



**UNIVERSITY
OF
LUSAKA**

SCHOOL OF POSTGRADUATE STUDIES

INVESTIGATING THE CHARACTERISTICS, CHALLENGES AND THE
MANAGEMENT OF INFORMAL BUSINESSES IN INFORMAL
SETTLEMENTS AND THE CENTRAL BUSINESS DISTRICT OF
LUSAKA

BY

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Submitted in fulfilment of the requirement for the award of a degree of
Doctor of Business Administration (DBA) of the University of Lusaka

2016

DECLARATION

This dissertation is the product of my own work and has not been presented to any other university for examination purposes.

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A handwritten signature in black ink, appearing to be 'Paul C Kapotwe', written over a light blue rectangular background.

Signature:.....

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ACKNOWLEDGEMENTS

This research would not have been possible without the help and encouragement of many people too numerous to acknowledge. To all of those good people, I say, “Thank you very much!”

In so saying, however, I wish to singularly mention the following: my wife Sibalwa, from whom I drew great strength to do this work. I am greatly indebted to my Supervisor, Professor Edwin Kachesa Bbenkele, for his tireless guidance, understanding and encouragement. Without Professor Bbenkele’s support and without those difficult questions he was asking, my work would have been too challenging to execute.

I wish to acknowledge the support from the Post Graduate School at UNILUS, in particular, the Dean of the Business School and the entire UNILUS Post Graduate team and the team of external examiners led by Professor Jacob Mwitwa and Professor Thomas Taylor. Lastly, and by no means least, I wish to thank my four sons, Musonda, Jayi, Kabali and Luyando for understanding why I had to stay up late on many, many nights during the course of this work.

I urge them to exceed my efforts!

ABSTRACT

This research investigated the characteristics and challenges of the informal business sector, its management and linkages with the formal business sector in Lusaka. The research also investigated why the informal business sector remains unregulated and inhibited from growth and integration into the formal economy.

The research was conducted in five informal settlements in Lusaka and in the Central Business District (CBD). Primary data was collected from 300 informal entrepreneurs while secondary data was collected from the Ministries of Local Government and Housing (MLGH), Ministry of Commerce, Trade and Industry (MCTI), the Central Statistical Office (CSO) and the Ministry of Finance and National Planning (MoFNP). Other secondary sources were the United Nations Development Programme (UNDP), the World Bank, the International Labour Organisation (ILO), the Global Entrepreneurship Monitor (GEM), the Lusaka City Council (LCC) and the Zambia Chamber of Small and Medium Business Associations (ZCSMBA). The data was analysed using Microsoft Excel for data presentation and interpretation.

The research revealed that the informal business sector is linked to the formal business sector in Zambia. The research also revealed that the informal business sector lacks access to working capital, technical skills, quality control and other business development services. The sector is characterised by weak and unstable links to sustainable value chains and markets, while there are no Government structures to manage and regulate the sector.

The knowledge gap identified is the lack of systems or models for managing informal businesses in Zambia. The other gap found in literature the absence of government investments in the informal sector in Zambia. The research found that all sampled informal businesses in Lusaka are not registered as business entities, they do not pay income taxes from their earnings, they evade and avoid paying other fees and levies and operate without any legally established business regulations. The research further revealed that there has never been any national study on the informal business sector in Zambia to appreciate the sector's size, operations and character and how the sector can be supported to grow and contribute to the national economy given the sector's business connections with the formal sector. In addition to this, there are no specific laws in Zambia to govern informal businesses. Several laws such as the Nuisance Act, Trades Licensing Act, Public Health Act, Markets Stations Act, are in place but these laws only regulate registered businesses. The research concluded that the informal business sector is important as it creates employment and contributes approximately 48.9% of Zambia's GDP.

The research recommended that, the government conducts a national study on the informal sector in Zambia to establish its size and character and formulate policies to invest financial and technical resources into the sector. The government should develop a bespoke informal sector tax system that would enable informal entrepreneurs to pay tax, which would underpin GDP growth which would be realised through the establishment of informal business sector incubators and business clusters.

Key Words: Employment creation, Informal business sector, Informal entrepreneur, Informal settlement.

List of Tables

Table 2.1 Inflation trends in Zambia (1995-2011)	27
Table 2.2 Population average annual growth (2001-2007)	41
Table 2.3 National trends in incidence of poverty (1991-2006)	44
Table 4.1 Themes for thematic analysis	87
Table 5.1 Tuntamba and informal businesses in Lusaka and the CBD	91
Table 5.2 Tuntamba by Street	92
Table 5.3 Marital status and age of informal traders	95
Table 5.4 Education Level of informal traders	95

List of Figures

Figure 2.1	Zambia's GDP per capita (1960-2008)	24
Figure 2.2	Copper price movements and production (1968-2008)	25
Figure 2.3	Inflation trends in Zambia (1995-2011)	28
Figure 2.4	Distribution of labour by Sector (% of total labour force)	41
Figure 2.5	National trends in incidence of poverty (1991-2006)	43
Figure 2.6	Structure of the Zambian economy	66
Figure 2.7	Informal Sector growth continuum	69
Figure 3.1	Inhibitors of informal business growth	74
Figure 3.2	Conceptual framework	75
Figure 4.1	Transect sampling for estimating number of informal traders	81
Figure 5.1	Tuntemba and other informal businesses per 10 households	90
Figure 5.2	Tuntemba and informal businesses in the Lusaka and the CBD	92
Figure 5.3	Relationship between Tuntemba and informal businesses	93
Figure 5.4	Distribution by %age of respondents by period in business	97
Figure 5.5	Distribution of respondents by ownership	97
Figure 5.6	Distribution of respondents by reason for not in employment	99
Figure 5.7	Reasons for starting informal business	99
Figure 5.8	Distribution of respondents by legal status of business	100
Figure 5.9	Distribution of respondents by Sources of business capital	103
Figure 5.10	Distribution of respondents by involvement in a self-help group	104
Figure 5.11	Prevalence of informal trading activities in Lusaka CBD	107
Figure 5.12	Risks associated with Informal trading in the CBD	108
Figure 7.1	Informal enterprise clusters	122

Table of Contents

Declaration	i
Acknowledgements	ii
Abstract	iii
List of Tables	iv
List of Figures	v
Chapter One – Background to the study	1
1.0 Introduction	1
1.1 The informal business sector in a liberalised economy	4
1.2 Statement of the Problem	10
1.3 Research Questions	11
1.4 Research Objectives	11
1.4.1 Overall Research Objective	11
1.4.2 Specific Research Objectives	11
1.5 Scope of the Study	11
1.6 Study Area	12
1.6.1 Mtendere Informal settlement	12
1.6.2 Chawama Informal settlement	12
1.6.3 Kaunda Square Stage 1 Informal settlement	13
1.6.4 John Laing Informal settlement	13
1.6.5 Kalingalinga Informal settlement	13
1.6.6 The Lusaka Central Business District (CBD)	14
1.7 Limitations of the research	14
1.8 Rationale or significance of the research	15
1.9 Structure of the Thesis	16
Chapter Two - Literature Review	19
2.0 Introduction	19
2.1 Key Definitions	19
2.2 The origins of the informal business sector in Zambia	22
2.3 Micro Small & Medium Enterprises (MSMEs) & the Informal sector	29
2.4 Business ethics and culture	31
2.5 Globalization and the Informal business sector	35

2.6 Urbanisation and the Informal business sector	38
2.7 Informal business sector opportunities	44
2.8 Informal-formal Economic Sector clusters and linkages	46
2.9 Recognition of the Informal business sector	50
2.10 Informal business sector Employment in Africa	56
2.11 Challenges of the Informal business sector	63
2.12 Informal business sector constraints	66
2.12.1 Infrastructure Constraints	66
2.12.2 Resource Constraints	67
2.12.3 Economic Constraints	67
2.13 Summary	70
Chapter Three – Theoretical and Conceptual Framework	72
3.0 Introduction	72
3.1 Theoretical Framework	72
3.2 Conceptualization of the duality of the Zambian economy	74
3.3 Linkage between the conceptual framework and the research theories	76
Chapter Four - Research Methodology	78
4.0 Introduction	78
4.1 Sampling locations and demographic characteristics	80
4.2 Sampling Design	80
4.2.1 Selection of the number of informal traders	81
4.2.2 Selection of the number of residential areas to be sampled	83
4.2.3 Selection of informal entrepreneurs and respondent institutions	83
4.3 Data collection instruments and types of data collected	84
4.3.1 Semi-structured questionnaire	84
4.3.2 Focus Group Discussions	85
4.3.3 Participant observation	85
4.3.4 Primary data collected	86
4.3.5 Document analysis (secondary data)	86
4.4 Data Analysis	86
4.5 Ethical Considerations	88
Chapter Five – Data Presentation and Analysis	89
5.0 Introduction	89

5.1 Count of informal businesses in 5 informal settlements & the CBD	89
5.2 Characterization of informal traders	94
5.2.1 Bio data and education attainment	94
5.2.2 Marital status, age and sex of informal traders	94
5.3 Characteristics of the informal enterprise	96
5.3.1 Period of operating business activity and business ownership	96
5.3.2 Reasons for not being employment and starting the business	98
5.3.3. Legal status of business	100
5.3.4. Priority goods traded	102
5.3.5 Source of business capital	103
5.3.6 Involvement in an enterprise group	104
5.4. Governance and management of the informal business sector	104
5.5 Summary	109
Chapter Six – Discussion Of Findings	111
6.0 Introduction	111
6.1 Characteristics of the Informal Sector	111
6.2 Informal Sector Management	113
6.3 Informal Sector Operations	114
6.5. Summary	117
Chapter Seven - Conclusions and Recommendations	118
7.0 Introduction	118
7.1 Conclusions	118
7.2 Policy approaches	119
7.3 Management approaches	120
7.3.1 Primary Enterprise Incubation approach	120
7.3.2 The Secondary Enterprise Cluster Approach	121
7.3.3 Emergent Enterprise Approach	122
7.4 Recommendations	123
7.4.1 Research recommendations	123
7.4.2 Policy and management recommendations	124
7.5. Opportunities for future research	124
7.5.1 Economic and Social Impact of unsustainable planning	125
7.5.2 Informal-Formal sector nexus	125

7.5.3 Family enterprise an economic pathway for emerging enterprises	126
References	127
Appendices	139

CHAPTER ONE – BACKGROUND TO THE STUDY

1.0 Introduction

This chapter discusses the various definitions of informal sector and outlines the operational characteristics of the sector as seen by various authorities. The Chapter provides a background of the informal sector in general and its origins in Zambia giving a historical perspective of the sector, its practices and place within the business environment.

The chapter discusses the role and place of the informal sector in a liberalized economy and how informal business activities operate under varying economic conditions. The chapter presents the problem statement that the research investigated and outlines overall and specific research objectives of the study. The chapter brings out some key theoretical statements on the sector's role and position in business, its political, social and economic relationships with authorities, its customers, the general public and its linkages with the formal sector. The rationale for the research is also outlined in the chapter. The chapter ends with an outline of the thesis.

The 'informal sector' concept was broadly conceived in the early 1970s. It was analytically appealing because it offered an opening for an explanation of why the 'modernization' process, successfully experienced by the Western world, was taking an apparently different path in Least Developed Countries (LDCs). Yet, informally organized economic activities still account for a strikingly large share of overall economic activity in LDCs and conceptual confusion on this pervasive feature of underdevelopment still prevails (Portes and Schaufli, 1993). According to Charmes (1999), the majority of informal sector units in LDCs are characterized as 'survivalist' enterprises as they are less productive and generate smaller incomes earned by informal sector entrepreneurs.

It was apparent that the informal business sector in Zambia, its size and scope are not well understood and studied Muuka (2003). Statistics on the sector are not well captured and the sector's contribution to national economic development is not well appreciated. Chigunta (2002) averred that, there was presently a general lack of accurate and systematic data on youth, especially as it relates to youth

entrepreneurship. Despite the lack of reliable statistics, the informal business sector has occupied increased space on the business platform.

The informal business sector in Zambia contributed an estimated 48.9 per cent of the country's Gross National Income in 2004 (World Bank, 2004) and by sector value, the formal sector in 2010, was valued at K 64,544.6 million which was 66.4 per cent of the total GDP, while the informal sector was valued at K 32,671.3 million which was 33.6 per cent of the total GDP CSO, (2010). The informal sector is also considered to be an important poverty reduction and job creation strategy that has seen the absorption of unemployed men, women and the youth.

The informal business sector has been defined in various ways by several authorities and researchers. Keith Hart, a social anthropologist, was the first person to bring the term *informal sector* into the academic literature in the early 1970s. According to Women in Informal Employment Globalising and Organising (2012), Keith Hart first coined the phrase, 'informal economic sector', to describe the range of subsistence activities of the urban poor, which worked outside the formal labour market in Ghana.

Ever since, there has been considerable debate about what exactly the term refers to (Skinner, 2002). Skinner (2002) defined informal business sector activities as economic activities which are small scale and eluded certain government requirements like taxes and levies and other public health regulations. The International Labour Organisation (ILO), (2006) viewed informal activities as "a way of doing things, characterised by ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale of operation, labour intensity and adapted technologies, use of skills acquired outside the formal school system and unregulated and competitive markets".

The ILO, (2004) further defined the informal business sector as, 'very small units producing and distributing goods and services, consisting largely of independent self-employed producers in the urban and rural areas of developing countries, some of whom also employ family labour and/or a few hired apprentices, which operate with very little capital or none at all; which utilize a low level of productivity; and which generally provides very low and irregular incomes providing highly unstable employment to those who work there.'

Several definitions of the informal business sector centred on illegality in the manner and conduct of activities, Mandela (1990), an operation outside formal rules of state Cross (1998); owner or family operation, CSO (2006) and lack of sufficient formal enterprise arrangements, Larsson, (2006).

The definitions by Mandela (1990), Cross (1998), Larsson (2006) and CSO (2006) were narrow as they did not bring out other critical attributes of informality. The ILO definition however, covers most of the attributes of informality. The definition and description of the informal business sector by the ILO was comprehensive as it gave a broader dimension of the sector unlike the CSO (2006) definition which only dealt with the number of employees and the lack of registration as criteria to define an informal business entity. This research adopted an eclectic definition of informal business sector with key characteristics of the sector as obtaining in Zambia.

A deeper analysis of the above definitions unanimously brought out non-registration and enterprise size elements as key characteristics of the informal business sector. Cross (1998) included the element of operation outside norms of the state, but not illegality. Cross (1998) definition also included an interesting dimension of legality since informal enterprises traded in legal goods and services albeit that these were not registered and regulated by authorities. Skinner's (2002) definition went further to include eluding of government laws.

ILO (1995) further defined the informal business sector to include the production and exchange of legal goods and services that involved the lack of appropriate business permits, violation of zoning codes, failure to report tax liability, non-compliance with labour regulations governing contracts and work conditions, and/or the lack of legal guarantees in relations with suppliers and clients. The ILO definition broadly defined the informal business sector using size, low capital intensity, owner or family operation and non-registration as key criteria. It could be premised from the above definitions that, in Zambia and in most developing countries, most informal businesses are unregistered and therefore unregulated. The thesis being that, informal enterprises can only be regulated if they were registered. Registration therefore seemed to be the prerequisite for regulation.

This can be argued however that, the informal sector could still be regulated through other non-business means such as through public health regulations and other municipal bylaws.

It can be assumed that, many informal enterprises were unable to access organised markets, essential services and could not access formal working capital or other support services because they were not recognised and registered as business entities. It may be countered however, that whilst formal services may not be available to the informal business sector, a plethora of informal services and facilities like access to informal markets, informal credit schemes and other intra and extra-commercial services may be at the sector's disposal.

The researcher postulates that, the ease with which informal sector entrepreneurs get access to a plethora of informal services could explain why informal business sector entrepreneurs opted to remain informal and hidden but well connected to the formal sector. The apparent resistance to formalise could suggest a 'difficulty of departure' paradigm; as registration could arouse interest from the authorities which could inflict some costs associated with formalisation. The seemingly unfettered and laissez-faire scenario in the informal sector may be the reason why it is difficult for informal entrepreneurs to move out of the sector and become formal entities (Larsson, 2006).

The researcher used the stated working definitions and related them with other practical characteristics such as the lack of access to formal business credit, non-observance of labour laws and lack of trade union representation as other elements to describe the informal business sector in Zambia. According to CSO (2013), the informal sector is part of the entity known as the Non Observed Economy (NOE) which may also involve illegal activities like drugs and uncertified chemicals.

1.1 The informal business sector in a liberalised economy

Since the liberalization of the economy in 1991, Zambia has seen a rise in the number of informal businesses, particularly in petty trade and services in urban areas. In Malawi, Bangladesh, Mozambique, Sri Lanka, Tanzania, Uganda and Zambia, it was reported that, informal business activities are mainly unregistered and were conducted haphazardly and in undesignated places, causing pressure on service provision by local authorities and government, Norad (2002).

Informal businesses in Zambia take place in different locations. Some informal activities take place within households, on main streets, on street corners and in make-shift sheds commonly known as *Tuntemba*. The owners of the informal businesses are housewives, out-of-school youth and in some cases, workers who are off duty or on leave from their formal jobs.

As liberalisation and free market policies were taking root, many private companies and parastatal companies retrenched a lot of staff who ultimately found themselves in the informal business sector to earn a livelihood and provide for their families.

The mining industry, particularly the Zambia Consolidated Copper Mines Limited (ZCCM), which was the largest single employer in the Copperbelt Province of Zambia, seemed to have been the most affected by these retrenchments.

Another factor which led to the growth of the informal business sector in Zambia was the infamous Structural Adjustment Programmes (SAPs) introduced by many African countries and guided by international financial institutions during the 1990s. Many thousands of formal sector workers, mainly civil servants and workers in state-owned enterprises were retrenched and rendered unemployed as a consequence of SAPs. To survive and be able to provide for their families the former workers found solace in the informal business sector (Mususa, 2008). A planned retrenchment of 7,000 public sector employees in 1999 and the medium term strategy which projected to privatize public enterprises which, at that time, accounted for some 80 per cent of GDP and employed 140,000 workers (IMF/IDA 2000). Tranberg-hansen (2010), attested that, economic liberalization since 1991 coupled with SAPs, the Highly Indebted Poor Countries (HIPC) initiative, and the Poverty Reduction Strategy Papers (PRSP), are producing a relationship between the state and the urban informal economy that is more antagonistic than ever and in ways that severely circumscribe young people's options.

This position was earlier attested to by Mususa (2008), whose view was that, the privatization of ZCCM in 1997 led to a severe contraction of the permanent labour force in the Copperbelt province. In response, women and children entered the informal business sector in large numbers seeking to subsidize men's declining involvement in the formal sector.

Mususa (2008) further asserted that, as families grew, it became imperative for many households to undertake income generating activities to supplement their husbands' monthly wages. Such activities mainly involved trading in foodstuffs and second hand clothes known as '*kombo*' which was being sourced from Zaire (now Democratic Republic of Congo). '*Salaula*' a Bemba term meaning, 'rummage and choose' has replaced the trade of '*kombo*' which was prevalent in the pre-independence era up to late 1980s. '*Salaula*' included the sale of used clothing, shoes and other used personal apparel coming from western countries. According to Muuka (2003), no other informal business sector activity was more pronounced than '*Salaula*' since the early 1990s.

Trade in second hand goods has expanded beyond *salaula* to smuggled liquor, beverages and machinery including trade in reconditioned imported motor vehicles usually referred to as *dot.coms* or *fongkong*, and other second hand tools, equipment and clothing items such as linen and other garments. While it is such types of businesses that can potentially evolve into small or medium sized companies, and subsequently into larger companies, such enterprises are not registered and regulated. According to Mwenechanya (2007), these informal business sector businesses are a valuable nursery for growing better quality jobs, suggesting that promoting informal enterprises and facilitating their access to business development services would spur them to grow.

The informal business sector operated within the framework of globalization and urbanization with increasing numbers of informal traders exchanging legal and illegal goods and services within the country and between borders. In recent years, the growth of informal and formal cross border trade has attracted the attention of many governments in Africa. The Common Market for East and Southern African (COMESA) has formulated trade policies to govern trans-boundary trade and promote benefits from duty and tax and other trade opportunities between member states. The Cross Border Traders Association, a conglomeration of formal and informal enterprises involved in regional trade within COMESA, was born out of this initiative (Garret, 1998). According to (Garret, 1998), globalization increases the potential long-run social benefits of the markets but also heightens political opposition to them in the short-run.

The varying experiences within COMESA on point-of-origin principles for regional exports, common tariffs and regional duties attest to this fact. Inter-country trade, as practiced within the COMESA fraternity is a demonstration of globalisation and a realisation of significant reductions in transportation, communication costs, as well as advances in removing artificial barriers to the flow of goods, services, capital, knowledge, and to a lesser extent, of individuals across borders (ILO, 2008).

The business environment in Zambia is characterised by formal and informal business activities. The formal economic sector in Zambia and many other countries in the world has been recognised and regulated through various legal instruments but the informal business sector, though visible remains unregistered and unregulated.

The informal economy as defined by Hart (1974), Skinner (2002), Castells (1989) and other authorities has been understood as the obverse of the formal sector in terms of being unregulated, unregistered and untaxed or not formalised (Tokman,1989). Formal businesses are registered entities that are regulated by relevant Zambian laws and bylaws. Employees in the formal sector are offered contractual employment and they pay statutory taxes. Likewise, employers in the formal sector are also regulated by employer associations like the Zambia Federation of Employers (ZFE), Bankers Association of Zambia (BAZ) among others. Employers in the formal sector also pay statutory corporate taxes and their activities are open to scrutiny through public audits and through submission of other statutory returns. No statutory authority in Zambia is responsible for the conduct of informal economic activities and informal business activities do not pay income tax on their trade.

Formal businesses engage with suppliers of goods and services through trade contracting and documentation of all trade processes are recorded and maintained. Recording business transactions reduces risk and promotes efficient business management. Measurement of formal economic activities is therefore underpinned by the existence of these records. Documentation of transactions between a formal business and an informal business are usually kept by the formal business but rarely kept by the informal business.

According to the Zambia Revenue Authority (ZRA) Act No 28, Cap 321 (1993), all registered businesses are required to register for Value Added Tax and other corporate taxes evidenced by holding of a Tax Payer Identification Number (TPIN). Other statutory obligations like the Zambia National Pension Scheme Authority (NAPSA), Workers Compensation Fund, among others are also required to be complied with.

From trade connections between the formal and the informal business sectors, it can be surmised that, though the formal and the informal business sectors may legally be poles apart and structurally disjointed, research has shown that some connections and relationships subsist between the two sectors (Mandela, 1990; Bigsten, 2004). This theory was also attested to by Lindell (2012), who noted that, a growing number of people rely on economic activities occurring beyond state regulation. In terms of regulation and management, it appears that the sector is difficult to manage as Zambian authorities do not understand its size, levels of activity and scope (Muuka, 2003).

It could be suggested that, the lack of regulations to govern the informal business sector has made the sector grow uncontrollably while the capacity of government to deliver social and economic services has not grown at the same pace.

According to the Ministry of Finance (2006), the existence of a large Micro, Small and Medium Enterprise (MSME) sector in Zambia, of which 90% was informal, has serious implications on the functioning of the economy. This phenomenon could be supported by the fact that there may not be sufficient knowledge and documentation on the informal business sector in Zambia. The view by CSO (2008) is that, data on the informal business sector in Zambia is unreliable as the CSO does not disaggregate national output in relation to enterprise size. To the authorities, the informal business sector is a public nuisance that has the potential to disrupt the conduct of formal business while to the informal business sector legalization constituted a major threat to their economic well-being (Mwenechanya, 2007).

The research investigated informal entrepreneurship development and linkages between the informal business sector and the formal business sector outlining the challenges and impediments that make it difficult for authorities to regulate the informal business sector. Although informal traders operate outside the law,

research has shown that the sector is a source of gainful employment by their owner operators or by their employed staff.

As affirmed by Lindell (2012), the vast majority of Lusaka residents, including young people, create a living from a wide range of extra-legal activities that are most visible in public space.

Lindell (2012) further showed that, many informal enterprises operate in unauthorised places like street corridors and alleys and other unregulated places. Informal entrepreneurs trade in goods they are not licensed to trade in and they do not manage the environment in which they trade. Income taxes are not paid to the authorities nor do informal businesses comply with the laws and bylaws relating to the conduct of business. Despite this informality, the informal business sector plays a vital role in the national economy and contributes to the Gross Domestic Product (GDP) of many countries in Africa including Zambia, Muuka (2003).

ILO (2008) discovered that, from 1990 to 2007 the informal business sector in Zambia had grown faster than the formal economy contributing 24% to the country's GDP in 1998.

According to the World Bank (2004), this grew to 48.9% in 2004 compared to 3.7% in South Africa and 58% in Ghana. In later years, the informal business sector's contribution to GDP had increased to over 50%. In 2013, CSO disclosed that, the informal sector in Zambia accounted for 65% of GDP, higher than mining and agriculture. This finding could probably be as a result of the bulk of all business activities in the country being informal and hidden from authorities. As a result, this proportion of business remains untaxed by the authorities. CSO (2011) further showed that, out of a labour force of about 5 million people 85.4% were employed in the informal business sector and generally self-employed.

The lack of regulation of informal economic enterprises led to unwarranted pressure on the supply and delivery of social services like water and sanitation. Overcrowding, crime and other social vices were also known to be prevalent in informal business sector environments. Crime has been reported to be higher in unplanned settlements where informal trading activities are most prevalent. Chibolya informal settlement in Lusaka is one such area where crime levels are the highest in the city (LCC, 2008).

Apart from the lack of formal employment opportunities, it is not clear what other connections exist between concentration of informal activities in unplanned settlements and prevalence of crime.

The apparent standoff between government and informal businesses is in concert with Liddell (2012)'s view that, the relationships between the state and vendors, while long-standing, are today more antagonistic in view of recurrent controversies between urban regulatory authorities and vendors over access to, control over, and use of market and public space. Better understanding of the informal business sector and its operations is therefore an important step towards the sector's recognition and regulation.

1.2 Statement of the Problem

It has been established from the foregoing that, the informal business sector in Zambia is not well understood and studied. Statistics on the sector are not well captured and the extent to which the sector contributes to national economic development is not well appreciated. According to NORAD (2002), most informal business sector businesses are not registered, and regulations to monitor and manage their activities are not enforced. It was observed that, most informal enterprises did not pay income tax on their businesses and could not access working capital and other business services because they were informal and their activities were conducted in unregulated environments in conflict with existing business regulations. The non-enforcement and/or lack of an effective regulatory framework to manage the informal business sector poses great challenges to the effective and efficient delivery of services and conduct of business (ILO, 2008).

In Zambia, this situation is evident in Lusaka's Central Business District (CBD) and in informal settlements in the city, which has a total population of over 2.5 million people (CSO, 2011). In terms of revenue collection and taxation, it is probable that government could be losing revenue by not fully capturing the informal business sector in the income tax bracket. Records about the informal business sector in Zambia are very scanty yet, the sector employed between three to six times more people than the formal sector (Muuka, 2003), and is reported to contribute an estimated 48.9% to the country's Gross National Income (World Bank, 2004). In addition to that, the informal business sector is an important part of the wider economy in that it provides a breeding ground for small-scale formal businesses and thus contributing to poverty reduction.

Not much knowledge however, is available on how the informal business sector in Zambia operates, what operational, legal and regulatory impediments it faces, what challenges authorities face in managing the sector and how the sector is linked to the formal economy so as to extend its benefits and possibly bolster its growth and integration into the formal economy. Because the informal business sector is not fully understood, it is difficult to appreciate its size, its operations as well as the challenges the informal business sector faces.

The above discussion raises the fundamental questions; why informal businesses are not registered and regulated by the state, what the real problems or challenges the sector is facing and what can be done to manage the informal business sector in Zambia. It is against this background, that this study was conceived.

1.3 Research Questions

The research questions to be answered by the research were:

1. Why are informal economic activities not registered and regulated by authorities in Lusaka?
2. What factors impede the growth of the informal business sector?
3. How can informal economic activities in Lusaka be supported and managed to ensure that the sector meaningfully contributes to the Zambian economy?

1.4 Research Objectives

1.4.1 Overall Research Objective

The overall objective of this research was to ascertain the operational characteristics of the informal business sector, its challenges and its linkages with the formal sector in Zambia.

1.4.2 Specific Research Objectives

1. To understand why informal economic activities were not regulated by the state.
2. To identify and analyse operational, legal and regulatory factors that affect the growth of the informal business sector.
3. To identify what linkages exist between the informal business sector and the formal business sector.

1.5 Scope of the Study

The study was focused on informal sector activities in the city of Lusaka, which is Zambia's capital city. Lusaka is also the largest city in Zambia. In Lusaka, the study was focused in five Lusaka informal settlements and the Lusaka Central Business District (CBD). While it is appreciated that there are various facets, attributes and operational factors that characterise the informal business sector in Zambia in general, and in Lusaka in particular, the study only focused on the operational aspects of the informal business sector in the Lusaka CBD and the five informal settlements identified for the study. Likewise, it was only from key informant institutions and informal business sector operators in Lusaka that data was collected.

1.6 Study Area

1.6.1 Mtendere Informal settlement

Mtendere (*'peace'* in the Chinyanja language) is an informal settlement also called Mtendere Ward 30 in the Zambia electoral delimitation system. Mtendere was established in 1967 and is located 5km from the Lusaka CBD. The informal settlement has a population of 167,542. Mtendere and Kaunda Square Stage 1 are in Munali Constituency whose population was 263,828 (CSO, 2010). Mtendere is characterised by low and medium-cost formal and informal housing. Informal trading activities in the informal settlement included general trading, small scale manufacturing and processing and service provision.

Records from the LCC indicate that, the settlement has a number of social amenities including clinics, a market, schools and a police station, among other amenities (LCC, 2012).

1.6.2 Chawama Informal settlement

Chawama (*'it is wonderful'* in the Bemba language) was established by former employees of a white settler in the period just after Zambia's independence in 1964. The informal settlement, located 3km south of the Lusaka CBD was recognised by the LCC in the mid-1960s (LCC, 2008). Chawama has two Wards, Nkoloma Ward with a population of over 75,082 and Chawama Ward 2 with a population of 70,181 (CSO, 2010).

Like Mtendere, Chawama is also characterised by a mix of low, medium-cost formal and informal housing. Major informal business activities in Chawama included general trading, manufacturing, processing and services (CSO, 2011).

A police station, a modern hospital, churches, a filling station, shopping malls and several commercial businesses are among the public amenities in the informal settlement.

1.6.3 Kaunda Square Stage 1 Informal settlement

Kaunda Square Stage 1, named after the first Zambian President, Dr. Kenneth Kaunda, was legally established as a Site and Service area in the late 1970s. The informal settlement is located 7 km east of the Lusaka CBD. Kaunda Square Stage 1, which is Ward 33 in the electoral delimitation, has a population of 45,933 (CSO, 2010) and is characterised by standard planned low and medium-cost housing. Kaunda Square Stage 1 is located in Munali Constituency (LCC, 2008).

1.6.4 John Laing Informal settlement

John Laing was granted recognition status by the LCC in 2004. By 2015 the informal settlement had not yet been gazetted as a legal settlement by the government through the MLGH. John Laing Settlement is located about 2 kilometers from the Lusaka CBD and has a land area of about 413,503 square meters. The name of the informal settlement was derived from a white man, Mr. John Laing who lived in the area in the 1970s (CSO, 2011). John Laing has a total population of approximately 167,542 as at 2010.

The informal settlement has no main road, but is accessible through Kafue Road and through Kanyama, a sprawling informal settlement to the north of John Laing.

The settlement has several inner-roads with no proper layout and in a deplorable state: the roads have no drainage system, and during the rainy season the settlement, and many other settlements south of the Lusaka CBD, suffer from seasonal flooding resulting in high incidences of cholera and other water-borne diseases (LCC, 2008). John Laing has a number of community facilities such as churches and several schools. It has two clinics and a police post. The settlement also has a number of taverns and bars and several illegal businesses taking place.

1.6.5 Kalingalinga Informal settlement

Kalingalinga is situated about 5 kilometers east of Lusaka city. It was legalized as an Improvement Area in 1986. Its total surface area is 682,389 square meters of flat land. Kalingalinga originated on the land of two abandoned farms one for a Mr. Dudhia and the other for a Mr. Mendo who lived in the area in the 1950s (CSO, 2004).

