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INCENTIVES FOR MEMBERS OF THE INFORMAL SECTOR TO MIGRATE TO THE FORMAL SECTOR

by

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Masters of Management (in the field of Public and Development Management)

Johannesburg, September 2010

ABSTRACT

The informal sector in Mozambique has grown quickly especially since 1992 when many people migrated from the rural to the urban areas where they were involved with agriculture during the civil war. Once in the urban areas, they ran small businesses as a way of subsistence. Both Government and Municipalities are aware of the situation and are passing laws and regulations to help this sector perform better. The implementation of all regulation and laws are not readily accepted by the traders and there are concerns about the procedures to be followed by the traders.

The purpose of this research is to establish why informal traders fail to operate in the space provided for them by Government which is intended to encourage the traders to undertake their activities in appropriate spaces. In an attempt to understand the phenomenon, both quantitative and qualitative methods were used to answer the questions, and to test the hypotheses.

Broadly the traders are willing to move to the space designated by the Municipality and also to comply with the rules and regulations from the Ministry of Trade and Industry. However, the Municipality should provide better conditions in the designated spaces to attract traders and the law needs to be more widely publicized and disseminated so that traders are aware of current legislation.

Better communication between Government and Municipality with the traders is required to increase their awareness of the rights that assist them and their knowledge of the rules, policies and procedures they have to follow once they are operating in this sector.

DECLARATION

I declare that this report is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Management in the field of Public and Development Management (in the University of the Witwatersrand, Johannesburg). It has not been submitted before for any degree or examination in any other University.

_____

Doris Afonso Nhone Macaringue
September, 2010

DEDICATION

I would like to thank my husband Paulino Macaringue who encouraged me to undertake this degree and my three daughters – Aspasia, Mayicha and Tonicha – who helped me to achieve this level of attainment.

I also dedicate this work to my father (Afonso Nhone) and my sister-in-law, (Delfina Macaringue) both of whom passed away while I was doing this master's degree.

I also thank my mother (Vasta Daniel Chambal) who has given me encouragement to go on with my studies and my aunt (Tia Chica) who helped in taking care of my daughters during my studies.

For all of them, thank you so much.

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My gratitude is also extended to all officials at the Municipality Department of Trade and Fairs and also to the Ministry of Trade and Industry, as well as the Director of the Department of Trade and Fairs who gave the letter of permission used to approach the traders and all officials working in the three different markets targeted in my research.

I also thank all traders who agreed to participate in the interview process in all markets and offered their time to answer the questions with all respect and patience.

LIST OF ACRONYMS

CEE	Central and Eastern Europe
CSO	Central Statistics Office
DINAME	Distribuidora Nacional de Material Escolar
FSU	Former Soviet Union
GDP	Gross Domestic Product
GOI	Government of India
ILO	International Labour Organization
INE	Instituto Nacional de Estatistica
MOL	Ministry of Labour
MIT	Ministry of Industry and Trade
MPRA	Munich Personal RePec Archive (Munich University Library)
NSO	National Statistical Office
NDPs	National Development Plans
NUIT	Número Unico de Identificação Tributária
OECD	Organization for Economic Co-operation and Development
PNB	Produto Nacional Bruto
SOEs	State Owned Enterprises
SSA	Sub-Saharan African
SMMEs	Small, Medium and Micro Enterprises
UNICEF	United Nations Children's Fund

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This research aims to determine the reasons why informal traders fail to operate in spaces provided to them by the Mozambican government, taking into consideration that this sector is growing quickly and appears to be an alternative solution to the high rate of unemployment that affects the country, as well as being a strategy for poverty alleviation.

The research examines the informal sector in the capital city of Mozambique (Maputo), which has a large population engaged in a diverse range of activities. In this particular case, the research is focused on people who practice informal business in some informal markets in Maputo, which are expanding rapidly but without planning, because “it is where they can do whatever they want without control” as De Soto (2000) explains. These are known as informal markets in contrast to people who sell their products in municipal markets and pay taxes on trading activities carried out there. The researcher used qualitative and quantitative methods to understand and answer the research questions posed for this research.

Mozambique, like most African countries, is a developing country where unemployment and poverty are still big challenges for the government. From 1976 to 1992, the country was involved in a civil war that led people to migrate from the rural areas in search of safety. Having largely had agriculture as their mainstay, once they migrated to the urban areas, they were forced to find alternative ways of sustaining their families. Since most

of them are illiterate it was not easy to find alternative jobs. This predicament forced them to start informal activities to satisfy their needs.

The informal activities in Mozambique started just after independence around 1978/1979 and became more widespread during the civil war of 1976 to 1992, which forced large numbers of people to migrate to the urban areas. This situation contributed significantly to unemployment levels and also accelerated the number of people doing informal business, some of them practicing it in inappropriate spaces (Mozlegal, 2005, p. 2).

There are many different examples of people who conduct street trade, selling different kinds of products that range from food, meat, fish, vegetables, fruits, clothes, shoes, or washing and guarding cars for tips. There are also concentrations of people who have informally set up a market place selling different kinds of products. Based on the Second Population and Housing Census of 1997, more than 70% of the Mozambican population was rural. This proportion was certainly affected by the gradual process of post-war resettlement, with migration of people from the cities and towns back to the countryside, as a sense of security returned (sardc.net/books/2005).

In 2000 and 2003, a census of enterprises carried out in Mozambique supplied more exact data on formal employment and unemployment, in both the public and private sectors. The most important finding of this census was that less than 10% of the active population has a formal job, and thus the informal sector absorbs 90% of the economically active population in Mozambique. This data reflects the great importance that the informal sector has for the economy, and any employment policy must take into account the role of this sector (sardc.net/books/2005).

The informal sector has grown very quickly, forcing the government to intervene through passing regulations and allocating appropriate spaces

for those informal traders to practice their activities. Simultaneously, the government has been trying to persuade informal traders to move from the informal to the formal sector, by first identifying appropriate space for them to operate in and introducing taxes on the informal sector. Statistical information about the informal sector and small enterprises in Mozambique is still sketchy in spite of their major economic significance, since the informal sector is directly linked to the main objectives of development, namely increased production, job creation and combating poverty (MPRA, 2006, p. 2).

Economists and police officials have tried for some years to define and measure the informal sector. Some say that it is a sign of under-development and will shrink as the economy improves. Others believe that the informal sector, also called the “secondary economy”, is tied to the legal, commercial economy, and that aid donors should encourage informal traders with microfinance grants. It is widely accepted that the informal economy is large (Hanes, 2008, p. 3).

1.2 Background

1.2.1 Overview of the Mozambique informal sector

The informal sector plays an important role in the economy of Mozambique by providing jobs and contributing to poverty alleviation. The Government of Mozambique is very aware of the consequences of the civil war, and the consequences of a high rate of unemployment. In its attempt to organise the informal sector, the government has designed several policies aiming at protecting and regulating the activities related to it. The first aspect related to this is the allocation of space for traders as well as the introduction of a new tax for small taxpayers (www.macauhub.com).

However, having been practicing their activities in areas of their choice for many years, people find it difficult to settle their business in the new areas designated by the authorities. This has been one of the major sources of tension between the authorities and informal traders, who tend to move back into their old trading spots even when they have agreed to move.

Municipal authorities have been adopting coercive methods to force informal practitioners to relocate into the officially designated areas, where they have to pay a daily fee to the municipalities (market fee), with no benefit from municipal services normally offered to formal markets, such as basic infrastructure which includes stands , piped water, electricity, and storage facilities (Amurane, 2007, p. 9).

Traders would like to see benefits and gains similar to those offered to formal traders when they move to the appropriate spaces as indicated by municipalities. In that way they will feel they are acknowledged for their contribution to the development of the national economy. The members of the informal sector resort to common legislation for matters strictly related to business. These operators do not have the resources or the capital to allow them to launch, or rather, to start developing a micro enterprise. The fact that the informal business appears to be the only source of survival creates a barrier to the sustainability of any business and, very often, the activity is bound to fail from the beginning because all the money made from the business is used to cover immediate needs. There are no savings, much less re-investment of profits to make the initial investment grow (Amurane, 2007, p. 9).

In the informal sector there is a lack of capital; traders do not save much to start a micro business; the growth of their capital is too little; and there is not enough savings to keep the capital growing and take the traders to the next stage or upper level of business. Traders may operate for a long time without seeing profit, but need to do this to survive.

Because of the importance of the informal sector for the economy of the country, a number of research reports have been produced but these provide little explanation to Government as to how to persuade people to adhere to its initiatives aimed at regulating the sector. This research intends to offer some insights/inputs on how best the authorities can persuade and manage the people in the informal sector in order to monitor their behaviour.

1.2.2 Commercial and Industrial Licensing Regulation

In Mozambique, the institution responsible for regulating commercial and industrial activities is the Ministry of Industry and Trading (MIT). Its role is to formulate the policies and strategies for industry and trade, regulate and promote services to ensure the development of the business sector, and advance growth in production, exports, trade and agricultural marketing, with the aim of contributing to food security and the protection of consumer rights (Mozlegal, 2005, p. 2).

The legal-economic instruments that comprise Commercial and Industrial Licensing have introduced a number of changes, the most notable being:

- Reduction of timeframes for industrial and commercial licensing application processes;
- Simplification of procedures, and introduction of special forms and guidelines for industry and trade officials;
- Decentralisation of the powers and responsibilities of central State bodies to provincial and district levels;
- Incorporation of informal activities into the legal framework;
- Adoption of the principle of educative inspections as an option, and punitive inspections as the exception (Mozlegal, 2005, p. 2).

Therefore, if all the procedures that are established are followed by officials and informal traders, the present situation of the informal sector can change and the way that this business is conducted could be made more organized and attractive. Furthermore, based on the changes introduced by the law in the policy and regulations, if the legal instruments and the appropriate procedures are followed by the officials, traders will also identify the positive aspects and propose amendments.

The aim of the Industrial and Commercial Licensing is “to adopt the principle of educational inspections as an option, and punitive inspections as the exception”, meaning that there is a need for collaboration from the traders (Industrial and Commercial Licensing Regulation by Decree 1999/2004 of 24 November, p. 2).

The industrial licensing regulation was published by Decree 39/2003 of 26 November and the Commercial and Licensing Regulation by Decree 1999/2004 of 24 November. The Industry and Trade Inspection Regulation was published by Decree 1999/2004 of 24 November. The licensing is followed by the payment of fees as prescribed: Fees “are payable for every act that is subject or arises from licensing, based exclusively on the table appearing in annexe III of this regulation” (number 1, Article 2, p. 28).

For people who do not pay fees there are penalties as administered by the inspectorate. Commercial and industrial licensing regulation is one of the instruments used to legalize informal activities, in line with the requirement of “Incorporation of informal activities into the legal framework.” The “legal and economic instruments have been introducing a number of changes in the area” which shows the willingness of the government to put this sector in place and also reach a solution that can benefit both government and traders.

1.2.3 Municipal Position

a) Municipality By-laws

The new approach which revokes the 1965 ordnance states that markets are pre-determined places where people are concentrated and sell different kinds of products (Resolução nr. 94/AM/2008, p. 2 of 76). The markets can exist to supply local products, and stock supply of the district and informal markets (Resolução nr. 94/AM/2008, p. 4 of 76).

According to the municipality's definition informal markets "are all markets that appear spontaneously, arise or emerge as a way to answer the specific needs, congregating a number of traders, in which the Municipality has to set the administration control and structures in the period that these markets are there" (Postura sobre Mercados e Feiras do Maputo, 2008, p. 2).

In Maputo there are sixty-three formal and informal markets in six different urban districts. The formal markets number forty and some of them are: Central, Xipamanine, Povo, Janet, Malhangalene, Praça de Touros, Malanga, 7 de Abril, Maxaquene, Hulene, Polana Caniço, Luís Cabral, Lhanguene, Mazambane, Benfica, A Luta Continua, Vulcano, Triunfo, 25 de Junho, Inhagoia, Jardim, Catembe, Inhaca, Malhazine, Bagamoio.

In terms of informal markets there are twenty-three, some of which are the following: Estrela Vermelha I and II, Mandela I and II, Museu, Praça dos Combatentes, Xipamanine Informal and Bazuca, Romão, Magoanine, Albasine, 4 de Outubro, Fajardo Informal and Malanga, 16 de Junho, Praça dos Combatentes, Matendenec (Postura sobre Mercados e Feiras do Maputo, 2008, pp. 7- 8).

The Municipality also designated the formal markets in three categories which are called classes and are situated in the districts. This classification

is in accordance with the infrastructure and level of organization of the district and other criteria as defined by the Municipality and in respect of Article 1. The classes are A, B and C, and according to the above classification informal markets belong to the C class. In this market, traders pay daily taxes similar to the traders who walk on the streets or who are called mobile traders (Municipality By-laws, pp. 5-6 of 76, subsection II-article 3 and 4).

In terms of timetable, fees and penalties are the same for traders who operate in formal markets, who pay daily tax until 10 o'clock. After 10 o'clock officials patrol the markets to check who has not paid the tax. For traders who did not pay, a fine of 50% is charged. After one hour without providing payment of the fee, the fine is doubled and the trader will have to pay 100% (Article 31, p. 19).

Additionally, the Municipality position under Article 105 resolution nr. 11/99 dated 10 June, p. 49 of 76, establishes that all informal markets must be opened at the same time, while the closure timetable should be fixed by the Municipality according to each market and must have the following characteristics:

- an appropriate stand
- enclosed space made of bricks or another kind of material
- sanitary conditions
- water draining system or pipe water
- any other necessary facilities the Municipality can provide to them. (Municipality By-laws, p. 49 of 76, article 105, June 1999).

The regulation in article 106 in relation to the type of installation also states that the informal markets must be adopted by simple installation, as well as basic infrastructure, with the following considerations:

- The hardness of the floor or the floor must be paved

- The initiative of covering the ceilings to protect people from sun and rain
- The division of the space by using for example bricks to separate one space from another
- The toilet buildings and other kinds of facilities that can be useful for the effectiveness of the markets
- The building of basic drainage.

The Municipality services allow any person to build their required stand as long as the traders follow the specification of the Municipality authorities;

- In general, buildings that can be difficult to remove are not permitted.
- In the case of availability, the Municipality will give movable stands to the traders according to the type of business and space available inside of the market (Municipal Regulation, p. 49 of 76, subsection II-article 106).

b) Informal markets operation

The informal markets are subject to the control of authorities with the legal special officials from the Municipality and other officials with authority. If someone does not pay taxes they must be penalized in accordance with the Municipality Regulations.

Authorities that are not part of the Municipality must co-ordinate their activities with the informal market official and Municipality. In the Informal markets, traders pay the same amount that people pay in the C class District Markets as a tax (Article 112, 1999, p. 51).

Municipality Regulation is important for traders who work in the informal market as a way of promoting discipline and order. It also helps any trader to organize his or her routine in line with the regulations. According to article 31 regarding tax, officials have to know how much money they

collect from traders daily, count it and present it to the senior officials. The senior officials must make the information available to all traders by putting a notice up on the notice board. A daily deposit should be made into the bank according to a specific timetable. Traders pay taxes and have the right to know how much they make daily, then they can approach the Municipality officials and ask about the conditions that are provided, such as enclosed brick spaces, appropriate stands, electricity and sanitation (Article 106, 1999, p. 49).

1.2.4 Mozambique geographical location

Mozambique is located on the eastern coast of Africa, south of the equator in the region of Southern Africa. Mozambique borders with six countries: Tanzania on the Northern border, Malawi and Zambia on the North-west side, Zimbabwe on the west border, South Africa and Swaziland on the South-west side, South Africa again on the south side and finally the Indian Ocean on the Eastern side (http://upload.wikmedia.org).

There are about 20,8 million inhabitants according to the census of 2007, the majority being female and most of them young. The population of Mozambique is considered a youth population. Due to the majority of the population being young, the informal sector is consequently dominated by young people who do not have a high level of education and are not able to get formal jobs. They then decide to set up their own business and operate in the informal sector. Some run their own business and others work as an employee.

Map 1 - Mozambique geographical profile



Source: http:images.google.com/images 2008, March

1.2.5 Characteristics of Maputo City

a) Population and resources

Maputo, formerly Lourenço Marques, is the capital and largest city of Mozambique. It has a port on the Indian Ocean and its economy is centred on the harbour. It has an official population of approximately 1,224,227, but this is estimated to be much higher because of slums, and other unofficial settlements. Coal, cotton, sugar, chromate, sisal, copra and

hardwood are the chief exports. The city manufactures cement, pottery, furniture, shoes and rubber. There is also a large aluminium smelting plant, Mozal. The city is surrounded by Maputo province **(**http:wpcotent.answers.com).

b) Geography of Maputo city

Maputo is located on the west side of Maputo Bay, at the mouth of the Tembe River. The bay is 95 km (50 miles) long and 30 km (20 miles) wide. The Maputo River flows into the southern end of the bay.

Photo of Maputo City



Source: http:wpcotent.answers.com October 2006

Maputo was called Lourenço Marques during the colonial period and this name changed after independence to Maputo. As historically explained, ”On the northern bank of Spirit Santo Estuary of Delagoa Bay, and inlet of the Indian Ocean, Lourenço Marques was named after a Portuguese navigator, who with a companion (Antonio Caldera) was sent in 1544 by the governor of Mozambique on a voyage of exploration. They explored

the lower courses of the river emptying their waters into Delagoa Bay, notably the Spirit Santo" (http://upload.wikmedia.org).

