

LOCATION ANALYSIS OF INFORMAL BUSINESSES
ALONG THE ACTIVITY ROUTE IN THE
TOWNSHIP OF GALESHEWE, KIMBERLEY

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**Location Analysis of Informal Businesses
along the Activity Route in the
Township of Galeshewe,
Kimberley**

by

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ABSTRACT

Whether the South African public likes it or not, the informal economy is an important part of many urban inhabitants' lives, be it as a source of business and income or as a source of services to the community. The importance of the informal economy in developing nations is not truly appreciated or planned for and in many cases is merely seen as a nuisance, thus ignorant to the potential that exists in the informal economy.

The Galeshewe Activity Route is located in the city of Kimberley and was envisaged to link the economic and social nodes of the township Galeshewe through a linear road network that would in turn attract investment and business to the areas along the Route. The development of the Activity Route has led to an unplanned occurrence of informal businesses developing along the Route. Many of these informal businesses tend to be established at specific locations on the Route and seem to have thrived for years.

The purpose of this research is therefore to add knowledge to the understanding of informal businesses. This dissertation aims to determine how factors such as the services and products provided by informal businesses, the land use layout of the Galeshewe Activity Route along which the informal business are located, and the informal business regulatory framework influence the decisions informal business owners make in choosing the location of their businesses along the Activity Route

Understanding the informal economy better will enlighten our knowledge in relation to township economics, where the informal economy thrives and a large portion of South Africa's urban population are inhabitants.

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KEYWORDS: Street trading, informal economy, home-based trading, informal business clustering, informal trading policy, informal trader, Activity Route, socio-spatial dynamics, township economics.

DECLARATION

I, 2009050139, declare that the thesis that I herewith submit for the degree Master's in Urban and Regional Planning at the University of the Free State, is my independent work, and that I have not previously submitted it for a qualification at another institution of higher education.

I also hereby declare that I am aware that the copyright is vested in the University of the Free State and that all royalties as regards intellectual property that was developed during the course of and/or in connection with this study at the University of the Free State will accrue to the University.

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TABLE OF CONTENTS

ABSTRACT	i
DECLARATION	ii
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF ACRONYMS AND ABBREVIATIONS	x
CHAPTER 1: INTRODUCTION TO THE STUDY	
1.1 INTRODUCTION	1
1.2 PROBLEM STATEMENT	2
1.3 STUDY AREA	4
1.4 RESEARCH QUESTIONS	6
1.4.1 <i>Key research question</i>	6
1.4.2 <i>Secondary research questions</i>	6
1.5 RESEARCH AIMS AND OBJECTIVES	6
1.6 RESEARCH DESIGN	7
1.7 RESEARCH METHODOLOGY	7
1.8 THE SIGNIFICANCE OF THE RESEARCH	8
1.9 LIMITATIONS TO THE STUDY	8
1.10 CHAPTER OUTLINE	8
1.11 CONCLUSION	9
CHAPTER 2: LITERATURE REVIEW	
2.1 INTRODUCTION	10
2.2 A BACKGROUND IN DEFINING THE INFORMAL ECONOMY	10
2.3 VARIOUS SCHOOLS OF THOUGHT ON THE INFORMAL ECONOMY	12
2.4 THE IMPORTANCE OF THE INFORMAL ECONOMY	13
2.5 THE INFORMAL ECONOMY IN A SOUTH AFRICAN PLANNING CONTEXT	14
2.6 DESCRIPTION OF TYPES OF INFORMAL BUSINESSES	15

2.7	BRIEF HISTORY AND BACKGROUND OF CURRENT INFORMAL BUSINESSES IN THE STUDY AREA OF GALESHEWE	17
2.8	THE GALESHEWE ACTIVITY ROUTE	17
2.9	GALESHEWE ECONOMIC NODES	18
2.10	SOCIAL AND ECONOMIC PROFILE OF GALESHEWE	21
2.11	GALESHEWE INFORMAL AND FORMAL BUSINESS	23
2.12	THE INFLUENCE OF LAND USE AND URBAN SPACE ON INFORMAL BUSINESS	23
2.13	THE RELATIONSHIP BETWEEN THE INFORMAL AND FORMAL ECONOMIES	25
2.14	LOCATION CLUSTERING OF INFORMAL BUSINESSES	27
2.15	TOWNSHIP ECONOMY	30
2.16	CONCLUSION	32
CHAPTER 3: INSTITUTIONAL FRAMEWORKS AND THEIR IMPACT ON INFORMAL BUSINESS		
3.1	INTRODUCTION	33
3.2	BACKGROUND	33
3.3	NATIONAL GOVERNMENT FRAMEWORK	33
3.3.1	<i>The Businesses Act, No. 71 of 1991</i>	33
3.3.2	<i>The Municipal Systems Act, No. 32 of 2000</i>	34
3.3.3	<i>The National Small Business Development Act, No. 102 of 1996</i>	34
3.4	LOCAL GOVERNMENT REGULATIONS	34
3.4.1	<i>Sol Plaatje informal by-laws (2006)</i>	35
3.4.1.1	<i>Location regulation of informal businesses</i>	35
3.4.1.2	<i>Surrounding infrastructure near locations of informal businesses</i>	36
3.4.1.3	<i>Informal business structures</i>	36
3.5	RESIDENTIAL BUSINESS BY-LAW OF 2011	36
3.5.1	<i>Business type restrictions</i>	37
3.6	IMPACT OF POLICIES AND REGULATION ON THE INFORMAL ECONOMY	37
3.7	CONCLUSION	40

CHAPTER 4: METHODOLOGY

4.1	INTRODUCTION	41
4.2	RESEARCH APPROACH	41
4.3	RESEARCH DESIGN	42
4.4	SAMPLING METHOD	42
4.4.1	<i>Criteria for selection</i>	43
4.5	DATA-COLLECTION METHODS	43
4.5.1	<i>Primary data</i>	43
4.5.1.1	Interviews	44
4.5.1.2	Observations	44
4.5.1.3	Spatial mapping	44
4.5.2	<i>Secondary data</i>	44
4.6	DATA ANALYSIS	45
4.7	VALIDITY	45
4.8	ETHICAL CONSIDERATIONS	45
4.9	LIMITATIONS	46
4.10	CONCLUSION	46

CHAPTER 5: RESEARCH FINDINGS

5.1	INTRODUCTION	47
5.2	A BRIEF DESCRIPTION OF THE TYPES OF BUSINESSES AND ASSOCIATED CHARACTERISTICS	47
5.2.1	<i>Carwash businesses</i>	47
5.2.2	<i>Fruit and vegetable vendors</i>	48
5.2.3	<i>Vehicle repairs</i>	50
5.2.4	<i>Tyre repairs</i>	52
5.2.5	<i>Hair salons</i>	53
5.2.6	<i>Street food vendors</i>	55
5.2.7	<i>Small snack stalls</i>	56
5.2.8	<i>Spaza shops</i>	56

5.2.9	<i>Braai spots</i>	60
5.2.10	<i>Clothing vendors</i>	63
5.3	LOCATIONAL ATTRIBUTES	65
5.4	RELATIONSHIP WITH FORMAL BUSINESSES AND INSTITUTIONS	66
5.5	REGULATORY CONTEXT	67
5.6	SPATIAL ANALYSIS	67
5.7	LOCATIONAL FACTORS LINKED TO BUSINESS	68
5.8	INTERPRETATION	70
5.8.1	Grocery products	70
5.8.2	Clothing vendors and service providers	71
5.8.3	Food vendors	72
5.8.4	Vehicle repairs and services	72
 CHAPTER 6: SUMMARY		
6.1	INTRODUCTION	74
6.2	SYNTHESIS	74
6.2.1	<i>To what extent do the services and products provided by informal businesses influence their choice of location along the Activity Corridor in Galeshewe?</i>	74
6.2.2	<i>To what extent do the Sol Plaatje Local Municipality by-laws influence choice of location?</i>	75
6.2.3	<i>How does the current land use layout of the Activity Corridor impact the choice of location?</i>	76
6.2.3.1	Public open spaces	76
6.2.3.2	Business and educational land use nodes along the Activity Route	77
6.2.3.3	Residential land use	77
6.3	RECOMMENDATIONS	77
6.4	FURTHER RESEARCH	78
6.5	CONCLUSION	79
LIST OF REFERENCES		80
APPENDICES: Maps		86

LIST OF TABLES

Table 1:	Schools of thought on the informal economy	12
Table 2:	Galeshewe demographics	21
Table 3:	Galeshewe population age profile	22
Table 4:	Galeshewe education profile	22
Table 5:	Galeshewe employment profile	22
Table 6:	Average household income	22
Table 7:	Locational attributes	65
Table 8:	Relationship with formal business and institutions	66
Table 9:	Regulatory context	67
Table 10:	Spatial analysis	67
Table 11:	Analysis	69

LIST OF FIGURES

Figure 1: Map of the Northern Cape province	4
Figure 2: Map of Sol Plaatje Local Municipality	5
Figure 3: Map of the Activity Route (study area) in Galeshewe, city of Kimberley, Northern Cape province	5
Figure 4: Hulana Node, Circle/RC Elliot Node and Legislation node along Activity Route	19
Figure 5: Haluna node	19
Figure 6: Circle/RC Elliot node and the surrounding types of informal business and the Pick n Pay shopping centre	20
Figure 7: Informal carwash located directly outside the owner's home in Nobengula Street	47
Figure 8: Fruit and vegetable vendor located in Mantlahla Street	48
Figure 9: Fruit and vegetable vendor located in an open public space adjacent to Hulana Street	49
Figure 10: Fruit and vegetable vendor located at a traffic intersection in Nobengula Street and adjacent to FET College	49
Figure 11: Young male fruit and vegetable vendor located in Nobengula Street	50
Figure 12: Car repair business located on public open space in Galeshewe Street	50
Figure 13: Car repair business, operating from a mobile container, located in Galeshewe Street	51
Figure 14: Car repair business, operating from the back of a bakkie, located on a public open space in Nobengula Street	51
Figure 15: Informal tyre repair business, on public open space, in Nobengula Street	52
Figure 16: Second informal tyre repair business in Nobengula Street	52
Figure 17: Informal hair salon in Morgan Street. The electricity is connected to the business from the main house	53
Figure 18: Informal hair salon in Nobengula Street	54
Figure 19: Informal hair salon in Nobengula Street	54
Figure 20: Informal street food vendor in Morgan Street	55
Figure 21: Informal street food vendor in Nobengula Street	55

Figure 22: Informal snack food vendor in Nobengula Street	56
Figure 23: Informal spaza shop in Nobengula Street – structure constructed in front yard of home owner	57
Figure 24: Spaza shop vendor in Nobengula Street	57
Figure 25: Spaza shop vendor in Nobengula Street	58
Figure 26: Spaza shop vendor in Nobengula Street.	58
Figure 27: Spaza shop vendor of Pakistani descent in Nobengula Street	59
Figure 28: Spaza shop vendor in Galeshewe Street	59
Figure 29: Braai spot in Hulana Street: Two ladies in front of their house selling braai meat	60
Figure 30: Braai spot vendor in Nobengula Street: Fundraising for church event	61
Figure 31: Braai spot in Nobengula Street: Operating on weekends only for additional income	61
Figure 32: Braai spot in Nobengula Street: Operated by friends for additional income	62
Figure 33: Braai spot in Hulana Street	62
Figure 34: Clothing vendor in Nobengula Street outside pension pay point	63
Figure 35: Clothing vendor in Nobengula Street	64
Figure 36: Clothing vendor in Nobengula Street outside entrance to Circle/RC Elliot node	64

LIST OF ACRONYMS AND ABBREVIATIONS

FET	Further Educational Training
GIS	Geographical Information System
IDP	Integrated Development Plan
ILO	International Labour Organisation
LED	Local Economic Development
SALGA	South African Local Government Association
SDF	Spatial Development Framework
SPLM	Sol Plaatje Local Municipality
VAT	Value-added Tax

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

The aim of this dissertation is to understand the factors that influence the location of informal business activities along Nobengula Street, Seochoareng Street, Hulana Street, Morgan Street, and Galeshewe Street; all of which form the Activity Route in the township of Galeshewe, located in the city of Kimberley. The role of the Activity Route¹ is to link the economic activity nodes of Galeshewe through a linear road transport network. The Activity Route was planned to attract formal businesses, but has seen an explosion of informal businesses along the Route and more prominently at retail complexes in the Activity Route. This triggered the author to conduct research on informal businesses along the Route, as there exists a lack of research and knowledge on the factors determining the location of informal businesses in a South African townships context, as most of the existing research focuses on the socio-economic aspects of informal businesses. It is clear from everyday observations that a relationship exists between the occurrence of informal businesses, formal businesses, and land-use types, in that certain land-use types produce more informal businesses than other land-use types – with commercial and residential land use attracting the most informal businesses.

According to Stats SA (2014: 1), the informal economy is relatively small in South Africa but is an important source of employment as it provides between 15% and 17% of employment in the country, and plays an important role in black, coloured, and Indian communities. In 2013, the number of individuals involved in the informal economy in the Northern Cape was estimated to be 12 000; which is small in comparison to Gauteng and KwaZulu-Natal with 304 000 and 216 000 people respectively (Stats SA, 2014: 14). This number may be small in the Northern Cape, but the importance of the role of the informal economy in lower income communities cannot be over looked in the province.

¹ A development initiative along a transport route in which mixed land-use development is promoted.

Williams and Gurtoo (2012: 395) stated that a neo-liberal ideology² views informal businesses as making rational economic decisions to enter the informal economy to escape over-regulation in the formal realm, but in many cases individuals enter the informal sector due to them being unable to enter the formal market. There is a bit of truth in this neo-liberal view that informal businesses do not have to take into consideration the “regulation of the formal realm”. This allows informal businesses to be more flexible in the choice of the location of their operations and allows them to develop on locations which were not necessarily planned for business purposes. Thus the role of municipalities’ by-laws in regulating informal business may force individuals who are unable to meet the standards required by the municipality for their business to operate into the informal economy and locations not regulated by the municipality.

The objective of this research is to examine the influences on informal business owners’ choice of location in a township context by understanding factors such as the type of services and products provided by informal businesses, the surrounding land use along the Activity Route, and the impact of municipal bylaws.

1.2 PROBLEM STATEMENT

A challenge that the South African government faces is the reduction of poverty and unemployment in the country. One reason for unemployment is the various barriers that prevent entrance into the formal economy, which force many to enter the informal economy. They enter the informal economy as a means to generate some form of income and thus is a source of economic inclusion to the economy of the country. These informal businesses not only provide a source of income to many households but also cater to the unique needs and demands of the communities they are located in, which makes them an important role player in many of South Africa’s low-income townships. Sidzatané and Maharaj (2013: 374-376) found that street trading is understood to be a major part of the informal economy and plays an important role in urban life through the creation of jobs and the supply of goods and services at affordable prices.

Todes (2008: 2) stated that the spatial framework in South Africa has not taken into consideration the socio-spatial dynamics of urban areas; adding that focus was

² An ideology that promotes minimal state regulation and advocates self-regulation.

placed more on spatial concepts such as nodes, corridors, and densification, and less on how various groups of people locate and move in urban spaces, what determines their choices, and the implications for survival and livelihood. Thus, understanding what makes a "good" location for various groups can be a helpful in planning urban spaces that are more inclusive of groups.

The development of urban nodes and corridors, as Todes (2008: 2) stated, may not take into account the manner in which informal activities are spatially laid out at a local level and what could be done to support them. The use of economic development nodes or corridors in township development will require an understanding of township economics and the role of the informal economy and vendors in the community.

A design approach such as the Activity Route development, which was designed as a spatial structure to attract businesses to the location as an objective, may not be suitable for informal businesses, which play an important role in township communities. An approach that would allow planning for spaces that enable activities to occur naturally and would not depend on businesses relocating to the designated locations would be more productive. The planning for specific activities at a defined location when there is no such activity at the location may not lead to an increase in the activity. If infrastructure is built for informal businesses but there is no history of businesses at the location, there could be problems later (Todes, 2008: 3). Similarly, if one plans for informal business activities but is ignorant of the underlying factors that attract or influence their location, the plan may not be successful, and thus it is of importance to gain more insight into informal businesses from a planning perspective. A gap exists in planning literature regarding the factors that influence the location of informal businesses in South Africa. The available literature has focused mostly on small to medium enterprises and socio-economic background of informal traders.

This dissertation focuses on qualitative findings in order to gain an in-depth understanding of why informal business occurs at specific locations along the Activity Corridor in the township of Galeshewe. The work done here will hopefully add new knowledge to the study area of Galeshewe and the informal economy, to allow informed decision making and policy formulation regarding informal businesses in the community.

1.3 STUDY AREA

The Activity Route is located within the township of Galeshewe; it is mostly an African residential area in the city of Kimberley, Sol Plaatje Local Municipality, Frances Baard District Municipality, with Kimberley being the provincial capital of the Northern Cape. The study area is indicated in figure 1,2 and 3 below.

