

A BUSINESS ANALYSIS OF ZIMBABWEAN CROSS BORDER TRADING

BY

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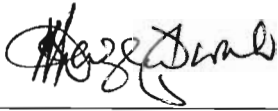
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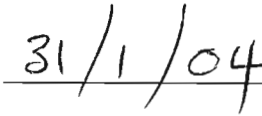
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DECLARATION

I, the undersigned, hereby declare that the work contained herein, is my original work and has not previously in its entirety or in parts been submitted at any university for any degree.



P.J.Mazengwa



Date

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ABSTRACT

There has been an expansion of the informal economy globally, in both developed and developing countries. Among those joining the informal economy are Zimbabwean cross border traders coming to South Africa. This study explores the business environment within which the Zimbabwean cross border traders coming to South Africa operate. It gives an overview of the demographics of traders, the socio-economic and political environment in which they operate and the nature of their supply relations. It also explores trader's experiences, the problems they face, the role of financial and social capital and the economic contribution of traders. The study made use of business tools, thus introducing new dimension of analysis into the field of informal economy studies. This study not only fills a gap in the literature on migration and informal activities but also concludes by making key policy recommendations.

LIST OF ABBREVIATIONS AND ACRONYMS

AU	African Union
ESAP	Economic Structural Adjustment Programme
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
IBDC	Indigenous Business Development Centre
ILO	International Labour Office
IMF	International Monetary Fund
SADC	Southern African Development Community
SEDCO	Small Enterprise Development Corporation
SME	Small Medium Enterprise
VAT	Value Added Tax
WIEGO	Women in Informal Employment Globalising and Organising
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation
ZIMRA	Zimbabwe Revenue Authority
ZJC	Zimbabwe Junior Certificate of Education

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CHAPTER ONE

INTRODUCTION

The informal economy is fast expanding in Sub-Saharan Africa. The focus of this research is on cross border traders from Zimbabwe trading in South Africa. Zimbabwe is South Africa's biggest trading partner in Africa. These countries share borders and there are socio-cultural links between the people of these two countries. With the advent of South Africa's independence, there has been an increase in the flow of people between these two countries. Border crossings have increased with the worsening of the economic situation in Zimbabwe.

Previous research on the issue of cross border trading highlighted the contribution of these informal activities at household, national and regional levels (Crush and Peberdy 1998, Rogerson: 1997, Peberdy: 2000, Peberdy: 2002). These studies assisted policy makers to recognise the expansion of the informal economy as a characteristic of our time. Previous research however has tended to consider the issue from the perspective of South Africa with traders from multiple countries being interviewed. This study concentrates only on Zimbabwean traders. Further the study acknowledges informal cross border trade as business using business analytical tools used to understand the formal economy. My research will add to the body of knowledge in terms of application of such techniques in the analysis of cross border trading.

There is no research that has been done that specifically target cross border trading between South Africa and Zimbabwe. This research shall, among other things, show some of the problems that cross border traders' face and the nature of the business environment within which cross border traders operate.

In particular the research seeks to answer the following questions:

- ◆ What is the demographic profile of cross border traders plying between South Africa and Zimbabwe?

- ◆ What are the traders' business activities?
- ◆ What are the sources of capital available to cross border traders?
- ◆ What marketing strategies do the traders use?
- ◆ What kind of business environment are traders operating in?
- ◆ What are the opportunities and constraints faced by traders and how best can opportunities be exploited and problems solved in order to make cross border trading a viable alternative source of income?
- ◆ What are the policy responses to be adopted to support the cross border traders?

This research seeks to capture some of the constraints that traders face with the aim to suggest policy options that could be implemented by both governments.

The dissertation is divided into eight chapters. Chapter one is an introduction to the broad area of study that is area of investigation. Chapter two focuses on literature review while chapter three considers the context in South Africa and Zimbabwe. It also reviews previous research conducted on this issue. In chapter four the methods used in addressing the research question are outlined. Chapters five and six concentrated on the findings from the interviews. In chapter five the demographics of traders are explored, while their business activities are considered in chapter six. Chapter seven concentrates on business analysis. Chapter eight is the concluding chapter with policy recommendations.

CHAPTER 2

LITERATURE REVIEW

This chapter grapples with how the informal economy is conceptualised. The first section deals with how to define the informal economy. Theoretical positions on the informal economy are then reviewed. The links between the expansion of informal economy and globalisation are also considered. Finally the issue of social capital is reflected on.

Informal Sector or Informal Economy?

