Project: An economic policy for informal traders

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Markets of the People:

The struggle for fair competition in South Africa's informal retail sector

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Abstract

This study examines the nature of competition within South Africa's informal retail sector, arguing that it is heavily shaped by business, institutional, spatial, structural and systemic factors rather than being determined by market forces alone. Drawing on qualitative evidence from interviews with informal traders and sector stakeholders, the study distinguishes between horizontal competition among informal traders, and vertical competition between informal and formal retail actors. The findings of the study show that at the horizontal level, inconsistent enforcement of permits and by-laws, administrative exclusion, corruption, and informal traders' unequal access to resources and supply networks create uneven competitive conditions and intensify tensions among traders. Practices such as permit renting emerge as traders' adaptive responses, but they also contribute to market distortions and unequal access to trading space. At the vertical level, urban development patterns and the expansion of formal retail reshape market access, often displacing or marginalising informal traders. The findings highlight how regulatory frameworks and enforcement practices, even when not explicitly designed to regulate competition, nonetheless structure competitive outcomes. They also underscore the importance of managing coexistence between informal and formal retail sectors to support inclusive growth and development. The study emphasises the need for policy approaches that recognise fair competition within the informal retail sector as shaped by forces beyond market exchange alone, and central to an enabling ecosystem that prevents a race to the bottom and supports more equitable and sustainable livelihood and enterprise outcomes within urban retail systems.

Keywords: informal traders, South Africa, competition, informal retail sector, inclusive cities

Introduction

South Africa faces a deep and persistent crisis of unemployment and poverty, which is rooted in historical and structural inequalities that continue to shape access to opportunities and economic participation. At the same time, the persistence of unemployment, in excess of 30%, and rising poverty does not only reflect past injustices but also actively reproduces and entrenches future inequality, creating a cycle that is difficult to break. At the centre of these challenges lies a weak and exclusionary pattern of economic growth, alongside a labour market that has consistently failed to absorb most of its working-age population. This has left many, particularly those with low levels of education and limited access to formal opportunities, unable to access stable and secure employment. As a result, there have been increasing calls within policy and academic debates for alternative pathways to people's economic participation – spaces and places where individuals can generate income outside of the formal labour market. Within this context, informal trade has emerged as an important source of livelihoods, income generation and economic survival in South Africa.

In South Africa's National Development Plan (NDP), the informal trading sector has been recognised as a key instrument for addressing poverty and unemployment. The national government has further expressed its commitment to supporting and formalising the sector, as reflected in its endorsement of International Labour Organisation (ILO) Recommendation 204 (Pillay & Rogan, 2018). However, for the informal sector to be able to contribute to addressing unemployment, poverty and inequality, the sector must function not merely as a survivalist safety net. It needs to be a site of sustainable livelihoods capable of supporting decent living standards. Thus, there is a need to understand one of the key factors shaping enterprise outcomes in this sector: the nature and structure of competition.

The informal sector in South Africa is relatively small compared to its counterparts in many other sub-Saharan African and other developing countries, yet large when compared to other middle-income economies (Asmal et al., 2024; Rogan & Skinner, 2017). The informal retail sector, the largest segment of South Africa's informal sector, is characterised by relatively low barriers to entry, making it an important source of livelihoods for those excluded from formal employment. However, it operates alongside a well-developed formal retail sector, with informal traders sharing urban retail spaces and markets with formal businesses. This coexistence creates dynamic but often contested urban retail environments.

The relatively low barriers to entry that make the informal retail sector an important livelihood strategy also contribute to increasing competitive pressures as more people enter the sector in search of income-generating opportunities. An influx of those seeking employment and income into the informal economy, combined with rising living costs and ongoing debates around the role and place of informal trade within inclusive development, has created a highly complex and often precarious operating environment for informal traders. They are caught between intensified competition over limited markets and trading spaces, and patterns of urban development that frequently overlook or marginalise their activities. This dual pressure heightens economic insecurity. And it generates tensions horizontally among traders themselves and vertically between informal traders and formal businesses. These tensions manifest in, for example, contestation over permits, retail space and access to infrastructure, where it is provided.

The regulation of competition in the informal sector is inherently complex: measures that restrict entry may be interpreted as both protective and exclusionary. On the one hand, such regulation can limit new entrants' opportunities, particularly those relying on informal trade as a last resort in the context of unemployment and poverty. On the other hand, it can protect existing traders by reducing market saturation, preserving viable incomes, and preventing an uncontrolled influx of competitors that may undermine livelihoods.

Competition policy is widely recognised as an important tool for promoting small and medium enterprise development because it seeks to ensure fair market access, prevent exclusionary practices and create conditions under which smaller firms can enter, survive and grow (Hartzenberg, 2007; Yan et al., 2024). It has also been a vital instrument for the economic inclusion of disadvantaged groups and protecting consumer welfare (Padayachie, 2025; Roberts, 2004). However, in practice, competition policy in South Africa has focused almost exclusively on formal markets and enterprise behaviour. There has been limited attention to competitive dynamics within the informal sector, leaving them under-theorised and weakly integrated into competition enforcement and policy design.

While the informal retail sector is often mistakenly assumed to closely resemble a textbook case of perfect competition characterised by easy entry, small-scale actors, and homogeneous goods, this assumption overlooks how competition is shaped by spatial arrangements, regulatory frameworks and political dynamics (Barra & Papaccio, 2024). In this paper, we argue that competition in the informal retail sector is neither a neutral nor a self-regulating process driven solely by market forces. Rather, competitive outcomes are structured by business, institutional, spatial, and structural factors.

These structural features of competition are not merely abstract conditions; they shape competitive interactions in different ways across the sector. This working paper examines two interrelated dimensions of competition: horizontal competition among informal traders and vertical competition between informal traders and formal retail businesses. This distinction provides an analytical framework for understanding how competitive pressures are structured and experienced within the sector. Drawing on original qualitative fieldwork with informal traders and key sector stakeholders, the paper provides grounded evidence of these dynamics. In doing so, it contributes to rethinking competition policy and urban development frameworks in ways that recognise, protect and support informal traders rather than marginalising them.

The informal retail sector in South Africa

The informal retail sector is the largest segment of South Africa's informal economy (Rogan & Skinner, 2017). This contrasts with many other sub-Saharan African countries where informal economic activity is predominantly concentrated in agriculture. In South Africa, however, the relatively limited role of informal agriculture is closely linked to the country's historical legacy, particularly that of land dispossession and apartheid spatial planning. These have resulted in persistently unequal patterns of land distribution and access – structural constraints that have restricted a large share of the population's access to agricultural land and limited the expansion of informal agricultural livelihoods.

In this context, informal retail has emerged as a dominant pathway into the informal economy. Informal retail can respond flexibly to diverse and localised consumer demands across both residential and commercial spaces. It provides an accessible, though often highly competitive, livelihood strategy for individuals excluded from formal employment opportunities. Informal retail consists of a wide range of activities, from street vending and hawking to spaza shops and market stalls (Ligthelm, 2004). The biggest players in this sector are spaza shops and street vendors, both of which are visible and embedded in the daily lives of township and inner-city communities (Gamieldien & van Niekerk, 2017; Yesufu, 2021).