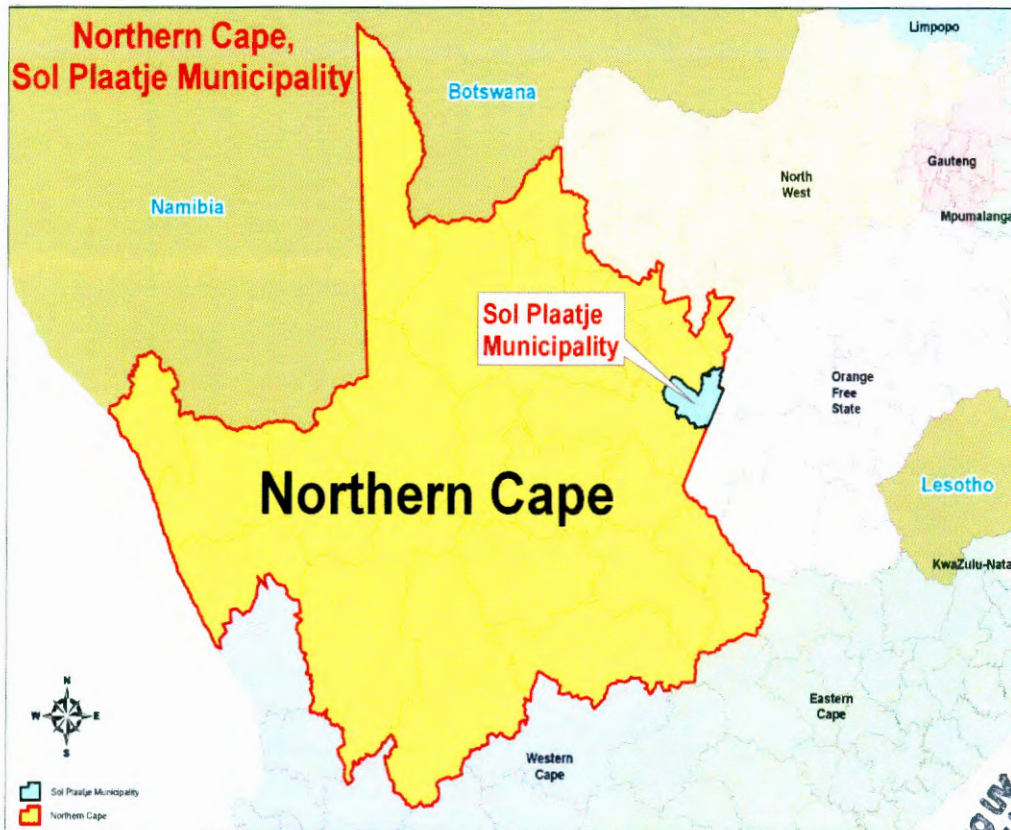


Figure 1: Map of the Northern Cape province
(Source: Sol Plaatje Local Municipality, 2015)

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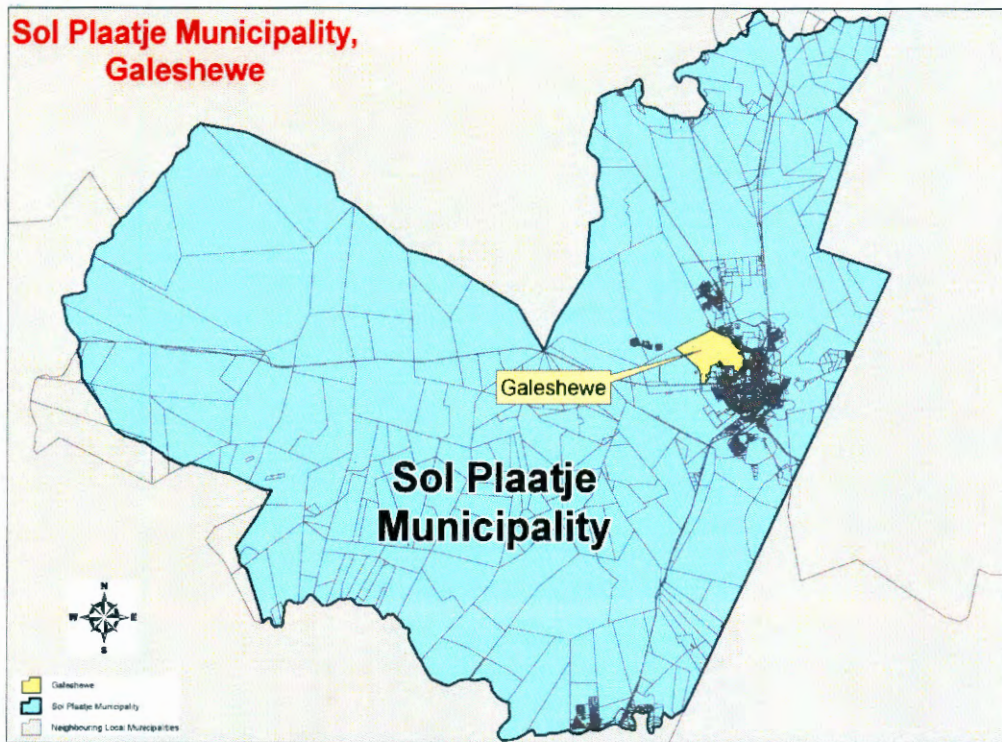


Figure 2: Map of Sol Plaatje Local Municipality
 (Source: Sol Plaatje Local Municipality, 2015)

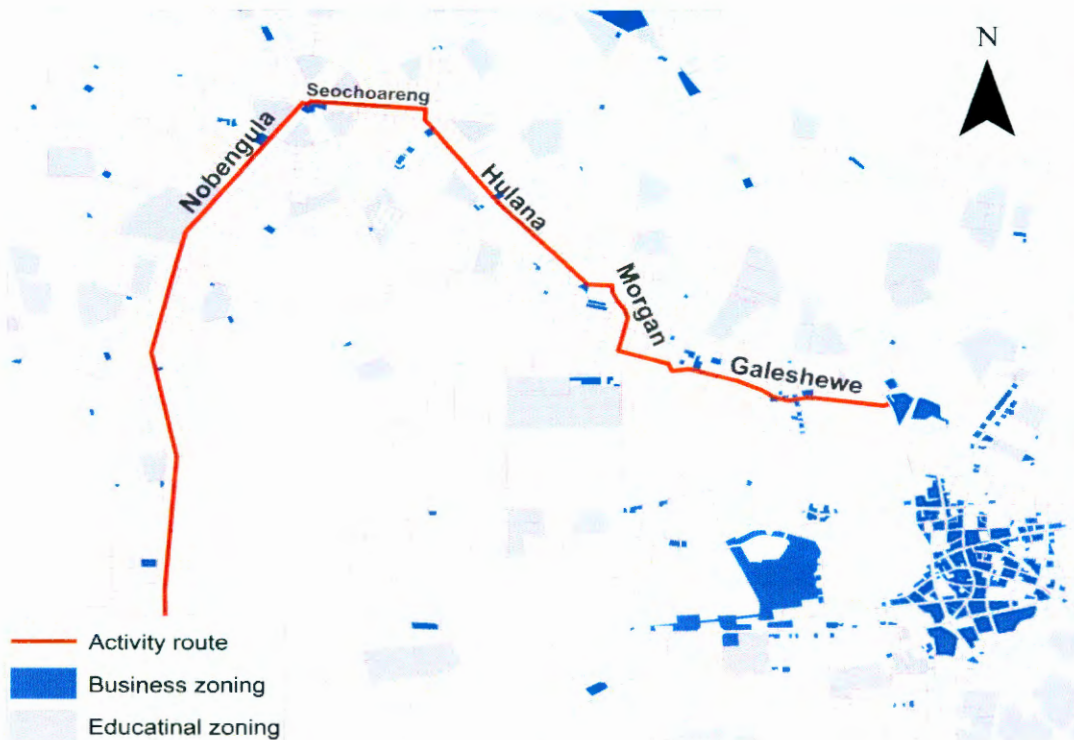


Figure 3: Map of the Activity Route (study area) in Galeshewe, city of Kimberley, Northern Cape province
 (Source: Author, 2015)

1.4 RESEARCH QUESTIONS

1.4.1 Key research question

The primary research question is: What are the contributing factors that influence the choice of location of informal businesses occurring along the Activity Corridor in Galeshewe?

1.4.2 Secondary research questions

The secondary research questions that this study aims to address are as follows:

1. To what extent does the type of services and products provided by informal businesses influence their choice of location along the Activity Corridor in Galeshewe?
2. To what extent does the Sol Plaatje Local Municipality by-laws influence choice of location?
3. How does the current land use along the Activity Route impact the choice of location?

1.5 RESEARCH AIMS AND OBJECTIVES

This dissertation aims to determine factors which influence informal business operators' choice in selecting locations for their businesses along the Activity Route, and to develop recommendations that would assist in planning for informal business along the Activity Route.

The objectives are to:

- identify and map the locations of the various types of informal businesses along the Activity Route;
- analyse the distribution of informal businesses along the Activity Route to identify clustering of vendors at a location;
- identify the business and educational land use along the Activity Route in which the informal businesses are located or are in close proximity to;

- identify preferred locational attributes of informal business operators, through interviews with subjects; and
- identify the influence of the Sol Plaatje Local Municipality by-laws on the locations of informal businesses, through interviews with subjects.

1.6 RESEARCH DESIGN

A brief discussion on the research design is highlighted here; with an in-depth discussion presented in Chapter 4. A qualitative case study was used as a means of explaining the observations that initially triggered the research because traditional quantitative measures may not identify important features such as the social infrastructure, personal preference, and choice that exist in the informal economy (Rocha, 2004: 384). It assisted in answering “how” and “why” questions, allowing clarity to the boundaries between the phenomenon and its context and prevented the manipulation of the behaviour of the subjects involved in the study (Baxter & Jack, 2008: 545).

1.7 RESEARCH METHODOLOGY

A brief discussion on the methods used are highlighted here; with an in-depth discussion presented in Chapter 4. A total of 66 subjects involved in informal business were interviewed personally by the author, with the assistance of a Setswana interpreter to allow the traders to speak freely during the interviews. Various data-collection methods were used in the research, including literature review, personal observation, digital photographs, and GIS mapping³.

The personal observation and photographs focused on the nature and function of informal business activities, products sold, locations, types of stalls, and buyers and sellers in the study area. The field research was conducted during the mornings and afternoons, and the interviews with the informal traders were conducted in accordance to the traders' preferred time of day for these interactions. The positions of informal trading activity in the area were mapped to identify the locations, land use, and infrastructure of the surrounding area using GIS.

³ A Geographical Information System is designed to capture, store, manipulate, analyse, manage, and present all types of spatial and geographical data.

1.8 THE SIGNIFICANCE OF THE RESEARCH

The research undertaken here should contribute to a better understanding of informal businesses and the impact that the surrounding urban environment has on the operators' choice of location. This information can assist the local municipality in developing policies and infrastructure that will aid and develop informal businesses.

1.9 LIMITATIONS TO THE STUDY

Not all of the informal businesses along the Activity Route could be identified and interviewed, as their occurrence along the Activity Route varied according to the day of the week and month, as well as the mobility of the businesses, which led to the businesses operating in more than one location along and outside the Activity Route.

1.10 CHAPTER OUTLINE

This study is organised as follows:

Chapter 1: Introduction

The introductory chapter presents the problem statement, study area, research questions, working hypothesis, the aims and objectives, a brief description of the research design, research methods, the significance of research, and the study layout.

Chapter 2: Literature review

This chapter indicates what research has been conducted on the topic under investigation to gain a more informative and holistic view of the topic by examining literature on the informal economy, both in South Africa and internationally, schools of thought on the informal economy, the definition of informal business, the study area of Galeshewe in terms of the Activity Route's layout, socio-economic and business profile, the relationship between land use and informal business, types of informal businesses, regulation, and how this all plays out in the township economy.

Chapter 3: Policies and legislation

This chapter indicates the stance that the national government and the Sol Plaatje Local Municipality takes in terms of the policies that regulate informal trading in the study area.

Chapter 4: Methodology

Chapter 4 discusses how the research was conducted by describing the processes followed; including the research design, sampling methods, the criteria for selection, the data-collection methods, data analysis, validity, study limitations, and ethical considerations.

Chapter 5: Research findings

This chapter presents the collected data in the form of tables and maps to provide information for interpretation, through which to identify major factors impacting the choice of location of informal businesses.

Chapter 6: Summary

Chapter 6 identifies how the problem statement was addressed, and provides recommendations for future research, which may add to the field of study of the South African informal economy.

1.11 CONCLUSION

This study aims to understand the importance of informal businesses' locations within a township, their relationship with their urban environment, and why and where informal businesses will occur in townships. This understanding will aid in building knowledge on township socio-economic dynamics. The importance of informal businesses in the developing world and in the context of South African townships will become increasingly important in the future, thus a knowledge base for understanding the characteristics of this sector is a vital point of research.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

This chapter lays the foundation of the research by discussing the various definitions and schools of thought with reference to the informal economy, identifying relevant definitions used in the research to establish the important role that informal businesses play in South Africa and in townships, as well as the importance of planning for informal businesses. A description is provided of the types of informal businesses relevant to the research, as well as a brief history of Galeshewe and the Activity Route, which is followed by the current socio-economic and business profile of Galeshewe to show the role informal businesses play in the community. The chapter finally discusses factors which may influence informal business operators in their decision of where to locate their businesses.

2.2 A BACKGROUND IN DEFINING THE INFORMAL ECONOMY

The definitions of “informal economy” has evolved over time and have their roots in the work undertaken by economic anthropologist Keith Hart, who coined the term “informal sector” in his research conducted in Ghana in the 1970s. The term gained wider acceptance when the International Labour Organisation (ILO) used it in an analysis of economic activity in Kenya, where the ILO found that the informal sector was unregulated and consisted of a range of activities which were survivalist in nature (International Labour Organisation, 2013: 3).

The continued growth and importance of the informal sector in many developing nations led to the rethinking of the term “informal sector”. A broader concept of the informal sector was needed and thus a conclusion was made that the term “sector”, which was a term that was based on the concept of enterprise, should be changed to “economy” to allow a better description of the characteristics of the activities and the individuals involved, and to move away from the production-only term “sector” to a more holistic term that would allow a broader scope and the diversity of the activities to be described (International Labour Organisation, 2013: 3-4).

The question still exists on what exactly the informal economy is. Babbitt, Brown and Mazaheri (2015: 164) provided a general understanding; stating that it is a “heterogeneous group of activities and employment relationships that share a common characteristic of the lack of legal recognition, regulation, and protection”. This “heterogeneous” nature of the informal economy is not the only way of defining informal business; it can further be defined as employees working for businesses that employ less than five employees, that do not pay income tax, and are employers that are not registered for income tax or value-added tax (VAT) (SALGA, 2012: 6).

Furthermore, Osei-Boateng and Ampratwum (2011: 4) highlighted that the informal economy can be defined through definitional and behavioural approaches. The definitional approach defines informal business as unrecorded in the official statistics of the GDP and National Income account; whereas the behavioural approach defines it as an activity that does not comply with established judicial, regulatory, and institutional frameworks. This definition combines the two aspects mentioned above and gives a more simplified definition of the informal economy.

The general definition for informal economy, as SALGA (2012: 4) stated, depends or reflects on the idea of what the formal economy is, in which the formal economy consists of registered businesses and individuals that work for a wage, have employment contracts, and are protected by labour laws; while the informal economy is the opposite of this. In a planning context, SALGA (2012: 5) defined the informal economy as businesses operating in public and private spaces which are not suited or planned for business activities as informal business occurs at various locations, such as residential or home-based businesses and street trading – each linked to the formal economy. This definition of informal business as a product of informal business activity occurring in a location not planned or zoned for business or other use is the most important definition with regard to this dissertation. This definition allowed the author to identify and select informal businesses by using the concept of compliance with land use instead of the previously mentioned definitions or concepts. The author forwent the process of verifying the number of employees, the income generated by the businesses, and tax payments made by the business operators, and purely worked on the grounds of an enterprise operating in a location not planned or zoned for business.

2.3 VARIOUS SCHOOLS OF THOUGHT ON THE INFORMAL ECONOMY

To assist in understanding the nature of the informal economy, Chen (2012: 6) examined the various schools of thought on the nature of the informal economy and highlighted the four schools of thought as follows:

Table 1: Schools of thought on the informal economy

<p>Dualist school</p>	<p>"The informal economy consists of marginal activities, which are distinct from and not related to the formal economy. Individuals are excluded from economic opportunities, due to an imbalance between the growth rate of the population and industrial employment, and the mismatch between skills and structure of modern economic opportunities" (Chen, 2012: 6).</p> <p>The dualist school of thought understands informal activities to have few to no linkages with the formal economy. Therefore, this school does not look at the linkages between informal business and government regulation.</p>
<p>Legalist school</p>	<p>"The informal economy consists of micro-entrepreneurs that choose to operate informally to avoid the cost, time, and effort of formal registration" (Chen, 2012: 6).</p> <p>Legalists look at the regulatory environment and informal business, and advocate that the government should encourage informal enterprises to register and extend legal property rights for the assets of informal businesses to allow an increase in production and convert assets to capital.</p>
<p>Structuralist school</p>	<p>"The informal economy is a subordinated economic unit, with workers that serve to reduce input and labour cost, thus increasing the competitiveness of large capitalist firms. The capitalist nature creates informality, due to formal companies reducing labour costs and increasing competitiveness, and its reaction of firms to organised labour, state regulation of the economy, global competition, industrialisation, off-shore industries, subcontracting chains, and flexible specialisation" (Chen, 2012: 6).</p> <p>The structuralists see the informal economy and the formal economy as intrinsically linked to each other. To them, both the informal and formal individuals are subordinates to the interests of capital development.</p>

Voluntarist school	<p>"Informal entrepreneurs deliberately seek to avoid regulation and taxation. Individuals choose to be informal after weighing the costs and benefits of informal and formal business" (Chen, 2012: 6).</p> <p>Voluntarists are not interested in the economic linkages of the informal and formal economy, but that the informal economy creates unfair competition with the formal economy as operators do not abide by the formal regulatory environment and must be brought under formal regulation to increase the tax base and reduce unfair competition.</p>
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Chen (2012: 6) stated that, due to the heterogeneity of the informal economy, there may be aspects of each school that may ring true, but added that the informal economy is more complex than the sum of these various schools.

2.4 THE IMPORTANCE OF THE INFORMAL ECONOMY

The importance of the informal economy cannot be overemphasised as the informal economy in developing nations plays an important role in service provision in low-income communities, and also acts as a mechanism to create opportunities and allow poverty alleviation in many communities where formal employment may not be widely available. Thus a clear and in-depth understanding by states and local governments of the role the informal economy plays is of the utmost importance as the informal economy can improve the quality of life for many communities (SALGA, 2012: 12). Sheehana and Roismena (2013: 3) highlighted that informal activity brings various benefits, under a broader understanding of development, because the informal market creates community cohesion and empowerment, with the added benefit of deterring crime. Sheehana and Roismena's view makes sense as the high activity and busy areas created by informal businesses may create a form of safety as compared to areas that are isolated or less active.

In a South African context, informal business consists of a wide variety of vending, productive services, and trade activities in various urban and rural communities, but is the least understood and familiar economy in the country. Chen (2012: 4-6) stated that there is an increase in the recognition of the informal economy, its link to the formal economy, its contribution to the overall economy, and the impact that it has on reducing poverty and inequality. Basardien, Parker, Bayat, Friedrich and Appoles (2014: 46) stated that not much information is available on the informal economy with

regards to research by statutory bodies on the nature, form, and related informal activities; adding that a number of initiatives in the recognition and advancement of the sector must still yield tangible results. Basardien *et al.* (2014:46) further stated that a large portion of the literature is focused on housing, health, and related issues, with a few dealing with business-related issues such as entrepreneurial strategies in the informal economy.

The growth in the informal economy can be associated with the migration of the rural population to urban centres to escape rural poverty and to improve their quality of life, resulting in economic migration. The economic migration, as Charman, Piper and Peterson (2012: 3) stated, has resulted in the rapid urbanisation of townships and informal settlements to become an important part of South African urban life, thus we can see the role the informal economy plays in providing a source of income for the rural-urban migrants and townships by means of employment creation and service provision.

2.5 THE INFORMAL ECONOMY IN A SOUTH AFRICAN PLANNING CONTEXT

The apartheid and post-apartheid governments have both used town planning as a means to control residential life and business activities in urban areas. The Town Planning and Township Establishment Ordinance was initially developed to plan for the development of township localities, followed by the National Less Formal Township Establishment Act of 1991 and the Provincial Land-use Planning Ordinance of 1985, which enforced spatial control and thus restricted the informal economy. The post-apartheid municipalities, in terms of the spatial management of townships, used planning schemes, property zoning, and by-laws to control the perceived negative impacts on townships, businesses, and public spaces (Charman *et al.*, 2012: 4). Wills (2009: 9) stated that post-apartheid informal economy growth was aided by the removal of restrictions on African businesses and the formation of new policies that promoted the development of small to medium enterprises due to the slow growth of the formal market.

The South African government is of the view that the informal economy needs to be formalised and therefore limits informal activity and advocates the shift from informal to formal economy by producing regulations that could be seen as “poor unfriendly”

and which may have a detrimental impact on the livelihood of South Africans. The informal sector can also become a concern due to the sector sustaining a large number of individuals and the lack of control that the government may have to minimise the negative impacts of the sector, thus reducing the government's ability to control macro-economic development (Charman et al, 2012:1). The problem now is that the government has to develop a plan that will result in developing factors that would not discourage individuals to move from the informal to the formal economy. However, regulatory barriers such as municipal by-laws and restricting specific business activities and localities have forced individuals to break the law and operate illegally (Charman et al, 2012:2),

The expectation of a transition from informal to formal may be built on the view that the informal economy is merely a means to make a living when the individual is unable to obtain a job in the formal sector, which he or she will eventually transition into the formal economy once the economic environment improves and absorbs the surplus labour. This may not be the case, as the ILO (2013: 7) stated that in nations where informality is abundant, the improvement or growth in the economy does not always translate to a transition of individuals from the informal to the formal economy, and that a more complex relationship is shown in that an economic recession will force people into the informal economy, but an economic rise may not bring them back to the formal market.