Kalingalinga is a Ward in the electoral delimitation system. Kalingalinga is a Chinyanja word for a *person who moves from place to place*, denoting its previous role as a transit area. During the post-independence period, the area was characterized by political clashes between the United National Independence Party (UNIP) and the African National Congress (ANC) (LCC, 2008). Kalingalinga was treated as an illegal settlement, and there were sporadic attempts by the Council to demolish the settlement to pave way for the extension of the University of Zambia (UNZA). This also forced some residents to abandon the area and settle in Mtendere and other settlements. Expansion of the university has however not taken place as Kalingalinga settlement has grown bigger encroaching onto the University of Zambia land. The settlement was upgraded in 1979 and later had a school, several shops, a police post and a market. The settlement also has a mini hospital with a mortuary and maternity wing. The total population of Kalingalinga stood at 39,139 (CSO, 2010). Kalingalinga is famed for hardware, tin-smithing, ironmongery, stone crushing and illicit beer brewing. Many Lusaka informal settlements feature similar social and economic characteristics.

1.6.6 The Lusaka Central Business District (CBD)

The central business district of Lusaka was selected because of the high volume of street vendors and informal traders than CBDs of any other districts in Zambia. This was also partly due to the large migration pattern to Lusaka Province (LCC, 2010), with the highest population growth rate of 4.7% (CSO, 2010).

1.7 Limitations of the research

It was not possible for the researcher to undertake the study throughout the country and in all locations where informal business activities were conducted, as the cost, time and human resources needed were limiting. Therefore, the research was only focused in Lusaka, which in fact, depicted the highest levels of informal sector activity than other major Zambian cities like Kitwe and Ndola. In terms of data collection, the researcher found it difficult to obtain reliable data and policy information on the informal business sector from the LCC and several government ministries where data was scanty and not well recorded.

Data on the origins of the informal sector in Zambia and disaggregated demographic information about the targeted sample locations was not available.

The numbers of households in the sampled locations at the time of the study were:

1. Mtendere 27,923 households
2. Kalingalinga 6,523 households
3. John Laing 17,688 households
4. Kaunda Square Stage 1. 7,656 households
5. Chawama 24,210 households

1.8 Rationale or significance of the research

The rationale for this research was to understand the nature and character of the informal business sector in Zambia and contribute to this knowledge by analysing its operational linkages, context and legal and regulatory challenges that constrained its growth and formalization.

It is important that, the informal business sector is understood so that appropriate policies and measures to regulate it are defined and implemented. Evidence suggests that, in terms of regulation and management, the informal business sector has been difficult to manage as Zambian authorities do not understand its size, levels of activity and scope. It has been surmised that, informal business sector operations are at variance with the law, but from a social economic standpoint the informal business sector is a social safety net that has seen many households mitigate against the high cost of living in many countries including Zambia. This justified the need for the sector to be studied, understood and its activities captured in national statistics.

It has also been established that, given the right support, the informal business sector has the potential to generate economic growth (Mandela, 1990) and has contributed significantly to the GDP (at least 20 to 50%) in most countries (World Bank, 2001). It can be suggested that, research in the informal business sector in Zambia is important given the potential the sector has to contribute to the national economy. According to Jenkins (1994), the Zambian government in its Fourth National Development Plan deliberately focused on promoting and supporting the formal business sector. It was only in 2013 that the Zambian government announced that, the CSO would undertake a nationwide informal business sector survey to understand the size of the informal business sector in Zambia and how the sector operates. Such informal business sector study has however not been undertaken.

A national informal business sector study would provide valuable information on the nature of the informal business sector and its *modus operandi*. This will be with a view to proposing informal business sector management and regulation models that policy makers, entrepreneurs, city planners, social economic researchers, students, civil society groups and other interest groups could use to inform the management and regulation of the informal business sector in Zambia.

1.9 Structure of the Thesis

Chapter One provides a background of the study and the informal business sector in general and its origins in Zambia defining its nature and place in the business environment. The role of the informal sector in a liberalised economy is also discussed. The statement of the problem is made after which research questions and research objectives of the study are stated. The rationale for the research and outline of ensuing chapters are also given.

Chapter Two is the literature review which presents and discusses the literature reviewed and lessons learnt on the origins of the informal sector. The chapter reviews broad literature on entrepreneurship, informal trade, globalisation and other business aspects relevant for this research. The Micro, Small and Medium Enterprise (MSME) environment in Zambia and various aspects of informal entrepreneurship and informal sector best practices are also discussed in the chapter.

An attempt to draw some links between entrepreneurship, informal trade, globalisation and other business aspects and the growth of the informal business sector is made and compared with the operation, management and regulation of business in Zambia, highlighting major differences, parallels and relationships between them. The chapter further discusses the operations of the informal business sector, how it conducts its business and how it relates with its customers, the authorities and the environment within which it operates. Informal business practices are also discussed in the chapter bringing out some global best practices in the conduct and management of the sector.

Various arguments are drawn from the discussion and contrasted with findings from literature. Literature on informal sector employment in Africa and the various legal and regulatory challenges faced by authorities in regulating and

managing the sector as well as the operational constraints limiting the sector's growth are also discussed.

Chapter Three outlines the theoretical framework and the conceptual framework for the study bringing out several hypotheses and theories on the informal business sector, adduced by some authorities regarding informal sector regulation, management and growth inhibitors in the theoretical framework as well as outlining analyses of various concepts to guide the study through the conceptual framework.

The chapter also discusses the duality of the Zambian economy and explores the link between the theoretical framework and the conceptual framework for the study. The conceptual framework graphically compares the informal sector with the formal sector around business linkages, policy and practice paradigms, contexts and other relationships.

Chapter Four states the research methodology adopted for the study. The chapter outlines the research design and approaches used in the research providing justification for the research methods adopted. The chapter further elaborates and defines the various research instruments employed. The sample design, sample frame, sampling methods and research procedures used and the process for data collection and analysis are also described in the chapter.

The chapter discusses the research approach of a mix of qualitative and quantitative approaches and outlines the sampling locations, demographic profiles and descriptions of the locations where data was collected. The sample design and selection of informal business operators is also outlined in the chapter. The chapter ends with a statement on the limitations which the study encountered and the ethical issues that the research considered in the process of data collection from informal business sector respondents and targeted state and non-state institutions.

Chapter Five discusses data presentation and analysis. The chapter outlines the process applied in identifying and quantifying informal business sector entrepreneurs in the targeted locations with descriptive processes of selection of trading areas in the identified informal settlements and the CBD. An activity profile in the sampled locations is also provided in the chapter with information on the size, activity range and character of the informal business activities

engaged in. Information on the nature and operations of the informal business sector, its role and position in the national economy in Zambia and what policy constructs circumvent it are also presented. The chapter responds to the question why the informal sector is not recognised and registered, what legal and regulatory factors impinge on the sector's growth and how the sector could be managed and integrated into the *Zambian* formal economy.

Chapter Six presents a detailed analysis of the findings presented in Chapter 5 vis-a-vis the key responses to research questions posed on the research subject. Various arguments are drawn from the discussion and contrasted with the findings from the literature.

Chapter Seven presents the conclusions drawn from the findings. The chapter also presents the recommendations to key stakeholders such as the *Zambian* government and to various ministries and relevant departments. Specific recommendations on probable approaches to effectively manage the informal business sector in Lusaka are also presented to the LCC as a major stakeholder in the regulation of the conduct of business activities in the city.

CHAPTER TWO - LITERATURE REVIEW

2.0 Introduction

This Chapter discusses the origins of the informal business sector and how informal trading activities began in Zambia. Informal sector business linkages with the formal sector are also discussed along with the concept of Micro, Small and Medium Enterprise (MSME) showing how the MSME policy in Zambia seemingly excludes the informal business sector.

Zambia's adoption of a multi partly political dispensation which came with the privatisation of industry is elaborated, showing how the resultant unemployment contributed to the growth of the informal sector in Zambia. Zambia's mono economy of historical dependence on copper mining is explored at length showing how the economy has been affected by copper production trends and price uncertainties. The chapter also discusses the challenging environment in which the informal sector operates and how informal entrepreneurs preposition themselves in response to economic changes affecting their business. Business ethics, cultures and behavioural attitudes of informal entrepreneurs and why they avoid regulation are also discussed.

2.1 Key Definitions

Informal settlement	Any urban area that is illegally occupied by people without title of ownership and without regulated standards of construction and lacking sustainable water and sanitation services; and featuring insufficient living area, or deficient access to adequate sanitation facilities (Housing, Improvement Areas Act, Urban Regional Planning Act 2015). <i>A slum by UN-Habitat definition is the working equivalent of an informal Settlement and improvement area in Zambia.</i>
Cross border trade	Trading activities conducted between countries sharing geographical boundaries (COMESA, 1997).
Economic liberalisation	the lessening of government regulations and restrictions in an economy in exchange for greater participation by private entities; the doctrine is associated with classical liberalism (Definitions.net.STANDS4 LLC, 2015).

Enterprise cluster	Geographic concentrations of interconnected companies and institutions in a particular field. They may include governmental and other institutions and trade associations (Porter, 1998).
Formal business sector	The economic sector which encompasses all jobs with normal hours and regular wages, and are recognized as income sources on which income taxes must be paid. http://www.businessdictionary.com/definition/formalsector.html#ixzz3TDsetd1X (visited February, 2015).
Globalisation	A process that encompasses the causes, course, and consequences of trans-national and trans-cultural integration of human and non-human activities (Al-Rodhan et al, 2006).
‘Gong’a’	Zambian street slang referring to counterfeit or substandard products.
Informal business entrepreneur	Any person running an unregistered and unregulated business activity in undefined space.
Informal business sector	The sum total of all economic activities that occur outside of formal institutional boundaries but which remain within informal institutional boundaries for large segments of society, Webb, J.W., et al., “Research on entrepreneurship in the informal economy: Framing a research agenda”, J. Business venturing (2012).
‘Jua-Kali’	“Fierce sun” in Kiswahili language depicting the hot environment under which informal enterprises operate in Kenya. “Jua Kali Kenya: Change & Development in an Informal Economy, 1970-1995”, Kenneth King (1996) books.google.com .
‘Tuntemba’	Zambian street slang or term for any makeshift structure from which informal trading is carried out.
Micro, Small & Medium Enterprise	Any registered and regulated enterprise at small, medium or micro scale (Ministry of Commerce Trade & Industry Zambia, 2009).
Peri-urban area	An informal or formal settlement, within the area of jurisdiction of a local authority, with

	high population density, low cost housing, having inadequate or lacking basic services such as water supply, sewerage, roads, storm water drainage and solid waste disposal' (Lusaka City Council, 2008).
Planned settlement	An area built in a previously undeveloped area, which provides residential, commercial, industrial, educational, recreational, and public facilities (Collins Discovery Encyclopaedia, 2005, http://encyclopedia2.thefreedictionary.com/Planned+settlement).
'Salaula'	Zambian street slang used for second hand goods, mainly clothing and other personal apparel.
Structural Adjustment Programme	Loans provided by the International Monetary Fund (IMF) and the World Bank (WB) to countries that experienced economic crises Lensink, Robert (1996). Structural adjustment in Sub-Saharan Africa (1st edition.). Longman. ISBN 9780582248861.
Urbanisation	The process of migration of people from rural to urban areas, usually in search of economic fortunes (State of the World's Children, Unicef (2012)).

2.2 The origins of the informal business sector in Zambia

Literature on the specific origins of informal trade or the beginnings of the informal business sector in Zambia showed that trade existed throughout history starting with the slave trade when kingdoms captured slaves to sell to the Portuguese in the 1500s up to the time when people exchanged food crops for other valuables in a system which was called barter (Lambert, 2013). Further, evidence in Zambian history also showed that, people exchanged goods between themselves. People exchanged goods and services using the barter system and later used shells and beads until ‘money’ in the form of copper ingots was used for trading purposes. *Ing’ombe Ilede* was a popular trading centre in what is now Zambia (Fagan, 1972). It was perceived in this research that, the name *Ing’ombe Ilede* (the ‘sleeping cow’ in the Tonga language) depicting a fallen baobab tree at the site on the road to Siavonga district. From the name given to this trading area, the researcher surmised that the name could have implied the untapped resources and trade potential that awaited business exploitation.

Trade and business carried out then was informal and only started getting formalised in the period after the coming of the Europeans and the discovery of minerals in Zambia. Ever since, both formal and informal entrepreneurship has evolved. Industries started opening up after copper was discovered in Zambia. Copper mining has since become the mainstay of the Zambian economy (Lambert, 2013).

It can be argued that, though the mining industry has become the largest single employer after the civil service in Zambia, many enterprises in major sectors of the economy were also state-owned and state controlled after nationalisation of industries in 1968. The nationalised industries however, faced several and varying challenges just two decades after their nationalisation. According to Andersson et al (2000), Zambia embraced privatisation of many state owned enterprises in an attempt to rescue itself from a prolonged economic slowdown which had degenerated into a fiscal crisis (LCC, 2008).

UNDP (2007) attested that, before privatization, Zambia had extensive state control of industry but that after 1991, state regulation had reduced. This view is supported by Muuka (2003), Mwenechanya (2007) and Mususa (2008), who submitted variously that, state control has reduced and the formal sector has

shrunk while the informal business sector has grown to become the larger employer. Previously, the colonial government did not encourage the participation of small companies and after independence, almost all sub sectors were dominated by one large company, Zambia Consolidated Copper Mines, (ZCCM Ltd), (UNDP, 2007; Jenkins, 1994).

Copper mining in Zambia passed through challenging times between 1964 and 2005 in its global prices with a number of social and economic impacts on the economy and the people (World Bank, 2008). The period between 1990 and 2000 saw copper mining activities plummet with the closure and privatisation of most copper mining units and allied ZCCM subsidiaries. This prompted people who lost employment from formal industry to establish income generating activities to earn a living while others also entered the informal sector to supplement incomes from their regular jobs. It was evident from literature that, before this decade, mining companies (and to some extent the government) greatly subsidized their employees and provided a wide range of social services like free medical care, free education, housing and even food rations in some cases. It could be argued that this dependency on subsidies may have locked people's potential to engage in entrepreneurship.

The continued provision of subsidies became too costly for the government and the mining companies to sustain and over time, it became inevitable that, subsidies provided to employees had to be reduced and various cut backs instituted. This reduction of subsidies could have also arguably been attributed to the changing global economic climate.

In the 1980s, the World Bank and the IMF started to use the leverage that came with Zambia's massive debts to them, and its inability to fund government revenues from mining income, to push the country to adopt economic liberalisation policies (World Bank, 2004).

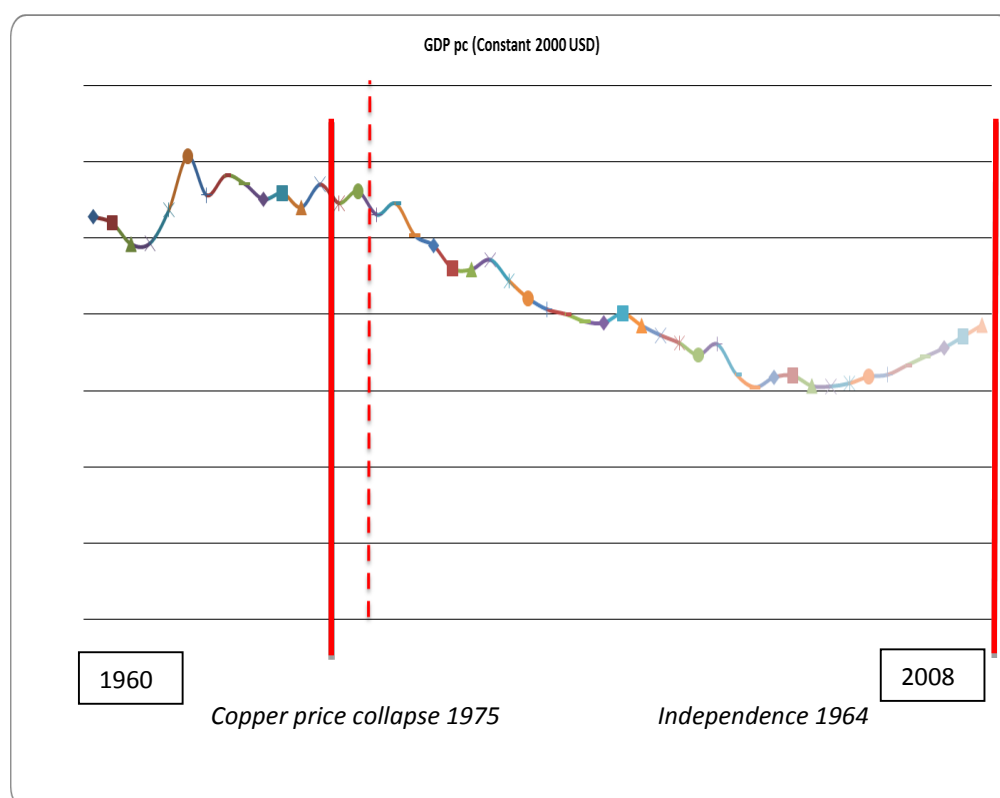
Zambia accepted its first conditioned loan from the IMF in 1973/1974 and entered its first World Bank Structural Adjustment Programme (SAP) in 1983. From that moment on, the International Financing Institutions (IFIs) have tightly policed Zambia's economic policies (Fraser and Lungu, 2007).

Following the long and steady decline in global copper prices from the mid-1970s, recent dramatic instabilities in the global market have reshaped not only the

ownership and regulation of the mining industry but also household economic strategies and local moral and political frameworks on the Copperbelt, (Mususa, 2008).

Mususa (2008) further attested that, it is the aforementioned incidences that have led to the emergence of the informal business sector in Zambia. Beginning in the late 1990s, Zambia's economy started growing and per capita incomes rose after decades of declining standards of living. Generally, copper price movements explained real GDP growth in Zambia over the period 1960 and 2008 as shown Figure 2.1 and Figure 2.2:

Figure 2.1: Zambia's GDP per capita (1960-2008)



Source: World Bank (2008)

From the figure, it could be suggested that, GDP per capita started falling alongside copper prices from about 1967 way through to 2000. It can be assumed that, it was probably during this period that informal business sector activities may have grown and increased to provide a safety net for people rendered unemployed to find alternative means to support their families (World Bank, 2008).

Just ten years after independence copper prices started falling owing to global recession at the time, only to start rising in 1991-1992 period following the

privatization of the mines. It could be inferred from World Bank (2008) that, informal economic activities thrive during periods when standards of living drop.

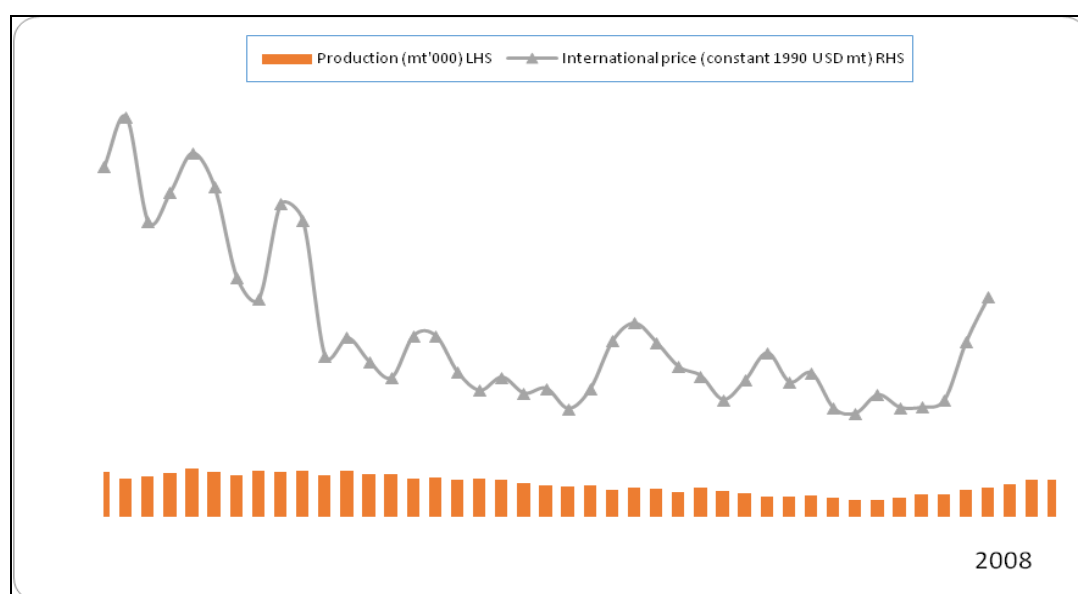
From 2005 to 2012, copper prices have generally been rising reaching an all-time high in 2011 of over US\$ 8,200 per metric ton on the world market. In 2012, the copper prices dropped to US\$ 7,912 per metric ton but reached US\$ 8,400 per ton by December 2012. The high copper prices on the world market experienced in the 2010-2012 period, prompted the Zambian government to institute windfall taxes to collect revenue from ‘abnormal’ profits new mine owners were making.

The windfall tax regime however, was not implemented as key mining companies complained that, windfall taxes would hurt them badly and force them to cut down on the number of workers. Job cuts, unlike taking other austerity measures, seem to be a frequent reason that foreign investors usually proffer whenever new taxation regimes are announced by government.

Civil Society Organizations (CSOs) however, have argued that, mining companies still enjoy many tax rebates and many incentives from government (Action Aid, 2009).

The international copper price movements against production are shown in Figure 2.2, below:

Figure 2.2: Copper Price Movements and production (1965-2008)



Source: World Bank (2008)

The recent positive and stable growth record was accompanied by total factor productivity improvements and presents a distinct break with the past of high growth volatility linked to developments in the mining sector.

It is also worth noting the remarkable similarity in real GDP trends in 1964-1992 and 1999-2008, as shown in figure 2.2 explained in part by the positive impact of sound economic policies implemented during these periods, (MoFNP, 2009).

In Africa, during the 1990s, dozens of countries undertook Structural Adjustment Programmes under the guidance of international financial institutions as a result of which many thousands of formal sector workers, mainly civil servants and workers in state-owned enterprises, were retrenched and rendered unemployed.

According to Ademola (2012), the informal sector in Nigeria unfolded conspicuously after the Structural Adjustment Programme was introduced, which eventually led to mass retrenchments of formal sector workers. In Zambia, this was compounded by the continuing recession brought on with falling world prices of copper and the closure of the copper mines that had been the mainstay of the economy for many decades (ILO, 2004).

It could be inferred from ILO (2004) that, a mono economy of dependency on copper mining cannot assure economic sustainability for Zambia and that, there is need to explore other areas of economic growth like agriculture, tourism, renewable energy and other non-traditional exports. This theory could be related with the Alternative Development Strategy that was espoused by Seidman (1973), who, as far back as 1973, attested that, the alternative approach would emphasise the necessity of planning the mines' contribution to the carefully designed overall development of industry and agriculture to create an increasingly integrated, balanced national economy.

Seidman (1973) called this the 'export enclave' theory, which projected copper mining as the mono-economy for Zambia wondering what would happen to the economy if copper export prices dropped again. It has been noted that, the informal business sector seems to grow during times of economic decline. The informal business sector would therefore thrive if copper process dropped, if Seidman's (1973) theory is anything to go by.

As shown earlier, after protracted economic decline of the modern sector, the informal business sector in urban areas emerged despite an average economic growth of between 6 and 7% from 2005 to 2012. This growth however, as evidenced by CSO (2006), has not translated into significant decline in poverty especially in rural areas.

The Living Conditions Monitoring Survey by CSO (2006) revealed that, 64% of the population was below the national poverty line. This was an improvement from the 68% in 2004 and 73% in 1998. Despite this improvement, poverty levels in rural areas remained high at 77% in 2006. Unemployment rates for youth in 2009 had risen to more than 13% (ILO, 2006), and risen to 14% in 2010, (CSO, 2011). The growth performance of Zambia has been dismal, as a consequence of a chronicle of decades of relentless economic decline (UNDP, 2007). These economic experiences may have contributed to the rise in informal economic activity, as the only viable livelihood opportunity for out-of employment urban dwellers and their families.

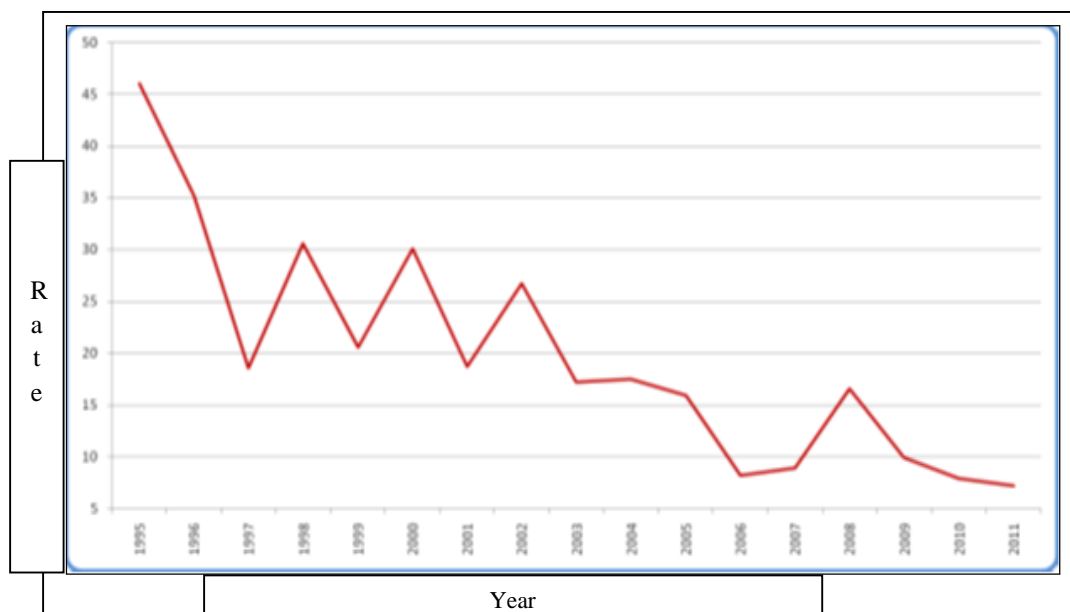
According to Kapungwe (2004), poverty levels were extremely high during the period despite the Zambian government managing to restrict inflation to single digit levels from double digits in 2009 to 6.6% in 2011 and 7.1% in July 2013. In 2008, Zambia's inflation rate of 12.4% was lower than the average for Sub Saharan Africa of 13.1% in 2008 (Table 2.1 and Figure 2.3). The CSO reported inflation of 7.7% in August 2015.

Table 2.1: Inflation 2008 (Annual average, percentage change for selected African countries)

Country	Annual average percentage change
Mozambique	10.3
Malawi	8.7
Ghana	16.5
Tanzania	10.3
Uganda	7.3
Zambia	12.4
Ethiopia	25.30
SSA LIC Average	13.1

Source: CSO (2008) *SSA – Sub Sahara Africa, LIC- Low Income Countries

Figure 2.3: Inflation trends in Zambia (1995-2011)



Source: Bank of Zambia (2012).

It could be assumed from Table 2.1 and Figure 2.3 that, the informal business sector has subsisted in difficult economic times of peaks and troughs as well as in times of overall national growth (Mown, 2006). The sector has also been influenced by increased population, unemployment and poverty.

Zambia's population continued to increase at a rate that the economy was unable to sustain, resulting in high unemployment levels (MoFNP, 2006). The population growth rate for Zambia was reported at 3% (CSO, 2011). According to CSO (2000), only 10% of all workers were employed in the formal sector while 68% were employed in the informal business sector. Though by 2005, formal sector employment had increased to 19% (MoFNP, 2006) the informal sector was still much larger at 81%. This shows that the growth of the informal sector is phenomenal.

As was noted by Tokman (1992), employment in the informal business sector tends to grow during periods of economic crisis in the formal sector. In Zambia, the decline in copper production following privatisation of the economy and subsequent sale of the mines could therefore be the reason for the increase in informal business sector activities.

It was asserted that, there could have been other national policy changes and factors that could have led to the growth of the informal economy in Zambia apart from economic liberalisation.

Economic liberalisation and lifting of trade restrictions with South Africa for example, provided further trade opportunities in all kinds of goods and services. Formal institutions alone, as argued by Canagarajah and Sethuraman (2001), could not have been wholly responsible for the emergence of an informal economy. Government regulations and customary laws could have also played a role as they constrained operation of these enterprises. In Zambia for example, it was observed that, women were reluctant to expand their businesses for fear of losing their property to relatives after the deaths of their husbands in what was referred to as ‘property grabbing’.

The bulk of informal trading activities however, have been increasing in urban areas where most rural people migrate to in search of opportunities. The rural-urban migration could have also triggered the growth of the informal business sector as people sought to make a living from undertaking various informal trading activities. According to CSO (2009), formal employment came under threat during the advent of the financial and economic crisis that inundated the world. High net in-migration to urban areas to Lusaka province is mainly from rural areas. This is according to CSO (2011) where rural urban migration is reported to have grown from 18.2 % in 2000 to 30 % in 2010.

The dilemma for Zambia is that, its business and productive capacities are being severely under exploited in the formal economy to generate jobs through the expansion of formal enterprises, (Mwenechanya, 2007). This may justify the need to boost the informal business sector as a viable engine for economic growth.

2.3 Micro Small and Medium Enterprises (MSMEs) and the Informal sector
Enterprises broadly grouped as MSMEs, (Micro, Small and Medium Enterprises), may either be formal or informal. The characteristics of the MSMEs has been a subject of various interpretations based on a number of factors like turnover, number of employees and other factors. The informal business sector as defined in this research fell within the informal MSME bracket (MSTVT, 2007).

Entrepreneurship has been defined differently by many authorities. The term ‘entrepreneur’ was first defined by the Irish-French economist Richard Cantillon in his Essay, “Essai sur la Nature du Commerce en General” in 1755, who described an entrepreneur as ‘the person who pays a certain price for a product to

resell it at an uncertain price, thereby making decisions about obtaining and using the resources while consequently admitting the risk of enterprise’.

In this study an eclectic definition of ‘entrepreneur’ as any person carrying out a business activity for profit and livelihood needs has been adopted.

Schumpeter (2012), defined entrepreneurship as, the capabilities of innovating, introducing new technologies, increasing efficiency and productivity, or generating new products or services. Unlike Cantillon, Schumpeter posited that, the entrepreneur does not bear the risk similar to that of the capitalist.

According to Davis (2002), it is better to understand entrepreneurship by first knowing who an entrepreneur is or what the functions of entrepreneurs are. It is an internationally recognised fact that MSMEs (of which informal businesses are the majority) play an important role in the economic development of many countries, a fact which cannot be overlooked.

This fact is acknowledged by UNDP (2004), who posited that, ‘MSMEs have the highest *capital:employment* ratio and are a source of income for a broader layer of the population’.

The ILO (2006) further attested that, the number of MSMEs and informal business sector businesses are now growing magnificently in many regions of the world and MSMEs contribute a significant proportion of any country’s GDP and job opportunities for the urban poor.

This position has also been affirmed by the Zambian government which views the sector as one sustainable way of reducing the levels of poverty and improving the quality of life of households through wealth and job creation (MCTI, 2009). To this effect many government empowerment programmes in Zambia are business based.

ILO (2006) further attested that, there is increasing attention devoted by policy-makers, development organizations and financing institutions to the role that MSMEs can play in economic development, employment creation and poverty reduction. This position has resulted in the evolution of a range of demand-led, market-oriented services to support the creation and growth of MSMEs through financial and non-financial mechanisms called Business Development Services.

It may be suggested that, the MSMEs can be ‘unbundled’ into their distinctive categories and criteria defined as to what characteristics each category would have.

Further, an overriding criterion on what is formal or informal may also need to be defined. The researcher postulates that such a step would make it possible for a better understanding of the informal business sector which would constitute men, women and youth outside formal employment seeking a livelihood by venturing into informal business activities such as selling on the streets, stone crushing and petty trading in urban areas and in rural areas of the country.

According to the Zambia Health Demographic Survey (2007) agriculture absorbed 67% of the country's labour force and was the main source of income for the majority of the Zambian people. The Poverty Reduction Strategy Paper (2002-2004), earlier declared agriculture as the engine for growth and a strategy for reduction of wide spread poverty.

Most of the labour within the MSME sector comprises self-employed owner and family-operated business activities that also employ unpaid family members who help to sustain the family income.

For example, in rural subsistence agriculture, men stump trees, cut tree branches and burn the residue after which the women cultivate and plant crops. At harvest, whole families participate in reaping the harvest but the men take charge of crop sales.

