

An Exploratory Study into the Impact of Non-financial Accessibility on Informal-sector Traders: a Case Study of the Umlazi community in South Africa

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Keywords

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Abstract

The current research sought to conduct an exploratory design study and examine the impact of non-financial accessibility on informal-sector traders of Umlazi to highlight the need for the local-government informal sector policy reform which can compel the financial sectors to improve granting of financial support. A qualitative research approach was deployed utilising a non-probability sampling frame and an appropriate sample size of ten participants from the various informal sector industries was interviewed. Research findings identified communication, training, policy monitoring, and discrimination as challenges that encumber local government developmental policies in supporting informal-sector traders to secure financial assistance. The research findings indicated a paradigm shift regarding financial institutions' role in availing finance, policy review and reform, and proper facilitation of training and developmental business management skills as changes to be applied.

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1. INTRODUCTION

South Africa is still a developing country, and a high unemployment rate is prevalent with many households having members who are of employable age but due to lack of experience or appropriate educational levels are unemployed. Due to this status, many families have resorted to informal-sector trading to put food on the table and sustain their families. A challenge has however been identified regards obtaining financial assistance as unlike the formal sector companies who have an advantage, informal sector traders are not able to provide security nor collateral and are not receiving the same financial aid thus limiting growth and expansion possibilities.

1.1 Background to the Problem

The informal sector traders are playing a huge role in alleviating poverty at Umlazi Township in South Africa yet financial assistance from reputable financial institutions is not readily available nor are the informal traders educated on how to run and maintain businesses to ensure prosperity and longevity. Biney (2019) found that small informal enterprises' lack of funding and experience to establish successful enterprises hinders the business growth process. In carrying out a study to examine SME access to financing within Sub-Saharan Africa (SSA), Quartey, Turkson, Abor and Iddrisu (2017) indicated that the study was undertaken to add to the growing literature as not many studies had been undertaken to ascertain why SMEs within SSA are considered riskier to lend and therefore remain more financially constrained.

An observation has been made regards the various pieces of legislation dealing with the national government and provincial government's areas of jurisdiction which are silent on the informal economy (South Africa, 2019b). There is, therefore, a significant implication to the government and the informal sector traders on their role in alleviating poverty within the communities they serve which can also help elevate poverty through employment, reduce the unemployment rate, and help grow the economy which would be reflected in the Gross National Product (GNP) and Gross Domestic Product (GDP). According to Khumalo (2015), there is tremendous potential within the informal business sector for it to become a major role player in sustaining the livelihoods of many people by removing some of the constraints like municipal service and crime.

1.2 Research Questions

Based on the objectives, the research was designed to address the following questions:

- What is the effect of the Local Government Development policies in supporting the informal-sector traders of Umlazi in securing financial assistance?
- What is the extent of involvement of the financial sector in financing informal-sector traders of Umlazi?

- Which training and developmental business management skills are offered to the Umlazi informal-sector traders in securing financial assistance and what recommendations can be made?

2. LITERATURE REVIEW

2.1 Informal Sector

Musara and Nieuwenhuizen (2020) and Jonck and Nwosu (2022) postulate that the informal sector plays a vital role in attending to the socioeconomic challenges faced by many countries and further indicate that this sector contributes ten to twenty percent of the GDP in developed countries versus sixty percent in developing economies. In the South African context, fifteen to seventeen percent of total employment and five-point two percent of the GDP is attributable to the informal sector economy, yet little emphasis is placed on how the entrepreneurship orientation of the informal sector traders shapes the emergence and development of entrepreneurship leadership and vice versa. Meyer and Meyer (2017) concur that on a global scale, the contribution made by SMEs is significant to development and economic growth; South Africa is however not different concerning the obstacles that hinder SME expansion due to political instability and economic upheaval.

Schraader *et al.* (2010) indicate that informal traders are engaged in a wide variety of economic activities which include selling clothes and related items, hair cutting, repairing, and making shoes, and selling leather goods. Onwe (2013) argues that regardless of the noticeable optimistic impact on the economy made by informal sector trade, development literature still holds a general overview that economists seem to unceasingly ignore the importance of the informal sector in the development process yet on the contrary, the persistence and expansion of the traditional or informal sector was recognised by the International Labour Organisation's first mission to Africa.

Jonck and Nwosu (2022), Schneider, Morkunas and Quendler (2023) opine that the nature of informal sector traders results in different countries articulating this sector based on the countries' policy descriptions as no definition is commonly accepted. Pillay (2016) concurs and further indicates that within the South African framework, the informal sector in part of the SMEs which are classified as micro, small, or medium enterprises that meet the three following criteria: the owners or part owners manage the day-to-day operations, the business does not form part of a larger enterprise and is independent in its trading and the business has a small share of the marketplace.