Planning for informal business in South Africa may, as Holness, Nel and Binns (1999: 286) noted, be linked to South African planners being educated in Western concepts and ideas of planning and perhaps not accepting the role that the informal sector plays in modern-day life and planning. This attitude towards the informal sector is slowly changing, with planners accepting that informal business must be planned for and that there is a need to have a better understanding of issues surrounding informal trading in urban centres.

2.6 DESCRIPTION OF TYPES OF INFORMAL BUSINESSES

The informal economy can be found at places of very different levels of development and is heterogeneous in services and products offered (Charman *et al.*, 2013: 282). This can be seen in the study area as the types of informal businesses in the township vary and can be found at different locations and was observed in the study

area that specific types of informal businesses were located at particular locations and near formal businesses.

In undertaking the research, two forms of informal trading were identified, namely street trading and home-based informal businesses. The importance of identifying the types of businesses was to assist in understanding their characteristics to gain acknowledgement of their choice of location.

In the period of 2001 to 2013, the locations of informal businesses in South Africa were mostly at the business operators' houses (Stats SA, 2014: 16). According to Wills (2009: 44-45), home-based businesses consist of individuals who undertake business at home or from adjacent grounds or premises for self-employment or paid work and trade in goods either as vendors, spaza shops, or shebeens.

Besides home-based businesses, informal businesses can be located on public space in the form of street vendors; public space being defined as physical space used for public activities; with vendors located on pavements, in parks, and other similar spaces. These street vendors may take the form of mobile vendors, who move from one location to another in search of customers and have non-permanent structures; or permanent vendors, who occupy a specific spot for an extended period of time but do not have legal rights to the space, which creates a form of uncertainty regarding their eviction by local authorities (Bhowmik, 2010: 6-8).

Carol *et al.* (2013: 59) highlighted a case study conducted in Gaborone, Botswana, in which they identified that most street food vendors operated from makeshift structures, while others were more mobile, allowing them to move their businesses. They did not use permanent structures, but were located and operated at strategic locations such as outside schools, hospitals, markets, and shopping centres.

According to Graaf and Ha (2007: 6), street vendors may not have the power to influence their situation, but use location-specific tactics to circumvent restrictions and maintain their businesses. They strategically locate their business in areas that have high foot and vehicle traffic (Steel, Ujoranyi & Owusu, 2014: 53). Thus open spaces for street vendors and the urban poor can be seen as locations or space to sell and buy low-priced goods and services and are valuable resources for the urban poor to generate an income through informal business activities (Bhowmik, 2010: 8-10).

2.7 BRIEF HISTORY AND BACKGROUND OF CURRENT INFORMAL BUSINESSES IN THE STUDY AREA OF GALESHEWE

Galeshewe is a residential suburb, located in the northern part of the Kimberley and is the largest residential suburb in the city. The history of the township Galeshewe started in 1971 when diamonds were found at Colesberg Kopje. The township's name was derived from Chief Kgosi Galeshewe, who led a rebellion against the Cape Colony government. Galeshewe was first developed as a settlement in the 1870s, with the name Galeshewe given after residents proposed the name to the Native Advisory Committee of Kimberley.

Galeshewe has a limited variety of business types in the area. Over the years businesses have developed to cater to the township needs and lifestyle, such as the Pick n Pay shopping complex and small clusters of small to medium businesses (Sol Plaatje Local Municipality, 2009: 18). With the development of the shopping complex and a small retail building in the township, the appearance of street vendors around these retail buildings occurred and formed a clustering of informal businesses that may not have occurred organically.

Spaza shops are a common type of small business in Galeshewe, in which the owner buys stock in bulk from a formal store and divides the products into smaller packages for sale. Carwash enterprises are scattered around Galeshewe, where access to water is available. Car washing is labour intensive as the cars are washed by hand. Another type of informal business in Galeshewe is home enterprises within residential areas, which generally remain small and compete heavily with one another (Sol Plaatje Local Municipality, 2009: 18).

2.8 THE GALESHEWE ACTIVITY ROUTE

The Activity Route study area (see Figure 1) consists of Nobengula Street, Seochoareng Street, Hulana Street, Morganl Street, and Geleshewe Street. The aim of the Activity Corridor is to promote economic growth through the integration of land use, transportation, and road planning by identifying areas of economic activity and linking these areas through a linear road transport network, thus allowing land use along the Activity Corridor to be more business friendly and attract businesses to the site (Häggdahl, Örenfors & Eskilsson, 2003). According to Häggdahl *et al.* (2003), the

Activity Corridor or Route was established as “a linear zone of development flanking a public transport route” with the development of mixed land use along the Activity Route, with the aim of allowing workplace, home, and recreation to be as close together as possible – considering the density of the area and thus optimising public transport.

The secondary aim of the Activity Corridor was to create economic nodes and to connect the existing ones; these nodes were identified as areas in the community where economic activity is concentrated (Häggdahl *et al.*, 2003). The Activity Corridor is thus a way of connecting and concentrating formal business in the community, but it had the side effect of attracting informal businesses along the Activity Route and the economic nodes which it links.

2.9 GALESHWE ECONOMIC NODES

The Activity Route links three nodes, namely Hulana node, Circle/RC Elliot node, and the Legislation node (see Figure 4 below). A brief description of each node is given as follows.

The Hulana node (see Figure 5 below) located at the intersection of Hulana Street and Morgan Street, functions as a public facilities hub in Galeshewe to improve the area through the addition of public spaces and facilities as a secondary node to support the local economic activity in the area. The aim was to develop a quality pedestrian and public environment to support a range of activities, with the placement near cultural and heritage infrastructure to dictate the development of the node (Sol Plaatje Local Municipality, 2009: 108).

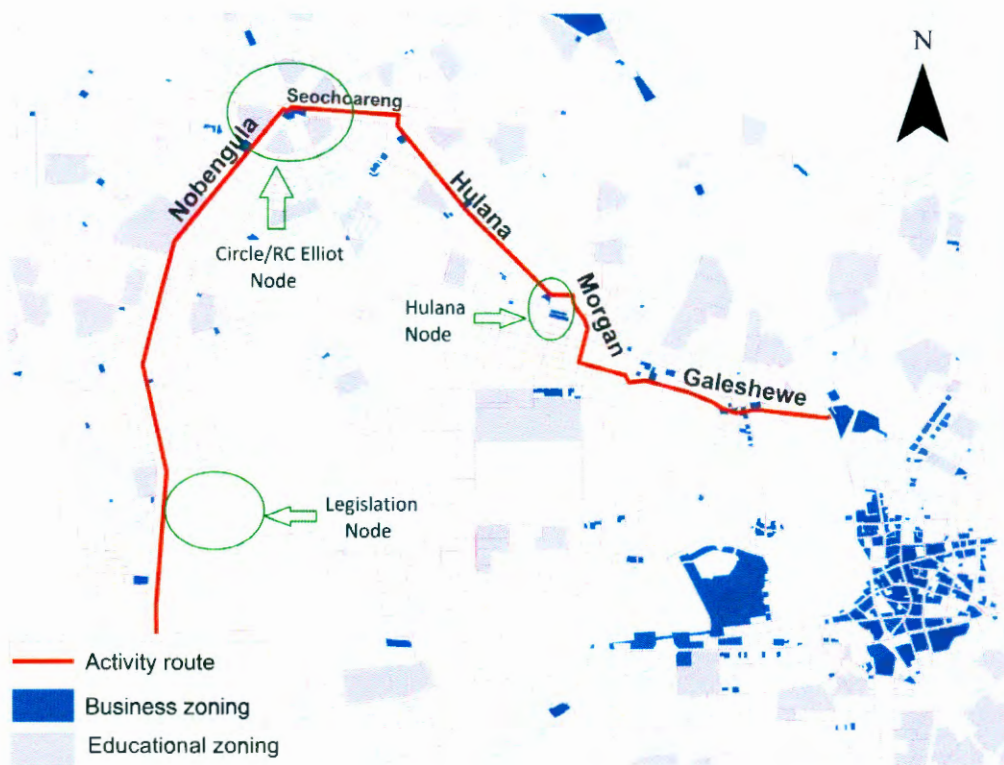


Figure 4: Hulana Node, Circle/RC Elliot Node and Legislation node along Activity Route
 (Source: Author 2015)

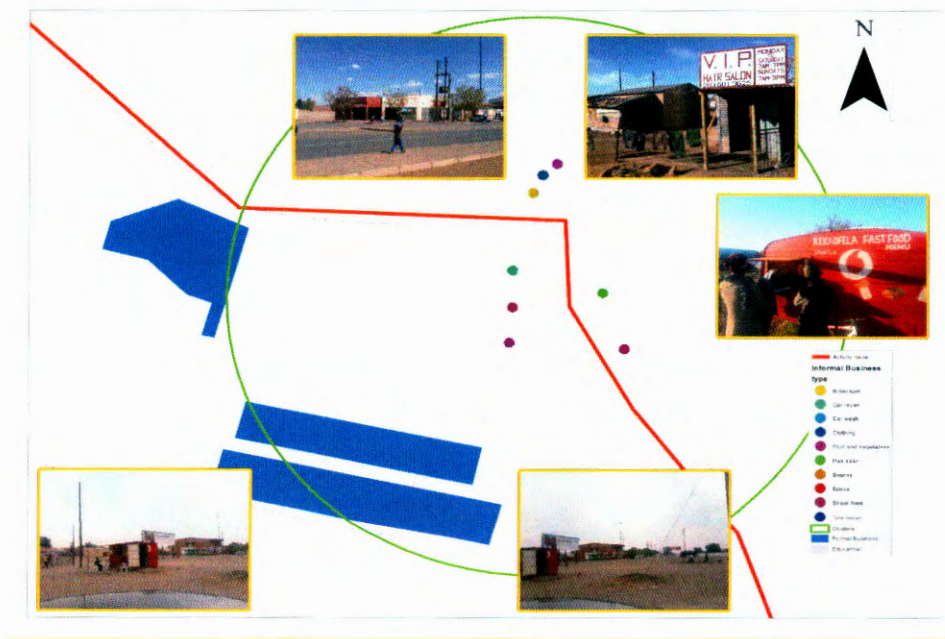


Figure 5: Haluna node
 (Source: Author, 2015)

The Circle/RC Elliot node (see Figure 6 below), located at the intersection of Nobengula Street and Seochoareng Street, provides a range of mixed use and services such as public facilities, retail, and other economic opportunities with the aim of creating an economic hub for residents of Galeshewe, to provide for the retail and service needs of the broader Galeshewe community, and to allow appropriate public spaces that support the activities in the location (Sol Plaatje Local Municipality, 2009: 109).



Figure 6: Circle/RC Elliot node and the surrounding types of informal business and the Pick n Pay shopping centre
(Source: Author, 2015)

The Legislation node, located at the southern end of Nobengula Street which contains the provincial legislation building, was planned to contain offices, retail, and housing developments, with the Activity Route providing easy access to the public transport system for the day-to-day needs of the new developments in the area (Sol Plaatje Local Municipality, 2009: 109). So far the proposed development on this node has not been undertaken and only consists of the provincial legislation building.

These three economic nodes do not attract large numbers of clients from outside the immediate surroundings and the township but plays a significant role in the local community, shown in a survey conducted by the Sol Plaatje Local Municipality in 2006 identified the preferred locations in Galeshewe for business owners as follows:

46% preferred to be located along the Activity Route, 34% preferred a location close to a transport terminus, 12% preferred to trade around the RC Elliot node, and 3% preferred to be close to the legislature (Sol Plaatje Local Municipality, 2009: 18). This shows that the Activity Route and its economic nodes are the preferred location for formal businesses in Galeshewe. If a locational relationship exists between the informal and formal economy, the preferred locations of one should be the same for the other, thus if these locations are preferred by formal business, would they also be preferred by informal businesses?

2.10 SOCIAL AND ECONOMIC PROFILE OF GALESHEWE

Townships mostly consist of low-income residential housing, which, according to McGaffin, Napier and Karuri-Sebina (2015: 16), gives an idea of the area's buying power and has an influence on the business opportunities within the township and the real estate available for business. The amount of real estate for business purposes may influence businesses' access to customers. The locations of businesses in townships are driven by accessibility, which relates to the ease with which a business interacts with external parties such as suppliers, other businesses, staff, and urban facilities. The access to clients and urban facilities has an influence on the locations of informal businesses but may not be the same across the Activity Route. Informal businesses may obtain greater access by operating at specific locations along the Activity Route, such as retail stores, pedestrian walkways, or outside schools.

An understanding of the socio-economic profile of the community will aid in understanding the products and services provided to the community. In a household study conducted by the Sol Plaatje Municipality in 2008, the socio-economic demographics of Galeshewe were identified as follows:

Table 2: Galeshewe demographics

Demographics		
	Population size	119 151
	Average household size	3.4
	Population density (ppl/km ²)	8 706
	Household density (hh/km ²)	2 515

(Source: Sol Plaatje Local Municipality, 2009a)

Table 3: Galeshewe population age profile

Age	< 30 years	59%
	<15	29.7%
	>65 years	4.9%
	30><65	35.9%

(Source: Sol Plaatje Municipality Local Municipality, 2009a)

Table 4: Galeshewe education profile

Education	Some secondary	36.9%
	Some primary	19.2%
	Grade 12/Std. 10	17.5%
	Higher education	4.6 %
	No Schooling	12.7%

(Source: Sol Plaatje Local Municipality, 2009a)

Table 5: Galeshewe employment profile

Employment	Employed	46.0%
	Unemployed	54.0%
	Economically active	58.8%

(Source: Sol Plaatje Local Municipality, 2009a)

Table 6: Average household income

Average household income	R1 – R27 379	47.6%
	R27 380 – R54 757	17%
	R54 758 – R109 514	9.1%
	R109 516 – R219 029	3.5%
	> R219 029	<1.5%
	No Income	21.6%

(Source: Sol Plaatje Local Municipality, 2009a)

The survey highlighted the livelihood strategies employed by residents to generate income as state grants, home-based businesses that target the local Galeshewe market, and trading in basic goods and services with the community; with most of the activities being survivalist in nature and dependent on local pedestrian movement and markets (Sol Plaatje Municipality, 2009a: 11).

2.11 GALESHEWE INFORMAL AND FORMAL BUSINESS

According to the Galeshewe Urban Renewal Investment Strategy (Sol Plaatje Local Municipality, 2009: 4), the economy of Galeshewe is characterised by informality, undiversified economic production, and low levels of productivity. The businesses in Galeshewe are mostly informal in nature, dominated by males, are survivalist cash-based businesses that provide basic, low-end goods, and do not attract customers outside of Galeshewe.

The formal businesses in Galeshewe are small and face a shortage of commercial trading space, which is of limited quantity and quality in the area. Galeshewe Plaza, located at the RC Elloit circle along the Activity Route, is the largest formal business retail centre in the township, with 15 retail spaces available. In most cases the most logical and accessible places for businesses to be located are underutilised land and infrastructure that are poorly developed for both formal and informal business activity. (Sol Plaatje Local Municipality, 2008: 10-12).

2.12 THE INFLUENCE OF LAND USE AND URBAN SPACE ON INFORMAL BUSINESS

Local governments define the norms and standards of urban spaces through regulation, and this normalisation requires an idealised standard of conduct and the ability to reward or punish individuals who do not conform to these standards. Therefore the classification of activities, land parcels, and the specification of land use that is normal for that land parcel are powerful tools used by planners (Kamete, 2012: 641). The powerful tool of determining land use can find itself not serving the people, but serving the interests of the middle class and the elite by allowing planning to protect only formal businesses and not planning for informal businesses in the urban environment. Urban spaces are in high demand in many urban centres, thus suitable and available land space is in many cases used by informal businesses on sites that are not approved for such activities (Adeyinka, Omisore, Olawuni & Abegunde, 2006: 2).

Charman *et al.* (2012: 4) stated that land zoning in townships plays an important role in access to markets and permitting business activities in townships that were primarily designed for residential use. Zoning therefore has to take into consideration

the emergence of dynamic township businesses and the informal economy. Watson (2009: 2262) stated that bureaucratic forms of land-use control and rigid plans have become inappropriate for modern-day governance policies and the dynamic nature of the urban environment; further stating that this promotes the view that urban form protects those in political and economic power.

Watson (2009: 2262-2265) argued that socio-spatial change is moving in the direction of fragmentation, separation and specialisation of function, with labour markets polarised, resulting in income inequality, in which modern-day planning is more concerned with the formalisation of the urban environment, resulting in marginalisation of the informal economy. The informal economy, which represents the survival efforts excluded from the formal economy, has become the norm in many developing nations; thus planning has to recognise the importance of the informal economy and understand the nature of it to be able to support it instead of hindering its growth through regulation.

The use of zoning to separate business from residential land use can have an impact on the location of informal businesses. This was highlighted by a study undertaken by Adedeji, Fadamiro and Adeoye (2014: 42) on the residences of informal traders in relation to their respective trading spots, which showed that 35.1% of the 180 sampled informal traders lived near their selling points, 29.1% lived 1 km away, 29.4% lived 2 km away, 0.6% lived 3 km away, 6.7% lived more than 3 km away, and 2.2% did not disclose their residences' distance. This, according to Adedeji *et al.* (2014: 42), indicates that most traders live in close proximity to and travel to their selling points, which reduces transportation costs and maximises profits.

Urban spatial planning thus has a role to play in inhibiting or supporting informal business activities. Land zoning at the local level plays a critical role in enabling access to markets and permitting business activity. Considering the historical design of townships as primarily residential areas for workers reliant on formal employment, there is an urgent need for urban planning to acknowledge the emerging dynamics of township businesses and the informal economy at the local level (Charman *et al.*, 2012: 4).

Many informal businesses are unable to comply with legal and tax requirements to register their businesses; in part due to the high administrative and cost obligations associated with registering a business. Another issue is the problematic bureaucracy

and the application process that may not be designed to deal with informal business practices (Herrington, Kew & Kew, 2009: 48).

Public open spaces in physical proximity to opportunities such as public transport facilities and formal institutions are important to informal vendors as private spaces are restricted. The location of informal businesses can be a function of access to a concentration of customers, thus spatial planning must take into consideration the spatial requirements of informal businesses. For informal traders to make a living, they require access to urban areas and must be allowed to interact within the urban space (Musyoka, Ngau & Mwangi, 2010: 1-2). Access to an area can be provided but if the informal vendors are unable to interact with the urban space, they must be allowed to create scenes of place and by changing the environment to allow them to conduct their business more freely; if not, access to urban space means nothing.

Public spaces have a social and economic role to play for many urban poor in developing countries; they are sites for trade, communal activities, and a conduit for movement in urban areas, and can be seen as a form of social infrastructure for the urban poor (Musyoka *et al.*, 2010: 1-2).

Areas with mixed land use provide a rich environment in which a variety of informal business activities can develop – compared to single land use areas which provide more opportunities for business. With mixed land use areas, there are key locations for informal businesses (Musyoka *et al.*, 2010: 1-2).

2.13 THE RELATIONSHIP BETWEEN THE INFORMAL AND FORMAL ECONOMIES

Pisani (2014: 317) stated that in many cases the informal sector is researched in isolation from the formal sector, and that this occurs even though in many cases they co-exist simultaneously and even side by side. Informal businesses around formal businesses may provide services and products that are not provided by the formal businesses. The informal and formal sectors each have their own market bases; each can supply similar goods but serve different markets at different prices and quality – resulting in market segmentation along purchase income. Thus, the demand for informal products will come from poorer customers and will not have a high return on capital and cost (Bohme & Thiele, 2012: 1). This allows formal and informal

businesses to co-exist without intruding the markets of the other and to still provide the community of Galeshewe with basic goods and services.