2.4 Business ethics and culture

All activities that human beings venture into or conduct are governed by rules or sets of expected behaviours, usually referred to as ethics (UNDP, 2004). The issue of ethical attitudes is central to an understanding of the business ethics framework within which all business people operate. Ethical attitudes are the product of personal values, experiences, and the environment in which one worked and lived (Donaldson and Dunfee, 1999). According to Payne and Joyner (2006), ethics are a system of values, principles or practices and the ability to determine right from wrong. The above definitions imply that, what is ethical is that which society expects and accepts as normal conduct or behaviour. It could also be deduced from Donaldson and Dunfee (1999) that, what may be acceptable as ethical in one region or context may not be ethical in another. It may be argued however that, in

some cases ethics or ethical behaviours may not be enshrined in the law. A case in point is the concept of Corporate Social Responsibility (CSR) or Corporate Social Investments (CSI) through which many companies provide services to communities of their choice. These corporate actions are in most cases not legally binding on the companies providing them.

It may be inferred that, acceptable collective attitudes or behaviours of people or entrepreneurs can therefore constitute ethics. Conversely, it may be argued that, it was the collective individual knowledge, attitudes and practices that could become ethics in a given context. Therefore, how well or how poorly an enterprise or business activity is carried out could be based on the entrepreneur's own behaviours in relation to what society expected of them (UNDP, 2004). Archer (2008) and Crane (2009) seem to be in harmony on the fact that the entrepreneurs' ethical judgment depended on what their immediate society expected of them whether the expectation is right or wrong. The researcher posits that, it is these expected business attitudes and behaviours that may be codified into laws that govern the conduct of business.

The World Bank (2013) and ILO (2006) recognised the importance of development of business attitudes among the youth through enterprise education, training and enterprise development. In Zambia, a programme called 'Future Search' was established to impart business skills to retrenched and would-be retrenched miners to enable them set up business activities once they are retrenched from industry. This programme included elements of mind-set change and business attitudes as key attributes to manage a business (ILO, 2006). It can be suggested that, initiatives like Future Search and other similar programmes could have been incorporated in the overall human resources plan in industry than be applied at the time when people were about to be retrenched.

As argued by Hannafey (2003), an entrepreneur's behaviour and conduct may be largely shaped and influenced by family members, mentors and teachers; such influences can ultimately determine the entrepreneur's ethical conduct in business. The informal business sector entrepreneurs' non-compliance to registration and licensing, non-payment of income taxes and fees and trading in unregulated spaces could be due to the poor or negative collective behaviours or the inherent poor ethical culture among the members of the informal business sector

(Hannafey 2003, ILO, 2006). This theory could answer the question why informal entrepreneurs did not register, why they did not pay income tax and why they operated in unregulated places.

It is clear from the literature that, business ethics, is a form of applied ethics that examines ethical principles and morals or ethical problems that arise in a formal or informal business environment. Hicks (2009) observed that, the necessary condition that most individuals within a group held attitudes consistent with the ethical norms of that group. Yet, typically, the entrepreneur did not have an established organizational culture or norms when making ethical decisions nor did they have the standard codes of ethics that their corporate counterparts could rely on for such decision-making.

Hicks (2009) further attested that, the success traits of entrepreneurs are in turn particulars of a general set of virtues. The key thesis for a business code of ethics is that, business ethics should focus first on creativity, productivity and trade. Hicks (2009) seemed to suggest that, there is no code of ethics for entrepreneurs but that what was evident were traits or business behaviours.

It could be argued that, it is the collective business traits which when codified into expected business conduct would form business ethics which would be enforced through business regulations. It could also be suggested that, once society sets standards and rules expected of entrepreneurs in the city, any departure from the set rules would be deemed unethical conduct. This argument could imply that, formal business was ethical and informal business unethical. Fassin (2005) argued, however that, unethical business practices continue at all organisational levels and in every business function. Most of the business ethics research done to date focuses on large companies and the employees/managers within those companies. From the foregoing, it can be postulated that, ethics around informal MSME entrepreneurship are a subject that required deeper research in Zambia.

According to Gibb (2002) business behaviours in society and organisations can be deviant or even criminal and certainly either immoral or amoral. On business characteristics, Rigwema and Venter (2004) suggested that, successful entrepreneurs shared the following traits; innovativeness, initiative, achievement drive, willingness to take calculated risks, flexibility and competitiveness.

Both Gibb (2002) and Fassin (2005), held the opinion that, in view of the recognition codifying certain ethics into legislation, monitoring and compliance, were important activities for the state to take in order to achieve an effectively governed business environment.

From the foregoing, it could be suggested that, formal and informal enterprises need to operate within acceptable norms or business ethics and that their enterprises also need to be regulated to ensure compliance to these business ethics.

Hannafey (2003) suggested that, the erosion of business ethics is largely due to pressures from all stakeholders; time pressures, scarce resources, social and financial pressures and intense competition. Hannafey's (2003) suggestion seems to apply mainly to formal enterprises, though informal entrepreneurs are also pressured by the same elements which make them develop escape mechanisms to circumvent the pressures.

According to the joint report of ActionAid, Action for South Africa and Scotland's Aid Agency in 2008, the Zambian government had a key role to play by ratifying, implementing and enforcing laws that guide company behavior or corporate ethics. It can be argued that, though some bylaws to regulate the informal business sector may exist in local authorities there were a number of challenges that authorities faced in implementing these laws.

The need for the informal business sector to adopt better business ethics and become more competitive was argued by Tokman (2007) whose view was that, large enterprises were shifting strategies to improve competitiveness and increase productivity. This was by way of adopting more flexible productive systems to smooth supply-side fluctuations, producing goods upon request and getting closer to customers before and after delivering the goods. This was however, not the kind of approach traditionally followed by informal sector businesses.

Tokman (2007) further suggested that, a new opportunity was therefore opening up and micro-entrepreneurs needed to radically alter their behaviours by going through a process of cultural change. They needed to change their mind sets and move from individualistic ways of doing business, driven by the imperative of succeeding by any means in an extremely competitive environment, to a culture that sought the benefits of pooling productive resources and associating or

forming business clusters with other producers in an effort to gain access to the marketplace.

2.5 Globalization and the Informal business sector

Globalisation was defined variously by many authorities. According to Sassen (1998), globalisation is a process that generates contradictory spaces characterised by contentious, internal differentiation and continuous border crossings. Gavin (2001), defined globalisation as the increased interaction of national economies through trade, finance, technology and labour flows, all of which are made possible by the abolition of government-constructed barriers. Globalisation refers to processes of international integration arising from the interchange of world views, products, ideas, and other aspects of culture (Al-Rodhan et al, 2006).

According to Al-Rodhan et al (2006), globalisation is defined as a process that encompasses the causes, course, and consequences of trans-national and trans-cultural integration of human and non-human activities. Though all the above definitions of globalisation mention aspects of social life and culture or cultural globalisation or conversion of cultures, the major bearing that globalisation seems to point to is world economics.

According to Mohan (2009) economic globalization is the increasing economic interdependence of national economies across the world through a rapid increase in cross-border movement of goods, services, technology, and capital. The definitions by Sassen (1998), and Gavin (2001) both indicated the dimension of activities beyond borders or between nations. The definitions also intimate the broad range of formal trade that takes place between nations without political or economic barriers. While globalisation is international in context, the researcher posits a similarity with the concept called '*Zambianisation*' which set the pace for a nationally accepted post-independence concept of Zambian-led social and economic development. In the global world however, national concepts like *Zambianisation* or '*Ujamaa*' in Tanzania may only exist as political ideologies within the country's borders.

It may be asserted that, globalisation as defined by both Sassen (1998) and Gavin (2001), may not have any feasible impact or influence on local informal entrepreneurs in Zambia but with informal trade undertaken between Zambian

entrepreneurs and their counterparts in neighbouring countries. It is possible that, many Zambian informal entrepreneurs may lack information on possible business opportunities outside Zambia. Due to the lack of information, it could be surmised that, informal sector businesses may therefore choose to operate within familiar turf than venture into territory that might ostensibly open them to taxation.

According to Garret (1998) globalization increases the potential long-run social benefits of the markets but it also heightens political opposition to them in the short-run. This view by Garret (1998) could be likened to the poor relationship between the authorities and street vendors in Lusaka where street vendors are from time to time chased away from the streets as they are considered to be a public nuisance.

An example of an organised business grouping is the '*Jua kali*' or fierce sun (under which informal entrepreneurs operate) in Kenya. It could also be concluded that, globalization or regionalisation as in the case of COMESA and Southern African Development Community (SADC) may serve the purpose of regulating trade among member states through various trade protocols.

It was noted that, both COMESA and SADC trade protocols are more concerned with formal business than informal trade. Foroutan and Pretchet (2009) argued that the proliferation of regional trade arrangements in Sub-Saharan Africa (SSA) in the past two decades, many of which were specifically created to boost trade among the countries in the region, is still very limited and has hardly grown over time.

According to Makombe (2011) it is important to note that, while the provisions of the protocols are relevant and important for informal traders, they do not seem to take an adequate account of the sector seriously and thus do not respond to its needs effectively. It is not clear from the literature how trade tariffs in COMESA and SADC, which operate within formal trade protocols, directly affect the informal business sector. As demonstrated earlier, the informal business sector has vital links and connections with the formal sector.

One link is visualised through COMESA's support to cross border traders among the member countries. Another seeming connection to demonstrate this

relationship is the existence of a huge informal market next to COMESA headquarters in Lusaka, 'aptly' called "COMESA market" patronised by traders of many COMESA nationalities and beyond. The COMESA market is a major source of goods for corporate and other formal businesses in Lusaka. Mugisa (2009) asserts that, cross-border investment is still low and mechanisms for elimination of non-traditional barriers are still not working. Various constraints including inadequate public and private transportation, harassment by customs officials, poor security, exploitation of their inadequate knowledge, robbery and lack of financial services affect the sector (Makombe, 2011).

In spite of all these difficulties, constraints and unfavourable work environments, cross border trade was on the increase in Nigeria (Jubril O, et al 2012). Literature on the effects of globalization on the informal economy is hard to find but it can be asserted that, informal business sector behaviours and attitudes could be affected by globalization as new policies introduced could spur changed business attitudes by informal business sector entrepreneurs.

Goldberg and Pavcnik (2003), suggested that, trade policy and changes to tariffs had little impact on the informal economy between Brazil and Columbia, while in Kenya women who traditionally produced sisal bags faced stiff competition by cheaper imitations from South-East Asia (Carr and Chen, 2002).

According to the Bank of Zambia (2008), pressures from the global economic crises were most felt by developing countries especially in Sub-Saharan Africa, where inflation rose from 7.1% in 2007 to 11.7% in 2008 and immediate effects on the Zambian economy were withdrawals by foreign portfolio investors in Zambian Government and private securities, which in part, resulted in weakening of the Zambian currency, the Kwacha and leading to heightened inflation, increased cost of living and conversely increased informal business sector activities.

According to the Jesuit Centre for Theological Reflection (JCTR, 1998), the gap between the rich and the poor on both the global level and the national level increases with the spread of globalization. It can be suggested that, the growing gap between the rich and the poor in Zambia can lead to a number of policy changes. A recent example being the introduction of a minimum wage by the Zambian government in 2011, particularly for low income earners like factory

workers, drivers, general workers and housemaids. The implementation of this policy has however, been difficult due to the diversity of various sub-categories of employees and a broad industrial base within which they work. In view of this, it could be suggested that, the Zambian government considers the possibility of a sector-based minimum wage approach.

2.6 Urbanisation and the Informal business sector

According to the Commission of Growth and Development (2009), urbanization has three main drivers of which rural-to-urban migration accounted for about 25% of urban population growth.

Other drivers are natural population increases and the reclassification of rural areas into urban ones and the migration of people from rural to urban areas for various reasons. According to Peng and Chen (2006), urbanisation refers to the process by which rural areas become urbanized. UNCHS (1996), holds that, urbanisation is occasioned by a decline in levels of formal employment and a corresponding rapid increase in ‘informal business’ activities in many key areas of the urban economy; a deterioration on both the quality and distribution of basic services.

The definition of urbanisation by Peng and Chen (2006), does not mention the element of migration or movement of people from rural to urban areas but only deals with rural areas becoming urbanised, an apparently difficult situation to comprehend as it may connote the migration of urban people to rural areas. Peng and Chen (2006), further attested that, ‘while urbanization has intensified in terms of the growing megacities, the overall rate of urban growth has consistently declined in most world regions in the past half century and probably in the coming several decades. This may indicate that some rural areas will be growing and urbanising while space in the cities will be reducing.

The movement of opportunity-seeking populations from rural to urban is the definition used in the context of this research. The adopted definition for this research is in concert with the definition by the Commission for Growth and Development (2009), which included the rural-urban shift.

In some cases many people who ‘migrate’ to urban areas but cannot not find jobs and other livelihood opportunities do not return to the rural areas they came from. This was the case in South Africa where the Witwatersrand Native Labour

Association (WENELA), a recruiting agency was created and given exclusive rights to recruit labour from Zambia, Zimbabwe, Mozambique and Malawi to work in the mines and industries within the region.

Migrant labour under the WENELA and '*Shibalo*' mechanisms were however banned as many countries in the region started attaining their independence in the early 1960s (Mususa, 2008).

According to the World Bank (2009), more than half of the world's people live in cities and over 90% cent of urban growth occurs in developing countries; it was thus projected that, by 2030 all developing regions, including Asia and Africa, will have more people living in urban than rural areas.

In a study by Pendapala (2010), in Namibia, it was found that, most of the people in informal settlements relied heavily on informal business activities for a living. Pendapala (2010), further showed that, population growth had a significant impact on the growth of informal settlements in Windhoek. This view applied well in Zambia where the bulk of informal activities take place in over populated informal settlements (Lusaka City Council, 2009).

In Zambia, many people who retired from the mines did not return to their villages but remained in townships and slums such as "PP Zambia" (Poor People of Zambia)" in Chililabombwe where retired miners who originated from countries like Malawi, Tanzania and Zimbabwe settled (Mususa, 2008). According to the UN Habitat (UNDP, 2012), slums are often economically vibrant; today, about 85% of all new employment opportunities around the world occur in the informal economy and in informal settlements. The CIA (2011) confirmed that Zambia had an urbanised population of 16 % with an annual growth rate of 3.2%.

According to Mwenechanya (2007), indications are that, job creation in informal economies, particularly in developing economies is growing at a much faster rate than job creation in formal economies. The AfDB, (2010) asserted that, the world needs to create some 40 million new jobs each year for new market entrants, in addition to absorbing the 200 million people who were unemployed in 2012 (of whom 75 million are young people).

Informal entrepreneurship activities in many African countries are mainly undertaken in urban and peri-urban areas. Peri-urban areas being defined in

Zambia as 'informal or formal settlements, within the area of jurisdiction of a local authority, with high population density, low cost housing, having inadequate or lacking basic services such as water supply, sewerage, roads, storm water drainage and solid waste disposal' (LCC, 2008).

This description by the LCC suits the characteristics of many informal settlements in developing countries where social service delivery is a challenge. From the literature, it could be asserted that, urbanisation has a direct and long term influence on the informal business sector in Zambia.

According to the LCC (2008), the population of Lusaka, like the rest of the country, is predominantly young. Up to 70% of the population was aged below 30 years CSO (2000), and this scenario remained in 2010 (CSO, 2010) which put the youth population at 43% of the national population. Due to this fact, it can be observed that, the majority of the people in the informal sector are aged between 15 and 35 years. The 2005 Labour Force Survey results showed that, 16% of persons in the labour force were unemployed (MoFNP, 2009) and that, between 2001 and 2007 population growth in Zambia was 1.9% as compared to the regional Sub-Saharan African rate of 2.5%. The population growth rate was closely followed by the labour force growth rate recorded at 1.8% compared to the regional employment growth rate of 2.6% (Table 2.2). In comparison with the growth in employment opportunities, which has only grown marginally by 0.1%, is too low to make any meaningful difference in incomes among the employable populations.

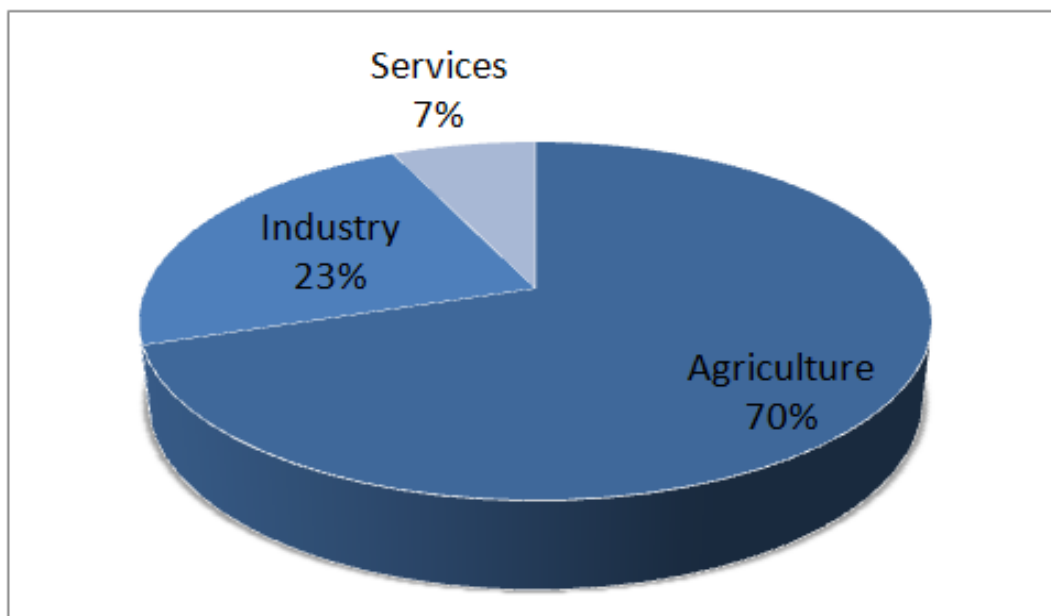
Table 2.2: Population average annual growth (2001-2007)

	Zambia	Sub-Saharan Africa	*LICs
Population growth (%)	1.9	2.5	2.2
Labour force growth (%)	1.8	2.6	2.7

Source: LCMS, 2006 *(LICS –Low Income Countries)

According to the 2006 Living Conditions Monitoring Survey (LCMS), the labour force participation rate was about 65% of the total economically active population, 59% in urban areas and 69% in rural areas (CSO, 2006). The labour force participation was reported at 75.9% in 2012 (CSO, 2013) of which 84.6% was from the informal sector. This increase in labour force participation could signify the growth of the informal sector in Zambia. In 2006, the bulk of the labour force (70%) was in agriculture, and the least in the services sector (7%) while in 2012 the bulk of the informal labour force was 99.5% in agriculture and fisheries (CSO, 2013). This sectoral distribution remained the same in 2013.

Figure 2.4: Distribution of labour by Sector (% of total labour force)



Source: Government of Zambia (2006)

From Figure 2.4 above, it can be seen that the services sector is very low at 7% and that agriculture is high (70%). This scenario could indicate the need for the deliberate policy to support the services sector so that it could supply more

services to industry and agriculture as it creates more entrepreneurs in the informal business sector. It could also be deduced that the Zambian economy is not diversified as it is premised on only two major sectors, industry (mining) and agriculture (GRZ, 2006).

In the mining industry, the only fundamental shift that occurred is the divestiture of mine ownership to the private sector with Zambian ownership of only 20% through the ZCCM-Investment Holdings Limited (Kapungwe, 2004). Kapungwe (2004) further attests that, 'Zambia has had the most rapidly declining economies in Sub-Saharan Africa with a poverty rate of 73%, of which 58% are extremely poor and of which 70% live in rural areas'. Despite the high poverty levels indicated by Kapungwe (2004), it was seen in recent years that, the Zambian economy had registered growth and reduction in poverty levels with inflation reported at 7.1% for July 2013 (CSO, 2013).

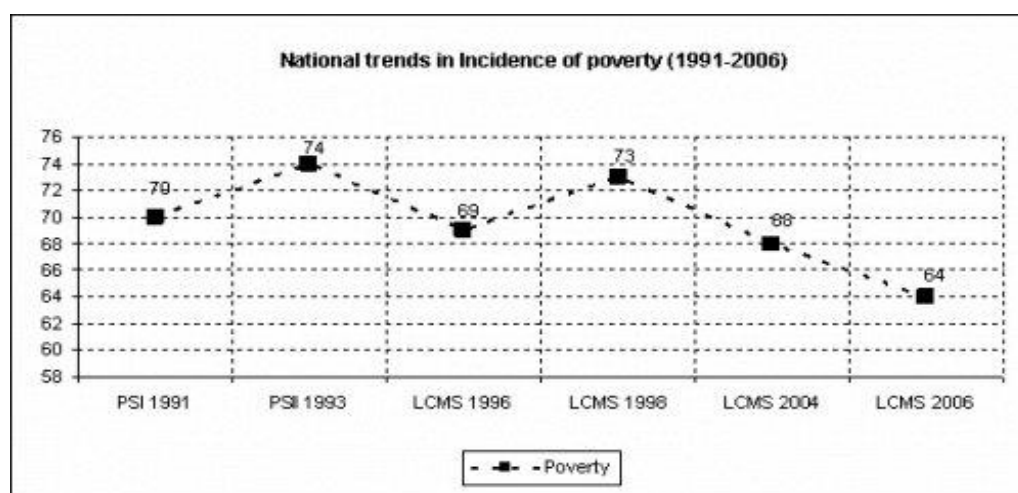
It could be argued though that despite this growth, the majority of the rural people have remained poor and many informal entrepreneurs have remained static.

This view was also held by Civil Society for Poverty Reduction (CSPR, 2010) who posited that, as at 2009, a large proportion of the Zambian population did not benefit from the growth registered under the FNDP (2006-2010), (CSPR, 2010). While urban poverty levels recorded a slight improvement, rural poverty levels stagnated at 80%, which situation created an even bigger urban-rural divide. This is also attested to by UNDP (2006), who opine that, poverty was exceptionally higher among the rural small scale households and households residing in urban low cost areas or informal settlements. The LCMS surveys by the CSO conducted from 1991 to 2006 also showed that, the incidence of poverty had reduced over the years. The results showed that, the incidence of poverty declined from 70 % in 1991 to 64 % in 2006. The gains of this reduction were seen in rural areas where the incidence of poverty reduced from 88% in 1991 to 78% in 2006 (CSO, 2006). In contrast, the incidence of poverty in urban areas in Zambia increased from 49% in 1991 to 53% in 2006 ostensibly due to the effects of privatisation which caused massive loss of formal jobs (Figure 2.5).

According to CSO, (2013) poverty in Zambia has continued to be more rural than urban with rural poverty being as much as three times higher than that in urban areas.

According to CSO (2010) urban areas recorded higher unemployment rates at 32% than rural areas at 5%. Copperbelt and Lusaka Provinces recorded higher unemployment rates than the other provinces with 31% each. This level of unemployment could be the reason why high levels of informal business activities were prevalent in the two regions.

Figure 2.5: National trends in incidence of poverty (1991-2006)



Source: Living Conditions Monitoring Survey (CSO, 1991-2006)

From the above graph, poverty increased from 1991 to 1993, reducing to 69% in 1996 with an upswing in 1998. From 1998, a reduction in poverty incidence was registered and sustained up to 2006. The overriding theory could be that, formal economic activity reduced while informal business sector activity grew when poverty levels increased. It can also be deduced that poverty was highest during the liberalisation of the economy and the subsequent privatisation of the mines. Provincial poverty estimates shown in Table 2.3 below revealed that, Lusaka Province consistently emerged as the least poor region in all the six surveys, although it has been experiencing substantial increases in poverty incidence. In 1991, the incidence of poverty in Lusaka Province was 31%. It then increased to 39% in 1993 and decreased to 38% in 1996. Conversely, there was a sharp rise from 38% in 1996 to 53% in 1998.

This was followed by a sharp decline of 24 percentage points in 2006 (CSO, 2006). Generally the incidence of poverty reduced between 1991 and 2006 in almost all the provinces except in Central, North-Western and Western Provinces.

It can be concluded that, high poverty levels characterised the country from 1991 to 2010. This is shown in the figure below.

Table 2.3: Incidence of poverty by province 1991-2010

Province	1991	1993	1996	1998	2004	2006	2010
Central	70	81	74	77	76	72	60.9
Copperbelt	61	49	56	65	56	42	34.3
Eastern	85	91	82	79	70	79	77.9
Luapula	84	88	78	82	79	73	80.5
Lusaka	31	39	38	53	48	29	24.4
Northern	84	86	84	81	74	78	75
N/Western	75	88	80	77	76	72	67
Southern	79	87	76	75	69	73	67.9
Western	84	91	84	89	83	84	80.4

Source: CSO, 2006

Though urbanization seemed to be a major factor influencing informal economic growth it could be argued that, due to the implementation of various policies in many countries, rural areas are receiving their fair share of development. An example of this could be the Decentralisation policy in Zambia where economic development and decision making was expected to be localised.

Decentralised service delivery in Zambia could include rural electrification by the Rural Electrification Authority (REA), community radio stations and the creation of several rural districts by government.

2.7 Informal business sector opportunities

According to Mitsui (1986), providing incentives for collaboration between small and large firms and partnership arrangements have become a major focus of policy. The formal sector purchases components from the informal business sector and the informal business sector in turn purchases inputs from the formal sector while the skills learnt in the formal sector are in many cases used in the informal sector (Mandela, 1990). Robinson (1999) also contended that, one aspect of the relationship between large and small firms is receiving growing attention through sub-contracting on behalf of the formal sector.

As seen from the literature, Zambia has a dual economic façade with the informal and formal sectors closely connected and providing each other with raw materials, labour and finished products ILO (2004) with mutual trade relationships existing between the two sectors (ILO, 2006). De Paula and Scheinkman (2007) argued though, that, selling to informal firms increases the likelihood for a firm to remain informal. Their model was based on a study in Brazil, which predicted that, the informality of a firm was correlated to the informality of firms from which it buys or sells. Their model implied that, higher tolerance for informal firms in one production stage increased tax avoidance in downstream and upstream sectors. In view of the position held by De Paul et al. (2007), it could be averred that, by covert dealings with the informal sector, the formal sector will inadvertently be shielding the informal sector from detection and regulation by the authorities. This could also make some formal firms cascade into informality by establishing informal outlets or agencies that would trade outside regulation.

It can be suggested that the formal-informal sector connections need to be guided by policy that would facilitate more effective business linkages between the formal and the informal business sectors. There is need to understand why mechanisms for the effective management and regulation of the formal sector have been developed while none exist for the informal sector yet the two sectors are well connected.

It can be further observed that, though the informal business sector and the formal sector sit on opposite sides of the law, a sound relationship exists between them. As attested earlier, informal business sector entrepreneurs are trained and employed by the formal sector and once they leave the formal sector they establish informal business activities which procure goods and services from the formal sector. It can be suggested that some informal business operations which may expand their scale can grow into formal business entities thereby creating a fluid business growth cycle.

Chigunta (2002) also acknowledged that, while some formal sector firms appear to be reluctant to enter into productive linkages with informal enterprises, there is evidence to suggest that, they are making increasing use of distributive linkages along the value chain; a visible operational aspect of the informal sector. It could be inferred from the above that, the informal business sector will continue to

thrive as it sources its products from established formal industries and wholesalers and sells these to other formal and informal customers. It is noteworthy though that, the informal sector can have an influence on the formal sector while the informal sector can also be influenced by the structure of the formal sector. This self-influencing paradigm could have negative and positive implication depending on the business circumstances at play.

According to Consumer Unity Trust, CUTS (2009), a vibrant informal sector takes away labour and customers from the formal sector which negatively affects the growth of the formal sector. This situation could only be equalised once informal entities become formalised.

The assertion by CUTS (2009) may suggest that customers want to shift from higher prices offered by formal markets and shorten the distance from them. In this instance the informal sector takes advantage of the scenario by offering lower prices and nearness to the customers. Owing to the distance to formal markets and price, formal firms may risk losing their lower end customers to the informal sector who are easily accessible and offer lower prices. This is one key element of competition. The importance of informal businesses, as 'market places of first resort' cannot be taken for granted as any actions that will shift them away from their usual places of business would create a void in their customers' daily lives.

2.8 Informal-formal Economic Sector clusters and linkages

In countries with a large informal business sector, governments support the informal sector to integrate with the formal sector (Archer and Davison, 2008). In Asia, the informal business sector measured up to 60 to 70% of employment. According to Amin (2002), India, Bangladesh and Nepal even exceeded that threshold by registering up to 90% prevalence of informal business activities. Amin (2002) further attested that, the size and content of the informal sector was determined by the robustness of economic growth and the rural labour surplus. India and Bangladesh are countries where informal entities like SEWA (Self Employed Women's Association) and Bangladesh Rural Advancement Committee (BRAC) have been integrated and formalised to become renowned formal enterprises. The Grameen Bank in Bangladesh, a foremost microfinance institution is one major example of this growth (Amin, 2002).

In Africa, informal sector management experiences can also be learned from Burkina Faso, where a plan was undertaken to integrate the formal and informal business sectors in 1999. With funds initially from the communal budget, government constructed about 365 modern street shops with local materials, allowing the informal business sector to flourish (UN, Urban Economy, 2000). Informal business activity clustering has existed in African societies for many years.

Such clustering of informal business enterprises has been recorded in countries such as Ghana and Kenya, (Chisenga, 2013) with Ghana's Suame cluster in Kumasi, being the largest enterprise cluster in West Africa (Sriram and Mersha, 2010).

Africa has similar initiatives and best practices in informal business sector management with Tanzania and Kenya, being just two examples. In Tanzania, initiatives of improving the conduct of the informal business sector were instituted to address congestion and bring out better management of the informal business sector. The informal business sector in Dar-es-Salaam in Tanzania expanded to take over the increasing demand that the '*Kariakoo*' wholesale market had been physically unable to deal with. '*Kariakoo*' market was hindered by insufficient trading floor space, acute congestion and operating at twice its design capacity since the early 1980s (Lynch, 1994).

In 1955 there were over 300 self-help organisations in Dar-es-Salaam catering for the needs of their members while other co-operatives were formed to unite their informal business sector members into representative self-governing units (Schultz, 1995). Such groups in the past 30 years built 63 recognised neighbourhood food markets in Dar-es-Salaam with over 6,000 stands. Furthermore, a working group on petty trading in Tanzania was set up to represent traders in dialogue with the authorities. By 1997, about 240 self-help groups representing 16,000 members had been formed and two umbrella groups were established as '*VIBINDO*' (Association of Small Businesses) and '*KIWAKU*', an association of clothes sellers (Lyons and Brown, 2004).

Zambia, with its large informal business sector only has a few umbrella organisations promoting and supporting informal business entities. Recent literature shows that, some international Non-Governmental Organizations NGOs,

and some informal entrepreneurs themselves, have taken the lead to congregate informal traders into self-managing business representative groups (Makombe, 2011). Given effective leadership and political support, it is probable that such groupings could help regulate the informal business sector which seemed to operate under very challenging circumstances.

In Zambia, the concept and practice of informal business and small industry clusters can be related to the origins of the Village Industry Service (VIS) and Small Industry Development Organisation (SIDO) which later became the Small Enterprise Development Board (SEDB). The tenets of VIS and SEDB are a semblance of a small business incubation platform in Zambia although no study to determine the effectiveness of these two entities has been conducted (Chisenga, 2013).

The '*Jua kali*' sector in Kenya encompassed small scale entrepreneurs and workers who lacked access to credit, property rights, training, and good working conditions. The '*Jua Kali*' was considered a predominant economic sector with statistics indicating that employment within the sector increased from 4.2 million persons in 2000 to 5.1 million persons in 2002, accounting for 74.2% of total employment. The sector contributed 18.4% of the GDP (Kenya's Central Bureau of Statistics, 2003). In 2012, the share of informal economy jobs in Kenya steadily increased to 83% (Kippra, 2013). Because of the sheer size and commonality of challenges such as lack of space, lack of access to working capital and lack of enterprise development skills, as argued by Lynch (1994) and Orwa (2007), the *Jua kali* sector members clustered themselves and formed their own *Jua Kali* associations (about 600 of them) in order to protect their interests and improve the conditions under which they operated.

The informal business sector which constitutes unregistered small and medium sized businesses was recognised in Kenya's economic development blueprint, Vision 2030, as one of the key sectors whose improved competitiveness could help the country's transformation into a middle income nation in twenty years.