Kole and Kanjere (2015) indicate that due to a lack of employment opportunities in both the public and private sectors, the South African informal trade has grown at an alarming rate. The SME sector accounts for fifty-five to sixty-five percent of economy-wide employment; between the central objective of inclusive economic growth and the structure of the domestic economy, the SME sector is a critical interface (Statistics South Africa, 2018). Vendors, small-scale businesses or traders and hawkers are major contributors to the informal sector and are usually situated at places that are closer to places of residence or are a natural market but because the informal sector traders do not have registered or legalised businesses are considered illegal (Patil *et al.*, 2019).

2.2 Local Government Development Policies

In line with the Organised Local Government Act, 1997 (Act 52 of 1997), the South African government resolves to build and support municipalities through continued local economic development (LED) which is an approach aimed towards reducing poverty and achieving economic growth by promoting local people to work together in sustaining economic growth on both local and municipal spheres (South Africa, 2018).

2.2.1 Local government

South Africa is a constitutional democracy with a three-tier system of government and an independent judiciary that consists of the national, provincial, and local levels of Government; all levels are defined as distinctive, interdependent, and interrelated with legislative and executive authority in their spheres (South Africa, 2018). South Africa is made up of nine provinces: Eastern Cape, KwaZulu-Natal, Free State, Gauteng, Limpopo, North-West, Northern Cape, Western Cape, and Mpumalanga; two hundred and seventy-eight municipalities which comprise two hundred and twenty-six local municipalities, forty-four districts and eight metropolitan municipalities (Department of Government Communication and Information Systems (GCIS), 2017/18). There are eight metropolitan municipalities: City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), Mangaung Municipality (Bloemfontein), Nelson Mandela Metropolitan Municipality (Port Elizabeth), Buffalo City (East London), City of Johannesburg, City of Tshwane (Pretoria) and City of eThekweni (Durban) which are focused on growing local economies and providing infrastructure and service (South Africa, 2018).

Umlazi is one of the townships located within the City of eThekweni metropolitan municipality, the area is four thousand four hundred and eighty-one point seven hectares with the population estimated at five hundred and fifty thousand inhabitants; however, based on the average of four members per household, an estimate of one million, six hundred and seventy-seven thousand, five hundred and fifty-six inhabitants are plausible (South Africa, 2008). Due to the extensive area that Umlazi is situated in and the second largest township in South Africa, the following typical town problems are magnified:

- High rates of unemployment;
- Little economic development;
- Severe housing shortages; and
- Major informal settlements.

The core informal sector is categorized into food and catering, accommodation, transportation, wholesale and retail services, clothing and manufacturing and agricultural sectors (South Africa, 2008).

Koma (2010) indicates that as local government is a sphere of government located closest to the people and well-placed to appropriately respond to local needs, interests, and expectations of communities, it is to be expected that a core function of municipalities is the rendering of a variety of basic but essential services to the community within its jurisdiction. Thornhill (2008) also articulates this view by stating that local government is closest to the people and is often the first point of contact between an individual and a government institution. Incorporated within Chapter seven section 152 (1) (c) of the Republic of South

Africa Constitution, 1996 and the Organised Local Government Act, 1997 (Act 52 of 1997) local government municipalities partake in proceedings of the National Council of Provinces (NCOP) which integrate continued hands-on support through the established system and capacity-building programme, focusing on critical areas such as integrated development planning, local economic development (LED), financial management, service delivery and public participation; and coordinating and supporting policy development, implementing the Local Government Strategic Agenda and monitoring and supporting service delivery (South Africa, 2018).

2.2.2 Development policies

Koma (2013) postulates that the framework for the accomplishment of intended objectives may be thought of as the main system concerning policies and that making explicit the various assumptions that are made concerning the basic premises, priorities of needs, and allocation of finances is part of policy formulation. Fourie (2018) in reporting Fourie and Leibbrandt (2012) and Kanbur (2015), agrees and designates that the informal sector has been largely missing from economic analysis and policy disclosure not only in South Africa but internationally as well.

Kole and Kanjere (2015) state that in South Africa, it is generally accepted that the informal business sector is governed by the SMEs legal framework as there is no direct legislation that governs the informal business sector. The formal and informal sectors can co-exist and be engines of growth in a period characterised by low economic growth and high unemployment. Due to its nature of operating outside of the regulatory framework, there has always been a shadow cast over the informal economy but in recent years there has been more of an appreciation and acceptance of the sector as one that has changed the landscape of business and it would be interesting to see how informal markets operate in other cities, with support from government and private sector, allowing the markets to flourish (Economic Development and Growth in eThekweni, 2016).

Fourie (2018) in discussing policymaking in the informal sector globally states that within countries the informal sector exhibits much heterogeneity and diversity which needs to be considered in analysis and policymaking even though globally the informal sector exhibits certain generic traits. Fourie (2018) further indicates that to protect and promote informal-sector enterprises, some governments have adopted policies and laws or developed schemes usually through sector policies laws or schemes; the most common substantive policy response is the formalisation of the informal sector resulting in inherent contradictions.