In the early 1970's Keith Hart coined the phrase "informal sector" to describe survival activities done by the urban poor in Ghana. The International Labour Organisation's (1972:6) definition is the most often quoted. They define the informal sector as activities characterised by "ease of entry, reliance of indigenous resources, family ownership of enterprises, small scale of operation, labour intensive and adapted technology and skill acquired outside of the formal school system unregulated and competitive markets". Over time this definition has evolved. Castells and Portes writing in the late 1980's argue that the informal economy should be seen as a process rather than an event. Castells and Portes (1989: 12) state that the informal economy is "not an individual condition but a process of income-generation characterised by one central feature: it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated".

Skinner (2000) and Carr and Chen (2001) argue that the term informal 'economy' is preferable to the term informal 'sector'. This is due to the diversity of the activities that are being referred to. The term economy implies a broader spectrum of activities than sector. Further empirical evidence demonstrates that these are economic activities. Research (Rogerson 1997, Dodson 1998, Skinner and Lund 1999, Peberdy 2000, Schoombe 2000) demonstrates that the informal economy is making a significant contribution to the mainstream economy. Finally the line between the formal and informal is blurred. Peattie quoted in Skinner (2002:5) points out, 'if we think about the world in terms of a formal and an informal sector we will be glossing

over the linkages which are critical for a working policy and which constitute the most difficult elements politically in policy development.’ In summary Skinner (2002:5) states: “The term economy implies a greater range of activities than sector. If both formal and informal activities are seen as part of the economy we are better able to see the linkages between the two.”

Recently authors (e.g. Carr and Chen 2001, Standing 1999, Matsebula 1996) have pointed out that increasingly the formal economy is in-formalising through global downsizing and outsourcing. This has led to a shift in the literature from an enterprise based to an employment-based definition of informal work. At the 2002 International Labour Organisation’s Labour Conference that concentrated on decent work in the informal economy this phenomena was defined as ‘a mixture of both self employment and wage employment that is not acknowledged, accepted, regulated or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in income-producing enterprises’ (ILO Conference 2002).

It is imperative at this stage to distinguish informal economic activities from criminal activities. Castells and Portes (1989:15) states “... some criminal activities may be termed informal because of their very nature, namely, because they are defined as criminal by the institution of society”. Blanes and Grossman (quoted in Castells 1989:11) make the distinction between illicit and licit deals. If the process of production is licit and the final product is licit, the type of economy is formal. If the process of production and distribution is illicit and the final product is licit, the type of economy is informal. If both the process of production and distribution are illicit, then the type of economy is criminal. It is important to observe this distinction when classifying economic activities. People must not run the risk of labelling informal economies as criminal (Portes 1994: 428). Some people who are in the informal economy are pursuing an honest business career.

Approaches to Informal Economy

Over time there has been a substantial literature theorising the informal economy. Rakowski (1994) categorises these theoretical traditions into three approaches - ILO-

PREALC approach, structuralist or underground economy approach and the legalist or De-Soto approach. These will each be briefly reviewed below.

ILO /PREALC Approach

This approach, implicit in the work of Tokman, Marquez, PREALC, Mezzera (Rakowski, 1994: 35), who sees the formal and informal economies as distinct. The informal economy is arguably to be caused by declining economic conditions and policies like structural adjustment (Rakowski, 1994: 35). This approach views the informal economy as a survival strategy for the retrenched as it absorbs surplus labour. The informal economy is argued to act as a safety net for the poor. Although marginal, the informal economy is seen as having the potential to grow. The role of the state is perceived as that of stimulating economic growth through sound micro-economic policies, social welfare and support of entrepreneurship (Rakowski, 1994). The limitation of this approach is that it regards the informal economy as traditional yet informality is increasingly present even in modern economies.

Structuralist / Underground Approach

This approach is associated with authors like Portes and Castells, Cataya and Berger. Unlike the ILO-PREALC approach this approach rejects economic dualism arguing that informal “forms of production, productive units, technologies, and workers are integrated into the local, regional and international economies” (Rakowski, 1994: 36). This approach pays particular attention to exploitation of those working in the informal economy by the formal economy. The underground approach argues that large companies go underground by subcontracting to small companies in order to lower costs associated with protective labour legislation. It also argues that informality is a feature of both developed and developing economies (Rakowski 1994: 38).

Legalist or De-Soto Approach

The legalist approach, associated with the work of De Soto, argues that informality is caused by excessive legal costs and bureaucratisation. De-Soto for example argues that informal activity is a bi-product of small enterprises avoiding costs (Rakowski

1994: 40). The legalist approach holds that the informal economy could play a very significant role in development. It is argued that the state should play a minimalist role. Despite exaggerating the growth potential in the informal economy Rakowski points out that the legalist approach “draws attention away from the characteristics of workers, activities and exclusively economic factors in the development and toward the role of institutions” (Rakowski 1994: 42).