Spaza shops in South Africa are small, informal convenience stores typically operated from residential homes or small structures within formal residential areas and informal settlements (Ligthelm, 2005). These shops provide essential everyday goods such as food, beverages, toiletries and household items, often serving customers with limited proximity to formal retail outlets. They play a crucial role in addressing spatial inequality in South Africa where access to commercial centres and formal retail infrastructure remains unevenly distributed across urban, rural, township, informal settlement and suburban spaces (Willie, 2024; Yesufu, 2021).

Street vendors, on the other hand, are individuals who operate from temporary or mobile stands in public spaces selling goods. Goods they sell are often perishable and/or fast-moving consumer items such as fruits, vegetables, snacks, clothing or household goods (Gamieldien & van Niekerk, 2017; Ndaba & Reddy, 2024). These traders typically work in busy urban areas such as taxi ranks, sidewalks, train stations and market intersections where pedestrian traffic is high. Unlike spaza shops, street vendors often have no permanent structures and may face greater exposure to the elements, municipal enforcement and competition over space.

This diversity highlights the non-uniform nature of the informal retail sector in terms of scale, structure and operating conditions. While some traders, such as spaza shop owners, may operate from relatively stable and semi-permanent premises, others, such as hawkers and street vendors, navigate far more precarious conditions with little protection or infrastructure (Ngidi & Francis, 2025). Yet despite this heterogeneity, one thing remains clear: the informal retail sector in South Africa is fundamentally a market of the people, by the people. It is a market system produced by excluded populations who operate within the social and economic spaces from which it emerges and sustained through everyday exchange relations, spatial proximity and interdependent survival strategies.

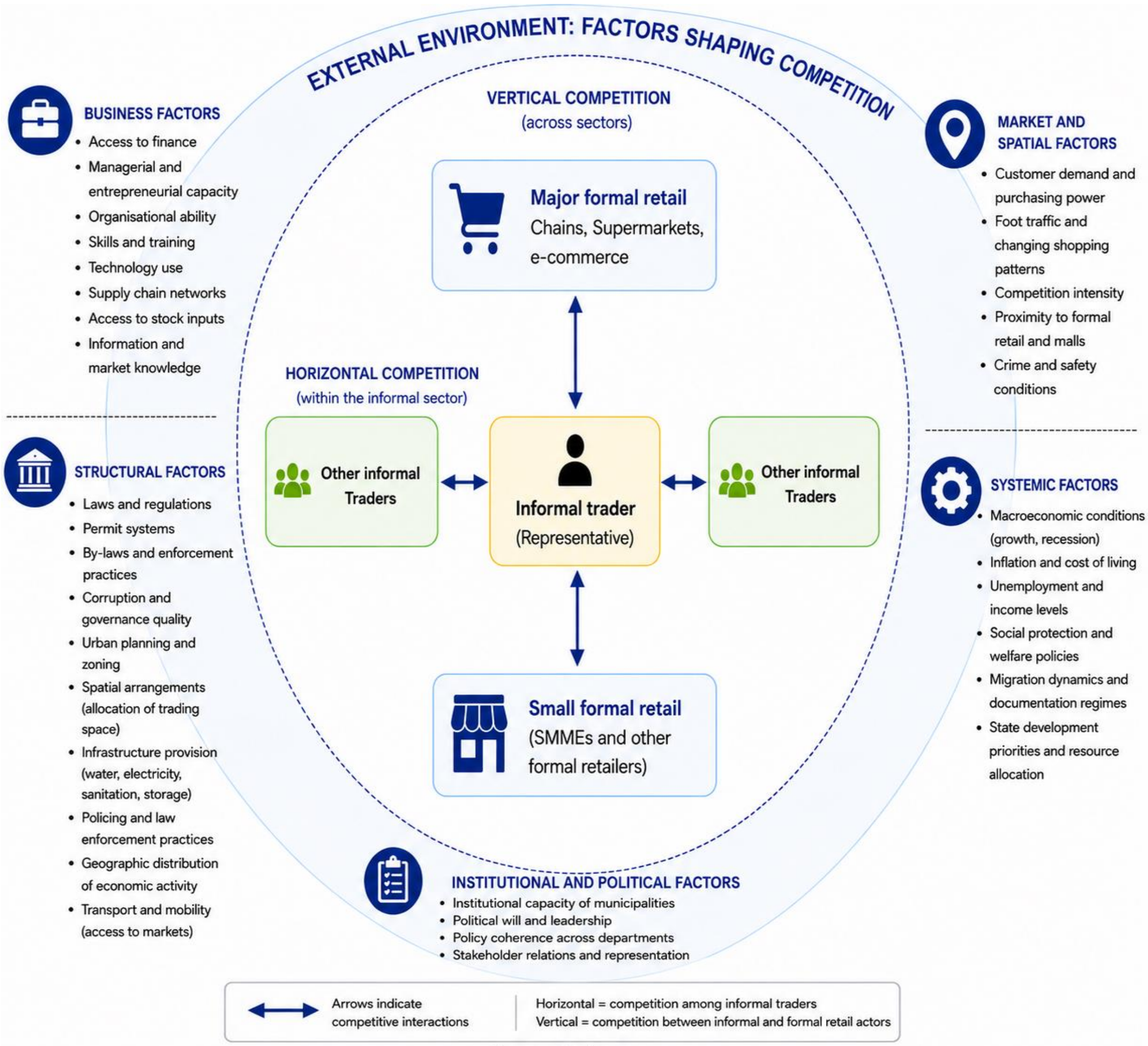
Competition in the informal retail sector in South Africa

Drawing from Jamie Peck's insights on the social and institutional construction of markets (1996), we argue that informal retail trading should not be understood as spontaneous economic activity. Like other markets, it does not exist in a vacuum. It is shaped by a combination of macroeconomic conditions, socioeconomic conditions, laws, institutional rules, social relations, spatial arrangements, government (national and local) development goals and state interventions or, just as often, their absence (Broadway, 2017; Ngidi & Francis, 2025; Termeer et al., 2024).

These factors shape both the size of the informal retail sector and the nature of competition that unfolds within it. In other words, competition among informal traders is not simply the outcome of individual entrepreneurial behaviour or market demand. Rather, it is structured by prevailing economic and political conditions, including the extent of state recognition, the distribution of spatial rights and the degree of institutional support or neglect. This perspective is increasingly reflected in the literature, which has begun to emphasise that entry into South Africa's informal retail sector is not frictionless, but shaped by meaningful barriers to entry (Asmal et al., 2024).

To examine these dynamics, this paper develops an analytical framework for understanding competition in South Africa's informal retail sector (Figure 1). The framework places a representative informal trader at the centre of a competitive environment characterised by horizontal competition (competition among informal traders) and vertical competition (competition between informal and formal retail actors). Throughout this paper, the representative informal trader should be understood as a generic analytical unit rather than a specific type of enterprise. Depending on the context, it may represent a spaza shop, a hawker, a street vendor, a market trader or any other informal retail enterprise. This abstraction allows the framework to be applied consistently across the diverse forms of informal retail while maintaining a common basis for analysing competitive dynamics. These competitive interactions are embedded within a broader business, structural, institutional, political, market, spatial, and systemic environment that collectively shapes both the intensity and fairness of competition. Rather than viewing competition as the outcome of isolated market behaviour, the framework emphasises that competitive outcomes emerge from the interaction of economic actors with the broader institutional and structural environment in which they operate.

