a perfect function of trade area because it is supposed to offer goods or services at some points along the road.

**Photo 12: Linear market model**



Source: [http://www.joburg.org.za/index.php?option=com\\_content&task=view&id=5003&Itemid=212](http://www.joburg.org.za/index.php?option=com_content&task=view&id=5003&Itemid=212) accessed on 13/04/2011

A linear market situated between Bree and Plein Streets in the City Centre. This market in Johannesburg downtown is situated on the sidewalk where there is interaction between

formal shops and street vendors in a harmonized manner. All consumers are evenly distributed along a line. A linear market may be sufficient to derive complementary, competitive and conflicting relationships between trading players.

Another type of market model that could be implemented in Raleigh Street, which has been successfully implemented in Durban, is the marking of certain places where the informal businesses are concentrated.

**Photo 13: Demarcation of places for informal trading activities in the street (Johannesburg CBD)**



Source: Yeoville Studio (YS) News released on Friday, 22/04/2011

Photo 13 was taken during a trip in Johannesburg CBD to see market typologies and how formal and informal can work together in a harmonious way impacting positively on each other. This picture is showing precise demarcated places with yellow lines where street trading is legally allowed in the City of Johannesburg. The unoccupied marked space was a mistake made by the City because the Optic shop did not allow street traders or informality in front of their shops

In the City of Durban, those marked places in which some stands were built have been allocated to street traders from which they trade formally. Skinner (2000) states that Durban is seen as a success story for street traders than any other South African city because Durban's Department of Informal Trade and Small Business Opportunity (DITSBO) has secured comparatively large amounts of money for infrastructural development, indicating a degree of political prioritization of street trading.

According to this marking model, if the street trader is allocated to a stand he/she pays more than the one who is selling in an allocated open space. This type of market could also

be successfully implemented in Yeoville along Raleigh Street given that street traders are willing to pay for facilities. Such intervention would facilitate the integration of the two economic sectors.

These alternative visions reveal a clear desire in the search of solutions in order to deal better with street trading and to accommodate the street traders for them to sufficiently participate in economic growth. This planning policy encourages a good management of street trading and helps local authorities to manage the illegal occupation of public spaces. The management of such facilities would be left under the MTC which is the key stakeholder in the City of Johannesburg with regard to trading activities. These models of the market are informed or led by the benefit of what street traders are doing in the city.

The above potential interventions indicate that Yeoville can accommodate both street trading and formal businesses in the same environment that the City of Johannesburg (the local authorities) can wisely use to implement its planning policy with regard to street trading. The City of Johannesburg should genuinely incorporate street trading into long-term urban plans.

A policy should provide guidance as to how planning for informal sector would be rightfully placed at the centre of the city's urban planning framework. It is thus clear that a key contribution of a street trading policy will engender consistency between different departments over time.

### **6.3.2. Recommendations**

The blocking of the Main Street or the closing down of Raleigh Street during certain periods of the day to allow formal and informal trading activities on one side, and the marking of informal business concentration model on the other side could open up other areas for future research.

This includes the possibility of a research on the impact of pedestrianisation of the area; the study on the traffic flow during trading hours; and the possibility of renting space with regard to the design of the market.

Such proposed areas of research should be encouraged as they could enhance researchers to challenge codes and regulations which are manmade with possibility of error and imperfections because we plan for people and for the better lives.

Most importantly, decision and refinement of the suggested ideas and their implementation can only happen with the aid of participation of different people or stakeholders involved. From this study, there has to be conversations between formal and informal traders, customers and City governance to ensure the best for all solution.