Informal Economy and Globalisation

Beck (2000:11 regards globalisation as a blanket term used to describe “the process through which sovereign national states are criss-crossed and undermined by transactional actors ...”. At the heart of this process is the “emergency of global financial markets, the integration of capital markets and money markets...”(Castells 2001:4). There are imperatives in this process that include selling of government assets, reducing spending on welfare, deregulation of the labour market like removal of minimum wage legislation and the removal of exchange controls to attract foreign investment (Stiglitz 2002, Shaw 2000).

There is a strong relationship between globalisation and the in-formalisation of work. Globalisation opens markets, which in turn triggers competition in the business environment. In such competitive environments, firms employ capital-intensive methods. They increasingly use technology in order to increase efficiency and effectiveness and reduce production costs. Globalisation ushers new business challenges and some of these can be detrimental to labour standards. For example, in the face of intense competition, corporations respond by taking radical strategies. Businesses are restructured which often entails contracting of existing work, outsourcing certain functions and / or retrenchment of staff. Labour union membership therefore drops so reducing the bargaining power of labour. Those that are retrenched often have no choice but to work in the informal economy.

Informal Economy and its Environment

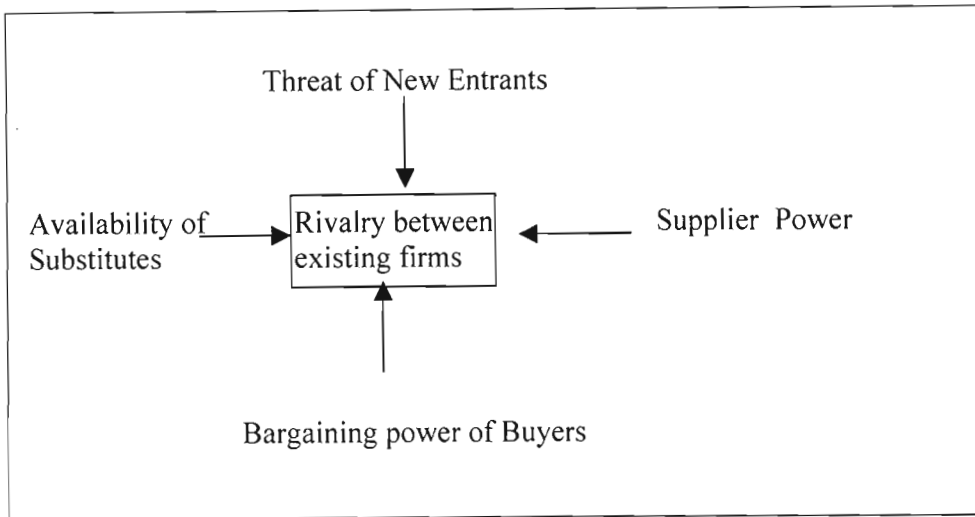
The informal economy is here to stay. Drawing from Charmes cited by Chen (2001:72) the informal economy provides ninety-three percent of the new jobs in

Africa. Sixty-one percent of urban employment in Africa is in the informal economy. In Latin America-Caribbean, eighty-three percent of the new jobs are provided by the informal economy. Forty percent of the urban employment is provided by the informal economy (Chen 2001:72). It is also a component of the economy where a lot of poor people are located. Essentially these activities are business activities that if the right interventions were made incomes could be increased. Informal businesses like other businesses are confronted with an environment that is characterised by uncertainty, instability and complexity. Uncertainty is a result of unexpected changes occurring such as theft. Instability is caused by everyday changes, for example, changes in consumer tastes. Such is the character of any business environment and the informal cross border traders are not exempted from the effects of these vicissitudes.

A business environment refers to factors that affect businesses – both formal and informal - in their operation. The business environment can be classified as either *internal* or *external*. The internal business environment consists of those factors the business owner has complete or semi control over. These factors include product, pricing, promotion and place otherwise known as Four Ps of Marketing. A *Product* is the tangible or intangible offer to the market. It seeks to satisfy customer needs. *Price* refers to the value attached to a product. *Promotion* refers to tools such as advertising, sales promotion, public relations and publicity, personal selling and direct marketing. Promotion makes the product known. *Place* refers to distribution of goods from the producer to the market. It involves transport, channels of distribution and relationship of members in the channel (Kotler 2000:565). Traders can control the Four Ps of Marketing.

The external business environment is those factors that business owners have no influence over or control. Business owners can only react to minimise the extent to which these factors negatively impact their business. Kotler (2000) and Lynch (1997) divide these factors into legal, political, economic and social. Another set of business factors, that Porter (quoted in Lynch 1997) identifies as affecting business are a threat of new entrants, availability of substitutes, power of suppliers and bargaining power of buyers. This is represented graphically in figure 1 below.