2.3 Financial Accessibility

The development of informal sector traders is often undermined by several factors, including inadequate finance, poor access to capital markets, and lack of managerial skills, technology, and equipment, among others (Quartey et al., 2017). Quartey et al. (2017:21) state that “within the financing constraints literature, a firm’s access to finance has normally been modeled based on financial statements”. Informal sector traders do not have the training and capacity to prepare financial documents which results in minimal financial assistance accessibility. Schraader *et al.* (2010) indicate that one reason why the informal sector

lacks funding is the almost non-existent use of informal sector debt financing meaning that formal sector financial institutions have stringent regulations that informal sector traders can hardly meet due to lack of training and related. Chimucheka and Rungani (2011) further concur that the major problem faced by South African SMEs is inaccessibility to finance which places constraints on SME growth. Excessive red tape, bureaucracy, lack of understanding of the owners or SME entrepreneurs, and administrative burdens, are contributory toward financial institutions rarely financing start-up businesses and reflect an unwillingness to assist in the provision of finance to informal sector traders who do not have business records (Chimucheka and Rungani, 2011).

2.4 The Involvement of the Financial Sector in Financial Informal Sectors

Quartey *et al.* (2017) in reposting Sacerdoti's 2005 research maintain that the financial sector is involved in financing informal sectors dependent on quiet several characteristics or provisions being met - registrations of informal sector businesses, collateral or guarantees and high costs of interest and initiation fees. Glackin's research in 2002 (cited in Schraader *et al.*, 2010:332) cites several other reasons, including perceived discrimination, regulatory and legal concerns, limited or poor credit history, lack of collateral, lack of knowledge about microloan programmes, geographic constraints and mistrust of financial institutions.

2.5 Training and Development Business Management Skills

The majority of the people in the informal sector do not have the skills that are needed in the formal employment sector others are semi-literate and a lesser percentage has some level of qualification as a result acquiring financial aid remains a challenge as the necessary skills are lacking (Kole and Kanjere, 2015). Bushe (2019) also indicates that entrepreneurs need to get financial training on matters of cash flow management to safeguard against failure, SMEs need to on different phases of the business to be able to conduct cash flow forecasts to enhance chances of success. According to Biney (2019), training informal sector traders will improve their understanding of savings, which would assist in being able to save and have collateral that financial institutions require when approached for funding. Bushe (2019) concurs by stating that the informal sector traders would benefit from being adequately trained as this would contribute toward the ability to plan and save for the long term, better financial management, and obtain funding as financial institutions require well-prepared business plans, adherence to financial prescripts and accounting or financial regulations.

2.6 Contextualisation of Key Concepts

2.6.1 The effect of the local government development policies in supporting the informal sector traders in securing financial assistance

The government has an obligation of ensuring that policies are in place to certify the effective running of the country being led. Policies need to overlap into all spheres of governance including finance or financial institutions as these spheres have a direct relationship with economic growth and the healthy financial status of a country, yet policy inertia, inadequate prioritisation, and poor implementation policy continue to hinder

the achievement of key developmental goals (South Africa, 2019c). Regarding the financial sector, the state has a crucial role in ensuring healthy competition, enhancement of financial infrastructure, and provision of strong prudential supervision; in making evidence-based decision-making and sound financial systems for robust economic performance, regular updates are essential because the financial system is dynamic and conditions are constantly changing (World Bank, 2013).

2.6.2 Evaluation of the extent of involvement of the financial sector in financing informal sector traders

Finance and financial access are central to development as a growing body of evidence recommends that financial institutions—such as banks and insurance companies exert a powerful influence on economic development, poverty alleviation, and economic stability (World Bank, 2013). Although credit information services for retail clients are well established and highly developed in South Africa, there is a lack of generally available information on which to base credit decisions for small enterprises, yet there is an overabundance of state funds and funders, many with overlapping mandates and a lack of scale and expertise, including a lack of credit information for SMEs is a related issue (South Africa, 2019a). Perfecting the focus on the central role of finance in socioeconomic development and understanding how financial systems can be strengthened is crucial if countries are to realize the goal of boosting prosperity and eradicating poverty as the policy maker, the regulator which is the government, the banker, which is the financial institutions and the financial consumer which in this case is the informal sector traders must all play their part in fostering sustainable financial development and improving the performance of financial systems as dependency on numerous institutional factors and stakeholders are prevalent (World Bank, 2013).

2.6.3 Recommendation of training and development business management skills for informal sector traders

The availability of relevant abilities, knowledge, skills, attitudes, competencies and values that people need to perform an activity successfully is one of the key ingredients towards sustainable growth and development of any economic sector or activity (Botswana, 2012). Bruwer and Smith (2018) suggest that despite the importance and contribution of SME business entities to the South African economy, proposals made by prior research indicate that South African SMEs have one of the worst sustainability rates in the world with unmanaged economic factors being the main attributes.