Figure 1: Structure of competition in the informal retail sector



Source: Authors

According to Godoi et al. (2019), the competitiveness of an enterprise is determined by business, structural and systemic factors. Business factors are those within the enterprise's control and shape its ability to respond to competition. These include management capacity, financial resources, training, organisational practices and the use of technology. Structural and systemic factors, by contrast, lie outside the enterprise's direct control. Structural factors include laws and regulations, urban policy and the spatial distribution of economic activity. Systemic factors encompass broader economic and social policies, inflation, tax regimes and overall economic conditions.

Although originally developed at the formal enterprise level, this framework provides a useful foundation for understanding how competitive conditions are structured in informal retail markets. In this study, we adapt and extend the framework to the context of informal retail enterprises by incorporating additional market, spatial, institutional and political dimensions to better capture the complexity and volatility of informal trading environments. The interaction and uneven distribution of these factors shape both the intensity and fairness of competition faced by informal traders, as well as their capacity to respond to competitive pressures. Accordingly, Figure 1 serves as the analytical framework through which the remainder of the paper examines how these interacting forces shape competition in South Africa's informal retail sector.

Horizontal competition: Between informal traders

At the horizontal level, competition occurs among informal traders operating within the same markets. In Figure 1, a representative informal trader is located at the centre of a competitive environment characterised by competition with other informal traders. Although the analytical framework presents these competitors as a single category, the nature of this competition is far from homogeneous. As demonstrated throughout this paper, informal traders differ in important respects, including their legal status, access to permits, regulatory enforcement and eligibility for state support. These differences shape the conditions under which traders participate in the market and influence how competition is experienced. One important dimension of this heterogeneity concerns competition between South African-owned and foreign-owned informal businesses. The entry of foreign informal traders into this sector creates social tension (Tawodzera and Crush, 2023). This social tension results from the belief that foreign informal traders are taking away local traders' opportunities. This has led to instances of xenophobia, harassment and discrimination against foreign informal traders. Local South African traders view foreign traders as competing unfairly. This is because of their perception that foreign traders do not have permits and do not follow regulations, which locals view as creating an uneven playing field. Such contestation has a basis in the material competition over scarce trading space, and access to markets, but the competition and contestation are sometimes expressed through xenophobic language that recasts foreign traders as illegitimate outsiders. The two are mutually constitutive, rather than alternative accounts (Misago, 2019).

Beyond these tensions, horizontal competition extends well beyond differences in traders' backgrounds. Informal traders compete over customers, trading space, supply networks, product offerings and the ability to generate sustainable incomes. Under textbook models of perfect competition, rivalry is expected to occur primarily through prices, product quality, convenience and service. In such settings, market outcomes largely reflect entrepreneurial effort and consumer preferences. However, these assumptions rarely hold in the informal economy. Markets are embedded within institutional and political environments that shape who can participate, where they can trade and the resources they can mobilise.

Consequently, competition among informal traders is influenced not only by individual entrepreneurial capabilities but also by the unequal distribution of opportunities and constraints. State regulation, municipal by-laws, spatial planning decisions, policing practices, corruption and broader political-economic conditions influence access to trading sites, permits, infrastructure and protection. These factors alter both the intensity and the nature of competition by affecting traders' ability to establish and sustain their businesses. Competition therefore reflects not only market rivalry but also the capacity of traders to navigate institutional and structural constraints (Ngidi & Francis, 2025).

Laws and institutional rules determine who is recognised to trade, what can be traded and which economic spaces are considered legitimate or off-limits. Such regulation acts as a barrier to entry: it shapes who initially has the right to participate in the market. While the spatial arrangements and social relations can be seen as background conditions, they actively influence competitive dynamics. The allocation of space, especially in high foot traffic areas such as taxi ranks, transport interchanges or market hubs, can be a crucial factor in whether a trader remains in a survivalist position or can sustain a more stable livelihood (Charman & Govender, 2016).

Furthermore, the social relations within and around informal trading networks are also important. Membership of trader associations or networks can be both economically and politically advantageous. Membership can provide access to prime trading spots, supply chain networks, protection from harassment and collective bargaining power (Khuzwayo, 2023; Willemse, 2011). In this way, competition is not simply a matter of individual effort; it is mediated through systems of organisation, belonging and social recognition.

Taken together, the uneven distribution of rights and space, the authorities' inconsistent enforcement of by-laws and the politicisation of permit systems create a market order that privileges some actors while marginalising others (Fourie et al., 2025; Gastrow, 2024; Hikam, 2016). Rather than reflecting competition on a level playing field, horizontal competition is structured by institutional, spatial, organisational and social inequalities that shape traders' opportunities, constraints and ability to sustain their livelihoods.

Vertical competition: Informal vs formal retail

While horizontal competition occurs within the informal sector, informal traders also face vertical competition from formal retail businesses. The formal retail sector, like its informal counterpart, is not homogeneous. As shown in Figure 1, it includes a lower tier of formal retailers, such as Small, Medium and Micro Enterprises (SMMEs), as well as a dominant tier of large-scale actors, including retail chains, supermarkets and e-commerce platforms, which leverage extensive corporate infrastructure to secure market dominance.

These categories are often incorrectly conflated in public discourse, where informal traders are sometimes assumed to be equivalent to SMMEs operating outside the legal framework. However, this assumption overlooks important differences in access to capital, operational capacity, formal training and institutional support. SMMEs generally possess significantly greater resources and organisational capabilities than informal traders, which shapes the competitive imbalance between these segments (Mbele, 2025).

Despite these differences, both informal traders and small formal retailers operate under increasing pressure from large corporate retail chains. In practice, their position is shaped by the expanding dominance of supermarket groups, franchised stores and e-commerce platforms, which can undercut prices, extend geographic reach and consolidate consumer markets. This creates pressure across the lower end of the retail hierarchy, where both SMMEs and informal traders face risks of declining market share and displacement, although informal traders are more exposed due to their more limited protection and institutional support.

This pattern of vertical competition is deeply embedded in South Africa's historical and structural inequalities. During the apartheid era, formal retailers were generally located in urban areas and suburbs, whereas "homelands"[1] and townships[2] had few commercial districts (Hameli, 2018). Informal retailers filled this vacuum by providing essential goods and services in spaces neglected by formal capital (Iqani, 2012; Yesufu, 2021). These informal retailers generally charged higher prices than formal retailers. But because they were located closer to black households or strategic locations such as taxi ranks, train stations and along busy roadsides, they saved customers' time and transport costs, making them the preferred choice for daily purchases (Hameli, 2018). In this way, informal traders established themselves as critical providers of convenience and accessibility in underserved and racially disadvantaged communities.

However, in post-apartheid South Africa, trading and development restrictions were lifted. Big formal retailers began to recognise the township economy, key commuter nodes such as taxi ranks, roadside markets and former black African homelands as significant and untapped markets (Hameli, 2018). Supermarket chains and franchised stores entered these areas, often backed by favourable urban development policies and access to finance. Formal retailers, being better resourced and benefiting from more efficient supply chains, marketing and financial backing, drew customers away from informal traders. This shift reduced the customer base for informal retailers, particularly those operating near the same strategic locations as the big formal retailers (Nkwana & Roberson, 2025). Consequently, informal traders experienced heightened vertical competition, not merely from market forces but from the structural advantages formal businesses enjoyed. The limited recognition of informal trading's economic contribution to employment, livelihood and the social fabric of the country and its marginalisation in post-apartheid government development goals and planning frameworks has resulted in urban policies that systematically exclude the sector from local government plans. This exclusion takes place through formal planning instruments such as zoning regulations, by-laws, licensing systems and urban design frameworks. These are primarily structured around formal retail models and often fail to accommodate informal trading activities. As a result, informal traders are rarely integrated into designated economic spaces or infrastructure provision and they receive limited institutional support or protection. The prioritisation of the formal sector across national, provincial and local government levels further reinforces this bias, leaving informal traders vulnerable to marginalisation, displacement and economic insecurity (Crush & Frayne, 2011).

