



**FACULTY OF ARTS**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**AN INVESTIGATION INTO THE CONTRIBUTION OF THE INFORMAL SECTOR**

**TO THE IMPROVEMENT OF LIVELIHOODS. A CASE STUDY OF LUPANE**

**BUSINESS CENTRE**

**BY**

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This dissertation is submitted in partial fulfilment of the requirements of the Bachelor of Arts Honours Degree in the Department of Development Studies at Midlands State University

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**OCTOER 2015**

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## **DEDICATION**

This work is dedicated to my parents Mr Gabriel Luphahla and Mrs Deborah Luphahla .Thank you for your unwavering support throughout my academic endeavours. Special mention goes to my husband Irvine Tonderai Mushonga, thank you for your understanding and supporting me emotionally and financially in order for me to achieve my dreams. To my sister Sukuoluhle Luphahla, thanks for challenging me to look beyond the levels that I thought were the best I could do. Thandolwenkosi and Buhlebenkosi Luphahla, for the tireless days and evenings when you had to take care of Master Kelvin Mushonga while I was doing my school work, I am forever grateful. Thank you all from the bottom of my heart!

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## **ABSTRACT**

This study investigated the contribution of the informal sector to the improvement of livelihoods at Lupane Business Centre. The study's objectives were to find out the different ways in which the informal sector contributed to improvement of livelihoods in improvement of livelihoods in the Lupane community, to identify the challenges encountered by the informal traders which deters them from effectively contributing to improvement of livelihoods and identifying strategies of ensuring that the informal sector becomes a major player in community development. The study was qualitative in nature. Interviews were used to get the data needed. The study was analysed qualitatively with the researcher personally interacting with the participants. The study found that the informal sector contributed to improvement of livelihoods by enabling the informal traders to ensure household food security, take their dependents to school, buy residential property, pay for health services and clothe their dependants. The study also revealed that, lack of formal training, lack of registration, inadequate business skills, lack of access to finance and lack of support were the major challenges faced by the informal sector that minimized its contribution to community development.

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## CHAPTER 1

### 1.0BACKGROUND

In the decade 2000-2010,Chidoko and Makuyana (2012) state that Zimbabwe faced a great depreciation in economic performance which led to a lot of people losing their jobs. This led to a lot of people joining the informal sector as a way of trying to irk a living .This led to the shrinking of the formal sector. This phenomenon continues to be observed even after dollarization which supposedly resuscitated the economy. The retrenched workers as well as those workers who continue not to have their wages are joining and actively participating in the informal sector, (Chidoko and Makuyana 2012). It is against this background of growing importance of the informal sector in alleviating national poverty, that this research will be conducted so as to ascertain the contribution of the informal sector in community development.

There is no one universally applicable definition of the informal sector since individual countries have their own definitions. However, a crude definition as quoted in Chidoko at el (2011) may include a sector which encompasses jobs which are not recognized as normal income sources and on which taxes are not paid. The informal sector or informal economy is that part of an economy that is not taxed, monitored by any form of government, or included in any gross national product (GNP), unlike the formal economy. The contribution and the development potential of this sector is not fully recognized due to the fact that it operates outside the framework of the law and the revenue made by the sector is not recorded in official statistics. The concept of “informal sector” since its invention in the 1970s has attracted much interest, discussion and disagreements as to its contribution to community development.

Early writers alluded to the informal sector as a sector that was mainly for the poor. The sector was also marginalized. There has been a lot of interest in recent years on the nature and contribution of the informal sector. Generally findings have been that the informal sector contributes significantly to development. Also of note is that there is a nexus between the formal and informal sector. The two sectors have been seen to compliment each other thereby leading to development in different facets. The informal sector was first identified by the International Labour Organization (ILO) in the 1970's during its comprehensive employment mission to Kenya. Since then the informal sector has been recognized as a sector that provides income earning opportunities to many people in the developing countries. This sector was mainly born out of the failure of the formal sector to absorb much of the excess labour population due to economic, political and social factors. According to Chirisa (2009), 'structural adjustment policies in the late 1980s and early 1990s significantly contributed towards a rapid growth of the informal economy in many African countries. These policies encouraged governments to liberalise trade, to privatize state-owned enterprises and to reduce the size of the public sector. This resulted in retrenchments and an uncompromising situation surfaced where thousands were commissioned into unemployment by a search for a living and had no option but to be self-employed. In the case of Zimbabwe, the 1990s represented a difficult period for the country. Unemployment rose from 10% in 1980 to 40% in 1990 (Dhemba 1999). Government introduced the Economic Structural Adjustment Programme (ESAP) as a way to curb unsustainable fiscal deficits, falling tax revenues and declining productivity, but ESAP failed miserably. Bond and Saunders (2005), state that 'the results were disastrous. Manufacturing output declined by 40% from 1991 to 1995, accompanied by a similar decline in worker's real standard of living and a dramatic increase in inflation that ravaged savings.

The situation was worsened by droughts that occurred in 1992 and 1995. In 1995 the economy was slowly beginning to disintegrate. In 1997, the pay-outs to the war veterans which included an upfront payment of approximately US\$ 6 000 and ZW\$ 2 000 per month had far reaching macro-economic implications. These large pay-outs to the liberation struggle heroes were immediately followed by Zimbabwe's involvement in the Great Lakes conflict. As a form of collective defence. The state lost a hefty amount of money which was estimated at US1 million a day (Tjibaijuka;2005). The fast track land reform that followed in the year 2000 was an addition of insult to injury as it caused Zimbabwe to ail further due to withdrawal of aid among other sanctions. Issues of lack of respect of property rights, fear by farmers and lack of proper planning to put systems in place for land reform cumulatively contributed to reduced agricultural outputs. . The picture was further complicated in mid-2005 when the Government undertook a clean-up campaign termed Operation Restore Order/Operation Murambatsvina leaving approximately 300 000 people with no homes and at least 80% of the population below the poverty datum line (Chibisa and Sigauke 2008).

The soaring levels of poverty brought to life the concept of the informal sector as people struggled to stay afloat in an economy that could not offer them jobs yet they still had both social and economic responsibilities to honour. The informal sector has hence been significantly visible in Zimbabwe. It is the aim of this research to unpack the contribution of the informal sector to community development.

## **1.1PROBLEM STATEMENT**

The Government of Zimbabwe has in recent years been advocating for the recognition of the informal sector and has helped informal sector operators to get funds which can help them to move from informal to formal by setting up the Ministry of Small and Medium Enterprises (SME) which helps those in the informal sector to get funds from banks. The Minister of Finance in his 2012 budget acknowledged the importance of the informal sector in employment creation and said that the 2012 budget seeks to re-formalize the economy through deliberate awards and contracts to competitive and deserving SME's and treasury is ready to incorporate the necessary and complimentary fiscal incentives. However little is known when it comes to the contribution of the informal sector with regards to improvement of livelihoods in a rural set up. Most of the literature available has tended to focus on urban set up. This study therefore seeks to take a step towards filling that literature gap as it is common knowledge that informal economic activities are not limited to urban set ups.

## **1.2PURPOSE OF THE STUDY**

The main purpose of this study is to obtain an understanding of how much the informal sector has contributed to improvement of livelihoods with a specific thrust on the prefecture of Lupane. The researcher intends to then make recommendations on how the informal sector can further be used as a vehicle to drive improvement of livelihoods in Lupane. The role the informal sector plays in the upkeep of the people of Lupane will also be interrogated. Some studies have already shown that indeed most people in Zimbabwe are involved in informal sector activities..

## **1.3RESEARCH QUESTIONS**

(i). What are the profiles of the people involved in informal activities and their households?

- (ii). What are the activities which are done by those involved in the informal sector at Lupane business centre?
- (iii). What is the contribution of the informal sector to community development?
- (iv). In what ways is the contribution by the informal sector to improvement of livelihoods being recognised?
- (v). What does the community think of the informal sector as an agent for development?

#### **1.4 OBJECTIVES**

The objectives of the study are:

- (i) To establish the socioeconomic profiles of the people involved in informal activities at Lupane Business Centre.
- (ii) To investigate and ascertain the activities that are carried out by those involved in the informal sector.
- (iii) To determine the contribution of the informal sector to the development of communities and whether the contribution is acknowledged.
- (iv) To gather the communities' perceptions on the informal sector as an agent for community development.

#### **1.5 SIGNIFICANCE OF THE STUDY**

Lupane is a growing district which is earmarked as the capital of Matbelaland North, it is essential to study its economic and development issues to inform planning for its expansion. The study also contributes to an enlarged pool of intellectuals. This enlargement of intellectual scope would be beneficial to policy makers as it will give them relevant and up to date information about the contribution of the informal sector to community development. This would enable

them to craft efficient policies to fully exploit the economic development potential of the informal sector which continues to be untapped. Finally, this study will be helpful to students as it will stand as a source of information to those undertaking similar studies.