3. RESEARCH METHODOLOGY

An exploratory research design was undertaken to explore, gain insight and develop an understanding regarding the impact of non-financial accessibility on informal-sector traders within the Umlazi community in South Africa. The research was also aimed at examining and exploring the effect of the Local Government Development policies in supporting the informal-sector traders in securing financial assistance. As this research was qualitative, the phenomenology research philosophy was selected because the data collected will lead to identifying common themes in the people's perceptions of their experiences.

Perceptions of the Umlazi informal sector traders regarding non-financial accessibility were explored and recommendations made regards training and developmental business management skills. The case study strategy was utilised as an in-depth inquiry into the topic in real-life settings and the gathering of first-hand information about the impact of non-financial accessibility on Umlazi informal-sector traders was made. The target population for this study is the informal sector traders of Umlazi which consists of 750 informal traders (Dlamini, 2015). Participants within the clothing, transportation, catering and food sectors were identified to be appropriate.

The non-probability purposive sampling strategy was utilised as expertise to select the correct participants was applied, the participants were interviewed in their business premises or residential areas which was more convenient. The participants were relevant in gaining new insights into the impact of non-financial accessibility on informal-sector traders' phenomena was being explored after a gap was identified within existing literature regards the Umlazi community, informal-sector traders. The sample covered participants from various informal sector industries: Food Service, Clothing, Metal and Engineering, Land and Building, Hospitality, Imports, Logistics and Procurement, Culinary, Human Resources and Transportation

Creswell (2009) explains qualitative research as a tool for understanding, exploring and soliciting perceptions and thoughts from participants about matters ascribed to or an identified problem. The process of obtaining information utilising open-ended questions is recommended for qualitative research. For the current research, conducting interviews was the selected data collection instrument as the study is qualitative; an interview guide was prepared. Questions were posed to participants to gather first-hand information about the impact of non-financial accessibility on informal-sector traders. Semi-structured interviews were carried out to solicit attitudes as a semi-structured interview permits and give freedom for any additional questions that may arise during the interviews to be asked (Kumar, 2011).

According to Neuendorf (2019) and (Mihas, 2019), qualitative analysis is the analysis of textual, audio or visual data and covers a spectrum from confirmation to exploration with content and thematic analysis being two prominent methods used for analysing message content. Both methods have similarities as they involve codes and coding which is a process of representing message content with convenient and abbreviated symbols. Saunders *et al.* (2016) concur that thematic analysis is the most utilised approach in analysing qualitative data which is carried out by searching for themes and patterns that occur across a data set such as interviews. Maguire and Delahunt (2017) are of the same view and further state that these themes are utilised to address the research and comment on issues after the identification of themes. Thematic analysis was more appropriate as the research was qualitative.

3.1 Trustworthiness

A constant or single method cannot address the issue of quality in qualitative research, but verification of the credibility, dependability, confirmability, and transferability of the study may be utilised as a judgment measure regards the trustworthiness and quality of the research (Chowdhury, 2015). Anney (2014) concurs stating that the rigour of qualitative findings and authenticity is based on the trustworthiness of the research. Credibility was ensured by utilising the interview technique of open-ended questions in a structured format

in line with the studies' objectives ensuring that all the participants were privy to the same questions and responses given were credible. By documenting all the participants' responses, reference purposes and consistency was achieved by adherence to the same interview guide for all participants thus creating the dependability of the current study. Confirmability was achieved by asking similar questions to all the participants and when data was analysed, similar responses were grouped and coded within the same theme. Transferability was achieved as research was carried out after the identification of a gap regards the impact of non-financial accessibility of the Umlazi informal-sector traders; minimal prior studies had been found concerning the aim of the study. The current research can be utilised as a reference for future research.

3.2 Ethical Consideration

Creswell (2013) indicates that during the data collection, analysis, and dissemination stages of a qualitative inquiry, the researcher faces several ethical issues that surface. In a subsequent publication, Creswell (2015) still maintains that the researcher first and foremost must respect the values, needs rights, and desires of the informant or interviewee and states that many authors who discuss qualitative research design address the importance of ethical considerations. In concurrence, Kumar (2011) and Saunders *et al.* (2016) state that ethical behaviour means being resonant with the correct principles of conduct of a given profession or designation and appropriate behaviour regards the rights of those who are selected as participants and those affected by the research. In this current research, ensuring participants have given consent was undertaken.

3.2.1 Ensuring participants have given informed consent

Before commencing with the interviews, an explanation regards the study and research questions were explained and a consent letter was given to the participants to sign as confirmation of giving consent to partake voluntarily in the interview process.

3.2.2 Ensuring no harm comes to participants

Through an indication that the participant's identity will be protected, assurance that no harm will come to the participants was given.