Though it may appear that the two sectors cannot coexist, as the growth of the formal sector often seems to crowd out informal activity, ensuring a more balanced relationship between these sectors within urban spaces is important for inclusive development and growth. Inclusive development is generally defined as a development approach that ensures broad-based participation in economic growth and the equitable distribution of its benefits across different groups in society (Pouw & Gupta, 2017; Zhu, 2022). For policymakers and urban planners, the inclusion of the

[1] The so-called homelands (also known as Bantustans) were territories designated under apartheid for black South Africans. They were characterised by political and economic marginalisation and limited integration into the formal urban economy.
[2] Townships refer to residential areas in South Africa established under apartheid as part of racial segregation policies, typically located on the outskirts of urban centres and characterised by historically limited infrastructure and public services.

informal trading sector in development goals is thus essential to ensure that growth and development processes are inclusive of those in the margins (Meagher, 2021; Orkpeh & Adedire, 2024).

Viewed through the analytical framework developed in Figure 1, vertical competition is not merely the outcome of market forces but the product of interacting business, structural, institutional and political, market and spatial, and systemic factors that shape the opportunities and constraints faced by informal traders. Recognising these interactions provides the analytical basis for understanding the competitive dynamics examined in the remainder of the paper and highlights the importance of integrating informal retail into inclusive development strategies.

Methodology

The fieldwork for this study was carried out in 2024 as part of a broader project on economic policy for informal traders. During this research, it emerged that competition issues were a key, and understudied, component of the informal trading landscape, and so in this paper we examine the competition issues which arose. We used a qualitative research approach that included in-depth interviews with informal traders and key stakeholders (see Table 1) to gather insights on current informal trader activities, their economic challenges and tensions between different stakeholders. This qualitative approach provided us with a deeper understanding of the perspectives and experiences of those involved in the informal trading sector. In addition, the interviews allowed us to develop a more nuanced analysis of the complex relationships and dynamics at play in this informal economy.

The study is based on in-depth face-to-face interviews with 18 informal traders and seven interviews with key stakeholders in academia, government and civil society. Of the 18 informal traders interviewed, eight were one-on-one interviews, each around 90 minutes long. The one-on-one interviews were conducted in interviewees' trading areas in the metropolitan municipalities of Tshwane (formerly Pretoria) and Johannesburg in Gauteng province. Ten informal traders comprised a focus group in the Ekurhuleni metropolitan municipality, Gauteng. The focus group took place in a South African Social Security Agency (SASSA) community office. The informal traders were mostly prominent members and leaders of informal trader associations operating in their metros: their perspectives were both of their own experiences and those of their members.

Table 1: Summary of informal traders interviewed

Metropolitan municipality	No. of traders	Type of interview	Affiliations
Tshwane	5	One-on-one	Tshwane Barekisi Forum (TBF) Unified Informal Traders Association (UITA)
Johannesburg	3	One-on-one	African Traders Organisation (ATO), Johannesburg Informal Traders Platform (JITP) and the South African Informal Traders Forum (SAITF)
Ekurhuleni	10	Focus group	Members of different associations in Ekurhuleni

The informal traders were asked about the effectiveness of informal trader associations, relationships with other stakeholders, level of satisfaction with policies and services, their economic challenges, competition and whether they thought the government should intervene in the sector. Table 2 provides an overview of the participants interviewed for the study[3]. All participants had traditional work experience, working a nine-to-five job of some sort, before entering informal trading. Most indicated that their previous formal employment provided a financial base for them to establish their informal economic activity. They explained that they used various sources of start-up capital, including savings from wages, provident funds and retrenchment benefits. Their motivations for entry into the informal trading sector varied. While some participants were pulled into informal trading with the potential of earning higher income, others were pushed into the sector by adverse employment outcomes such as retrenchment, unemployment and the economy's limited employment opportunities.

[3] We were not able to get biographical information for one of the respondents, hence Table 2 reflects the information of seven respondents.

Table 2: Summary of informal traders who participated in the one-on-one interviews, July–August 2024

Participant #	1	2	3	4	5	6	7
Metro	**Tshwane**	**Tshwane**	**Tshwane**	**Tshwane**	**Tshwane**	**Johannes-burg**	**Johannes-burg**
Gender	Woman	Man	Man	Woman	Woman	Man	Woman
Age	52	51	57	53	39	54	74
Years worked as an informal trader	15	9	38	34	14	24	31
Formal work experience before becoming a trader	Seamstress	Forklift driver	Tiling	Home caregiver	Cleaner	Systems engineer in Nigeria	Machine operator in the textile industry
Reason for being an informal trader	Potential to earn a higher income than as an employee	Potential to earn more income than in a formal job	Potential to earn a higher income than earned as an employee	Could not find a job after the end of employment contract	Lack of employment	Not having appropriate document-ation to get formal employment in SA	Retrench-ment
How did you obtain capital to establish an informal business?	Used salary from formal employment	Provident fund	Used money obtained from informal employment (piece jobs)	Savings	Social grant	Obtained capital from a friend	Used retrench-ment package
What do you trade/sell?	Cooked food	Cosmetics in a salon, and provide roofing services in construction	Cooldrinks, snacks and cell phone equipment	Cooked meals	Fruits, snacks, cooldrinks and cell phone airtime	Second-hand clothes	Beadwork, scarfs and hats
Permit	Yes	Yes	Yes	Yes	Yes	No	No
Employees	Yes	Yes	No	Yes	No	Yes	No
Number	4	1	0	4	0	2	0

The participants were a mix of own-account workers – self-employed individuals without employees – and those who hired employees. Their diversity offered this study varied participant representation, which is important because each informal trader has their unique contributions and challenges within the informal economy.

The focus group conducted in Ekurhuleni consisted of hawkers and spaza shop owners operating in different areas. The leader of the Katorus Informal Trader Association (KITA) organised the study's focus group meeting. The meeting included representatives from other informal trading groups in the metro. The focus group included a diverse range of informal traders: hawkers and spaza store owners who were from various districts in the Ekurhuleni metro.

Of the 18 traders who participated, only one was a foreign national; the remainder were South African. As a result, the sample is likely to over-represent organised South African traders and to under-represent both unorganised traders and foreign traders, who are less consistently incorporated into these structures (Gastrow, 2024). This composition has a direct bearing on how the evidence below should be read, and is important because of how prominent discussions about the competitive relationships between South African and foreign traders were in the interviews. Much of the material concerning the competitive conduct of foreign traders (such as the accounts of collective bulk purchasing, established second-hand clothing supply networks, and permit renting) derives from South African traders describing others, rather than from foreign traders describing themselves. We therefore treat these accounts as representations of respondents' views of competitive relations, not as verified descriptions of foreign traders' practices.