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**ANNEXURES**

**ANNEXURE 1: SOCIO-ECONOMIC CHARACTERISTICS & LENGTH OF TIME IN BUSINESS**

**Gender distribution**

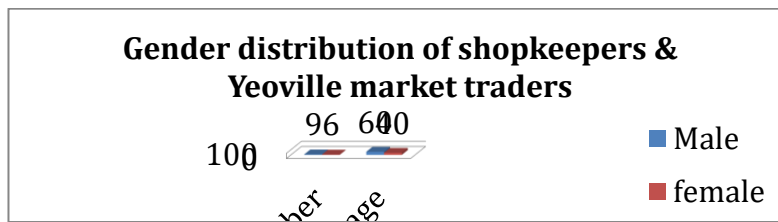
**Graph 43: Gender distribution of the interviewees**

	Male	Female
■ Number	16	14
■ Percentage	53	47

Source: Author

Of the total of the 30 (100%) of the interviewees, there were 16 (53%) of the men and 14 (47%) of the women interviewed (see graph 43). This indicates that both men and women are represented in the trading sector, but the majority of the traders are men.

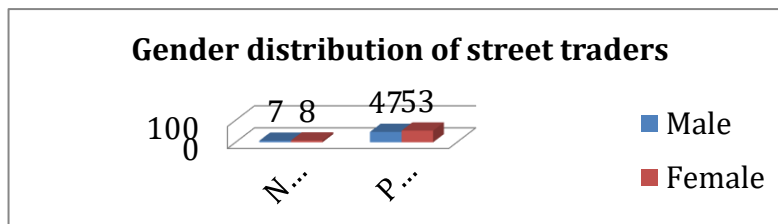
**Graph 44: Gender distribution of shopkeepers and Yeoville market traders**



Source: Author

In the formal sector in particular, there were 9 (60%) out of 15 of the males and 6 (40%) out of 15 of the females interviewed (see graph 44). This shows that men are predominant in the formal sector along Raleigh Street.

**Graph 45: Gender distribution of street traders**

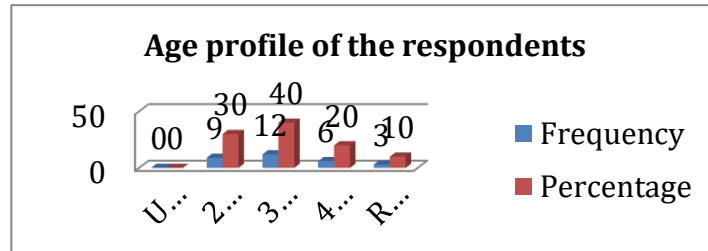


Source: Author

In the informal sector, there is a dominant tendency of women (8 or 53%) compared to men (7 or 47%) interviewed (see graph 45). This indicates that women are the majority of the traders in the informal market. This may be due to the fact that women are more concerned with daily needs of the family than men and they seem to act swiftly.

### Age profile

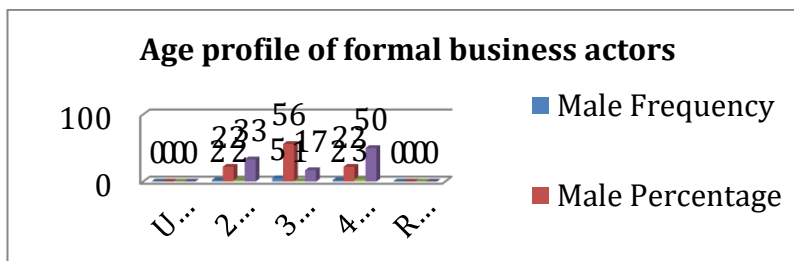
**Graph 46: Age breakdown of respondents**



Source: Author

The age profile of the respondents reveals that the majority of the traders along Raleigh Street are old (middle age) and they fall between 30 -39 years old which represents 40%, while the younger population (20 - 29) represents 30% and the oldest population (40 - 49) represents 20%. The other 10% of the respondents refused to disclose their age and no one less than 20 years old was interviewed (see graph 46). The dominant age group (30 - 39) may be interpreted that people become more matured and at this age they are often preoccupied to investing for their future. Along Raleigh Street the people of this average age want to be their own bosses (entrepreneurs) through the economic trading activities. It would be interesting to see how the age profile varies between men and women in both economic trading activities in Yeoville.