The various forts and trading stations which the Portuguese established, abandoned and reoccupied on the north bank of the river were all called Lourenço Marques. The existing town dates from about 1850, the previous settlement having been entirely destroyed by the natives. The town developed around a Portuguese fortress completed in 1787. In 1871 the town was described as a poor place, with narrow streets, fairly good flat-roofed houses, grass, huts, decayed forts and rusty cannon, enclosed by a wall 6 feet high, then recently erected and protected by bastions at intervals (http://upload.wikmedia.org).

c) History of Maputo during the colonial period

Between 1693 and 1785, trading was the main activity developed in Maputo bay. The trading activities started in Maputo when the capital city of Mozambique was ceded the Island of Mozambique in 1899 and the construction of the railroad to Pretoria, South Africa commenced in 1895. From this time Maputo City became important and was transformed into a growing industrial centre for the capital market, commerce and the main point of transit to the hinterland (Muchangos, 1994, pp. 30-31).

Since that time people who used to migrate from the rural to the urban areas, inside the country, have used trade as a way of subsistence. This contributed to the growth of the city, largely because of the migration process (Muchangos, 1994, p. 32).

Portuguese, Islamic, Indian and Chinese, including Macanese communities, managed to achieve great prosperity but not the unskilled African majority, by developing the industrial and commercial sectors of the city. Prior to Mozambique's independence in 1975, thousands of tourists from South Africa and Rhodesia (now Zimbabwe) frequented the

city and its many scenic beaches and high quality hotels and restaurants (http://upload.wikmedia.org).

d) Maputo City after independence

The People's Republic of Mozambique was proclaimed on 25 June 1975. After independence, the Government concentrated on those people living in the poor districts. Based on that government decision, almost three thousand people changed their lifestyle with regard to the kind of housing and service delivery they could have (Muchangos, 1994, p. 33).

However, peace did not last long as instability in the rural area caused by a long civil war between Frelimo and Renamo started and this situation contributed to the migration of the population to the city of Maputo. Between 1980 and 1990 the population grew nine-fold, reaching almost two million citizens as a consequence of rural migration and natural growth.

As a result of that exodus, thousand of people in the district were allocated the space of one hectare, and chose to modify their lifestyle once in the urban area, doing subsistence business to survive (Muchangos, 1994, pp. 35-37).

This was another reason that contributed to the expansion of the informal activity in the city of Maputo, along with population growth. However, from around 1977 the government was trying to control and to organize the informal activities, although this was challenging given the situation of war, drought, hunger and instability that characterized the country during that period.

Nevertheless, "Growth and stability returned in the 1990s, but the city, although being the largest and most developed in Mozambique, is still well

under its full potential. Overpopulation, unemployment, poverty and crime are the major problems" (http://upload.wikmedia.org).

The overall situation presented above is one of the main reasons for forcing people to engage more with informal activities as a way of getting money in order to live in Maputo city where necessities are easily obtainable if people have money.

1.3 Problem statement

In Mozambique many people work in the informal sector as a last resort activity or a way of survival. This situation developed slowly from 1979 and became more evident in the 1980s when many people from different provinces migrated to Maputo trying to find peace and stability. People started looking for a way of surviving and they decided to sell different kinds of products from their home or by simply concentrating in places chosen by themselves.

The informal sector plays an important role in development as acknowledged by the Munich Personal RePec Archive (MPRA), because "Informal sectors also contribute to increase production, job creation and combat poverty" (MPRA, 2004, p. 2). But this situation presents a matter of serious concern that needs to be better understood, if we look to the way that this kind of business has been done and also the fast growth of the sector since 1979.

While the sector has been growing, the Mozambican Government is involved in initiatives aiming at regulating the informal traders' activities, first by identifying appropriate space for them and then by introducing an adequate tax system for the informal sector as well as a new investment code. Although there have been several attempts to relocate traders to the

areas where they have to pay taxes as a process to formalise them, they have been showing strong resistance.

The Municipality and other voices from government have observed this strong resistance from traders to relocate them in the space provided by them in spite of the perceived advantages of being in these more appropriate spaces. This situation represents a complex scenario that deserves research to understand the underlying reasons for the resistance that has emerged from the traders.

1.4 Purpose statement

The purpose of this research is to find out the reasons why the informal traders fail to operate in the spatial areas provided for them by the government, which has been done as a way of encouraging them to perform formal activities. This study attempts to find out from members in the informal sector if the cost of renting space from the Municipality is too high and acts as a deterrent, or if there is another issue that needs to be addressed in order to persuade them to co-operate with the authorities' intentions. There might be a need to check if civic education, explanations or instructions have been appropriate, to make the traders understand the need to be in the appropriate space.

After making sure that all the correct processes took place, the Municipality decided in 1997 to relocate people to the new space, but until the present time the results remain problematic. This means that there should be other ways of enforcing the regulations. Nevertheless it is important to examine whether traders understand and are really familiar with the regulations.

1.5 Research questions

1. What discourages people in the informal sector from relocating into the marketing areas designated by the authorities?
2. What might persuade the members of the informal sector to legalize their daily business as a way to help them to migrate to the formal sector?

1.6 Research hypothesis

In order to understand the reason why informal traders refuse to be relocated into the space provided by the Municipality, a questionnaire was developed for trades members to complete and try to understand the phenomenon around this issue.

Hypotheses were set to answer the research problem. Based on the problem the following hypotheses were formulated:

1. Is there any correlation between the years traders have been selling in the space in which they are and willingness to move to the new one?
2. Is there any correlation between the profits that the trader members get from the business and to ask for a loan to improve their business?
3. Is there any correlation between the number of years traders have been trading in the space and knowledge in Commercial and Industrial Licence?
4. Is there any correlation between the number of the clients that the traders have and willingness to move to the space indicated by the Municipality?
5. Is there any correlation between the money they pay as a tax in the informal market and if they are comfortable to remain in this space?

6. Is there any correlation between willingness to migrate to the new space indicated by Municipality and if they are comfortable with doing the business in the actual space?

1.7 Structure of the chapters

The report will present five chapters as follows:

Chapter one: Introduction, an overview of the Mozambique informal sector, some characteristics of Maputo city, including population and geography. It will also present the regulations and Municipal regulations. The problem and purpose statement as well as research questions and hypothesis will be presented.

Chapter two: Literature Review, explains the informal sector, and the African and international experience about the sector, including Mozambique.

Chapter three: Research Methodology, describes methodology used to collect the data for the present research.

Chapter four: Data Presentation and Analysis, is where all collected data will be presented and examined and the results will be discussed in an attempt to answer the research questions.

Chapter five: Conclusion and Recommendations will be drawn up in relation to all aspects found and recommendations will be given relating to the purpose of the research.

Chapter two below will provide the concept, characteristic of the informal sector in some African countries as well as international experience and will also presents policies and role of the informal sector in developing and developed countries.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section presents the review of the existing literature around the topic under investigation. In order to do so it first presents the historical situation of the informal sector before and after independence. An overview about the actual development of this sector is provided. The concept of informal sectors is discussed, as well as some characteristics of informal and formal sectors. A strategy for making changes is presented and the contribution of the informal sector to GDP in developing countries is explained.

2.2 The concept of the informal sector

The concept of informal sectors was introduced into international vocabulary in 1972 by the International Labour Organization (ILO) in its Kenya Mission Report, which defined informality as a "way of doing things characterized by: a) ease of entry; b) reliance on indigenous resources; c) family ownership; d) small scale operations; e) labour intensive and adaptive technology; f) skills acquired outside of the formal sector; g) unregulated and competitive markets" (World Bank- ECA, 2000, p. 2).

The informal sector is defined as "comprising economic enterprises which employ less than a certain number of people (e.g. 5-10, depending on the country's official procedures) per unit, and which simultaneously satisfy one or more of the following criteria: a) it operates in open spaces, from residences or backyards; b) it is housed in a temporary or semi-permanent structure; c) it does not operate from spaces assigned by the government, municipality or private organizers of officially recognized market-places; and d) it is not registered (World Bank- ECA, 2000, p. 1).

A further definition states that the informal sector is all activities that are conducted against the state regulations and rules, particularly in the areas of compliance with taxes, and labour regulations, as described by the World Bank. Therefore this sector plays an important and controversial role because it provides jobs and reduces unemployment and underemployment, but in many cases, jobs are low paid and job security is very poor" (World Bank - ECA, 2000, p. 1).

If we look to the three first definitions about the informal sector, we find that they are inter-related and emphasise the aspect of unregulated and competitive markets as well as unofficial business activities and tax evasion. The business is not registered, it is on a small scale, it can be done in the house for a temporary or permanent period. This shows us that the informal sector can be faced with different kinds of problems in the way people operate or do their business, but what is common is the fact that people operate in an illegal manner and do not pay taxes on their activities.

Hence Taneja and Pohit (2000) argue that the informal sector is identified by a pre-capitalist mode of production, own account of workers and no access to the benefits of social security and is characterised by low capital intensity and level of productivity, a small and usually poor clientele, a low level of formal schooling, ease of entrance into the sector, lack of protection, and limited recognition from the government.

While Lopes (1996, p. 14) also believes that the informal sector is free, without any bureaucracy to a formal sector. The informal sector practises activities using un-developed technologies, requiring almost no skills, eventually causing a low profit, as they do not meet the legal status of trading (João, 1998, p. 17).

ILO (2003) definition also state that the “informal sector is broadly characterised as consisting of units engaged in the production of services with the primary objective of generating employment and incomes to the persons concerned”. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on small scale. Labour relation where there exist are mostly based on casual employment, kinship, or personal and social relations rather than contractual arrangements with formal guarantees (OECD, glossary of statistical terms, p. 1).

Also De Soto (2000), in his book *The Mystery of Capital* mentioned that “thousands upon thousands of people work in the extralegal sector – in the streets, from their homes and in the city’s unregistered shops, offices and factories,” because it is where they can do whatever they want without control. According to De Soto, “Peasants were not supposed to come to the cities looking for the twentieth century. But ten millions came anyway, despite a backlash of mounting hostility. They faced an impenetrable wall of rules that barred them from legally established social and economic activities.” He additionally argues that people sometimes want to be legal but they faced barriers to become formalised because of bureaucracy and also economic stability to enter into a formal business (De Soto, 2000, p. 17).

De Soto, the ILO, João, Pohit and Taneja have all provided definitions, and mention aspects like absence of control in the informal sector; poor clientele; low level of organisation, productivity or profit and schooling; no bureaucracy to beginning the business; no division between labour and capital as factors of production; and that people who have come from the rural areas find it difficult to conform to regulations. Consequently, people stay where they want because this sector is characterised as having easy entry and lack of protection and recognition from the government.

There are some studies, for example, Marrengula (1997), Maússe (1987) and Amurane (2007) that were carried out in Mozambique in order to understand the phenomenon and provide government with options as to how best to resolve the differences regarding informal trading. On one hand there are trader members who do their business to get money as a source of survival, while on the other, people in the areas where the activities take place complain about noise and litter produced, as well as the criminal activities that tend to be developed in that environment.

For all those reasons pointed out by the above authors, the government is compelled to intervene and correct the situation by setting rules and regulations that can restore order and stability in the areas where the informal sector is conducted. As noted by the World Bank and De Soto, the informal sector has an easy entrance for people from rural areas who migrate to urban areas. Of course they face barriers when they are asked to adopt different procedures and follow rules, because it may require resources that perhaps most of them do not have.

In the case of Mozambique, it is also known that the informal sector emerged at a time of economic adjustment and transitional periods as a response to specific situations. Most studies already conducted have focused on the economic aspects trying to investigate or demonstrate how much money is lost because taxes are not claimed from the informal sector. One particular aspect is related to people who take a chance on the informal businesses in order to practice other kinds of black market activities to the detriment of those who are in the sector with honest intentions and want only the survival of their families.

Chichava, for example, observed that “the informal sector is composed of economic units or business outside of legislation rules. Meaning this business pays no taxes, has no government’s authorization to sell products therefore their profit does not count in the GDP (Gross Domestic

Product) of a country or PNB (Produto Nacional Bruto).” In addition, Chichava notes that people conducting such activities are excluded from the statistics of informal workers in Mozambique; such as people with shoe repair shops, car repairs, take-away shops, shebeens, that are not registered either in the formal or in the informal sector (Chichava, 1991, p. 7).

Few studies conducted have provided an important contribution to the government in order to assist in designing policies and setting rules to guide the activities in this sector. What remains problematic is the fact that: although many actions have been undertaken, there are huge numbers of people that have migrated into urban areas and settled there. This challenge must be addressed through appropriate solutions.

The Industrial and Commercial Licensing Decree 39/2003 and Decree 49/2004 states that the priority in establishing a new business is given to the rural areas while the problem that the government is faced with is that the concentration of people in the urban areas is greater, so organizing people who are integrated in the informal market is still a challenge for government.

2.3 Characteristics of the informal sector

The informal sector is characterized by different aspects such as the processes of informal schemes which are usually simply and straightforward, as they emanate from local culture and custom, and they are easily understood by the population. The informal sector also mobilises rural savings and small savings from low-income urban households and operates at times and days which are convenient for their members.

Access to credit is simple, non-bureaucratic, and not based on written documents. Literacy is not a requirement. The informal financial sector provides savings and credit facilities for small farmers in rural areas, and for lower-income households and small-scale enterprises in urban areas; the simple and direct processing of loan request allows for their prompt approval and a minimum delay in disbursement. Rejections are rare, but the level of risk is reflected in the interest rate charged (Srinivas, 1991, pp. 1-2).

Transaction costs are low but repayment rates are higher. Because they emanate from the local environment, informal groups are aware of the problems that members may be confronted with, and therefore they can deal with repayment difficulties in a pragmatic manner. Debt rescheduling is possible. The informal sector has a dense and effective information network at the grassroots level for close supervision and monitoring of borrower activity, particularly their cash flow, whether they are members of an informal association or not. This contributes to the efficient mobilization of savings and ensures high loan repayment rates. Within the informal sector, information is widely diffused. The regular meetings of informal savings and credit associations serve as a forum for dissemination of information.

There are no investment opportunities for savings which have been mobilized but which have not been lent. Therefore the informal sector does not usually keep a written record on the borrowing and/or saving activities of its clientele. When it does, the procedures are relatively simple. Savings and credit mechanism in this sector are not geared towards accumulating funds before the peak season when loan requests are highest. Despite the widespread dissemination of information with the informal sector, informal groups are often unaware of new farming methods, and so members do not learn of new techniques which would

allow them to increase production levels and raise their standard of living (Srinivas, 1991, pp. 1-3).

Taneja and Pohit (2000) argue that the informal sector is identified by a pre-capitalist mode of production, own account of workers and access to benefits of social security. It is also characterized by a low level of formal schooling and a low level of productivity, a small and usually poor clientele, lack of protection and recognition from the government.

As one can see in the informal sector, things are characterized by too many facilities in terms of procedures in order to make life simpler for people who work in this sector, taking into account the lack of literacy and ability to follow procedures.

Other voices like Schneider (1997) state that the characteristics and magnitude of informal sector activities vary within and between countries and regions. In Central and Eastern Europe (CEE) and the Former Soviet Union (FSU), for example, the informal sector is not limited to clandestine and sidewalk activities. Many informal transactions are visibly conducted within large state and privately owned firms. Often state officials and managers are associated with informal sector activities and use State assets or control access to operate more flexibly or to benefit privately. Schneider (1997) also adds that because of the dual nature of activities that are formal and informal (and because of socialist legacy), these economic entities continue to enjoy state resources and employees and managers continue to receive state social benefits.

Of course, the informal sector is a sector characterised by simple and non-bureaucratic procedures in relation to credit access and is practically based on written documents as stated above. By analysing some explanation given from the International Labour Organization (ILO, 1972), we found that the informal sector is characterized by easy entry for the

new enterprises, reliance on indigenous resources, family ownership, unregulated and competitive markets, labour intensive technology and informally acquired skills of workers (Papola, 1980; Bannerjee, 1985; Rakouski, 1994; Narayana, Kaino and Sekwati, 2002). Those are all aspects that contribute to making the informal sector grow quickly and give an advantage to people who are not supposed to be in the sector because they are not eligible to be a formal trader. Informal traders have limitations, for example, a low level of education, no skills, and family ownership. They trade for their subsistence not for accumulated profit from the product they sell.

2.4 Some characteristics of the formal sector

According to the NSO definition, a formal sector is an organization that has a defined management and administrative systems, including government and private agencies that employ at least ten people (Wiebe, 1996, p. 76).

The formal sector is registered in official statistic and is characterized by salaried or wage-based work (Miller and Esterik, 2004, p. 1). In the formal sector there are investment opportunities for savings which have been mobilized but which have not been lent; a regular supply of funds allows the formal sector to lend at any time of the year. This is not the case with government lending institutions, which are deprived of sufficient funds because of high default rates on their loans, although transaction costs are high. In addition, they cannot be easily accessed by the rural masses.

According to Srinivas (1991) other negative aspects of the formal sector that prejudices some people are: formal sector institutions are selective regarding clientele, so as to avoid having clients who make only small deposits, providing little growth to the business. Their financial technology is not suited to the management of modest sums from a large number of savers and formal financial institutions ignore small farmers, lower-income

households, and small-scale enterprises in favour of a large-scale, well-off, and literate clientele which can satisfy their stringent loan conditions.