SALGA (2012: 8-9), on the other hand, stated that there is a linkage or symbiotic nature that exists between the informal and formal economies; the formal economy is supported by the informal economy due to the formal economy being a source of goods for the informal economy and that this relationship may not lead to direct competition but is beneficial to both as the income generated by informal trading will be spent on the consumption of goods and services provided by the formal sector. Chen (2012: 12) stated that with the exception of some survival activities, most informal businesses do not operate in isolation from formal businesses.

Urban and regional planning has a significant role to play in ensuring that communities improve and that local economic development is sustainable, but the question is whether informal trading in townships can contribute to these factors, and, more importantly, if a relationship between informal and formal businesses in townships can lead to sustainability (Lawanson & Olanrewaju, 2012: 3).

Pisani (2015: 319) answered this question by giving an example of retail markets for household food consumption in Central America and the relationship between formal supermarkets and small primarily female-owned informal home-based stores called "Tienditas". The formal grocery shops and the Tienditas do not compete directly, as the supermarkets mainly serve the middle and upper classes who have the means to travel a distance to go shopping. The supermarkets sell products at value-added prices, and have a greater selection and higher-quality products compared to the Tienditas. However, the Tienditas exist in an economic space on the periphery due to transportation constraints, easy market entry, available locations, and the small household purchase volumes of the lower or working class. Urban dwellers and three-quarters of the rural residents shop at the Tienditas. The supermarkets also serve as the wholesalers of the Tienditas in the areas surrounding the supermarkets, thus it can be said that the Tienditas in a way support the supermarkets as resellers of the supermarkets' products.

2.14 LOCATION CLUSTERING OF INFORMAL BUSINESSES

Kuah (2002: 221) argued that clustering can be defined as the concentration of firms in geographical proximity, which are interdependent and linked vertically and/or horizontally⁴ through their commonalities and complementary⁵ products. Clustering can be seen as a geographical clustering of competing and related industries, where there is an increase in growth and profitability from the clustering. McCormick (1999: 1532) highlighted that businesses undertake clustering due to related activities in close geographic proximity and that both the environment and the businesses themselves will change. The environment will adapt to the occurrence of the businesses by attracting customers, traders, and workers with related skills and services.

Rocha (2004: 369) defined clustering as a geographically proximate group of firms and associated institutions in related industries, linked by economic and social interdependence. Rogerson (2001: 122) stated that clustering can be of small and medium-sized enterprises that are spatially concentrated and sector-specialised, with a strong primary homogenous culture and social background linking the agents and creating a common and accepted behavioural code.

Rocha (2004: 384) stated that clusters lower the entry-exit barriers and open a niche market due to the low level of vertical integration, which also reduces risk and uncertainty for aspiring entrepreneurs, and provide a cultural environment where establishing your own business is the norm.

Grant (2013: 88) noted that an entrepreneur's ability to have a productive business depends on who he or she is, the location of the business, and the business' interaction within the space. The importance of location and space is significant to this research as informal businesses cluster in areas with high levels of business opportunities, such as transport terminals, shopping areas, and tourist attractions.

⁴ Vertical integration is the process in which several steps in the production and/or distribution of a product or service are controlled by a single company or entity in order to increase that company's or entity's power in the marketplace. Horizontal integration simply means a strategy to increase market share by taking over a similar company. This take-over / merger / buyout can be done in the same geography or in other countries to increase reach.

⁵ Complementary products are materials or goods whose use is interrelated with the use of an associated or paired good such that a demand for one generates demand for the other.

This is in part due to the locations or activities attracting customers and producing high pedestrian and vehicle traffic (Setsabi & Leduka, 2008: 222). This may conflict with planning principles for attaining order and control, where planners may see informal trading in urban public spaces as negative behaviour – not belonging in open spaces associated with prime businesses and residential areas (Setsabi *et al.*, 2008: 224), as informal business clustering may result in the failure of land use planning and planners not being able to recognise and incorporate certain aspects of urban complexity into the land use allocation process (Jelili & Adedibu, 2006: 284).

An example of informal clustering can be seen in Van Eede's study on the spatial relationship between the arts and crafts trading and tourist markets and analysing the choices of street trading locations and the products sold (Van Eede, 2011: 34-40). The study was conducted in four major metropolitan city centres, namely Johannesburg, eThekweni, Cape Town, and Tshwane. The findings revealed that the municipal by-laws and regulations for formal trading did not work with regards to informal trading in demarcated areas.

The study also indicated that traders clustered at points related to key tourism nodes and areas, and the analysis revealed that spatial patterns of arts and craft traders had a strong spatial correlation with recognised tourist routes and the concentration of informal arts and craft businesses.

Van Eede (2011: 40) stated that urban planning policy and management must adapt to informal trading and not have a generic approach, and that the spatial patterns of the traders and clustering may show a potential development that could allow a niche market to develop, with the capacity to develop into an established urban market. This study highlighted Rocha's (2004: 384) earlier statement that clustering has the ability to create niche markets for informal traders and lowering the entry barriers to the market.

Clustering in this study refers to businesses being located near larger businesses due to the demand for small, specialist suppliers, which leads to clustering around larger businesses. Businesses can also cluster due to locating economics in which similar or identical products are sold in a location to attract customers, or due to the complementarity of products, in which different businesses sell different goods at the same location to reduce the customers' travelling to buy various products.

Comparability is when similar businesses co-locate and give the customers greater choices in products (McGaffin *et al.*, 2015: 35).

Businesses of higher-order and complementary goods will cluster to increase the catchment area and compete with one another in terms of value, service delivery, style, and taste. Lower-order businesses and those selling more general goods will compete on price and convenience and thus cluster together, but will be located in a location where a particular market is not served adequately. A negative impact of clustering is incompatibility or diseconomies of agglomeration, in which businesses have a negative impact due to being located close to one another (McGaffin *et al.*, 2015: 36).

A study by Axenov, Brade and Papadopoulos (1997: 424-425) investigated the location of kiosks in St. Petersburg in the post-Soviet Union and identified the influence of the location of the kiosks as the proximity to daily commuting flows. The study indicated that the greater the flow, the more likely the kiosk will remain competitive and fixed in the location.

Axenov *et al.* (2007: 427) stated that the largest clustering in terms of numbers of kiosks resulted from the most attractive location for the businesses, which was found to be along the pathway of commuter flow between zones of employment and residential zones. Axenov *et al.* (2007: 427) found that the clustering of kiosks in residential zones were more beneficial than clusters found in employment zones. Thus a hierarchy of attractiveness for kiosk locations exists, with metro and rail stations, public transport stops, crossroads, and pedestrian crossings being the preferred locations.

Understanding where informal clusters occur could therefore aid in making planners more aware of the types of informal businesses that may occur in a particular land-use space and which are adjacent to formal businesses. This mutual co-existing relationship that the informal sector has with the formal business sector in townships may have an impact on sustainability in terms of job creation and income generation in the community. Actions that impact negatively on the economy, such as the politically motivated clearing of certain clusters of informal businesses, could have a negative impact on the socio-economy of townships and on the services these businesses provide.

2.15 TOWNSHIP ECONOMY

South African townships are unique in a way as they are a form of socio-ethnic enclave that may not operate along the same principles as other parts of the urban environment. Greve and Salaff (2005: 7) defined a social enclave as

“a social system of interacting people which recognise themselves as belonging to the same group in which ethnic entrepreneurs supply ethnic products and services mainly to their own people and have less access to the more lucrative sectors of the market”.

McGaffin *et al.* (2015: 8-10) stated that the poor understanding of the functioning and requirements of the township economy is one of the main issues that led to the failure of government interventions in improving poverty and employment in the townships, and that a better understanding of the elements of the local economy in the township is required. The term “township economy” refers to the micro-economic and related activities that occur in a township. McGaffin *et al.* (2015: 8-10) further stated that townships can be characterised by a spatial disadvantage in regards to economic activities and accessing economic nodes and job opportunities, with a disproportionate concentration of lower-income households and skill levels. A township can therefore be defined according to its geographical location and socio-economic profile.

Township economy does not comprise many economic activities and the activities that do occur are generally on a smaller scale; this is in part due to townships being initially established for non-economic reasons and thus do not possess the location attributes for economic activities, thereby reducing the effective demand for commercial, industrial, and retail space (McGaffin *et al.*, 2015: 37). The existing economic activities in townships are relatively small and of low cost, thus the price for rental space is also low. This low value does not generate sufficient property value to allow the development of more property space in townships. This can lead to the development of home-based businesses or informal structures which do not require significant rent and solves the problem of lack of sufficient business space availability.

Charman and Petersen's (2014: 1) research examined the scope and scale of micro-enterprise activities in a township context, what the spatial distribution of micro-

enterprises in a site and business context is in terms of high streets and residential sites, and the impact that settlement history, housing type, and population structure have on micro-enterprises on five Cape Town townships, namely Browns Farm, Delft South, Imizamo Yethu, Sweet Home Farm, and Vrygrond (Charman & Petersen, 2014: 1).

Spaza shops, liquor retailers, and house shops were mostly located in residential locations away from main streets or high streets, which Charman and Petersen (2014: 6) correlated with a high demand for groceries and alcohol in the local residential areas, allowing the local residents to have a short walking distance between their residences and the businesses, which indicates that the traders used positional comparative advantages over other businesses. Spaza shops, according to Charman and Petersen (2014): 7, are not involved in a form of price war with one another as the customers of these spaza shops favour convenience and time and will purchase products from their nearest spaza shop. Liquor stores' distribution in residential areas were determined by two factors; firstly, the local demand for alcohol in small quantities by residents residing in close proximity to the store, and secondly, the need for a diversity of drinking venues (Charman & Petersen, 2014: 35).

The aforementioned research found that transport infrastructure influences the location of street traders, especially transport infrastructure with sustained pedestrian traffic. An example of public infrastructure that would produce high pedestrian movement and be ideal for informal businesses is near taxi ranks and main roads. The available space will influence the type of business(es) that will operate in a location since various businesses require different storage and physical space to operate. The clustering and trading of similar businesses in a specific location such as a transport interchange occur on open spaces. This is common for informal businesses such as traditional medicine sellers, take-away food shops, carwashes, and markets for fruit and vegetables, cigarettes, and sweets (Charman & Petersen, 2014: 35-36).

Charman and Petersen (2014: 38) stated that there are various other factors that influence the location of businesses, such as proximity to formal businesses in commercial and industrial areas and city infrastructure, which lead to business distribution becoming uneven and reduced in areas where housing density decreases and the residential areas become more middle class in character (Charman & Petersen, 2014: 38).

A case study undertaken by Formalising Informal Micro-enterprises (FIME) researched the significance of spaza shops in the informal economy and the role they play in the broader township retail market, and investigated the spatial distribution of spaza shops in Brown's Farm, Sweet Home Farm (Philippi), Delft South, and Vrygrond (incorporating the settlements of Capricorn, Overcome Heights, and Seawinds). These settlements are home to 36 262 households and approximately 160 000 residents (The Sustainable Livelihoods Foundation, 2013: 1).

The spaza shops operated in localised areas and provided products and services to the residences in the immediate proximity of the shops and, due to this localisation, responded to changes in the demands of residences within their geographical radius. The research showed that most of the spaza shops owned by South Africans were home-based, while the spaza shops owned by foreign nationals operated from semi-detached rooms, or from rented premises (the most common practice). The study also showed that most of the South African spaza shops were owned by women, while the foreign-owned spaza shops were mostly male-owned (The Sustainable Livelihoods Foundation, 2013: 2). The increase in foreign-owned shops, according to the study, can be seen in spatial terms, whereby on the research sites the shops were evenly positioned within residential areas. This was consistent in study sites in both the Western Cape and Gauteng. The spatial patterns of their locations showed clustering of spaza shops, such as on main streets or specific street corners (The Sustainable Livelihoods Foundation, 2013: 4).

2.16 CONCLUSION

The location of informal businesses is influenced by the demand for their products but urban planning can influence the demand through land use zoning and by-law policies which do not enable businesses to develop or handicap individuals aiming to start their own businesses. This forces individuals to set up their businesses in locations not planned for business, thus the individuals look for and eventually set up their businesses in spaces that would be more conducive for the individuals and for their businesses.

CHAPTER 3: INSTITUTIONAL FRAMEWORKS AND THEIR IMPACT ON INFORMAL BUSINESS

3.1 INTRODUCTION

This chapter focuses on the national and local regulatory policies and legislation that have a direct impact on informal business in Galeshewe. The chapter includes a discussion of how these regulations may have an impact on informal businesses on the ground.

3.2 BACKGROUND

Initially in South Africa the policies towards informal economy had been based on regulation and not on a developmental approach. These regulations required street vendors to obtain a licence to trade, but with the passing of the Businesses Act in 1991 a change in stance was developed to consider street vendors as businesses and that licences for specific types of businesses were not required. However, the 1993 amendments made to the Businesses Act required local governments to regulate street trading. Thus municipalities put in place by-laws and regulations on street trading to regulate the industry. The White Paper on Small Business of 1995 categorised businesses into survivalist, micro, small, and medium enterprises, which became the National Small Business Development Act in 1996, and categorised businesses into micro, very small, small, and medium enterprises; with most informal businesses falling under micro enterprises (SALGA, 2012: 58-59).

3.3 NATIONAL GOVERNMENT FRAMEWORK

3.3.1 The Businesses Act, No. 71 of 1991

The Act also stipulated the authority of local municipalities with regards to municipalities developing by-laws to regulate informal business. In 1993, the amended Businesses Act allowed local governments to limit street trading but not to prevent it from occurring, thus it allowed local government by-laws to regulate where and how street trading could occur (Municipal Guidelines for Informal Economy Policy, 2012: 21).

3.3.2 The Municipal Systems Act, No. 32 of 2000

This Act gives the mandate that municipalities must produce strategic plans for the development of the municipalities within a prescribed period. These plans must include proposals for the development of the municipalities, with the resources and capacity of the municipalities in line with the plans. These plans have to be in line with national and provincial development planning requirements. Thus the development of Integrated Development Plans (IDPs) by municipalities, according to section 35(1), has to be planning instruments that guide the making of decisions regarding planning and development (Republic of South Africa, 2000).

3.3.3 The National Small Business Development Act, No. 102 of 1996

The Act requires municipalities to adopt an approach of including survivalist and small to medium enterprises into their local business development strategies for the promotion and development of small businesses in South Africa. The objectives of the Act are: to alleviate poverty by making it possible for poor people to generate an income; employment creation; the redistribution of wealth, income and opportunities; and to contribute to economic growth by improving innovation and thus competitiveness (Republic of South Africa, 1996).

3.4 LOCAL GOVERNMENT REGULATIONS

By-laws to regulate the informal economy are mostly used by local municipalities to regulate informal trading in South Africa. This is based on the view that informal businesses in the economy are a problem and this attitude could in turn result in the marginalisation of informal businesses and the individuals involved in them (SALGA, 2012: 59). For many municipalities the aim is to transform and formalise the informal economy to formal small businesses, but they fail to recognise the diversity and nature of the economy, and that many survivalist businesses will always just be survivalist businesses and that their role in the South African economy must be respected (SALGA, 2012: 60).

3.4.1 Sol Plaatje informal by-laws (2006)

The Sol Plaatje Municipality by-laws state the following regarding informal trading:

No person shall do business as a street trader, except with the prior written permission of the Sol Plaatje Municipality and in accordance with the conditions set out in the permission; unless he or she is a South African citizen or has been granted the right of permanent residency or a work permit by the immigration authorities; outside a designated area; and at any time other than during the hours specified in this by-law.

Any person who does business as a street trader must have the written permission referred to in subsection (l)(a) of the by-laws, in his or her possession and produce it on request to an authorised officer. The Municipality may, in writing, for the duration of a specific event and subject to any conditions determined by the Municipality, exempt any person, or group of persons, from compliance with any or all of the provisions of subsection (1).

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3.4.1.1 Location regulation of informal businesses

According to the by-laws (Sol Plaatje Local Municipality, 2006), no person may do business as a street trader in a public space that is not designated for that type of trade. Street traders are restricted to allocated lots or stands designated for informal trade. The Municipality will grant permission to an applicant to do business as a street trader, allocate a specific lot or stand demarcated in a designated area to the applicant, and no other person, except his or her assistant or employee, may do business on or from such a lot or stand.

In terms of locations on the pavement, the by-law states that no obstruction shall be caused by the informal business in terms of access to street facilities such as bus stops and shelters, or queuing lines and facilities intended for public use. The informal trader needs to create two metres in width in sidewalk clearance for pedestrian use and not obstruct the view of any road user or roadway (Sol Plaatje Local Municipality, 2006).

Street vendors may not compete with existing businesses. This is regulated through

the by-law that prevents informal businesses from being located on a verge contiguous to that part of a building in which business is conducted by another person, other than the business of a department store, supermarket, or wholesaler, where the goods or services that the street trader sells or provides are of the same nature or similar to the goods being sold or services provided by the other person (Sol Plaatje Local Municipality, 2006:).

3.4.1.2 Surrounding infrastructure near locations of informal businesses

Street trading may not occur on a place of worship of any faith or denomination, a historical monument, a building used for public purposes, or a building used exclusively for residential purposes. If the owner or occupant of any part of the building facing onto such a verge has objected in writing against such trading to the Municipality and, after such an objection was made, the street trader concerned will be notified in writing by the Municipality before they may start trading (Sol Plaatje Local Municipality, 2006).

3.4.1.3 Informal business structures

No informal business may erect any structure for the purpose of providing shelter at the designated area without the prior written approval of the authorised officer or attach any object or goods by any means to any building, structure, pavement, tree, parking meter, lamp post, electricity pole, telephone booth, post box, traffic sign, fence, bench, or any other street furniture in, on, or at a public place (Sol Plaatje Local Municipality, 2006).

3.5 RESIDENTIAL BUSINESS BY-LAW OF 2011

According to the by-law, “residential business” is any activity conducted by a resident within a dwelling or accessory structure for financial gain. A residential business is an accessory used to the primary use of the property. This includes spaza shops as a building attached or separate from a residence used for the sale of household consumables (Sol Plaatje Local Municipality, 2011).

The business will require a Permit for Residents from the Municipality to use a home as a place of livelihood and the production of supplementing of personal and family

income. The principal residence of the owner/operator of every residential business shall be the dwelling unit on the premises in which the business operates. No more than two employees who do not live on the premises shall be permitted to work on the premises at any one time (Sol Plaatje Local Municipality, 2011).

The site must meet the density and dimensional requirements of the Municipality for the area in which it is located and adhere to hours of operation. Residential businesses may operate from 7 am to 9 pm. The exception are tuck shops, which may operate from 6 am to 10 pm (Sol Plaatje Local Municipality, 2011).

3.5.1 Business type restrictions

Tuck shops or spaza shops are permitted in the economic zones of support, promotion, and stimulation of the municipal policy and shall have a floor area in accordance with the Municipality's land use management scheme. The Municipality will allow expansion according to its discretion. The shop shall serve a minimum of at least 60 households and be located at least 200 metres from a formal business opportunity (Sol Plaatje Local Municipality, 2011).

Tuck shops are restricted to general household consumables and liquor, and shops must be of a separate and permanent structure, and must be separated by a wall from other activities in the residential home, namely sleeping and cooking, if attached to the house (Sol Plaatje Local Municipality, 2011).

Carwash businesses need to lodge an application with the licensing authority of the Sol Plaatje Local Municipality in terms of the land-use scheme and any other statutes. No permanent structures should be built on the site and the structures must be temporary if the land belongs to the Municipality (Sol Plaatje Local Municipality, 2011).

