

Problems and opportunities

The Natsalspruit market

As formal jobs shrink, informal trading becomes more important. **David Dickinson** and **Louise Whittaker** report on the Natsalspruit market on the East Rand and investigate how the environment for informal traders could be improved to expand their businesses and ensure better livelihoods.

The Natsalspruit market is often crowded with traders and customers, especially during commuting hours and the area is intensively used, with people spilling out onto the roads. There are visible piles of rubbish and the initial impression is of bustling crowds, which can be intimidating to the first-time visitor.

However, what is quickly apparent is that there is an extensive and stable ordering of traders who, notwithstanding tensions, look out for each other and for their customers. The result is that, while the area is crowded, busy and often littered, it is also during working hours safe, colourful and friendly.

This trading area is made up of stalls along the pavement areas around the Natsalspruit hospital, taxi ranks and Letsoho shopping complex on the border of Katlehong and Thokoza.

The market is probably one of the biggest in Gauteng with at least 805 stalls. Space is valuable and vendors will extend their stalls into the space of neighbours when they are not present. Not all stalls are one person operations, and about 900 people work in the market. These workers told how they support an average of 4.8 dependents, meaning that over 4

000 people depend in full or in part on income from the market.

The huge size of the market is because of factors that bring people into the area. These include three taxi ranks where people often change taxis, the Natsalspruit Hospital, and the Letsoho Shopping Centre. The market emerged in response to the opportunities that the many pedestrians offer to hawkers. This is important to remember when thinking about how to develop a market, or how informal traders can be incorporated into new township development and upgrading.

TRADERS' PROBLEMS

By far the most important problem for traders is the lack of shelter from the rain and sun. However, any resolution of this problem must take into account the huge problem of storage. Most traders rent space in nearby houses for a daily, weekly or monthly fee which varies from R30 to R90 per month. Most people interviewed indicated that this type of storage is not suitable for storing fruit and vegetables, because it attracts rats. Also, stock is stolen although the yards of houses where it is stored generally have fences and gates that are locked overnight.

The second most important

problem is a lack of customers. This constrains how much income and profits traders can generate. Without a limit on the number of traders this problem cannot really be addressed.

Lack of security was a concern that was raised in particular by women street traders. All the women traders interviewed felt that at night they are not safe in the area and so they try to pack up and leave before it becomes dark. This limits their trading opportunities. The lack of adequate lighting at night is another factor that contributes to this fear.

LEGAL AND SECURITY DILEMMA

Currently, all traders have no formal permission or documentation giving them the right to trade. This means that traders operating from the Natsalspruit informal market are illegal. This 'illegality' concerns the space the trader occupies and not the business that he or she is involved in. Their illegality creates for traders constant insecurity because they never know when the next Metro Police 'crackdown' will take place.

All the traders interviewed stressed this feeling of uncertainty. As one trader put it, "An informal trader is one who is not registered, not recognised by government and



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[im]pounded by police.”

At the moment it is impossible for traders in the Natalspruit market to get permission to trade as there is no facility to obtain trading licenses. Traders have a clear understanding that they are in an illegal position, but they feel that government should not be enforcing regulations without giving them alternatives.

LACK OF ACCESS TO FINANCE

A major challenge to the growth of business is not having access to loans to buy additional stock for their stalls. This affects all traders, but it is entrepreneurial traders who want to enter the formal economy that are most constrained

Based on information collected from traders who keep financial diaries, and assuming that a maximum of 25% of operating profit should be used to pay for financing costs, 88% of the traders with a financial diary could afford a loan of R1 000 or more. This means that affordability is not the major problem in getting loans.

The problem for traders is that they do not have any formal documentation showing that they run a business or are employed in one. Most banks and similar institutions require documents, such

as payslips or financial statements, to open accounts, all of which the traders are unable to produce.