**Graph 47: Age profile of respondents of formal business actors**

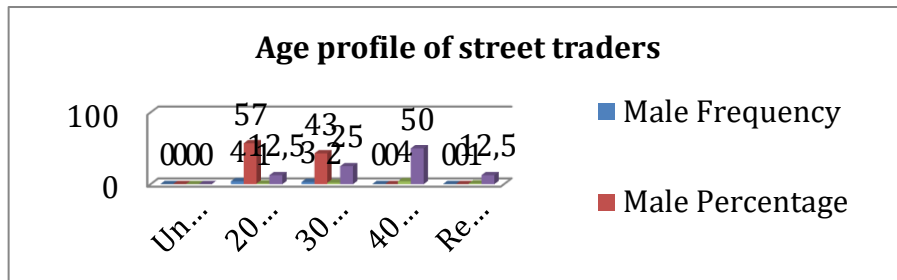


Source: Author

The age variable between males and females is widened in a sense that men are the majority in the business sector than women (See graph 47). There are 9 men in the formal sector and 7 men in the informal businesses which make 16 men in total out of the selected 30 respondents. The survey disclosed that the

majority of traders in the formal sector along Raleigh Street are males and in old age or middle age (30 - 39), which represents 56%, while women are numerous in the oldest age (40 - 49) which is 50%. This may demonstrate that the business relationships between the shopkeepers and the street traders might be more mature and well structured. Interestingly, the young population (20 - 29) in the formal sector is dominated by women who make up 33%, while males are equally distributed between the younger (20 - 29) and oldest (40-49) population, the equivalent of 22% for both. Meanwhile, the women's age falls in the elderly population (30 - 39) representing 17%.

**Graph 48: Age profile of Street traders**

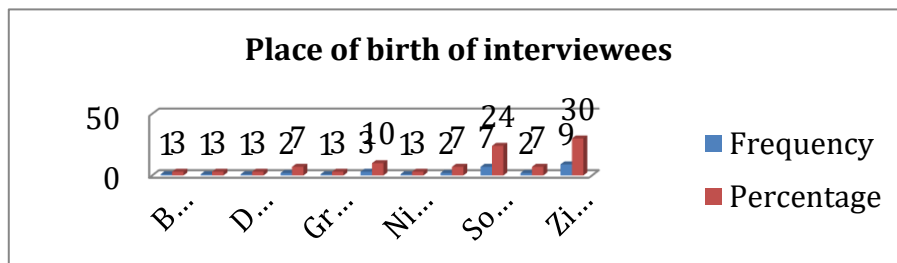


Source: Author

In the informal sector, the youth population (20 - 29) is led by men who are 57%. Men have a higher percentage (43%) in old age (30 - 39), while women dominate the oldest (40 - 49) and represent 50%. The percentage of women is high (25%) in the age interval between 30 and 39 years; the age variable is equally distributed between the younger (20 - 29) and those women who refused to disclose their age (12.5%). It can be assumed that at the age of 30 years and 39 years old women are more active and many of them work in formal jobs and offices. After gaining much experience or after having been dismissed by the formal employment (40 - 49), they start their own businesses, such as informal trading activities.

**Place of birth**

**Graph 49: Place of birth of interviewees**

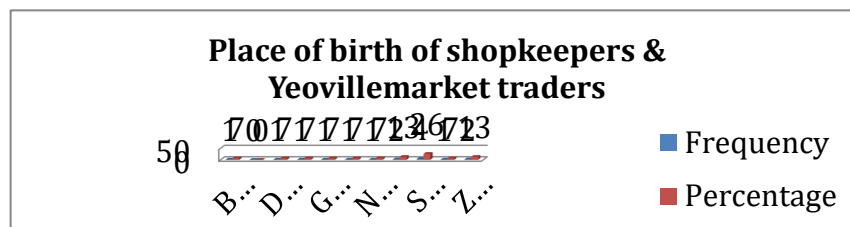


Source: Author

The vast majority of the traders were born in Zimbabwe (30%) and in South Africa (24%). The 10% of the interviewees were born in Kenya, while those born in Ghana, in Pakistan, and in Tanzania share the same percentage (7%) each. The remaining traders were born in countries like Bangladesh, Cameroon, Democratic Republic of Congo (DRC), Greece, and Nigeria which account for 3%.