In addition to the informal traders, seven stakeholders were interviewed. They were from the South African Local Government Association (Salga), academia and civil society organisations working closely with informal traders. They answered questions about the effectiveness of current economic policy and by-laws that govern informal traders, economic challenges facing informal traders and about related policy suggestions to uplift traders. A summary of the stakeholder organisations is presented in Table 3.

Table 3: Summary of organisations, government and academic stakeholders interviewed

Category	Entity	Relationship with the informal sector
Legal support and advocacy	Socio-Economic Rights Institute of South Africa (SERI)	A legal organisation that represents informal traders in legal matters. SERI also assists in educating traders around their rights and responsibilities.
Worker and trader advocacy	Women in Informal Employment: Globalizing and Organizing (WIEGO)	WIEGO works with informal trader associations to build their capacity. WIEGO also provides support in advocating for their rights and improving their working conditions.
Government and policy advisory	South African Local Government Association (Salga)	Salga advises municipalities about policies and regulations related to informal trading. It aims to create a conducive trading environment for informal traders.
Legal and human rights protection	Lawyers for Human Rights (LHR)	LHR works across the sector, particularly in areas such as xenophobia, immigration and law enforcement.
Provincial government	Mpumalanga Department of Economic Development and Tourism	The department develops policies and programmes to support small businesses, including informal traders, in the Mpumalanga province.
Academic research	Professor Michael Rogan, Rhodes University, South Africa	Has conducted extensive research on informal employment, labour markets and economic challenges facing informal traders and workers in South Africa.

Stakeholders were asked about the level of organisation among informal traders, competition in the informal trading sector, the nature of economic challenges informal traders face and the efficacy of current policies supporting traders. Interviews took place either virtually or face-to-face, depending on the stakeholder's availability.

Results

Factors shaping and intensifying horizontal competition in South Africa's informal retail sector

Permits as fragile shields: Compliance without protection

Permits are official authorisations that local municipalities grant to informal traders. They are intended to regulate and legitimise trading activities within designated urban spaces (Jiyane, 2017). Informal traders reported that they pay a monthly fee for these permits. In return, they expect a degree of protection, recognition and access to trading space. However, traders indicated that the practical value of these permits is limited due to inconsistent and, in some cases, absent municipal authority enforcement and institutional support.

> The benefit of having a permit is that it prevents an influx of those without one. The space allocated to you is yours and no one else can take it or send someone to sell there in your place. That is the main benefit. But when it comes to congestion, we don't benefit, because those without permits sit anywhere and everywhere. – Tshwane trader

Informal traders indicated that permits and licences can act as barriers to entry, helping to regulate access to trading space. However, traders reported that these benefits are undermined when enforcement is inconsistent.

> The law says that to sell on the street, you must first ask the existing informal traders operating there for permission to trade in that space. After receiving approval from the street committee,[4] you then go to LED [Local Economic Development] to apply for a permit, stating that you have the committee's consent. However, some traders did not follow this process and do not have permits. We have called the Metro Police and LED to remove them, but they keep returning. – Tshwane trader

Permit-holding traders reported being disadvantaged because traders without permits continue to operate without facing meaningful consequences, often occupying the same or more strategic trading spaces. Traders indicated that while they incur financial costs for permits and invest time in complying with administrative requirements, others can operate without following these processes. Some traders also reported instances where enforcement officials accept bribes, allowing non-compliant traders to continue operating.

> You see boys trading right on the road, pushing trolleys. By law, they're not supposed to be there – the JMPD should be confiscating their goods. But instead, officers take bribes. I am competing with people who don't pay the municipality any rent, only a once-off bribe to the police. – Johannesburg trader

Stakeholders and traders indicated that while administrative requirements such as permits exist, delays and administrative inefficiencies allow many entrants to begin trading without completing formal processes.

[4] A street committee for informal traders is a self-organised body which coordinates among traders operating in a particular area. The committee governs the allocation of space, mediates disputes and engages with official structures, such as the municipality and the police.

> There is an element of red tape where people wait too long to get permits. Remember, hunger cannot be postponed. If someone is hungry and wants to start any type of business, including selling on the street, they should be able to do so. – Stakeholder

Administrative processes exclude non-South African traders

Traders reported that administrative processes related to permits can exclude non-South African traders from formal participation in the informal retail sector. Interviewees indicated that permit application systems are often not designed to accommodate the documentation held by foreign nationals.

> The city doesn't make room for non-South Africans. Informal traders are unable to submit their passports in the permit portal. It only requires IDs, which foreign traders do not have. The system does not give an option for an asylum permit. – Johannesburg trader

Traders and stakeholders also highlighted challenges associated with delays in documentation processes at the Department of Home Affairs. These delays were reported to leave many traders without recognised documentation for extended periods.

> In South Africa, we all know about the challenges at Home Affairs. It’s been said on television, on the radio and in the newspapers. Many applications have not been attended to and [there is] a huge backlog for people applying for permits or visas. This backlog is affecting some of our members directly. Some have been waiting months for the outcome of their applications. All they have is a receipt that only shows they applied and are waiting. It doesn’t say anything else. The problem is that when the police stop them, they don’t recognise that receipt as a valid document, even though the Minister of Home Affairs has said that such documents should be accepted until the end of December [2024]. So, our members are caught in the middle of this situation. – Johannesburg trader

As a result, foreign traders reported experiencing frequent interactions with law enforcement and other actors, including instances of harassment, confiscation of goods and demands for bribes.

> Traders keep talking about volunteers, specifically volunteer crime protection services and the constant harassment and problems that arise from their actions. Sometimes this targeting takes on a xenophobic angle. They specifically attack stalls run and owned by foreign nationals and bully them. This can involve taking away their customers, undermining their legitimacy in front of customers, ruining their stalls, confiscating goods or demanding high bribes, sometimes even stealing customers to elicit a bribe, preventing the customer from paying for their intended purchases. In this way, these actions disrupt the flow of business. – Stakeholder

Stakeholders and traders indicated that harassment and demands for informal payments place foreign traders at a disadvantage in operating their businesses.

Permit-renting

Inequality in resources and capital was also reflected in reported permit-trading arrangements to access trading space. Most often, these reports are by South African traders asserting that the permit renting market is created by foreign traders. As an Ekurhuleni trader said: "Did you know that undocumented people are renting stalls? They have about five to six stalls, while we South Africans only own one."

Traders described "rent-a-permit" arrangements as serving multiple functions within the informal retail sector: permit-holding traders lease their permits to other traders for a fee. This is described as an income-generating arrangement for permit holders who lease out their trading rights. In addition, it was reported as a mechanism through which individuals excluded from formal permit systems, or who lack the required documentation to operate legally within the informal sector, can gain access to trading space. At the same time, it is reported as an issue which brings South African and foreign traders into conflict.

> The so-called foreigners approach the Mamas. Some of these Mamas sit there every day selling fruits, vegetables and cooked food, often making less than R100 a day. The foreigners know this and offer, 'Ma'am, I'll give you R6 000 a month to use your stall [or permit].' Considering she has never seen that amount in her life, she is likely to accept. And this isn't a one-time payment; it's a monthly arrangement. – Johannesburg trader

However, a stakeholder highlighted that this rent-a-permit practice causes administrative challenges in their efforts to govern the sector.