In 2009, only 390,000 new jobs were created in the informal business sector compared to 441,000 the previous year, bringing the total to 8.3 million jobs, up from 7.9 million in 2008 (Kenya Bureau of Statistics, 2010). In Kenya, informality within the MSME sector is a huge challenge, with statistics revealing

that the number of persons operating informally has been increasing over the years, in spite of the licensing reforms that include the introduction of a single business permit (Kippra, 2013).

Despite this proclaimed national focus and support, some informal businesses still remain informal. In Kenya, there is no significant productivity difference between informal and formal firms owned by Kenyans and thus there are weak incentives for informal firms owned by Africans to become formal (Bigsten et al, 2004).

In Ghana, 86.1% of all employment is to be found in the informal economy which to the largest extent is not controlled, regulated or standardized by state despite it being seen as the growth engine for internally driven economic transformation (Ghana Statistical Service, 2013).

Given the above experiences, it could be suggested that, informal business sector reorganisation, self-regulation and clustering could lead to improved business operations and higher business prospects for the sector. It can further be suggested that a conducive policy and regulatory environment that will promote co-existence of informal and formal sector entities in one common business arena needed to be established. Bigsten et al (2004) attested that, in Kenya, the *Jua Kali* sector is a mixture of small self-employment efforts and dynamic enterprises. This statement demonstrates the growing formal-informal business sector linkages that are evident in many economies in Africa including Zambia. The Zambia Vision 2030 as well as the Revised Sixth National Development Plan for the period 2011 to 2015 also proclaim increased support to small, medium and micro enterprises though the MSME Policy of 2007 seemingly excludes the informal business sector enterprises.

The self-regulation element and ‘pulling’ together could be a great step towards formalisation of the *Zambian* informal sector into *Jua kali*-type associations of informal businesses. It can be suggested that *Zambia’s* existing informal sector is not far from establishing ‘*Jua-Kali*’ type associations and clusters as several such business units are in existence among informal entrepreneurs in many informal settlements in Lusaka such as Kalingalinga where one type of economic activity of metal work, welding and ironmongery takes place on one side of Alick Nkhata Road while formal hardware shops from which these informal enterprises purchase tools, materials and implements on the other side of the road. Carpentry

and timber merchandising in Kalingalinga also takes place on another location in the informal settlement.

Another informal settlement where clustered enterprises exist is in an informal settlement called 'Garden Compound' north of the Lusaka CBD, where metal works are carried out on one section of the market while trade in mixed hardware is conducted on the opposite side of the market with trade, skills and labour being exchanged among formal and informal enterprises.

An association called Street Vendors Association which was formed in Livingstone in 2012, and the Cross Border Traders Association, which is recognised by COMESA, are examples of clusters similar in nature to '*Jua kali*' Associations, which, with support, could be effective avenues for informal sector incubation, regulation and formalisation.

Lambert (2013) held that, with additional support, the informal business sector would specialise and cluster itself into activity-specific business clusters that would probably be an important step for sector regulation and management. The recent establishment of Multi Facility Economic Zones (MFEZs) in Zambia would be considered to be a higher level of industrial clustering that clusters and locate industries according to industry type in the zones. The MFEZ approach could then be the 'carrot' that government would dangle in front of informal enterprises to encourage them to formalize and enjoy access to various business development services such as credit, skills development and expanded markets.

Some African governments are incorporating plans into their Local Economic Development (LED) programmes to enhance small business development through business incubation, Chisenga (2012).

2.9 Recognition of the Informal business sector

As far back as 1986, the informal business sector comprised business activities that were constrained from full development by the high "costs of formality" present in many developing countries, complex, time-consuming and expensive regulations that were almost impossible for small firms to observe and which tended to favour large firms (De Soto, 1986).

Despite its growth beginning in the mid 1990's, the informal business sector, though acknowledged as part of the economies of many African countries including Zambia, data on the sector may not have been comprehensive or reliable

(Lambert, 2013). The lack of up-to-date and comprehensive data on micro and small enterprises is a universal problem, to a greater or lesser extent (World Bank, 2000; Liedholm, 2001; GEM Report, 2003). The lack of comprehensive data on the informal business sector could be due to the fact that the sector is not legally recognised by authorities. Mandela (1990) attested that, in the past, governments' position in Sub-Saharan Africa on the informal business sector varied from benign neglect to outright harassment.

However, official attitudes towards the sector are changing dramatically with the sector being recognized as the lead sector in the creation of new jobs in an increasing number of countries.

This has been the trend as attested to by early researchers like Maldonado (1995), who noted that, 'in Africa, two out of three city-dwellers already earned their living in this "survival sector", and projected that, the sector was expected to generate 93% of additional urban jobs in the 1990s. Maldonado (1995) further concluded that, the promotion of this sector was one of the main issues in development policy today.

Chen (2003) also argued that, most workers in the informal economy shared one thing in common – the lack of formal recognition and protection. Stiftung (2000) earlier argued that, although the informal business sector in Zambia has potential for growth and employment creation and despite its large size, it is mainly regarded as a nuisance by the authorities.

From Stiftung (2000), it could be implied that, the lack of recognition of the sector creates bias against it. The views by Stiftung (2000) and by Chen (2003) and other scholars also aver that, in fact, the sector needs to be formally recognised as an important sector in national development.

According to Alemayehu and Haile (2009) the informal business sector has been recognised as an important contributor to employment creation and GDP for many developing countries; except that this recognition is not backed by statute. Mwenechanya (2007) however held that, the legal stigmatization of informal business sector enterprises deepened their isolation from financial markets and other institutional sources of business support. Mwenechanya (2007) further attested that, the objective in recognizing informal business sector enterprises is not to create a new body of law that gave recognition to the informal business

sector as a separate and distinct business sector, but that, the informal business sector becomes part of the formal economy. Barnett and Sparks (2011) stated that, in order to enhance the potential of the informal business sector, Sub-Saharan African governments needed to unequivocally recognize and admit the importance of the informal business sector and find ways to encourage its growth while removing barriers to the formal sector to allow more players to participate. It could be implied from both Mwenechanya (2007), and Barnett and Sparks (2011) that, the objective of formalisation is really to unlock barriers to entry and open doors to business development services that would actualise the role and position of the informal business sector in industry.

According to Tokman (2007), the transition to formalization would enable those working in the informal economy to improve their chances of being included, become less vulnerable, and ensure better performance of their activities. Formal recognition of the sector would lead to its eventual formalization and ability to tap benefits for increased trade and profitability while also effectively regulating the use of public space. It could be postulated further that, municipal bylaws and regulations could significantly shape the working environment for both the formal and the informal business sector.

Bylaws, as delegated legislation enforced by the LCC are important tools to enable city officials to manage public space. According to Lund and Skinner (2005), informal entrepreneurs needed regulations that deal with them as working people, as economic actors, rather than as public nuisances. It could be argued that, the institution of regulations as has been suggested in the literature, would encourage growth of informal enterprises while non-application of the regulations would lead to some sections of the formal sector to deformalize and take advantage of more lucrative business opportunities in the informal business sector, and thus reduce the tax burden faced by formal businesses.

The incidence of formal enterprises reaping benefits from the informal business sector is observed by Skinner (2002), who held that, increased informal activities is the result of formal firms informalizing and expanding supply relations from the formal to the informal.

Berries (2003) also supported this view and postulated that, the fact that the informal business sector expanded despite all the constraints could be seen as a

clear indication of its dynamism on the one hand, and the sheer socio-economic need for it on the other. Similar formal-informal linkages are seen from sub-contracting arrangements where commercial farmers in Zambia promoting out-grower schemes engage small holder informal farmers whom they finance to grow crops, which they eventually buy off on commission (Berries, 2003). In cases where the out-grower schemes expanded in capacity, such commercial farmers supported the incorporation and registration of large out grower schemes into formal farming enterprises, such as the Kaleya Smallholder Company Limited (Kascol) in Mazabuka which grows sugar cane for Zambia Sugar Company. The establishment of Kascol demonstrated the prospects of dynamic linkages that the informal business sector is capable of establishing with formal forms. Sethuraman (2010) supported this view and opined that, despite their informality, informal business sector enterprises are able to exploit profitable production opportunities by remaining outside the institutionalized part of the economy. As seen in the literature, many informal activities transform very rapidly as economic conditions dictate.

The metamorphosis of the informal sector is faster than that of formal enterprises who may usually understand customer behaviours and needs from statistical consumer reports and not from physical interactions with the customer as is usual in the informal sector.

Some earlier scholars such as Papola (1980) and Maldonado (1995) were unanimous about the positive elements of informal business sector recognition holding that, the legal status of informal establishments, their relationship to the State and the role of public institutions are therefore of major importance. In Zambia, the earliest steps to recognition of informal enterprises was the formation of local Non-Governmental Organizations and associations such as VIS in 1976, SIDO, now SEDB formed in 1981, Small Enterprises Promotion (SEP) Limited formed in 1982 and the Copper Mining Enterprise Trust Limited (COMET) in 1987. Others were the Small Scale Industries Association of Zambia (SSIAZ) formed in 1982 and Centre for Informal Sector Employment Promotion (CISEP) formed in 1998, among others, UNCTAD (2001). These establishments could be said to have been established as breeding grounds or industry incubators that would nurture and strengthen participating enterprises. It can be observed that, these parastatal institutions were established to promote small businesses in

Zambia by providing credit, training and other business services. As business incubators, these institutions have only been supporting registered enterprises to access their services. Depending on the ambient temperature in these business incubators, participating informal enterprises can thrive and grow into formalised business entities, thereby actualising the informal-formal sector nexus.

Enterprises associated with the above entities are expected to access a number of benefits as long as they remained registered (UNCTAD, 2001). However, many MSMEs in many countries face the challenge of scale and mix of informal and formal enterprises (Liedholm, 2001). In Zambia, and contrary to Liedholm's (2001) view, MSMEs had to be registered with the Registrar of Companies and needed to have a certain annual turnover and number of employees to qualify to be a micro, medium or small enterprise.

From this conditionality, many informal businesses in Zambia could not be considered within the MSME ranks and would fall outside any policy support (Lambert, 2013). Keeping the informal sector outside the MSME framework implied that, the sector's economic value and contribution to GDP would not be recognised.

In cases where active informal enterprises see the need to be recognised and supported, such informal enterprises would form interest groups among themselves to champion their various causes. The Livingstone Street Vendors Association formed in 2012 in Livingstone, could be one such example.

The initiative by street vendors to organise themselves could also be suggested to be a step towards self-regulation and a good starting point for formalization. Given the important role that the informal business sector plays, it is imperative that the sector be legally recognised. Kenneth (2000) acknowledges that, a failure to recognize the vitality and necessity of informal markets constituted a denial of fundamental economic realities. At national level and in concert with the above views, it can be suggested that, the Zambian government needs to take more interest in the informal sector through establishment of a legal and management framework upon which informal business sector activities would be underpinned.

There are several laws and pieces of legislation that govern the conduct of business in Zambia. The laws are of varying content and are applicable to

different categories of businesses depending on the size and type of business conducted.

These laws however, seemed to only address registered business activities. In Zambia, the major legal instruments regulating business are:

1. Business Name Registration conducted by the Registrar of Companies.
2. MSME Registration conducted by the Small Enterprise Development Board.
3. Manufacturing Licenses issued by the Local Council.
4. Trading Licenses (retail and wholesale) issued by the Local Council.
5. Agents Licenses issued by the Local Councils.
6. Licenses for Market Stalls, Hawkers and Peddlers issued by the Local Council.
7. Liquor Licenses issued by the Local Council.

The literature revealed that, there were numerous municipal regulations that sought to regulate the conduct of any business activity within the jurisdiction of the LCC.

According to De Haan (1982), bylaws existed from colonial times, though Zambians were denied licenses and could not thus easily set up any formal business in the colonial era.

Mususa (2008) noted that, informal trading was not even mentioned in the regulations as it may have been of no consequence then. It was only in the 1970s that miners' wives started selling foodstuffs and other goods to supplement their husband's income that informal household based business seemed to have commenced. Seidman (1973) attested to this and held that, 'there are relatively few linkages between the mines and the rest of the Zambian economy, except for the continual flow of cheap labour supplied. It is clear that the Zambian economy is heavily dependent on copper mining at the expense of other growth oriented industries like agriculture, which is also heavily subsidised.

Seed and fertilisers were supplied to small scale farmers and the produce was purchased from these farmers by the National Agriculture Marketing Board

(Namboard) then and the Food Reserve Agency (FRA) now which is deemed to be the 'buyer of last resort'.

As a result of the historical focus on mining and the government's direct subsidy interventions, not many people rarely engaged in business prior to the 1990s.

It was after 1990 that, many informal businesses mushroomed resulting into the authorities fighting running battles with informal traders and street vendors. Local councils in many towns in Zambia pronounced that, any person involved in a trading and manufacturing transaction, regardless of the size or status of the business was obliged by law to obtain the relevant operating license (Stiftung, 2000). Mukuka (2005) also affirmed that, any person trading or involved in any manufacturing activity at any level needed to apply for a license or show documentary proof of exemption from holding such a license.

This meant that, hawkers, peddlers, and other informal business entrepreneurs needed to be licensed to operate.

The LCC (2008) stated that, in terms of Zambia's Public Health Act, Cap 295 and the Food and Drugs Act Cap 303, any business premises and processes have to be certified by the relevant authority responsible for the enforcement of the requisite laws and bylaws and collection of levies and penalties for non-compliance. The literature reviewed shows that, user fees and levies are a vital source of local authorities' revenue (Klepp, 2006).

In an effort to boost public income, the local government is forcing the innumerable street vendors and stand owners to register with the city councils. However, the councils themselves have not created a favourable environment for the registration of informal businesses from which they are expected to collect levies. In particular, the provision of infrastructure facilities in the markets such as water supply and garbage collection are severely lacking. Mwenechanya (2007), in agreement with this view held that, approaches by local authorities to bring the informal business sector within regulatory control are half-hearted and flawed largely because they are revenue-driven without giving due regard to the medium to long term economic benefits that unlocking the business potential of the sector promises.

2.10 Informal business sector Employment in Africa

The ILO (2002) estimated that, in 1990, 21% of Sub Saharan Africa's 227 million labour force was working in the informal economy and by 1998 it was estimated to comprise 40-60% of urban employment. According to the World Bank (2001), the informal business sector contributes significantly to the GDP (at least 20-50%) and to employment in most countries.

The World Bank further attested that the informal business sector is the primary source of employment for workers particularly those that are relatively disadvantaged in the labour market (World Bank, 2001). The informal business sector therefore plays a significant role in both employment creation and economic growth in Sub-Saharan Africa where the informal business sector was around 40 to 60% of Sub-Saharan GDP, and employed as much as 93% of non-agricultural workers (Dickerson, 2011).

Previously, the informal business sector was not a subject of research in many studies on Africa. Scholars and researchers focused largely on the African formal economy and little was researched on the informal business sector of African economies (Muuka, 2003). According to CSO (2006), Zambia is yet to conduct a full-fledged informal business sector survey. At the time of the study no such study had been undertaken. It is probable that, the planned survey by CSO would bring out information that would assist authorities implement appropriate policies for informal business sector regulation.

Such policies once implemented, would see the informal business sector contribute meaningfully to employment creation and economic growth through relevant taxes and levies and become the 'tax payer of last resort'.

The growth of the informal business sector has taken place in many parts and regions of the world and informal business sector employment statistics worldwide indicate increased job creation. Chen (2003) acknowledged that, the contribution of informal business sector income to total household income is significant in many regions: for example, in several African countries, informal business sector income accounts for nearly 30% of total income and over 40% of total urban income.

Employment in the informal business sector in many countries in Africa and the world has far surpassed that in the formal economy. In Zimbabwe, only about

40% or 2.7 million of the 6.7 million working adults are still employed (Global Development Research Centre, 2009). Global literature showed that between 1994 and 2000 informal business sector employment was 38% in Colombia, 36% in Chile, 60% in Brazil and 83% in India. In Africa, informal business sector employment was 51% in South Africa, 93% in Benin, 74% in Chad, 72% in Guinea, 55% in Egypt, 43% in Algeria, 45% in Morocco and 72% in Kenya (ILO, 2006).

Between 2009 and 2010 informal sector employment in South Africa was 32.7%, Argentina 49.7%, Liberia 60%, Egypt 51.2%, Mali 81.8%, Tanzania 76.2% and Zambia 69.5% (ILO, 2012). Charmes (2000) agreed that the informal business sector is larger in Sub-Saharan Africa than in other parts of the developing world. The sector is indeed a pervasive and persistent economic feature of most developing economies, contributing significantly to employment creation, production, and income generation.

Recent estimates of the size of the informal business sector in developing countries in terms of its share of non-agricultural employment ranged roughly between one-fifth and four-fifths. In South Africa, formal sector job creation has failed to keep pace with expanding labour force participation (Hodge, 2009). According to the World Bank (2009), the contribution to GDP by the informal business sector accounted for between 25% and 40% of annual output in developing countries in Asia and Africa.

Ghana, which had a very robust informal business sector, was the highest contributing as much as 51% of its GDP in 2010 (Ghana Statistical Service (2011). Niger's informal business sector contributed 54% in 1995 while Burundi contributed 44% to its GDP the following year. Tunisia had the lowest informal business sector contribution to its GDP of only 23% in 1995 (Charmes, 1998).

Recent statistics showed an increasing trend in informal sector contribution to GDP. Mali which was reported by ILO (2002), to have the largest informal sector by employment percentage of up to 94%, was confirmed to have a predominant informal sector with as little as 2% of the people employed in the formal sector SALGA (2012).

In Zambia in 2004, 83% of the employed persons were employed in the informal business sector with majority (91%) being females (CSO, 2004). According to

ZimStat (2013) Zimbabwe recorded a contribution of 20% to its GDP by the informal sector in 2013. By 2013 the contribution of the informal sector to the GDP of African countries had reached 55% and in terms of labour, the informal sector contributed up to 80% of labour (AfDB, 2013).

In Togo the informal sector contributed between 25% and 50% to the GDP of the country and over 70% of non-agriculture employment, Togo Labour Market Profile (2012).

The size of Ghana's informal business sector being 80% of the total labour force, partly accounted for the high GDP contribution (Hormeku, 1998). Tunisia's small informal business sector of just 34.5% accounted for the low GDP contribution of 23% in 1995 (Sullivan, 2007). No literature was reviewed to account for the reasons for the small size of the informal sector in Tunisia.

Kenya's informal sector was estimated at 34.3% accounting for 77% of employment while GDP contribution by the sector was 25% of GDP (Kenya Economic Survey, 2012).

In Tanzania, as in many African countries, street vendors are the largest sub-group of the informal workforce after home-based workers ILO (2002). According to Brown and Lyon (2004), a large volume of petty trade was 'street trading' yet its growth is not accompanied by a parallel increase in 'political voice' to recognise and support it. In 2010, Tanzania had a national GDP of US \$22.9 billion of which 39.5% was contributed by the informal sector, though the government, like many others, does not officially recognise the informal sector, SALGA (2012).

In many cases, political interest in the informal sector is inconsistent and 'seasonal' depending on the political climate obtaining at a given time. It can be argued that, street vending and other forms of informal trading in Africa could be legally permitted as long as their operations were sustainably managed without disruption of social and economic order. Some governments have initiated activities to recognise and provide direct support to the informal sector.

In South Africa the Small Business Act, No. 71 of 1991 acknowledges traders as contributors to the economy and protects their right to trade. The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa for example, encourages and assists the development of informal traders.

Warwick Junction Project (WJP) in Durban South Africa is one such example which has a significant impact on the process of developing the informal business sector, (Sikhakhane, Njagi and Rimensbeger, 2002).

The vast majority of Zambia's working population is in the informal business sector which accounted for 3.18 million out of an estimated workforce of 4.13 million in 2005 (CSO, 2005). The informal sector's contribution to GDP of many countries is also acknowledged by Mwenechanya (2007), who held that, 'informal business sector businesses are a valuable nursery for growing better quality jobs, potentially, at a faster rate than is possible with policies centred purely on the formal economy'. Engagement in these activities not only ensures a person's livelihood, but also equips an individual with means of acquiring and sustaining the basic needs of life such as food, clothing and shelter (De Soto, 2009).

This can be suggested to be a clear indication of the importance and need for the informal business sector to be recognised as a critical engine for employment creation and economic growth as it is with the mining industry. Although investments in mining create some new jobs, there has been a collapse in the quality of employment, with around 45% of those working in the mines in Zambia unable to access permanent pensionable contracts. This is probably because most mining companies engage workers onto rolling, fixed-term contracts on significantly less beneficial terms and conditions, or the jobs have been 'contracted-out' to companies that paid, in many cases, less than half the monthly wage offered to permanent workers for the same work in the same mine, and in some cases, just one tenth of this figure (Fraser and Lungu, 2007).

New mine owners and several foreign multinational companies in Zambia sub contract the bulk of their allied businesses activities to other foreign and local companies. Mining companies such as Mopani Copper Mines Limited (MCM), Lumwana Copper Mines and Konkola Copper Mines Limited (KCM) among others usually contract out underground drilling works, surface excavations and other support services to local and foreign firms.

Though not critical to this study, an assessment of the impact of subcontracting in industry and what impact this may have on trade unionism and general labour relations may need to be investigated. Trade union movements on their part however, are aware of the dramatic decline in formal sector employment and

cannot claim to be the “voice” of a minority of working people only in the formal sector (Adu-Amankwah, 1999).

In Zambia, trade unions have historically focused on employees in the formal sector for whom recognition and collective agreements are signed with their employers. No evidence of formal trade union relations with the growing informal business sector has been seen. According to Chiwele (1999), trade unions in Zambia represented a small and shrinking proportion of the economically active population and there is confusion over their roles in poverty reduction. The fact that existing legislation bars informal business sector workers from unionization means that, the first task for the unions should be towards a change in the law itself, opening up the informal business sector to the established trade union movement. To date, this has not been achieved (Chune and Egulu, 1999).

Employment in the informal business sector was estimated to have expanded from 7.5 million in 2007 to 7.9 million in 2008 (Kenya Bureau of Statistics, 2010) and still growing.

In Uganda, 88.2% of the economically active women are self-employed or unpaid family workers, and thus categorized within the informal economy which represents a growing economic sector and a valuable source of employment (ILO, 2005). Sadly all these workers are not represented by any trade union and are subject to unfair working conditions and do not enjoy the necessary welfare entitlements. It can be suggested that, without a legal and regulatory framework, the informal business sector has remained unsupported and its workers unprotected. The informal business sector is also poorly organised and has no representation for trade and labour issues for its workers (Muuka 2003; Portes and Schauffler, 1993).

Sector reorganisation can also promote representation by Trade Unions and other advocacy groups and trade associations. According to Karl (2000), two in three urban residents in Africa obtain their livelihoods from the informal business sector, which is thought to be growing at an annual rate of 7%. Karl (2000) further attests that with this phenomenal growth the informal business sector is poised to grow immensely throughout the world and that, in the near future, it is estimated that more than 90 % of jobs would be part of informal economies. This situation

would present opportunities for trade unions, local authorities and the formal private sector to establish and forge and strategic linkages and partnerships with the informal sector.

It could be argued that, if the informal business sector grows to create over 90% of jobs as suggested by Karl (2000), and ILO (2006), it might be necessary for governments in developing countries to establish mechanisms to manage and monitor this growth before the informality 'bubble' bursts. This notion is in sync with Mwenechanya (2007) who asserted that, governments should therefore show a willingness to invest in measures which nucleate and promote the increasing prosperity of informal business sector businesses to empower them to achieve decent work standards and enable the sector's contribution to the respective national economies. Evidence from the GEM South Africa Report (2006) however, shows that, in reality, less than 3% of necessity businesses which constitute all 'survivalist' businesses and most micro-enterprises in the informal economy are likely to create a significant number of jobs.

In Zambia, informality not only exists in a business environment but is also evident outside the business environment where people engage in survivalist activities outside established laws. Illegal sale of land and illegal encroachment on private and state land being one of the most common cases of informality in Zambia today.

According to the World Bank (2004), Zambia had "a sufficient policy and legislative framework regarding the legalisation of unplanned and informal settlements. However, there is no clear policy and strategy as to how to deal with informal or unplanned settlements". Mususa, (2008), asserted that, since the transition to multi-party democracy and the free market economy in 1991, the regulatory forces of the Zambian state have contracted diminishing the surveillance capacity of the State.

According to the LCC (2006), recognition of unplanned settlements began as far back as 1972 when a new government policy towards squatter settlements was presented in the Second National Development Plan, stating that squatter settlements had to be upgraded instead of being demolished. Kalingalinga and John Laing are two informal settlements in which the research was conducted.

It was seen from the literature that, political influence sometimes shielded informal enterprises from sanction by authorities. In Zambia, this came at the highest level in 2012, when the government, directed the MLGH to stop chasing street vendors from the streets (Goodfellow, 2012).

This political pronouncement was also consequent to a 1999 declaration by the President, to allow street vendors to carry out their trade on the streets and the subsequent establishment of a Vendors' Desk at State House in 1996 (Hansen, 2010).

In Kampala, Uganda, increased political competition created an environment where informal groups seeking to protect their livelihoods could tactically leverage a presidential intervention in their favour, helping them evade the policies and regulations of the City Council (Goodfellow, 2012).

It was learnt from literature that, many governments including the Zambia government tend to legalise informal trading and informal land settlements which would then be upgraded so that residents could have access to some basic social amenities. This 'reverse planning' has caused a number of development challenges as public services and amenities seem to be provided as an after-thought.

This planning challenge has led to residential areas being expanded beyond their planned and designed limits. Medium to Low density areas such as Woodlands 'Extension', Roma 'Extension', 'New Kanyama' and George Informal settlement 'Overspill' are examples of this scenario in Lusaka where about 65% of the city's economy is in the informal business sector (Lusaka City Council, 2008).

It can be inferred from the above examples that, the informal sector is easy to enter and operate without any legal procedures and that lack of regulation by the authorities, is a major enabler for informal economic activities to thrive.

2.11 Challenges of the Informal business sector

As has been shown from literature, the informal business sector is confronted with a number of challenges that restrict its operations. These challenges include lack of capital, poor access to technical skills and other business development services. On the other hand, the sector also lacks a legal and regulatory framework to guide its operations.

According to Norad (2002) and Mususa (2008) there are no regulations to govern the operations of informal business activities in Zambia and the sector is considered a public nuisance and an affront to formal business operations in the country, Skinner (2002; Cross 1998).

As premised by Bigsten, Kimuyu and Lundvall (2004), prices in the informal business sector are lower than modern sector products and the quality is also often lower. ILO (2004), in a study conducted in Thailand and Zambia, found that, in Zambia 70% of the business capital of entrepreneurs comes from savings or from borrowing from family or friends, 4% comes from informal lenders, and none at all come from formal credit sources.

It could be argued that, though the informal business sector lacks legal form and is devoid of established standards in its character and conduct, the sector could account for its survival by inculcating increasingly dynamic practices that could arouse political interest and recognition. Some of these practices would be forging links with the formal sector, creating networks among its various players and actualising linkages in the value chain that would create income opportunities for its entrepreneurs.

ILO (1995) noted further that, in economies where, because of low pay in formal employment, second incomes are often essential.

Therefore, for some people informal business sector enterprises provide an important opportunity for “top up” incomes. From the foregoing, it could be inferred that, informal entrepreneurs operate covertly due to lack of any supportive frameworks to govern their affairs or to represent their interests. According to Muuka (2003) informal business sector advocacy was poor in Zambia, as the informal sector has remained unorganized, unregulated and ungoverned. The level of disorganisation among institutions promoting microenterprise development could be evidenced by a myriad of different institutions promoting many microenterprise development activities by using different and uncoordinated approaches for informal sector engagements thereby increasing the disorganisation in an already disorganised sector.

In confirmation of the apparent lack of organisation in the informal sector, many NGOs and Civil Society Organisations (CSOs) in Zambia, have different approaches in their support to the informal business sector. Some CSOs support

business training, others provide small loans, advocacy, civic education, gender and HIV/Aids awareness and several other activities.

Others CSOs only facilitate linkages for support services from service providers. Some of these NGOs and CSOs however, do not support informal enterprises which they considered to be operating outside the law.

It has also been shown from the literature that, civil society support to the informal sector is project-oriented and only exists for the duration of the project which is tied to the amount of funding availed by donor agencies. Small loan revolving funds established by NGOs in Zambia, modelled on the Grameen or village banking model also operate within the funding horizons of NGOs supporting them. Other microfinance schemes only focus their lending to salaried employees and not to unregistered informal businesses.

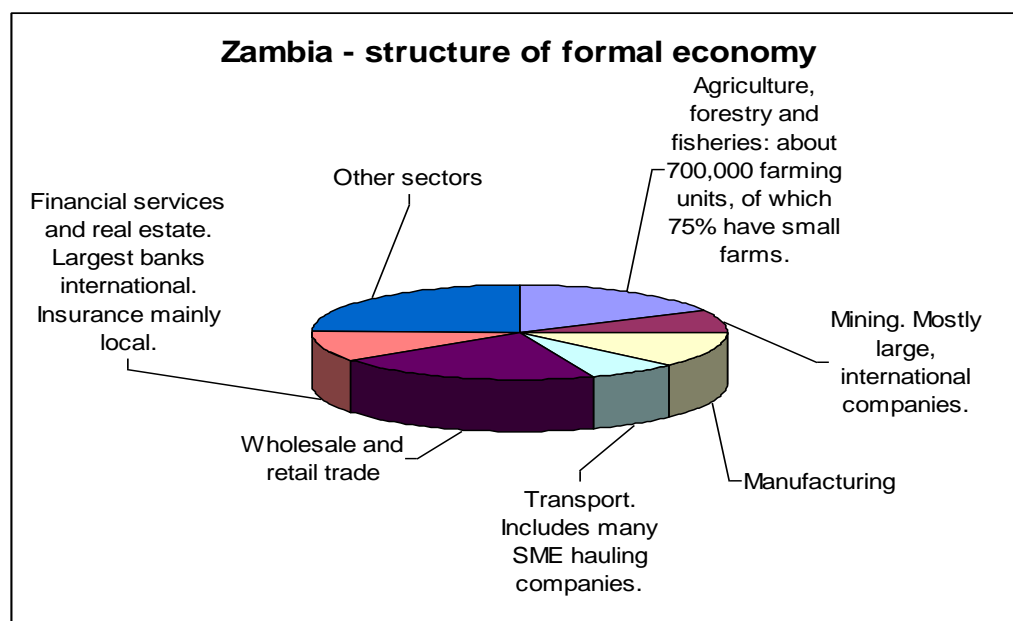
From 1998, a number of microfinance institutions (MFIs) in Zambia, such as Bayport, FINCA, Meanwood Financial Services, Pride Zambia, Blue Financial Services and many others have been established to provide loans mainly to government workers or salaried workers from industry. Many MFIs seem to find it easier to recover loans from borrowers who are in formal employment or those who provide collateral than those in the informal business sector.

It has also been seen that many Zambian MFIs find it easier to provide loans for household goods and vehicles than providing business loans for formal and informal business activities.

According to UN Habitat (2012), the majority urban poor cannot meet the loan conditions and as such the benefits are limited to salaried employees. ILO (2004) attested that, youths in Zambia have received training in savings and credit as a precondition to get loans, but despite this, few of them are able to expand their income generation activities. Most informal business entrepreneurs who have not received such training fall out of the selective lending criteria adopted by many lending institutions. The major sources of working capital for informal business sector entrepreneurs therefore, are from personal and family sources and from informal money lenders who provide expensive short term loans called '*kaloba*'. It is from these informal sources of capital that informal business sector entrepreneurs start their business and create employment for themselves and their families.

Figure 2.6 shows how the formal Zambian economy is divided across the various economic sectors and their relative sizes. The Figure shows that, the level of manufacturing is smaller than the retail and trading sectors in the formal sector. In the informal business sector, a similar pattern would be assumed to exist as all recognised formal sectors also had large unrecognised informal parts.

Figure 2.6: Structure of the Zambian economy



Source: IMF (2002)

2.12 Informal business sector constraints

The World Bank (2006) and the African Development Bank (2013) both categorised problems of the informal business sector as infrastructure based, resource based and economy based.