Graph 48 above indicates that almost 77% of all the traders surveyed were foreigners who are 23 respondents, of which 1 came from Bangladesh, 1 from Cameroon, 1 of the DRC (Democratic Republic of Congo), 2 of Ghana, 1 from Greece, 3 from Kenya, Nigeria 1, 2 from Pakistan, 2 from Tanzania and Zimbabwe 9. Among South African citizens, 7 (23%) of respondents were selected without specifying their home provinces. This is relevant to analyze horizontal and vertical relationships according to potential networks built between the different communities in the world of commerce along Raleigh Street.

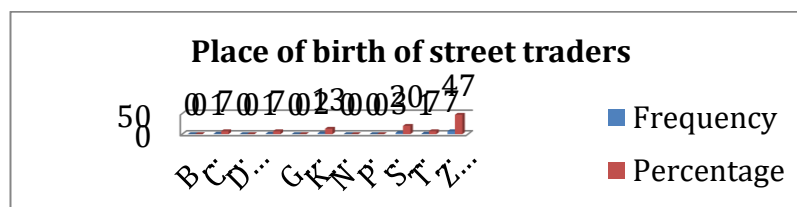
**Graph 50: Place of birth of Shopkeepers and Yeoville market traders**



Source: Author

Graph 49 tells that the South African nationals are many in the formal economy along Raleigh Street and represent 26% shared between the shopkeepers and the Yeoville market traders, while those who were born in Pakistan and Zimbabwe share the same percentage (13%), and the rest of the respondents were born in countries such as Bangladesh, Democratic Republic of Congo, Ghana, Greece, Kenya, Nigeria, and Tanzania sharing the same percentage (7%) each. From the above graph 49, it may be assumed that the South African citizens are favored over other nations and have an easy access to the formal business which requires formal registration documents that may create barriers in the business environment. The formal registration documents entail long time of waiting due to the slow bureaucratic machine involving patience that foreign people may not have because they would like to make a living (fast money).

**Graph 51: Place of birth of street vendors**

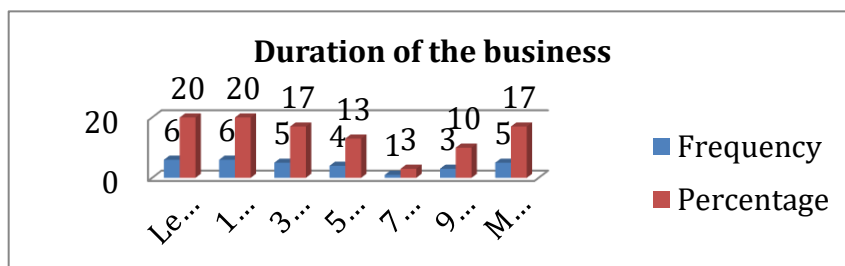


Source: Author



The 47% of the street traders were born in Zimbabwe, 20% in South Africa, and 13% in Kenya. The other street vendors were born in Cameroon, Ghana, and Tanzania and they share equally 7% each. The survey reveals that Zimbabweans are leading the informal trading sector in Yeoville (See graph 51). It is likely to find more tensions, frictions and conflicts between the operators in the formal sector led by the local citizens and the workers in the informal trading sector led by outsiders within the business environment in Yeoville.