### **1.6 DELIMITATIONS OF THE STUDY**

The research will be carried out at Lupane business centre and will not include rural economic activities. It will focus on the operations that happen around the business centre mainly focusing at Kusile Rural District Council where the major informal sector sprang from. Lupane houses the Matabeleland North government head offices. The area is heavily endowed with timber where the Kusile Rural District Council gets most of its revenue from. The informal sector in Lupane is made up of two segments those who use council stalls and pay rent to the council and those who use their own place to operate from and do not pay rent to the council and these are considered as operating illegally.

The research shall focus on age groups ranging from 18 years up to the ages of late adulthood 65 years. It will focus mainly on the informal activities in relation to community development.

### **1.7 LIMITATIONS OF THE STUDY**

Lupane centre has got many people, the time scale of the study will not allow the involvement of the entire population selected in the study due to limited time available, and therefore the

researcher will try to narrow the research using some research methodologies but will make sure that the information will try to represent the targeted audience.

Furthermore, there is a possibility of misconception of the topic due to lack of adequate knowledge by the respondents. In order to curb this problem the research will offer an in-depth explanation about the concept before interviewing people.

Moreover, there can be resistance from correspondents to cooperate in providing adequate information for the study. Therefore caution will be taken when collecting data, furthermore a list of activities which are regarded as informal will be made so as to make it easy for those who don't understand or appreciate the concept. Also in this case explanation will be necessary to avoid hiccups with the audience.

### **1.8 ASSUMPTIONS OF THE STUDY**

The study is grounded by the following assumptions:

1. That the informal sector plays a very significant part in developing a community.
2. That though playing a major part in development, the informal sector exerts negative and positive effects on the community's development.
3. That the informal sector's contribution to development is not highly regarded at local level.
4. That the informal sector is seen as a sector used by the weak and poor in society as a means of survival.



## **1.9 DEFINITION OF TERMS**

**INFORMAL SECTOR:** Farrel (1999) defines the informal sector as one which consists of economic activities which are not recorded in the gross domestic product (GDP) and or the national income accounts.

**COMMUNITY:** a social, religious, occupational, or other group sharing common characteristics or interests and perceived or perceiving itself as distinct in some respect from the larger society within which it exists.

**COMMUNITY DEVELOPMENT:** "A set of values and practices which plays a special role in overcoming poverty and disadvantage, knitting society together at the grass roots and deepening democracy.

**POVERTY:** "the lack of, or the inability to achieve, a socially acceptable standard of living", Sen, (1985) argued that poverty is the lack of capability to function in a given society.

**CAPACITY UTILISATION:** is a concept in economics and managerial accounting which refers to the extent to which an enterprise or a nation actually uses its installed productive capacity. Thus, it refers to the relationship between actual output that 'is' produced with the installed equipment and the potential output which it could be produced with it, if capacity was fully used.

**GROSS DOMESTIC PRODUCT (GDP):** the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending plus value of exports, minus the value of imports.

### **1.10 SUMMARY**

This chapter gives the background to the research and goes on to justify the need for carrying out the study. The chapter also deals with the questions that need to be answered as well as the objectives to be achieved by the study. The importance and significance of the study is highlighted in this chapter. The chapter also includes definition of terms and highlights the limitations and delimitations of the study. Chapter two reviews debate surrounding the contribution of informal sector to improvement of livelihoods based on past literature as well as highlighting history of the informal sector and challenges faced by those involved in the informal sector.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

The informal sector has been a debated concept since its inception in the early 1970's. Different definitions of the sector have been put forward and its characteristics also differ depending on the context one defines it from. It was thought that with the advent of industrialization the informal sector would vanish (Dhemba 1999). This school of thought made it difficult to convince governments that the informal sector had great potential which could translate into significant economic growth if the potential was tapped and systematically utilized. However, in the early 1970s, there was a rethinking and a re-conceptualization of this concept. That is, the informal sector has since been greeted as a promising concept; therefore, the issue was not one of reducing the size of the sector, but rather of promoting and expanding the growth generated in this sector (Akintoye 2008). It is within this context, that debates on the informal sector have been currently taking place.

#### **2.1 CONCEPTUALISATION OF THE TERM INFORMAL SECTOR**

Many definitions have been put forward by scholars to try and define the informal sector. Paradza (1999) in Chirisa (2009) defines the informal sector operations as all economic activities that are not registered under the companies act or the co-operatives act, these enterprises also do not meet tax obligations of the state that they operate in. Losby et al (2002) argue that generally these enterprises are not engaged in blatantly criminal activity. The definitions put forward above suggest that businesses in the informal sector are not known by government and they are not registered under the companies' act thereby implying that they

evade taxpaying though not involved in illegal operations. This poses problems later as the workers are not protected by government and meaning also that the business is not insured and employees do not contribute to social security organizations. The above definitions are further validated by Farrel in Akintoye (2008), who define the informal sector as one which consists of economic activities which are not recorded in the gross domestic product and or the national income accounts. Sethuraman (1981), brings a different view by defining the informal sector as an entity that has several small building blocks, its activities pivot around the production and distribution of goods and services. Generally it operates under conditions of limited capital and technical know-how but meets its major objective of providing job creation and income generation regardless.. This highlights that the informal sector is a small enterprise formed with a major objective of generating income and employment.

## **2.2 CHARACTERISTICS OF THE INFORMAL SECTOR**

In trying to understand the informal sector many views have been put forward to characterize the sector. Bangasser (2009) is of the view that the informal sector is generally characterized by ease of entry ,no formal way of carrying out operations and no formal training for the job. Enterprises are usually owned by families who rely on indigenous resources and minimal technology. The markets re unregulated and highly compete against each other. Matse-bula in Chirisa (2009) also concurs with these characteristics.

However Dhemba (1999) further to the allusions of Matse-bula and Dhemba also brings the intimacy associated with the informal sector. He points out that the relationship with clients is very personal. The informal sector also maximally utilises resources and recycling is very

common. He also brings about the angle of minimal state support, and access to credit is very difficult. This is contradictory to the efforts made by the government of Zimbabwe where there was the creation of the Ministry of Small to Medium Enterprise to help those involved in the informal sector get credit from banks and aid they may require from government.

### **2.3 INFORMAL SECTOR OPERATIONS (ISO) IN ZIMBABWE**

Chirisa (2004) developed some illustrative criteria to characterise the nature of urban informal sector operations with reference to Harare. However it can be noted that the same criteria can be used to generalize operations elsewhere in the Zimbabwe, notwithstanding some modifications. For instance, Paradza (1999) identified five types of ISOs, based on location, namely covered markets, residences, shop pavements, roadside operators, and private sector premises. Furthermore the Ministry of Local Government, Rural and Urban Development, in its 1997 study coined a classification of ISOs, again based on services offered at certain locations and these are motor vehicle trade, wrought iron/metalwork, repairs, construction material production, other manufacturing, retail, carpentry and service (Paradza, 1999).

#### **2.3.1 Criteria and Forms of informal sector operations**

The literature reviewed in this paper applies criteria for classifying operations of informal sector in the urban sphere as stated by Chirisa (2009). These are definitions by spatial location, support engaged, composition of operators, returns realized, services offered and value-added. Under each type there are different characteristic forms which are explained and discussed.



## **2.4 THEORETICAL FRAMEWORK**

There are three major theories that inform the work on the informal sector and these are the dualist model, structuralist model and the legalist model. The dualist model argues that the informal sector is trivial and peripheral and disparate to the formal sector or to contemporary capitalist development (Bangasser 2009). That is, this theory argues that the informal sector is a cushion and plays the role of a safety net in catastrophe. It absorbs the surplus labor that fails to penetrate the formal sector and once modern industrial development is attained this sector will disappear.

The structuralism model states that there is a nexus between the formal and informal sectors. Theorists of this model argue that the formal sector utilizes cheap labour and inputs from the informal sector in their production process, therefore, the two are inextricably linked and should not be seen as distinct (Mbiriri 2010).

The legalist model argues that government rules and regulations are responsible for stifling private enterprises. The bureaucracy and cost of registration and regulation eventually forces small to medium enterprises to opt to operate informally in order to avoid the costs of proper regulation (Bangasser 2009).

These three theories all best explain the debate surrounding the informal sector such as government regulations indirectly popularize the informal sector, informal sector hinders development, link between formal and informal sectors and the argument that the informal sector is an engine for development and growth. For the purpose of my research the structuralist model is

going to be incorporated because it highlights the link between the informal and formal sector and how the two can work together to achieve maximum development.