> The practice we have commonly observed is rent-a-permit. A South African applies for a permit from the municipality and rents it out to a foreigner. When you ask the foreigner whose business it is, they say it belongs to that South African. When you check the database, the permit is legitimate, but the person running the business is a foreigner. – Stakeholder

What is particularly difficult to ascertain from the accounts of permit renting, and is material to understanding the competitive dynamics, is whether one group benefits overall from the arrangement at the expense of another. According to one characterisation, the arrangement is mutually beneficial: permit renting provides an income to those who rent out their permits, and entry to the market to those excluded from the permit system. According to the other characterisation, the creation of a market allows better-resourced traders to buy up multiple permits, excluding traders with limited means. Understanding these dynamics requires further research.

By-laws and selective enforcement: Corruption as competitive advantage

By-laws governing informal traders differ significantly across municipalities in South Africa, reflecting varying local priorities, capacities and political dynamics. By-law enforcement is inconsistent, not only between municipalities, but also within the same municipality over time. This variability creates an unpredictable regulatory environment for informal traders. They reported experiencing erratic changes in enforcement intensity and selective targeting, including instances of corruption. Municipal authorities and law enforcement are responsible for implementing and enforcing informal trading by-laws. However, interviewees indicated that, in practice, enforcement is often discretionary and lacks transparency, with limited oversight or accountability. Traders reported that this allows enforcement to be influenced by personal discretion, political considerations, and informal negotiations rather than consistent procedures.

> The municipality told us not to cook with coal, but all the foreign nationals are cooking with coal and nothing is being done. They have coal stoves from one corner to the other. – Ekurhuleni trader

Traders indicated that selective enforcement affects operating conditions within the sector. For example, traders who are required to comply with regulations reported higher input costs when they are compelled to use more expensive alternatives such as gas or electricity, while others continue using cheaper methods without enforcement action. Traders further reported that compliance with municipal requirements does not always result in consistent enforcement outcomes. Several interviewees indicated that they invest time and resources to meet requirements such as permits and spatial regulations, but that authorities' enforcement of these rules is uneven in how they treat traders.

No barriers to entry? Influx in a stagnant market

Interviewees indicated that there has been an increase in the number of traders operating in the sector, particularly following the economic shock from the Covid-19 pandemic. Traders described changes in urban trading environments, particularly in areas such as central business districts (CBDs), where customer flows have declined. A Tshwane trader said: "People no longer come to the CBD because they fear crime." Traders in Johannesburg also reported that rising crime levels have led to them adopting additional protective measures in some trading areas, including hiring security personnel to protect customers.

> If you don't protect your customers and they get robbed, that R1 000 they came with, maybe an old lady came to stock up, is money that should have been yours, but you've lost it. So, we try to protect them, making sure those guys keep the criminals off our street, so that shoppers feel safe and will return tomorrow. You can't expect people to come to De Villiers Street to shop if they risk being robbed. – Johannesburg trader

While this strategy provides some relief, traders indicated that such arrangements are not uniformly feasible across the sector due to differences in resources and organisational capacity. Traders also described changes in the spatial distribution of retail activity, including the expansion of formal retail developments such as shopping malls in townships and high pedestrian traffic areas. These developments were reported to be located close to commuter nodes, taxi ranks and residential areas, which traders indicated were previously important locations for informal trading activity. Traders further reported that these combined changes in entry conditions, spatial patterns and customer flows have increased competition for trading spaces and reduced available customer bases in some areas, leading to notably lower incomes.

Unequal resources

Informal traders and stakeholders reported significant differences in access to capital, supply networks and organisational capacity – all of which shape trading conditions within the informal retail sector.

> When I work with informal settlement residents and they talk about xenophobia and its rise, they often point out that being poor, South African and marginalised during apartheid felt the same. Back then, by law, black South Africans could never thrive. Now, even though those laws are gone, some people observe that migrant groups and the diaspora are better organised, better networked and stronger as a unit. The strength of their networks gives them advantages over ordinary black South Africans from low-income households. – Stakeholder

Stakeholders highlighted that differences in organisation and network structures shape competitive outcomes within the informal retail sector. More coordinated trader groups are perceived to have advantages in sourcing and distribution. These perceptions often cleave along the lines of nationality, with non-South African traders perceived as being better organised and having access to more established supply chains, although this is hard to verify.

> What they do [non-South African traders], and they do well, is bulk purchase. So instead of one shop buying a few stocks from a retailer, they pool together and buy for five stores. They get a huge discount and adjust their prices accordingly without necessarily making a loss. South Africans, on the other hand, don't collaborate. They don't create a vehicle to buy stock as a group, so they incur higher transport and purchase costs. This is a skill gap we need to upgrade so that South African traders can stay competitive. – Stakeholder

These differences were also reported to influence pricing and stock consistency in certain product segments. For example, traders and stakeholders reported that the second-hand clothing sector is strongly represented by foreign traders, which South African traders linked to access to more established supply networks.

> It's more something like xenophobia and jealousy because in our meeting with the municipality, you find South Africans saying, 'Why don't we get to know how those guys get their second-hand clothing? We are also interested, we want to sell Jambo sale because it has a lot of money'.
> –Johannesburg trader

Factors shaping and intensifying vertical competition in South Africa's informal retail sector

Inclusive cities without informal traders?

Urban development frameworks in South Africa often claim to promote inclusivity and shared growth. However, informal traders frequently reported experiences of exclusion from these urban visions. Spatial planning, zoning regulations and investment priorities were described as favouring formal enterprises and securitised commercial spaces, with limited consideration of those engaged in informal trading activities such as street vending, hawking and spaza shop operations.

> We are not recognised whether nationally, provincially or locally. Instead, the municipality is given the mandate to get rid of us. They tell us that Cape Town is clean and neat because there are no informal traders. Which is a big lie. – Johannesburg trader

Traders reported that urban development processes often do not take existing informal economic activity in specific areas into account. Instead of integrating informal traders into spatial and economic plans, developments were described as shifting economic activity toward formal retail spaces, with reported changes in customer flows and trading locations.

> When they built a new mall across the road, the business I was doing on the corner is now being done inside the mall. Around the mall, small businesses in shacks and shelters have also popped up, doing the same work I do and I can't move my stall closer to the mall. There used to be ATMs [automated teller machines] where I was selling. But now, since the mall was developed, the ATMs have moved inside it because that's where most of the customers are. – Tshwane trader

Bureaucratic processes were also reported as a barrier to formal recognition and participation in urban economic space. Traders described complex and multi-layered administrative requirements for permits and related documentation.

> I need the government to help us with things like permits and certificates. To obtain a certificate to operate where I am, they require many documents. I applied for a permit, but the JMPD [Johannesburg Metropolitan Police Department] told me I needed a licence. I applied for that licence two months ago and now they have informed me that I also need zoning approval, consent use and a COA [Certificate of Occupancy]. I went to the city planning for these, but I have to pay for each of them as well as for the certificates. – Ekurhuleni trader

Traders reported that these administrative requirements, together with associated costs, make compliance with formal regulations difficult, particularly for those traders with limited resources or administrative capacity.

Domination and the encroachment of formal business into informal markets

The growing presence of large formal retail chains within spaces traditionally served by informal traders has created significant challenges for those operating in the informal retail sector. The expansion of shopping malls, franchised outlets and supermarket chains into township economies and areas previously served by informal traders was described by stakeholders as a broader process of urban economic change associated with investment and modernisation. However, this expansion was also reported to have altered local trading environments in ways that affect informal businesses' viability. A stakeholder said: "Informal sector activities, particularly trade and retail, are often crowded out by a formal sector that has high levels of market concentration and penetration."