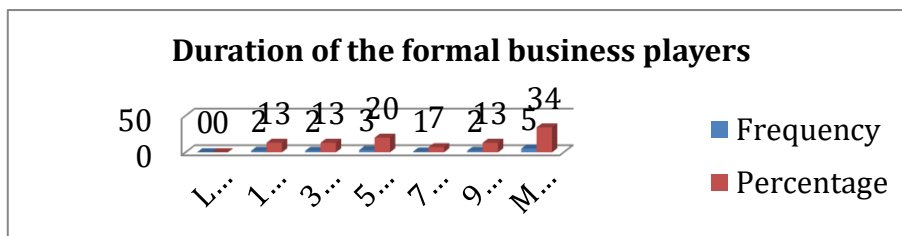
**Graph 52: Length of time in business**



Source: Author

Of the 20% of the traders said that they started their business less than a year, exactly the same as those who have been in the business for 1 to 2 years. 17% of interviewees represent two groups: one was in business from 3 to 4 years while the other has spent over 10 years in the trading sector. Of the 13% of the respondents have spent 5 to 6 years in the business; while 10% of them have spent 9 to 10 years and 3% have spent 7 to 8 years in the business (see graph 52). This indicates that in Yeoville those who are new in the business without enough experience are the majority of the interviewees (20%) who have only spent between less than one and 2 years. This demonstrates that Yeoville constitutes a new development node of the business in the city of Johannesburg.

**Graph 53: Breakdown length of time in the formal business**

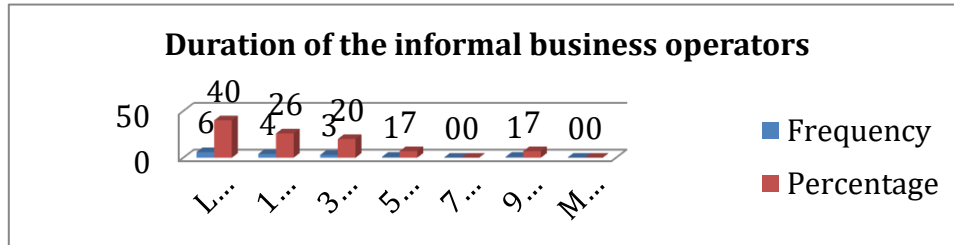


Source: Author

Graph 53 describes that 34% of the shopkeepers have been in the business for more than 10 years, 20% of them represent those with 5 to 6 years in the business, 13% of the shopkeepers are shared equally by those who have spent 1 to 2 years, 3 to 4 years and 9 to 10 years. The other 7% represent the group of 7 to 8 years in the business. This shows that the operators of the formal sector are more experienced and well rooted in

the business. They have been in the business for longer than 10 years, which could have an impact in the type of the business relationships they may have.

**Graph 54: Breakdown length of the informal business**



Source: Author

In the informal sector 40% of the respondents have been in the business for less than a year, 26% of the street traders have spent 1 to 2 years, 20% of the respondents represent those who have spent 3 to 4 years, and only 7% only represents the group of both those who have spent 5 to 6 years and those who have been for 9 to 10 years in the business. It is understood that the majority of the street traders have been in their current business for much shorter periods. They have newly entered the business sector and do not have enough experience, which may also explain the mobility and instability of the informal economy which does not help to build strong and longlasting relationships.

## ANNEXURE 2: LIST OF QUESTIONS

### Observations to be filled by the interviewer

Name & Surnames of interviewer: \_\_\_\_\_

Date: \_\_\_\_\_ Time: \_\_\_\_\_

Gender of the interviewee: \_\_\_\_\_

Location of business:

a. Building (which floor) \_\_\_\_\_ b. House \_\_\_\_\_

c. Stand/Market \_\_\_\_\_ d. Other \_\_\_\_\_

Hello. I am *Mr. Willy-Claude HEBANDJOKO MBELENGE* conducting a research which explores the nature of relationships that may exist between formal and informal trading sectors in Yeoville Raleigh Street. The purpose of this study is to complete my degree of Masters in Development Planning at the University of the Witwatersrand. Should you agree, I would like to ask you a few questions and if any time you would like to stop the interview, please let me know. It will take about 30 minutes and I can only talk to you either in English or in French.