The school of thought was popularized by Alejandro Portes (among others) in the late 1970s and early 1980s. The Structuralists school of thought suggests that the informal and formal sector should not be seen as separate but should be seen as inextricably connected and interdependent. The nature of capitalist development accounts for the persistent growth of the informal sector. According to Henken (1999) the informal sector depends heavily on the formal sector for its inputs, but in a manner stifles its growth. Structuralists argue that, the informal sector is subjected to and negatively impacted on by the interests of capitalist development, availing low-cost goods and services (Mbiriri; 2010). Thus, capitalist development leads to an inextricable link between the informal and formal sectors. This can be regarded as one of the major contributions of this model.

Structuralists argue that overregulation and excess supply of labor are not the only two unique characteristics of the informal sector. They state that the fact that the informal sector is an alternate consumer of labour is pivotal in understanding the informal sector. The relations between the formal and informal sector should also not be taken for granted as there is a clear and significant nexus (Henken 1999).

Portes and Schauffler have coined their approach “structuralist” because they emphasize the compound yet diverse structure of formal-informal relationships (Portes and Schauffler 1993b:48). In other literature, the two authors have gone on to postulate that the formal and informal activities



are just alternative sides of an economy and their articulation adopts a 'variable geometry' depending on the extent of state set of laws, the requirements of capitalist firms, and the size and characteristics of the labor force. This enunciation between both sectors is root of the structuralist approach

## **2.5 INFORMAL SECTOR AND DEVELOPMENT**

The potential economic contribution of the informal sector which includes job creation and poverty alleviation in Zimbabwe was noticed by the Riddell Commission in 1981 which suggested that the new Zimbabwe needed to recognize as well as support this sector in a bid to elevate the standard of living of most Zimbabweans. (Dhemba 1999). In Nigeria, Akintoye (2008) states that there was a microfinance policy which was introduced, it empowered the many microfinance institutions to provide credit to the informal sector. This has led to a significant growth of the informal sector. Subsequently there has been a reduction in unemployment and a perpetuation of the informal sector. Akintoye (2008) further recommends that this model can be used to reduce unemployment and drive the country's development agenda as high unemployment is one of the indicators of underdevelopment. Poverty alleviation will also be achieved in the same vein. A case of killing two birds with one stone.. He notes that, in 2003, Nigerian's unemployment rate declined substantially to 2.3 percent. This decline was attributed to the various government efforts aimed at addressing the problem through poverty alleviation programmes. This decline also pointed to an increased number of people who got engaged in the informal sector activities. This shows the positive impact of the informal sector in development if the much needed attention is given to the sector. Maiti (2010), reports that between 1999 and 2000 more than 92 percent of the total

workforce in India was employed in the informal sector. This highlights the huge positive impact the informal sector has on development and employment creation.

Despite efforts by the colonial government to stifle the growth of the informal sector, it emerged to become a major employer in the 1990's (Dhemba 1999). This is also highlighted by Mhone (2009) who postulates that at independence in 1980 the informal sector absorbed 10% of the available workforce. This proportion continued to grow in the post independence era to about 25%. The increase can be attributed to the fact that post independence there has been a stagnation in the number of people absorbed in the formal sector due to various factors. This shows that the informal sector is necessary for development as it curbs employment problems. Dhemba (1999) also asserts that the development of the informal sector provides hope for the poor. He further postulates that There are many varying opinions from which one can scrutinize the informal sector. It can be seen in positive light as a as availing job opportunities and money to a multitude of people who in other circumstances would not have means of continued existence. It can be romanticised as a haven of private enterprise which could thrive if only it were not weighed down by network a complex of unnecessary regulation and bureaucracy."Mupedziswa and Gumpo (2001) also note the importance of the sector in employment creation by asserting that prior to 1991 the informal sector was viewed as lower and disorganised the result of the reform programme as well as economic challenges encountered by a lot of individuals have altered it into a vivacious and structured sector which is slowly overtaking industrial and commercial sectors as the leading provider of job opportunities.

By 1996, the informal sector employed 1.56 million people compared to 1.26 million in the formal sector. These statistics should be analyzed bearing in mind that poor or none registration of the informal sector probably leads to underestimation of the capacity of the informal sector to provide employment. In addition the informal sector absorbs most school leavers since formal sector can only absorb 10% of the school leavers annually..According to the International Labour Organization in Maiti (2010) the global financial crisis led to increased job losses in the formal sectors of both countries of the core and those of the periphery, the informal sector provides residual employment for many retrenched formal sector workers. The role played by the informal sector in diversification and dynamism of the economy should not be under estimated. (Maiti 2010) .Informal sector has promulgated the intervention of new technology especially in developing countries. For example to bring a panacea to Zimbabwe's problems of electricity shortages most people in the informal sector have created lights and stoves which work without electricity and these developments of new technology have in actual fact necessitated rural development as the rural people can afford to buy the new options availed to them.

The 1995 poverty assessment study found that urban poverty was now 39 percent and victims of urban porverty turn to the informal sector as a means of surviving . Dhemba (1999) asserts that the development of the informal sector promises to empower the poor to meet their basic needs leading to development at the end. Those who are education poor are able to make a living by being engaging in the private enterprise as most of the jobs in the sector do not require any form of education as it only requires ones skills and time to do the job. The poor in society are also able to build houses using materials produced in the informal sector as these are usually cheaper and affordable.

The informal sector in Zimbabwe has had a positive influence on the economy. The informal sector can be credited with employment creation, enhancing incomes and improvement of important development indicators such as food security and the Gross Domestic Product and summarily leading to poverty alleviation. (Sigauke and Chibisa 2008)

The major players in the informal sector are women. This has led to the economic empowerment of women. (Sigauke and Chibisa 2008. This has facilitated the process of development as women are now included in the economic development process. Most local authorities derive substantial revenues from fees levied from informal sector activities like flea market traders and this highlights how the sector contributes immensely towards development. Human Rights Watch (2005) reports that as part of the drive to empower women in the 1990s, the government of Zimbabwe encouraged widows and divorced women to build and rent out cabins in their backyards as a means of survival. Economic liberty has also helped women to have a say in family decisions thereby in the process allowing development to take place. Mupedziswa and Gumpo (2001) point out that the informal sector has the effect of reducing vulnerability to external shocks, unlike the formal sector which is very susceptible to such influences.

However, the informal sector has negative impacts on development. Maiti (2010), notes that workers in the informal sector are underpaid, and there is no collective leaving room for worker exploitation. Lack of security is another challenge as noted by Hall and Midgely (2008), since there is neither compliance with the labour act nor registration with social security bodies. This is a lack of upholding of human rights which subsequently undermines development.

Chirisa (2009), notes that due to non registration,taxes and import duty are not paid which leads to loss of revenue by the councils . The state's major source of revenue is tax hence tax evasion negatively impacts on development ( Demba;1999). Informal sector players also bypass the banking system and this also undermines development. Remittances from the diaspora are also affected by the informal sector. In addition the role of the informal economy in alleviating poverty can be contested and counter productive. A thriving informal sector may lead to winding up of big textile and kitchen ware firms as what has happened over the past decade in Zimbabwe, resulting in many employees being laid off.

The informal sector according to Dhemba (1999) can be condemned as a vast sea of backwardness. poverty, crime and unsanitary conditions."This shows that the sector leads to underdevelopment as it promotes in a way crime as its business is not known and usually illegal.A lot of people in Zimbabwe have been imprisoned for human trafficking and this is usually people who take part in transporting goods those known as 'omalayitsha'.This highlights how the sector brings about a lot of crime.

## **2.6 CHALLENGES FACED BY THE INFORMAL SECTOR**

In Zimbabwe the informal sector faced challenges with the colonial government as put down Acts and Laws that prevented it from flourishing like the Vagrancy Act of 1960 and the Urban Councils Act.. Mupedziswa (1991:2) in Dhemba (1991), articulates some of these barriers as lack of capital, lack of premises to operate from, poor marketing facilities to upgrade skills and lack of tools and machinery. Financial institutions view the informal sector with contempt and their lack of

collateral security has often been cited for denying them access to credit. This is also noted by Paula and Scheinkman (2007) who postulate that the poor often involved in the informal sector cannot offer collateral to banks to receive credit.. Financial institutions therefore find it very risky to extend loans to operators of no fixed abode.

