

# Street trading in South Africa: a case of the Tshwane central business district

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**Abstract:** Formal and informal street trading is both prevalent and growing in inner city settings. This phenomenon is particularly prevalent in Central Business Districts (CBDs). In the South African inner city context, street trading is thriving and provides an opportunity for street traders to earn a living. This study aims to discover the characteristics and factors influencing street trading in the Tshwane CBD, South Africa. The study follows a case study approach and is qualitative in nature, making use of semi-structured interviews with 30 street traders. A non-probability sampling approach was followed by means of snowball sampling. Data was analyzed by means of content and thematic analysis. Results indicate that main factors driving street trading in Tshwane CBD include unemployment and poverty, migration and urbanisation, survivalist entrepreneurship and entrepreneurial intentions. Two-thirds of respondents indicated that they had been street traders for 10-20 years, with little to no trading experience. Respondents also indicate a number of survival challenges, such as low incomes and poor working conditions. Difficulty in understanding municipal by-laws governing street trading were also identified. The findings of this study will assist municipalities, particularly in developing economies, in understanding and better managing street trading activities in CBDs

**Keywords:** street trading, central business district, South Africa, informal economy

**JEL Classification:** R11, L26

## 1 Introduction

The informal economy is prevalent in developing economies and urban environments, as it provides an opportunity for individuals to earn an income by means of establishing small businesses. However, developing economies are faced with challenging socio-economic conditions in the informal economy, in particular with regards to informal street trading (International Labour Organization, 2013; Karthikeyan & Mangaleswaran, 2014). This phenomenon can be attributed to high levels of unemployment, poverty, urban migration and population growth (Horn, 2011). This phenomenon is compounded and amplified by worsening economic conditions in a number of developing countries (Willemse, 2011), with South Africa presenting no exception. Difficult conditions have influenced the rise in the informal economy, creating a number of jobs for South Africans and, in turn, improving the lives of many people from disadvantaged and impoverished communities. Many countries with a thriving informal sector have recognized the opportunities this sector holds and have attempted to adequately regulate and control this part of the

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economy.

The informal economy contains a number of unique characteristics, which include ease of entry and exit, a strong dependence on indigenous people, expertise derived from outside of the traditional education sector and accounts for a large proportion of employment in cities and urban environments (Mbaye & Mohammed, 2006). This is particularly prominent in the African context, where it is estimated that the informal sector contributes close to 60% to economies in Sub-Saharan Africa (Siqwana-Ndulo, 2013). In the South African context, there has been a marked increase in street trading activities, particularly since the dawn of the South African democracy in 1994 (Masongonyane, 2010). The Small Enterprise Development Agency (SEDA) estimates that in the 1990s, there existed close to 150,000 street traders, of which 50,000 are estimated to be small business owners and so-called 'spaza shops' (SEDA, 2008). The increase in street trading in South Africa, apart from difficult socio-economic conditions, can partly be attributed to urban migration from both rural areas and from other parts of the African continent (Mokgatetswa, 2014).

The paper is presented as follows: the problem statement together with the research objectives are outlined; second, a literature review on the informal sector and informal trading in the South African context is presented, as well as a discussion of prominent literature on challenges facing street trading; third, the research methodology underpinning this study is outlined; fourth, the results of the study are presented; followed by recommendations, conclusion and managerial implications.

## **2. Problem Statement**

South Africa, and in particular inner city environments, have experienced rapid increases in street trading activities. The increase in activity is particularly widespread in the Tshwane Central Business District, where street trading is prevalent on pavements and spaces with high foot count (Mokgatetswa, 2014). While the growth in street trading has allowed a large number of individuals to earn an income, it has also created challenges for a number of stakeholders, such as municipalities managing Central Business Districts (CBDs) and for informal street traders themselves. Challenges include lack of control over this growing sector, lack of planning and trading spaces, as well as an ineffective business registration process. These challenges have also impacted on informal street traders, with different authors suggesting a link to higher crime rates, a reduction in property values and obstruction of traffic flow. The outlined challenges have resulted in legal action and eviction from inner city environments (SEDA, 2008; Masonganyane, 2010).

Despite the negative connotations associated with street trading, the informal sector has continued to flourish in South African cities. Statistics South Africa (2015) estimates that in 2014, 2.4 million individuals were involved in informal trading. This number is estimated to have grown to 2.8 million in the following year. It is further estimated that in the Tshwane Municipality, 123,000 individuals are involved

in the informal sector alone. Due to the businesses and individuals in the informal sector being largely unlicensed and undocumented, this number could be higher than estimated (Horn, 2011). The rapid increase in street trading activities has had an impact on municipalities and street traders alike. It is therefore concerning that little information exists on the status quo of street trading in Tshwane CBD, as well as current conditions, influencing factors and challenges experienced by street traders.