2.12.1 Infrastructure Constraints

Poor infrastructure affects street vendors and home-based workers differently. For street vendors, the needed infrastructure includes formal markets, benches and tables, water and sanitation facilities and storage space. For home-based workers, poor infrastructure relates to hard infrastructure services provided within the home such as water and electricity (Andersson et al, 2000). The cost of urban transport and poor access to markets as well as access to productive inputs, access to water and sanitation facilities and security of their products are other infrastructure challenges that informal sector workers face. Lack of infrastructure such as trading space and housing has resulted in incidences of illegal settlements and illegal land allocation which are common in Zambia as squatters and traders occupy and conduct informal activities on land left undeveloped by absentee landlords (LCC, 2008).

2.12.2 Resource Constraints

As shown in literature informal sector businesses have limited resources on which their business activities are expected to be underpinned. Resource constraints experienced in the informal business sector can be categorised into three; financial resources constraints, human resources constraints and technical skills constraints.

The researcher postulates that, lack of access to finance has caused financial exclusion of the informal economy as banking facilities that cater for small actors are often absent. Informal credit sources and in some cases raising capital from asset disposal may be seen to be the only available options for informal sector business finance. According to Berries (2003) the major source of business capital is informal credit and rotating savings schemes (ROSCAs) or from money lenders who offer expensive short term loans. With regard to the absence of a skilled human recourse base in the informal sector, it may be suggested that the only viable option remained that of employing unskilled and semi-skilled workers or family relations. Technical skills availability, especially for low-end manufacturing in the informal economy, may also account for the poor product and service quality.

2.12.3 Economic Constraints

Many informal actors cannot afford to buy in bulk due to lack of storage space and costs for inward and outward carriage. Informal sector businesses are therefore, forced to sell in quotas and to pay rent to store and bulk their goods,

thereby lacking access to economies of scale. According to Ncube (2013), the prevalence of informal activities is closely related to an environment characterized by weaknesses in three institutional areas, namely; taxation, regulation and private property rights. It can be averred that, higher taxes and complicated fiscal processes prevent informal business sector operators from formalizing their activities. Long requirements for registration as well as licensing and inspection requirements are among the barriers faced by the informal business sector.

People in unplanned settlements however have one interesting common feature; they have the ability to govern themselves effectively and provide themselves with such facilities as they could without government or other official support (LCC, 2008). According to the LCC, unplanned settlements are organised under the 'ward', a recognised political structure at community level through which development activities are delivered and coordinated.

Despite the well-defined governance structures in communities, informality still persists. Where crime is a concern in some unplanned settlements, government has opened up police posts to reduce crime. Where disease or epidemics such as cholera and dysentery persist government has established mobile health posts and other services. Such responses can be assumed to be indirect ways of formalisation and ultimate recognition of unplanned settlements in Zambia. This view was also shared by Woodruff (2013) who noted that, for governments in developing countries, getting firms to register should not be simply a cost-benefit calculation involving a trade-off between enforcement costs and tax collection. This view appears to be in concert with the theory that informality stifles entrepreneurship, as informal firms and other formal companies sometimes remain small deliberately to avoid attracting the attention of regulators and tax collectors.

De Mel, McKenzie and Woodruff (2012) also averred that, in Sri Lanka, a project to induce small firms in the informal business sector to register did little to change the trajectory of most enterprises which saw no increase in profits (or sales or employment) after formalizing.

It can be suggested that, the focus of formalization could be multi-faceted so as to address the myriad of challenges in the informal business sector and not just revenue focused.

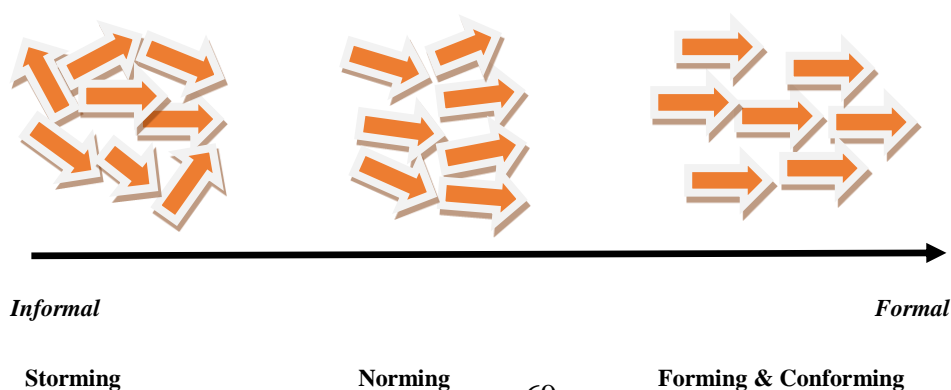
Research showed that, the informal business sector organised and reorganised itself in order to survive and claim their ‘space’. In Kenya, the ‘*Jua kali*’ traders cluster themselves into ‘*Jua kali*’ associations to have a united voice to champion their causes. Similar informal groupings are also established in India, Nepal and Bangladesh.

In South Africa, the Gauteng provincial government in its New Employment, Growth and Development Strategy approved in 2010, recognises and promotes the informal business sector and supports its reorganisation and growth by segmenting it into trade units for focused capacity building and support. Previously, informal trading activities such as street vending and informal trading in city centres or along national and arterial roads were banned by the apartheid government from 1948 through to 1994 (Abrahams, et al 2013). Despite its economic significance, the informal business sector poses a number of challenges for authorities. The sector operates in unregulated spaces and compromises social service delivery. Poor sanitation, overcrowding and crime are some of the problems occasioned by unregulated informal trade in Lusaka’s CBD and other peri-urban areas.

In several studies by UNDP, LCC, CSO between 2002 and 2010, it was seen that, informal activities (trading and poor land use and settlement plans) led to various social economic problems in many settlements in Lusaka and other urban areas. Garbage and solid waste accumulation, poor water and sanitation standards, seasonal flooding and high incidence of water related epidemics such as typhoid and cholera could have all been associated with informality.

From an operational context, research showed that, formal enterprises which start as small informal units usually progress through a number of stages in a theoretical continuum as postulated by the researcher, in Figure 2.7 below:

Figure 2.7: Informal Sector growth Continuum



Source: Author, 2016

From the continuum depicted in the figure, the *Storming* stage can be described as the most basic level of informal businesses that are unregulated and operating in a haphazard and ‘*stormy*’ manner and in total defiance of state regulation. The bulk of this category would mainly comprise street vendors in Lusaka.

The second stage of informal businesses can be described as those that are unregulated but show signs of *Norming* or ability to organise their businesses in some systematic order. Marketeers and informal traders operating in assigned areas could form part of this category of informal businesses. With progressive business development support, this level of informal businesses could usually grow, be regulated and formalised.

The third and most active stage can be described as those informal businesses which are *Forming and starting to conform* and perform. This is the category of informal businesses which would demonstrate the ability and capacity to grow by complying with regulations and showing potential to become formal businesses. For conforming enterprises, growth becomes inevitable as they can no longer remain small and hidden (Woodruff, 2013). The pace and process of transformation from the stormy start of the growth continuum to the conforming and performing end of the continuum can take long depending on the ambient environment surrounding the business. It could be averred that, for informal businesses established primarily for survival or ‘survivalist enterprises’, growth is not seen as an essential element of the business. For these, remaining small is the best and cheapest position to assume.

Some informal businesses exhibit growth prospects while others desire only to formalise some aspects of their trade leaving other activities informal. Where business orders increase rather unexpectedly and outside any feasible plans, such entities usually take advantage of the growth but still remain ‘hidden’ for the bulk of their trade fearing costs associated with their eventual growth.

2.13 Summary

Literature has shown that, limited access to capital is the single most important factor that limits the participation of more business people in many African economies. The major sources of working capital for informal business actors could be from friends, family and informal money lending schemes.

As formal wage employment continues to decline, more people are forced to seek refuge in the rapidly expanding informal business sector though nominal wages actually decline over time. While the formal sector and formal employment are crowded with all the statutes, there is still no legislative framework to protect the informal business sector (CSPR, 2010).

It can be suggested that, the growth of the informal business sector in Zambia is influenced by globalisation, high cost of living and rapid urbanization in urban and peri-urban areas where the practice is most prevalent. The informal business sector operates within a business world where survival is the major driver for engagement.

Informal business entrepreneurs are also constantly exploiting business opportunities in a world where legal demands and requirements are constantly posing growth challenges.

The challenges confronting the informal business sector and the impediments and obstacles faced by authorities in regulating the sector, are glaring realities that deserve serious attention. The effective operation, management and regulation of this sector are important economic activities that would promote growth and recognition of the sector. Informal business may not wish to register their businesses probably because they are not aware about the importance and benefits of registration or that they fear that regulation would come at a cost.

A failure to recognize the vitality and necessity of informal markets constitutes a denial of fundamental economic realities (Kenneth, 2000). Understanding the informal business sector, developing systems and models to effectively regulate and manage it, could be important processes for authorities to engage in and bring out mutual economic benefits for the state and for the entrepreneurs.

CHAPTER THREE – THEORETICAL AND CONCEPTUAL FRAMEWORK

3.0 Introduction

This chapter outlines both the theoretical framework and conceptual framework for the research. The chapter analyses various hypothetical statements adduced by some authorities on the informal sector, drawing out key comparisons with informal sector activities in Lusaka. The chapter compares the characteristics and status of the formal and informal economies and comparatively discusses the consequences and benefits of sectors and displaying business linkages between them. The conceptual framework also shows some structural and management characteristics of the informal business sector.

3.1 Theoretical Framework

The theoretical framework for this study takes into perspective a number of theories on the informal business sector that have been espoused by several scholars, academics and other authorities. Theories on informal-formal sector linkages, sector challenges, lost and potential opportunities for the sector as well as other aspects of informal trade are also outlined.

One theory is that, the informal business sector derives income and survival benefits which would disappear if the sector was regulated and that registration would attract costs. Other theories are that, there are mutual trade linkages between the formal sector and the informal business sector and that the informal sector cannot grow due to lack of access to capital, technical skills, sustainable markets and other business development services.

These theories are however ably argued against in literature which has shown that, the informal sector has grown faster and has become the larger employer than the formal sector while some positive benefits do accrue to informal business if they grew and became formal entities.

With regard to informal sector linkages, the theory that the informal sector and the formal sector are poles apart may also be disproved by literature which has in fact shown that visible linkages do actually subsist between the two sectors. Robinson (1999) held that the informal sector is actively connecting with the formal sector through sub-contracting or agency on behalf of the formal sector, as ILO (2006)

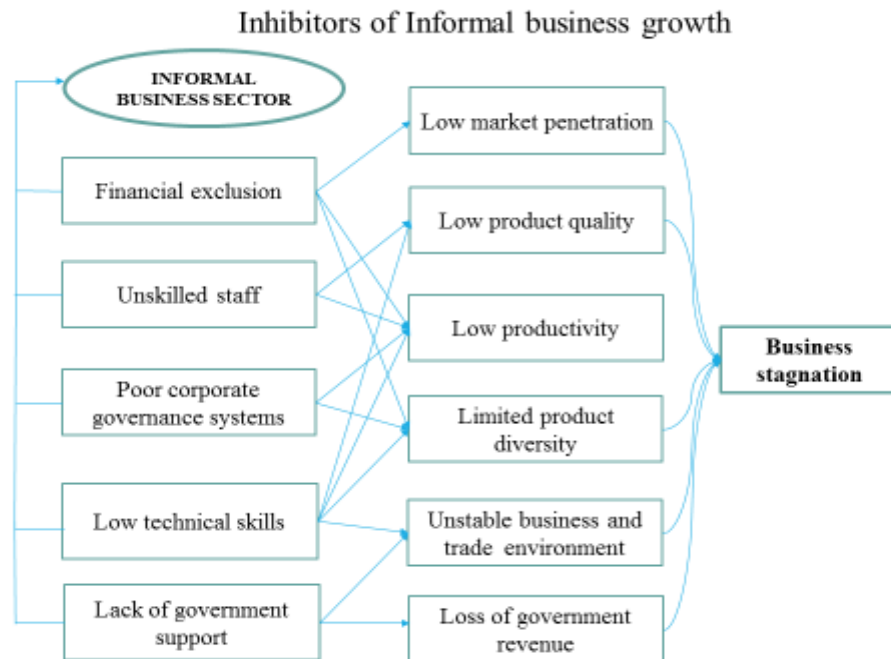
postulated that mutual trade relationships exist between the informal and the formal sectors.

According to Mandela (1990) the formal sector purchases components from the informal business sector and the informal business sector in turn purchases inputs from the formal sector while the skills learnt in the formal sector are in many cases used in the informal business sector. The formal sector and the informal sector exchange goods, services, labour and skills between them. These linkages are however, not formalised into trade and service agreements or contracts. It can also be asserted that, it is from this pool of informal workers that the formal sector gets its casual and non-permanent labour force, cementing the view by Mwenechanya (2007) that the informal business sector is a valuable nursery for growing better quality jobs.

According to De Paula and Scheinkman (2007) some formal firms can cascade into informality by establishing informal outlets or agencies that would trade outside regulation. On the other hand, and contrary to De Paula and Scheinkman (2007), formalisation of these linkages, may lead to the recognition, eventual registration and escalation of some informal business enterprises into the formal sector to seek increased benefits and partnerships with formal entities. It could however, be argued that despite the linkages with the formal sector, the informal sector continues to face growth challenges that have caused it to stagnate due to lack of key business development services such as credit, sustainable markets, business infrastructure and technical capacities.

The theoretical standpoints postulated here provide the hypothetical perceptions about the informal business sector while the conceptual framework provided a pathway to guide the researcher to investigate the operational context of the informal business sector and show what linkages connect the informal sector to the formal sector and what factors inhibit informal sector growth and formalization. Some factors which the researcher investigated and suggested to inhibit informal sector growth are postulated in figure 3.1, below.

Figure 3.1: Inhibitors of informal business growth



Source: Author, 2016

The factors that inhibit informal business growth in Zambia include lack of access to business capital, lack of technical and business skills and other business development services. The lack of an enabling policy framework on informal sector management and investment from the Zambian government and several other factors have led to low productivity, poor quality control and an unstable and unregulated business environment. The combination of sets of these factors has led to stagnation of the informal business sector which has remained informal and uncompetitive.

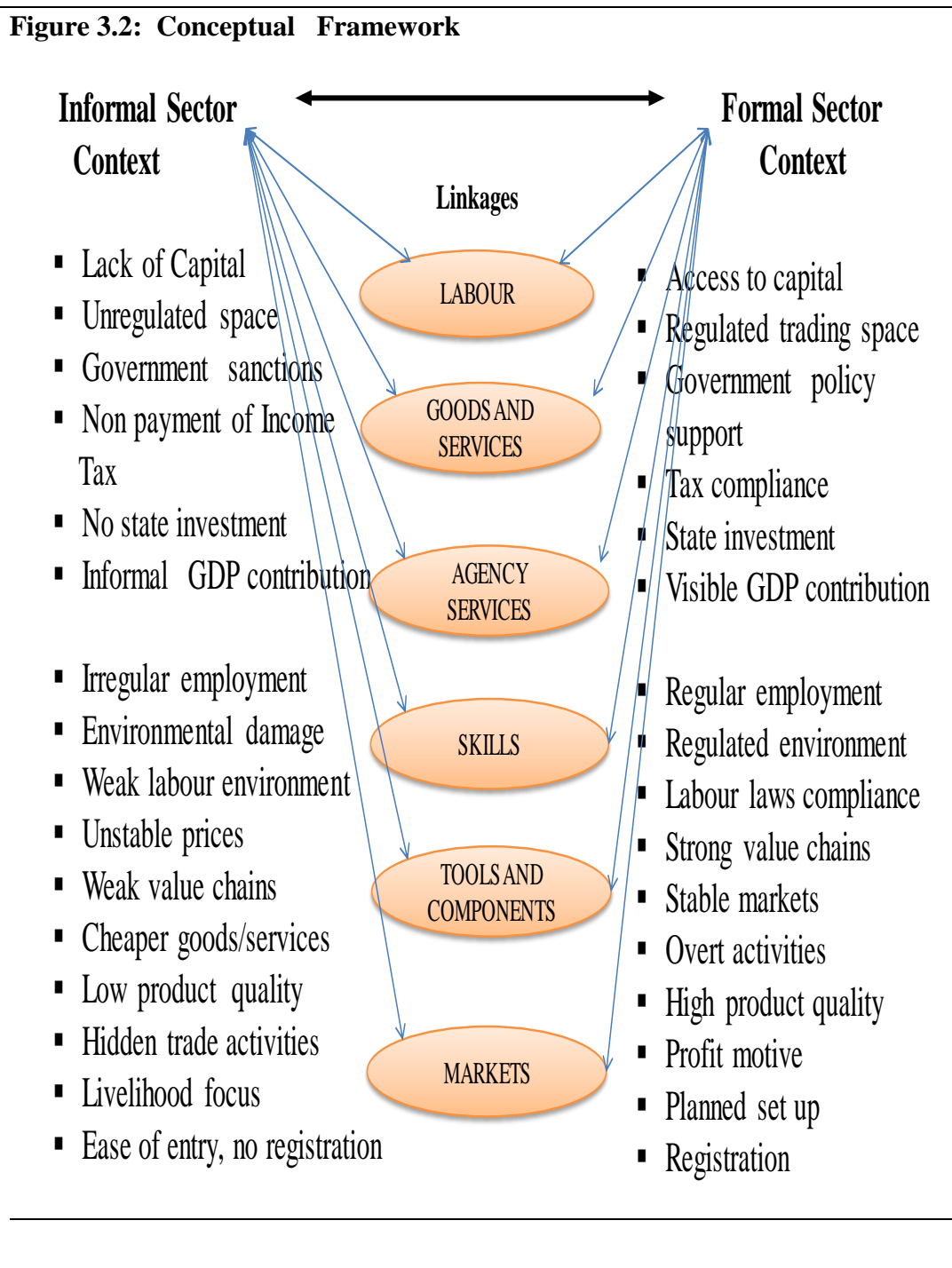
3.2 Conceptualization of the duality of the Zambian economy

The Conceptual framework developed by the researcher and shown in Figure 3.2, displays the duality of the Zambian economy comparing the formal and informal economies along policy and practice lines. The framework also visualizes and highlights the characteristics, nature, opportunities and challenges of the informal business sector and how this compares with the formal sector.

The framework further shows that, the formal economy is organised, focused and growth-oriented with many benefits while the informal economy is not.

The framework shows that the informal business sector has a survivalist, and is not growth-oriented.

The conceptual framework shows the linkages that connect the informal sector to the formal sector. From the conceptual diagram it is clear that mutual business opportunities and relationships are key for the benefit of both sectors.



Source: Author, 2016

The conceptual framework shows that the informal sector and the formal sector are connected and closely linked. The two sectors have operational linkages in their businesses sharing labour, skills, goods and services as well as markets. Formal markets are targeted by formal and established entities whereas informal markets are not restricted and exclusive. In the figure it can also be seen that registration is a legal requirement for formal businesses yet the same is not required for informal businesses. Income tax compliance is mandatory for registered entities and not for informal businesses.

From this framework, the assumption made is that, economic opportunities exist for both the formal and the informal sector. It can also be suggested that, by remaining informal, businesses miss out on several benefits that accrue to the formal sector as they suffer various challenges described in the framework. The informal sector also lacks government investment. Jenkins (1994), opined that, the informal sector is characterised by poor bargaining power, lack of working capital or access to training and technology, and had little support from government.

3.3 Linkage between the conceptual framework and the research theories

Based on the theoretical statements postulated on the informal business sector, the researcher was able to identify a link to conceptualise a framework for the research. Deeper hypothetical testing was not performed as the study was not purely quantitative or qualitative but a mixed method approach.

Research Gate (2012), stated that, qualitative research is inductive and aimed at understanding culture, process, events, meanings, experiences within particular social contexts. As such, the findings in this research were bound to particular social and cultural contexts which were not generalizable to particular 'groups' and or 'populations'. A number of links were established between the research theories and attributions to some authorities as below:

1. Lack of specialist skills and non-requirement of large capital investment made it easy for informal business sector enterprises to operate (CSO, 2004).
2. Entry into the informal business sector is influenced by the need to exploit an opportunity or the necessity to survive and earn a living (World Bank, 2001).

3. The informal business sector has its benefits in being informal, which would be destroyed when it is formalized (Srinivas, 2007).
4. Zambian City councils were nowadays dependent on the booming informal economies of their towns (Klepp *et al.*, 2004).
5. Formalizing informal enterprises would enable them operate free of harassment and would contribute to economic growth through license fees, taxation and other levies (Lund and Skinner, 2005).
6. The more burdensome a country's new business regulations are, the lower the ambition for growth among a country's entrepreneurs (GEM Report, 2007).

CHAPTER FOUR – RESEARCH METHODOLOGY

4.0 Introduction

This research was a mixed methods research, in line with the objectives of the study (Kombo and Tromp, 2011). The quantitative approach was used review data such as the age, education, sex, business levels, goods traded, incomes generated and other trade related aspects of the informal sector while the qualitative approach was used to interpret and understand the character and circumstances of the informal business sector in Zambia. Social-economic aspects of informal entrepreneurs, their environment and the benefits and challenges of informal entrepreneurs were also understood using qualitative methods.

It should be noted here, that mixing qualitative and quantitative approaches in one study has raised long-standing compatibility debates in social sciences mainly because qualitative and quantitative methods are derived from contrary epistemological, ontological and methodological foundations (Barbour, 1998; Leininger, 1994). However, mixed method designs that have combined qualitative and quantitative methods are not new. They produced different kinds of data, but not incompatible data (see Bryman, 2012).

Mixed methods of research provide many ways of looking at issues as well as broadening the scope of the research. The qualitative research focuses on natural settings, perspectives and understanding of events and processes with inductive analysis and grounded theory (Woods, 2006; Hargreaves, 1967; Lacey, 1970).

It was necessary to employ different research approaches and supportive research methods to avoid potential bias and thus be able to triangulate findings to ascertain validity of results from the research. The mixed methods approach was considered to be the legitimate third paradigm of research (Tashakkori and Teddlie, 2003). Patton (1990) defined mixed methods as an approach that investigates a phenomenon, using the notion of triangulation as a means of acquiring convergence of the qualitative and quantitative methods. This was also confirmed by Roberts (1998), who averred that, triangulated conclusions are more stable than any of the individual vantage points from which they are triangulated and are also essential to making the kinds of informed judgments that qualitative researchers are called upon to make.

The qualitative research method, on one part in the mix of approaches, was appropriate as it took an interpretive and naturalistic approach to the informal business sector in its existing and natural setting and context.

The research team's physical interaction with informal entrepreneurs at their places of business justified the approach. This setting provided the respondents with adequate space and 'authority' to discuss their business operations freely and without intimidation. This view is supported by Gamson (1992), who acknowledged the importance of the respondent's experiential connection with the subject matter. This research method is also known as the qualitative, subjectivist, humanistic or interpretive research paradigm (Collis & Hussey, 2003).

The mixed method approach was appropriate as it enabled the researcher to analyse responses and use the different thoughts and experiences of the respondents. As Morgan and Krueger (1993) noted, the comparisons that participants make among each other's experiences and opinions are a valuable source of insights into complex behaviours and motivations, which however, may influence the nature of the data that the group itself may produce.

Qualitative research methods are designed to help researchers understand people and the social and cultural contexts within which they lived and, as such, are more reliable than quantitative methods, which deal with numerical data from which meaning have to be extracted through scientific analysis (Bryman, 2012). This is one justification why the research did not deal with hypothesis testing but rather used theoretical arguments relating to the experiences and socio-cultural context of informal business entrepreneurs.

Kaplan and Maxwell (1994) argued that, the goal of understanding a phenomenon from the point of view of the participants and its particular social and institutional context is largely lost when textual data is quantified. Words, in this instance may mean more than numbers though both must be self-reinforcing.

In addition, when using quantitative research methodologies, the act of investigating reality has no effect on the reality itself (Blumberg *et al.*, 2005; Collis and Hussey, 2003). Concerning the question of the relationship of the researcher to the objective researched, the positivistic (quantitative) approach has three basic principles; the social world existed externally and is viewed objectively, research is value-free and the researcher is independent, taking the

role of an objective analyst. The above may be seen as the epistemological assumption with regard to the quantitative approach (Blumberg *et al.*, 2005). The researcher was convinced that given the above justifications, using a mixed methods approach for the research was appropriate and reliable.

4.1 Sampling locations and demographic characteristics

Based on a number of justifications, the researcher was convinced about the appropriateness of locating the study in Lusaka. The 2010 Census of Housing and Population indicated that, Lusaka is the most urbanised city in Zambia and a huge beneficiary of rural-urban migration. With a district population of 1.7 million people and population growth of 3% per annum, Lusaka is one of the fastest growing cities in Africa CSO (2010).

Increased informal trading in the 28 informal settlements in Lusaka has resulted in trading spaces, housing and social amenities becoming insufficient to meet the growing population. As formal urban housing supply fell behind the need for shelter, as households began to occupy land without official authorisation and squatter settlements appeared, first mainly on former contractors' informal settlements such as John Laing and neglected farms like Chaisa in Emmasdale, a farm belonging to a woman called Emma, within the town boundaries (UN Habitat, 2012). The rationale for selecting Lusaka was that, the city has the highest percentage of informal business activities from its population of 1,742,979. Lusaka also has higher informal employment than other towns in Zambia (CSO, 2010).

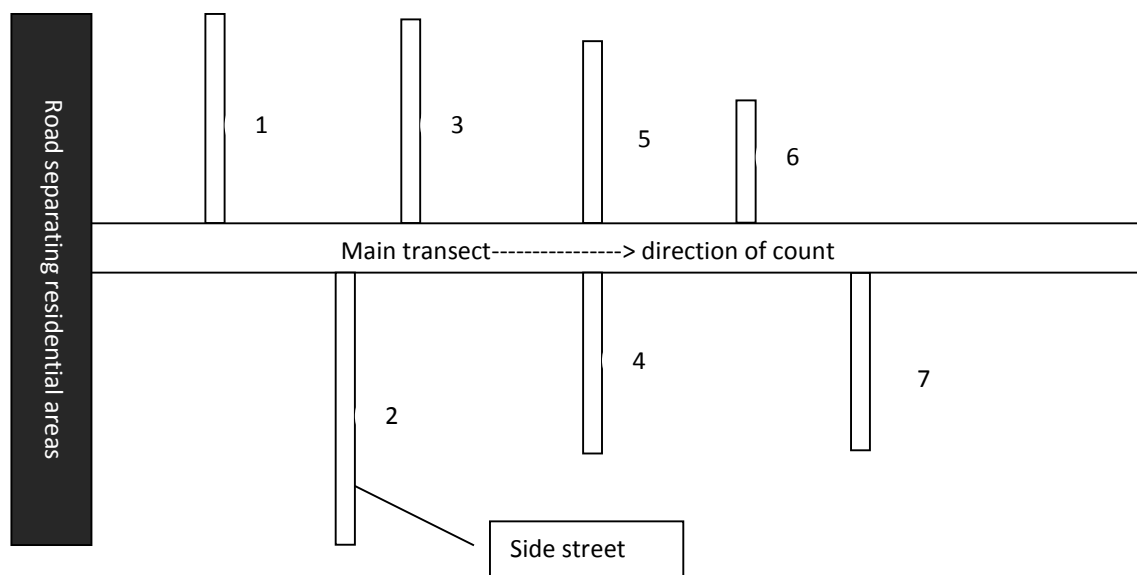
4.2 Sampling Design

4.2.1 Assessment of the number of informal traders

The survey to provide an estimate of the number of informal businesses in the 5 informal settlements and the Lusaka CBD was undertaken through the creation of transects selected systematically. Ten per cent (10%) of the main roads in each informal settlement were selected as transects, with every 10th side street as a sub transect. All main roads were referenced to a main road separating the residential area of interest from the neighbouring residential area. The first road was selected as the base and thereafter every tenth main road was taken as a transect. In the event that there were 10 or less main roads in the residential area, the centre-most main road was used as a transect and every 10th side street originating from the main transect was sampled.

The sampling of side streets involved the selection of the first side street and thereafter every 5th side street taken alternatively from right to left to right. The count of side streets involved counting individual streets branching off the main street (main transect) as depicted in Figure 4.1.

Figure 4.1: Transect sampling design for estimating number of informal traders



Source: Author, 2016

The number of informal businesses were then counted and marked off on the grid together with the number of houses on both sides of the street. In the Lusaka CBD, 50% of the roads taken from Cairo Road as the base, skipping the next and counting along the third road provided the number of traders. Traders located on either side of each of the two roads were counted. Every side street to Cairo Road and the third road were sampled.

The total number of main roads (roads running parallel to Cairo Road) and side streets were counted and recorded. The assumption was made that the side roads were of equal length for purposes of calculating the total number of traders in the CBD.

4.2.2 Selection of the number of residential areas to be sampled

Simple random sampling was used to select the 5 Lusaka Informal settlements in which the study was located. Names of the 28 Lusaka informal settlements were written out on slips of paper which were assigned numbers 1 to 28. These were rolled into balls and 5 balls were picked at random after being jumbled and rolled

in a closed lunch box to reveal the names of the five informal settlements as sample locations.

The random sampling method used had no bias as all of the 28 Lusaka informal settlements ‘participated’ in the selection.

This technique was also free of classification error, and it required minimum advance knowledge of the population other than the sampling frame.

The sampling method also ensured that each informal settlement in Lusaka had equal chance and probability of being picked for the study as each subset of a given number of individuals had the same probability of being chosen for the sample as any other subset of another set of individuals (Yates, 2008).

Information from CSO (personal communication, 2014) suggested that, the levels and types of informal business operations in all the 28 informal settlements of Lusaka were similar in nature and conduct. Given the above, it was assumed 5 informal settlements (18%) and the Lusaka CBD was representative of the informal business sector in Lusaka.

This position is supported by the fact that, what fundamentally matters for the variability of a statistic from a random sample is the sample size, not the population size: the variability of a statistic from a random sample does not notably depend on the size of the population (Moore and McCabe, 2006).

Moore and McCabe (2006) further indicated that ‘when estimating percentages, it was the absolute size of the sample which determined accuracy, not the sample size relative to the population’.

The Lusaka CBD was selected as a research location because the area typified a hub or central location surrounded by all the other identified locations.

Informal trading activities also abounded in the CBD along its 4 major streets: Cairo Road, Chachacha Road, Freedomway and Lumumba Road. The four major roads had all the informal businesses counted but separated into Tuntemba and other informal businesses. Other informal businesses included traders using tables that show semi-permanence or permanence of business practice contrasted to Tuntemba.

Trading points where vegetables and other merchandise were sold on the floor/ground were not included in the survey.

The identified locations for the survey had a number of common social and economic characteristics that typified an average Lusaka informal settlement.

Among the characteristics were:

1. High population densities.
2. Prevalence of informal business activities.
3. Proximity to the industrial areas where they sourced goods for sale.
4. Overcrowding, low cost housing, social disorder, poor land use and poor access to water and sanitation facilities were also common features in these localities.

The data collection team was assisted to reach respondents through prior introductory contacts made by LCC Peri-Urban department.

4.2.3 Selection of informal entrepreneurs and respondent institutions

Using simple random sampling and in line with Moore and McCabe (2006) position that, ‘when estimating percentages, it was the absolute size of the sample which determined accuracy, not the size relative to the population’ a sample size of 300 informal businesses was adopted for all the six (6) study localities of Mtendere, Kaunda Square Stage 1, Chawama, John Laing and Kalingalinga. Fifty (50) informal entrepreneurs were randomly selected in each of the five informal settlements and the Lusaka CBD.

The adoption of 300 as the number of informal respondents on which a questionnaire was administered was not based on any statistical underpinning but rather on the assumption that the 50 randomly selected respondents per each of the targeted six locations would be sufficient to generate reliable data for the study. The researcher was also aware of the fact the informal sector comprised a homogenous group of entrepreneurs working under common conditions and environments. The researcher also kept in mind the principle of Moore and McCabe (2006) on this sampling method.

Additionally, more data was collected from the Ministry of Commerce Trade and Industry (MCTI), Zambia Chamber of Small and Medium Business Associations (ZCSMBA), Economics Association of Zambia (EAZ), Ministry of Local Government and Housing (MLGH), Lusaka City Council (LCC) and Ministry of

Community Development and Social Services MCDSS) now renamed Ministry of Community Development Mother and Child.

Analysis of data from these source institutions was focused on the rules and regulations governing the formal and informal business sectors in Zambia and Lusaka in particular.

4.3 Data collection instruments and types of data collected

4.3.1 Semi-structured questionnaire

Semi-structured questionnaires (Appendix 1) contained both open-ended and closed questions used for one to one interviews. The one to one interview was the main method applied for the collection of primary data from informal business entrepreneurs and institutional respondents. In adopting semi-structured questionnaires, the researcher relied upon a number of authorities who have provided researched guidance on the justification and advantages of using the semi-structured questionnaire employed in the research to collect data from respondents.