Mupedziswa (1991) observes that most informal traders fail to register their enterprises as they can not afford registration and maintenance fees. This makes them illegal operators who are consistently harassed by the police.. In view of the potential of the informal sector to expand employment opportunities in an environment where the formal sector is shrinking and thereby condemning thousands of people to destitution, the sector needs to be promoted. As Mupedziswa (1991) observes, some of the legislation and by-laws have been detrimental to the development of the informal sector. Maiti (2010), notes that regulation or laws introduced by the state to recreate the informal sector as a mirror reflection of the formal sector is merely going to weaken the creative energies of the informal sector and bring the growth of the informal sector to a grinding halt.

Institutional support remains theoretical for informal sector organizations given that the majority falls outside the framework of the support because they lack collateral. The result is that participants in the informal sector are vulnerable to politicians who often make 'promises' of financial and other support especially during election times.

Chirisa (2009) states that organisational based informal sector institutions generally invest more in capacity building of members. This is done using a group approach including marketing and

funding of various products and services that the institutions provide.. Members are expected to pay subscription and service fees. This usually leads to some people not affording to be part of these organisations due to poverty which consequently makes it difficult for them to raise the expected subscription fees. The organizations include the Indigenous Business Women Organization (IBWO), Affirmative Action Group (AAG), and Indigenous Business Development Centre (IBDC). These organizations drive the indigenization and empowerment agenda according to Chirisa(2009). At the base level, organizations can be in the form of small business co-operatives. Yet, this type of organisation had a bad taste of history as operators tend to have their operations hijacked by politicians, suffer organisational mismanagement among other dysfunctional challenges and constraints.

. The location of the establishment is usually very important. Better locations which enjoy good marketing tend to attract huge and better profits than poor ones. Normally, informal sector organizations operate from a weak-competition standpoint rather than that of strong competition. That is to say, they are forced to reduce prices to customers with the deterioration in quality of the products.

Intolerance with informal sector reached its zenith in Zimbabwe in May, 2005 when the government introduced Operation Restore Order/Operation Murambatsvina. According to Munhande and Matonhodze (2008), Operation Murambatsvina left a trail of destruction on the country's informal sector. The crackdown was basically a harassment on the livelihoods of many Zimbabweans. About three to four million people were earning their livelihood through the informal sector whilst supporting an additional five million people ZCTU in Munhande and

Matonhodze (2008). This meant that about nine million people were surviving through the informal sector. Vendors were chased off street corners, indoor and outdoor flea markets, and even the people's markets of registered vendors. Goods were seized by the police or destroyed on the spot, bulldozers razed market stalls, over 20,000 vendors were arrested, and the UN estimates that some 32,538 people lost their livelihoods (Munhande and Matonhodze 2008). Firstly, the closure meant loss of business for the operators since they did not undertake any business during the period of closure. This resulted in the majority of the operators failing to meet their financial obligations, among a host of many other costs needed for daily survival. This highlights that in some cases government policies impact are in the long run a challenge to the booming of the sector and impact negatively on the sector.

The state can play a role of encouraging the transition of firms from the informal to formal sector by easing laws and regulations that make the transition to the formal sector cumbersome and fraught with uncertainty which may lead to vast development. The informal sector problematique will continue to haunt most developing countries as long the urban poverty issue is not adequately addressed both in the policy and practice spheres (Paradza, 1999) .Sigauke and Chibisa (2008) argue that there is need for the government to revise the outdated Regional Town and Country Planning Act and other retrogressive pieces of legislation, to align them with prevailing social, economic and cultural realities. It is therefore imperative that government and municipal authorities consider informal activities as important for poverty reduction and the achievement of sustainable urban livelihoods. The above is also concurred by Dhemba (1999) who argues that in adopting the informal sector strategy in urban poverty alleviation it is imperative that these



constraints be recognized and addressed. It is also important to note that urban poverty alleviation cannot be achieved solely through informal sector initiatives, and other complementary strategies have to be formulated and implemented. For the informal sector to play an effective urban poverty alleviation role, there is need for a review of policies and regulations and other constraints facing the operators. It is also through the organised efforts of the informal sector operators themselves that lasting improvements to their situation can be realised.

Large retail chain stores in the major towns have been reported to be buying goods such as furniture from the informal sector which goes to show that some of the operators produce good quality products (Mupedziswa and Gumpo 2001). Local authorities could also consider awarding tenders and subcontracting informal sector operators as a way of supporting them and boosting their business so that they can be able to raise money to register their business and in turn pay tax to tax collectors.

The setting up of informal sector associations is long overdue. It is important that informal sector operators organise themselves to form associations in their respective areas. The author has already alluded to the fact that legislation has been promulgated and by-laws effected without the involvement of the informal sector operators in the policy formulation process. If the operators were organised it would make it much easier for central and local government to involve them.

Dealing with an unorganised population can be very complex and problematic. Local authorities should therefore facilitate and initiate this process in order to enhance the transformation of the informal sector. Informal sector associations could also be assisted to form subgroups for purposes of raw materials procurement (procurement cooperatives) and marketing (marketing cooperatives).

Such groups could then benefit from quantity discounts if they buy in bulk. Marketing arrangements would also help to reduce competition among themselves. Such measures can help to strengthen informal sector enterprises.

## **CHAPTER SUMMARY**

From the review of literature above, the informal sector is an industry which supports millions of people in the world hence an intergral part to development. Various scholars concur that, the informal sector plays an indispensable role in development and thus is an essential element for development. Though several studies have been conducted, on the informal sector especially by Chirisa, these studies have not been exhaustive in bringing out the contribution of the informal sector to improvement of livelihoods Therefore, there is lack of information which is context specific. In addition, most studies adopted a haphazard as well as the cradle to the grave approaches. Hence, they have failed to give an in depth analysis of the contribution of the informal sector to improvement of livelihoods in Zimbabwe. The next chapter will comprise of the study area and the research methodology (research design, sampling procedure, research instruments, data collection procedure, data presentation and analysis). The chapter will also rationalize why these methods were selected.

## **CHAPTER 3**

### **3.0 INTRODUCTION**

This chapter discusses the practical elements of the research and discusses what methods are the most appropriate, to conduct the research given the aims and nature of the research. The methodology for this dissertation was designed to encompass the research approach necessary to obtain the information required for achieving the research aims. It is important to place the research within an ontological position and to discuss the epistemology as both affect how the research questions are addressed. Different methods of data collection are discussed, focusing on the reasons for choosing particular methods over others. This is followed by a discussion of the practicalities of how the data collection was conducted, and the approaches taken to data analysis.

### **3.1 AREA OF STUDY**

Lupane is a district in Matabeleland North of Zimbabwe. It is earmarked to become the provincial capital of Matabeleland North. It houses some government offices thereby serving an administrative purpose. Formal employment is provided by mainly Kusile rural District Council, government in the form of the education sector, the police department and the upcoming Lupne State University will also be a source of formal employment. The informal sector mainly constitutes of vendors, painters, welders, domestic workers and flea market owners.

### **3.2 METHODOLOGY**

This research is going to be informed by the qualitative research paradigm. Qualitative research is particularly useful in discovering important variables and relationships and makes it possible to discover causal mechanisms in research. Relmer et al (2011) postulates that the use of qualitative

research methods is encouraged where the data required is non numeric. Methods of data collection in qualitative research include interviews, case studies and behaviour observation among others. Observing body language is essential as it enriches the researcher's data with information which otherwise was not communicated by the participants in the study. It also helps the researcher to validate data and probe further to unearth more issues with unstructured interviews. The researcher will use a case study of Lupane Township to explore the relationship between the informal sector and development. Punch in Gray (2009) asserts that a case is difficult to define but a typical case includes specific groups, organisations, a community or even a country.

### **3.3 RESEARCH DESIGN**

According to Burns and Grove (1997), the design of a study is informed by decisions made by the researcher concerning how the study will be conducted. The design is closely associated with the framework of the study and influences planning for the implementation of the research. It is an outline for conducting the study that utilises control over factors that could interfere with the soundness of the findings. According to Polit and Hungler (1995), research designs differ with regard to the amount of structure imposed on the research situation and the amount flexibility feasible during the study. The research designs of most quantitative studies are highly structured, while the research designs in qualitative studies are more fluid.

### **3.4 QUALITATIVE APPROACH**

The qualitative research prototype, in its broadest sagacity, refers to research that eluces participant accounts of meaning, experience or perceptions. It generates descriptive data in the respondent's own written or spoken words. A qualitative study is based on non-statistical methods

and small purposively selected samples. Polit and Hungler (1999:18) highlight that a qualitative method is particularly useful for exploring the full nature of a little understood phenomenon. Little is known about the contribution of the informal sector to community development. A qualitative research design was used to obtain narrative information from the participants and beneficiaries of the informal sector at Lupane Business Centre. The justification for using a qualitative approach for this phase of the study was to explore and describe the contribution of the informal sector to improvement of livelihoods using a case study of Lupane business centre in Matabeleland North. A qualitative approach was the most appropriate way to capture their experiences.