The aim of this paper is to discover and describe the factors influencing street trading in the Tshwane Central Business District, both negatively and positively. The paper provides an overview of the nature of street trading, challenges, driving forces, as well as the status quo of street trading in the South African context.

### **3. Literature Review**

As a prologue to the topic of street trading in CBDs, it is important to delineate between the formal and informal economy, as well as unpacking street trading in the South African context. Furthermore, it is of importance to highlight some of the challenges faced by street traders, as reported in other studies.

#### **The informal economy**

The informal sector plays an important role in the creation of job opportunities, in particular when viewed in the context of developing economies, which tend to be characterized by high levels of unemployment and poverty (Moloi, 2014; Ayeh, 2009; Lyons & Brown, 2007). The informal sector can be defined as “an economic sector that is largely untaxed, excluded from the government's Gross National Product (GNP) and not monitored closely by government” (Masonganye, 2010:4). In addition, the informal sector is largely an unlicensed employment industry, characterized by ease of entry, thereby further complicating control efforts by municipal authorities (Callaghan & Gwatidzo, 2013). The informal sector can also be viewed as comprising of economic activity, conducted by self-employed individuals, who trade lawful products in public spaces (Mokgatetswa, 2014). In the South African environment, Statistics South Africa (2015:3) defines individuals operating in the informal economy as “employees who do not have a written contract of employment, are not registered for income tax or value-added tax, and do not receive basic benefits such as pensions or medical aid contributions from their employers”. These characteristics are in stark contrast to the formal economy, where written contracts, registration with authorities, taxation and provision of employee benefits are commonplace.

#### **Street trading in the South African context**

Tissington (2009:4) argues that “street trading is an act of selling goods and services on the street pavements, in the middle of the road or in other public spaces undertaken by a street trader or street vendor in an activity that forms part of informal economy”. A number of authors have found similarities and differences when

attempting to describe the characteristics of the informal street trading sector (Cyprian, 2011). Some studies have determined that the majority of informal street traders are comprised of the youth (between the ages of 18 to 35) and females, while other authors have argued that a large proportion of informal traders are between the ages of 25 to 34 (Cyprian, 2011; Ayeh, 2009).

Yet in South Africa, the majority of street traders are estimated to be between the ages of 25-49 years; with females expected to be older than their male counterparts (WIEGO, 2013; Mwasinga, 2013). In terms of locational characteristics, street trading activities tend to be located in strategic locations, such as areas with high pedestrian traffic, in close proximity to major arterial routes and public transportation facilities. The Johannesburg Development Agency (2001) defines CBDs as lying in an inner city environment such as a city centre, comprising a large number businesses, as well as private dwellings. Due to these characteristics, street trading over time has become commonplace in cities, CBDs and urban areas, in particular in areas with recreational and public transport facilities (Siqwana-Ndulo, 2013; WIEGO, 2013). Informal street trading is further characterized by a lack of formalized and rented trading spaces, with municipal areas providing a temporary opportunity for income generation for the underprivileged (Brown, 2006; Ayeh, 2009; Rosales, 2013).

### **Challenges facing street trading**

In the South African context, the informal economy presents a number of challenges for those engaged in it. The presence of an unstable and unprotected employment environment has created challenges in the informal sector. To overcome these challenges, more liveable wages and improved working conditions need to be present in order to create a stable environment for employment (Moodley & Cohen, 2012). In addition, informal street traders are faced with a lack of basic infrastructure. The rapid increase in street trading activities has further brought on difficulties for municipalities to provide adequate services and trading spaces, as street trading is often not considered in urban planning efforts (Shrestha, 2013). Linked to the problem of informal trading spaces, is the exposure to environmental toxicants, harsh environmental conditions, which can result in health problems and adversely affect the quality of the street trader's wares (Basinski, 2014; Shrestha, 2013). Additionally, a lack of access to finance further complicates the already difficult environment and conditions that street traders face. There further exists a lack of sponsorship and funding for individuals in the informal economy. This has resulted not only in an increased opportunity cost of lost business, but also precludes individuals from purchasing products in bulk, thereby driving up product costs due to purchases having to be made in small quantities (Tshuma & Jari, 2013). Lastly, a lack of training, entrepreneurial business skills and industry information is prevalent in the informal economy, due to individuals training themselves or obtaining information from informal and unreliable sources (Companion, 2010). This has further contributed to a lack of knowledge around legislation affecting street trading, such as municipal policies and by-laws, compounded by inaccessibility of

information and lack of effective communication between municipalities and street traders (SEDA, 2008).