3.6 IMPACT OF POLICIES AND REGULATION ON THE INFORMAL ECONOMY

Sidzatane and Maharaj (2013: 377) stated that street traders in some cases are considered a problem by some government departments and require regulation, but should be considered as production units that can be used as tools to improve the urban economy. The provision of licences to street traders by the government

restricts the number of trading sites that can be used for trading and prohibit specific activities from taking place in a designated area. Many state policies prevent street traders from blocking the movement of pedestrians and traffic, and restrict the attachment of electricity supply from buildings and unsafe stockpiling on trade sites. These regulations place a burden on street traders and may hinder their business endeavours.

SALGA (2012: 14) noted that the approach of using by-laws to regulate informal business in South Africa is based on an inherently restrictive view of the informal economy, and that many municipal planners see the informal sector as a spatial problem instead of a vital part of the local community.

Policies are developed to transition the informal economy to small formal business, but this path fails to recognise the diverse nature of the economy and that a survivalist informal business may never be more than what it is, but that it must still be integrated into planning as this form of informal business reduces the vulnerability of the poor.

The regulation of informal business can be costly to the operators of informal businesses from a punitive point of view due to over-regulation leading to evictions, harassment, and bribing of officials (Chen, 2012: 14). This work environment is not suitable for many individuals attempting to make a living and improve their opportunities. Thus a need exists to examine the approach in terms of regulating informal business to determine which regulations are appropriate for the economy. Chen (2012: 14) stated that a need has arisen to look at sector-specific regulations' effect on the informally self-employed and their bias towards the formal economy.

Dewar (2005: 2) asked the question if it is necessary to have a policy at all; stating that if the activity is small, why have it regulated, but if it is large, there has to be a regulatory function from the local government to protect and improve the public good and rights of all individuals, which may impact on the freedom of action but only on a public-good grounds.

Dewar (2005: 3) further stated that the Constitution of South Africa:

- provides democratic and accountable government for local communities;
- ensures the provision of services to communities in a sustainable manner;

- promotes social and economic development;
- promotes a safe and healthy environment; and
- encourages the involvement of communities and community organisations in the matters of local government.

The three important requirements of the above-mentioned are the provision of services, promoting economic development, and the commitment to participative governance. Dewar (2005: 3) stated that for policy development it is “misleading” to separate the informal, small-scale activities from the larger, formal activities because they are interrelated in a complex economic linkage, and that both the informal and the formal economy require and respond to similar “stimuli”, but the form of the response may be different.

From a policy perspective, the term “informal sector”, according to Dewar (2005: 3), focuses on the economic enterprise at the bottom end of a continuum, ranging from a very large to a very small enterprise; they are frequently periodic, in that they trade at different times of the day or week; the businesses move around to areas that have the most potential for their service or products; they operate in public spaces; and have low economic reinvestment.

Skinner (2008: 18) posited that neighbourhood-level transportation and land use planning are important as they can be inclusive and exclusive of traders' needs. The facilities created for street traders are also an indicator of how street traders are included or excluded from urban planning. Skinner further stated that in many cases local authorities do not plan for foot traffic in the location of street traders or markets. Municipalities may build a market for traders but if they do not develop the infrastructure around the site or develop the area surrounding the market, it will not be successful.

The use of licences can also be an inclusive or exclusive tool (Skinner, 2008: 18-19). The licensing of street traders gives them the right to operate at a particular location and gives them security of tenure which allows them to be secured in the investment in their business, since licensing and site allocation are important components in the improved management of public spaces. The problem is that not all traders will be able to obtain licences to operate at a particular site or be able to trade; there is a trade-off to the use of licences in the number of licences, sites allocated to traders, the concept of the carrying capacity of the street, and how many traders can have

access to the public space. If the demand is higher than the supply, will this really regulate trading, or will the traders just move elsewhere?

According to Skinner (2008: 21), the inclusion of street traders in urban planning can allow the conflict between different users of public space to be resolved and provide a means to improve street trader management. Skinner (2008: 27-28) added that an inclusive approach to street trading is important as street traders provide work for many urban residents, particularly the poor, and also provide goods and services to the urban community. The issue of the economic dynamics and the heterogeneity of the informal economy require that policy analysis and documentation should be sectorial and must take into account that various informal businesses have different constraints than other informal activities. The problems a traditional medicine trader faces, for example, may not be the same as faced by a second-hand clothes trader.

Rogerson (1999: 514) stated that a regulatory framework shapes the lives of the poor and is developed by both the central and local government, to be applied on both a national and local level. The framework comprises the parameters for development but is more specific at the municipal level. The regulatory framework consists of a variety of laws, including local government by-laws, ordinances, legislation, and regulations related to town planning, public health, and building and land development. For the poor, these regulations and legislation may not be functional or beneficial and may pave the way for harassment.

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3.7 CONCLUSION

Both the national government and the Sol Plaatje Local Municipality have legislation and/or policies in place to regulate the informal economy, but the questions that arise are whether they in turn hinder the economy through over-regulation, and to what extent the impact of the government influences individuals in Galeshewe's informal economy in deciding the type and location of their businesses.

CHAPTER 4: METHODOLOGY

4.1 INTRODUCTION

This chapter provides an overview of the research methodology and the approach used to undertake the research. Case study research was adopted as it would provide the tools to investigate and collect data to answer the problem statement. This chapter also explains the methodology with regards to the research approach, design, methodology, analysis, limitations of the research, and the rationale behind the methods used.

4.2 RESEARCH APPROACH

This study used the qualitative research approach, which, according to Guest, Namey and Mitchell (2013: 3), involves the collection and usage of text, images, or sound. It is inclusive of various forms of data-collection and analysis techniques, and allows a diversity of theoretical and epistemological frameworks associated with this form of research. Qualitative research allows for an inductive and flexible qualitative data-collection method; allowing a response or an observation to be included to obtain a more detailed description and explanation of experiences, behaviours, and beliefs. The incorporation of participants through interviews allows the researcher to develop a narrative that is informative and informs the overall study objectives (Guest *et al.*, 2013: 21).

Ritchie and Lewis (2003: 24) wrote that a research design has a clearly defined purpose that allows coherence between the research objectives and the method or approach used, and allows the production of data that are valid and reliable. A qualitative case study research design was used – as Guest *et al.* (2013: 14) put it, to examine the phenomenon within its real-life context – in which data are collected on a single individual, group, or event. The primary purpose of a case study is therefore to comprehend what is unique to the case or event. As mentioned before, the use of a qualitative method allows the inclusion of interviews; which in this study will take the form of in-depth interviews over a period of time. A case study often involves interviews to look into the unique aspects of the case or event by firstly selecting participants according to their unique properties or characteristics because unique

attributes in a small sample is of interest to the research. The information or knowledge obtained from case studies in small samples can be applied to larger samples or populations.

Different types of social research require specific approaches. The research question determines how the research question is addressed. If the research problem needs to be understood due to a lack of research, a qualitative approach will be more suited to answer the research question (Creswell, 2003: 21). Qualitative research allows an examination of various social settings and the individuals involved in the settings. The advantage of this form of research is that it provides a means of accessing unquantifiable information, thus giving the researcher understanding and perception to explore individuals in their social structure and meaning in their daily lives (Berg, 2000: 6).

4.3 RESEARCH DESIGN

The aim of research is to develop a relevant and true statement that will serve to explain the situation or to describe a relationship of interest (Creswell, 2003: 8). Therefore a qualitative case study methodology was undertaken as it allows questions regarding the “how” and “why” to be answered. This method allows researchers to work with processes which occur and their interrelationship by locating the factors that account for behavioural patterns (Kothari, 2004: 113).

4.4 SAMPLING METHOD

The 66 informal businesses were sampled using a non-probability convenience sampling method. Two carwashes, sixteen informal fruit and vegetable stalls, five informal car repair shops, two informal tyre repair, three hair salons, five street food businesses, sixteen braai spots and three clothing traders businesses were sampled. This sampling method depends on the availability and accessibility of subjects and implies that elements in the target population have an unknown chance of selection in the sample, and are selected based on elements such as the subjects' occurrence at a spatial or situational phenomenon in the location of the research site (Berg, 2000: 32; Ross, 2005: 6-7). Non-probability sampling allowed the author to choose a sample population from a larger total population, which can be a representation of the whole population because the informal business population was too large to

include every informal trader in the research, thus this method allowed the sampling along the Activity Route to be determined by the occurrence of informal businesses found along the Activity Route during the field work.

4.4.1 Criteria for selection

The selection of individuals for sampling was based on the occurrence of their informal businesses in non-commercial/business land use along the Activity Route during the field research period, as the occurrence of informal businesses fluctuated according to the day of the week and month and many of the informal businesses had no fixed structures, allowing them mobility to relocate at an alternative location not along the Activity Route.

4.5 DATA-COLLECTION METHODS

A total of 66 informal business operators were interviewed and various other data-collection methods were also used in the research, including personal observation, literature review, locational mapping, and digital photographs. Observation focused on the nature and functioning of informal trading activity, products sold, location, types of stalls, and buyers and sellers in the study area. The fieldwork was conducted from 7 am to 5 pm Monday to Sunday in the first and last weeks of July 2015. The locations of informal trading activities in the study area were mapped (see Appendices: Map 1-11) to identify the informal business locations and infrastructure of the surrounding area by using ArcGis as the mapping tool. The use of multiple methods for data collecting will enhance the insight gained into the research problem.

4.5.1 Primary data

According to Hox and Boeije (2005: 593), primary data are collected for a specific research problem by using procedures that are suited for the research. Primary data may be used to describe contemporary or historical attributes and can be compared with research already conducted by others.

The research undertaken by the author consisted of interviews with individuals operating informal businesses along the Activity Route and mapping the locations of their businesses.

4.5.1.1 Interviews

A semi-structured interview method was used to gain insight into the research problem, as well as gaining more insight into individual perspectives in decisions made regarding the choice of location. The use of interviews is a means of obtaining the personal context within a research phenomenon occurring in a specific location and having detailed coverage of it, and extracting the related different issues to individual circumstances (Richie & Lewis, 2003: 58). The use of a semi-structured interview allows the identification of locally relevant issues and allows a more comparative analysis as compared to an instructed interview (Guest *et al.*, 2013: 3).

4.5.1.2 Observations

Observation is a means of collecting primary data through the purposeful and selective viewing of a subject's interaction and environment in which the phenomenon takes place. This method of data collection assists in fieldwork situations where information cannot be fully supplied by questions to address a social interaction or phenomenon in a qualitative study (Guest *et al.*, 2013: 21).

4.5.1.3 Spatial mapping

The locations of the informal businesses along the Activity Corridor were categorised into ten subgroups and mapped using GIS to identify any clustering and patterns that may occur. Data were obtained through surveying the area and recording all identifiable businesses. The research recorded the main characteristics of each business, including the products sold, enterprise structure, and spatial position.

4.5.2 Secondary data

The use of qualitative research data is a valuable resource and provides an opportunity to gain a new perspective of existing data. The use of such existing data allows comparison between data and to identify issues and pitfalls in the research

(Ritchie & Lewis, 2003: 362). A literature review was undertaken to identify current and available data on the research question to gain an insight into the influences and factors that may have a role.

4.6 DATA ANALYSIS

A thematic network analysis was used to organise and analyse the data obtained. The aim of thematic network analysis is to explore an issue or the significance of an anomaly through the process of deriving themes from the textual data (Attride-Sterling, 2001: 387). The informal businesses were categorised into ten theme groups according to the type of products and services they provided. The attributes that impacted the location of the businesses were identified according to each theme.

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4.7 VALIDITY

A validity process is applied to ensure that sufficient detail is provided to assess the credibility of research. The use of case study research design principles allows for various strategies which produce data that are credible. The triangulation of data sources can be used to support the principal findings of research. This requires the collection and comparison of data to determine the data quality based on the principle of idea convergence and confirmation of findings. At the analysis stage, the consistency of the findings of data concur with each other and form a consensus of the anomaly (Baxter & Jack, 2008: 556). The data obtained through the interviews were triangulated with the information obtained from the literature review and the spatial maps. The data convergence of the three data sources allows the data to be confirmed.

4.8 ETHICAL CONSIDERATIONS

The use of qualitative research requires the subject to allow the researcher to observe and obtain an insight into the life of the subject; thus researchers have to ensure that the rights, privacy, and wellbeing of the individuals and the community that form part of the research are respected (Berg, 2000: 39).

During the interaction with the business operators, the utmost respect and accommodation were given as not to offend or interfere with their businesses. An

interview date and time was arranged with the individuals to allow them to feel comfortable and not to impose on them.

The business operators were assured that the information obtained from the interviews would not be made available outside of the research study and would not result in any risk to them. Permission was obtained when recording observational data such as digital photography.

4.9 LIMITATIONS

The operations of the informal businesses varied with the day of the week and the day of the month; thus certain businesses may not be operational throughout the week or the month. Businesses may also be part-time, or may be operational on random days, which may result in some businesses not being identified during site visits and not being interviewed. Some businesses may be mobile and have multiple sites from which they operate, which could result in duplication in the mapping and in interviews. Therefore a full and complete census of all the informal businesses was not possible and many businesses were not identified for this dissertation.

4.10 CONCLUSION

The qualitative method of research allows the researcher the opportunity to interact with the subjects and allows a more in-depth understanding of the determined factors associated with the research problem.

CHAPTER 5: RESEARCH FINDINGS

5.1 INTRODUCTION

This chapter discusses the research findings. The first section contains a description of the ten types of informal businesses that were found along the Activity Route, followed by a tabular presentation of the locational attributes of the business, their relationship with formal businesses and other institutions, and the impact of regulation on their business locations. The second section categorises these ten types of businesses according to the products and services they provide under the groupings of groceries, clothing and services, food, and vehicle repairs and services.

5.2 A BRIEF DESCRIPTION OF THE TYPES OF BUSINESSES AND ASSOCIATED CHARACTERISTICS

5.2.1 Carwash businesses

Two carwashes were identified along the Activity Corridor; one was located at the residence of the owner in the open space between the residence and the Activity Corridor. The carwash was used as a form of fundraising for the resident's soccer team and only operated at the end of the month. The second carwash was located next to a spaza shop, which was also owned by the carwash owner. This carwash was for commercial use, but only operated on the weekends. Both carwashes were basic bucket system carwashes, in which water is obtained from a nearby water source to fill a bucket to wash the cars by hand.



Figure 7: Informal carwash located directly outside the owner's home in Nobengula Street

(Source: Author, 2015)

5.2.2 Fruit and vegetable vendors

Sixteen informal fruit and vegetable businesses were identified and interviewed. All the businesses were owned by and employed males. The businesses consisted of 13 non-fixed structures and three fixed structures. They provided basic fruit and vegetables to the local community at affordable prices and were operated mostly by a single person. These businesses did not tend to be mobile and operated from a single location.



Figure 8: Fruit and vegetable vendor located in Mantlahla Street

(Source: Author, 2015)

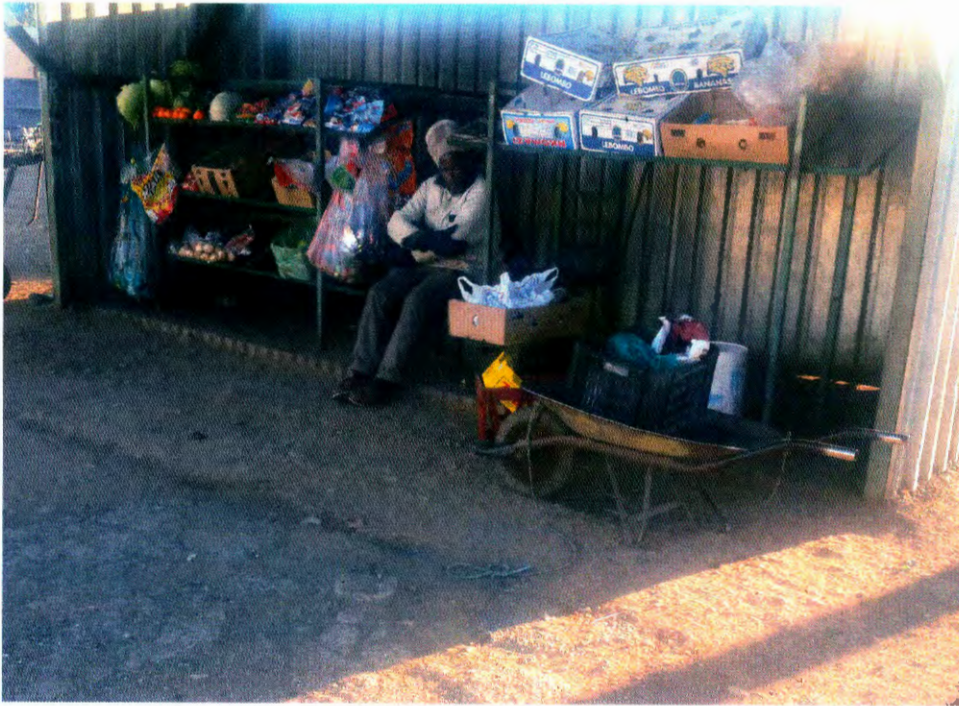


Figure 9: Fruit and vegetable vendor located in an open public space adjacent to Hulana Street
(Source: Author, 2015)



Figure 10: Fruit and vegetable vendor located at a traffic intersection in Nobengula Street and adjacent to FET College
(Source: Author, 2015)



Figure 11: Young male fruit and vegetable vendor located in Nobengula Street
(Source: Author, 2015)

5.2.3 Vehicle repairs

Five informal car repair businesses were identified along the Activity Corridor. They generally consisted of two to three men, with some form of semi-structure in place. The businesses were all basic car repair businesses and operated all week.



Figure 12: Car repair business located on public open space in Galeshewe Street
(Source: Author, 2015)



Figure 13: Car repair business, operating from a mobile container, located in Galeshewe Street

(Source: Author, 2015)



Figure 14: Car repair business, operating from the back of a bakkie, located on a public open space in Nobengula Street

(Source: Author, 2015)

5.2.4 Tyre repairs

Two informal tyre repair businesses were identified on the study site; both operated by men. The businesses operated on the basis of individuals visiting them from the road for basic repairs to their cars' tyres.



Figure 15: Informal tyre repair business, on public open space, in Nobengula Street
(Source: Author, 2015)



Figure 16: Second informal tyre repair business in Nobengula Street
(Source: Author, 2015)

5.2.5 Hair salons

Three hair salons were identified; with two of the three salons owned by men. The salons provided services for both men and women, and had a mix of male and female employees. Two of the salons were constructed from metal sheets to form informal structures in front of residential homes. The electricity was connected or wired from the main residential units to the business structures. Rental agreements were arranged between the home owners and the business owners, allowing the business operators to build structures in the home owners' yards and pay rent in return. The other business from the three identified was located in the garage of the home owner, who also owned the hair salon. The garage was renovated to allow the business to operate in the garage.



Figure 17: Informal hair salon in Morgan Street. The electricity is connected to the business from the main house

(Source: Author, 2015)



Figure 18: Informal hair salon in Nobengula Street
(Source: Author, 2015)



Figure 19: Informal hair salon in Nobengula Street
(Source: Author, 2015)

5.2.6 Street food vendors

Five street food businesses were identified. They generally consisted of mostly mobile and a few non-mobile containers with kitchens, from which they sold products such as “slap” chips, russians, and other food products. Three of the five street food vendors operated throughout the whole week, with a only 2 operating on weekends



Figure 20: Informal street food vendor in Morgan Street

(Source: Author, 2015)



Figure 21: Informal street food vendor in Nobengula Street

(Source: Author, 2015)

5.2.7 Small snack stalls

Four small snack stalls were identified. They were operated by one person each and sold products such as soda drinks, sweets, and packets of chips. They consisted of very basic mobile infrastructure which allows the operators to remove the structure on a daily basis.