### **3.5 TARGET POPULATION**

A population is the total group of subjects that meet a designated set of criteria according to Polit and Hungler (1999) The authors go on to say that the criteria should be clearly defined so that the target population is easy to identify because a poorly defined target population may result in the inclusion of wrong subjects which may distort the outcomes of the study.

The target population was made up of all people undertaking informal sector activities in the vicinity of Lupane business centre as well as the community members who were to help the researcher in fulfilling the objective of gathering the communities perceptions on the informal sector as an agent for community development.

#### **3.5.1 SAMPLING**

Sampling is the process of selecting a representative part of the population for the purposes of a study. The sample should be representative enough to allow for generalization of findings in the entire population with much accuracy.(Polit & Hungler 1999:714). In qualitative research there is

no need to randomly select individuals, because manipulation, control and generalisation of findings are not the intentions of the study (Streubert & Carpenter 1999:22). Purposive sampling, a procedure that involves the selection of persons who represent the desired population, was used. This is a non probability sampling method which involves the conscious selection of certain subjects to be included in the study. For the purpose of this research, people involved in informal activities at and within the vicinity of Lupane business centre were selected. Since there were no formal registers or lists containing the names of people involved in the informal sector or SMEs, the researcher decided to use snowball sampling to identify participants. Henning (2004:71) states that there is a nexus between purposive sampling and snowball sampling as both enable the researcher to identify the most suitable people to be part of the research and the selection is done at the time when the people are needed .

Tjale and De Villiers (2004:242) postulate that due to the nature of the data collected in qualitative research, it is essential to have smaller samples as larger samples generally make it difficult to compile and analyze the data meaningfully. Streubert and Carpenter (1999:302) support the views of Tjale and De Villiers and further add that the sample size in qualitative research should not be predetermined. The researcher should collect data among subjects until a point when no new information is emerging. Unlike in quantitative research, the thrust of qualitative research is on the amount and quality of the information and not on the quantity of subjects (Burns & Grove 2003:257)

### **3.6 DATA COLLECTION**

This research collected both secondary and primary data. Secondary data was mainly used for the purposes of a background. Primary data was collected using a structured interview which was conducted with people involved in the informal sector activities. A tool was used to guide the structured interview in order to ensure that the discussions with the subject focused on the key issues that the researcher was trying to unearth.

#### **3.6.1 RESEARCH INSTRUMENTS**

The researcher decided to use the following methods for data collection

1. Schedule structured interview
2. Unstructured interview

The structured interview schedule was for interviewing the 30 respondents. The interview schedule was more appropriate as it allowed the interviewer to ask respondents questions essential to the problem under study. The interview schedule was translated into vernacular (Ndebele) which the respondents best understood and helped unravel more information as the respondents were assumed to be more comfortable speaking in vernacular. The interview schedule helped the researcher record responses instead of respondents filling questionnaires which could pose problems as it was not clear whether respondents were literate or not.

Unstructured questions were also employed as a tool of data collection instrument with the 30 respondents, the unstructured interview allowed for probing of views and opinions where it was desirable for respondents to expand on their answers. Unstructured questions also helped in

interviewing the council authorities so they could add or expand on their views about the contribution made by the informal sector in development.

### **3.7 DATA ANALYSIS**

According to Brockopp and Hastings-Tolsma (1995) a researcher has to go through the following steps of data analysis in qualitative research

- i. Theme identification
- ii. Theme verification
- iii. Theme categorization
- iv. Recording of data in relevant theme categories

Tesch's (1990) methodology was used to analyse the data gathered from the interviews that were conducted.

Tesch (1990) described a process of segmenting and categorising as decontextualising and recontextualising. First, each of the interviews was transcribed from the audio into written format and thereafter each of the responses were more than once to enable the researcher to become familiar with the data. After the rereading of the responses meaning units were identified. The transcribed interview responses were read as they were and ideas about the data were written down on the documents. This process was repeated until all the transcribed interviews were done.

After this had been done the second step was to identify specific themes in all the interview transcripts all the transcripts were numbered and five transcripts were selected to start the process. The identified themes were written in the margin of each document and after this step had been completed, a list of all themes was compiled in columns according to the interview transcripts. The



themes were compared and similar topics were underlined in different highlighter colour pens. Similar topics were then clustered together and interview transcripts that apprehended the underlying ideas were given to the clusters. Major topics, unique topics and leftover or miscellaneous topics were then grouped into columns.

The major topics and the unique topics were thereafter used to create a preliminary organising system. In order to work with the data, they were coded and organised in the categories where they belonged. This assembling is referred to as “re-contextualisation”. The organising system was then refined and some topics were organised together and given new codes.. The discussion of the findings (in Chapter 4) will be presented according to the themes identified from the data provided in response to each question.

## **ETHICAL CONSIDERATIONS**

Research ethics refers to the moral principles guiding research (Gray 2009). According to Gwimbi and Dirwai (2003) the researcher is ethically and morally responsible to his or her participants, sponsors, general public and his or her own beliefs. The researcher upheld the following ethics in conducting her research:

- ✓ Participants were informed about the purpose and relevance of the research before getting their consent.
- ✓ Voluntary consent-participants freely consented to take part in the research and were not forced
- ✓ Confidentiality was guaranteed to avoid unnecessary physical and mental suffering or injury.

- ✓ Right to withdraw at any given point in the course of the research.

### **3.8 CHAPTER SUMMARY**

The research design, research populations and samples the study, methodologies for collecting data in the study and the reasons for using the qualitative approach to conduct the research were described in this chapter. Furthermore the sample selection has also been explained, the procedure used in designing the instrument and collecting the data described, and the data analysis procedure has also been explained. The data based on the interviews conducted will be analysed, discussed and presented in Chapter 4.

## **CHAPTER 4**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.0 INTRODUCTION**

This chapter presents findings drawn from the study to answer the questions; What are the profiles of the people involved in informal activities and their household, what are the activities which are done by those involved in the informal sector at Lupane Business Centre, what is the contribution of the informal sector to community development, what does the community think of the informal sector as an agent for development? This is basically a picture of the informal sector contribution to households in a rural area of Matabeleland North province and does not represent a general picture of the whole country.

Hatch (2002) states that data analysis is a way of systematically processing qualitative data in order to get meaning from it and subsequently communicate the meaning. In analysis, there is organisation and interrogation of data in order to deduce patterns and to identify relationships as well as deduce explanations. The study uses descriptive analysis, it uses bar graphs, tables, pie charts and the use of narrative to describe and explain data on the figures and tables (Dey 2002). Tables and figures were used to present data followed by discussions that interpret the data on those tables and figures.

#### **4.1 RESPONDENT CHARACTERISTICS**

Basic socio economic and demographic information of those participating in the informal sector are integral in order to understand the impact of the informal sector to community development. This also includes the profile of the respondents and as a result this section will give the basic information on the demographic, social and economic profile of the respondents and the

households . Section 4.2 is dedicated to presenting the socioeconomic demographic characteristics of the 15 respondents who are taking part in informal sector activities.

#### 4.2.1 Sex of Respondents

The data on sex of the respondents show that 26.7% of them were males and 73.3% were females. This indicates that women are generally the ones who are involved in informal sector activities at Lupane Business centre. The table below shows the sex distribution of the respondents.

**Table 4.1:** Sex Distribution of Respondents

Sex	Frequency	Percent
Male	4	26.7
Female	11	73.3
Total	15	100.0

Source: Analysis of findings

#### 4.2.2 Age of the Respondents

Most of the respondent were people who were aged between 18 – 25 followed by those aged between 26 – 35 while those who were aged above 35 only constitutes 13.4% of the sample. This shows that the youths are the most active players in the informal sector.

**Table 4.2:** Age of Respondents

Age	Frequency	Percentage
18-25	8	53.3
26-35	5	33.3
>35	2	13.4
Total	15	100

#### 4.2.3 Marital Status of Respondents

The total figures for marital status of the respondents show that 46.7% of them were single and 33% were widowed with another 20% being married.

**Table 4.3:** Marital Status of Respondents

Marital Status	Frequency	Percent
Single	7	46.7
Married	3	20
Widowed	5	33.3
Total	15	100.0

#### 4.2.4 Level of Education

Regarding education of the respondents, total figures indicates that 40% had primary and 60% had secondary education as a highest level of education.