Unstructured interviews in qualitative research involved asking relatively open-ended questions to respondents in order to gather their perceptions on the issue of interest (Firmin, 2008). Semi-structured interviews could be used as in qualitative research methods (Kvale, 1996), and are best suited in engaging respondent or focus studies in which it would be beneficial to compare and contrast participant responses in order to answer a research question (Lindlof and Taylor, 2002). Kvale (1996) further pointed out that, at the most basic level; interviews are conversations which attempt to understand the world from the respondents' point of view, to unravel the meaning of peoples' experiences, to understand their lived world prior to scientific explanations.

The structured interviews sought information on the informal business entrepreneur, characteristics of their business and its operations, constraints and challenges faced. Interviews, in general, were a foundational means of gathering data when using qualitative research methods. They are designed to draw from the interviewee constructs embedded in their thinking and rationale for decision making (Punch, 1998). Unstructured interviews are a way to comprehend complex human behaviour without imposing a priori categorization which might limit the field of inquiry. The researcher applied this method and collected the needed information from the respondents with relative ease.

4.3.2 Focus group discussions

As part of qualitative research, focus group discussions were held with groups of informal entrepreneurs at Chawama market in Chawama (four persons), at Kalingalinga hardware centre along Alick Nkhata Road in Kalingalinga (five persons), at Kaunda Square Stage 1 bus stop (five persons) and at the sand and blocks selling area in John Laing (five persons). The locations for the focus group discussions were randomly selected by writing the names of all the six locations for the study on pieces of paper wrapped into balls, shaking these in a closed lunch box and picking out the first four balls to identify the names of the locations for conducting the focus group discussions in.

In each locality, the groups approached were informed of the purpose of the discussion and assured of the ethical standard of confidentiality and protection of their identities. Only interested respondents were further requested to be at least 5 in the group for each target location. In Kalingalinga one member left in the middle of the discussion to attend to a customer buying charcoal. The purpose of the focus group discussion was to gather insights, perceptions, opinions, beliefs and attitudes on informal business sector in the target locations. The focus group discussions were based on a number of issues pertaining to the following general elements of the study:

1. Business activities considered to be informal in their locality.
2. How the informal business activities are conducted.
3. What problems owners of informal business enterprises faced.
4. How informal business activities can be managed and regulated.
5. Whose responsibility it is to manage the informal sector in Lusaka.
6. What could be done to promote the growth of informal enterprises?
7. Any other information

Appendix 2 shows the list of questions discussed in the Focus Group Discussions.

4.3.3 Participant observation

Participant observation was an important tool that was used in addition to other approaches. Seeing how informal entrepreneurs solicited business from customers, how they negotiated the prices and the level of haggling and engagement provided great insights into the 'mind-set' and 'knack for business' that informal

entrepreneurs exhibited. As stated by Hammersley and Atkinson (1983), all social research is a form of participant observation, since we cannot study the social world without being part of it. According to Jorgensen, (1989) descriptions generated by participant observation are used to formulate generalizations to support explanations from primary data.

4.3.4 Primary data collected

Primary data was obtained from informal entrepreneurs in the six locations selected for sampling. The informal sector entrepreneurs and institutional respondents were the major sources of information. The data collected was about the characteristics of the informal traders, the nature of their businesses and the legislative and economic environment surrounding them. Demographic data and data on levels of business income and types of goods sold, was also collected. It was important to establish basic information and biographic data on informal entrepreneurs in order to understand the opportunities and challenges of the enterprises because the businesses they conducted were operated as sole proprietorships where the owners had no separate legal being from the business they operated.

According to Curtis (2008), primary data cannot be found elsewhere, it can only be collected from the targeted key informants. Some conclusions on informal business sector operations and the knowledge, attitudes and practices of informal entrepreneurs themselves were based on this data. It was from primary data that perceptions, experiences, benefits accrued, links with the formal sector and challenges faced by informal entrepreneurs were drawn and analysed.

4.3.5 Document analysis (secondary data)

The data for document analysis in this research was from government reports, national and international reports and journals, surveys and studies on the formal and informal sector covering a period of 20 years from 1993 to 2013.

4.4 Data Analysis

Quantitative data involving the estimation of the number of informal business entrepreneurs was analysed using Excel software. In order to estimate the total number of informal entrepreneurs, data on the number of households in each of the five informal settlements was obtained from the LCC and the Central Statistical Office. Qualitative primary data collected was coded and analysed through grouping in themes using Excel. SPSS was used to enter data and perform

statistical functions to analyse the information and disaggregate it per indicated themes. MS Excel was used to develop charts and graphs. The themes were synthesised from the three research questions as in Table 4.1, below.

Table 4.1 Themes for thematic analysis

Specific objective	Research questions	Themes determining thematic analysis
1. To ascertain the number of informal entrepreneurs in five informal settlements and the Lusaka CBD	1.1. How many informal entrepreneurs exist per 100 households in the selected informal settlements of Lusaka?	1.1. Number of informal entrepreneurs per 100 households;
	1.2. How many informal entrepreneurs are in the Lusaka CBD?	1.2. Total number of informal entrepreneurs in the Lusaka CBD per 100 m of road length
2. To understand why informal businesses were not registered and regulated by the state.	2.1. Why are informal economic business not registered in Lusaka?	2.1. Registration of informal entrepreneurs;
	2.2. Why are informal business activities not regulated in Lusaka?	2.2. Regulation of informal entrepreneurs.
3. To identify operational, legal and regulatory factors that impeded the growth of the informal business sector.	3.1. What operational, legal and regulatory factors impeded the growth of the informal business sector?	3.1. Factors impeding informal business growth
	3.2. How can informal economic activities in Lusaka be managed to ensure that they meaningfully contribute to the Zambian economy?	3.2. Management of the informal economy

Source: Author, 2016

The paired *t*-test (Freese, 1984; Ott and Longnecker, 2001) at $p=0.05$ was used to determine whether there was a similarity between the number of Tuntemba and other informal businesses per 10 households in residential areas as well as the number of Tuntemba and other informal businesses in the Lusaka CBD. An assumption was made that the number of Tuntemba and other informal businesses are not independent, sampling distribution of the standard deviation is a normal distribution and that the pairs of observations are independent.

This is the basis that warranted a paired samples *t*-test based on two counts made at the same time and location. This was also intended to test $H_0: \mu_1 - \mu_2 = 0$ vs $H_1: \mu_1 - \mu_2 \neq 0$. The benefits associated with having paired samples of data include an increased precision of the comparison being made. The relationship between Tuntemba and other informal businesses was assessed through a linear regression ($p=0.05$) using untransformed data in SPSS. The coefficient of determination, adjusted r^2 , was used to ascertain the percentage of variation explained by the

relationship. The coefficient of determination was also used to show the proportion of the variance of the response that is predictable from the regressor variable.

The total number of Tuntemba and other informal businesses for residential areas was ascertained by determining the number of Tuntemba per 10 households for each informal settlement and then using the total number of households, as per CSO (2010), to determine the total number of Tuntemba and other informal businesses for informal settlement. On the other hand, the number of Tuntemba and other informal businesses were calculated per 100 m of road length in order to estimate the total number of Tuntemba and other informal businesses in the Lusaka CBD.

4.5 Ethical Considerations

The research ensured the right to privacy and confidentiality of the respondents. Anonymity of the respondents was taken into consideration in the sense that, names of the respondents were not recorded so as to give confidence to the respondents. There was respect for persons interviewed, their activities and the acknowledgment and acceptance of their submissions without exerting pressure and coercion. It was explained and agreed with the respondents that the data collected was solely for academic purposes.

Prior engagements and appointments were made by the LCC peri-urban department team with market leaders to make the process of data collection easier as it needed to secure the needed trust and confidence in the process. Prior to the administering of the questionnaire to the respondents, the researcher ensured that ethical considerations were observed and practiced.

The ethical considerations made included a self-introduction by the enumerator, outlining the purpose of the interview and a request for permission to interview the respondent. A “thank you for your time” closing statement was made.

CHAPTER FIVE – DATA PRESENTATION AND ANALYSIS

5.0 Introduction

This chapter presents a count of informal business activities and compares the counts and relationships between owners of Tuntemba and owners of other informal businesses in the informal settlements and the Lusaka CBD. A comparison of the number of informal businesses in the informal settlements and the significance or lack thereof of variances in their locations is also made.

The chapter presents the statistical relationships of sampled informal economic activities in informal settlements and in the sampled streets in the CBD. Lastly, an analysis of the findings from informal entrepreneurs on their operating environments and the social, economic and geo-political landscape within which they existed and operated is presented.

Results from document analysis of legal and regulatory aspects of the informal business sector are also presented and analysed.

5.1 Count of informal businesses in five informal settlements and the CBD

The paired *t*-test indicated that there was no significant differences ($p > 0.05$; $t_{(0.05, 22)} = 1.2$) between the number of Tuntemba and other informal businesses located in Chawama, John Laing, Kalingalinga, Kaunda Square Stage 1 and Mtendere settlements. Similarly, a similar result of non-significance ($p > 0.05$; $t_{(0.05, 3)} = -2.3$) was obtained for a paired *t*-test of Tuntemba and other informal businesses within the CBD. The number of households was found to be significant when paired with the number of Tuntemba ($p < 0.05$; $t_{(0.05, 27)} = 7.0$) and when paired with other informal business ($p < 0.05$; $t_{(0.05, 28)} = 5.9$). The correlations (*r*) were 0.77 and 0.44 for number of households with number of Tuntemba, and number of households with other informal businesses.

In a univariate analysis of variance for non-transformed data, the number of Tuntemba per 10 households was found to be the same ($p > 0.05$) for all the five informal settlements. The same result was obtained for the Lusaka CBD. A mean of 0.9 Tuntemba per 10 households was obtained in Kaunda Square Stage 1 compared to 4.43 Tuntemba per 10 households obtained in John Laing.

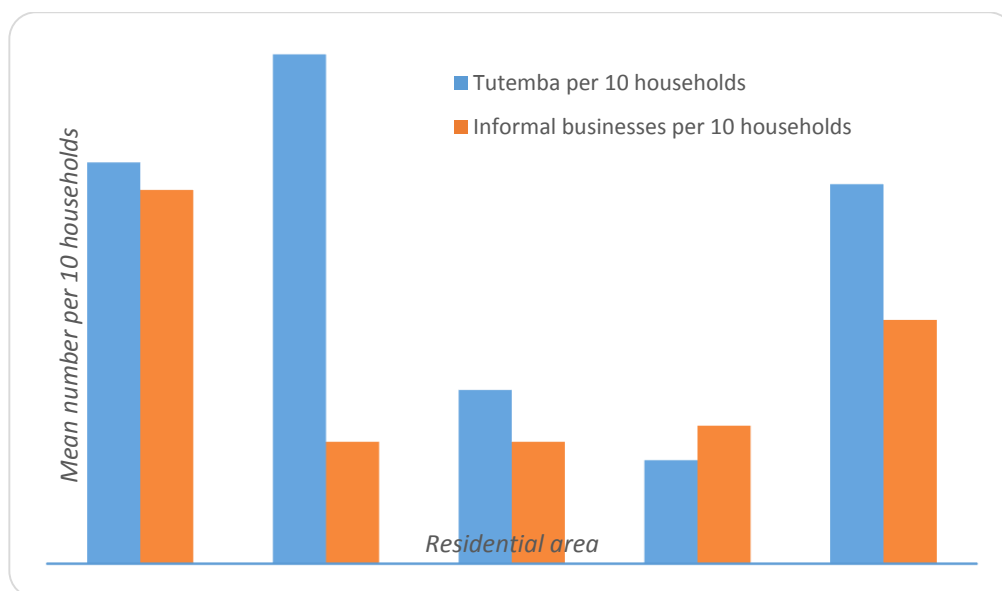
Even though the analysis of variance showed no significant differences, by extrapolation, there are approximately 443 Tuntemba per 100 households in John

Laing compared to 90 Tuntemba per 100 households in Kaunda Square Stage 1 (Figure 5.1 and Table 5.1).

This analysis shows that there are more Tuntembas than other informal businesses in all the sampled informal settlements while the CBD features more informal businesses than Tuntembas.

The scenario in the CBD differs from the scenario in informal settlements as in the CBD, the design and street layout does not provide for the erection of any Tuntemba in front of established shops and offices. In addition, informal traders are usually chased from CBD streets by the LCC while informal trading activities go unfettered in informal settlements.

Figure 5.1. Number of Tuntemba and other informal businesses per 10 households in the five residential areas



Source: Author 2016

Table 5.1 Number of Tuntamba and other informal businesses in the five residential areas and the Lusaka CBD

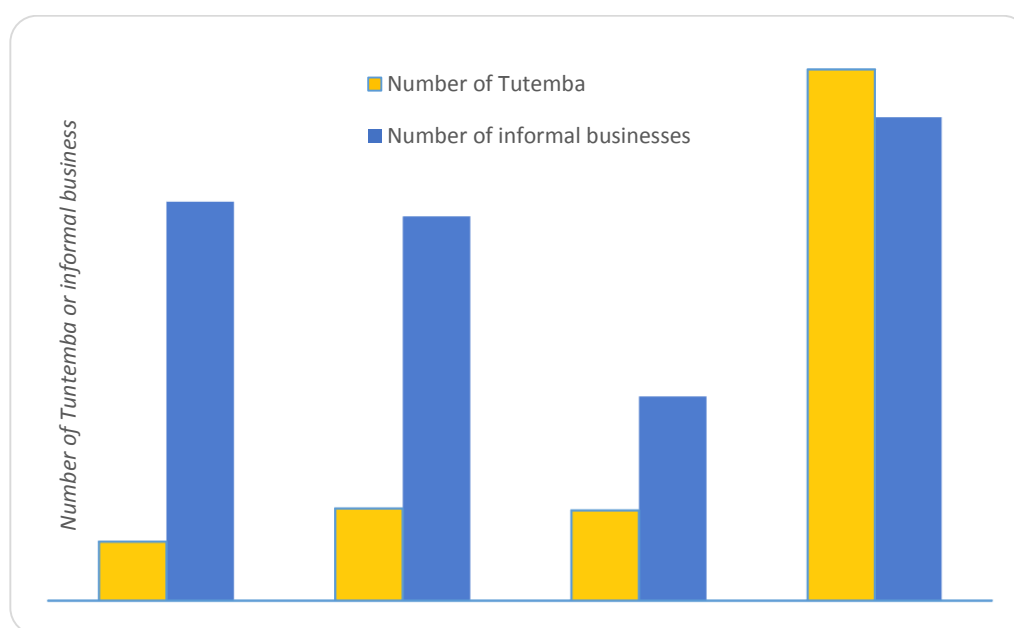
Residential Area / Lusaka CBD roads	Length of Street (Km)	Number per 10 households		Number of Households ^b	Approximate number of informal businesses	
		Tuntamba	Other informal businesses		Tuntamba	Other informal businesses
<i>Residential</i>						
Chawama		3.49	3.25	24,210	8,449	7,868
John Laing		4.43	1.06	27,923	12,370	2,960
Kalingalinga		1.51	1.06	6,523	985	641
Kaunda Square 1		0.9	1.20	7,656	689	919
Mtendere		3.3	2.12	17,688	5,837	3,750
<i>Lusaka CBD main road</i>						
Cairo Road	2.0				50 (25 per Km)	209 (105 per Km)
Chachacha Road	2.0				32 (16 per Km)	217 (109 per Km)
Freedom Way	2.0				49 (25 per Km)	111 (56 per Km)
Lumumba Road	2.0				289 (145 per Km)	263 (132 per Km)
Average Number per Km					53	101
Total					28,750	16,938

Source: Author, 2016

^{a/}: Approximate number of informal businesses for the Lusaka CBD side streets were computed using data from the Lusaka CBD main roads.

A total inventory or count of Tuntamba and other informal businesses in the Lusaka CBD shows that, the highest concentration is along Lumumba road in which a total of 289 Tuntamba and 263 other informal businesses were obtained. The lowest number of Tuntamba was obtained from Chachacha road at 32 whilst Freedomway recorded the least number of other informal businesses at 111 (Figure 5.2).

Figure 5.2. Number of Tuntamba and other informal businesses in the Lusaka CBD



Source: Author, 2016

The intensity of informal businesses, that is the number of informal businesses per 100 metres of road length, shows that Lumumba Road has the highest number of Tuntamba per 100 metres of road length whereas Katondo Street has the highest intensity of other informal businesses (Table 5.2). This may be ascribed to the fact that Lumumba Road borders the industrial and retail areas on its western and eastern fringes and a large market. Katondo Street is well known for the concentration of people amongst the side streets of the CBD as well as for trade in used cars and illegal foreign currency exchange.

Table 5.2 Tuntamba by Street

Main Street	Road Length (in metres)	Tuntamba		Other informal business	
		Count of Tuntamba	per 100m road length ^a	Count of other informal businesses	per 100m road length ^a
Cairo	1,800	50	2.8	209	11.6
Chachacha	1,720	32	1.9	217	12.6
Freedom Way	1,640	49	3.0	111	6.8
Lumumba	1,260	289	22.9	263	20.9
Total/Mean	6,420^b	420^c	6.7	800^c	13.6

Source: Author, 2016^a: Source: www.zm.geoview.info

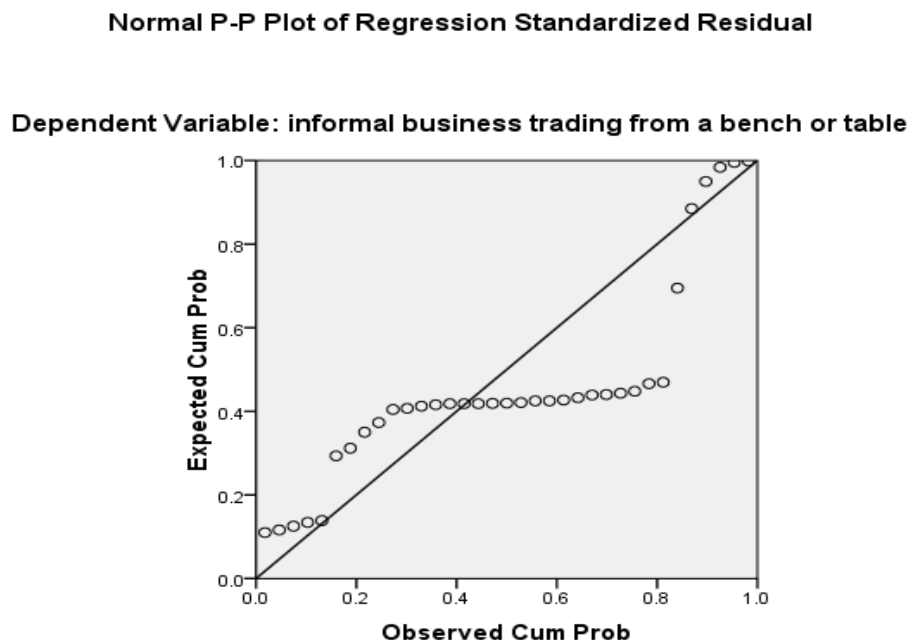
^b/: Total road length in Lusaka CBD excludes all side streets.

^c/: Excludes the count for Malasha Road & other roads mentioned in ^b/.

It can be seen from the table above that, there are more than 420 Tuntemba within the Lusaka CBD (excluding side streets) and more than 800 other informal businesses.

This translates into one Tuntemba for every two other informal businesses in the Lusaka CBD compared to two Tuntemba for every one other informal business in the residential area. The high number of Tuntemba relative to other informal businesses could be ascribed to consumer demand for the products that are traded in the Tuntemba and inadequate retail outlets that stock consumer products that are stocked by Tuntemba. This may explain why there are few Tuntemba in the Lusaka CBD relative to other informal businesses primarily due to the adequacy of retail outlets with which the Tuntemba cannot compete. Regressing other informal businesses to Tuntemba indicated a non-significant regression ($p>0.05$) for both residential and the Lusaka CBD. Figure 5.3 presents the graphic illustration of the relationship between Tuntemba and other informal businesses.

Figure 5.3 Relationship between Tuntemba and other informal businesses in the CBD



Source: Author, 2016

However, the relationship in residential areas showed a significantly ($p<0.05$; adj. $r^2=0.12$, s.e.=25) lower r^2 whereas there was no significant relationship ($p>0.05$;

adj. $r^2=0.81$, s.e.=13.9) between Tuntamba and other informal business in the Lusaka CBD.

The Lusaka CBD data had fewer cases and this could account for the result that is obtained. The relationship of the two variables in the Lusaka CBD could have been masked by the scenario pertaining in the informal settlements as these constituted the bulk of the data when the analysis was performed for the whole dataset. The lower coefficient of determination, adjusted r^2 , indicates that only 12% of the variation between the two variables is explained by the regression relationship. Even though there was a significant relationship between the two variables, the number of other informal businesses is weakly related to the number of Tuntamba available in informal settlements.

5.2 Characterization of informal traders

5.2.1 Bio data and housing

As shown in the tables below, the majority (50%) of informal entrepreneurs were aged between 15 and 35 years of age. This finding showed that, the majority of traders outside the formal sector are the youth. The finding is consistent with the theory that, informal economic activities are mainly operated by the youth. Seventy (70%) of respondents live in rented housing while 13% live in their own homes. House rent formed a major part of their household expenses. This finding could also explain the high mobility and transient nature of informal entrepreneurs who moved from place to place to get affordable living accommodation and trading space.

Evictions of Tuntamba operators and street vendors from streets by authorities and non-payment of house rent and consequential evictions of tenants by landlords characterised many Lusaka informal settlements at month ends.

5.2.2 Marital status, age and sex of informal traders

About 58.8% of the sampled respondents were married while 8.8% were divorcees and 10.3% widows. This is shown in Table 5.3, below. The large family sizes and circumstances of the sampled informal entrepreneurs could confirm that families venture into informal trading activities to get extra household income to meet their livelihood needs.

In terms of sex, there were marginally more females (51.5%) than males (48.5%) engaged in informal businesses with the bulk of this figure being in retail.

Table 5.3 Marital status and age of informal traders

Category	Marital Status and Age of informal traders	Percentage
Marital status	Single	22.1
	Married	58.8
	Widowed	10.3
	Divorced	8.8
Age	15-35	50
	36-45	38.2
	46 & above	11.8
Sex	Male	48.5
	Female	51.5

Source: Author, 2016

The existence of a larger number of females in the informal sector could concur with the generally accepted theory that women have a much larger responsibility of caring for the households than men. This position may however be statistically challenged by the fact that, the percentage of females in the survey also included young girls who may not have been responsible for caring for their households. This could be supported by the finding that, 78% of the sampled entrepreneurs kept between 4 and 6 dependents, signifying the extended family responsibility and the heavy livelihood burden informal business entrepreneurs shouldered.

Though not investigated in this research, it could be suggested that, the number of unmarried girls with children, who are involved in informal trading, could be attributed to early marriages and unplanned births as factors accounting for marginally more females than males in the informal business sector in the sampled locations.

Table 5.4 Education Level of informal traders

Category	Education level reached	Percentage
Education	No education	5.9
	Grade 7	22
	Grade 9	32.4
	Grade 12	36.8
	College/University	2.9

Source: Author, 2016

Table 5.4 above gives an illustration of the levels of education of the 300 respondents. From the table, 5.9% of the respondents had not attained any level of education while 22% of the respondents reported having reached Grade Seven.

From the table it can be seen that 32.4% of the respondents reported that they had reached Grade Nine while the other 36.8% of the respondents indicated that they had reached Grade Twelve level.

The remaining 2.9% of the respondents indicated that they had reached college or university level of education. The above findings show that, the informal business sector in Lusaka is mostly populated by entrepreneurs who have attained formal post primary education at 72.1%. From the low percentage of entrepreneurs who had attained tertiary education (2.9%) it can be deduced that, due to reducing employment opportunities people educated at tertiary level could be slowly entering the informal sector, an important statistic to watch.

As was found in the literature, most out-of-school youth engaged and navigated the informal economy well enough to reap income benefits.

It was noted therefore, that, formal school education provides the building blocks upon which further practical life experiences can be premised, though this may not be the only means for entrepreneurial success.

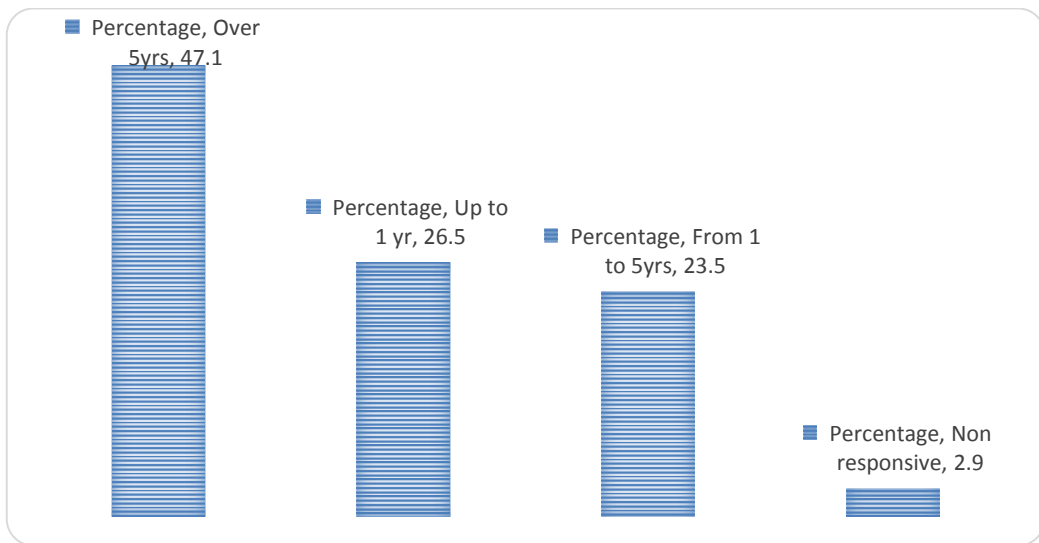
5.3 Characteristics of the informal enterprise

A one way analysis of variance ($p=0.05$) indicated that there were no significant ($p>0.05$) differences in the characteristics of the informal business sector in Lusaka with the exception of the goods that are traded which showed significant ($p<0.05$) differences amongst the informal settlements.

5.3.1 Period of operating business activity and business ownership

It was found that, 47.1% of the informal enterprises sampled had operated their businesses for over 5 years while 26.5% had operated their business activities for up to 1 year. Twenty three point five per cent (23.5%) reported that their businesses had been in operation for between one and five years (Figure 5.4). The remaining 2.9% did not respond to this question. From the interviews, it was found that, many informal enterprises that had existed for 5 years had very little growth or expansion. The large percentage of informal enterprises which remained small gave the impression that there was a long growth curve in the informal business sector despite its inherent dynamism (GEM Report, 2007).

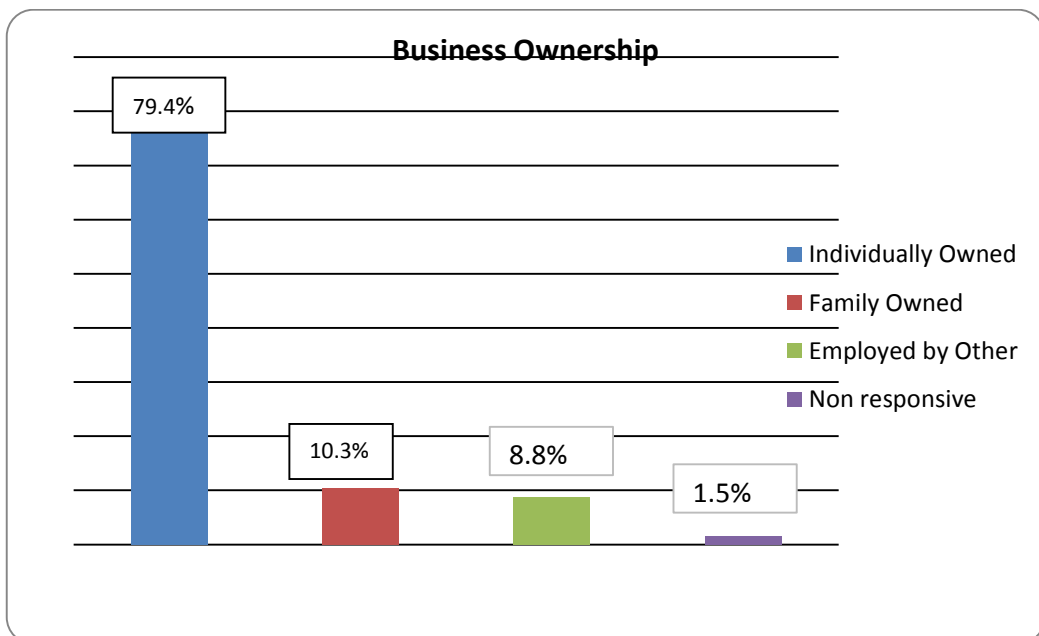
Figure 5.4: Distribution by %age of respondents by period in business



Source: Author, 2016

The ownership of informal businesses sampled showed that, 79.4% were individually owned while 10.3% were family businesses (Figure 5.5). The other 8.8% of the respondents were actually employed by other people who owned various businesses and the remaining 1.5% of the respondents did not respond to this question.

Figure 5.5: Distribution of respondents by ownership



Source: Author, 2016

It could be concluded that, individual enterprises are more prevalent as each individual undertook activities meeting their interest.

The low level of family enterprise could be likened to the incidence of informal entrepreneurs working as individuals other than in groups or in joint ventures. It was further found that, most informal activities which were undertaken as individual businesses were in fact individuals from the same family. This was confirmed in a case at Mtendere market where a marketeer reported that, her son owned a *kantemba* on their street selling various households goods while her daughter had a hair plaiting business at their home.

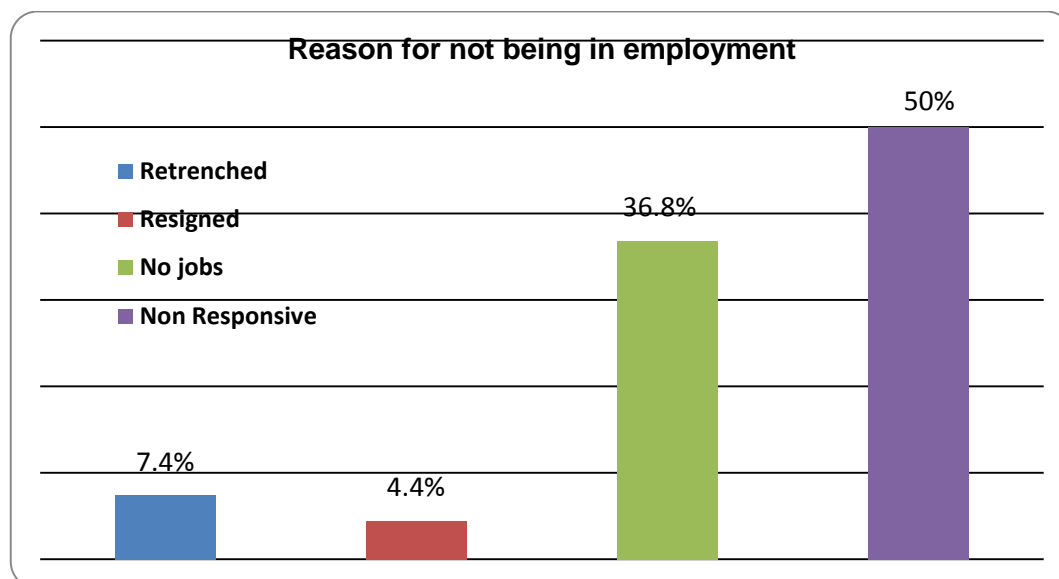
In Zambia, family businesses are few. Some that have existed were mainly influenced by migrant family businesses established in other countries such as Zimbabwe, from where Chibvuri Bus Company and Mazhandu Family Bus originated. A few Zambian family businesses like Moyo Brothers, CR Carriers, Sable Transport and Masiye Motels, among others were established in the early 1980s. Some family businesses survive to this day while others suffered operational setbacks following the demises of their patriarchs such as the Masiye Motels group.

It was observed that, individual ownership demonstrated business initiative, independent decision making and ability to work on their own which were critical attributes in managing businesses of this size. Where family businesses operated, the implication may have been that, family members took advantage of their comparative advantages to exploit business opportunities jointly to achieve a common end.