Figure 22: Informal snack food vendor in Nobengula Street

(Source: Author, 2015)

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9300

5.2.8 Spaza shops

Ten spaza shops were identified; with all of them owned by foreign nationals of Pakistani descent. Similar to the hair salons, the spaza shops were located in front of residential dwellings, with the operators paying the owners of the residences rent. Water and electricity were supplied to the spaza shop structures from the residential dwellings.



Figure 23: Informal spaza shop in Nobengula Street – structure constructed in front yard of home owner

(Source: Author, 2015)



Figure 24: Spaza shop vendor in Nobengula Street

(Source: Author, 2015)



Figure 25: Spaza shop vendor in Nobengula Street

(Source: Author, 2015)



Figure 26: Spaza shop vendor in Nobengula Street

(Source: Author, 2015)



Figure 27: Spaza shop vendor of Pakistani descent in Nobengula Street
(Source: Author, 2015)



Figure 28: Spaza shop vendor in Galeshewe Street
(Source: Author, 2015)

5.2.9 Braai spots

Sixteen braai spots were identified. With the exception of one business, all were female-owned and employed only females. These businesses were very basic, with a table and a braai stand making up most of the infrastructure. The women operated the businesses mostly from the front of their houses along the Activity Route. Most of the business operators interviewed used this form of business as a form of fundraising for their churches or to supplement their incomes. Fourteen out of the sixteen businesses operated on weekends and the first and last days of the month, with only two operating throughout the week.



Figure 29: Braai spot in Hulana Street: Two ladies in front of their house selling braai meat

(Source: Author, 2015)



Figure 30: Braai spot vendor in Nobengula Street: Fundraising for church event
(Source: Author, 2015)



Figure 31: Braai spot in Nobengula Street: Operating on weekends only for additional income
(Source: Author, 2015)



Figure 32: Braai spot in Nobengula Street: Operated by friends for additional income
(Source: Author, 2015)



Figure 33: Braai spot in Hulana Street
(Source: Author, 2015)

5.2.10 Clothing vendors

Three clothing traders were interviewed; all of them elderly females. They operated on the first and last weeks of the month when the pension pay points open. The women operated most of the month in the central business district, but relocated to the township on pension pay-out days, and only operated from seven in the morning to one in the afternoon, after which they returned to their trading locations in the CBD.



Figure 34: Clothing vendor in Nobengula Street outside pension pay point

(Source: Author, 2015)



Figure 35: Clothing vendor in Nobengula Street

(Source: Author, 2015)



Figure 36: Clothing vendor in Nobengula Street outside entrance to Circle/RC Elliot

node

(Source: Author, 2015)

top. Stads- en Straatbeplanning Wv

5.3 LOCATIONAL ATTRIBUTES

Table 7 identifies the locational attributes that the informal business operators discussed in the interviews.

Table 7: Locational attributes

Informal business type	Data analysed
Carwashes	<ul style="list-style-type: none"> • High vehicle movement • Located in densely populated residential areas • Access to water sources • Access to available open land • Near traffic intersections
Fruit and vegetable vendors	<ul style="list-style-type: none"> • High pedestrian and vehicle movement • Access to available open land • Close proximity to formal businesses • The individuals' residences are near the location of the businesses • Close to other informal businesses
Car repair vendors	<ul style="list-style-type: none"> • Locations with high vehicle movement • Access to available open land • Near traffic intersections
Tyre repair vendors	<ul style="list-style-type: none"> • High vehicle movement • Access to available open land • Near busy traffic intersections
Hair salons	<ul style="list-style-type: none"> • Access to water and electricity • High pedestrian and vehicle movement • Close proximity to tertiary institutions such as the FET College • Near traffic intersections
Take-away food vendors	<ul style="list-style-type: none"> • High pedestrian and vehicle movement • Located in densely populated residential areas • Close proximity to formal businesses • Close proximity to other informal businesses • Close proximity to schools and tertiary institutions such as the FET College • Near busy traffic intersections
Small snack stalls	<ul style="list-style-type: none"> • High pedestrian and vehicle movement • Close proximity to formal businesses • Close proximity to other informal businesses • Close proximity to schools and tertiary institutions such as the FET College
Spaza shops	<ul style="list-style-type: none"> • High pedestrian and vehicle movement • Access to water and electricity • Located in densely populated residential areas

Informal business type	Data analysed
Braai spots	<ul style="list-style-type: none"> • Close proximity to residences • High pedestrian and vehicle movement
Clothing vendors	<ul style="list-style-type: none"> • Close proximity to formal businesses • Close proximity to other informal businesses • Near busy traffic intersection

5.4 RELATIONSHIP WITH FORMAL BUSINESSES AND INSTITUTIONS

Table 8 indicates the data obtained relating to the informal businesses' location compared to formal businesses and institutions.

Table 8: Relationship with formal business and institutions

Informal businesses	Data analysed
Carwashes	<ul style="list-style-type: none"> • No relationship with formal businesses
Fruit and vegetable vendors	<ul style="list-style-type: none"> • Clustering at the Pick n Pay shopping centre and other formal businesses such as butcheries and local grocery stores
Car repair vendors	<ul style="list-style-type: none"> • Located near formal businesses such as formal car repairs and car parts businesses
Tyre repair vendors	<ul style="list-style-type: none"> • No relationship with formal businesses
Hair salons	<ul style="list-style-type: none"> • Close proximity to Pick n Pay shopping centre and small-scale retail stores • Close proximity to tertiary institutions such as the FET College
Take-away food vendors	<ul style="list-style-type: none"> • Close proximity to Pick n Pay shopping centre and small-scale retail stores • Close proximity to tertiary institutions such as the FET College
Small snack stalls	<ul style="list-style-type: none"> • Close proximity to Pick n Pay shopping centre and small-scale retail stores • Close proximity to tertiary institutions such as the FET College
Spaza shops	<ul style="list-style-type: none"> • No relationship with formal businesses
Braai spots	<ul style="list-style-type: none"> • No relationships with formal businesses
Clothing vendors	<ul style="list-style-type: none"> • Close proximity to Pick n Pay shopping centre and small-scale retail stores

5.5 REGULATORY CONTEXT

Table 9 indicates the businesses which have permits to operate from their locations.

Table 9: Regulatory context

Informal business type	Data analysed
Carwashes	<ul style="list-style-type: none"> • None had permits
Fruit and vegetable vendors	<ul style="list-style-type: none"> • Most of the operators stated they had applied for permits, but did not have permits at the time of the interviews
Car repair vendors	<ul style="list-style-type: none"> • All had permits to operate at their locations
Tyre repair vendors	<ul style="list-style-type: none"> • All had permits to operate at their locations
Hair salons	<ul style="list-style-type: none"> • Two were in the process of applying for permits • One had not applied for a permit
Take-away food vendors	<ul style="list-style-type: none"> • All had applied for permits or were in the process of applying
Small snack stalls	<ul style="list-style-type: none"> • Some had applied for business permits
Spaza shops	<ul style="list-style-type: none"> • All had business permits or were in the process of applying for permits
Braai spots	<ul style="list-style-type: none"> • Some had permits
Clothing vendors	<ul style="list-style-type: none"> • Some had permits

5.6 SPATIAL ANALYSIS

The information in Table 10 was obtained by analysing spatial maps to identify locational characteristics (see Map 1).

Table 10: Spatial analysis

Informal business type	Data analysed
Carwashes (Map 2)	<ul style="list-style-type: none"> • One carwash was located in close proximity to the Pick n Pay centre and the educational institutions (FET College) • The second carwash was located near small-scale retail stores • Only one of the two carwashes was located near a traffic intersection
Fruit and vegetable vendors (Map 3)	<ul style="list-style-type: none"> • The fruit and vegetable sellers generally located in close proximity to formal businesses in the form of small retail stores or educational institutions and near a traffic intersection

Car repair vendors (Map 4)	<ul style="list-style-type: none"> • All of the businesses were located near formal businesses such as small retail stores • All were located near a traffic intersection
Tyre repair vendors (Map 5)	<ul style="list-style-type: none"> • One tyre repair business was located near an educational institution • The second tyre repair business was not in close proximity to any formal businesses or educational institutions • All were located near a traffic intersection
Hair salons (Map 6)	<ul style="list-style-type: none"> • Of the three hair salons, one was near an educational institution, the second near small-scale retail stores, and the third in close proximity to the Pick n Pay centre • All were located near a traffic intersection
Take-away food vendors (Map 7)	<ul style="list-style-type: none"> • All of the take-away food stalls were close to small retail stores or educational institutions • All were located near a traffic intersection
Small snack stalls (Map 8)	<ul style="list-style-type: none"> • Three of the four small snack stalls were located near small retail stores or educational institutions • All were located near a traffic intersection
Spaza shops (Map 9)	<ul style="list-style-type: none"> • Only two of the ten spaza shops were located near small retail stores or educational institutions • Eight were located in areas along the Activity Route that have no formal small-scale stores • All were located near a traffic intersection
Braai spots (Map 10)	<ul style="list-style-type: none"> • Eight of the 17 sampled were located close to small retail stores or educational institutions • All were located near a traffic intersection
Clothing vendors (Map 11)	<ul style="list-style-type: none"> • All of the clothing traders were located close to small retail stores or educational institutions • All were located near a traffic intersection

5.7 LOCATIONAL FACTORS LINKED TO BUSINESS

Table 11 presents the main factors that influence informal businesses' locations and indicates which business types they influence.

Table 11: Analysis

Factors	Business types
Traffic intersection	<ul style="list-style-type: none"> • Carwashes • Fruit and vegetable vendors • Car repair vendors • Tyre repair vendors • Hair salons • Take-away food vendors • Small snack stalls • Spaza shops • Braai spots • Clothing vendors
Close proximity to small retail stores or educational institutions	<ul style="list-style-type: none"> • Clothing vendors • Fruit and vegetable vendors • Hair salons • Take-away food vendors • Small snack stalls • Car repair vendors • Tyre repair vendors
Access to available open land	<ul style="list-style-type: none"> • Carwashes • Car repair vendors • Tyre repair vendors
Close to residences	<ul style="list-style-type: none"> • Carwashes • Fruit and vegetable vendors • Braai spots
Densely populated residential areas	<ul style="list-style-type: none"> • Spaza shops • Braai spots • Carwashes
High pedestrian traffic	<ul style="list-style-type: none"> • Carwashes • Fruit and vegetable vendors • Car repair vendors • Tyre repair vendors • Hair salons • Take-away vendors • Small snack stalls • Spaza shops • Braai spots • Clothing vendors

High vehicle traffic	<ul style="list-style-type: none"> • Carwashes • Fruit and vegetable vendors • Car repair vendors • Tyre repair vendors • Hair salons • Take-away food vendors • Small snack stalls • Spaza shops • Braai spots • Clothing vendors
No influenced by business permits	<ul style="list-style-type: none"> • Carwashes • Car repair vendors • Tyre repair vendors • Hair salons • Take-away food vendors • Spaza shops

5.8 INTERPRETATION

The main factors identified by this research which influence the choice of location for informal business owners were determined as the proximity of open public space to traffic intersections, high vehicle, pedestrian traffic, retail stores and educational institutions. Where these three factors were combined, it generally led to the clustering of informal businesses in larger number compared to other locations along the activity route. The ten types of informal business were categorised to four groups, namely grocery products, clothing vendors and service providers, food vendors and vehicle repairs and services

5.8.1 Grocery products

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Grocery products consist of fruit and vegetable stores and spaza shops. Spaza shops operate independently from other business types as they provide products and services to the residences in the immediate proximity of the shops. Spaza shops' locations are influenced by the distance from other spaza shops in the community. This avoids the clustering of shops and competitiveness between the owners. Spaza shops are located where the land use along the Activity Route is mostly residential and where there are few to no other informal businesses in the area.

Fruit and vegetable stalls were generally located along pedestrian walkways near shopping complexes or small local businesses, or adjacent to the entrances to complexes. They were generally located near complementary businesses such as butcheries, local grocery stores, and other informal businesses that would attract clients in need of their produce. Fruit and vegetable vendors were more closely associated with business or commercial land use along the Activity Route.

The by-laws require spaza shops to be operated by the owner or resident of the house, thus allowing residents in Galeshewe to operate businesses from their homes, but this was not the case in any of the sampled spaza shops, as none of the spaza shops' operators were the owners of the residences. The spaza shop operators merely paid rent to the owners of the houses to build shops and operate in their front yards.

With regards to the fruit and vegetable vendors, the by-laws only influenced the locations of the fruit and vegetable sellers – with the requirement that they did not leave any produce or business structures on their business sites. Therefore the sellers generally located their business near their residences or places of storage for their produce to reduce the distance to transport their produce and temporary business structures.

Informal businesses involved with the provision of grocery products were mostly located in residential areas or at locations that had complementary formal businesses in close proximity.

5.8.2 Clothing vendors and service providers

Clothing and service providers relate to clothing sellers and hair salons. Clothing sellers were located along pedestrian pathways or along the roads passing shopping complexes, schools, and community halls and tended to cluster with other informal businesses. The hair salons tended to be located at residential houses near the FET College and small local businesses. The location of the hair salons were influenced by high pedestrian movement generated by the FET College and small local businesses. The determining factor that influenced the location of the clothing vendors and hair salons were commercial and educational institutions along the Activity Route which generate high amounts of vehicle and pedestrian traffic along the walkways and traffic intersections.

The by-laws had no influence on the clothing sellers as they tended to operate only in the first and last week of the month and are unregulated by the Municipality. With regards to the hair salons, the by-laws had no influence on their locations as most tended to operate similar to spaza shops, where the business operator is not the home owner and pays the home owner rent to construct a structure and operate a business at their residence.

5.8.3 Food vendors

The food category consists of braai spots, take-away food stalls, and small snack stalls. The braai spots tended to be operated by women, with their locations influenced by how close their residences were to the Activity Route, therefore almost all of the braai spots were owned by women who had residences adjacent to the Activity Route or in close proximity of the Activity Route.

The take-away food stalls were all mobile units but tended to do business in one location. Their choice of location tended to be near shopping complexes, tertiary institutions, and other informal businesses. The snack stalls located along the Activity Route were operated by individuals who lived in the neighbourhood through which the Activity Route cuts. The food vendors generally lived close to the Activity Route, with the exception of the mobile food stalls, of which the locations were more influenced by their proximity to commercial and tertiary institutions.

The by-laws had no influence on the locations of the abovementioned business types as the operators did not concern themselves with the by-laws and operated illegally on their locations of choice.

5.8.4 Vehicle repairs and services

Vehicle repairs and services include carwashes, car repairs, and tyre repairs. The carwashes tended to be located directly outside of the operators' residences or near a retail complex. The car repair businesses were located on sites with high vehicle movement, such as next to a busy road, or on a site with a large open space near formal car repair shops. The tyre repair businesses were located near traffic intersections. They require large open spaces for their on-site equipment. Vehicle repairs and services, with the exception of carwashes, would most likely be located

in locations that have open public spaces along a traffic intersection with high volumes of traffic. These traffic intersections tend to be part of main roads that directly connect various parts of Galeshewe and intersect the Activity Route.

None of these businesses were influenced in their choice of location by the by-laws, with operators choosing the location of their businesses based on the availability of open public land along the Activity Route.

5.9 CONCLUSION

The data reflects the environment and the diverse conditions that in which informal business in Galeshewe operate. The various types of business have different products and services provided to customers, but have locational characteristics in common with each other

CHAPTER 6: SUMMARY

6.1 INTRODUCTION

The following chapter will consolidate the data obtained in the previous chapter in addressing the problem statements made in Chapter 1, prescribe recommendations to assist informal business in the community, and highlight areas for future studies that would add to the knowledge base in the field.

6.2 SYNTHESIS

6.2.1 To what extent do the services and products provided by informal businesses influence their choice of location along the Activity Corridor in Galeshewe?

74% of the informal business along the Activity Route are survivalist in nature or generate additional income for the operator or organisations. This survivalist nature of informal businesses does not require formal commercial retail space, with most being dependent on local pedestrian and vehicle movement such as traffic intersections and walkways passing by schools and commercial business.

Coupled with the small amount of commercial retail space in Galeshewe, forcing many entrepreneurs to be located in illegal spaces that would still allow them the same access to customers as commercial retail spaces, the Activity Route provides this customer access to informal businesses. This is due to the function of the Activity Route linking the economic nodes of the Circle/RC Elliot node and the Hulana node, thus giving informal businesses along the route easier access to customers at commercial nodes and customers traveling along the Activity Route. This access can be observed in the occurrence of informal businesses throughout the Activity Route, as they commonly occur along open spaces and walkways along the Activity Route.

90% of the street vendors are generally located along walkways directly along the Route due to their businesses being small operations, which do not require much space. They can be found all along the Activity Route, as the access to customers

along the Activity Route remains constant for their business type. The exception to this is street vendors such as the clothing vendors who are not located in sections of the Activity Route, composed of mostly residential area and only occurring on walkways in close proximity to shopping complexes, schools, and community halls.

In comparison, home-based businesses such as spaza shops and hair salons do not have equal access to customers along the Activity Route. In terms of spaza shops, the access to customers wanting their products is greater in sections of the Activity Route that are mostly residential as the local residents are willing to walk short distances between their residences and the businesses.

The hair salons' access to customers translates to proximity to the FET College and small local businesses, thus individuals who have residences along the Activity Route and close to FET College and small local businesses could be more likely to operate a hair salon business than individuals living in a section of the Activity Route that is mostly residential.

Thus the type of product and service an informal business provides will have an influence on the location of the business along the Activity Route, as a reflection of access to customers which a specific section of the Activity Route can provide.

6.2.2 To what extent do the Sol Plaatje Local Municipality by-laws influence choice of location?

The Sol Plaatje Municipality by-laws mostly have no influence on the location of informal businesses along the Activity Route, as the informal businesses generally do not obey the by-laws of the Municipality, operating illegally on locations along the Activity Route. This is due to the lack of enforcement by the Municipality and informal businesses being unable to meet the conditions the Municipality requires from them to operate.

The by-laws require spaza shops to be operated by the owner or resident of the house, thus allowing residences in Galeshewe to operate a business from home to generate an income, but this was not the case in any of the sampled spaza shops as none of the spaza shops' operators were the owners of the residences. The spaza

shop operators merely paid rent to the owners of the houses to build shops and operate in the front yards.

With regards to the fruit and vegetable vendors, the by-laws only influence the location of fruit and vegetable sellers through the requirement that they do not leave any produce or business structures on their business sites. Therefore the sellers generally locate their businesses near their residences or places of storage for their produce, reducing the distance to transport their produce and temporary business structures. This in turn reduces the occurrence of fixed structured vendors operating at specific locations and forces them to be more mobile – allowing the vendors to have various locations to operate from along the Activity Route.

The restrictions the Municipality places on street trading in public open spaces and in proximity to social infrastructure such as churches, community halls, formal businesses, and the construction of shelters for trading are not practical in the community of Galeshewe, The Municipality restricts informal business but at the same time does not enforce these regulations. It seems that the Municipality is of two minds regarding its stance towards informal business. It seems that the Municipality has by-laws in place for the purpose of having by-laws and not to regulate or assist informal trading. This can be seen in the non-existence of trading space or earmarked lots for informal business in Galeshewe, even though the by-laws require street vendors to operate from earmarked lots. This indicates that informal business is not planned for in the community and that the regulations for informal business were developed for traders in the central business district of Kimberley – highlighting the need for a revision of the current by-laws by the Sol Plaatje Municipality to be more inclusive of lower-income communities such as Galeshewe.