Even though we can find some positive aspects, namely the fact that formal sector institutions are subsidized by the government and may also receive grants and other support from donor agencies, they can also reach a widely dispersed rural clientele by collaborating with government extension units. In practice, though, they do not usually resort to such intermediaries and do not provide financial services in rural areas (Srinivas, 1991, pp. 1-3).

As a result, being in the formal sector is not easy and, for some people can be either a benefit or not, if one considers the conditions required for obtaining loans or if you are in the rural areas where there are no government institutions to help small-scale enterprises in getting a loan.

2.5 Policies and role of the informal sector

The informal sector is an integral part of global production and marketing chains. What is particular to the informal sector is the absence of rights and social protection of the workers involved in it; in every other respect, and particularly from the economic point of view, the formal and informal sectors form an integral whole (ILO Bureau Publication, p. 3).

Together with the impact of the economic crisis, the deconstruction of the formal sector has led to a decline of trade union organization in leading industrialized countries as well as developing countries and transition countries. This means that the stabilization of what remains of the trade union movement in the formal sector now depends on the organization of the informal sector. Only by organizing the informal sector can the trade union movement maintain the critical mass in terms of membership and

representation it needs to be a credible social and political force (ILO Bureau Publication, p. 4).

The informal sector should not continue to be characterized or identified with the pre-capitalist mode of production as Taneja and Pohit (2000) argue, because many things have changed, and other levels of people are now operating in this sector.

Policies must re-examine the dominant forms of social relations in this sector in order to determine who actually needs assistance and how best to help them. Promoting this sector blindly might enhance the processes of social and economic inequality, exploitation, oppression and marginalization which are currently rampant in the informal sector (Lugalla, 1997, p. 425). Therefore the government needs to carry out in-depth studies in order to design specific policies. The fact that the informal sector is fragmented, diversified, and mixed in terms of activities, participants, and modes of operation confirms that it is indeed challenging (Lugalla, 1997, p. 425).

The informal sector acts as a survival sector for a majority of the poor people and will continue to play a role irrespective of positive or negative intervention from policy makers. What is at issue here is how to stimulate growth within the informal sector without superimposing conditions which might end up formalizing these informal survival processes (Lugalla, 1997, p. 450). If we look at the situation of different countries either in developing countries or developed, “evidence suggests that the informal sector is very much a reality not only in developing countries but also in newly industrialized countries”.

Evidence also suggests that in times of economic distress this sector works as a buffer and provides a livelihood for the impoverished masses even if the level might be somewhat inadequate. In a sense, the sector

itself works as a type of social safety net. So leaving this sector unassisted in times of economic distress would be doing a grave injustice to a large section of poor people who, rather than depend on government support, are brave enough to fight their way forward when faced by an unfavourable economic environment (www.worldbank.org).

The informal sector is not a phenomenon found exclusively in transitional or developing economies, but is present in developed countries as well. In fact, as Tanzi (1982) and Portes (1989) point out, informal sectors in many industrial countries increased during the economic recession and reorganization of the 1970s and 1980s and continues to exist today, such as the notorious sweatshops that are found in New York: But the fact remains that the workers involved in the informal sector mainly served as self-employed, as against the wage workers in the formal sector. For example, in Italy in the 1960s, the process of decentralization led to the growth of the informal sector and an increase in total exports in the central provinces.

Formal sector entrepreneurs sub-contracted the production of inputs to the informal sector that operated according to the putting out system (Portes, Castells and Beneto, 1988). A similar process of decentralization occurred in Spain beginning in the 1970s with an accompanying surge in exports thanks to informal sector activities. To say that the process failed in Spain and the cause of this failure was to take advantage of technological innovations, led to a decrease in informal sector productivity and the persistence of sweatshop conditions within the informal sector (Portes, *et al.*, 1988, p. 2).

It is important to emphasize that promoting the urban informal sector is a short-term solution to the problems of urban unemployment and urban poverty. A long-term solution requires addressing the process of rural-urban migration. It is rural poverty which is pushing many people to the

urban areas. As the Director General of UNICEF observed, “it is widely known that the poor have usually gained least in good times and suffered most in bad times” (Lugalla, 1997, p. 450). This is similar to Mozambique where, during the civilian war, people from rural areas migrated to the urban areas looking for security and stability and because they were poor and relying on agricultural production, they had to take another kind of action to survive, and this took the form of informal activities.

2.6 Strategy to make changes

The efficacy of any type of change lies in the perception of the benefits to be gained by the parties involved. Amurane (2007, p. 4) who also conducted a study about the legal mechanisms for the empowerment of informal business notes two situations, related to the change in the legal empowerment of informal stakeholders. The two situations are:

a. The need for informal sector operators in their capacity as economic agents, to be afforded effective legal protection;
b. The need for the country to account for all the income generated, in order to enable better planning and distribution of the resources in accordance with the social and economic priorities of the population and the country as a whole.

Once the benefit has been identified, the strategy must be designed using a participatory approach in order to incorporate all interests and accommodate the interests of all parties, which are obviously different. The other aspect of relevance she has referred to is around the following question:

> How can the existing population groups in urban areas that have no steady jobs and carry out informal activities be integrated into actions aimed at empowering the poor while they are in the rural areas?

Although the Amurane study is related to the empowerment of informal business, it clearly shows that to persuade people in the informal sector to move to the formal sector by providing appropriate space is not the only action that government should take. This means producing a specific legislation for small-scale activities resulting from the so-called informal sector, and designing eligible economic bases for credit from micro-credit institutions can also contribute to motivating informal traders to establish their business in a legal way.

In fact if we look to the other countries such as Sub-Saharan countries, Botswana, China and India, there are different strategies adopted as a way of boosting this sector. By analysing the informal sector in Sub-Saharan countries we found that, because of the difficulties faced by traders in the informal sector, there was a "strategy design focused on the market expansion in order to enhance the demand of informal sector products, facilitation of easy access to credit, improving of basic amenities of the sector, access to training for improvement of skills and upgrading of technologies used in the sector" (ILO, 2002a, p. 17, in Narayana, Kaino and Sekwati, 2002).

Also in Botswana there is a policy designed to promote SMMEs that deal with the education and training and it is important to motivate the development of entrepreneurs which deal with the vocational education and training to attend the needs of the informal sector. It is important to empower traders in this sector and make the sector participate and contribute to the economy of the country (Government of Botswana, 2000, pp. 22-23).

In India, for example, there is a social security scheme and social assistance programmes that government believes will, if well implemented, contribute to correct imbalances in the informal sector and reduce poverty,

unemployment and adversity (Government of India, 2001a, pp. 22-23). In China Government provides training programmes for people in the informal sector where they learn how to present a business plan to obtain financial assistance (ILO, 2002b, p. 16). All these actions from the government contribute to job creation and a well-organized informal sector in the country.

All policies designed by the countries mentioned above need to be adopted and implemented for more countries to enable the informal sector not only to grow in terms of size and number of people who are doing business, but also to provide better service in a legal way and in an appropriate space.

2.7 The contribution of the informal sector to GDP in developing countries

As Charmes notes, “Until now, it is in Africa that estimates of the informal sector in National Accounts are the most frequent and regular. Estimates are also available for various Asian countries and it is only in Latin America that they are scarce, maybe because national accounts there are compiled by Central Banks which indeed are concerned by the completeness of GDPs, but less concerned by the identification of this component of National economy” (Charmes, 2000, p. 1).

The informal sector has a share of non-agricultural and total employment and also has a share of non-agricultural and total GDP in various developing countries. For example, in the case of Mozambique in 1994 the share in GDP in non-agricultural employment was 73,5% and in agricultural nearly 45% while the percentage of employment was about 8%. In Sub-Saharan Africa non-agricultural employment was 77,5%, 40% in non-agricultural and nearly 20% of employment (Charmes, 2000, p. 2).

According to a survey done in Thailand in 1994 by the NSO it was found that “the informal sector accounted for 51% of all enterprises in the manufacturing, trade and service sector. Additionally it was found that employment generated by the informal sector in the manufacturing, trade and services sectors was approximately 3,5 times that in the same period for the formal sector” (http://wwwworldbank). This clearly shows how important the informal sector is in many countries and how it contributes to alleviate poverty and provide jobs.

The informal sector and shadow economy have a share of non-agricultural and total GDP in various developing countries. Schneider and Enste (2000) define a shadow economy “as the legal value-added creating activities which are taxed or registered and where the largest part can be classified as black or clandestine labour”. They also said that for all countries except India, the size of the shadow economy is bigger than the size of the informal sector which often represents more than half of the shadow economy (Schneider and Enste, quoted by Charmes, 2000, p. 2).

Related to the aspect of informal sector share to total GDP, there are still major causes of underestimation which have not been solved related mto the contribution of women’s activities. Again Charmes (2000) argues that measuring women’s contribution to GDP is an unusual task for National accounts, and until recently it has not been a challenge for them because they aim at classifying, output and value added by the informal sector.

It is important to include this measurement because in Africa “women’s participation in informal sector employment is everywhere higher than 50% and often more than 60%, except in Burkina Faso with 41%. In Burkina Faso is where the informal sector is principally urban, tertiary and male as far as the main activities taken into account, and becomes principally rural, manufacturing and female (Charmes, 2000, p. 10).

In conclusion, the contribution of the informal sector to GDP is currently known and available for many developing countries. However, these estimates are still too often based on many hypotheses originating in various incomplete sources and not grounded in recent national informal sector surveys (Charmes, 2000, p. 12).

2.8 International experience in the informal sector

2.8.1 Informal sector in China

In China, the informal sector refers to own-account workers who include street vendors, cleaners and various kinds of people engaged in community services. It also covers household-based micro-enterprises which make use of family members as labour, engage in simple processing production and services with very little legal restriction or their operational scope and very little capital. These are often linked to the formal sector through sub-contracting arrangements (ILO, 2002b).

Yet in China informal labour organizations are a special sub-category of the informal sector, which is not found in other countries. This includes laid-off and unemployed workers who initiate the venture voluntarily, raise the capital, manage the venture themselves and share the profits and losses. The local government provides assistance and sometimes subsidies to these labour organizations (ILO, 2002) in Narayana, Kaino e Sekwati, p. 14.

The emergence of the informal sector in China has positively affected employment promotion and poverty alleviation. It has also helped to raise the efficiency of the State Owned Enterprises (SOEs) and of course improved performance. This sector also provides a vast number of jobs to rural migrant workers. The statistics show that by the end of 1999, the total

number of self-employed in China was 82,63 million, 12% of total employed (ILO, 2002d).

2.8.2 The role of government in the informal sector in China

The government in China amended the constitution of the People's Republic of China in 1999 to have a legal framework for the development of private ownership and employment in the informal sector. The Chinese government promulgated a set of policy directives to promote small enterprises by changing the lending practices of state financial Institutions. For people who want to set up community service business, formalities were simplified for the laid-off employees.

Their business was exempt in a period of three years in the beginning of the business from tax payment, individual income taxation, and administrative fees. Under government support, home-based and private economy entities have developed rapidly throughout China. The number of own account workers and people employed in micro-enterprises have increased by 41% during 1968 to 1999 (ILO, 2002b).

China also gives an opportunity to some informal enterprises, after some years of hard work, to become larger and turn into informal sector enterprises. As an example, during the years from 1996 to 1999, in Shanghai, there were over 6 000 informal employment entities, of which 160 developed into formal enterprises (ILO, 2002b).

The Chinese government also purchased the "training results" of the institutes. It pays training institutes based upon their participants, training passing rate and their participants, reemployment rate in a certain time period. This method of payment links the use of training budget with market demand for vocational skills and training quality. It can standardize training activities and raise the effectiveness of the training budget. While

the government increases its financial input, enterprises are also obliged to allocate funds for re-employment training of their laid-off employees (ILO, 2002b).

2.8.3 Skills training programmes for employment in the informal sector

China provides training courses for informal sectors like developing countries do for their formal sectors. The training is formulated taking into account the needs of the formal sector which are usually rigid and expensive. The government in China designed different vocational training programmes specifically for the informal sector, as a way of enhance the competence and skills of the unemployed and the laid-off employees.

China has business start-up training pilot programmes which contribute more to meet the training needs of those involved in the informal sector. There are also other programmes such as the re-employment training programme, labour preparation programme, rural labour force development and employment programme, and rural employment promotion programme. By the end of 2000 a total of 30 000 individuals had attended business start-up training courses, among which 18 500 or 61,6% started their own business and generated 74 000 jobs.

In 1997, for example, the Ministry of Labour (MOL), together with the ILO, implemented the MOL/ILO Strategic Approaches towards Employment Promotion in China. This project has provided training to as many as 13 000 participants in rural areas in 2000. About 5 776 households have been awarded micro-credit and loans. It is estimated that this project created at least 10 000 jobs in the rural area and indirectly has created 16 000 jobs. With the implementation of this project, farmers are able to reduce their level of poverty (ILO, 2002b).

Through this project there was an increase in employment in the informal sector which contributed to alleviating unemployment tensions and also stimulated the strategic readjustment of China's employment structure. As a result the training programme promoted by the state has generated positive effects in raising workers' vocational skills, and enhancing job quality and opportunities (ILO, 2002b).

The government in China decided to design policies that can accommodate people in the informal sector. The Chinese State in co-ordination with the ILO designed a training programme taking into account the fact that the informal sector needs specific vocational training that can in fact minimize or solve the needs of unskilled people. We also found that it was a great contribution to alleviate poverty because with this training, people were able to get jobs and this contributes to reducing unemployment in the country.

2.9 Informal sector in India

2.9.1 Characteristics of the informal sector in India

In India the informal sector is broadly characterized as consisting of units engaged in the production of goods and services with the primary objective of generating employment and income. The rural sector and the informal sector mostly comprises landless agricultural labourers, small and marginal farmers, sharecroppers, people engaged in animal husbandry and fishing, forest workers in agro-processing and food processing and artisans such as weavers, blacksmiths, carpenters and goldsmiths. In the urban areas, it mainly consists of manual labourers in construction, carpentry, trade and transport and small and micro manufacturing enterprises as well as people who work as street vendors and hawkers, head-load workers, garment makers and waste pickers, among others (Government of India, 2000).

In India the informal sector plays a vital role in terms of its significant contribution to the national production and in providing employment opportunities to a large segment of the labour force (Chen, 2003, p. 8). Chen (2003) also argues that about 370 million workers that constitute 92% of total workforce in the country were employed in the unorganized sector as per the National Survey in 1999-2000 (GOI, 2001a). Only 27 million workers were employed in the organised sector. A total number of 79,71 million workers employed were in the non-agricultural informal sector of the economy.

2.9.2 Informal sector and social security in India

In India, social security provided all types of measures, preventive, promotional and protective as the case may be. The measures may be statutory, public or private. Informal workers as well as informal enterprises are registered in order to enable them to receive all forms of support and assistance from the government. In India there are different kinds of models of providing social security to the workers in the unorganized sector, and some examples are centrally funded social assistance programmes; social insurance schemes; and assistance through welfare funds of Central and State Governments, and public initiatives (GOI, 2001b).

The impact of social security in India is the fact that it helps to develop a healthy and contented workforce capable of enhancing its contribution to the national income, which would in turn, enhance the capacity of the economy to grow. The effective implementation of social security schemes will go a long way towards correcting the imbalances manifested in a situation whereby a high rate of economic growth and prosperity of a section of its population co-exists with poverty, deprivation and adversity

among vast masses of workers in its economy (Narayana, Kaino and Sekwati, 2002, p. 14).

However, if we look to the facilities and benefit that the government gives to traders who are in the informal sector we found that if the sector is organized and the rules are implemented this gives an advantage to the traders. According to the percentage of people who are in the informal sector it is easy to conclude that this is the sector that provides the most jobs to the unemployed and contributes to the demands placed on government to find work for people. This is what other traders and governments should do to adapt to their informal sector, since everyone is expected to comply with the law of the country.

2.10 Informal sector in some African countries

2.10.1 Informal sector in Kenya

In Kenya the informal sector is important, as it is in many other countries, because it contributes to the economy and creates employment. Ferej (1999) explains that the informal economy expanded dramatically in the past thirty years. In 1972 self-employment and informal jobs accounted for just over 10% of total employment, which increased 55% in 1994 and 63,5% in 1999. It is also said that, more than any other country, Kenya has been very active in the formulation of supportive policies for the development of the informal economy (ILO, 2002). In 1986, policy makers in Kenya formulated detailed policy to strengthen the informal sector.

One important policy in Kenya was the sub-contracting of work to the Jua Kali, a policy also applied in Botswana where government departments have to reserve about 30% of their annual procurement for small enterprises. This was first proposed in Botswana and then in Kenya, but the implementation of the policy has not yet happened. There is a need,

therefore, to review the local procurement policy, especially its implementation. Disseminating information about the policies is also important, since very often, in most African countries the situation is that policies do exist, but the target groups do not know anything about such a policy. This leads to another aspect of policy development for the informal sector. Countries such as Kenya have stressed the need to form business associations among the informal groups, where consultation with the concerned groups on matters of policy can be done and information shared. This can also ensure information flow once a policy has been adopted.