5.3.2 Reasons for not being employment and starting the business

Out of all informal entrepreneurs who earlier worked in formal employment, 7.4% were retrenched, 4.4% resigned and 36.8% could not find jobs (Figure 5.6). This could make some formal firms cascade into informality by establishing informal outlets or agencies that would trade outside regulation. This finding supported the theory that the majority of men, women and youth were working in the informal business sector because they could not find formal employment.

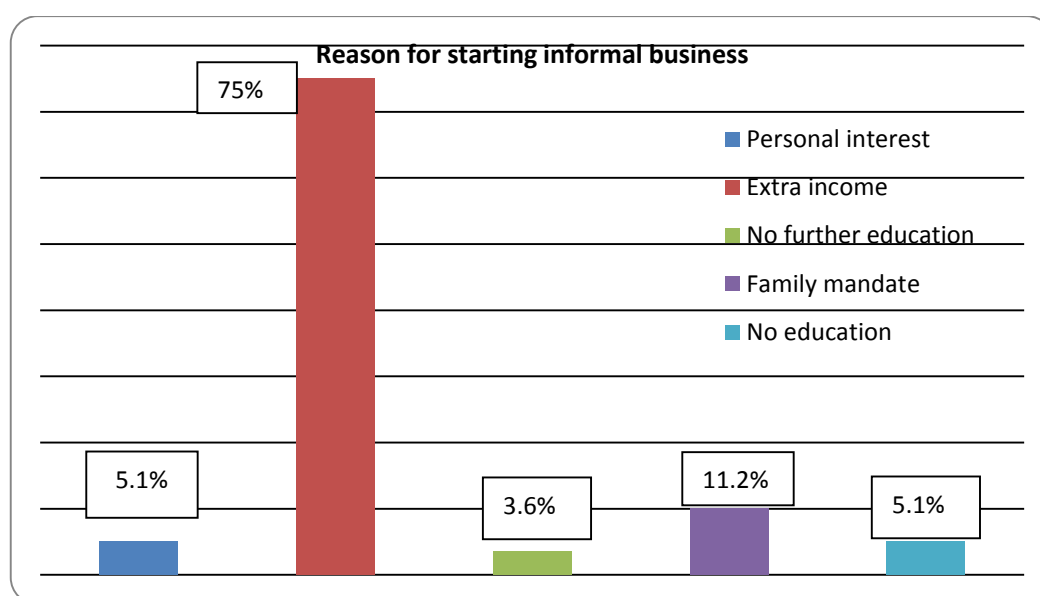
Figure 5.6: Distribution of respondents by reason for not being in employment



Source: Author, 2016

This theory also compared well with Tokman (1992), who asserted that, employment in the informal business sector tended to grow during periods of economic crisis in the formal sector. The motivation for starting business was found to be primarily to earn extra income for the household (75%), business interest (5.1%), lack of further education (3.6%), family mandate (11.2%) and no education at all (5.1%). This is shown in Figure 5.7. The large percentage of people engaging in the informal sector to earn a livelihood at 75% confirms this as a key driver for informal sector engagement than any other reason.

Figure 5.7: Reasons for starting informal business



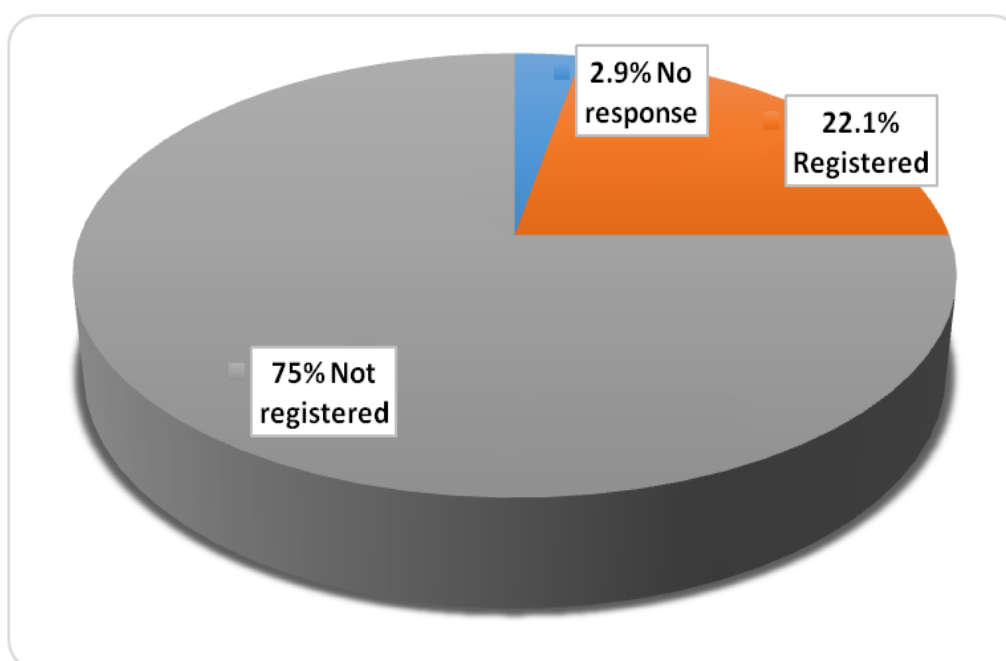
Source: Author, 2016

It was interesting to note that, as much as 11.2% of the respondents were running informal business out of family mandate. This finding could confirm the position that many households needed to supplement domestic incomes through informal business activities.

5.3.3. Legal status of business

Only 22.1% of the respondents were registered with Market Committees and appeared on market registers in areas where they traded from in the targeted informal settlements and the CBD (Figure 5.8). Seventy-five (75%) were not registered. Those not registered stated that, they were not aware about the need to register their informal businesses while 2.9% did not answer the question. It could be argued that registration with a market committee would not constitute legal registration as market committees may not be recognised business registration agencies.

Figure 5.8: Distribution of respondents by legal status of business



Source: Author, 2016

A vendor on Chachacha Road said, “*ngati bati uza kolembesa tingalembese pakuti basazitipisha muma streets.*” Meaning if the vendors were told where to register their business activities they could comply to avoid being chased from streets. This was an indication that, once sensitized informal entrepreneurs could comply with rules and regulations.

Thirty (30 %) of those who registered were told about it and they followed the rules while 44% registered in order to get services while 36% registered to avoid being chased from the streets. The number of informal entrepreneurs who registered to avoid being chased could indicate that these entrepreneurs are aware about the illegality of their trade. It can be concluded that, the large percentage of unregistered informal businesses are not being captured in national statistics and their contribution to GDP is not well measured.

Registration through market committees was seen as the most popular mode of registration as it was obligatory for all traders in established markets to be registered with market committees which fell within the LCC's peri-urban structures.

A trader at City market in the Lusaka CBD said that, "*eeh, mutengo olipila uliche mushe but sitilipila chifukwa sitiziba kwamene bapeleka ndalama zamene tilipila!*" Meaning, the levy is fair but we do not pay because we do not know how the market committee uses the money we pay. Non-payment of fees may be construed as attitudinal (Hannafey, 2003).

The high percentage (75%) of informal businesses not being registered could imply that, there was lack of information on the purpose and use of registration fees. This view is supported by Lund and Skinner (2005), who averred that, formalizing informal enterprises would enable them operate free of harassment and would contribute to economic growth through license fees, taxation and other levies. The lack of information on the use and application of fees collected from markets, Tuntemba and bus stations has led to conflicts between the council, political party cadres, traders and bus drivers in many markets and bus stations in Lusaka.

All informal entrepreneurs interviewed expected to get better water and sanitation, adequate trading space, security for their goods and for themselves and avoid being chased. Thirty (30%) hoped they could get loans if they registered their businesses. It was noted that, the need for safety and security suggested the insecure environment informal traders operated in. Foodstuffs accounted for 50% of all goods traded in while clothing, mainly *salaula*, was 25%, handy tools, gadgets and implements 20%.

Five (5%) were in services including hair salons, talk time and barber shops. Women were the majority in services at 63% and men at 30%. Only seven (7%) were in manufacturing.

The low level of manufacturing in the informal sector would be attributed to lack of technical skills and adequate space to work from. It can be suggested that, retail trade and finished products is the preferred mode of business as it seemed to assure quicker micro level returns for the informal entrepreneurs than manufacturing would provide. The lack of technical skills could be confirmed by the low rating on tertiary education which was only 2.9% of the respondents. It may further be concluded that, the lack of technical skills and quality control justified why goods produced by informal entrepreneurs are usually cheaply priced and referred to as “*gong’a*” or substandard.

The LCC has observed that, assisting informal business enterprises to register increases their opportunities for accessing business development services such as finance, technology acquisition and quality control.

5.3.4. Priority goods traded

The range of goods traded in the informal sector is very wide and diverse. From the study it was found that 116 assorted were traded in. The goods ranged from electrical appliances to food items such as vegetables and meat. About 40.5% of the goods traded were food items. The food items sold were mainly dry rations and perishables which were reordered on a daily basis. This could be due to the lack of cold chain storage and space.

Vegetables were the most prevalent at 7.2% followed by cooking oil at 5.4% while eggs were the third most traded single product at 4.7%. Electronic gadgets and accessories like phones, battery packs and counterfeit CDs made 22% of the goods traded in the CBD. Other items included household goods like brooms, cutlery and other plastic products. The government has expressed health concerns on trade in second hand undergarments but has not gone further to legislate and enforce this policy.

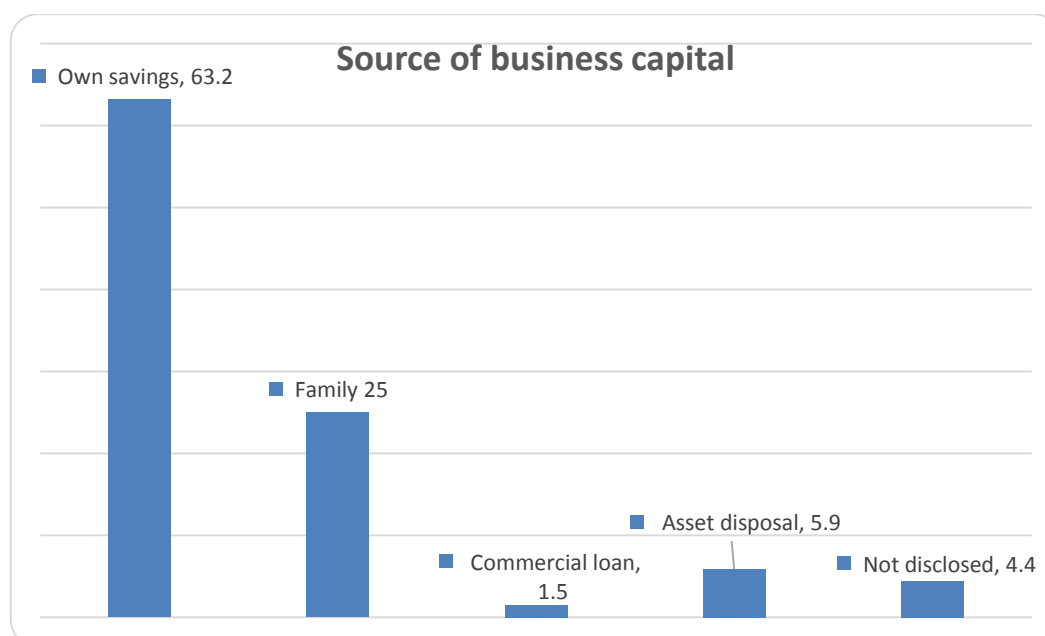
It can be seen that, most goods sold in the informal sector are legal goods, though their quality and efficacy cannot be guaranteed as no product monitoring and health inspections are undertaken on informal sector businesses by the LCC.

It was however, interesting to note that the LCC collects garbage that the informal sector generates but does not regulate the informal sector itself.

5.3.5 Source of business capital

Most of the business capital employed by informal entrepreneurs was obtained from their own savings at 63.2%, from family 25%, 1.5% from commercial sources, MFI, commercial banks and Small Medium and Micro Enterprise (SME) scheme or from a ROSCA (Rotating Savings and Credit Cooperative) Figure 5.9. Other sources like selling assets to raise capital accounted for 5.9%. The remaining 4.4% of the respondents did not disclose their sources of capital. As indicated earlier, many lending institutions did not lend to informal sector businesses due to the high credit risk.

Figure 5.9: Distribution of respondents by Sources of business capital



Source: Author, 2016

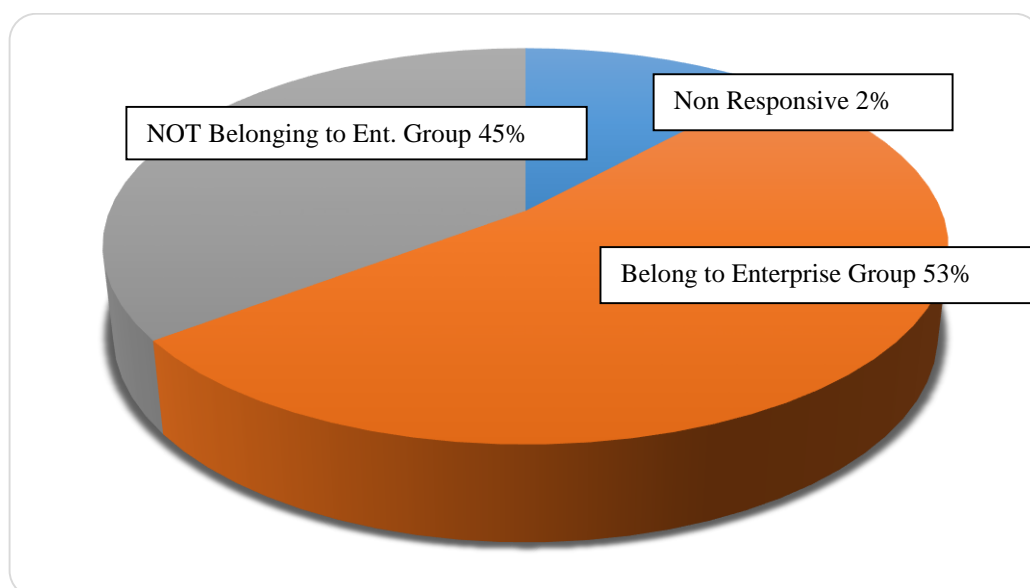
From 2005, however a number of commercial banks have started operating SME loan schemes to informal entrepreneurs. Stanbic Bank's *Tamanga*, Indo Zambia Bank's *Tonse Tisunge*, Intermarket Bank's *Chikwama* and *Makwebo* accounts are examples of existing SME products offered by commercial banks to increase financial inclusion for unbanked populations. It can be suggested that, microfinance institutions can fashion specific loan products targeting informal entrepreneurs who through accessing such banking products can start forging

business linkages with formal entities and the private sector which will enable their businesses to grow.

5.3.6 Involvement in an enterprise group

An estimated 53% of the sampled informal businesses belonged to an enterprise self-help group while 45% of the respondents did not belong to any enterprise group (Figure 5.10). The remaining 2% represented those respondents who never responded to the question. Those who belonged to an enterprise or self-help group sought membership in order to either get trading space or better treatment by market committee representatives.

Figure 5.10: Distribution of respondents by involvement in a self-help group



Source: Author, 2016

It was observed that, non-membership to any representative body could be attributed to lack of information on the need for membership and expected benefits. Uncertainty could be another possible reason though this did not specifically come up in the research. What was clear though was that, some respondents did not wish to share their business ideas or put their goods with other people's goods in storage.

5.4. Governance and management of the informal business sector

There are several laws to monitor and regulate businesses in Zambia but these are mainly targeted at the formal sector. Formal companies in Zambia are registered by the Patents and Companies Registration Agency (PACRA) and are regulated by the Companies Act No 24 of 2011 and other subsidiary legislation. Formal

companies and firms in Zambia are also mandated to comply with statutory tax and pension authorities such as the Zambia Revenue Authority (ZRA) and the National Pensions Scheme Authority (NAPSA). For the formal sector, the Small Medium and Micro Enterprises (MSME) policy of 2008 and other sector policies such as the National Agriculture Policy, Tourism Policy and other economic policies described in Zambia's National Development Plans (NDPs) characterise government's 5 yearly economic plans.

There are various stakeholder institutions whose activities involve work with the formal business sector such as the Zambia Development Agency (ZDA), the Citizens Economic Empowerment Commission (CEEC), The Zambia Chamber of Commerce and Industry (ZACCI) and its subordinate partner the Zambia Chamber of Small and Medium Business Association (ZCSMBA).

No policies or institutions of government have been established to register and regulate informal business activities. The CEEC, ZDA, and ZACCI provide business support and linkages to registered MSMEs only. According to the Ministry of Commerce Trade and Industry (2009) MSMEs must be registered and regulated business entities in Zambia. It is worth noting though that, the MSME bracket is getting narrower as emerging economic policies and programmes seem to be targeting Small and Medium Enterprises (SMEs) only.

Only ZCSMBA has programmes designed to support informal business activities which include access to microfinance services and support for business registration. This is however done through listed ZCSMBA member organisations. It can be suggested that the lack of informal sector support has resulted in the lack access to business development services for many informal enterprises.

The Market and Bus Stations Act, No. 7 of 2007, provides that, the local authorities should identify specific areas for vending but this has not happened. According to the LCC, lack of space, inadequate monitoring and controls, high competition in regular markets and the design of some market structures complicated the challenge of effective management of businesses in the city.

The LCC, as an agent of the MLGH issues bylaws, monitors and regulates business through enforcing the Markets and Bus Stations Act. The LCC also issues trading licenses and hawker's licences for approved trading spaces in the

city. It was found, though that the majority of hawkers and street vendors in Lusaka do not have hawkers licences or any other document permitting them to operate in regulated areas of the city. As regards street vending, the LCC, which considers street vending a nuisance, faces challenges in controlling street vending. From time to time street vendors are given political concessions by politicians who direct the LCC not to evict vendors from the streets, a situation akin to making laws and breaking them at the same time.

The Trades Licensing Act, Cap 393, Food and Drug Act, Cap 295, Public Health Act, Cap 303, and the Markets and Bus Station Act, 2007 are among several laws and bylaws that the LCC employs to govern the conduct of formal and informal business activities in Lusaka.

The LCC would increase its income base if it developed systems to register, monitor and levy informal enterprises. The LCC has however, not provided adequate information to informal sector entrepreneurs on the need to register and the benefits that informal entrepreneurs would get if they were registered by the local authority. Given that there are 420 Tuntemba and 800 other informal activities in the CBD and that at least 2 Tuntemba for every other informal activity in the informal settlements sampled, it is likely that the LCC could establish a firm revenue base from which it could derive income through various fees and levies.

In terms affordability of the fees charged by the LCC to some informal business activities in markets and at Tuntemba, it was found that, levies charged by the LCC were affordable by 54% of the sampled entrepreneurs, while 30% stated that the fee was cheap and 16% stated that it was expensive. It was surprising to note that, despite 54% of respondents stating that the market levies were affordable, very few actually paid these fees. The non-payment of fees, by informal entrepreneurs may suggest that, the LCC's fee collection and enforcement mechanisms may not be well enforced, on the one hand and that the willingness to pay these fees may not be there, on the other.

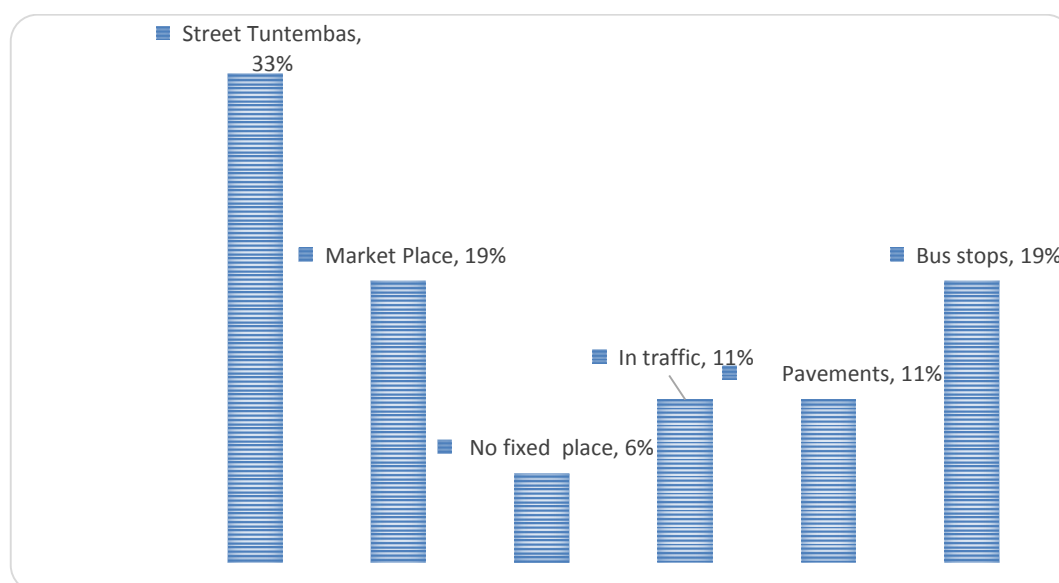
About 60% of informal entrepreneurs in Lusaka are hawkers selling along streets, followed by traders at bus stops and bus stations. Street vending, Tuntemba and other informal trading activities, though largely illegal, seem to be perpetuated because the public still 'conveniently' buys goods from them.

This suggestion justified that, business ethics could be determined by the collective behaviour of society or the environment in which the informal businesses subsist.

It also appeared that informal trading would last as long as the public continued buying goods and services from unregistered and unregulated informal entrepreneurs in the city and other places such as Tuntemba, bus stops and on street pavements and corridors where ‘customers’ are conveniently found and where prices are cheaper than from official regulated outlets.

This situation could put to the test the imbalance between the need for social order in the conduct of business in the city and the convenience the public seemed to accrue by buying goods and services from the informal sector. Figure 5.11 shows the prevalence of informal trading activities in Lusaka.

Figure 5.11: Prevalence of informal trading activities in Lusaka CBD



Source: Author, 2016

It can be seen from the above illustration that, selling from street Tuntemba is the most prevalent activity (33%), in the CBD while trading in markets and selling at bus stops and bus stations (19%) is the second most prevalent form of informal trading. Trading along street pavements and selling to motorists in traffic lanes (11%) is the third most prevalent trade location in the CBD.

The high prevalence of trading on street Tuntemba, pavements and in traffic showed the extent to which informal trading had grown and what pressure on service delivery the sector occasions in the Lusaka CBD.

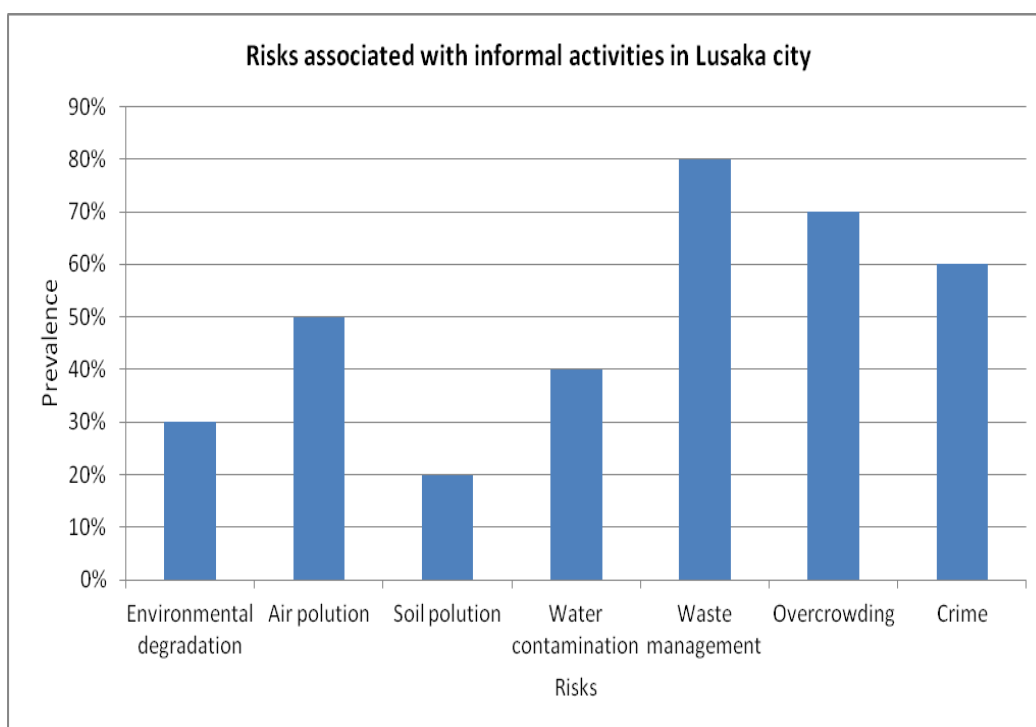
It could also be seen from the above graph that, when combined, trading activities taking place outside regulated trading places far outstripped trade carried out in regulated markets, a situation which calls for action and strategic interventions by the state.

The inadequacy of market infrastructure has led to a situation where there were more people selling in unregulated places than those selling in regulated places.

Unregulated trading points are more attractive as it inadvertently provides quicker stock turnaround and higher incomes to informal entrepreneurs. In some cases, where trading infrastructure is available some entrepreneurs find it convenient to trade outside the infrastructure to ‘capture’ customers before they enter the markets. An incentive structure may need to be worked that out to take traders back into the trading stalls inside the markets.

This finding was confirmed by a vendor of mobile phone cards on Cairo Road near the Post Office traffic lights who said, “*nshitisha pano pantu bonse belemnina ama robots ngaya chinja*” meaning, “I sell here because every motorist stops when traffic lights change”. This was despite the risk that the trading method posed. Figure 5.12 shows the most prevalent risks associated with informal trading in Lusaka.

Figure 5.12: Risks associated with Informal trading in the CBD



Source: Author, 2016

It can be seen from the above figure that, poor waste management is a major risk associated with informal trading as solid waste disposal was known to be a significant cause of pollution and flooding in the city.

From the figure, environmental degradation, unsustainable land use practices, air and noise pollution, water contamination and violation of planning regulations are factors commonly associated with the informal business sector. Overcrowding which was found to be the second most risky element could arguably be as a consequence of poor planning and inadequate housing due to increased urbanisation.

Peberdy (1997) commented that, the appalling environmental conditions associated with informal sector activities constitute a major threat to the health and wellbeing of urban life. Evidence from civic sources further suggested that, crime is more prevalent in overcrowded informal settlements of Lusaka such as Chibolya and Kanyama. It is not clear whether this was as a result of the lack of regulations to monitor informal activities in the areas or whether there is a link between overcrowding and crime. This could be a subject for future academic research.

5.5 Summary

It was found from the study that the majority (50%) of informal entrepreneurs were men, women and youth aged between 15 and 35 years. Of this number 51.5% were female. The motivation for entering the informal business sector for 75% of the respondents was to provide for an extra income for their families in response to lack of education of 8.1% and lack employment by 36%.

The research also found that 38.6% of the respondents had reached Grade 12 level of education and only 5.9% had no education at all. This shows that, the informal business sector is populated by a reasonably and functionally knowledgeable cadre of entrepreneurs who can safely navigate the informal business sector well enough. Approximately 47.1% of the informal businesses had existed for over 5 years while new entrants at the time of the study were 26.5%, an indication of the increasing scale and longevity in the sector.

Seventy-nine point four per cent (79.4%) of the informal economic activities were operated by owner operators while 10.3% were family owned enterprises. Only 8.8% were operated as agencies owned by others.

The high level on individual ownership could signify the level of personal interest and drive of individuals to operate a business and generate incomes from it. Many informal enterprises (53%) belonged to self-help groups while 45% did not.

Food products (50%) and '*Salaula*' (25%) formed the bulk of goods traded in the sector. This could imply a higher leaning livelihood needs or survival needs in informal sector trade than a lifestyle needs.

Eighty two per cent (82%) of the goods sampled were legal goods. This finding justifies the overwhelming conclusion that though the informal business sector is not regulated, the sector trades in legitimate goods and services.

There were approximately 26,330 Tuntembas in the 5 informal settlements and 16,938 other informal businesses at the time of the study.

The approximate number of Tuntembas in the CBD's 4 sampled streets was 420 with 800 other informal enterprises. Sources of capital were found to be 63.2% from own savings, 5.9% from asset disposal, 25% from family sources while a paltry 1.5% came from informal credit sources. No lending from commercial banks to informal economic enterprises was found at the time of conducting the study.

The LCC had no framework for the management of informal business activities in the city. Laws for managing and regulating registered businesses under the LCC are in place and implemented by the local authority.

CHAPTER SIX – DISCUSSION OF FINDINGS

6.0 Introduction

This chapter discusses the findings from the research given in Chapter Five. The chapter discusses the findings in depth and compares and contrasts the findings with the evidence provided in the literature review. The findings are related to the literature and to the key research questions posed by the study in order to provide a blended and critical analysis.

The literature did not reveal or account for the existence of any government or private sector organisation or institution that was established with the primary goal of informal business sector development and regulation in Lusaka. A number of NGOs however, implement activities involving supporting informal enterprises to access various business services including business management and microfinance. One example of such NGOs was the Informal Sector Business Development Association (ISBDA) which was formed in the late 1990s. By the time of the study no evidence of the existence of this NGO was found.

It could be assumed that, as a result of the lack of support to the informal business sector by the government, civil society and the private sector, informal enterprises have had limited access to a number of business development services such as business credit, insurance and pension facilities as well as technical skills development opportunities.

6.1 Characteristics of the Informal Sector

The informal sector is considered a nuisance which operates outside the law, does not pay income tax and does not observe labour laws for its employees. It is also described as the hidden sector or underground sector (ILO, 1995, Skinner, 2002; Cross, 1998). The nature of the informal sector seems to be shrouded in illegality, opportunism and indifference. The origins of the informal sector seem to suggest its dynamism and opportunistic nature in responding to changing economic contexts in Zambia. The informal business sector's origins, as a response to poverty, occasioned mainly by lack of employment in formal industry, speaks for its existence on the one hand and the lack of regulations to govern the sector accounts for its proliferation and phenomenal growth on the other. The informal sector is populated by the youth between 15 and 35 years (50%) who could not find employment in the formal sector.

The productive age in Zambia is also of the same age range indicating that the informal sector is the most critical age group that can contribute to national GDP.

The family sizes of informal operators and the undertaking of more than one activity in any given household indicated the level of responsibility for the heads of households. Women, who are in the majority though, are the ones who shoulder major livelihoods responsibilities. It can be argued that despite women being the majority, only a small percentage of these had major household responsibilities as they were either, not married, had dropped out of school or were school going but engaged in business after school during weekends and school holidays.

It was found that the informal business sector is believed to produce poor quality goods and services, does not observe state regulations, does not engage into formal trade contracts and has little or no access to working capital and other facilities. The sector also lacks institutional support and investment from government and is not supervised by any government ministry or department. The lack of support for the informal sector is evidenced by the 'isolation' of unregistered and unregulated micro, small, and medium entrepreneurs in the MSME Policy under the Ministry of Commerce and Industry MCTI, which policy excludes any unregistered and unregulated business entity in Zambia. This definition of MSME isolates the informal sector from any possible government support.

The issuance of hawker's licences by the LCC may be the only visible effort that may demonstrate the management of informal trading activities in the city. No other bylaws or statutes have been enacted to regulate the informal business sector in Zambia. The Bus Stations Act and the Markets Act are both directed at regulating municipal and public transport and renting of market stands from which the LCC derives some of its revenue. It can be suggested that, if the LCC registered informal entrepreneurs, developed a management framework for informal businesses and improved market infrastructure in the city, the local authority would have increased its revenue several-times-fold. Given the fact that up to 54% of the respondents found LCC levies to be affordable collection of revenue would not pose any significant challenges if well undertaken by the LCC. Literature from World Bank, (LCC, 2008), suggests that, trading from outside regulated markets and trading places implied the inadequacy of market

infrastructure and total disregard of planning rules and municipal regulations. Lack of enforcement of municipal laws and lack of human resource capacity in the council to monitor informal business activities in Lusaka are additional factors that have made the informal sector grow beyond the capacity of the LCC to manage.

The continued buying of unregulated goods and services by the public from unregistered traders and the LCC's failure to regulate the sector contributed to the perpetuation of traders conducting business from unregulated places. As averred by Peberdy (1992), unregulated informal trade is a threat to health and urban well-being.