Which language do you prefer between these two? (French/English) \_\_\_\_\_

Thank you for accepting to help me in conducting my research. I would like to start by asking you some questions regarding your trading activity:

1. When did you start your business?
  - a. Less than one year \_\_\_\_\_
  - b. 1-2 years \_\_\_\_\_

- c. 3-4 years \_\_\_\_\_ d. 5-6 years \_\_\_\_\_  
 e. 7-8 years \_\_\_\_\_ f. 9-10 years \_\_\_\_\_  
 g. More than 10 years \_\_\_\_\_
2. When did you start to trade from this place? \_\_\_\_\_
  3. How did you get the place where you are selling from?
    - a. Bought the place \_\_\_\_\_
    - b. Rent the place from the shop owner \_\_\_\_\_
    - c. From a family member \_\_\_\_\_
    - d. From the caretaker/guard \_\_\_\_\_
    - e. Just occupied \_\_\_\_\_
    - f. Other \_\_\_\_\_
  4. How much do you pay (if there is a monthly rent)? \_\_\_\_\_
  5. Why did you choose this business?
    - a. Only thing I can do \_\_\_\_\_
    - b. Saw that no one else was doing it/Market niche \_\_\_\_\_
    - c. Had connection \_\_\_\_\_
    - d. Got offered to me \_\_\_\_\_
    - e. Unemployment \_\_\_\_\_
    - f. Other. State why \_\_\_\_\_
  6. Do you work for someone else? (Who owns the business?) Yes: \_\_\_\_\_/ No: \_\_\_\_\_
  7. Who?
    - a. Relative \_\_\_\_\_
    - b. Shopkeeper \_\_\_\_\_
    - c. Friend made here \_\_\_\_\_
    - d. Boss who is not a friend or family \_\_\_\_\_
  8. Do you have partners in this business/work? Yes: \_\_\_\_\_/ b. No: \_\_\_\_\_
  9. Who are they?
    - a. Shopkeeper \_\_\_\_\_ b. Friends from here \_\_\_\_\_
    - c. Just colleagues \_\_\_\_\_ d. Hired help \_\_\_\_\_
    - e. Other \_\_\_\_\_
  10. What are your starting and ending times? \_\_\_\_\_

**Intended to street traders**

11. Would you like to have a stand in the street? \_\_\_\_\_
12. Are you willing to pay for facilities? \_\_\_\_\_
13. For how much could you afford? \_\_\_\_\_

**Intended to shopkeepers**

14. What type of official documents do you have which allow you to trade from this shop? \_\_\_\_\_
15. How and when did you get them? \_\_\_\_\_

**Thank you very much for answering my questions. Now we will talk about the relationship that you may have with the guy/lady who sells in front of/ outside your shop.**

16. Do you know the guy/lady who sells in front of/outside your shop? Yes: \_\_\_\_\_ No: \_\_\_\_\_
17. When does he/she often start selling? \_\_\_\_\_
18. Do you know the time he/she knocks off? \_\_\_\_\_
19. Is he/she selling every day? \_\_\_\_\_
20. Is his/her business helpful to yours? How? \_\_\_\_\_
21. What kind of relationship do you have with him/her? \_\_\_\_\_
22. Do you talk to each other? \_\_\_\_\_
23. When was the last time that you talked each other? \_\_\_\_\_
24. What was it all about? \_\_\_\_\_
25. What do you like about him/her? \_\_\_\_\_
26. For how long has he/she been selling there? \_\_\_\_\_
27. Is your pricing different from his/hers? \_\_\_\_\_
28. Are you selling the same products?
29. What challenge do you experience when selling the same products with him/her? \_\_\_\_\_

**Intended to shopkeepers**



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