Business associations can also help in consolidating networks between the informal sector enterprises, where information on business growth opportunities may also be shared by the informal sector participants. The objective of these networks is to help businesses to expand and fulfil their potential. They can also promote contacts between small and large enterprises (Tanburn, 1995). An enterprise culture helps business acquire the ability to perceive business opportunities. In Kenya, informal sector policy recognizes the importance of close co-ordination to avoid wasteful duplication of projects, and to share experiences.

2.10.2 Informal sector in Botswana

2.10.2.1 The contribution of GDP to the informal sector in Botswana

The informal sector in Botswana accounts for about 48% of informal activities, with property forming 28% and manufacturing only 17%. Trader activities include retail trade, restaurants, taverns, poultry farming, public transport, metal fabrication, financial intermediation, repair of household goods, and hairdressing.

The informal sector in Botswana accounted for around 1,5% of GDP, which is considered small in comparison to other countries in the Sub-

Saharan African region (CSO, 2000, Informal Sector Survey). The poor performance of the informal sector in theses countries is associated with lack of management skills, lack of physical markets, lack of credit facilities and capital equipment, transport problems, lack of raw materials, and lack of operating premises.

The government recognises all this impediments and has introduced various National Development Plans (NDPs) to help the sector to develop. These programmes include the Botswana Enterprise Development Unit in 1974, the Rural Industrial Office Cadre Programme, and Business Advisory services, the Financial Assistance Policy in 1982, later replaced by the Citizen Entrepreneurial Development Agency in 2001, the Integrated Financial Services, and the Reserved Activity Policy.

The IFS-Integrated Financial Services, for example, provides business management, marketing and technical services to small business and to manufacturing related to informal sector businesses. Training is concentrated on technical activities such as metalwork, pottery, sewing and knitting, carpentry and concrete products.

In 1997 the local procurement programme introduced in place of the local preference scheme attempted to develop local entrepreneurship by reserving up to 30% of government's procurement for local SME manufacturing enterprises (Government of Botswana, 2000, p. 21).

2.10.2.2 Botswana policy for SMMEs

In Botswana there is no specific policy for the informal sector but special attention is given to the Small, Medium and Micro Enterprises (SMMEs) because the Government recognizes the potential of SMMEs in creating jobs and generating income for the economy, to supplement the income generated from the formal sector.

The intention of developing the informal sector falls under the National Development Plans. Botswana's SMMEs policy was approved in 1998 as an integral part of the government's strategy of industrial development and economic diversification, with the intention of developing the informal sector. Although the policy it is not designed specifically for the development of informal sector, it provides a framework in which the informal sector can be nurtured.

The policy also deals with the education and training that play vital role in the development of entrepreneurial motivation. Promoting vocational education and training to meet the needs of the informal sector received attention. For this, there is a need to adapt the school curriculum to the requirements of the workplace and provide practical skills by introducing changes in school education with a focus on self-employment (Government of Botswana, 2000, pp. 22-23, in Narayana, Kaino and Sekuati).

Although the informal sector benefits from the SMMEs policy it still needs to have a clear policy that is designed for this sector and takes into account the contribution made by this sector to the economy and also to reducing unemployment. Government should continue with this commitment in order to be more responsive and proactive.

2.11 Conclusion

The literature review indicates that the informal sector does not exist only in developing countries, but it also found in developed countries. The only differences are found in the way things are organized in each country and how each government plays a policy role for this sector.

There are similarities in terms of characteristics of this sector in different countries, such as when the sector was first established and the kind of

activities that are included in it. As an example, in the developed countries the informal sector grew during the economic recession and reorganization of the 1970s and 1980s. In Spain the process of decentralization that happened around 1970 also contributed to promote this sector although there was a decrease in terms of productivity. By also analysing both developing and developed countries it was found that the informal sector had grown in the decade between 1990 and 2000 in most of them.

The other notable aspect was the fact that this sector contributes to alleviating poverty although this is not the case of Russia, for example, where some state and privately owned firms may also take a chance to be in the informal sector because of the absence of rigidity and rules. In Hong Kong and Italy this sector contributes a lot to economic growth and does not exist only for reasons of poverty and vulnerability, although it does contribute a lot to self-employment and reduces the unemployment level.

In addition, in countries like India and China, the government recognizes that this sector plays an important role in the increase of GDP and is deserving of special attention. In India the government provides facilities for those that are integrated in this sector, such as social insurance schemes and training facilities. In China the government had amended the constitution in 1999 to benefit people who are in the informal sector, and provides facilities for traders who have decided to move up to the formal sector in the form of an exemption during the first three years in relation to tax payments and administrative fees. This is an important contribution to help those who feel that they are able to move to the formal sector and follow all the procedures as required by government.

The Chinese government also gives vocational training in accordance with the need of the traders. This training is individualized and takes into account the age, educational level, and experiences of the traders. In other countries there are policies designed to help people who are in the

informal sector but the difference is the fact that in another countries the policy is not always well-known among the traders and this works against them having a well-organized informal sector. As an example, we can mention the case of Kenya. Taking into consideration all aspects previously mentioned, it is not a simple matter to expect that all informal traders will become formalised. Government and Municipality have to engage more with traders to make them conscious of their rights and facilities, and encourage compliance.

According to the literature review, there are different aspects that can contribute to encouraging traders in the informal sector to perform well in their business. An objective of this research is to identify incentives for members in the informal sector to move to the formal sector, and it seems that there are a number of such incentives already in place. However, the literature shows that Government cannot simply formulate policy for traders and wait for them to comply, but that it is necessary to be persistent with the implementation. It is also necessary to find additional incentives that can persuade traders to comply, such as helping them to improve their business in a legal way.

Even though the procedures are simplified this is not the only aspect that will encourage informal traders to become formalised. The decision of renting space, paying fees or taxes must be encouraged through other incentives or aid. It is not just a matter of incorporating informal activities into the legal framework, as the regulations state.

The following chapter will discuss the research methodology used to address the question about the informal sector in the context of Mozambique.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This research deals with a community of people who work in the informal sector and the study tries to understand their social conditions in order to establish the reasons for why informal traders are not keen to move from the informal to the formal sector.

Both qualitative and quantitative methods were used. The aim of using both methods is to provide a comprehensive analysis of the research problem and to integrate the collected information and interpretation of the overall results. As Jick (1979, p. 15) in Creswell notes, “the mixed methods (qualitative and quantitative) recognizing that all methods have limitations, researchers felt that biases inherent in any single method could neutralize or cancel the biases of other methods” (Creswell, 1998, p. 14).

Additionally, (Boudreau*, Gefen and Straub,* 2001, p. 155) point to a number of advantages that result from merging quantitative and qualitative methods which include refined and relevant conceptualization, better understanding of residual unexplained variance, more valid empirical indicators, more meaningful interpretation of quantitative data and new theoretical insights. In conclusion, something that is not well explained in one method can be clarified by another. Triangulation uses multi-investigators, sources of data, or data collection methods to confirm emerging findings or “when one approach is followed by another, to increase confidence in the interpretation (Tellis, 1997, p. 3).

Triangulating data sources means seeking convergence across qualitative and quantitative methods that will help to develop or inform the other method (Greene, Caracelli and Graham, 1989, p. 16). The researcher’s

assumption of diverse data collection is that “this data provides an understanding of a research problem. The study begins with a broad survey in order to generalize results to a population and then focuses, in a second phase, on detailed qualitative, open-ended interviews to collect detailed views from participants,” in this case officials that work with traders in the informal markets (Cresswell, 1979, p. 19).

3.2 Research approach

For this research a quantitative approach was used with some elements of qualitative research to inform the quantitative approach. There are different definitions around qualitative research; for instance, Merriam states that “Qualitative researchers are interested in understanding the meaning people have constructed, that is how they make sense of their world and the experiences they have in that world.” A qualitative research “is normally undertaken because there is a lack of theory or the existing theory fails to explain a phenomenon convincingly. Therefore, another important characteristic of qualitative research is the fact that it is an inductive process and the product is richly descriptive (Merriam, 2002, p. 5).

A qualitative research approach involves the use of qualitative data, such as interviews, documents, and participant observation data, to understand and explain social phenomena (Myers, 1997, p. 1). Kaplan and Maxwell (1994) also argue that qualitative research methods are designed to help researchers understand people and the social and cultural context within which they live. In this case, interviews were conducted and the aim was to understand from the officials the reason why traders who are in the informal sector are not keen to move to trading spaces designated by the Municipality.

Under the circumstances, it might be a case of poor policy implementation or that the regulations are not good enough to persuade the informal traders to become formal, or that additional actions are required to motivate and persuade the traders to comply.

In order to get information to answer the research questions, interviews were conducted with officials who are linked to this sector, and questionnaires were administered for traders in three different informal markets in Maputo city, as a way of hearing from the traders themselves what the main reasons are for their attitude, as well as the problems they may have with the process that the Municipality is using to persuade the traders to move to the designated spaces. The questionnaire would also examine the reasons for the traders not wanting to become integrated into the new designated spaces.

3.3 Quantitative research method

A quantitative design method was used as a way of analysing the data collected from the questionnaires administrated to the members of the informal sector in order to understand their behaviour in relation to their resistance to move to the formal spaces provided for them. The numbers of people who were interviewed also justifies the use of the quantitative method.

According to Cresswell (1994) a quantitative study, consistent with the quantitative paradigm, is an inquiry into a social or human problem, based on testing theory composed of variables, measured with numbers, and analyzed with statistical procedures, in order to determine whether the predictive generalization of the theory holds true (Cresswell, 1994, p.1).

As McLeish (1993) says, “examples of quantitative research sources of data are answered questionnaires coding sheets from numerical variables

within field work observations, results of psychological measurement tests, etc." The seventy-five traders who were interviewed answered questions that address the research questions, where the data is presented and analysed in order to understand the reason for resistance showed by the traders to follow the law. Hypotheses are tested according to the research problem and all questions included in the questionnaire are about social aspects, rules and procedures that guide the informal sector.

3.4 Data collection

For data collection the researcher needs to conduct field work. In this case the researcher can interview, observe what people are doing or question them. Data collection "is data gathered from surveys, or input from several independent or network locations via data capture, data entry, or data logging (Wegner, 2002, p.12).

Data collection is a way of capturing information from the point that it is generated (Wegner, 1993, p. 13). For this research, data was collected from traders in Maputo city, in order to get information about how they do their business. So "data collection activity normally starts with a sampling procedure, when a universe is chosen or defined" (Ismail, 2005, p. 4).

Further data was gathered from interviews with officials in the different departments and the institutions that deal with laws and procedures in the informal sector. Documents from the Municipality and Ministry of Trade and Industry were used as a way of obtaining relevant information.

Different variables were measured drawn from the questionnaire and interviews. The aim was to interview officials in pairs, with two from the Ministry of Trade and Industry and another two from the Department of Fairs and Markets, which is charged with oversight of the informal

markets, including taxes, and management and allocation of space in the markets.

3.4.1 Primary data

Primary data is captured at the point where it is generated. Such data is captured for the time and with a specific purpose in mind (Wegner, 2002, p. 13). As Myers (1970) argues, “primary sources are those data which are unpublished and which the researcher has gathered from the people or organization directly.” For this research, data was collected through specially designed questionnaires and interviews.

a) Questionnaire

The questionnaire ‘is one of the easy and most popular methods of conducting scholarly research. They provide a convenient way of gathering information from a target population (Walonick, 1993, p. 1). Questionnaires are easy to analyse, and most statistical analysis software can easily process them. The objective of the questionnaire is to fulfil a specific research objective and also try to understand why the trader members do not want to move to the spaces provided for them by the Municipalities.

Because most people who work in this sector are illiterate, the researcher questioned each person and wrote down their answers. The majority of the questions are closed questions with some multiple choice alternatives. Firstly, a pilot questionnaire was done in order to find out if all aspects that need to be answered are clearly stated and covered. As Warwick and Lininger (1975) observe, “it is best to pilot-test survey interviews and questionnaires prior to implementation”. They continue that there are four steps to be followed in the pilot testing for answering questions which are: 1) to interpret and comprehend the question; 2) to retrieve relevant information; 3) to integrate and evaluate the information; and 4) to select a

category. By doing a pilot questionnaire it is possible to check if the answers covered all aspects that are in the research questions before moving to the next stage of analysing the data collected.

In addition, a questionnaire “is usually more superficial than the interview. It is usually used in group work. It is especially useful to obtain information about reasonably big groups” (Kriel, 2008, p. 6). In this case seventy-five traders were questioned and each trader answered almost twenty questions. Because the questions were sequential and well-structured it was easy to administer the questionnaire. For those who were literate, the questionnaire was handed to them and explanations provided on how to answer the questions.

The reason for using the questionnaire in this study is because it has advantages over some other types of surveys in that it is cheap, does not require as much effort from the questioner as verbal or telephone surveys, and has standardized answers that make it simple to compile data. However, such standardized answers may frustrate users.

Questionnaires are also sharply limited by the fact that respondents must be able to read the questions and respond to them. By recognizing this fact, some respondents were assisted by the researcher, to help them to understand the questions.

The questionnaire “is usually more superficial than the interview”. For this research, for example, the use of the questionnaire is important, given the number of people that were questioned and because most of them only completed a level above primary school.

The objective of administered questionnaires is to test hypotheses, and also analyse the correlation between variables that the different hypotheses suggest (Quivy, 1998, pp. 198-199). To make the testing

procedure meaningful, it commences with a null hypothesis. As a way of testing hypothesis, Chi-square was used to establish a correlation between the two variables. The Chi-square compares the observed or counted values with the expected values (Steven,1994, p. 61) in IMM Leaner Guide for Statistical Analysis. In this test the level of 5% or 0,05 was used to reject or accept the hypothesis (Ismail, 2005, p. 5). The Chi-square can be used to determine if there is an association or relationship between two variables.

In combining interview and questionnaire methods it was found that the questionnaire is suitable to get brief and objective data about the members.

b) Interviews

Interviews, according to Walonick (1992-2004), are the way to get in-depth and comprehensive information, usually used in a group of people. Interviews can also capture information that may have been overlooked in the questionnaire, since the interviewer can ask for details about what information is needed.

The interview is a face-to-face process and can also be conducted by telephone. It can be formal or informal and done individually or in group, as well as structured or unstructured. The interview is a short-term; secondary social interaction between two strangers with the explicit purpose of one person's obtaining specific information from the other (Warwick and Lininger, 1975, p. 34). The interview involves one person interviewing another person for personal or detailed information (Walonick, 1997-2004, p. 5).

Semi-structured interviews were conducted with three officials, two from the Ministry of Trade and Industry and one from the Department of Fairs and Trade in charge of informal businesses.

The advantages of a face-to-face interview are higher response rates and time for longer questionnaires (Warwick and Lininger, 1975, p. 30). As Mischler (1986) in Crisswell explains, the interview is one of the major sources of data collection in qualitative research and it is one of the most difficult to get right. Its particular features reflect the distinctive structure and aims of interviewing, namely with the objective of asking and answering questions (www.computing.dcu.ie). In the interview, the researcher talks to the respondent and obtains information directly. The interview is flexible and the situation can be adapted.

Different kinds of questions were prepared for interviewing purposes and questionnaires, as presented in the appendices.

c) Document analysis

Documents from the Municipality which are relevant to understand the rules and procedure that guide traders who operate in this sector were also analysed. As Meyers (2003) notes, it is relevant to analyse the existing documents to ensure there are no gaps in the research questions.

Atheide, Coylee, Devriese and Schneider (2003, p. 132) argue that "the information that can be used when we analyse documents must be related to the topic under investigation". Therefore it is not possible to collect all information that is available but of course collect what is going to answer the questions that are being addressed.

Additionally, they argue that this information can be found in newspapers, reports, television and government reports. In the case of this research the documents analysed were obtained from officials who work in the Municipality in the Department of Fairs and Trade as well as the documents that regulate the informal sector in the Ministry of Trade and Industry.

3.4.2 Secondary data

Secondary data was obtained through an internet survey of relevant information related to the sector and also the utilisation of other research outputs that have already been conducted. Books, articles, journals, internet and bibliographies related to the topic were consulted. Library research was also conducted in different formal universities. Secondary data is all the material that is mentioned above and "is processed by others for a purpose other than the problem at hand" (Wegner, 2002, p. 15). For this reason data must be selected according to the objectives.

3.4.3 Sampling

Sampling is a process widely used to select cases for inclusion in this type of studies. Sampling can be defined as a process of selecting units (e.g. people, organizations) from a population of interests so that studying the sample the results can be generalised to the population from which they were chosen (Trochim, 2006. p. 1). As Ismail (2005, p. 2) argues, sampling is a process of deciding what portion(s) of the market will be surveyed, including who and how many. The goal of sampling techniques is to reduce (or eliminate) sampling error.

According to Blanche and Durrheim (2002, p. 274) "Sampling is a very important component of research because the type of conclusions that can be drawn from its utilisation depends directly on the population where the research is conducted. The research must ensure that the sample is collected in a systematic manner, so that the impact of the sampling members on the result can be estimated and evaluated." In the case of this study, a random sample was used because the researcher approached any trader in the market and asked questions based on the questionnaire, whereas for the interview only the officials in charge of the

traders, and law and regulation about the informal sector were interviewed. Convenience sampling represents “a sample drawn to suit the convenience of the researcher” (Wegner, 2002, p. 171).

Convenience sampling is used in exploratory research where the research is concerned with obtaining an inexpensive approximation of the truth. As the name implies, it is selected because it is convenient. This non-probability method is often used during preliminary research efforts to get a gross estimate of the results, without incurring the cost or time required to select a random sample (www.statpac.com).