6.2.3 How does the current land use layout of the Activity Corridor impact the choice of location?

6.2.3.1 *Public open spaces*

Public open spaces in Galeshewe are unregulated and have become ideal locations for informal businesses, many of which have been operating on particular spaces for many years. The informal business operators along the Activity Route will generally be located in public open spaces with a high volume of pedestrian and vehicle movement due to walkways and busy traffic intersections nearby. Schools, the FET

College, and retail stores along the Route have high amounts of pedestrians and vehicle movement, and so any open public space in close proximity to these institutions produce the largest number of informal businesses along the Activity Route.

6.2.3.2 *Business and educational land use nodes along the Activity Route*

Informal activity is located all along the Activity Route and increases in locations where there is an increase in commercial and educational land use. Clustering of informal businesses occur at the Hulana and the Circle/RC Elliot commercial nodes; these two nodes are where most of the commercial activity in Galeshewe occurs and produces the largest variety of informal business types. The sections along the activity route that have educational land use such as the FET College and high schools also produce a high number of informal business, but has a lower variety of informal businesses compared to commercial land use.

6.2.3.3 *Residential land use*

Informal businesses found in residential areas along the Activity Route are mostly businesses that provide services for that particular residential area. In sections along the Activity Route where there is only residential land use, the number of informal businesses is reduced and particular businesses such as spaza shops, braai spots, and fruit and vegetable vendors become more prominent.

6.3 RECOMMENDATIONS

The Municipality should attempt to reach out to the informal economy in Galashewe to adopt a more participatory and inclusive approach to their by-laws. The over-regulation and enforcement may have a negative impact on the social and economic potential of Galeshewe by preventing individuals from being able to make a living and reduce the provision of services to the community.

The lack of informal trading space provided by the Municipality in Galeshewe forces informal businesses to be located illegally. The provision of locations designated for informal business trading at a location proved to be beneficial to informal businesses, such as the public open space at the Hulani Node and the Circle/RC Elliot node,

which would assist in supporting and regulating informal businesses. An improved understanding of informal business locational preference would assist in identifying more locations along the Activity Route that would be conducive to informal business.

Informal businesses operate from home due to access to water and electricity; for business such as hair salons and spaza shops access to these utilities are vital for their operations, thus the Municipality must have cognisance of the need of each type of business and not develop a generic plan that would not be beneficial to the various types of informal businesses.

Finally, even if the recommendations are followed, and the conditions of informal traders in the community are improved, the nature of informal business in Galeshewe may still produce the occurrence of informal businesses locating on illegal sites, for some informal businesses such as braai spots and carwashes, which occur spontaneously in front of the operators' homes, and mobile vendors that alternate locations, and restricting them to specific allocated spots may not be feasible and beneficial to their operations

6.4 FURTHER RESEARCH

The research only focused on informal businesses along the Activity Route; further research into the location of informal businesses in the broader Galeshewe can be conducted, in which research should focus on the locations of informal businesses inside residential areas, their interaction with the community, and the livelihood strategies of low-income households in the Galeshewe community, to identify individuals are entering the informal economy and the reason residences in communities support them.

In conducting this research, the author identified that all the spaza shops in the study area were operated by foreign nationals and have become an integral part of the community. In general discussions with residents in the areas in which the spaza shops operate, they spoke well of the foreign-owned spaza shops, stating that they provide cheap goods and are willing to give customers credit. Work needs to be done to gain insight into customer satisfaction from informal businesses and customer motivations for purchasing goods and services from them.

Also, spaza shop operators identified to the author that their main concerns in operating their businesses in a particular location in the township is safety, due to the late hours they work, the occurrence of individuals congregating at their shops, and xenophobic attacks in the country. Further research into the role and composition of spaza shop ownership in the broader community of Galeshewe would add to the socio-economic knowledge base of why most of the spaza shops are not inclusive of South Africans and dominated by foreign nationals in the community.

6.5 CONCLUSION

The Dualist school of thought in which the formal and informal economy is separate from each other may not be true in a planning context, as it is evident that informal businesses in many low-income communities gain access to customers due to the close proximity to formal businesses. Hopefully this dissertation will shed light on the integrated nature that exists between the two economies that both have their role to play in servicing the community. Mutual understanding and planning are thus required. As much as the formal economy is planned for, so must planning be done for the informal economy in townships.

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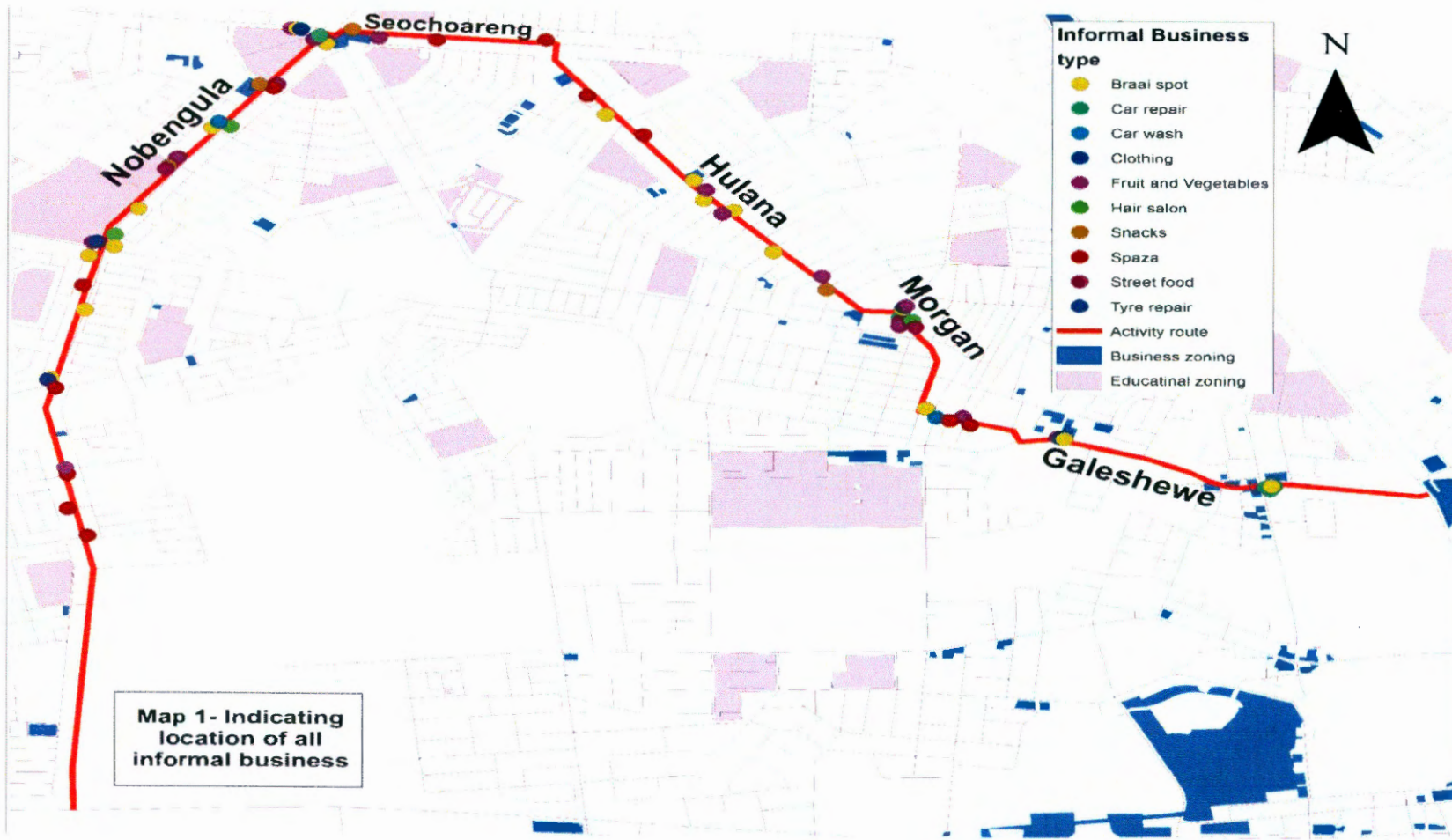
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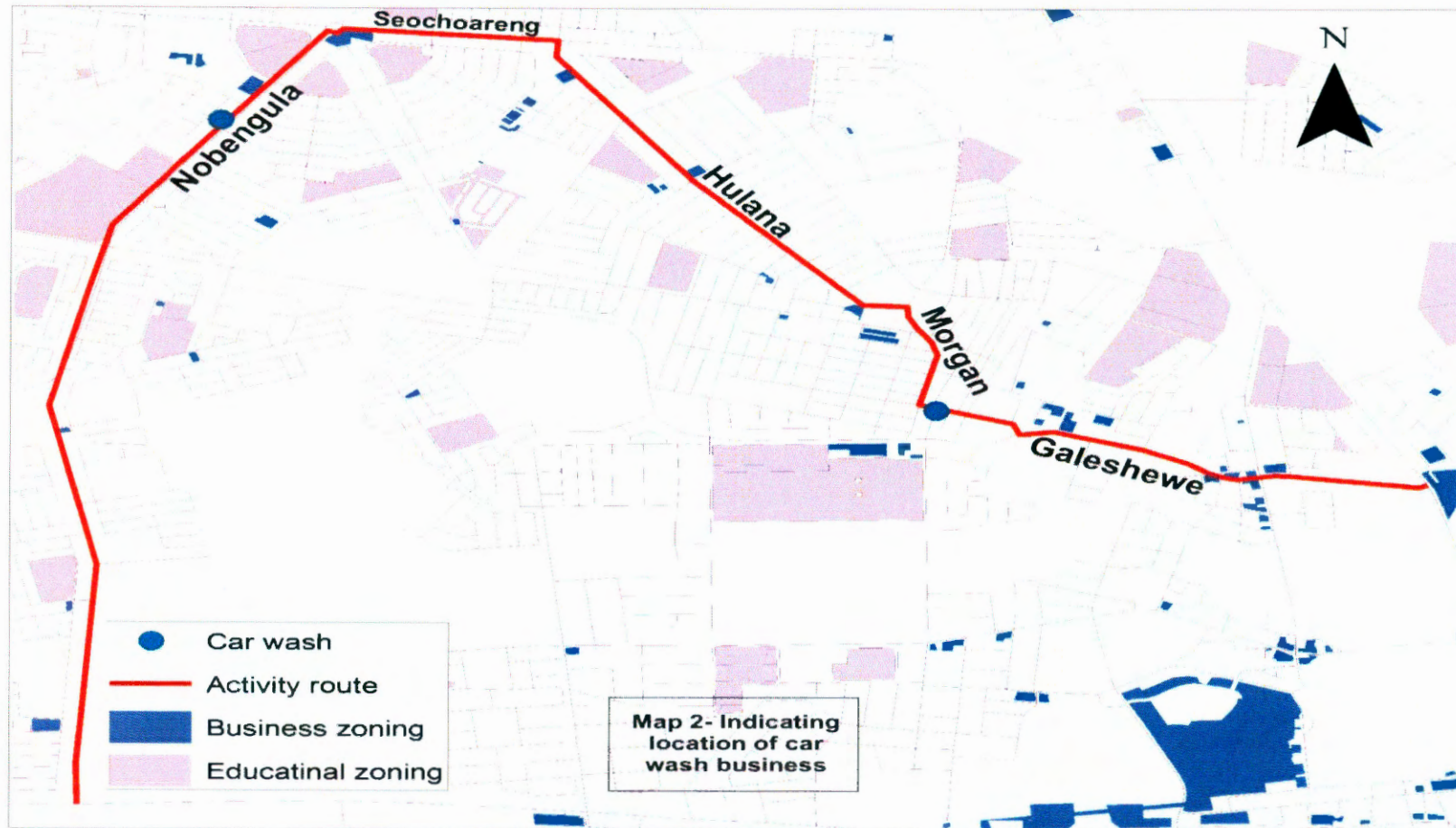
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APPENDICES: MAPS

- Map 1: Location of all informal businesses
- Map 2: Location of carwash businesses
- Map 3: Location of fruit and vegetable vendors
- Map 4: Location of car repair businesses
- Map 5: Location of tyre repair businesses
- Map 6: Location of hair salons
- Map 7: Location of street food businesses
- Map 8: Location of small snack stalls
- Map 9: Location of spaza shops
- Map 10: Location of braai spots
- Map 11: Location of clothing businesses