The LCC's affirmation of the challenges of managing the informal sector and its need to partner with other institutions of government and the private sector is a notable multi-faceted approach to informal sector management.

6.2 Informal Sector Management

From the above analysis, it was established that, the LCC does not have a system to facilitate the registration and regulation of informal businesses. It can be suggested that, the lack of a system to facilitate informal business registration could be the fundamental reason why council authorities do not register and regulate the informal sector. In addition to this, the LCC does not have specific informal sector policies coupled with an appropriate regulatory framework to regulate it.

The LCC lacks human and financial capacity to monitor informal sector activities in the city and deliver social services effectively. It can therefore not be surprising that as much as 75% of the sampled informal entrepreneurs are not registered. Despite this though, several informal entrepreneurs register their business activities once the benefits of registration and regulation were explained to them. It is clear that, the LCC has a critical role to play to make informal entrepreneurs and the general public aware about the benefits of registration and what benefits would follow once informal enterprises are registered and regulated.

The analysis shows that, the LCC only regulates trading and collection of levies from regulated markets. All other informal trading activities outside this realm are considered illegal and public nuisances.

As contended by Norad (2002) and Tokman (1989), informal activities are mainly unregistered, are conducted haphazardly, are untaxed and are not formalised.

Lack of information from the authorities on the need and benefits of registering informal businesses is another reason why authorities found it difficult to regulate the informal business sector in Lusaka.

Regulating the informal business sector through appropriate bespoke bylaws could be the most important step to addressing public health and environmental impact of informal trading in Lusaka. The enactment of appropriate and non-complicated bylaws would spur interest among informal entrepreneurs to register their businesses and comply with other legal requirements.

The results of the study shows that the LCC has the mandate to monitor and regulate business through enforcing the Trade Licensing Act, Public Health Act and the Markets and Bus stations Act 2007, as the major pieces of legislation employed. The Council also has the mandate to issue trading licenses and hawker's licences. However, not all informal sector businesses are registered by the Local Authority.

6.3 Informal Sector Operations

As was observed in the Lusaka CBD, street vendors and Tuntamba operators refused to disclose the sources of their goods saying that they just order their wares from 'other people'. Informal business activities are usually secretive and seemed to employ a need-to-know approach when discussing business. It appeared that, the vendors could not disclose their sources fearing that their businesses would be sanctioned if the 'secret' sources of their goods were exposed. It was however not investigated whether the sources of these goods formal manufacturing or wholesale companies acting who were contracting informal enterprises to offload their stocks on commission.

It is probable that a tracer study of the informal sector product value chain would reveal such information. The study found that, informal sector entrepreneurs do not pay income tax and levies as there are no systems in place that the LCC or tax authorities can use to collect the taxes and levies.

Hannafey (2003), however, argued that, non-compliance with tax regulations is due to the negative and collective behaviour of informal entrepreneurs.

The study established that the informal sector can be compliant to regulations and is seemingly standing by for the authorities to take the first step of registering them, providing a framework for their operation and then demand appropriate taxes from them. The non-existence of specific council bylaws to govern the informal business sector has made the sector to be ‘ignored’ by the State.

This finding is in concert with AfDB (2013), who contend that the informal sector does not seem to be on the development agenda of many African countries or their multilateral partners.

The LCC bylaws for regulating overall business in the city are however, difficult to enforce by the authority due to lack of an appropriate and simplified management framework coupled with other institutional factors like financial and human resources. This view is asserted by the GEM Report (2007), which attested that, the more burdensome a country’s new business regulations are the lower the ambition for growth among a country’s entrepreneurs. The ILO (2008) also holds that the institution of policy barriers may limit the smooth flow of goods and services. There is need for institution of policy regulations but holds that, the regulations must be well drawn up and be compliant. The analysis shows how the informal sector has grown to become the larger employer and a social safety net for unemployed men women and youth in Zambia.

The analysis further indicates the factors that prevent or inhibit the sector from growing to become part of the formal economy when it is the largest employer contributing significantly to the country’s GDP. Lack of policy for the informal business sector is a major factor that could limit the sector’s growth and formalisation. The analysis showed that, 76% of sampled informal entrepreneurs are not represented by any group or institution to protect their interests. Several government institutions such as Ministry of Commerce, Ministry of Youth, Sport and Child Development (MYSCD), Zambia Development Agency (ZDA) and CEEC only provide support to registered MSMEs. CSOs, among them CARE, PUSH (Peri-Urban Self Help) and Zambian National Farmers Union (ZNFU) only support registered member enterprises and farmers as these umbrella organisations are only focused on their member organisations and affiliates.

No representative institution had any direct mandate for the informal sector apart from the ZCSMBA which provides various business development services

through its network of members. Chune and Egulu (2010) asserted in agreement with this view that, many institutions appreciate the informal business sector as an important sector that can be supported in their economic pursuits and can also be represented in their labour and trade related matters Adu-Amankwah (1999).

The lack of technical skills and quality control is a major challenge to informal sector growth. On sector analysis, it was found that, only 7% of the sampled entrepreneurs were involved in manufacturing. The poor quality of products in the sector is mainly attributed to the lack of technical skills.

The analysis suggested further that, the prevalence of counterfeit products in the informal economy could also be due to the lack of technical skills and quality control. From the informal entrepreneur's point of view, quality control may be seen as a cost to the business and not an investment for future returns.

In view of this analysis, it could be suggested that, if entrepreneurs possessed technical skills, they would produce better quality goods which would increase their market penetration and provide impetus for the enterprises to grow and access bigger markets and provide better quality jobs. Business capital which was accessed by only 14% of the sampled respondents is a major constraint to the growth of informal entrepreneurs. Informal entrepreneurs had no access to commercial credit as only 1.5% borrowed from commercial sources, mainly ROSCAS and '*Chilimba*' schemes which provided expensive loans thereby further limiting the growth of informal businesses.

The inadequate trading environment for formal and informal enterprises is a challenge that the LCC needs to address. The analysis showed that, the lack of space is a major reason why informal traders opt to conduct their business on streets and other unregulated places. As shown in the study, the LCC had only upgraded five urban markets at Chilenje, Chelstone, Libala, Woodlands and the Lusaka City Market commonly called Soweto market by 1998. Only one new market was constructed in NyumbaYanga residential area.

The LCC acknowledges that systems and bylaws for managing informal business activities were in place but that the Council does not have adequate manpower and finances to implement the systems.

It could be suggested that, if the LCC had developed and implemented effective informal business sector management system to regulate informal business activities in Lusaka, the Council could have been generating incomes through taxes and levies that would be going into national economic statistics.

6.5. Summary

It was found that, all the informal settlements sampled are predominantly characterized with a homogenous group of informal sector businesses trading in similar goods and services. It was also found that lack of formal sector job opportunities is the major reason why people entered the informal sector.

The informal business sector was also found to have grown uncontrollably due to poor or lack of informal sector management policies and strategies. The failure to regulate informal business activities in the city is exacerbated by LCC's lack of human and financial resources. It was gratifying to note that, the LCC was developing new strategies to regulate informal business activities in the city. Without sustainable strategies to regulate the informal business sector, the sector will remain a nuisance and anathema to formal business.

CHAPTER SEVEN

CONCLUSIONS AND RECOMMENDATIONS

7.0 Introduction

It was established in this research that, the informal business sector is a source of employment and wealth for its operators and their employees. Research showed that, the sector has strategic importance to industry and the national economies of many countries as the sector contributes significantly to the countries' GDP.

The informal business sector is therefore an integral part of the Zambian economy and that; the sector is dynamic and has the potential for growth and profitability if it was made to operate in a sustainable policy environment. It is clear from the analysis of the findings that, the Government of the Republic of Zambia has not studied the informal sector deeply enough to appreciate its size and character and be able to develop mechanisms to register, regulate and manage it.

Countries such as Kenya, Tanzania and South Africa recognise the informal business sector as key component of their national economies and have taken steps to support the sector to organise itself and be able to conduct business better. '*Jua kali*' and '*Kiwaku*' Associations in Kenya and Tanzania respectively are examples of such reorganisation in the informal sector (KIPPRA, 2013).

7.1 Conclusions

While the informal sector is on one hand an unorganized 'nuisance'; on the other hand the sector provides jobs and increases incomes of the most vulnerable groups in the city, Samers, (1978), and contributed to the GDP of many countries in the world Becker (2004).

Despite the huge size and potential economic influence of the informal sector, authorities still mistrust its entrepreneurs and thus omit it from economic planning processes. The lack of structured dialogue between the informal sector and government as well as other law enforcement agencies has limited the potential for tax contribution from the informal sector.

Since the informal business sector is larger than the formal sector (Charmes, 2000), it can be concluded that, high revenues in form of taxes, levies and fees can be generated from the sector if the sector was brought under statutory regulation

with specific bylaws. It can further be concluded that, if the sector is organised in manageable units or clusters service delivery and business support can be more focused and efficiently delivered. This clustering model would assure improved monitoring and focused business development support. The approach would also protect the environment from social and economic liabilities incidental to unregulated informal economic activities in the city. The following major conclusions can be made:

1. Informal business enterprises can be established without the rigour expected of formal enterprises. They do not pay income taxes, levies and other statutory requirements because they are not recognised and registered by authorities.
2. There are no established rules, regulations and standards for managing the informal business sector in Lusaka.
3. Some international experiences like the '*Jua Kali*' in Kenya and '*Kiwaku*' associations in Tanzania could be informal sector management practices the LCC could learn from.
4. An informed informal sector has potential to conduct its businesses within the bounds of well formulated legislation.
5. Lack of sufficient trading space and policy for informal business sector management and regulation has made the sector grow uncontrollably.
6. The lack of regulation of informal business activities in the city of Lusaka exerts considerable pressure on delivery of social services.

7.2 Policy approaches

The Zambian government needs to provide a policy environment that provides opportunities for formal and informal businesses to grow.

1. The MCTI and MLGH, could formulate conducive policies that would enhance regulation of the business environment in Zambia and in Lusaka in particular. A nationwide informal business sector survey by the Central Statistical Office could be an effective entry point for

informal business sector management especially if the CSO includes informal business sector reviews and such as the Living Conditions Monitoring Survey and the Labour Force Survey that the organisation conducts.

2. As a delegated body of the MLGH, the LCC would need to register all informal business sector activities in the city and develop a management plan to regulate it. An informal business sector strategy would have to be developed by the local authority.
3. ZCSMBA, ZACCI, MFIs (including the SME Bank established by the Zambian government in 2013) and other institutions including commercial banks could develop services or facilities specially tailored to informal or emerging enterprises seeking business support. Such business development services could go a long way in promoting financial inclusion for informal enterprises.
4. Appropriate budgetary provisions for construction and upgrading of new markets, shopping malls and business villas, in many urban and peri-urban areas would spur increased revenue from trade levies, taxation and other statutory taxes that registered entrepreneurs will have to pay.
5. Government can provide targeted investments into the informal business sector that would create an opportunity for the sector to grow.

7.3 Management approaches

One of the objectives of this research was to recommend effective management and regulation systems for the informal sector in Zambia in general and in Lusaka in particular. This research has discussed the characteristics of the informal business sector in Lusaka, how the sector is connected to the formal sector and how its challenges can be resolved. A number of management approaches are suggested below:

7.3.1 Primary Enterprise Incubation approach

In this approach, the LCC could register informal entrepreneurs and allocate them land in selected locations in the city as business incubation sites. Such registered informal entrepreneurs could be given licenses to trade in approved goods and

services that would be indicated on their unique Trader Identification Number (TIN) cards which could be issued by the LCC.

A similar practice has been done in Kenya by the '*Jua-Kali*' associations. The TIN Card would indicate personal and business details for ease of monitoring by the LCC.

The informal entrepreneurs could be overseen by appointed LCC contracted agents who would monitor their activities in the assigned localities. The LCC could issue bylaws to regulate all enterprises falling under this category. Tuntemba operators and the LCC could designate specific days for trading as market days on designated streets in the CBD for approved goods and services only.

'Tuesday Market' as practiced by some organisations in Lusaka is a similar example to this proposed approach. Appropriate levies for these and other services such as parking space, public ablutions and waste management could also be managed in this manner. The incubation process could be used as preparatory ground or informal enterprise nurseries from which secondary and emerging enterprises would grow firm linkages with the formal sector.

The TIN registration system proposed above could be incorporated onto an e-platform with any mobile service provider in Zambia such as Zamtel, MTN or Airtel. Informal entrepreneur registration, collection of council levies, taxes and other services could then be paid via mobile telephony.

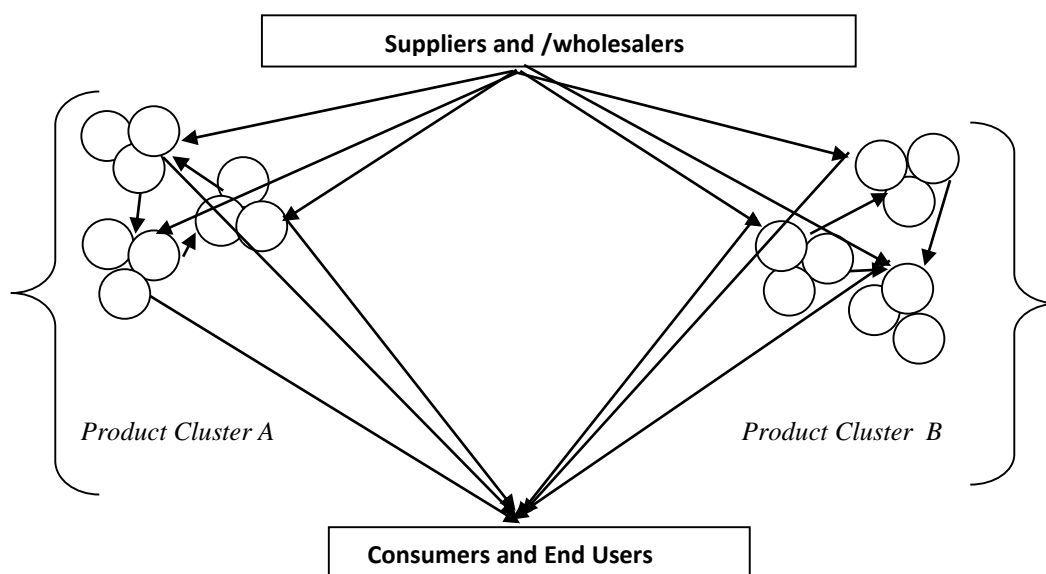
7.3.2 The Secondary Enterprise Cluster Approach

In this approach, several informal enterprises which show growth potential and are in a common line of business such as timber and carpentry would be clustered into enterprises such as the Timber Enterprise Cluster, Ironmongery cluster and so on. Once clusters of the different enterprise blocs are created an operation, monitoring and management system could then be defined for effective service delivery by the LCC and consequent collection of service levies. Many major cities across the world have different products manufactured and traded in different areas of the city.

Figure 7.1 below, conceived by the researcher, shows possible relationships and linkages in the value chain that would exist between suppliers of raw materials, manufactures and consumers.

Enterprises within each cluster would compete against each other for the same market. This competition would lead to quality improvement and trade broking or trade partnerships to benefit from economies of scale. The trade linkages created could see the entrepreneurs supply each other with various goods and services and labour within and outside their clusters.

Figure 7.1: Informal enterprise clusters



Source: Author, 2016

Under this approach, the LCC with support of the MCTI could facilitate the provision of various business development services and institute user fees for access to those services. Cluster Management Committees similar in character to Market Committees could oversee these enterprise cohorts and support their organisation and development needs.

The MCTI, LCC and the private sector could play their specialist roles in supporting the Secondary Enterprise Cluster approach. This model can also be uploaded on an e-platform with a mobile provider for efficient management.

In the Secondary Enterprise Cluster approach, the LCC would be able to collect levies and fees from informal enterprises while at the same time the local authority would be able to manage public space better.

7.3.3 Emergent Enterprise Approach

The Emergent Enterprise Approach is the informal group of entrepreneurs who are on the verge of 'breaking' into the formal sector on account of sustained growth and enterprise size.

Such enterprise could have transformed from an individual or family informal enterprise to an enterprise dealing in recognised specialised goods and services and with capacity to enter into formal trade contracts with suppliers.

Enterprises under this approach, would have established strategic value chains and supply relationships with a growing number of formal enterprises.

The future outlook for such enterprises would be to develop formal supply and trade contracts with established firms. To establish contracts with formal companies, emergent enterprises would have to register and formalise their businesses within the cluster. The emerging enterprise approach would be the ideal status that informal enterprises would aspire towards.

7.4 Recommendations

7.4.1 Research recommendations

The Zambian government needs to recognise the informal sector and learn from informal sector best practices that will enable authorities to organise and manage the sector as an integral part of the national business environment.

Relevant legislation coupled with an effective management model would provide the necessary tools for the authorities to manage the informal business sector effectively and achieve mutual trade benefits for the state and for the entrepreneurs. It can be concluded that, the LCC can develop and implement an affordable fees regime that would encourage compliance by informal entrepreneurs. In similar vein taxation for SMES in Zambia can also be made affordable to provoke compliance.

The LCC should partner with the public and the private sector in regulating informal activities through Market Committees which would superintend informal business activities in the city. This effort would see the informal sector properly managed and regulated. The legal framework to govern such partnership is already defined within the Public Private Partnership (PPP) Act. The LCC could use this public partnership approach as a Special Purpose Vehicle (SPV) to

implement an effective mechanism to manage and regulate informal business activities in the city.

Once organised the informal business sector would attract the attention of many organisations thereby having the opportunity to access a variety of business development services. This situation would fall within the Zambian government's industrial development priorities for MSMEs development expressed in the Revised Sixth National Development Plan (R-SNDP 2012 – 2016).

The recommended actions for various authorities to implement are;

1. The LCC should develop an effective sensitization strategy to inform and educate informal entrepreneurs on the benefits of registration and formalisation of informal business activities.
2. The LCC can also undertake research to identify what roles Trade Unions can play in providing a base for recognition and protection of informal economic actors while at the same time providing linkages to business development services.

7.4.2 Policy and management recommendations

The government through the MLGH should formulate policies that would bring the informal sector under regulatory control in the city. The LCC and MCTI should jointly promote the establishment of enterprise trading clusters and locate informal businesses in specific areas of the city. The government, through the Zambia Revenue Authority, should establish a bespoke presumptive income tax mechanism for informal entrepreneurs that will encourage the informal sector to pay turnover based tax.

In addition to the above recommendations, the Zambian Government through the MCTI, MCDSS and MLGH should develop policies that will support the setting up of microfinance institutions and other business development services to facilitate access to business loans and other facilities. The above recommendations would result in medium to long term economic benefits that would unlock the business potential of the informal sector. Through awareness raising, negative mind-sets would be transformed and enable informal entrepreneurs register and wilfully pay income taxes and abide by various trade and business regulations.

A supportive policy environment coupled with a clear and sustainable legal and regulatory framework for commerce and trade in Zambia will provide firm ground

for all parties on the business platform to engage each other and operate smoothly, meeting their commercial, civic and social responsibilities and obligations.

7.5. Opportunities for future research

The research proposed some possible areas of study that could be taken up for future research, thus building the knowledge base on the informal business sector in Zambia. The research made a number of policy and operational recommendations to MCTI, MLGH, the LCC and other stakeholder institutions like ZCSMBA, ZACCI and the Economics Association of Zambia (EAZ).

These recommendations would greatly inform policy formulation and implementation for the informal business sector in Zambia. It is hoped that, this research would also lead to further research on other aspects of informality such as illegal land settlement, unplanned construction and poor environmental management and land use practices which activities are a growing concern among environmentalists, planning authorities, government and the public.

This research and any further research on the informal sector would enable the Zambian government to enact legislation that would guide the effective conduct of business in the country.

Civil Society groups and environmentalists could pitch their advocacy and campaign messages on the results from such research with a view to improving the conduct of business in Zambia as well as to hold policy makers to account for social commitments to the public.

Future studies could be undertaken to contribute to the knowledge base and fill any knowledge gaps that may have been outside the scope and focus of this research. Suggested opportunities for future research are:

7.5.1 Economic and Social Impact of unsustainable urban and regional planning

A study on how to address the impact of poor city planning on social, civil and public life and its implications and impact on societal growth and development could be undertaken. Such a study would explore informal human and deviant conduct and identify strategies to inform urban and regional planning reform, public health, land use and the environmental reforms. Within this research, possible links between disease and crime prevalence in over-populated settlements can be identified and addressed. Additionally, the impact of over-population and

unsustainable planning on health and quality of life could be formulated to contribute to improved community and social welfare in the city.

7.5.2 Informal-Formal sector nexus

Further research could be undertaken to explore the origins, depth and economic value of formal-informal sector value chains and business linkages in Zambia. Such research would show the rationale, benefits and impact of formal-informal sector linkages on the national economy.

The research could also explore negative and positive implications and linkages of the formal and informal sectors where the informal sector would be increasingly 'contracting' the informal business sector to tap the growing but 'hidden' and tax-free opportunities enjoyed by the informal business sector.

Examples of such linkages may explore incidences of large manufacturers and wholesalers who selling their goods through street vendors and other informal entities on commission-basis, ostensibly to evade and avoid tax.

7.5.3 Family enterprise as a sustainable economic pathway for emerging enterprises

Though not a popular mode of business type in the informal sector, family entrepreneurship could be an important pathway for business expansion.

A study on the role of the family and family entrepreneurship could be conducted to understand how family businesses can become viable options for sustainable growth of formal and informal businesses.

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Appendix

Appendix 1:

QUESTIONNAIRE FOR INFORMAL BUSINESS SECTOR ENTREPRENEURS

Primary data - The Informal Operator

Date _____

Respondents Name (optional) _____

Location/Informal settlement _____

Enumerator _____



Code

1 Age	Below 15 years old	0	<input type="text"/>
	15-35	1	<input type="text"/>
	36-45	2	<input type="text"/>
	46-above	3	<input type="text"/>
2 Sex	Male	4	<input type="text"/>
	Female	5	<input type="text"/>
3 Marital status	Single	6	<input type="text"/>
	Married	7	<input type="text"/>
	Widowed	8	<input type="text"/>
	Divorced	9	<input type="text"/>
4 Number of children +dependents in household	None	10	<input type="text"/>
	1 to 3	11	<input type="text"/>
	4 to 6	12	<input type="text"/>
	over 6	13	<input type="text"/>
5 Housing	Rented	14	<input type="text"/>
	Own house	15	<input type="text"/>
6 Highest education level attained	None	16	<input type="text"/>
	Grade 7	17	<input type="text"/>
	Grade 9	18	<input type="text"/>
	Grade 12	19	<input type="text"/>
	College/University	20	<input type="text"/>
7 Why did you not pursue further education?	No interest/failed	21	<input type="text"/>
	No support/fees etc.	22	<input type="text"/>
	Other reason (state)		<input type="text"/>
8 Employed in formal industry before	Yes	23	<input type="text"/>
	No	24	<input type="text"/>
9 (If not) why are you not in employment?	Retrenched	25	<input type="text"/>
	Resigned	26	<input type="text"/>
	Disciplinary action	27	<input type="text"/>

	Other reason (state)	28	<input type="checkbox"/>
Secondary data - The Informal activity			
1	Business activity status	Own activity	29 <input type="checkbox"/>
		Family activity	30 <input type="checkbox"/>
		Employed by another	31 <input type="checkbox"/>
			<input type="checkbox"/>
2	How long have you operated this business activity?	Up to 1 yr	32 <input type="checkbox"/>
		Between 1 year and 5 yrs	33 <input type="checkbox"/>
		Over 5 yrs	34 <input type="checkbox"/>
3	Why did you start this business activity?	Extra income	35 <input type="checkbox"/>
		Business interest	36 <input type="checkbox"/>
		Family mandate	37 <input type="checkbox"/>
		Lack of employment	38 <input type="checkbox"/>
		Lack of education option	39 <input type="checkbox"/>
		Other reason (state)	40 <input type="checkbox"/>
4	Is this business activity registered?	Yes	41 <input type="checkbox"/>
		No	42 <input type="checkbox"/>
5	If it is registered why did you register this business?	Followed rules	43 <input type="checkbox"/>
		Was forced to	44 <input type="checkbox"/>
		To avoid being chased	45 <input type="checkbox"/>
		Other reason (state)	
6	With which authority, if registered?	Council	46 <input type="checkbox"/>
		Ward office	47 <input type="checkbox"/>
		Political Party Committee	48 <input type="checkbox"/>
		Market Committee	49 <input type="checkbox"/>
		Other	50 <input type="checkbox"/>
7	How much registration fees did you pay?	K10 -K50	51 <input type="checkbox"/>
		K 50 - 200	52 <input type="checkbox"/>
		Over K200	53 <input type="checkbox"/>
8	Is the fee?	Cheap	54 <input type="checkbox"/>
		Affordable	55 <input type="checkbox"/>
		Expensive	56 <input type="checkbox"/>
9	Why are you charged fees?	To provide services	57 <input type="checkbox"/>
		To generate income for authorities	58 <input type="checkbox"/>
		Don't know	59 <input type="checkbox"/>
10	What other levies do you pay and how much?	ZM	<input type="text"/>

ZM

ZM

11 Why is your business not registered?

No idea/information about

60

Cannot afford fees

61

To avoid being chased

62

To be able to get services

63

To be able to get loan

64

Not necessary

65

12 What benefits would you expect if you registered your

13 What are the 3 top goods you trade in?

(1- Most prevalent, 3 least prevalent)

1

2

3

14 Where did you source your business capital from?

Commercial/ MFI Loan*

66

Friends

67

Own savings

68

NGO grant

69

Other

15 What are your other sources of household
vity?

full time employment

70

kantemba at home

71

spouse trading activity

72

family support

73

16 Why do you operate from here?

No space elsewhere

74

Not applied for space

75

More customers here

76

Cannot afford rent for market/other

77

17 Are you aware that the law does not allow you to trade

Yes

78

No

79

Don't know

80

18	What public services do you access here?	Toilets/sanitation	81	<input type="checkbox"/>
		Shops/sheds	82	<input type="checkbox"/>
		Garbage collection	83	<input type="checkbox"/>
		Police protection	84	<input type="checkbox"/>
19	Who (should) provides these services?	Council	85	<input type="checkbox"/>
		Government	86	<input type="checkbox"/>
		Ward/Area/Market Committee	87	<input type="checkbox"/>
		Political Party Committee	88	<input type="checkbox"/>
20	Do authorities/ council/other inspect your business?	Yes	89	<input type="checkbox"/>
		No	90	<input type="checkbox"/>
21	Why do authorities chase street vendors from trading on	unhealthy /littering	91	<input type="checkbox"/>
		Non-payment of fees	92	<input type="checkbox"/>
		to avoid overcrowding	93	<input type="checkbox"/>
		Don't know	94	<input type="checkbox"/>
22	How much do you estimate your daily sales to be?	Below ZMW 50	95	<input type="checkbox"/>
		Between ZMW 50 and ZMW 100	96	<input type="checkbox"/>
		Between ZMW 100 and ZMW 150	97	<input type="checkbox"/>
		Above ZMW 150	98	<input type="checkbox"/>
		Not sure	99	<input type="checkbox"/>
23	Is your business growing	Yes	100	<input type="checkbox"/>
		No	101	<input type="checkbox"/>
24	Are you happy with the business level you are at	Yes	103	<input type="checkbox"/>
		No	104	<input type="checkbox"/>
25	Can your business grow & become a formal business?	Yes	105	<input type="checkbox"/>
		No	106	<input type="checkbox"/>
		If not why?		
26	Do you keep any sales records?	Yes	100	<input type="checkbox"/>
		No	101	<input type="checkbox"/>
27	Tick the business vouchers you use (if any)	Quotation	102	<input type="checkbox"/>
		Invoice	103	<input type="checkbox"/>
		Receipts	104	<input type="checkbox"/>
		Orders	105	<input type="checkbox"/>
28	What business problems do you face?	No customers	106	<input type="checkbox"/>
		Being chased by council	107	<input type="checkbox"/>
		No access to business capital	108	<input type="checkbox"/>

- Too little profit 109
- Lack of space 110
- Bank loan expensive 111
- High fees 112
- Other reason (state)
- Other reason (state)

29 What do you think authorities should do to manage the informal sector in Zambia?

30 Whose responsibility should it be to manage informal (tick 1 or more)

- City council 113
- Ministry of Local Govt. 114
- Ministry of Comm. Dev. 115
- Private Sector 116
- Market Committees 117

31 Are there any risks in carrying out your business?

- Yes 118
- No 119
- Don't know 120

32 If so what risks are there?

33 Are there any benefits in being inspected and

- Yes 121
- No 122
- Don't Know 123

34 If Yes what are some of these benefits?

35 Can you work with others in similar goods or are you

- Yes 124
- No 125

Thank You!

Appendix 2

INTERVIEW GUIDELINE QUESTIONS TO CHIEF OFFICERS OF LUSAKA CITY COUNCIL ON INFORMAL TRADING ACTIVITIES IN THE CITY OF LUSAKA

Introduction

The Zambian economy is dualist with the formal, regulated sector on one hand and the informal and unregulated sector on the other. Though informal and operating outside the law the informal business sector provides employment for many men, women and the youth and is thus an important economic sector.

This research seeks to investigate why this important sector has not been recognised, registered and regulated for it to grow and be part of the formal Zambian economy.

Researcher Paul Kapotwe
Institution University of Lusaka (UNILUS)
Programme of study DBA

Position in Lusaka City Council _____
Date questionnaire administered _____
Administered by _____

The ILO defines the informal business sector as a conglomeration of business activities that are usually unregistered, owner operated and operating from undesignated places carried out by individuals or groups of individuals for earning a living.

- 1 In your opinion, approximately how many informal business sector traders are in Lusaka CBD?
- 2 Approximately when did informal business sector trading start in the city of Lusaka?
- 3 Are you aware of any legislation governing business operations in Zambia
- 4 What laws or bye-laws, are in place for monitoring and regulating business in Zambia?(Law/Act name and enactment)
- 5 Which are the specific laws that regulate informal business activities in Zambia?
- 6 Does the Council register informal business sector trading operators in the Lusaka CBD and in peri-urban ir settlements?
- 7 If so what problems does the Council encounter in registering informal enterprises in Lusaka?
- 8 Does the council regulate informal operators in the city of Lusaka?
- 9 If so, how does the Council regulate informal business sector trading?
- 10 In which 5 locations is informal trading most prevalent (rank most prevalent to least prevalent)

11 Which economic categories are informal traders prevalent (1-Most prevalent, 3 -Least prevalent)

- 1 Manufacturing
- 2 Retail
- 3 Services

13 What products do informal entrepreneurs manufacture, what do they sell or trade and what services do they offer to the public?

14 What is the Council doing to promote informal business sector to grow in Lusaka?

15 Why would the Council wish to regulate informal business sector activities in Lusaka?

16 Given the right environment, do you think the informal business sector can regulate itself?

17 If so, how can the sector regulate itself?

18 Do you think the LCC is effectively managing to regulate informal business activities in the city?

19 If not, why is the LCC is not effectively managing to regulate informal business sector operators in the city?

20 What licences and fees, if any, do informal operators pay to the LCC, how much and for what?

21 What do you suppose the Lusaka City Council can do to regulate informal business activities in Lusaka Zambia as a whole?

22 Why do informal trading operations take place on the streets/roadsides or other unregulated places?

23 Why do you think informal enterprises do not register with Lusaka City Council?

24 What benefits, if any, will informal economic entrepreneurs get once they register with the Council?

25 Whose responsibility should it be to manage the informal business sector in the Lusaka?

26 What risks are associated with informal business activities in Lusaka?

27 Why does the Council remove street vendors from the streets of Lusaka?

28 Why do traders return to the streets even after being chased?

29 How can you rate the effectiveness of the Council in managing and regulating informal business sector in Lusaka? (Low, Moderate , High)

30 If council effectiveness is Low what are the reasons

31 What do you think are the reasons why informal businesses are not growing?

32 What problems do you think informal business sector operators have?

Thank You

Appendix 3

FOCUS GROUP DISCUSSION GUIDELINES WITH SELECTED ENTERPRISE GROUPS IN KALINGALINGA, CHAWAMA, JOHN LAING AND KAUNDA SQUARE STAGE 1

1. What business activities do you consider to be informal in this area?
2. How do you conduct your business activities here?
3. What problems do you face in conducting your business?
4. How do you think informal business activities can be managed?
5. Whose responsibility is it to manage the informal sector in Lusaka?
6. What do you think can be done to promote the growth of informal enterprises?
7. Any other information you want to tell me about?

Thank You