Although the first plan was to interview four officials, only three officials were interviewed, those who work with informal traders at different levels. The fourth only decided to provide documents with information about Municipality regulations and relevant information about the informal sector. The three officials approached were convenient to interview within a large number of others who also work in these two different institutions.

For the questionnaire, the traders were approached randomly. As Wegner (2002) explains, “sampling is the process of selecting a representative subset of observations from a population to determine the characteristics (i.e. the population parameters) of the random variable under study”. Because there are thousands of people in the Market, the researcher did not ask all traders in the entire population, although any trader has an equal chance of being selected. In this case, this method was used with the assumption that the population is relatively homogeneous with respect to the random variables under study. All people who answered the questionnaire are in the same market doing business or selling their products.

The reason for choosing informal markets within the large variation of activities, for example, people who sell from their homes, is because the

majority of them in the informal market are usually in unfair competition with people who are in the Municipality markets paying taxes.

Traders who operate in the informal markets sell the same kind of products as the formal markets. In that way, before the clients get inside they have found everything outside at a competitive price and they do not need to go inside to buy what is available in the formal market. This kind of activity employs a greater number of people than other activities but is problematic because of where they choose to sell their products. Informal traders often block private entrances, and others join them. This situation brings problems and complaints from people who see their home raided or invasion by informal traders.

In Mozambique, for example, more females sell in the markets than males especially in the South of Mozambique. In the North the situation is different, for example in Nampula province women are not often selling in the market, only men. This will influence the ratio of men to women when being interviewed.

3.5 Data analysis

A qualitative primary research approach was used with in-depth interviews, since the purpose of the study was to examine attitudes and feelings about the informal sector. In this case officials who work with traders were interviewed in order to express their opinion around the informal traders' behaviour. For traders, the quantitative approach was also used in terms of descriptive and inferential analysis. So descriptive analysis is associated with frequency tables, and inferential analysis regarding hypothesis tests and chi-square tests were done.

As Rackham (1980) argues, "analysis means breaking the subject into parts for individual study and evaluating their relationship". Data analysis

“is the process of transforming raw data into usable information presented in the form of a published analytical article, in order to add value to the statistical output” (Rackham, 1980, p. 8). After the data has been collected it must be analysed.

By interpreting information supplied by interviewees and checking what was also provided from the answers given by traders in the questionnaires, data was consequently analysed in order to reach conclusions about what was designed as research questions:

> As information is collected, researchers strive to make sense of their data. Generally, researchers interpret their data in one of two ways: holistically or through coding. Holistic analysis does not attempt to break the evidence into parts, but rather draw conclusions based on the test as a whole.

By coding, researchers commonly interpret their data by systematically searching the data to identify and/or categorize specific observable actions in the study. These observable actions then become the key variable in the study (http:writing.colostate.edu).

In the case of questionnaires that were designed for traders, hypotheses were formulated using the null and alternative hypothesis. The first step before formulating the hypothesis was to code the information to allow the data to be analysed. After the formulation of hypotheses, “the null hypothesis will be rejected in favour of the alternative one, if evidence points towards the true population parameter being either significantly less than, or greater than, the null hypothesis value” (Wegner, 2002, p. 215).

3.6 Validity and reliability of the study

Validity is related to generalizing. This is important to take into account. It needs to be recalled that validity refers to the approximate truth of preposition, inferences, or conclusion. Although the study was done for traders in Maputo markets, the conclusion can also be inferred for traders in the other markets in the informal sector.

Validity can also be called logical truth, analytical truth or necessary truth as it occurs in logic since it refers generally to a property of particular statements and deductive arguments. In this case, based on the segment of the population that was taken as a sampling, the conclusion can be generalised by assuming that what was found as a result holds the truth. Therefore, validity addresses whether the research explains or measures what was intended to be measured or explained. It therefore deals with the appropriateness of the method to the research question. As Manson (1996) said: You should be asking yourself “how well matched is the logic of the method to the kinds of research questions you are asking and the kind of social explanation you intend to develop”. It is also about whether the research subjects are in a position to corroborate or disapprove of your interpretation within the broad research (Manson, 1996, p. 147).

If the present example is examined, the study was conducted with people of Maputo city, although this sector exists in all provinces in the country. It is assumed that the results obtained can also be generalised to this sector in other provinces. Alternatively, if someone does the same study they can reach the same point in terms of conclusion and the results can be generalised. Validity, according to Hammersley (1990, p. 57) means truth: interpreted as the extent to which an account accurately represents the social phenomena to which it refers. Reliability, according to Hammersley (1992, p. 67), “refers to degree of consistency with which instances are

assigned to the same category by different observers or by the same observer on different occasions"

In trying to support and corroborate with Hammersley, according to Babbie (1992) reliability deals with "consistence of an instrument to produce the same results when employed under the same conditions". Or if another person does the same research using the same instrument they might have reached the same results.

3.7 Significance of the research

As stated previously, the informal sector includes the majority of people who do not have formal jobs or who are under-employed. The informal sector appears as an alternative to enable people to get money to satisfy their needs and it also contributes to poverty alleviation. Because the government seems to be aware of the importance of this sector it is pertinent to conduct this research to deepen the knowledge and understanding of the situation, and produce recommendations as to how the informal traders can better contribute to the country's economic development.

It is therefore important to establish why the informal traders are not motivated to stay and use the designated spaces for their businesses. It is also assumed that this is a challenge for both the government and members of the informal sector to find a solution that will be of mutual benefit. This study could also contribute to motivating people to understand the importance of being in the formal sector and expose some little known facts about the rules and regulations governing the activities in the sector.

3.8 Limitations of the study

The research includes questionnaires and interviews. Some traders who were administrating the questionnaires are illiterate, while others do not understand Portuguese. In some cases, it was necessary to use Ronga or Changana and then translate from Ronga or Changana back into Portuguese and finally into English. In this process of translation some information may have been lost or distorted, taking into account the volume of translation that was done.

The other constraint was the fact that only one official was interviewed in the Department of Fairs and Markets, since others were away working at the informal markets. Documents were provided about Municipal Regulations and other actions that have been taken by the Municipality as a way of organizing the informal markets which were useful to clarify what was missed or not well explained during the interview.

According to the time allocated to do the research, the other constraint was the time delay to get the letter of permission to go to the markets and interview the traders. This process took almost three weeks because the officials were busy with other tasks related to the informal markets. This aspect contributed to delaying the process of getting information and consequently the process of writing the report. In the markets themselves the collection of data was a feasible process, and took two weeks, involving seventy-five traders in three different markets. Because of the delay in the process of interviewing and to get permission from the Department of Fairs and Trade, the deadline was postponed for about two months.

In relation to the questionnaire, all respondents were assured about anonymity and confidentiality. Anonymity is where " nobody (not even the researcher) can identify who provided data. On the other hand,

confidentiality is about assuring interviewees that information will not be revealed to anyone by the person who is conducting the questionnaire" (Walonick, 1993, p. 1). It is also important to explain why this information is being obtained and what it will be used for.

> Respondents are likely to provide such information honestly when it is asked for in a comfortable context with mutual trust, when they believe serious answers are needed for legitimate research purposes, and when they believe answers will remain confidential. Hence researchers should treat all respondents with dignity and reduce discomfort. They are also responsible for protecting the confidentiality of data. In this way voluntary cooperation it is necessary apart from the researchers to ask well-developed questions in a sensitive way, treat respondents with respect, and be very sensitive to confidentiality (Warwick and Lininger, 1975, p. 313).

The next chapter will present the data collected, the analysis and findings from the questionnaires and interviews.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In order to answer the two research questions, questionnaires and interviews were used with the aim of trying to understand the reason why informal traders failed to operate in spaces provided to them by the Municipal authorities, with two questions being posed:

- What discourages people in the informal sector from relocating their activities into the marketing areas designated by the authorities?
- What might persuade the members of the informal sector to legalize their daily business as a way to help them to migrate to the formal sector?

Quantitative and qualitative methods were used to gather the data and analyze all information collected from the interviews and questionnaires. The researcher also used data sources such as books, magazine articles, internet and other information from students who had also examined the informal sector, and documentary analysis was done by using information provided by the Municipality and Ministry of Trade and Industry.

4.1.2 Profile

The Municipality has been taking action since 1997 with the aim of organizing informal markets. The first step was taken in 1989 when the Municipality realized that traders in the informal sector had started setting themselves up in different places without following any regulations. As an example, this included markets like Mandela I and II, Estrela Vermelha I and II and Museu. These markets were established in different districts in the middle of Maputo city, namely Mallhangalene, Central and Museu

selling different kinds of products from food, shoes, cloth, vegetables, alcohol, which began to impact negatively and cause inconvenience to citizens living close to these markets and in places like schools, where classes were taking place. For example, it became difficult for students to concentrate on lessons because of the noise (Munícipio do Maputo, 2002, pp. 1- 3).

From that time, citizens complained as well as principals from schools. The Municipality decided to intervene, and started by checking for appropriate space to relocate the traders. This was a way of giving peace to the citizens and at the same time accommodating the needs of the sector, taking into account its importance and its role in contributing to the economy of the country.

The Municipality did a survey to check the situation of the traders in all markets, and the following observations were made:

- There were available stands in different formal markets in four districts of Maputo city which had been abandoned by traders and which should be used to accommodate traders in the informal markets according to what anyone was selling.
- For traders who were in the Museu informal market they should be transferred to Mazambane, for traders from Mandela I-II to Malanga and from Estrela Vermelha to Mercado 10 de Agosto.
- To make this process happen without complaints the Municipality undertook different actions such as mobilizing traders and explaining about the importance of this decision, as part of conducting civic education in all informal markets. This action also included Municipality police and other institutions that are directly linked with the Municipality.
- Pamphlets with instructions and notices were distributed warning traders to move to the space indicated by the Municipality. Some traders went to the new space but the majority did not and until now

> there are some traders still causing trouble in different places where they continue to operate (Município do Maputo, 1997, Edital, p. 3).

What remains a challenge for the Municipality is the fact that traders are still taking advantage by not moving from their old trading spots, while at the same time they disturb students at schools during their lessons. Students also visited local informal markets where they purchased alcohol instead of attending classes. This was of great concern to the principal, and is one of the negative aspects of the informal markets when they are located in inappropriate spaces, such as being too close to a school.

Consequently, the Municipality, on the basis of Edital (bill) of 31st December 1997 (Edital de 31/12/1997) published the compulsory relocation of traders to the new space. In order to make this happen, notifications were distributed to traders to move to the new identified markets but the result was that traders refused to do so. Their excuse was that the new places did not have the facilities that enabled traders to conduct their business properly. This situation contributed negatively to give a bad impression of the city of Maputo due to the litter that is produced and the contribution to the increase in crime (Munícipio do Maputo, 1997).

It is a major challenge to make people understand, obey and comply with the law. It is a challenge for the Municipality to convince traders to move to the new enclosure and appropriate space. Due to that, one of the research questions is what discourages the members of the informal sector from relocating their activities into the markets designated by the authorities?

4.2 Questionnaire

4.2.1 Process followed

Data was collected from a sample of seventy-five trade members in the city of Maputo in three different informal markets, namely Fajardo, Estrela Vermelha and Xipamanine. In each market twenty-five people were questioned. Everyone was assured about confidentiality and also informed that the questionnaire objectives were merely to be used for academic purposes.

To be allowed to go to the markets previously mentioned, the researcher went to the Municipality at the Department of Fairs and Trade to ask for permission to question the traders. Here the researcher was first received by the Director who gave a brief explanation about what actions the Department of Fairs and Trade does in relation to the informal markets, and then introduced the researcher to the officials who work in the field with the traders. A meeting took place with the officials as well as interviews, where their suggestion was first to get information from trader members using the questionnaire, and then go back to the Municipality to interview the officials.

The researcher was handed the letter of permission, which enabled her to approach the officials in the three different informal markets. In each informal market there are trade organisation leaders who are responsible for all informal trade members. Because there are a lot of people in each market and traders selling different products, they are divided in sections according to what they sell. Each section has a person who represents the leader who is in charge of reporting all the commercial transactions to the main leader, who is close to the officials.

The main leader is the person who co-ordinates with the trade members' leader in order to be able to give permission for any person who approaches the traders to get information from them. The main leader was the person who introduced the researcher to the section leaders and then they organized them and explained to the traders about the aim of the research. The questionnaire process then commenced, with the questionnaire divided into three sections with nineteen questions. The first section is biographical information which includes gender, marital status and educational level. The second section involves the social aspects and questions to support the encouragement of people to move from the informal to the formal sector, including tax payment, profit that they make, opinion about the space that they use, the number of clients they receive per day, products that they sell, and asking for loan. The third section contained questions related to the legislation. In this section traders are questioned about the knowledge of Commercial and Industrial Licence, if are they willing to move to the space provided by government, and what kind of support they would like to receive from the government and Municipality.

The information from trader members was coded by using numbers, as a way of simplifying the analysis and identifying the answers. To answer the questions, hypotheses were set in order to "know whether we can reject or not the null hypothesis by comparing the test statistic result" (Ismail, 2005, p. 5).

A random sampling was used to question seventy-five traders in the three markets. The first twenty-five traders were interviewed in Fajardo informal market on 18th February 2009, followed by another twenty-five traders in Xipamanine informal market on 24th February and twenty-five traders in Estrela Vermelha on 27th February. In all markets the first step was to contact the officials of the markets and present the letter of permission from the Municipality and the Department Fairs and Trade and then be

introduced to the traders by the main leader of the informal sector in the market.

While a random sampling method was used to question traders in the three markets, a convenience sample was used to interview officials who are in charge of the traders and work in the Municipality and the Ministry of Trade and Industry. The interview was used to get more information that was not possible to get from the traders in the questionnaires.

A random sampling method states that “each member of the population has an equal and known chance of being selected” (www.statpac.com). Although not all traders were questioned in the markets, they also had the same chance of being approached and answering the questions. Because of the lower level of education, the questionnaires were conducted by the researcher in order to explain to the traders any questions that were unclear to them, and also to help all of them, especially the illiterate traders, to answer the questions. When people are not highly qualified they may have difficulty in understanding certain questions, and it may be difficult to get accurate responses. In all markets the questionnaire went well and everyone who was questioned was willing to respond fully.

4.2.2 Background of the respondents

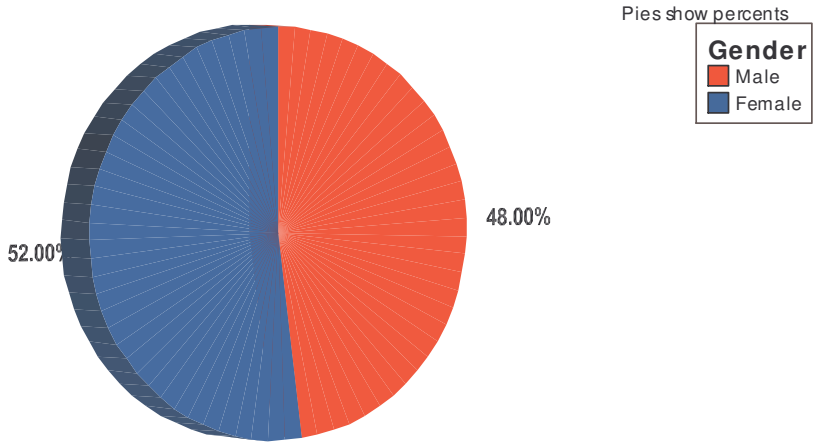
a) Gender of the traders, age and marital status

The samples of seventy-five traders were questioned in a proportional way in three different markets as previously mentioned, in order to try to answer the research questions. The selection of the three markets as well as the sample was randomly selected.

The collected data was then analysed by using the SPSS (Statistical Package for Social Sciences) to test the hypothesis. In the presentation

and data analysis section, some figures and tables are presented in order to clarify the results of the analysis.

Figure 1 Gender profile/ characteristics



Source: Own, 2009

This section presents the gender profiles and characteristics of the respondents of the questionnaire. The results show that 52% of the respondents are female, while 48% are male. As mentioned previously, in the south of Mozambique, in this case in Maputo city, the majority of people who sell in the informal markets are female.

This distribution is consistent with Amurane's (2007) observation of the First National Survey (2005) – INE (Instituto Nacional de Estatistica), who pointed out that the majority of the informal traders in the south of Mozambique and working in the sector are female. While Charmes (2000) also argues that in the African countries "women's participation in informal sector employment is everywhere higher than 50% (and often more than

60%), except in Burkina Faso where the percentage is above 52%". Additionally, the United Nations (1995) at the World Summit for Social Development argues that "in many developed countries, evidence suggests that the informal sector acts as a type of social safety net as well as the leading source of employment opportunities for people with limited access to formal sector wage employment, in particular for women". In conclusion this appears a reality in the case of Maputo city when considering the percentage of females interviewed in this sector. Also the fact that the informal sector is an important sector to the economy of Mozambique is a reality if one considers the percentage of people who are employed in it, namely 68% in the urban area according to INE (2006) National Survey for the Informal Sector.