3.2.3 Ensuring confidentiality and anonymity

The confidentiality and anonymity of the participants were protected by ensuring that after the information had been collected, the participant could not be identified as the participant's names remained anonymous and the responses were labelled in numerical form as Participant One, Participant Two and so forth. An emphasis was made that anonymity concerning the responses given will be maintained as no link between participants' names and responses was made.

3.2.4 Ensuring that permission is obtained

The current research is not being carried out on any company or organisation, obtaining permission will not be necessary; it is being carried out on informal-sector traders within Umlazi, and before the commencement of the interview, each participant signed a letter giving consent for the interview to be carried out and an option to withdraw at any stage during the interview was highlighted.

4. DATA ANALYSIS

4.1 Presentation of Data

The collection of first-hand information from the respective participants was conducted through face-to-face interviews as the selected data collection instrument and an interview guide was utilised.

4.2 Demographics

4.2.1 Gender

Table 4.1 represents the gender of participants.

Table 4.1 Participants by Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	3	30	30	30
Female	7	70	70	100
Total	10	100	100	

Table 4.1 illustrates the participants according to the gender distribution; most of the participants are female (seventy percent) and the male is in a minority (thirty percent). The dynamics within the South African informal sector industries that there are more female informal sector traders are indicative as females account for forty-seven-point six percent compared to thirty-point six percent of males (Statistics South Africa, 2018).

4.2.2 Age

Table 4.2 illustrates the age of the participants.

Table 4.2 Participants by Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 20 years	0	0	0	0
21-30 years old	1	10	10	10
31-40 years old	3	30	30	40
41-50 years old	5	50	50	90
Older than 51 years old	1	10	10	100
Total	10	100	100	

Table 4.2 illustrates the participants according to age. In South Africa, only 43% of the working-age population is employed; the balance of the population is engaged in informal sector trading or not working at all (International Labour Organisation South Africa, 2018).

4.2.3 Number of years in business

Table 4.3 portray the number of years participants have been in business.

Table 4.3 Participants Number of years in business

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 1 year	1	10	10	10
Between 1 - 5 years	7	70	70	80
Between 6 - 10 years	0	0	0	80
Less than 10 years	2	20	20	100
Total	10	100	100	

Table 4.3 illustrates the number of years in business by the respective informal sector traders. Fundie, Chisoro and Karodia (2015) indicate that the poor running and lack of sustenance of informal sector businesses are indicative of the finance and financial skills challenges that are faced by most informal traders. Based on the table above, only two participants have been trading for more than ten years.

4.2.4 Educational level

Table 4.4 illustrates the education level of participants.

Table 4.4 Participants Education Level

	Frequency	Percent	Valid Percent	Cumulative Percent
No Matric	0	10	10	10
Matric	0	70	70	80
Diploma	4	0	0	80
Honours	2	20	20	100
Masters	0	100	100	
Doctorate	0			
Other	4			
Total	10	100	100	

Table 4.4 illustrates the participant's education level. None of the participants had matric or no matric contrary to the view that a high concentration of low levels of schooling is the educational profile of informal sector traders (Horn, 2011).

4.3 Interpretation and Discussion of Emergent themes

In analysing and interpreting the data collected from the study, thematic analysis was conducted, and several codes emerged (Figure 1 below) which were categorized into five major themes from the qualitative interviews conducted:

- Lack of effective communication;
- Policy monitoring, review, and update;
- Financial institutions criteria;
- Training and development skills; and
- Discrimination.