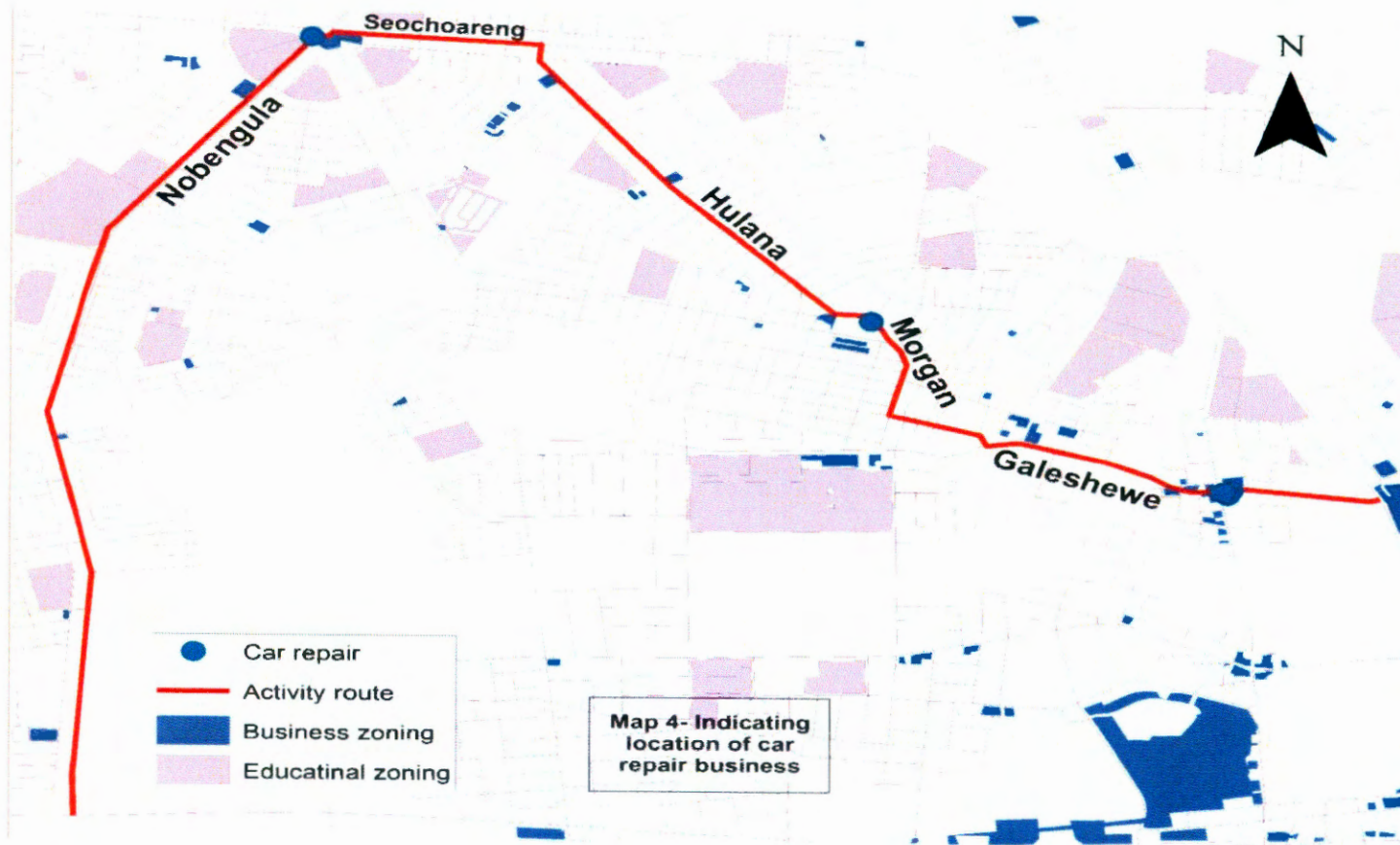
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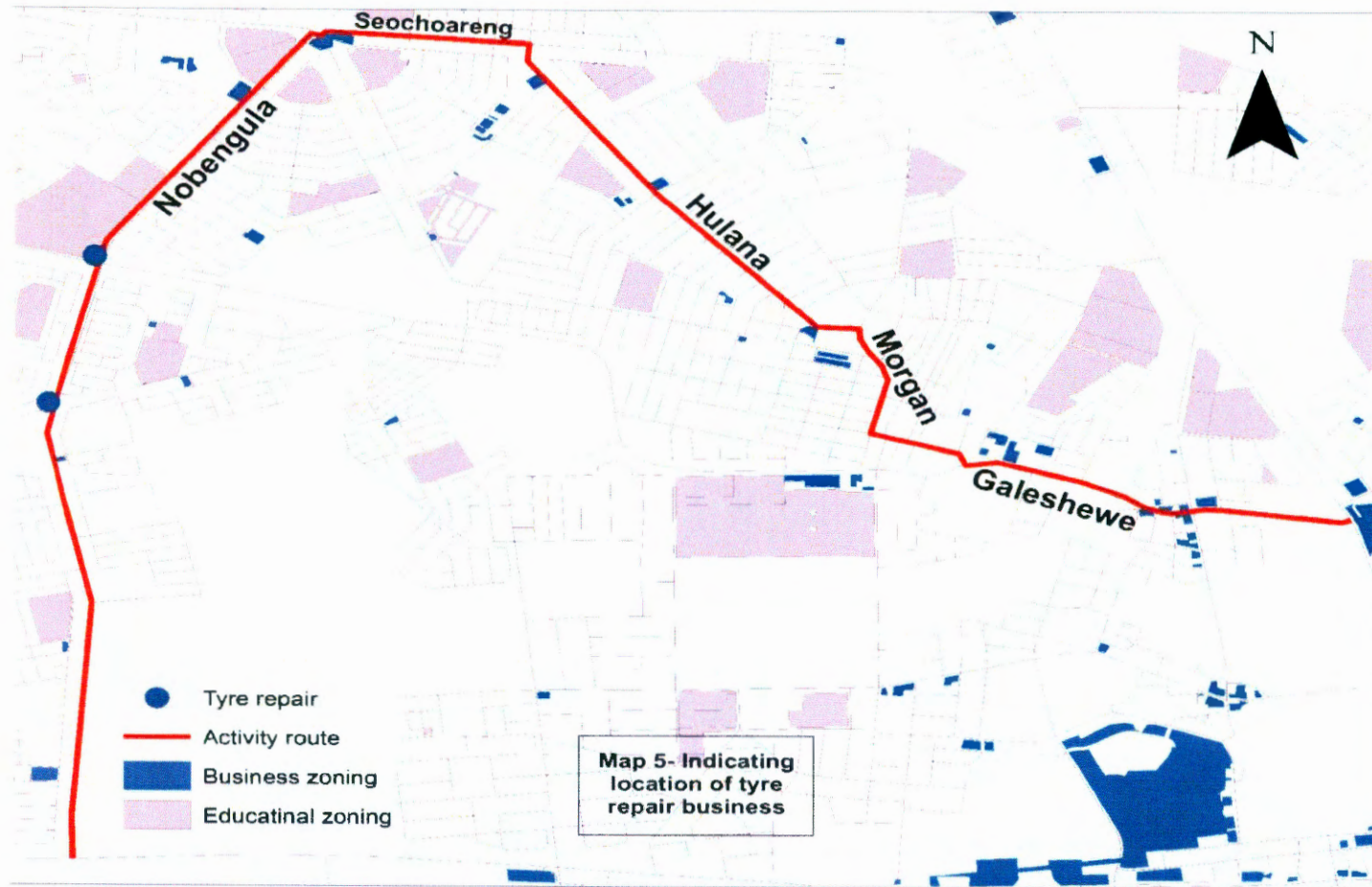
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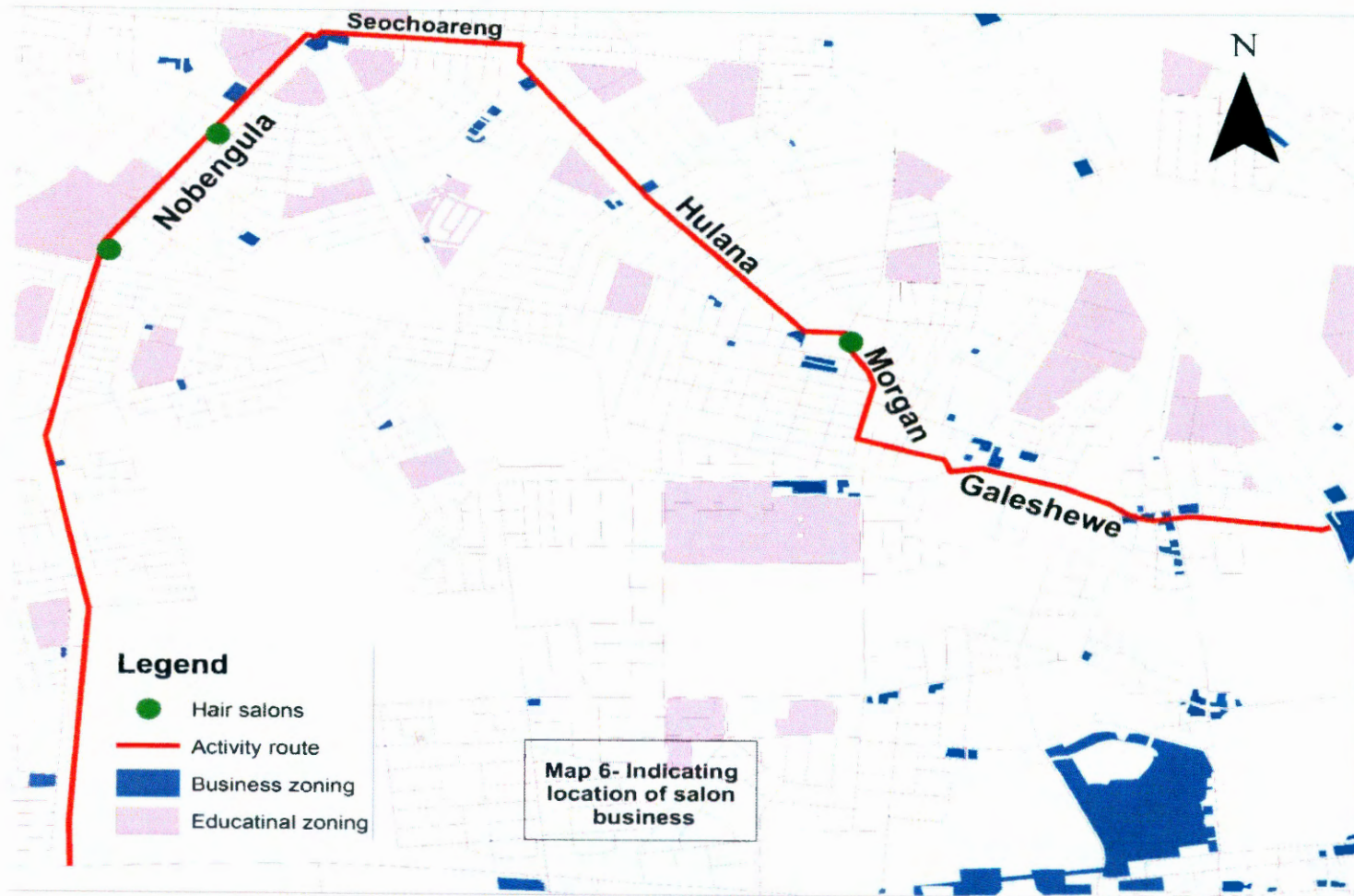
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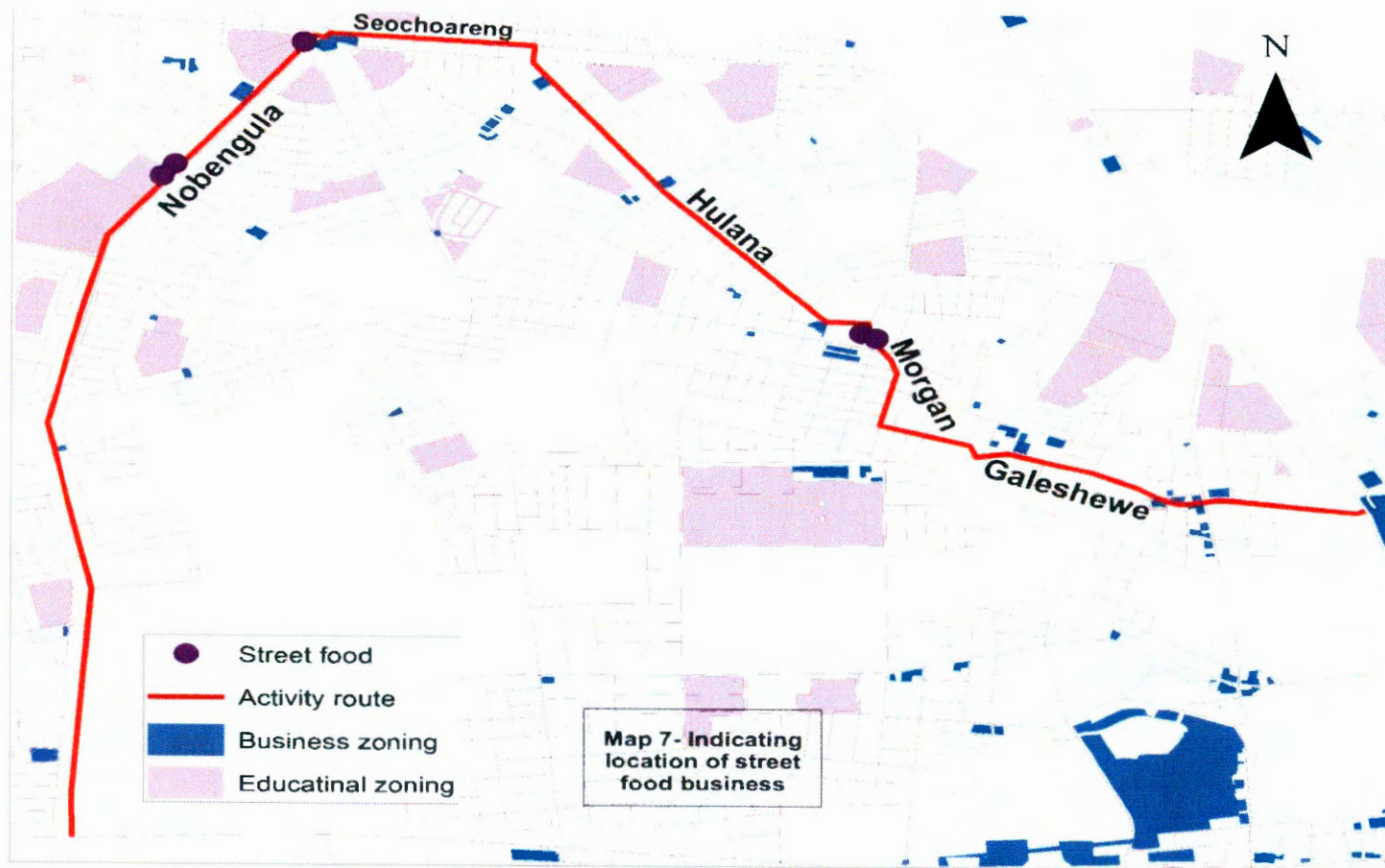
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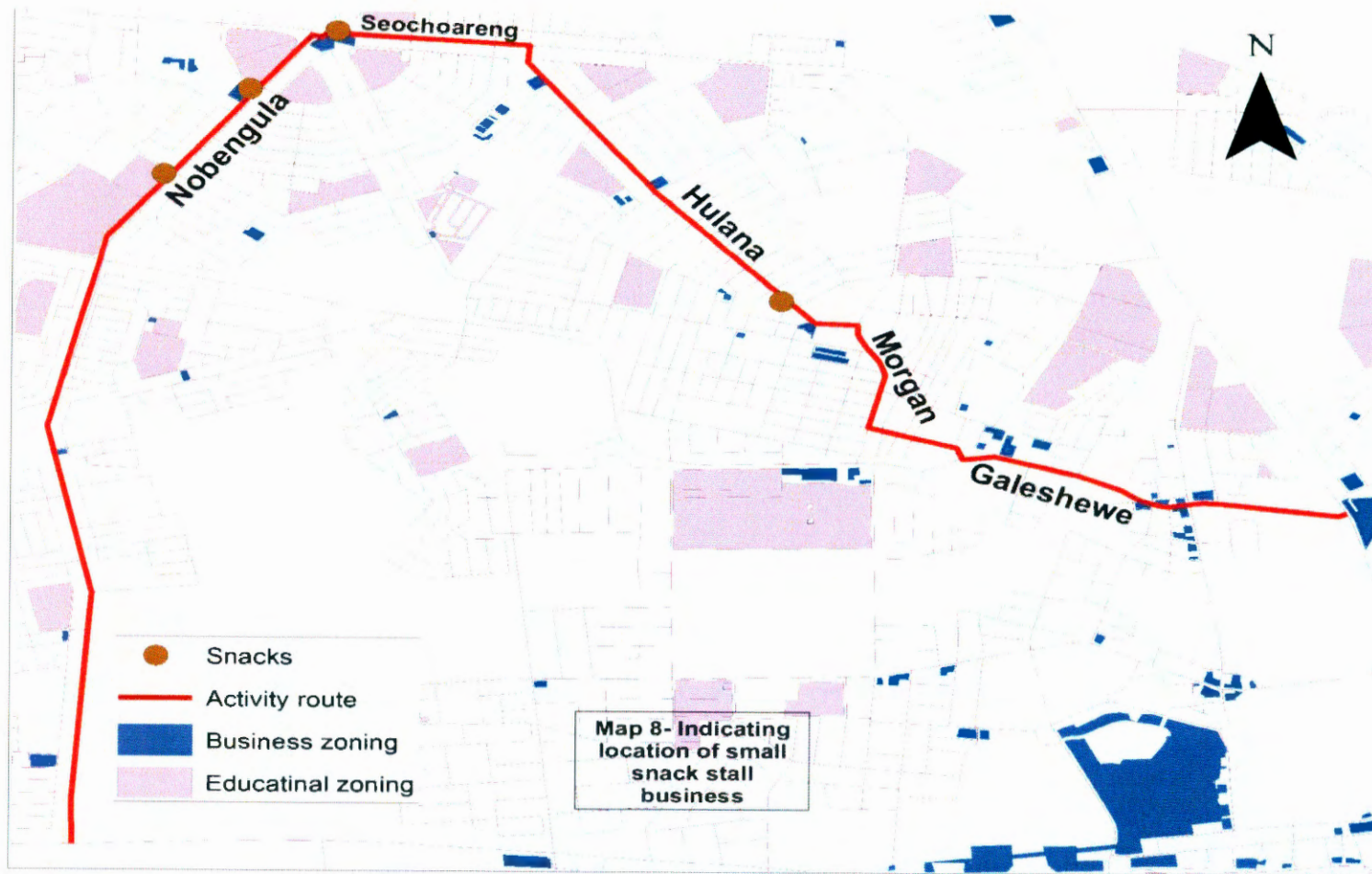
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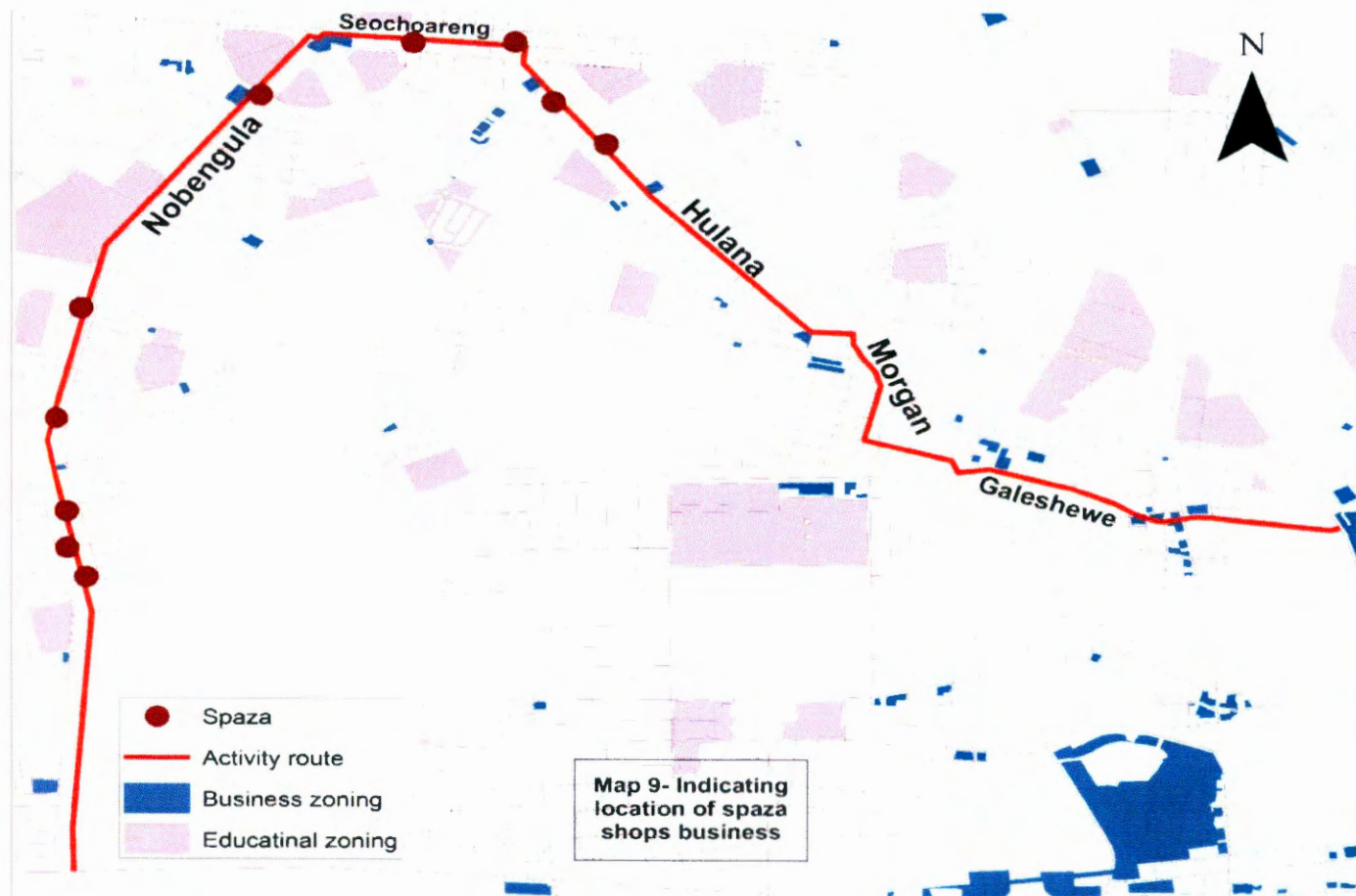
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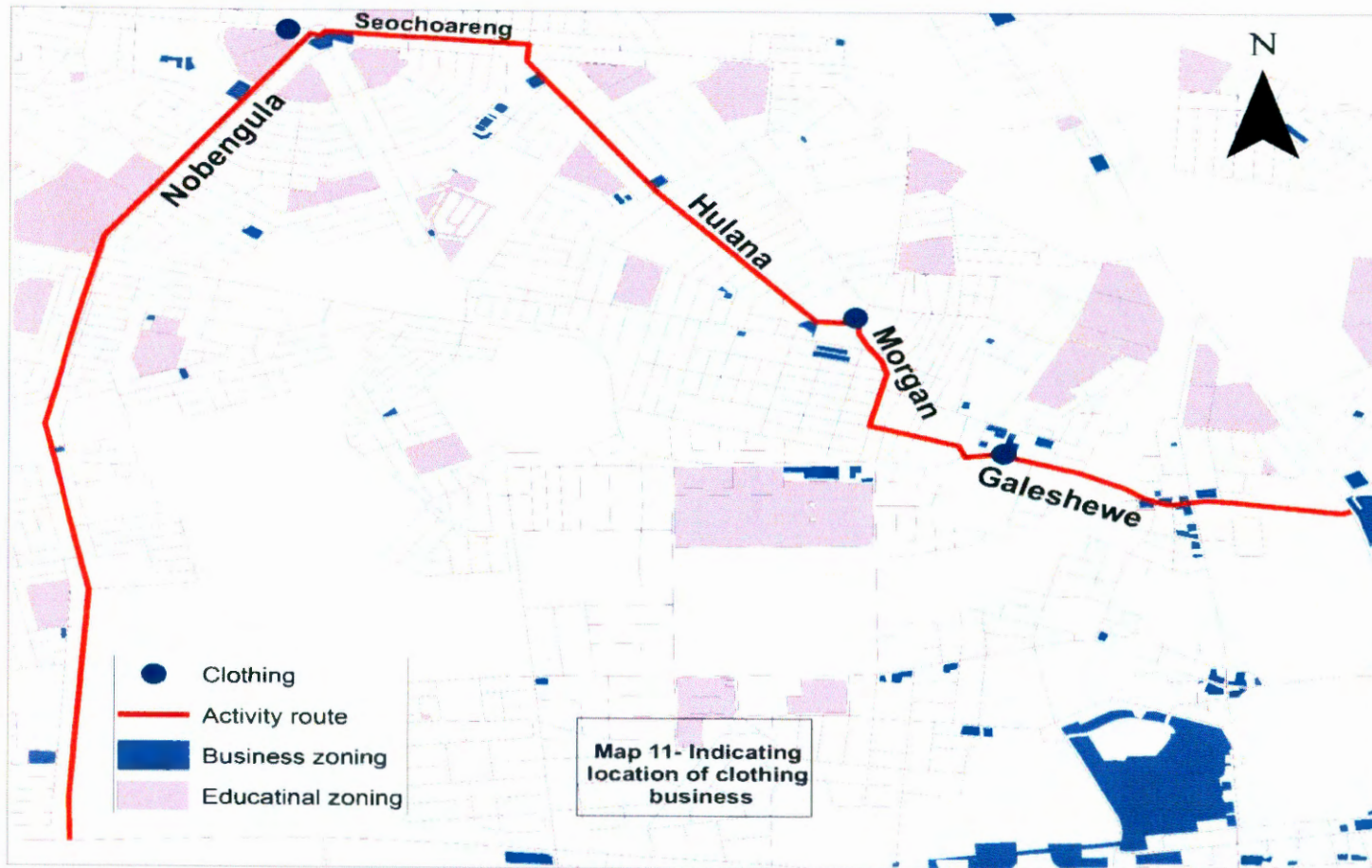
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