**Table 4.4:** Level of Education of Respondents

Age	Frequency	Percent
Primary	6	40
Secondary	9	60
Total	15	100

#### 4.2.5 Household Characteristics

The sample households had total number of family members ranging from 3 to 9 and the average family size was 5members. The minimum number of family members was 3 and maximum was 9. The minimum number of family members living abroad excluding spouses and children were 0 and maximum was 4

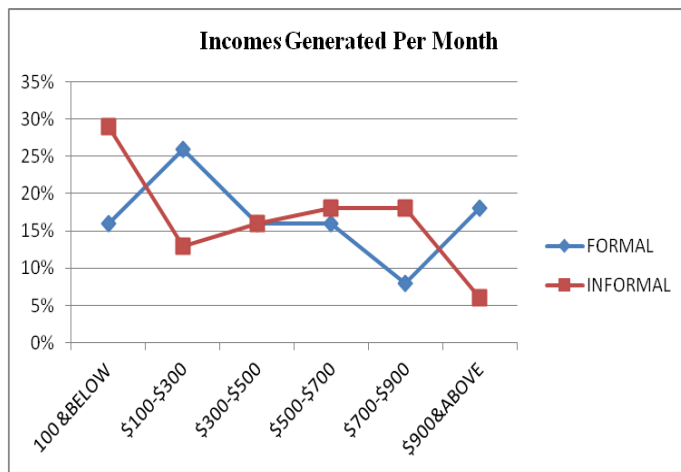
**Table 4.5:** *Size of Migrant Households*

Household Size	Frequency	Percent
0	4	26.7
1-2	8	53.3
3-4	3	20.0
Total	15	100

#### 4.2.6 INCOMES GENERATED PER MONTH

Findings show that at least 29% of the informal sector population is making \$100 and less per month meaning that the conditions they are operating in are attractive for their business as they have to channel some of their profit to paying fines. 16% of the population in the formal sector make \$100 and below per month and this may be attributed to the fact that they are not situated in the hub of the community or the type of goods they sell are not essential products to the community or they sell goods which are sold by major competitors or major names in the community thereby making them unrecognisable or they are the last choice and people buy from them when the major competitors do not have such goods.

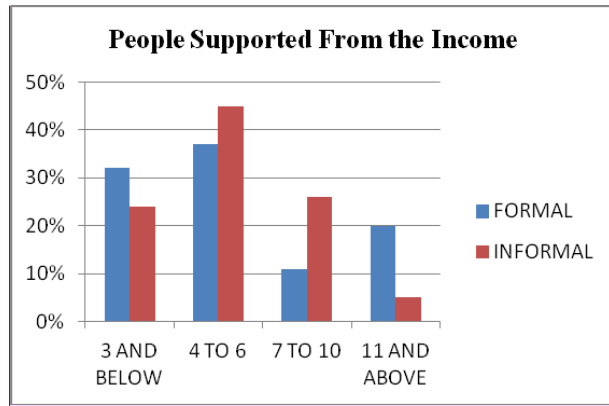
**Figure 4.2.1:** Incomes Generated Per Month



#### 4.2.7 PEOPLE SUPPORTED FROM THE INCOME

The informal sector operators have the burden of taking care or being responsible for a lot of people. Forty five percent of the population in the informal sector has to take care of at least one to four people while 37% of the population in the formal sector has to take care of at least one to four people.

**Figure 4.2:** People Supported by Income



**Comment [PL1]:** Change table to represent only the informal sector

The findings show how the informal sector is contributing to improvement of livelihoods as those involved in the sector are being responsible for a lot of people thereby reducing the poverty levels in the community and ensuring that at least the school going age children are well taken care of.

**Comment [PL2]:** Add number of children being take to sch and graph

#### 4.2.8 DISTRIBUTION ON THE NUMBERS OF EMPLOYEES

The findings show that people in the formal sector employ a lot of people with 82% of the population employing at least one to four people and only 18% of people involved in the formal sector have no employees. This is mainly so because people involved in the formal sector usually



have other businesses to run and hence cannot concentrate on all projects hence employ people to take care of the other businesses while they take care of others.

**Table 4.5:** Distribution on the Numbers of Employees

NUMBER	NONE	1 TO 4	5 TO 10
FORMAL	18%	82%	NIL
INFORMAL	42%	58%	NIL

**Comment [PL3]:** Change this to informal sector only

People involved in the informal sector have fewer employees with 42% of the population saying that they do not have any employees at all and this is because the people involved in the informal sector basically rely on the profit they get from the business for survival and hence cannot have the expense of employing someone to do the business. Since they rely on the profit they get from the sector only they would rather do the business themselves to make sure that they do their best unlike the employee who might not give all their effort since all they want is their salary at the end of the month.

**Comment [PL4]:** Change text

However the findings show that at least 58% of people in the informal sector have employees at least from one to four people and this highlights how the sector is involved in reducing the employment rate in the community. The informal sector has created a living for others and this reduces the crime rate in the area as people are involved in some form of activity which gives them an income.

#### 4.2.9 DISTRIBUTION OF ACCOMODATION

According to the results people involved in the formal sector own houses as 58% of the population highlighted that they use their own houses for accommodation while 42% of the population rent the premises they stay in. This may be attributed to the fact that those involved in the formal sector make a lot of profit which enables them to save to buy houses or they run more than one business thus enabling them to have more profit. The table below shows the distribution of the accommodation of those people who are involved in the informal sector.

**Table 4.6:** Distribution of Accommodation

	OWN	RENT
FORMAL	58%	42%
INFORMAL	39%	61%

At least 39% of the people involved in the informal sector own their houses which they stay in compared to 61% who rent. This may be attributed to the fact that most of the people involved in the informal sector leave from hand to mouth and hence cannot afford to save money to buy or build houses. The finding may also be attributed to the fact that people involved in the informal sector are usually the young ones who have a lot of responsibility in taking care of their siblings and their parents and hence do not have money to spare to buy a house or even build one.

#### 4.2.10 SOURCE OF ENERGY

From the table below it is clear that the majority of the sample in the formal sector that is 87% use electricity as their source of energy while 10% use wood and the remaining 3% use solar. This is

compared to the informal sector sample where 55% of the population use electricity, while 40% uses wood and the remaining 5% using solar energy.

**Table 4.6:** Source of Energy

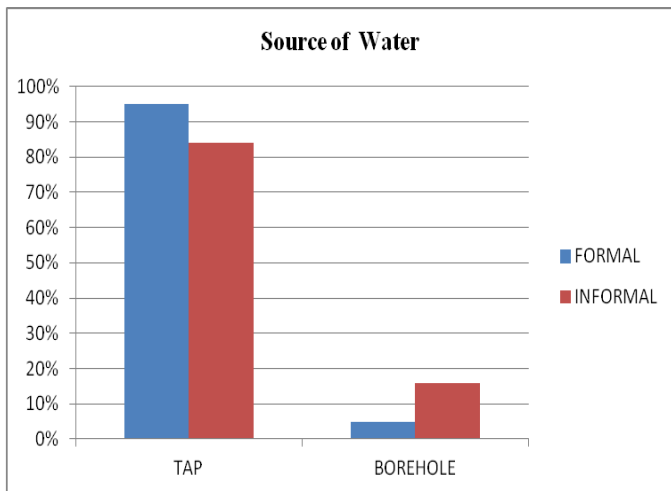
TYPE	SOLAR	ELECTRICITY	WOOD
FORMAL	3%	87%	10%
INFORMAL	5%	55%	40%

The reduced number of people who use electricity in the informal sector may be attributed to the fact that since most of them rent their accommodation even if they have the money to install electricity they cannot do so since they rent the apartment. However the fact that 55% are using electricity highlights that the sector is really having a positive impact on improvement of livelihoods since the town is a growing one and not everyone would be expected to be using electricity. This highlights that given time those using wood as their source of energy would transform and starts using electricity.

#### **4.2.11 SOURCE OF WATER**

Data analysis shows that a large percentage of people both in the formal and informal are using safe water that is tap water,84% f people in the informal sector are using tap water compared to 95% of people in the formal sector using tap water also. They are differentiated by a small margin and this just seeks to show how the informal sector is so involved in improvement of livelihoods as only 16% are using borehole water. The figure below shows the sources of water for those involved in the formal and informal sector.

**Figure 4.3:** People Supported by Income



The use of tap water by a large number of people ensures that the community is using safe water thereby reducing a huge percentage of contracting cholera and that general hygiene is maintained in the community. The fact that the remaining numbers of people who do not use tap water are using borehole water instead of dam water which is unclean shows that the community is well educated about the dangers of using unsafe water and they are doing quite a lot in ensuring that they use clean water.