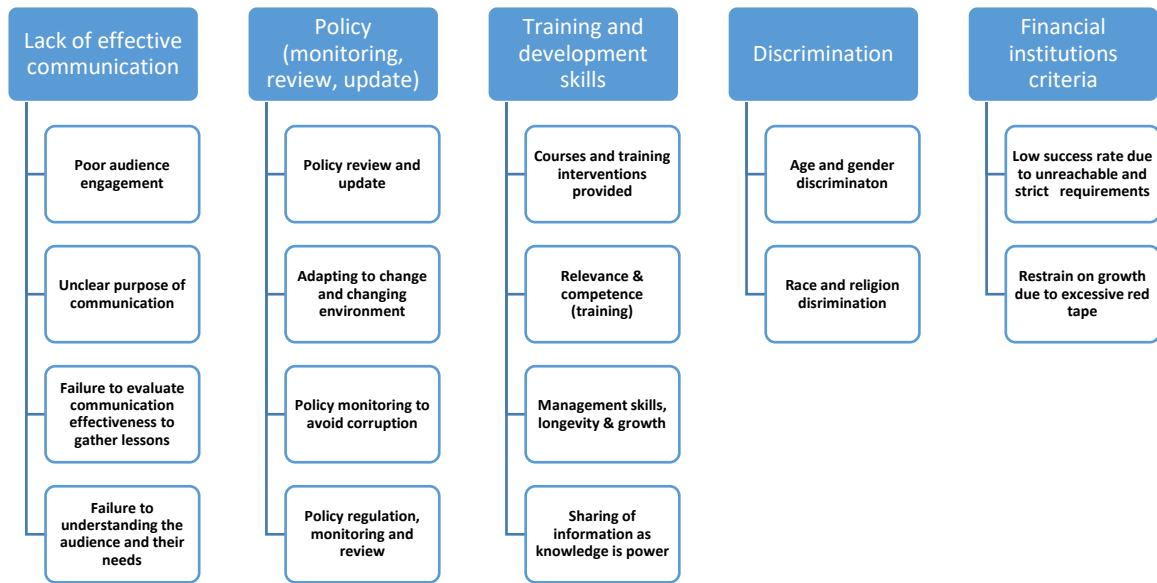


Figure 1: Themes and Subthemes

4.3.1 Lack of effective communication

Wambui *et al.* (2015) postulate that effective communication is vital in development and nation-building, plays a vital role and contributes to bringing about social changes and development in a community.

The first objective is to examine the effect of the Local Government Development policies in supporting the informal-sector traders in securing financial assistance. Lack of effective communication has been identified as sharing and publication of policy information has been identified. Due to informal sector traders not being aware of the local government development policies, the policies are not assisting with financial assistance requests made. Financial institutions are also lacking in delivering effective communication as some of the participants indicated that communication is not forthcoming from relevant financial institutions as a result it is difficult to even make funding applications. Concerning the third objective regards training and developmental business management skills for informal-sector traders, participants indicated that they have not heard of, nor are aware of management skills training and development that would assist in successful finance applications.

The literature reviewed states that effective communication is a vital role for government to ensure that the governed individuals are made aware of their rights and are also aware of:

- which government departments can offer services and assistance; and
- which policies and acts apply to the various spheres ranging from education, health, and business.

According to Stuart *et al.* (2018), the government's role is not in dispute regards financial sector regulation and supervision; the debate is about how to ensure that the role is carried out well, all this means careful attention must be paid to policy and programme design, along with strengthening of the capacity and accessibility of delivery mechanisms, concerted awareness-raising and communication efforts.

4.3.2 Policy monitoring, review, and update

South Africa is a democratic country that utilises policies to guide decision-making and give direction to the various state-owned entities, government departments in all three levels of governance: national, provincial, and local, public, and private enterprises and the people at large. Most participants are of the view that government development policies in supporting the informal-sector traders to secure financial assistance are not monitored to ensure effectiveness and are also not regularly updated to keep up with the constantly changing business spectrum due to globalisation plus the effect of the internet not only in the personal domain but business platforms as well.

According to the literature reviewed, the government has an obligation of ensuring that policies are in place to certify the effective running of the country being led. Policies need to overlap into all spheres of governance including finance or financial institutions as these spheres have a direct relationship with economic growth and the healthy financial status of a country, yet policy inertia, inadequate prioritization, and poor implementation policy continue to hinder the achievement of key developmental goals (South Africa, 2019c).

4.3.3 Financial institutions criteria

Hayes (2019) defines a financial institution (FI) as an enterprise engaged in the business of dealing with monetary and financial transactions such as investments, loans, deposits, and currency exchange; a broad range of operations within the financial sector includes banks, insurance companies, investments dealers trust companies and non-banking institutions like government departments. In the South African economy, all financial institutions operate within the ambit of governing policies and must uphold the rule of law in carrying out respective financial matters.

The second research question is to evaluate the extent of involvement of the financial sector in financing informal sector traders. Participants stated that obtaining financial assistance is a challenge based on the strict requirements set by the various financial institutions; informal sector traders do not have the necessary financial training and background to be able to prepare financial statements and due to lack of effective communication by government, most are not aware which departments to approach to comply with and adhere to the requirements set by financial institutions.

Literature has also indicated the challenges that informal sector traders meet when applying for financial assistance from various financial institutions. According to Schraader *et al.* (2010), the minimum financial assistance that financial institutions are willing to lend to informal sector traders poses a challenge regards non-financial accessibility resulting in little or no success as capital requirements may be higher. Rungani (2011) in agreement states that the major problem faced by informal sector traders is inaccessibility to

finance which places constraints on growth as excessive red tape, administrative burdens, bureaucracy, and lack of understanding of the entrepreneurs, are contributory toward financial institutions rarely financing start-up businesses and reflect an unwillingness to assist in the provision of finance to informal sector traders who do not have financial records.

4.3.4 Training and development skills

The participants were lastly asked which training programmes were created to offer business management skills and seven participants had similar responses about training intervention administered by SEDA though there were challenges regarding the relevancy of the programmes offered. The practice of adhering to government annual objectives instead of reaching out to the informal sector traders to determine and understand the relevant training needs hinders the financial assistance process.

When asked how will training programmes impact the business skills of the informal-sector traders, the participants advised that once training and development skills have been obtained, the informal-sector traders would be able to better manage their businesses and be able to empower other traders through sharing of knowledge. Adherence and meeting the financial institutions' requirements for financial assistance would also take place as drafting business plans and cash flow forecasts would be feasible.