Stakeholders reported that the presence of highly concentrated formal retail chains affects local market structures, including access to customers and supply networks, with implications for informal trading activities in surrounding areas.

> I always find Kate Phillips' work, *Markets on the Margins*, helpful in this regard. She points out that not only is it difficult to trade successfully in the South African informal sector, but sometimes it is almost impossible to make a profit due to competition from the formal sector, with markets often tied up in many instances. – Stakeholder

Stakeholders further highlighted that formal retailers benefit from structural advantages such as established supply chains, access to capital and extensive infrastructure. These advantages significantly shape competitive conditions between formal and informal businesses operating in shared geographic spaces, reinforcing asymmetries in market power and access.

Local government's difficult balancing act

A stakeholder highlighted the challenge that local governments face in balancing the inclusion of informal traders in urban planning and development with the competing interests of formal businesses and residents. These challenges were described in relation to competing priorities and limited resources.

> Now that we are focusing on informal traders, everything we put on the table should benefit them, but I don't think that is the best position to take. Informal traders operate in spaces also used by other citizens and businesses. Whatever support is given to informal traders must not come at the expense of others trying to do business in the same space. Striking that balance is very important, because that is the challenge the municipality faces: how to provide an environment that is conducive for everyone? – Stakeholder

This tension becomes particularly visible in high-density commercial areas. The same stakeholder further highlighted the need to consider, when allocating and regulating trading areas, how informal trading activities coexist with other users of urban space, including formal businesses and residents.

> Can you imagine setting up a business in the city centre and suddenly the municipality allows people to trade right in front of your shop? Customers might be reluctant to come in because they must deal with the informal traders. If traders are just haphazardly placed everywhere, you can't interfere with their rights. So, for me, balancing rights and responsibilities is very important to ensure that we provide a space that is decent for everyone. – Stakeholder

Traders operating in the second-hand retail sector also reported that informal traders are sometimes unfairly blamed for disruptions in formal retail markets, while other actors in the retail environment are perceived as receiving less scrutiny.

> Across South Africa, it's only us [second-hand informal traders] who get blamed for shutting down Foschini [a big South African clothing retailer]. Just us. You don't hear the same about Dragon City or what the Chinese are doing. They bring in plain clothes and the next minute it's branded as Adidas, Puma, whatever. They create those things. But you don't see Dragon City being targeted. You don't see the Chinese malls being raided. You don't see the big players importing new goods and competing with Foschini being harassed. We are not in competition

with them. We only sell second-hand. Anyone who wants second-hand knows where to find us.
– Johannesburg trader

Discussion: Competition beyond market forces

Our findings highlight that competition within South Africa's informal retail sector is far from the textbook assumption of perfect competition. It is neither neutral nor self-regulating, but is instead shaped and constrained by spatial arrangements, regulatory frameworks, and sociopolitical dynamics. Evidence from interviews with informal traders from different informal trader associations, and with other stakeholders, shows that these structural conditions profoundly influence informal traders' daily realities.

Horizontal competition is intensified by inconsistent enforcement of permits and by-laws, and by limited trading spaces in a context of rising unemployment. Prevailing macroeconomic conditions, such as economic downturns, exacerbate tensions and unequal competition, while administrative inefficiencies, corruption and selective regulation enforcement create uneven conditions of legality and trust.

The factors identified as shaping and intensifying horizontal competition interact and reinforce each other, producing cumulative effects on market outcomes and traders' lived experiences. For example, administrative exclusion of foreign traders in the permit application system contributes to the emergence of rent-a-permit practices. While this arrangement may provide an entry point to trading for excluded individuals, and generate income for permit holders, it also introduces a parallel system of access that operates outside formal regulatory intent. This creates administrative challenges for enforcement authorities, complicates monitoring of compliance and contributes to tensions we have outlined earlier in the regulation of informal trading spaces. The administrative challenges weaken enforcement capacity within the sector, thereby undermining regulatory effectiveness and reinforcing uneven competitive outcomes among traders operating in the same market.

Furthermore, the rent-a-permit practice may also enable some well-resourced traders to expand their operational footprint by accessing multiple trading spaces. This can enhance their presence within markets and strengthen their ability to compete through scale and more consistent stock availability. From a competition perspective, such arrangements may have implications for market structure, particularly where access to trading space functions as a scarce input. In formal competition settings, similar dynamics are often assessed in terms of exclusionary conduct or the potential for market power, where control over an essential input may create barriers to entry and distort competitive conditions. Comparable concerns have been observed in other sectors, such as fisheries management and carbon markets, where access rights or quotas are traded or concentrated (Dickson & MacKenzie, 2022; Gray, 2024; Zhang & Bi, 2023). Thus, while permit rental arrangements may facilitate market access for some traders, they may also contribute to uneven competitive outcomes by reinforcing disparities between better-resourced traders and those with more limited access to permits, capital and trading space. This can happen because unauthorised trading of permits creates a monetised permit market, where the highest bidder can buy the permit. This is antithetical to one of the core principles of permits, which is that they should be accessible to all traders through a fair and transparent system.

The unequal access to resources and supply chain networks is also a critical driver of market inequality because it enables differential pricing strategies and stock consistency across traders operating within the same markets. These disparities in organisational capacity and market positioning further reinforce uneven competitive outcomes because better-resourced traders can sustain lower prices, maintain more stable supply, and withstand market fluctuations more effectively than less-resourced traders. While these dynamics may generate efficiency gains through lower prices and improved product availability for consumers, they may also produce distributional consequences, including smaller traders' reduced viability, income instability and potential displacement within the sector.

In markets characterised by narrow profit margins and limited opportunities for market growth, even relatively small institutional disadvantages, such as inconsistent compliance requirements and weak enforcement of permits and by-laws, can translate into significant competitive advantages for some traders. This is because informal traders typically operate under strong time and financial constraints, making compliance procedures both costly and administratively burdensome. Thus, where compliance requirements are not enforced consistently, regulatory obligations can become a source of competitive disadvantage for compliant traders, while non-compliant traders benefit from lower operating costs. This highlights the need for regulatory systems that move beyond enforcement to provide protection, reduce administrative burdens, and ensure fair and workable conditions for those participating in the sector.

Vertical competition is intensified by urban development strategies that prioritise formal retail outlets, shopping malls and securitised commercial zones over inclusive economic planning. Municipalities face the difficult task of balancing the interests of formal businesses, residents and informal traders. Yet in practice, formal actors are often prioritised, deepening structural inequalities. As our study's results show, traders are not necessarily demanding preferential treatment. They are seeking recognition within urban planning frameworks and access to trading spaces that enable sustainable participation in local economies.

Competition governance for this vertical competition is largely indirect, operating through broader urban planning, zoning and regulatory frameworks rather than through targeted enforcement within the informal retail sector. However, informal traders have limited capacity to influence or displace formal retail expansion, while the expansion of formal retail chains can significantly reshape – and at times displace – informal trading activities. These asymmetries in market power and influence provide an important context for understanding how competition between formal and informal actors is perceived and contested.

Studies in other contexts have shown that informal enterprises are often perceived as sources of unfair competition to formal enterprises, with implications for formal enterprises' profitability and growth (Mathias et al., 2015; Mwamba & Qutieshat, 2021; Wang & Wang, 2024). Thus, the stakeholders in our study emphasised the need to balance competing interests, reflecting the broader challenge municipalities face in managing coexistence between formal and informal retail. This balance is not merely administrative. It speaks to the need to reconcile competing claims over space, livelihoods and economic participation within urban markets.