#### **4.2.13 MEDICATION**

Data analysis shows that at least 68% of the sample population in the informal sector made use of the lupine clinic while 21% went to St Lukes Hospital and the remaining 11 percent make use of a personal doctor. The results show that the sample is enlightened on the use of clinics as compared to traditional doctors. They are knowledgeable on the dangers of using traditional and faith healers

hence use professional health workers when it came to their health. The use of clinics and hospitals ensures development in the community as people are well taken care of by professional people. The fact that those involved in the informal sector make use of professional people also highlights that the profit they make is able to help them seek medical treatments they have to pay for these services and with 11% having a personal doctor this highlights that with the much needed support they sector is very much able to play a central role in development. The table below shows the places where the people get their medication.

**Table 4.7:** Source of Medication

SECTOR	LUPANE CLINIC	ST LUKES	PERSONAL DOCTOR
FORMAL	37%	31.5%	31.5%
INFORMAL	68%	21%	11%

Data analysis also highlights that 31.5% of people in the formal sector have a personal doctor and this can be justified in the sense that people in the formal sector may be making a lot of profit and can afford to have a personal doctor. The fact that those involved in the informal sector use professional health workers instead of traditional healers or faith healers highlights that people are enlightened on the dangers of these traditional and faith healers hence the community is developed.

#### **4.2.14 ACADEMIC ADVANCEMENT**

In the area of academic advancement, the data reveals that people involved in both the informal and formal sector have not advanced academically since joining the sectors. Only 37% of the population in the formal sector advanced academically against 32% in the informal sector and this shows that there is a small margin difference between them.

Formal sector traders may not advance academically as they feel they have achieved enough and their businesses will sustain them throughout their life hence there is no need to advance academically.

**Table 4.8:** Academic advancement

SECTOR	YES	NO
FORMAL	37%	63%
INFORMAL	32%	68%

Informal sector traders may not advance academically as their sector requires a lot of time to be invested and resources and hence they might not have the time to advance academically and most probably have too many responsibilities such that they cannot afford to have money channelled to their own education. Another reason for the failure of informal traders to advance academically may be that they are school drop outs and do not know where to begin as doing their ordinary level will require a lot of time and effort and in any case most courses require people to have at least five ordinary levels for them to do them.

#### **4.2.14 IMPARTATION OF SKILLS TO EMPLOYEES**

Most respondents in the formal sector report to have imparted some sort of skills to their workers. Formal traders seem to impart skills of basic accounting, stock taking and control customer handling and business management to their workers and this ensures that their workers even after leaving the job are able to start their own small businesses ensuring their survival.11% of the population admitted that they have not imparted any skills to their workers meaning they do their own balancing of books and do their own stock taking and control.

**Table 4.8:** Impartation of Skills to Employees

SECTOR	YES	NO	NOT APPLICABLE
FORMAL	71%	11%	18%
INFORMAL	50%	8%	42%

About 50% of informal sector traders said that they have imparted skills to their workers and these skills include survival skills (especially those involved in cattle selling), balancing of accounts books, stock control and taking and basic customer care. The impartation of these skills ensures that these employees can run their own small business at home like selling sweets and fruits thus they are able to be entrepreneurs on their own and this is essential in the growth of the community.

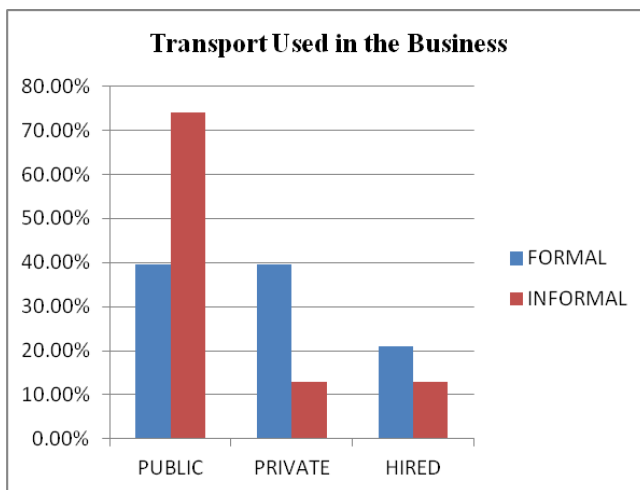
8% of the sample in the informal sector said they did not pass any skills to their employees while the remaining 42 % was not applicable as the respondents had previously acknowledged that they had no employees. However the fact that half of the population said that they did pass some of the skills to their employees highlights that the sector is contributing to community development.

#### **4.2.15 TYPE OF TRANSPORT USED IN THE BUSINESS**

Data analysis highlighted that 74% of the sample in the informal sector made use of public transport in the operation of their business and this is mainly due to the fact that maybe they do not recognise a lot of profit in their business so as to be able to buy their own vehicles and this is against 39.5% of people in the formal sector who use public transport also because maybe their businesses have not afforded them to buy business cars. In the formal sector 39.5% of people said they use their private cars to run their businesses and this is attributed to the fact that maybe they have done business for a long time such that they have managed to buy business cars and this

makes their business easier to run. However still in the formal sector 21% of the ample acknowledged that they hire transport in running their business.

**Figure 4.4:** Transport Used in the Business



In the informal sector 13% of the sample use private transport in running their business and this is people who realise a lot of profit in their business such that they have manage to buy a car and this makes their business more efficient. The remaining 13% of the sample said they hire transport in their running of the business.

#### 4.2.16 ASSETS ACCRUED

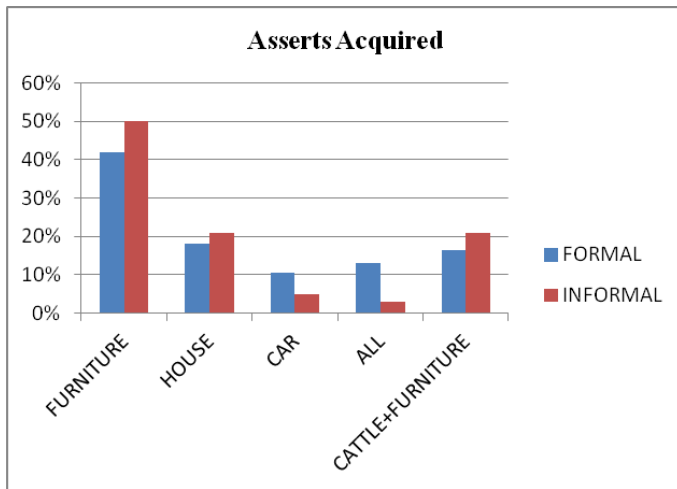
Asked on what her participation in the informal sector as a vendor had done for her a woman replied saying:

*“As a result of my small business I have managed to buy a television set, decoder, fridge and a four plate stove, I would have not managed to buy these if I had not run my small business”*



The figure above shows that 50 % of the sample in the informal sector had managed to buy household furniture in their homes using the money from the sector, 21% said they had managed to buy a house, 5% said the had bought a car, 21% said they had bought cattle and furniture while only 3% had managed to buy a house, car, furniture, cattle and goats. The findings highlight that the informal sector is a viable business which if promoted and given all the support is able to be a forerunner in developing the community.

**Figure 4.5:** Asserts Acquired



In the formal sector findings found that 42% had bought furniture compared to 50% in the informal sector, 18% bought a house, compared to 21% in the informal sector ,10.5% bought a car,16.5% bought cattle and furniture while the remaining 13 % had managed to buy a house, a car, household furniture, cattle and goats. The compiled statistics show that the informal sector is actually doing much better as compared to the formal sector.

#### 4.2.17 PEOPLE EMPOWERED ECONOMICALLY AND SOCIALLY

Data analysis showed that 97% of the people involved in the informal sector felt that they had been empowered economically and socially by the sector as they were now financially independent and made purchases of assets they wanted and women involved in the sector felt that they had been empowered as they are now included in the partaking of family decisions by their husbands and fellow family members.