Participants advised that training programmes will assist with the following:

- Practices to perform and those to disregard and not perform in terms of running a business;
- Financial Management to enable access to financial assistance;
- Planning and Time Management;
- Business growth and sustainability; and
- Identification and implementation of business expansion ideas.

The literature reviewed concur that the availability of relevant abilities, knowledge, skills, attitudes, competencies, and values that people need to perform an activity successfully is one of the key ingredients towards sustainable growth and development of any economic sector or activity (Botswana, 2012).

Bruwer and Smith (2018) agree that the lack of basic business skills is a major socio-economic problem for South Africa and research has been conducted on the individual business skills which require development in South African SMEs as the perception formulated was that the development of basic business skills in these business entities may have a positive influence on their attainment of key businesses objectives in the near future. Olomi *et al.* (2018) further state that all individuals are able and can be empowered to obtain power and control by flexibly exploring their talents, skills, and opportunities by embarking on the business-orientated journey from a considerably basic level.

4.3.5 Discrimination

Charles (2018) indicates that in developing policies, informal sector traders are being discriminated against. In examining the actions and policies from various levels of government, the South African treatment of the informal sector has been highly irregular, ranging from marginalization, neglect, and purposeful

oppression and destruction (Charles, 2018). Discrimination in politics and government is defined as prejudice against people and a refusal to grant them their rights, treatment of a particular group of people differently and in a way that is worse than the way people are usually treated especially on grounds of race, age, gender, disability, religion, employment and industrial activity, marital status and personal association (Cambridge Dictionary, 2020).

Participants indicated that local government officials are discriminatory in the manner that funding and awarding of tenders to informal sector traders are processed and approved and the requirements that financial institutions set for informal sector traders in obtaining financial assistance are discriminatory concerning helping informal sector traders based on racial inclination. When the question regards which training programmes are created to offer business management skills to informal-sector traders, participants responded that the programmes have age limitations which are perceived as discriminatory.

Consistent with existing literature, Mijid and Bernasek (2013) postulate that the ability of a firm to access credit is one of the most vital factors; however, most small businesses and informal sector traders face huge challenges in securing external funding compared to large businesses and striking evidence shows that minority businesses face higher loan and financial denial rates when applying for loans than other races owned businesses due to discrimination against small businesses.

5. CONCLUSIONS AND RECOMMENDATIONS

This study aimed to explore the impact of non-financial accessibility on informal-sector traders in the Umlazi community in South Africa. This was achieved by engaging in literature review and data collection utilising interviews with informal-sector traders who are engaged in various industries. The study explained concepts intended to answer the research questions.

5.1 Findings from Literature Review

According to the literature, informal sector trade has made a positive impact on the economic growth of the country which has led to poverty reduction and more families with sustained livelihoods (Onwe, 2013). Biney (2019) however indicated that lack of funding which leads to successful enterprises hinders the business growth process and government needs to draw policies that run across all spheres including the financial sector. The local government level as the third-tier sphere in the South African constitutional democracy is highlighted as closest to the people with a mandate to render a variety of basic but essential services as the first point of contact and the most appropriate place for economic intervention concerning local economic development (South Africa, 2018). Thornhill (2008) and Koma (2010) concur by stating that there is an expectation that a core function of local municipalities is the response to local needs, expectations, and interests of local communities with economic development being at the forefront.

Kole and Kanjere (2015) have however indicated that in South Africa it is generally accepted that informal trading businesses are governed by the SME legal framework as there is no direct legislation that governs

the informal business sector. Schraader *et al.* (2010), and Chimucheka and Rungani (2011) concur that administrative burdens and excessive red tape perpetuate the inaccessibility to finance and a lack of understanding of SME entrepreneurs.

In conclusion, reviewed literature specified that the government needs to ensure that policies are in place to certify the effective and efficient running of a country; policies need to intersect in all spheres including finance as financial institutions have a direct relationship with economic growth which results in a healthy financial status (South Africa, 2019c). A growing body of evidence recommends that finance and financial access are central to development and financial institutions exert an immensely powerful influence on economic stability and development resulting in poverty reduction (World Bank, 2013). One of the key ingredients towards sustainable growth and development of any economic sector or activity is the availability of relevant abilities, skills, knowledge, and values that people need to perform successfully (Botswana, 2012). Duncan (2014) is of the same view and states that the lack of scarce basic business skills excludes a large proportion of South African citizens from participating in economic activities and an adverse influence on the national economy has been found as a result.

5.2 Findings from the Primary Research

Participants from various sectors indicated concerns regards the communication challenges that exist which have created a platform where policy, financial and training information was not reaching the informal sector traders to enable access to funding opportunities and the relevant training interventions.