#### **4. Methodology**

This study utilized an abductive research design through a qualitative research approach. The research took the form of a case study of the Tshwane Central Business District (CBD) in South Africa. Due to a lack of insufficient research on the topic, an exploratory case study approach was followed. The case study comprised of street traders operating in demarcated areas in the Tshwane CBD in South Africa.

The target population of the study included all licensed and unlicensed street traders operating in demarcated areas within the Tshwane CBD. A total of 30 semi-structured interviews were conducted amongst street traders operating in the Tshwane CBD. A non-probability sampling approach was followed by means of snowball sampling. The sampling approach was deemed necessary due to the reluctance of participants to cease trading to partake in the research. Participants referred other willing and able street traders to participate in the research. Face-to-face interviews were conducted with the aid of a self-developed, semi-structured interview schedule. Data obtained from the interviews were analyzed by means of content and thematic analysis.

Prior to interviews being conducted, the respondents were informed that participation in the research was voluntary and not subject to any benefit. Due to the informal nature of street trading, respondents were informed that all identities and personal information are treated as confidential. Prior to the commencement of each interview, a brief explanation of the study was provided to the participant in order to improve their understanding of the study. Participants were informed of their right to withdraw from the interview at any stage, and could decline to answer sensitive questions.

#### **5. Results**

The results from the interviews are presented according to prominent themes identified after the interview process had been completed, and the data captured.

##### **Demographic variables**

The sample for the study comprised 37% males and 63% females. A large proportion of respondents were between the age group of 18 and 30 (43%), followed by 31-40 year age group (33%). Worryingly, 7% of respondents were below the age of 18 and therefore not legally permitted to work. In terms of nationality, 63% of respondents were South African, with the next largest groups originating from Pakistan (10%), Zimbabwe (10%), Nigeria (7%), Ghana (7%) and Cameroon (3%). In terms of education, 67% of respondents possessed a school leaving certificate, while 30%

possessed a post-school qualification. Three percent of respondents did not complete basic education. In terms of age of the sampled enterprises, 65% of enterprises commenced street trading between 1994 and 2004. The remainder of respondents (35%) commenced street trading after 2005.

### **Types of goods sold**

The majority of street traders (55%) indicated that they sold food items only. These food items included fruit, vegetables, pre-cooked meals, snacks and sweets. Respondents who sold food items tended to pay greater attention to selling fruits (apple, banana, grapes, peach, strawberry, water melon, and mango) and vegetables (tomatoes, onions, potatoes, cabbage, lettuce, carrots, cauliflower, spring onions, spinach), due to profitability reasons. The remainder of respondents (45%) indicated selling non-food items such as clothing, cosmetics, cigarettes, traditional medicine and mobile phone airtime.

Respondents indicated purchasing their wares primarily from formal businesses, while others purchased their goods from other informal businesses. The volume of purchases depended on daily stock level requirements and cash availability. Main suppliers of fruit and vegetables traders were the Tshwane market and Evergreen (vegetables supplier in Tshwane). Suppliers of non-food items were mostly Chinese-owned malls and fellow street traders who operated in the CBD.

### **Skill level and experience prior to engaging in street trading**

Respondents stressed that prior to engaging in street trading activities, they did not receive any training and had little business experience. It was indicated that an awareness exists of training programmes offered by the municipality, however none of the participants had attended these programmes, mainly due to time constraints. Some respondents indicated obtaining some form of business knowledge from a post-school leaving educational background, while others indicated involvement in similar trading-related family businesses.

### **Support services offered to street traders**

Respondents indicated being offered a range of services by private and public institutions. Offers included the provision of sanitation facilities, policing services, stalls and storage facilities. In terms of sanitation facilities, although such facilities were available in the CBD, street traders who operated in stalls and in unallocated areas indicated that these facilities were located far from trading sites. Further, traders were required to pay before being allowed to sanitation facilities. Street traders were aware of a police presence in the CBD, which aided in creating an atmosphere of safety. The relevant municipality also provided stalls and storage facilities, however only to licensed traders.

### **Awareness of rights and policies**

Although some of the street traders had some knowledge of their rights to trade freely and legally without harm or harassment from municipal officials, others were aware that operating without a license made them vulnerable to harassment and possibility

of having goods confiscated by municipal officials. Other traders however were not aware of their rights. Only some interview participants were aware of local trading policies and municipal by-laws. In some instances, fellow street traders would inform their counterparts of relevant by-laws, as well as the consequences of not adhering to by-laws. Interview participants further indicated being made aware of street trading policies by municipal officials upon confiscation of goods. A presence of municipal officials patrolling the CBD area for policy enforcement purposes was also highlighted amongst study participants.