**Table 4.8:** Empowerment

	YES	NO
FORMAL	79%	21%
INFORMAL	97%	3%

when asked about the empowerment effect of the informal sector a key informant remarked

*“The informal sector has really led to the empowerment of people in the community; women and the widowed have really benefitted as they been empowered by their participation in the informal sector since they now have a source of income. One will be forbidden to say that a drop of domestic violence is linked to women’s participation in the informal sector.”*

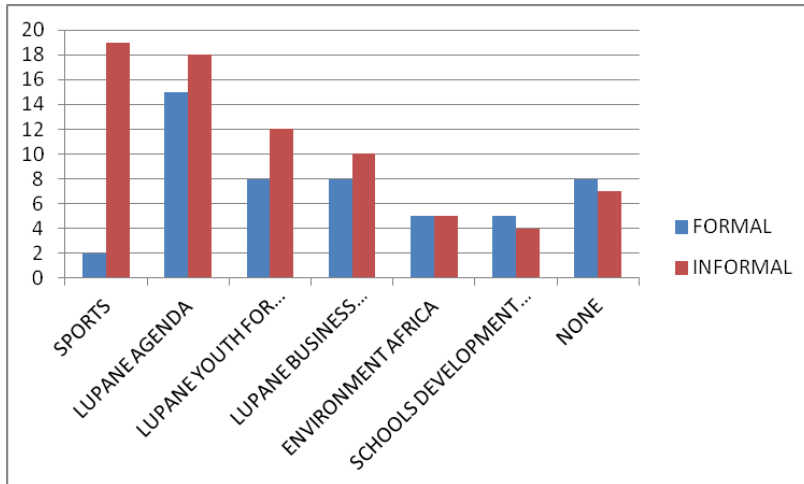
Informal sector traders felt that because they are now financially independent they have earned themselves a form of respect and status both in the family and community and this has greatly increased their confidence to an extent that they are included in most community projects .Women felt like their partaking in the sector has even made relations in the home with their husbands much better a they also contribute to the family income and this reduces quarrels and fights in the home. However 3% felt that they had not been empowered and this is mainly because maybe they do not

get much profit from their sales. 79% of people in the formal sector also felt that they had been empowered by their partaking in the sector as they are now financially independent and can buy whatever they want and their businesses have earned them respect and a status in their families and in the community. However 21% of the sample felt that they had not been empowered by the sector and this is maybe due to the fact that they are not recognising a lot of profit from the business.

#### **4.2.18 COMMUNITY ACTIVITIES**

Data analysis shows that two people in the informal sector are involved in local sports either partaking or helping in the building of the local sports, fifteen people take part in lupine agenda an organisation which addresses the community and nation problems and coming up with possible solutions to the problems that engulf the lupine community and eight people are part of the lupane youth for development an organisation which seeks to address issues that affect the youths and also empower the youths by involving them in certain projects they sponsor. Analysis also highlights that eight people in the informal sector are part of the lupine business association where they discuss business problems they encounter and possible solutions to these problems, five people are part of the environment Africa where they conserve the environment and plant nutritious vegetables to be later sold to the people and also try and look at environmental issues affecting the community, five people of the informal sector are part of the local schools development association where they handle issues affecting local schools and help in the running of the schools while eight people confirmed that they do not partake in any community activities. The figure below shows the community activities which people in the informal sector are now involved in.

**Figure 4.6:** Community Activities



This is in comparison with the informal sector where nineteen people are involved or support the local sports, eighteen people are part of the lupine agenda, five are involved with the environment Africa, twelve people are part of the Lupane youth for development, four involved with the schools development association of the local schools, ten people are part of the lupine business association and seven said they do not partake in any community activity.

The findings highlight that at least more people in the informal sector partake in one or more community activities and are in support of these organisations as 19 people are involved in building of local sports and eighteen are part of the lupane agenda where they try and tackle community problems. Informal sector operators are more involved in community activities which will in turn lead to improvement of livelihoods as they address issues affecting the community and try and find ways of ‘modernising’ their society.

#### **4.2.19 NEGATIVE IMPACT TO THE COMMUNITY**

Data analysis highlights that both the informal and formal traders have a negative effect to the community and the mostly noted effect was that of pollution especially air and land pollution. Since the local government does not collect refuse most of the operators said that they either burn the refuse or dig a pit to throw the refuse which they later bury if full. The burning of the refuse leads to air pollution and the digging of pits may spread cholera during the period when they are not full since a lot of flies will be noted which may later contaminate the food. This was epitomised by a key informant who remarked the

*“the environment is now an eye sore, the informal traders just pollute the environment as it is now littered, and rotten fruits and vegetables have sent out bad odours, this has been exacerbated by the local authority who do not regularly collect refuse”*

Beer hall operators also noted that they have a negative effect of moral degradation in the community since their beer halls are located near the shopping centre where school children usually pass through almost every time and they see prostitutes dancing and drinking and this degrades the morals of the community. The location of beer halls has also led to the rise of under age drinking since most of the children see their adults drinking and this makes them to want to taste the alcohol. Beer hall operators also noted that the drinking spots encourage or precipitate prostitution in the community and this leads to a higher divorce rate and HIV rate in the community. Prostitution increases the rate of HIV and AIDS in the area and this has led to a lot of people being infected and affected by the disease.

### **4.3 SUMMARY**

This chapter dealt with data presentation and analysis. The main findings highlighted that the informal sector had quite good standings compared with the formal sector meaning that the informal sector was contributing a lot to improvement of livelihoods and if given the much needed support and encouragement it can do more.

## **CHAPTER 5**

### **SUMMARY, CONCLUSION & RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter outline research conclusions, summary and recommendations. The chapter also details brief discussions of chapters that make up this research study. The recommendations given here under are based on the research findings. As indicated in chapter one, this research sought to obtain an insight into the contribution of the informal sector in the development of the prefecture of Lupane.

The researcher believes that, recommendations given will go a long way in understanding the contribution of the informal sector in community development. A summary of the conclusions is also necessary as it will give guidance to the different individuals and institutions that will utilize the findings of this research project.

#### **5.1 Conclusions**

The findings have shown that most people that are involved in the informal sector in Lupane business centre are females, this was close to three quarters of the respondents. It is also this research's finding that the youths are mostly the ones that are involved in the informal sector and the majority of them (60%) have attained up to secondary education.

The informal sector contributes significantly to community development. People in the informal sector have contributed to infrastructure development in Lupane Business centre. 39% of the respondents own houses in the business centre and this shows that in terms of social development, the informal sector has contributed.

One of the major conclusions of this study is that the informal sector needs support in order for it to contribute in a measurable way to the economy. They need to advance their education in order to understand their businesses but unfortunately, most of their time is consumed by the daily activities of their businesses as they work even on weekends.

## **5.2 Recommendations**

- The local leadership of Lupane should recognise the contribution of the informal sector in community development. It is essential that the leadership uses the available resources to support the people that are involved in the informal sector. The Lupane Women's centre can be used as a resource centre for the training of female informal traders on entrepreneurship skills so that they can be able to understand the basic concepts of business management.
- There is a gap in education advancement. 60% of the respondents have gone up to secondary education. The researcher recommends that Lupane State University can be utilized, both the structure and human resources to facilitate programs that will respond to entrepreneurship training gaps. Other stakeholders like NGOs and the corporate world may be engaged to provide sponsorship for these programs.
- The other gap is registration of the informal businesses. The researcher recommends that the informal traders should be made aware of the registration process. Basic trainings on the registration process should be done and most importantly the registration process should be made simple.
- The other recommendation is for the government to decentralize the funding structure for small businesses. It is important that there be local structures within the community and



participation of the informal traders to ensure that the funding reaches the intended beneficiaries and is used for the intended purpose. Monitoring and evaluation processes should also be implemented at local level.

- The setting up of informal sector associations is long overdue. It is important that informal sector operators organise themselves to form associations in their respective areas

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## APPENDICES

### Structured Questions for interview

Hello, my name is Patience Luphahla. I am a Bachelor of Arts Honours in Development Studies student at Midlands State University in Gweru. I am doing a research on the contribution of the informal sector to improvement of livelihoods in partial fulfilment of the requirements to obtain an honours degree. I have identified you as one of the people who can provide me with information to help me do this research. Please kindly be note that

- ✓ You have the right to refuse to participate in this discussion at any point
- ✓ There will be no payment or incentives for your participation
- ✓ Your identity and any personal information will be kept private

Please kindly answer the following questions

1. How old are you?

*Uleminyaka emingaki?*

2. What is your marital status?

*Uthethe/wendile na?*

3. What activities do you do?

*Wenza misebenzi bani ekuzuzisa imali?*

4. How many dependents do you have?

*Ugcina abantu abangaki?*

5. What is your highest level of education

*Wafunda wafika ebangeni liphi?*

6. Are any of your dependents school going? Who pays their school fees?

*Ebantwini obagcinileyo bakhona abafundayo? Babhadalelwa ngubani?*

7. What type of accommodation do you live in

*Uhlala endlini enjani?*

8. Do you own or rent the accommodation?

*Ngeyakho kumbe ubhadala irent?*

9. Do you have any family members in the diaspora?

*Ulezihlobo ezingaphandle kwelizwe na?*

10. Where can I find someone else who is involved in formal activities?

*Ngicela ungitshengise omunye ophila ngokuzisebenza*

11. What source of energy do you use?

*Lipheka lokukhanyisa ngani?*

12. What mode of transport do you use

*Uhamba ngani?*

13. What asserts have you accrued?

*Wathengani okukhulu?*