Taken together, these findings demonstrate that competition in South Africa's informal retail sector extends well beyond market rivalry between traders. Instead, it is shaped by the interaction of regulatory arrangements, institutional practices, spatial constraints and broader socioeconomic conditions that collectively influence both horizontal and vertical competition. Addressing these challenges therefore requires moving beyond narrow conceptions of competition centred solely on prices, market entry, or enforcement. Rather, it calls for a broader governance approach that recognises the structural conditions under which competition unfolds, and seeks to create a more equitable environment in which informal traders can participate and compete.

Towards a competition framework for informal trading

The findings presented above demonstrate that many of the competitive challenges facing South Africa's informal retail sector cannot be addressed through market mechanisms alone. Instead, they point to the need for a broader approach to competition governance that recognises the institutional, regulatory and spatial conditions under which competition takes place. Against this backdrop, we propose a competition governance framework for informal trading based on four interrelated dimensions: (i) fair and effective regulation and enforcement; (ii) inclusive access to permits, trading space and market opportunities; (iii) enterprise and social support measures that address underlying structural inequalities; and (iv) urban development approaches that promote coexistence between informal and formal retail. Together, these dimensions provide a basis for fostering fairer competition, more equitable participation, and sustainable livelihoods within the informal retail sector.

The first dimension concerns fair and effective regulation and enforcement. This study's findings have important implications for how competition in South Africa's informal retail sector is understood and regulated. Many of the policies shaping competition were not explicitly designed with informal trading and traders in mind. Their spillover effects are therefore often overlooked or insufficiently recognised. Current by-laws and enforcement, although not designed to regulate competition, significantly affect competitive outcomes among informal traders. This creates a gap between regulatory intent and actual market outcomes. Policy approaches should therefore explicitly account for the competitive effects of regulation and enforcement, rather than treating them as neutral administrative instruments.

It is critical to recognise regulation and enforcement not merely as administrative functions, but as instruments that actively shape competition and foster growth and employment. Efficient regulation and consistent enforcement have been widely recognised as key mechanisms for enabling enterprise growth, suggesting that their role in structuring outcomes within the informal retail sector warrants more explicit attention (Padayachie, 2025; Roberts, 2017; Wang & Wang, 2024). However, regulatory and enforcement approaches must reflect the informal retail sector’s operational realities. Regulation of horizontal competition should therefore incorporate existing informal governance structures, such as street committees and trader associations, which already play a role in mediating access, resolving disputes and organising trading spaces.

The second dimension relates to inclusive access to permits, trading space and market opportunities. The persistence of rent-a-permit practices, while partly a product of governance and enforcement gaps, is also rooted in underlying structural conditions. These include the low profitability experienced by some permit holders, which creates incentives to lease their permits, and, particularly for foreign traders, administrative exclusion from the permit system, which generates demand for rented permits. Addressing this practice therefore requires more than stronger enforcement. It calls for reforms to the permit system that recognise the realities faced by refugees and asylum seekers who are legally entitled to trade but whose documentation and permit processes are often delayed by administrative inefficiencies. As we have argued (Ngidi & Francis, 2025), the permit system should be functional, transparent and accessible to all individuals who are legally entitled to participate in informal trading. As demonstrated by the interviews reported in this study, inefficiencies in the permit system contribute to mistrust and tension between local and foreign traders. Improving the transparency, accessibility and efficiency of permit administration is therefore important, not only for strengthening regulatory effectiveness, but also for promoting fairer competition and greater confidence in the governance of the informal retail sector.

The third dimension concerns enterprise and social support measures that address underlying structural inequalities. There is a need to build a more conducive environment that supports the growth and sustainability of informal enterprises. Such an environment requires a combination of social and economic interventions. On the one hand, social policy measures such as social protection, income support and access to basic services can help stabilise livelihoods and reduce the pressures that drive practices such as permit rental. On the other hand, industrial and enterprise-focused policies such as improved access to finance, support for collective purchasing and integration into supply chain networks can enhance productivity, competitiveness and long-term viability within the sector. Strengthening these may also help mitigate uneven competitive dynamics by reducing the advantages held by more well-resourced traders and promoting more equitable market participation.

The fourth dimension concerns urban development approaches that promote coexistence between informal and formal retail. The intensity of horizontal competition is also shaped by conditions in vertical competition, particularly the extent to which access to trading space is influenced by urban development patterns and formal retail expansion. This highlights that competitive pressures within the informal sector cannot be understood in isolation from broader urban and formal retail structures. Expanding access to markets and trading opportunities is therefore not only important for supporting informal traders' livelihoods, but also for reducing the intensity of competition that emerges when a growing number of traders are concentrated within limited economic spaces and opportunities.

Addressing these pressures requires looking beyond competition among informal traders themselves and considering how informal and formal retail interact within shared urban economies. Governing competition between informal and formal retail sectors should not be a zero-sum choice, but a matter of managing coexistence within unequal urban economic systems. Urban development policy should therefore move beyond implicit prioritisation. It should adopt a more integrated approach that recognises the role of informal trade in livelihoods, employment absorption and local economic resilience. Such an approach is important not only for creating more balanced urban economies, but also for ensuring that economic growth and development are more broadly shared.

Taken together, these four dimensions provide a framework for understanding and governing competition in the informal retail sector. They recognise that competition is not simply the outcome of market forces but is shaped by institutions, regulation, access to resources and broader patterns of economic development. Recognising and incorporating the informal retail sector into development agendas is therefore essential for promoting more inclusive urban economic growth. Such an approach has the potential to contribute to employment creation and to reducing poverty and inequality by strengthening income-generating opportunities for groups that are often excluded from formal labour markets.

Conclusion

The informal retail sector has historically served as an important developmental buffer for those excluded from the formal economy under apartheid. In the context of persistent unemployment, poverty and inequality, it continues to provide livelihoods for millions of South Africans and remains an important component of the country's retail economy. This paper contributes to the literature by developing an analytical framework for understanding competition in the informal retail sector and, drawing on these insights, proposing a competition governance framework centred on fair and effective regulation and enforcement, inclusive access to permits, trading space and market opportunities, enterprise and social support measures, and urban development approaches that promote coexistence between informal and formal retail.

The findings underscore the need to recognise that informal traders require an enabling ecosystem if the sector is to evolve from a survivalist livelihood strategy into a source of more stable and sustainable enterprise development. Given the marginal position of many actors in the sector, such an ecosystem should integrate both industrial support and socioeconomic policy interventions, including macroeconomic policy, efficient administration and enforcement of sector regulations, meaningful participation in policy and decision-making, appropriate competition governance, and inclusive infrastructure provision. Fair regulation of competition is a vital component of this enabling ecosystem because it underpins equitable participation, positive enterprise-level and societal outcomes, and sustainable market performance.

Such regulation should not be an exclusionary practice that shuts out the thousands seeking refuge within the informal retail sector, but rather a mechanism to ensure that competition does not degenerate into a race to the bottom that undermines trader livelihoods, deepens inequality, and weakens the sector's contribution to broader urban economic resilience. In doing so, it affirms that the future of the informal retail sector should remain inseparable from the wellbeing and advancement of both those it serves and those whose labour and resilience sustain it.

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