Table 1 Gender and age of the traders

Gender and age in intervals		Frequency	Percentage
Male	[15-20]	2	5.6
	[21-25]	9	25.0
	[26-30]	12	33.3
	[31-35]	9	25.0
	[36-40]	1	2.8
	[41-45]	1	2.8
	[46-50]	2	5.6
	Total	36	100.0
Female	[26-30]	3	7.7
	[31-35]	3	7.7
	[36-40]	9	23.1
	[41-45]	8	20.5
	[46-50]	8	20.5
	[51-55]	8	20.5
	Total	39	100.0

Source: Own, 2009

In terms of age and gender, we found that males between the age of 26 and 30 years comprise 33% followed by 25% being between 21 and 25 years of age. The female group, between 36 and 40 years comprises 23% followed by females aged between 41 and 45 years, 46 and 50 years and 51 and 55 respectively, comprising 20.5%. The majority of traders who practice are women and most of them are above the age of 35 years,

while in the male group, young people between 15 and 35 years are the main group of traders.

According to the National Statistics Institute, “the Mozambican population is considered a young population where in the universe of twenty million and half of habitants according to the last census (in 2007), the majority are female and youth”. Consequently, the informal sector is comprised of young people who do not get a job and conduct their business in the informal sector as a way of getting money to satisfy their basic needs. Through analyzing the historical situation of Mozambique as described by Barca and Santos, “Mozambique is basically an agricultural country where in 1997, for example, a percentage of nearly 81% of the population were in the rural area doing agriculture activities as a way of subsistence and where many people were employed”.

During the civil war the situation changed and peasants migrated to the rural areas where they continue doing informal business. They also argue that most of the children in the rural area did not go to school because the political and economic situation that suggested that given the impossibility of all children attending school, families guide their choices on the basis of sex and between boy and girl, parents’ are for boy because they expect him to fulfil the functions of head of household. Some of the young people who are integrated in the informal sector are doing their business as a way of getting money to survive (Andrade, Loforte, Osório, Ribeiro and Temba, 1997, p.141).

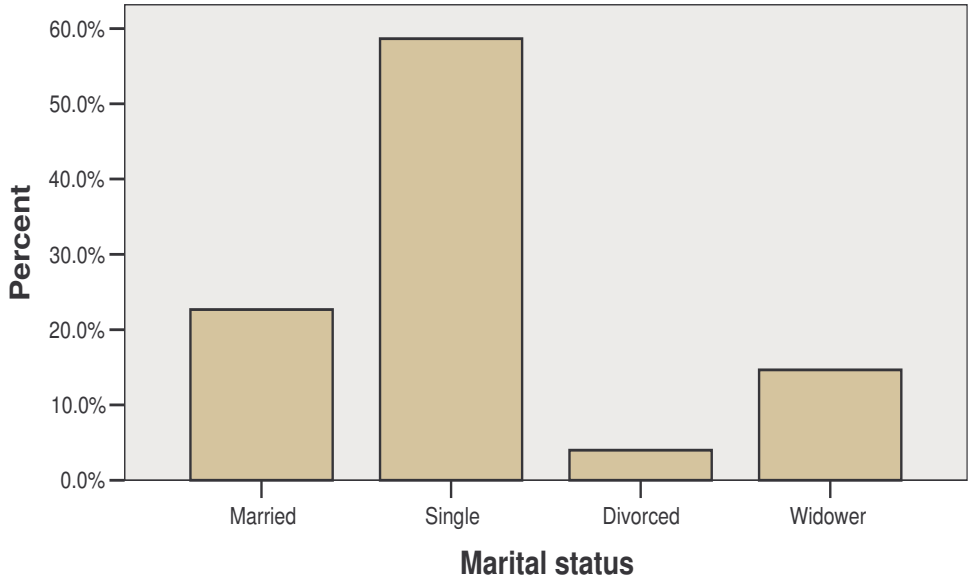
Table 2a Marital status- Frequencies

Marital status	Frequency	Percentage
Married	17	22.7
Single	44	58.7
Divorced	3	4.0
Widow	11	14.7
Total	75	100.0

Source: Own, 2009

In terms of marital status for people in the sample, nearly 60% of questioned members are single, followed by married people at almost 23% while only about 15% are widowed and 4% divorced.

Table 2b Marital status in bars



Source: Own, 2009

By analysing the marital state in bars, we clearly see that single people dominate the group trading in this sector. If we related the age of the traders as presented above with the marital status we would find that in the male group the majority were youth at 33% in the age range 26 to 30, followed by 25% aged between 21 and 25. In the female group we found that the percentage of people who trade are in the age range 36 and 40 at 23%, followed by 20,5% for the group aged between 41 and 45, 46 and 50 and finally 51 and 55. So while the female group is dominated by people above 35 years, the male group is dominated by younger people, who are not likely to find a formal job, and have decided to trade in the informal sector after they finish, or dropout of, school.

The fact that the majority are young people is the reason why the percentage of single persons is the higher one and in a certain age group, between 21 and 25 years, especially the male group.

In examining the social aspect, Muchangos (1994) argues that “trading was the main activity developed in Maputo city, and the population of Maputo city was growing because of migration processes where drought, hunger, and instability characterized the country between 1977 and 1992. But we also found that between 1693 and 1785 trading in Maputo was the main activity although only Portuguese, Islamic, Indian, Chinese and Macanese communities were allowed to trade, not native people” (http://upload. Wikmedia.org).

Table 2c Marital status and gender of the traders

Marital status		Frequency	Percentage
Male	Married	6	16.7
	Single	30	83.3
	Total	36	100.0
Female	Married	11	28.2
	Single	14	35.9
	Divorced	3	7.7
	Widower	11	28.2
	Total	39	100.0

Source: Own, 2009

The analysis of frequency between marital status variable and the gender of the trader members shows that only females had lost spouses, at 28%, as well as being divorced (8%). The majority of males are single, namely 83%, followed by married people at nearly 17%. In the male group there were no divorced men or widowers. It was interesting to note that the majority of males who trade are single. Single females comprised 36%, followed by widowers and married people equally at 28%. Widower traders were the smallest group at 8%.

By analysing the aspect of gender and marital status taking into consideration the situation of Mozambique, it was found that traditionally the country relies more in agricultural production. As the Mozambique National Human Development Report (2001) mentions, “widows are the most vulnerable and tend to be poor, without means of sustenance”. Women who are heads of households, and who thus have possible decision-making power over agricultural production, have smaller areas than those cultivated by male heads of households. This example can also by analogy be used to analyse the situation illustrated in the results in the table if we assume that people who trade in this sector migrated from the

rural areas, and that some of them are heads of households and single women. In the rural areas, women were always associated with agricultural activity, doing agriculture in order to provide food for the family.

b) Education Level

In the education question, three levels were identified, namely illiterate, primary level one and two, according to the way that the level is classified in Mozambique, followed by secondary, basic and finally senior level.

Table 3 Academic Level

Academic level	Frequency	Percentage
Primary level 1	30	40.0
Primary level 2	36	48.0
Basic level	6	8.0
Illiterate	3	4.0
Total	75	100.0

Source: Own, 2009

The primary level of education is divided in two categories, with 40% at level 1 and 48% at level 2. Furthermore, 8% of members completed the basic level of education while 4% are illiterate. Almost half the traders questioned reached the primary level 2 of education. Nobody has a higher level of education, and none reached a secondary level school.

According to the percentage shown in Table Three, it can be concluded that traders on the whole have a primary level of education, in this case Levels 1 and 2 which can be considered a lower level of education.

As mentioned before by Srinivas (1991), in “the informal sector literacy is not a requisite.” People who trade have a low level of schooling because the informal sector is also characterized by little bureaucracy and is not largely based on written regulations. In addition, the ILO (2003) stated that

people who trade in the informal sector migrated from the rural to the urban areas and their primary objective of trading is to be employed and get incomes for their survival. Hence, the "informal sector provides employment for people concerned." Therefore, people who trade in this sector do not even think about going to school to elevate their level of education because they first want money to survive, while secondly many are accustomed to practicing agriculture in the rural areas.

Information obtained from a survey done by the Ministry of Education (2009) found that the percentage of illiteracy is 51%, which is likely to decline each year in line with a plan to eliminate illiteracy that runs until 2012.

This is a continuation of the earlier government compromise (1999) in International Conference about Education for All in Jomtien where it was decided that until 2000 the minimum level of education, namely the "primary level", should have been 85% (Mazula, 1995, p. 319). In this way traders in this sector need to be provided with vocational training programmes that can help them "enhance their competence and skills" (ILO, 2002b) as the Chinese government does for traders in the informal sector to better conduct their business. In fact, during the questionnaire process some traders asked for a training programme to provide them with skills to them, implying that they are fully aware of the gap.

4.2.3 Social aspects

a) Numbers of years in the trade

Traders were asked about the number of years they have been trading. This is an important aspect if we are to understand the reasons why the traders have been showing strong resistance to move to the space indicated by Municipal authorities. Their responses are shown in Table 4.

Table 4 Number of years trading

	Frequency	Percentage
[0-1] year	7	9.3
[2-5] years	12	16.0
[6-10] years	17	22.7
More than 10 years	39	52.0
Total	75	100.0

Source: Own, 2009

As the table shows more than 52% had been trading over ten years, followed by traders who sell in this space between 6 and 10 years at about 23%, while 16% have been trading between 2 and 5 years. The last group who are in this place have been trading for less than one year at 9%. Most of them are in that space for more than 10 years meaning that this can be one of the reasons that makes them reluctant to move from that space, or alternatively they are more familiar with this place rather than where the Municipality is asking them to go.

In relation to the aspect of space used by traders, De Soto (2000) argued that “thousands of people work in the extra-legal sector, in the streets, from their homes, even peasants who were not supposed to come to the cities came anyway because they can do whatever they want without any control”. While Pohit and Taneja (2000) asserted that the “informal sector is characterized by ease of entrance, lack of protection and recognition from the government”, consequently people use any place that they want to do their business. Of course this situation contributes to make traders reluctant to leave their current spaces and migrate to the new places indicated by the Municipality.

Municipal regulation article 105 resolution nr. 11/99 dated 10th June, established a timetable for the informal markets that says: “informal markets must be opened at the same time, and closure must be fixed by Municipality according to each market”. Therefore traders need to follow the rules establish by the Municipality that are applied for all traders without any exception; however, this situation can represent limitations and constraints especially for those who would like to continue doing business until late in disobedience of the law.

b) Tax amounts

In this question the aim was to find out if the traders pay taxes or not for the use of the space, and how much they pay.

Table 5 Tax amount in Meticais (Mtn)

	N	Mini mum	Maximum	Mean	Std. Deviation
How much do you pay as a tax (Mtn)	75	2.00	21.00	5.0267	2.86273

Source: Own, 2009

When they were questioned about the money that they pay for tax for using the space, they were all unanimous in answering that they pay tax and the average amount is 5,3 Mtn per day with the standard deviation of 2,862 (Mtn). The minimum and maximum amount that they pay per day by using the space varies from 2 Mtn to 21 Mtn respectively as is shown in Table 5.

In conclusion, it appears that all traders pay tax. The only thing that differs is the amount, because it depends on the size of the space that a person uses. The space is charged per meter, at 2,00Mtn. From the table, 2.00Mt is the minimum amount that any trader with a small space pays as a daily

tax while the average is 5.0267 with the standard deviation of 2,8. In this case the more space the trader occupies, the more money they have to pay for it. Consequently, they pay according to the regulations.

For tax payment amounts there is a Municipal regulation which any trader must comply with. The only aspect that sometimes becomes a problem is to find money to pay the tax on time in accordance with the rule that establishes that: “the tax payment in the informal sector is 2,00 meticais and any trader who operates in this sector has to pay daily tax until 10 o´clock” (Article 31, p.19) . As a result, if someone pays after 10 o’clock, they are penalised and the amount of the fine varies according to the number of hours delayed.

T encourage traders to comply with the rule, it would be better to create basic infrastructure which they need and ask the municipality to provide as a way of showing transparency in the application of money that they pay as tax. Furthermore, as Amurane (2007) asserted, informal traders acknowledge that tax and fees are indispensable in supporting the State’s capacity to provide public services to the population, but on the other hand are a barrier to the transition of informal operators to sustainable business. Changa (2008) in his participation in the CPLP Tax meetings mentioned the importance of introducing a new tax for small taxpayers in order to tax the informal sector, and finding simplified ways of allowing more taxpayers to participate (www.macauhub.com). In conclusion, traders should not only be asked for taxes payment but of course experience some benefit from the payment that they make to the economy and enjoy improved conditions.

c) Comfortable doing business in this space?

The objective is to understand the reason for traders to remain in the space they are presently occupying, when the Municipality provides proper space. If they do pay tax for using that space, they can move to the new

one, because they will do the same in that and continue paying the same amount as a tax.

Table 6 Business space

Are you comfortable with the space?	Frequency	Percentage
Yes	59	78.7
No	16	21.3
Total	75	100.0

Source: Own, 2009

Around 80% of the traders are comfortable doing their business in this space, while only 21% disagreed. It is evident that the majority are comfortable with the space, because each person has chosen the space where they are, so they must be selling in that space because they like to be there.

Hence Srinivas (1991) argues that "procedures in the informal sector are usually simple and straightforward; as emanate from local culture and custom and are easily understood by population." The tendency of people is to do what is easy for them and because they are used to the space they feel more comfortable in there. Any person always fears what is new or what they do not know well. As is asserted by Andrade, Loforte, Osório, Ribeiro and Themba (1997), "there is great pressure on land in relation to the population influx and demographic increase in the urban areas". This could be one reason for people being reluctant to move to the space provided by the Municipality because they fear to lose the space they are currently using, although this is a political-administrative structure concessions.

Citizens sometimes rely more on "customary law that is not recognized and the rights of occupation do not appear clearly defined" although it is

said that “the land belongs to those who work on it” (Andrade, Loforte, Osório, Ribeiro and Themba, 1997, p.133).

d) Number of clients per day

Do the traders prefer to be in the space chosen by themselves because of the number of clients that they have per day, or there is another reason to remain there.

Table 7 Number of clients per day

Descriptive Statistics

	N	Minimum	Maximum	Mean
How many clients do you have	66	.00	25.00	9.9697
How much do you get as a profit	72	.00	20%	11.12%

Source: Own, 2009

On average the traders said that they expect ten clients to buy their products per day, and also they get 10% as a profit from their business. Depending on the products that a person sells, some of them can have around twenty-five clients per day. In this case they mention products like vegetables, because this constitutes the basic food for poor people and they tend to purchase each day.

As seen in the literature review from Papaola, Banerjee and Rakowski, the informal sector is characterized by “a tiny and usually poor clientele and low level of productivity”. Overall traders practicing informal business do it as a way of survival. They do not make much profit but the little obtained is sufficient to sustain their family and is considered an occupation. They said “it is better than being at home doing nothing”. As was mentioned before, they sell to cover immediate needs (ILO, 2002). Informal sector business provides very little income that covers basic needs, although it is

what most people who practice this kind of business are looking for. In addition, and as acknowledged by MPRA (2004), this sector contributes to increased production, job creation and combating poverty. If we analyse all statements from the respondents and consider how difficult is to get formal work, being an informal business gives more dignity than to steal from others since traders earn money honestly for their subsistence.

4.2.4 Legislation aspects

In the legislation questions, the information given by traders was coded by using numbers to simplify the analysis and interpretation of the results. Hypotheses were tested using different variables to answer the research questions that were presented. As a procedure the null hypothesis is always presented for dependence between two. In the case of this research, different hypotheses were tested where the first was:

a) Hypothesis 1- Dependence between the years that the trader members have been selling in the place that they are and willingness to move to the new one.

Table 8a: Crosstab

		Years that traders have been selling				Total
		[0-1] years	[2-5] years	[6-10] years	For + 10 years	
Willingness to move to the new space	Yes	5	10	9	19	43
	No	2	2	8	20	32
Total		7	12	17	39	75

Source: Own, 2009

From the test, forty-three trader members said yes, they want to move from the space that they are now to the space provided by Municipality. Nineteen in this case are traders who have been selling in the space for more than ten years. A number of thirty-two traders said no, they do not want to change from where they are now, although twenty of them are those who have been doing business more than ten years.

In total, thirty-nine traders, who are the majority, are in the space for more than ten years. As a conclusion, the majority of traders are willing to move to the new space, although among them are those who have been selling in the spaces for more than ten years and they are not willing to move. This situation confirms that traders are willing to comply with the rules but as Lugalla (2008) argues, "polices intending to promote the informal sector must aim at improving the social and economic conditions of life for the majority of people". Because the informal sector is also "fragmented, diversified and mixed in terms of activities" (Lugalla, 2008, p. 449) we can see that it is difficult to adopt policy that can satisfy everyone. Above all, this diverse range and mixed activities should be another barrier to make officials who designed polices for this sector consider another way of accommodating the sector without repressing the trader or without necessarily formalizing all traders, as mentioned by Jaiantilal *et al*, 2007, p. 199 in (Pequenas e Médias empresas em Moçambique).

Table 8b Chi-Square Tests of years trading and willingness to move to new space

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.202(a)	3	.158

Source: Own, 2009

H0: There is no dependence between the years that the traders have been selling in the space that they are and willingness of the trader members to move to a new space to do their business.

Ha: There is dependence between the years that the trader members have been selling in the space that they are in and willingness of the trader members to move to a new space to do their business.

The Chi-test statistic is 5,2 with p= 0,158. The test does not reject the null hypothesis (P=.158) meaning that there is no dependence between the years that the trader members have been selling in the space that they are and willingness of the trader members to move to the new space to do their business. Or the fact why traders remain in the space they are in now, should not be only the location but another reason that is not mentioned in this case.