Primary research conducted resulted in the following indications:

- Local government policies in support of the informal sector traders' attempts to secure financial assistance were unknown, how the policies were enabling informal sector traders to obtain financial assistance was as a result unknown and how regularly the policies were updated was also unknown as most participants' responses concurred;
- Financial institutions had set similar requirements that consisted of red tape before financial assistance could be granted to the respective informal-sector trading applicants. The conclusion drawn was that most of these requirements were challenging for the informal sector traders to meet mostly due to a lack of business administrative training, preparation of financial documents from drafting a business plan to preparing a cash flow statement, lack of guarantees or collateral thus resulting in most finance applications being declined and the success rate is minimal; and.
- A distinction between training programmes and developmental programmes was made when interviews were conducted during primary research; the government was urged to be more involved and utilise easily accessible communication channels in advertising respective programmes. The positive impact that training programmes will have on the business skills of the informal sector traders and enable meeting requirements set by financial institutions was highlighted resulting in better financial accessibility from financial institutions.

5.3 Managerial Implications/Recommendations

The following recommendations are proposed after reaching the aim of the study.

5.3.1 Local government development policies

Local Government must publish policy information in local newsletters or publications that are circulated weekly for free and easily accessible. Information regards which government departments or offices informal sector traders need to contact about business registrations, financial assistance, and training programmes should be indicated clearly.

Cost-effective communication platforms which informal sector traders to access and be exposed to for information regards development policies and financial opportunities must be utilised by Local Government. District councillors also need to create local community forums; the needs and suggestions of informal sector traders can be utilised as inputs in policy reform. The government can also utilise the community forums to advise on current business issues and policies for example the effects of the fourth industrial revolution and globalisation.

A review of the current policies in support of informal sector traders to secure financial assistance needs to take place. Applicants between ages eighteen to thirty-five are considered for finance in government institutions whereas there are informal sector traders with well-developed business skills aged above thirty-five years who require financial assistance to expand existing businesses. Policy development should be broadened and cater to all types of business sectors including those who trade on imports due to globalisation and international trade which affects South Africa as well.

The provision of regular business workshops for the informal sector traders needs to be administered by the Local government so that informal sector traders can benefit and are given a platform where they are kept up to date with policy development and possible changes affecting the informal sector trade. This exercise would lead to a better understanding of policy, prompt adherence and most importantly ensure transparent communication.

5.3.2 Financial sector involvement

The financial sector needs to have a paradigm shift whereby informal sector traders are considered for financial assistance and a broader understanding of the informal sector market needs to be undertaken. Prejudice and discrimination are factors to be discarded to improve the financial relationship that currently exists.

In circumstances where surety is the only criterion that hinders the finance application for an informal sector trader, government needs to be engaged for letters of guarantee through the various government funding agencies like the National Youth Development Agency (NYDA), Department of Trade and Industry (DTI), National Empowerment Fund (NEF), Industrial Development Corporation (IDC) and Small Enterprise Finance Agency (SEFA).

A hands-on approach by the government needs to be adopted with how financial institutions administer finance applications by informal sector traders. Government needs to take the lead in ensuring that private financial institutions adhere to set policies as financial institutions have a mindset of making a profit and financial applications are approved or declined based on this outlook. In-depth involvement by the government would ensure alignment of achieving national key objectives whilst advising financial institutions on the applicable government development policies as this would change the prospects of granting finance to informal sector traders. Financial institutions need to employ staff that has practical experience with how informal sector traders conduct business and be familiar with the disruptive way business is conducted nowadays both locally and internationally.

5.3.3 Training and developmental business management skills

The government needs to properly distinguish between training and developmental business management skills and administer each stage accordingly. The Department of Basic Education (DBE) needs to introduce an educational curriculum where there is a broader and detailed focus on business studies. Training should not be limited to age, gender, and years of trading as this results in discrimination and prejudice. Good business management skills would result in a profitable well-maintained business with prospects of development and expansion.

Training needs to be facilitated by officials who have practical hands-on knowledge of informal sector trading. Training interventions offered by Small Enterprise Development Agency (SEDA) should comprise interventions from all government departments. A full approach should be undertaken so that traders are trained in all relevant and applicable areas of government. Proper advertisement of the training programmes needs to take place. A recommendation is made for respective government departments to visit schools, advertise on billboards and banners, library posters, and distribution of pamphlets.

5.4 RECOMMENDATIONS FOR FUTURE RESEARCH

When the current research was conducted and the literature reviewed, a recommendation for future studies is made as the current research focused only on the Umlazi community whereas there are nine provinces in South Africa consisting of two hundred and seventy-eight municipalities comprising of male and female, young and old, different racial groups informal sector traders in various industries who are impacted by non-financial accessibility. Future research will assist in highlighting the importance of informal-sector traders contributing towards the development of the South African economy. The mixed method research technique would be recommended to test the theoretical proposition which is qualitative followed by the development of a richer and theoretical understanding which is quantitative based on experimentation and survey research strategies (Saunders *et al.*, 2016).

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