### **Survival challenges faced by street traders**

Street traders faced various survival challenges. Some of the themes identified included difficult and poor working conditions, low incomes, a need for price reduction, high start-up costs, high cost of goods from suppliers; and a lack of financial start-up assistance. Street traders who operated without proper shelter to protect them and their goods from prevailing weather conditions were vulnerable to environmental toxicants. Due to the high level of competition among traders, there existed a need to reduce costs as a means to attract customers. There further existed a lack of regulation in terms of the types of products that could be sold. The high cost of business start-up was a further concern highlighted by interview participants. In terms of funding, funding sources for informal businesses included being funded through donations from churches, loans from the informal sector, personal savings, as well as donations from family and friends.

### **Future business plans**

When probed around future plans for the businesses, two prominent sub-themes emerged. There existed either no formal long-term plans for the businesses; or that street trading was temporary in nature, mainly for survival purposes. A number of respondents indicated that they wished to grow their ventures sometime in the future, with the aim to either create certainty in future income, or to gain the ability to create a sustainable family business.

## **6. Recommendations**

Based on the research results, recommendations for municipalities, stakeholders and street traders are presented as follows:

### **Provision of work opportunities to street traders**

Providing work opportunities through outsourcing of some municipal functions can improve the relationship between street traders and the Tshwane Municipality. As street traders provide goods and services that municipal employees regularly purchase, a stronger business relationship could be forged by formalizing the business relationship. The provision of work opportunities will allow the South Africa and relevant municipality to formalize trading activities, reduce unemployment and directly address poverty.

### **Provision of training and education opportunities**

Due to the low levels of training and education amongst the sampled respondents, training and education opportunities could be created through mutual collaboration with relevant stakeholders and educational institutions. Training and educational opportunities will allow street traders to improve their entrepreneurial abilities, thereby enabling enhanced business growth and opportunity recognition.

### **Improvement of working conditions**

A need exists for municipal authorities, in collaboration with street traders, to improve conditions of trading sites. Exposure to harsh weather conditions could be addressed by provision of sheltered trading sites. Due to safety concerns raised by some respondents, it is important to improve safety of street traders by means of more visible policing. Enabling access to free sanitation facilities in closer proximity to trading sites should be prioritised.

### **Awareness of street trading policies**

As respondents indicated a lack of awareness around street trading policies and by-laws, awareness around these policies can be enhanced by means of informational campaigns. Also, as street traders are demographically diverse, translation of policies into the mother tongue of the street traders can enhance understanding. Further, the fostering of a closer working relationship between street traders and the municipality can enhance awareness around policies, as well as ensuring an improvement in the ease of business registration and operating license processes.

## **7. Conclusion**

The primary aim of this study was to investigate the factors influencing street trading activities in the Tshwane CBD. The significance of the study lies in filling a knowledge gap around factors influencing the informal street trading sector, which to date has been largely omitted in research. This study assists in understanding the factors influencing street trading activities in inner cities, and in uncovering the challenges faced by street traders in inner city environments. Due to the difficult socio-economic reality South Africa is faced with, in particular high rates of unemployment, it is vital to gain an understanding of the two economies operating in South Africa, namely the formal and informal economy. Recent studies by Statistics South Africa (2015) have revealed the significant size of the informal economy. Further, a number of studies have indicated that although street trading has created significant job opportunities, street traders still face numerous challenges in daily operations.

This study revealed that street traders, operating in the Tshwane CBD, face a number of challenges. Among those significant challenges are issues of unemployment and poverty, lack of infrastructure, lack of funding, unawareness of relevant legislation, lack of education, unfulfilled entrepreneurial ambitions, regulatory issues; and issues of survival. Factors influencing the growth of street trading in the Tshwane CBD included rampant levels of unemployment and poverty, increased levels of urban migration and urbanisation, a prevalence of survivalist types of entrepreneurship,

and entrepreneurial intentions on the part of street traders. Results from the study will assist municipalities, particularly those in developing countries with thriving CBDs, in better managing the phenomenon of street trading, which is largely informal in nature and therefore more difficult to control than the formal economy.

## 8. Recommendations for further research

As the study made use of a qualitative research approach, it is recommended to expand the study to include a larger sample size by incorporating different municipalities. Due to the increase in awareness around the role of the informal economy, longitudinal studies on the topic would be valuable to determine any trends or change in perceptions. This information would allow the municipality and related stakeholders to design more effective and tailored policies, alter approaches in managing relations with street traders and grow the informal economy in a more structured and regulated manner.

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