The Municipality regulation in article 106 states that “informal markets must be adopted by sober and simple installation, as well as basic infrastructure, with the following view: hardness of the floor, covering ceiling to protect people from sun and rain, space divided by bricks to separate one place from another, building of basic drainage, toilet and other facilities that can be useful for the efficacy of the markets”. By analysing the answers given by the traders they asserted that in the past they went to the space provided by Municipality, but they did not find the facilities that are mentioned above. So for them Municipality needs to follow the regulations in order to attract the traders to the appropriate space.

It is important to assist and provide better conditions for traders in the informal sector because, as evidence suggests, this sector “is very much a reality in both developed and developing countries. As the Economic and Social Commission for Asia and the Pacific (1996) asserts, “in the times of

economic distress this sector provides livelihoods for impoverished masses even if the level might be somewhat inadequate. Then people in the informal sector need government support and clear explanations to follow the rules."

b) Hypothesis 2: To test dependence between the profits that the trader members get from the business and asking for a loan to improve the business.

Table 9a Cross- tabulation percentage of how much do you get as a profit * have you ever asked for loan

Percentage of profit from business		Have ever asked for a loan?	Total
		Yes	No	
How much do you get as a profit	.10	11	43	54
	.15	7	7	14
Total		18	50	68

Source: Own, 2009

Overall, 54 traders said they made 10% as a profit while 14 traders get the percentage of 15%. Three people made 20% as a profit. Nevertheless, 18 traders have asked for a loan in this group. This means that traders do not sell because they make a lot of profit, but rather just to survive. It is not likely that they will be able to pay the money back, especially in the formal institutions like Banks that normally ask for guarantees and higher interest rates.

However, there are traders who ask for loans in products (goods) that they sell and as soon as they get money, they go back to the colleague and reimburse the money. This is the more common practice among the trader members. Rarely do they go to the credit institutions to ask for a loan although they know about the availability. As Srinivas (1991) asserts, the informal financial sector provides savings and credit facilities for small farmers in rural areas, and for lower-income households and small-scale enterprises in urban areas, meaning that traders in this sector establish rules that allow them to ask for loans using rules that they design by themselves or rules that can also be adopted in the urban areas. A "strategy to facilitate access to credit can help the traders, as well as financial assistance in the form of a subsidy or a loan from their resources" as some countries like China and Sub-Saharan Africa do to support traders in the informal sector.

H0: There is no dependence between the profit that the trader members get from the business and to ask for a loan to improve the business.

Ha: There is dependence between the profit that the trader members get from the business and to ask for a loan to improve the business.

Table 9b Chi-Square Tests between profit and ask for loan

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.617(a)	3	.085

Source: Own, 2009

The chi-square test result is .085. According to this result, the test does not reject the null hypothesis, meaning that there is no dependence between the profits that the trader members get from the business and asking for a loan to improve the business.

c) Hypothesis 3: Dependence between how many years they have been selling in these places and knowledge about the Industrial and Commercial Licence

Table 10a Years been selling in the space * knowledge about the Industrial and Commercial Licence.

		Knowledge about the Industrial and commercial Licence		Total
		Yes	No	
How many years have they been selling in this space	[0-1] years	6	1	7
	[2-5] years	5	7	12
	[6-10] years	10	5	17
	For more than 10 years	10	29	39
Total		31	42	73

Source: Own, 2009

If we look at the result of the test we find that 31 traders said they know about industrial and commercial licences where: A number of 6 sell between 0 and 1 years, 5 sell between 2 and 5 years, 10 sell between 6 and 10 years, and another 10 in more than 10 years. Another 42 traders responded that they do not have knowledge about Commercial and Industrial Licences.

The Commercial and Industrial Decree 1999/2004 of November is one of the instruments that legislate about the informal sector and explain the advantage of being in the formal sector as well as steps to be followed to move to the formal sector. If traders are not familiar with the law, it is difficult to motivate for them to be there. Some traders who were questioned said that they know about Commercial Licensing from the Radio, while the correct procedure should be the law being published by the officials from the Municipality or officials inside the markets. Of course radio and other means can be used, but it would appear that the information is not being shared properly.

However, the officials have defended themselves by saying that "the traders know about the law, but simply do not want to obey". The majority who answered "no", in this case twenty-nine traders, are those who have been selling in this space for more than ten years, meaning that they should know very well about the rules and even explain or teach the new traders. Again, and as is also stated by Basudev and Kanbur (2006), in (Pequenas e Médias empresas em Moçambique) and Chen (2005) this sector provides employment for unemployed people and because it is growing faster, government needs to legislate.

Ho: There is no significant difference between the number of years that they have been selling in this place and the knowledge about the Industrial and Commercial Licence.

H1: There is significant difference between the number of years that they have been selling in this places and the knowledge about the Industrial and Commercial Licence.

Table 10b Chi-Square Test between years been trading and knowledge about Commercial and Industrial Licence

	Value	Df	symp. Sig. (2-sided)
Pearson Chi-Square	13.476(a)	3	.004

Source: Own, 2009

According to the Chi-square test, we have 0,004 as a P value. We reject the null hypothesis or there is dependence between knowledge about the industrial and commercial licence and the number of years that the traders have been trading. Some traders who are in the market fewer years than those who, for example, have been trading for more than 10 years are familiar with the law.

d) Hypothesis 4: Dependence between the number of clients that the trader has and willingness to go to the space indicated by the Municipality.

Table 11 Number of clients and willingness to move to the new space

		How many clients do you have					
		5.00	10.00	15.00	20.00	25.00	
Willingness to move to the new space	Yes	20	4	7	2	2	35
	No	11	7	9	3	1	31
Total		31	11	16	5	3	66

Source: Own, 2009

If we look at the table above we can see that thirty-five traders said that they want to move from the space in which they are now to the new one,

while the other thirty-one said they did not. The majority of people who said yes are traders who have five clients per day on average. In relation to the expectation in terms of client numbers, the traders have from three to thirty-one clients per day, where thirty-one traders said that they have only five clients per day, followed by sixteen traders who receive fifteen clients per day, and eleven traders who get ten clients per day. The rest of the traders only receive three or four clients per day. Only three traders said that they get twenty-five clients per day while another five get twenty clients per day.

Ho: There is no significant relation between the number of clients that the trader has and willingness to go to the space indicated by the Municipality.

Ha: There is significant relation between the number of clients that the trader has and willingness to go to the space indicated by the Municipality.

Since thirty-five traders answered that they are willing to go to the space indicated by the Municipality, it is evident that the resistance shown by them is not related to the number of clients they have.

Another aspect that they pointed out was the easy access to the new space. In that way, clients will continue to buy their products. Indeed rules and procedures that are established (in the Municipality Regulations in article 106 about the type of installation for informal markets), appropriate stands, electricity, pipe water, toilet buildings, building of basic drainage, etc. should be provided in order to attract the clients and of course motivate the traders to remain in the new spaces. In fact, among the traders who were questioned in Fajardo informal market some of them moved to Mercado Mazambane, the space provided for all informal traders, years ago, but they have moved back because they did not find the expected conditions and the Municipality did not have power to convince the traders to remain there. They were selling under the sun and

rain without any shade. It is important to recognize the needs of the traders and acknowledge that they do their business to get money as a source of survival and consequently they cannot afford to build stands twice to do their business.

e) Hypothesis 5: Dependence between the money you pay for tax and if you are comfortable with doing your business in this space.

How much money do you pay for tax in Mtn? Are you comfortable with doing your business in this space?

Table 12a Cross tabulation between tax and comfortable space

		Are you comfortable in this space		Total
		Yes	No	
How much do you pay for tax? (Mtn)	2.00	4	0	4
	3.00	24	5	29
	4.00	2	0	2
	4.50	6	0	6
	5.00	2	1	3
	6.00	12	4	16
	7.00	4	4	8
	9.00	3	0	3
	10.00	0	2	2
	12.00	1	0	1
	21.00	1	0	1
Total		59	16	75

Source: Own, 2009

More than half of the traders, fifty-nine in this case, are comfortable doing their business in the space that they are now, as well as with the amount that they pay for tax by using the space, which is 3,00 Mtn paid by twenty-four traders. In this group, twelve traders pay 6.00 Mtn, followed by six who paid 4.50 Mtn while four pay 7.00 Mtn and others between two and three traders pay different amounts. Only sixteen traders said they are not comfortable, where five traders pay 5.00 Mtn as a tax, followed by four who pay 6 Mtn and another four who pay 7.00 Mtn. Only one trader pays 5.00 Mtn in the group where the answer was No. As was mentioned above, only sixteen traders pay 6.00 Mtn, which is the double of 3,00 Mtn. 3.00 Mtn is the basic amount that any person has to pay for a space of one meter in length. There is also one person who pays 12.00 Mtn and another who pays 21.00 Mtn, which was the maximum amount charged.

Table 12b Are you comfortable with doing your business in this space and the tax payment?

	Frequency	Percentage
Yes	59	**78.7**
No	16	21.3
Total	75	100.0

Source: Own, 2009

A portion of about 79% of traders are comfortable doing their business in their old trading spots. In relation to the amount that they pay as a tax, they agreed the amount is reasonable. In this case if they are comfortable with the space and the amount that they have to pay, this situation can contribute to make them unwilling to migrate to the space designated by the Municipality. This can also suggest that because the space in which they are doing their business now was chosen by themselves, it is obvious that they may prefer to remain in it, rather than going to the new one, provided by the Municipality.

For hypothesis 5 the T test was not done because the Chi square is used mainly to confirm the normality of data. The observed frequency distribution is compared to the expected frequency distribution (IMM, Learner Guide for Statistical Analysis, 2007, p. 61) or as a general rule, "the results of the chi-square test are valid only if the value of expected frequency in each cell of the contingency table is at least 5". If the expected frequencies are too small, the result of chi square will be over-estimated and will result in too many rejections of null hypotheses (Aaker, Kumar and Day, 2007, p. 462). As we can see in Table 12, there are many cells with zeros which was the reason for not doing the chi-square test.

f) Hypothesis 6: Dependence between willingness to go to the space indicated by the Municipality and if you are comfortable with doing your business in the actual space.

Table 13a Dependence between willingness to migrate to the new space and feeling comfortable in the current space

Crosstab

		Are you comfortable with the space that you are now?		Total
		Yes	No	
Willingness to move to space indicate by Municipality	Yes	31	12	43
	No	28	4	32
Total		59	16	75

Source: Own, 2009

On the one hand a number of forty-three traders out of seventy-five are willing to go to the space provided by the Municipality while 59 traders are comfortable with the space in which they are presently practicing their business. On the other hand, the table shows that sixteen traders are not comfortable with the space in which they practice their business and thirty-two out of seventy-five are not willing to move to the space provide by the Municipality.

Ho: There is no dependence between willingness to migrate to the space indicated by the Municipality and felling comfortable in the space they are doing the business now.

Ha: There is dependence between the willingness to migrate to the space indicated by the Municipality and felling comfortable in the space they are doing the business now.

Table 13b Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.595	1	.107

Source: Own, 2009

The test does not reject the null hypothesis. The Chi-test is (0,107) meaning that there is no significant relation between willingness to move to the space indicated by the Municipality and the fact that traders feel comfortable to stay in the space where they currently practice their business.

In relation to the question on what kind of products traders sell, the answer was different according to the market. In the case of Fajardo informal market they sell all kinds of national products like vegetables, including imported vegetables and fruit from South Africa, vegetables like cabbage,

carrots, beans, cucumber, spring greens, spinach, peppers, tomatoes, onion, potatoes, lettuce, okra, and pumpkin are imported products while some cereals like rice, sugar, maize, and sugar beans are Mozambican products. In Xipamanine informal market, traders sell clothes (new and old), shoes, sandals, cooking oil and plastic bags.

In Estrela Vermelha, they sell food (meals), clothes, shoes especially trainers (sports shoes), spare parts for cars and motorbikes, beds, cooked food, and people go to them to have their meals from breakfast until lunch and dinner. Most of them serve food and cool drinks, but food is seldom served with alcohol.

The informal sector is really composed of fragmented, diversified and mixed participants and modes of operation (Lugalla, 1997, p. 452). This aspect will of course, make the task of government more difficult by adopting relevant policies and education for traders (ILO, 1998), although government needs to carry out in-depth studies to help make policies that will accommodate all traders.

On question 7, on the kind of service Government provides to them as an informal trader and also other kinds of service they received, the answer was that they would like to have good stands, water provision inside of the markets, suitable rules according to the business that they do, and technical training to help them do better or perform well in their business, and an informal sector card to identify them as informal traders at the markets. Markets should provide storage facilities, toilet rehabilitation and toilet building in the case of the market in which these facilities are not provided, pipe water, cemented space and payment of taxes monthly rather than daily, as is the case at present.

Those are some of the conditions that they think Municipality should consider providing. They also asserted that they pay taxes by using the

space, and what they would like to see is good management of the money that they pay every day, but it seems like nothing is happening. The concentrations of people who have informally set up a market place continue, the number of trader members increase, and the space is reduced without proper conditions being enforced. Most of the time, they have to resort to the neighbours' houses to use the toilets and to keep their products in, as there are no storage facilities inside the markets. They asked why they have to use alternative solutions to keep their products safe and use toilet facilities, all of which cost more, when they are already paying taxes in the market.

Additionally, they complain about electricity and security guards to look after their products inside of the markets, above all for people who keep their products in the market when they go home. Electricity supply was another issue that they raised as they cannot continue selling after dark and have to leave the market early, resulting in reduced income.

4.3 Consolidation of the findings

In accordance with the results, the following conclusions were arrived at.

a) ***In relation to the biographical information we have the following results:***

The majority of traders who were questioned are female and they trade as a way of subsistence. The reason why they have decided to be in the informal sector is not only because of the level that they reached at school, although most of them only completed a primary level of education 1 and 2. As Taneja and Pohit (2000) note, "the informal sector included a low level of formal schooling". Srinivas characterizes this sector as one in which literacy is not a requirement to be a trader. If we look at the age, we found that 59% overall are single followed by married traders who are about 23%.

From the Mozambique National Human Development Report (2001) we then found that “widows” are the most vulnerable and tend to be poor, without means of sustenance. While women who are heads of households, and who thus have possible decision-making powers over agricultural production, have smaller areas than those cultivated by male heads of households. If we analyse the marital status considering the results from the table we conclude that people who trade in this sector migrated from the rural areas and some of them are heads of households and single women who need to trade to survive.

Most of the traders are young people, especially in the male group followed by female. As the ILO characterizes the informal sector, “it broadly consists of units engaged in the production of services with the primary objective of generating employment and income to the person concerned”. People who do not find a formal job have a lower level of schooling and rely on informal business to get money.

b) ***For the social aspects and encouragement of traders to move to the space provided by Municipality the results were:***

From the total of seventy-five traders who were questioned, 52% have been trading more than ten years, which represents more than a half of traders questioned in this study. Another 57% said that they are willing to move from the space they are now to the new one indicated by the Municipality. At the space that they are now, they pay tax, although they do not have the facilities that they expect, even according to the Municipality Regulations.

They also asserted that if the Municipality should organize that space with all facilities as desired by them, they should consider moving without any complaints. In fact almost 43% who said no, then explained that one reason why they are not willing to move is the conditions that they found in

that space when they went there before. It seems that Article 106 from the Municipal Regulations needs to be implemented by the authorities to make traders follow the rules.

Traders do not complain about the amount that they pay as a tax. They found it reasonable; but they would rather pay it monthly not daily. Some traders would like to have more space because the space are measured in meters and traders who serve meals, struggle with the lack of space because they have to cook and serve at the same place, which is not pleasant for the clients. But because the market has to accommodate many people, there is a restriction in how many metres each person is allowed to have. As was also found in terms of profit they do not make a big profit because the percentage that they can reach is 10%. With this small %age they can neither think of expanding the business nor going to the institutions who give loans to ask for one.

Despite some of them having asked for a loan, they go to relatives and friends but what they frequently do is to ask for products (goods) by credit and pay at the end of the day. This makes it difficult to assess the exact amount of profit that is made because they do not register what they sell, and simply want to make sure that they get money to pay tax, take money home to buy food, for transport and also to buy more products to sell again in the following day or days. Also under this question, some traders suggested that it would be better for them to have a basic business skills training course to help them conduct their business better.

They do not get more than twenty-five clients per day and only three traders said that they have twenty-five clients per day. Most of them only have five, ten and fifteen clients daily. As referred to by Taneja and Pohit (2000) in the informal sector, the clientele is small and poor, and in addition Lopes (1996) argues that “because the informal sector practices activities using un-developed technologies, this causes a low profit”. The

reason they do not want to move from the space where they are is not only because of the number of clients that they have. It can be another reason, and for example, one can refer to the aspect of inappropriate conditions for the traders, as previously mentioned.

c) Question related to the legislative aspects

On the aspects of legislation, relocating of people in the new space as well as the legalization of the business, it was found that: traders in general are not familiar with the legislation, with only twenty-nine traders or 39% having heard about the Commercial and Industrial Licence. This legislation is not well-publicized or explained to the traders. Of course the legislation that guides the informal sector is not well known by the traders, meaning that officials in the Ministry of Trade need to intensify civic education to inform people more about the regulations for trading. This situation is consistent with the literature that says “many times governments design policy that is clear but the traders do not even know about them”.