The traders find this very frustrating, as they see themselves as active labourers and producers but are unable to capitalise on these roles. Barriers to necessary documentation to access formal sector loans is probably the most critical stumbling block for those seeking to expand their business or move into more capital intensive lines of business.

The second root cause of the lack of formal sector financing is poor financial literacy. The informal market traders interviewed in Natalspruit generally showed poor financial literacy. This may be one of the primary causes of informal traders' limited use of formal sector debt financing.

However, the informal sector has historically been neglected by formal sector financial institutions, because a combination of factors drive down the profitability of serving this market. The neglect of the informal sector also has its roots in the pre-1994 apartheid policies of the South African government. The informal sector is (and has always been) dominated by blacks, who were discriminated against by financial

sector policies supported by the apartheid government.

The best way of providing credit to a group of informal traders such as those at Natalspruit may be through the use of a group collateral model (also known as the Grameen Bank model). The central idea of this model, is the removal of the need for collateral (some form of goods or cash to shore up a loan) which is replaced with a banking system based on mutual trust and accountability.

SPACE ALLOCATION SYSTEM

Without official recognition, traders are always vulnerable to arbitrary law enforcement. This instability interferes with many from developing their businesses. This lack of stability translates into extra work for traders such as removing structures each night and it limits their investment in infrastructure.

Taking into account the available space, we argue that the council should allocate trading sites to existing traders who can prove South African citizenship, permanent residency, or refugee status. In return for this site, traders must be members in good standing in the trader association and pay an annual fee to the council, via the trading association, to help pay for services supplied either from the council or directly from the trader association.

Such sites should allow traders to leave their structures in place overnight. To comply with by-laws prohibiting permanent structures in certain places these structures could be moveable, for example not brick structure, and in practice they should be allowed to remain overnight.

Because of the density of trading and the need to allow safe space for pedestrians to move around, it may not be possible to accommodate all existing traders at the Natalspruit market. The council could

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accommodate these extra traders at new developments, such as new shopping malls, where planning permission should include informal trading sites close to the main pedestrian flows.

There are benefits to some restriction on the number of traders at a site, such as Natalspruit. Limiting the number of traders would increase the turnover and the income of traders which will be necessary for them to pay for their site and for services.

ROLE OF TRADERS' ASSOCIATIONS

For orderly development of Natalspruit and other trading areas, there has to be an organisation which enforces agreed standards and procedures. This is best done by the traders themselves.

To do this the traders' association needs to have real powers. This power could come from traders being members in good standing of the trading association in order to obtain and maintain their trading location rights. This can only be effective if there is a single, rather than competing trading associations in an area. The power of trading associations over the livelihoods of its members would have to be contained within a set of checks and balances.

The council should recognise only one traders' association in a geographical area of Ekurhuleni. As far as possible this should follow the existing patterns of trader representations. The traders' association must have the power to exclude traders who do not comply with by-laws that the association has agreed to enforce, who do not pay their membership fees, or who do not contribute fees for services provided. Traders excluded from membership will lose their right to a trading site.

To ensure that this power is not abused the traders' association must have a committee and office bearers elected by secret ballot by all traders on an annual basis. These office bearers must be traders.

The committee should have a number of ex-officio members from the wider community such as members of the local chamber of commerce, civic organisations, and churches. These members would provide advice, assist in overcoming barriers between the formal and informal economy, and help to ensure fairness and transparency in the workings of the association. Expulsions from membership of the association would only take place after mediation and by a quorum of the association committee.

The traders' association needs to take an active role in the planning permission process for any new developments in its area that may provide opportunities for informal trading. They should lobby to be included in the design of sites and ensure that they are well located and paved and that the management of such sites give the allocation of sites to the traders' association. Traders' association submissions should be, as far as reasonable, accommodated into the conditions for granting planning permission.

Overall, this type of self-management will empower the traders and give them ownership over their situation. It will be a win-win situation for all stakeholders. The task of managing the traders themselves and local authorities should play only a small, but important, regulatory and advisory role. LB

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