In the case of Mozambique it was found that the Commercial and Industrial Licence was published in 2004 in different decrees but many traders are still unfamiliar with the rules. Regarding the resistance shown by traders to be relocated into the new space we found that what discourages them are the conditions in those places. The Municipality also has rules for how the space that is provided to the trader should be done according to the Municipality Regulations, but it seems like they are the ones that do not follow the principles that have been established. What was also evident is the fact that traders and officials do not articulate the information between them in a way that both sides can understand and accept regarding the rules and procedures for traders in the informal sector.

4.4. Interview Answers

4.4.1 Process followed

After collecting the information by questioning the traders in the informal markets, the next step was to interview officials in the Municipality, the Department of Fairs and Trade and officials from the Ministry of Trade and Industry. The first official interviewed from the Department of Fairs and Trade is official A, and two from the Ministry of Trade and Industry who are B and C.

4.4.2 Interview with Municipality officials

Official A, who is responsible for informal markets in the Department of Fairs and Trade on 3rd March 2009.

a) What do you think about the integration of people who work in the Informal market to the formal sector?

In relation to this question the official said: “it is not easy for traders who are in the informal sector to move to the formal sector as most of them were there before. But because of the taxes that they have to pay in formal markets they went to the informal markets.” The tax payment in the formal markets is compulsory because it is assumed that you have a permanent space that is yours. So even if you are not there you have to pay for that space daily, while in the informal market you pay if you are physically there, selling your products.” Of course there are penalties but rules in the informal markets are still more flexible than in the formal markets.”

b) Are members in the informal trade motivated to leave their traditional space and move to the space provided by Government or Municipality?

In the case of the second question the officials answered that “No, they are not motivated to leave the space that they use now.”

Why? He then explained that the reason why members who operate in the informal market do not accept to move to the provided space is “because some of them have been selling in the formal market before, and they ran away from the formal markets to the informal ones, where there are no rules to follow and even if you have to follow the rules they are flexible; Or you also choose by yourself where you want to stay or the space that you want to occupy and sell your products. In the formal markets you do not have that facility, you as a trader have to ask for permission to get space and wait for the officials to show you the place to sell in. He also pointed out that “you as a trader do not escape from the procedure and rules. They are so straight in there”.

Subsequent to that he added that in the informal markets, traders normally choose the strategic place to surround the clients and sell their products to them before they get inside of the formal market (all informal markets are close to the formal markets) so it is too easy to get out of the formal market and come outside and to find space in the informal market, to stay in and then do business. In fact whether the formal traders want to stay inside of the formal market or not, they feel invited by the fact that formal and informal markets are located too close to one another.

c) What is the attitude of citizens who adjoin that kind of market?

The respondent pointed out that: “Of course all neighbourhoods who are close to the informal markets complain about this kind of living together. Informal markets and traders who sell in the streets produce garbage that is harmful for the health of people (the neighbour in this case) and of

course they complain about this behaviour. People complain about noise and many times the authorities in the district are approached by citizens in order to solve this kind of problem."

The respondent indicated in addition that the neighbour (owner of the space and houses that are invaded by traders) normally goes to the district authorities to complain about this situation, in attempting to get help from the Municipality to solve the problem. The owner of the houses assumes that people who decide to sit in front of their house to sell products first have to pay for the space that they use and also they often destroy the property and should have to pay for the damage that they cause. "Of course there are always conflicts between the traders and the people living in the neighbourhoods that sometimes needs the intervention of the authorities to restore the order between traders and citizens. Even though it seems like Municipality and district are far from the solution. This is a headache for officials."

According to the respondent, "This is still a big challenge for Municipality and Government to explain that no one can sit in front of another person's gate or property and start selling, because there is appropriate space to go and sell your products. But people are so difficult and resistant in relation to this aspect of following the rules."

What they run away from is to stay inside of the market. However, traders assume that they can stay outside of the formal spaces to be able to "hunt" the clients. First they pay to the owner of the house for selling in front of another person's gate, and when the supervisors (or officials) of the informal market come, the trader pays for the second time because of selling in an inappropriate space. "Even though there are people who prefer to do so, they do not change their attitude and they do not listen to the authorities."

d) In your opinion what is the reason for people not remaining or staying in the space provided by government to do their business?

The official indicated that the reason is because traders like to do what they want or they prefer to choose the space to stay in, by themselves. "Because they think that by installing themselves where they want this is the way of surrounding the client. The official also mentioned that: They like disorder and to break the rules as they take advantage from that situation. They prefer to be close to the clients rather than the clients go and look for them. So this is a battle that every official confronts daily".

e) Do you think that clients can also be the reason for traders to resist moving from their traditional space to the space provided by the government or is there another reason?

Additionally the respondent said that: "Of course clients are the excuse that the traders prefer to stay present. But we also presume that they also run away from taxes inside of the formal markets. They know that rules inside of formal markets are more rigid than in the informal markets."

4.4.3 Interview with Ministry of Trade and Industry official

Official B from the Department of Inspection 3rd of March 2009

f) What kind of service do you provide as an official in the informal market for the trader members?

The official observed that: "We as officials we explain the procedures to the traders and we also help them by explaining what kind of documents they should bring to get the licence. This kind of licence lasts only one day for a trader to get. What the trader needs is to bring all documents that are necessary to obtain the licence. But what I can say is: "traders do not approach the institutions that offer this kind of service, because there are officials waiting for traders to help them follow the procedures as a way to legalize their business". "And you find these facilities even in your district

because this kind of service was decentralized and people are being encouraged to set up their business in the rural areas, for example where some space is still available."

g) Do you have any exception in procedure that people in the informal markets have to follow when they decide to register their business?

In relation to this question the respondents' answer was: Yes. "For people who are in the informal sector they only need one day to register the business and get the licence. This kind of licence is called precarious licence. Before the trader goes to the Department of Trade and Industry it is necessary to go to the authorities in the district where the trader lives to ask for residence confirmation and then ask an official at the Commercial Department in their district to do the inspection at the place where the trader practices the business. It is also necessary to hand your ID photocopy and then complete the form according to what you do or what you sell in your business activity. Sometimes the traders cannot get the licence in one day, but this situation only happens if the official who has to deal with the document is absent or if the person who is supposed to sign the licence is not there. But as a rule to get a licence takes only one day."

h) Do the informal traders find the procedures that they have to follow easy to respect?

The official indicated that: "Depends on each person. Some follow the rules properly, others do not follow. But they always get there or they do what is necessary to be done".

Official C: Interview with the National Director of Trade and Industry 10th March 2009

i) Do you think that the reason they do not stay in the provided space is associated to the tax that they have to pay or could there be another reason?

The official explained that: "The amount that they have to pay as a tax seems not to be a problem, because they all pay without any major complaints. Also in terms of documents that they have to bring which are: ID, proof of residence, (Nuit) they have it or they get it easily. But what is more common is to receive people who want to open a business but not because they are informal and have decided to be formal. Also there is another gap that the inspection department still has to solve: in fact there are no people who deal with this aspect, so we have the rule stated but we do not follow it. This is one gap that I see, so there is still a long way to put everything together and discipline traders who work in the informal sector". This is what the official also recognized in relation to this fact.

j) Do they agree with the amount of money that they have to pay for their licensing and later the tax fees?

The respondent observed that "the traders pay the amount that they are asked for as a tax, even the amount that they have to pay for licensing. Of course some traders consider the amount high, but at the end they pay, because it is the only way to get the licensing. Also traders who normally decided to get a licence, that is considered precarious, they first organize themselves and then approach the Department of Trade to deal with all procedures. And it is not difficult to get it since the procedures are simplified".

4.4.4 Consolidation of the interview

What was found from the interviews with the officials was something different in relation to what the traders said. Because while traders still argue that they are in the informal sector in the space chosen by themselves because of the clients, and no appropriate condition in the space provided by the Municipality, officials said that traders like to be in the space in which there are no rules to follow. Another aspect that the officials asserted was the fact that some of the traders that are now in the informal market were previously in the formal market, and this is a key reason for them not wanting to move to the space designated or indicated by the Municipality.

On the aspect of rules, they also said that traders like to take a chance because to be in the informal market is not difficult as there are few rules to be followed. There is not much to follow as a procedure to get space in the formal market and you do not pay much because as was stated in the Municipality Regulations before, “you pay if you are in your space physically”. As De Soto referred to in the book *The Mystery of the Capital* (2000), “many people work in the extra-legal sector, even from their homes and city because there is no control and you can be whatever you want” while Pohit pointed out the absence of organization in this sector and no bureaucracy to starting up a business. People are free to do what they want, and rules are flexible. Again bureaucracy is not easy to deal with. To adhere to bureaucracy requires time.

Regarding knowledge about Commercial and Industrial Licence, officials and inspectors in the markets assured us that they know about this because officials are used to explaining to them about the rules and even the need and advantages of being in a proper space is explained to them. Simply, they want to run away from taxes and rules. Traders do not like

strictness and do not follow rules, as Chichava mentioned: “the informal sector is composed of economic units or business outside of legislation rules.” The World Bank characterized this sector as an unregulated and competitive market as well as unofficial business and tax evader. We heard from officials that traders who were in the formal markets go to the informal market with the clear objective of running away from tax and rules. But if we analyse what traders said we found that they agree and are comfortable with the amount that they pay as a tax and it appears they like the space that they are using now, of course because they take advantage of that fact.

They also agree to move to the space designated by the authorities, although after time they move out of those spaces. So it is a reason to ask what is wrong with the provided place. The only aspect that represents the reason for their resistance in staying where they are, as the traders mentioned, is the fact that Municipality gives space to them without the conditions that they would like to have. Or Municipality does not follow what the Municipality Regulations require. Consequently it is easy to find the Municipality sometime using its power to make traders obey the rules but do not observe what the municipality regulations have set out.

Some traders observed that, “the conditions that they have now, they create by themselves. They build their stands or they make their shade and they are forced to abandon them. The authorities want them to go to the new space but do not provide any conditions to allow them to trade, because as they said” they will not be able to do the same that they did where they were before.” They cannot afford to build a stand in the space chosen by them and when the Municipality removes them to the new space, then they build again. It is difficult for them because they do not get much from their business. So traders claim that they cannot sell under the sun and rain in the space provided by authorities.

If all the information as explained is taken into account, it is difficult to judge both sides (traders and officials). However, what is also possible to observe as this activity takes place in the street is: traders sometimes agree to move to the new space designated by the Municipality although only after showing strong resistance, but in fact, they do not remain there. There is enough reason to ask what has failed or what makes them move back. In fact, when they were questioned about moving from where they are to the new space, they had usually agreed to be relocated to the new space and the justification is that they cannot disobey the Municipality because they want to follow the rules and the law is made to be obeyed.

By analysing the questionnaire it is a number of traders who expressed a wish to move to the new space, namely 52%. They also believe that client numbers are not an impediment, they can find clients any place they will be allocated, but the important aspect is how well that place is organized. There was agreement on the tax to be paid, and it could be concluded that all arrangements were acceptable, and only the Municipality was required to take action to make what is established happen and encourage traders to do their business in an appropriate environment, where the implementation of the agreed rules can take place. The next chapter will present the conclusion and recommendations of this report, taking the purpose of the research into account.

CHAPTER FIVE
CONCLUSIONS AND RECOMENDATIONS

5.1 Introduction

The purpose of this research was to find out why the informal traders failed to operate in the spatial areas provided for them by the government, as a way of encouraging them to perform formal activities.

The Municipality and other voices from government who work with this sector said they found strong resistance from traders to relocate traders in the space provided by them, despite showing them the advantages of being in these more appropriate spaces. This situation represents a complex scenario that requires further research to understand the underlying reasons for the resistance that emerges.

The study attempted to answer the following research questions:

a. What discourages people in the informal sector from relocating their activities into the marketing areas designated by the authorities?
b. What might persuade the members of the informal sector to legalize their daily business as a way to help them to migrate to the formal sector?

Interviews and questionnaires were conducted for data collection purposes in trying to answer the above research questions as well as document analysis.

This section deals with the main conclusions emerging from the research and presents some recommendations regarding the identified issues that may help in locating people in their respective or appropriate places.

5.2 Conclusions

5.2.1 Social aspects

By analysing data and other information mentioned, the conclusion is: Overall traders complete the primary level of education and they cannot get alternative jobs. In this context traders conduct informal business as a way of subsistence and they use that way to get money, although they are not highly educated. Traders do not have any complaints about the space that the Municipality organizes for them, although they claim that the space should have the appropriate conditions that are in line with the Municipality's own regulations.

Traders agree with the tax payment, but they complain about what this money is used for. Since their conditions that they desired are adequate where they are, even at the places where the Municipality ask them to move. .

5.2.2 Legislation aspects

There is a decree that regulates and simplifies procedures in the informal sector, designed and published by the Ministry of Industry and Trade, since 2004, but traders do not know about this legislation.

Officials from the Ministry of Trade and Industry do not engage with traders to know more about their needs and to be able to design policies that can be well accepted by traders. There is a lack of communication between traders and officials which contributes to the weak knowledge of traders about their rights as informal traders.

In general, one can argue that there is lack of communication between the traders and authorities in the sense that the majority of the traders have

never heard about the legislation which regulates the informal sector; this constitutes one of the great constraints to traders' progress.

5.3 Recommendations

The informal sector helps governments to contain the social tensions in the society and reduce unemployment. Despite being difficult to legalize this sector, Government and Municipality should engage more with traders and continue to explain to traders the advantages of being in an appropriate space as informal traders and showing them the importance of being together in a well-organized space.

Amendments to the policy, simplification of procedures and rules to start or set up a business, policies that will accommodate the needs of the sector, and provision for the training for traders, taking into account their needs should continue, with the aim of making implementation of the policy and legislation easier. In the same view, Municipality needs to follow the municipality regulation which regulate rules in the informal markets, in order to attract traders to be relocated in the space provide by the municipality.

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APPENDICES

Appendix I - Questionnaire

(*for trader members in the informal markets)*

Please answer all questions in the questionnaire according to the question given.

Section 1- Biographical information

Please indicate the following information about yourself by placing a cross in the appropriate box

1a- What is your gender?

Male _____ Female _____

1b- What is your age group?

15-20 _____ 21-25 _____ 26-30 _____

31-35 _____ 36-40 _____ 41- 45 _____

46-50 _____ 51-55_____ 56-60 _____

More than 60 _____

2- Marital status:

Are you: Married _____ Single _____ Divorced _____

Widow _____ Widower _____

3- What is your level of education?

Primary level 1 _____ Primary level 2 _____

Basic level_____ Secondary level _____

High level _____ Illiterate _____

B- Social aspects and questions to support the encouragement of people to move from informal to formal sector.

4a- For how many years have you been trading or selling in this place?

Less than 1year _____ 1-5 years _____

5-10 years _____ More than 10 _____

4b- Do you pay any tax by using this space?

Yes_____ No _____

How much money do you pay? _____

4c- Are you comfortable by doing your business in this space?

Yes_____ No _____

Why?

_____
_____
_____
_____

4d- Do you have many clients?

Yes _____ No _____

4e- If not, what can be the reason?

_____
_____
_____
_____

C- Question related to the legislature

5a- Are you considering moving from the Informal to the formal sector taking in account what the rules or legislature says?

Yes _____ No _____

Why yes or no?

_____
_____
_____
_____

5b1- Do you get a lot of profit from your business?

Yes _____ No _____

If not, why do you still practice this kind of business?

_____
_____
_____
_____

5b2- Have you ever asked for a loan to improve your business?

Yes _____ No _____

Why?

_____
_____
_____
_____

5c- Have you ever heard about the Industrial and Commercial Licensing?

Yes ____ No____

2- If yes what is your opinion about that?

Good _____ Bad _____ Neutral _____

5d- Municipality is busy looking for appropriate space to allocate traders who are in the informal markets. Are you willing to go to the new markets?

Yes _____ No _____

Why yes or no?

_____
_____
_____
_____

5e- Are you comfortable with the space according to the money you pay for tax?

Yes _____ No _____

Why?

_____
_____
_____
_____

5f- Are you willing to migrate to the new space indicated by Municipality or are feeling comfortable in the current space?

Yes_____ No _____

Why?

_____
_____
_____
_____

6- What kind of products do you sell?

1_____ 2 _____ 3_____
4_____ 5 _____ 6 _____

Appendix II - Interview Questions

*(**For officials in the Municipality -Department of Fair and Trade)***

a) What do you think about the integration of people who work in the Informal market to the formal sector?

b) Are the members of the informal trade motivated to leave their traditional space and move to the space provided by the Government or Municipality as a way of assuring that they are practicing their activities in the appropriate space? Why?

c) What is the attitude of member who is neighbourhood of that kind of markets?

d) In your opinion what should be the reason for people for not remaining or staying in the space provided by government to their business?

e) Do you think that clients can also be the reason for traders to resist moving from their traditional space to the space provided by the government or is there another reason?

(Questions for officials in the Ministry of Industry and Trade)

f) What kind of service do you provide as an official in the informal market for the trade members?

g) Do you have any exception in terms of procedure that people in the informal markets have to follow when they decided to register their business?

h) Do the informal traders find the procedures that they have to follow easy to respect?

i) Do you think that the reason why they do not stay in provided space is associated to the tax that they have to pay or should be another reason?

j) Do they agree with the amount of money that they have to pay for their licensing and later the tax fees?