Figure 1: Porter's Generic Model



(Source: Porter 1980 in Lynch 1997:101)

As shown in the figure, actors in a business environment compete against each other. Apart from competition, there are threats of new entrants. The perceived profitability of the business and non-existent barriers of entry cause this. There is also threat of availability of substitutes. Substitutes limit profits and prices are forced down. Substitution is caused by lower prices or improved quality. Buyers have also a bargaining power. For Porter (quoted in Lynch 1997) buyers are customers of the organisation. Buyers have power where supply of a product is high because price low. They also have power where products are not differentiated and when "selling price from the organisation is unimportant to the total costs of the buyer" (Lynch 2000: 126). In this research, traders that adopted a survivalist approach are more vulnerable to exploitation than to those traders who feel that they are micro-entrepreneurs. Suppliers of raw materials have also power over traders.

Social Capital

Social capital is often noted to be an important source of support for the informal economy. The World Bank defines social capital as the institutions, relationships and norms that shape the equality and quantity of society's social interactions (www.worldbank.org). Social capital also refers to "features of social organisation,

such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit” (<http://www.soccap-conference.org>). It is argued that the “notion of social capital extends our understanding of “cooperation” or “collaboration” in two significant ways. First, linking cooperation to the economic concept “capital” signals the investment or growth potential of a group’s ability to work jointly. Second, the concept identifies the structure created from collaborative effort as capital. Well-functioning partnerships, consortia, and networks are in and of themselves “a form of social capital” (<http://www.soccap-conference.org>). The functioning of these relationships is oiled by trust. Trust is central in the development of a community (Sobel 2002).

This chapter defines the informal economy and considers the relationship between informal economy and globalisation. It draws the line between illicit and licit deals within the informal economy. The expansion of the informal economy is by and large an indicator of what is occurring in the formal economy. A range of business analysis tools is then considered.

CHAPTER 3

CONTEXT OF THE STUDY

This chapter looks at informal economy in Zimbabwe and South Africa. The policy environment is also discussed in each of the two countries.

Relations between Zimbabwe and South Africa

There is a long history of migration between Zimbabwe and South Africa. In the 1950's, for example, Zimbabweans came to South Africa to work in mines. Further, Zimbabwe with the help of other Southern African countries like Mozambique played an important role in fighting apartheid in South Africa. In the post apartheid era the relationship between the two countries strengthened. Formal trade links have grown from strength to strength. The two governments have implemented increasingly favourable bi-lateral trade agreements through negotiation. Further given that they are both members of the Southern African Development Community (SADC), the 1996 SADC Trade Protocol applies. According to this protocol, as Cassim and Onyango (2001:3) note, 99 % of tariff lines, consisting of 97% of imports from SADC, will qualify for duty-free access to South Africa by 2005, with tariffs on 69 per cent of SADC imports being zero-rated upon implementation of the accord.

Informal Economy in Zimbabwe

The informal economy in Zimbabwe is arguably one of the most sophisticated in the region. People are involved in multiple activities. Those in manufacturing are making furniture in their back yard for export to countries like Mozambique, Zambia, Botswana, Democratic Republic of Congo and New Zealand. Those that are mining are involved in surface mining of soapstone that is a raw material for making stone sculptures for export. Small-scale manufacturers are manufacturing windows and doorframes for domestic and export market. The processors of wood are making wood sculpture for export to South African and European markets. Sophisticated equipment is being used in the process.

There is also an interface between the formal and informal sectors. As an example, cottage furniture manufacturers supply furniture to big chain stores such as OK Zimbabwe, Tichaz Furnitures, Nyore- Nyore and even to government schools. Items such as electric gates, doors and doorframes are supplied to hardware shops in the central business district (CBD) of Harare. It is also important to note here that the products meet international standards though they are produced informally.

There are factors that have contributed to the growth of the informal economy. One of the factors is the history of colonialism. Prior to independence, there were laws that prevented people from going to cities, acquiring technical skills and accessing land. At independence, such repressive laws were removed. There was an increase in rural-urban migration primarily because “reserves” lacked basic amenities. This occurred against a backdrop of lack of skills as people emerging from a protracted liberation war. The industrial sector could not also absorb all the excessive labour supply. Many people had no choice but to turn to the informal economy.

Another factor that contributed to a growth in informal activities is the country’s more recent economic policies. Zimbabwe embarked on the unpopular Economic Structural Adjustment Programme (ESAP) in 1990 under pressure from the International Monetary Fund (IMF) and the World Bank. This was partly a result of a budget deficit crisis. There was a process of liberalisation of the economy. Capital account controls were relaxed. Public expenditure was radically reduced and subsidies on parastatals removed. Price controls were removed. In short ESAP was an attempt to stabilise the economy through a liberalisation process (Ncube 1991).

The government’s reduced spending on health, education and other social provisions exacerbated poverty. In industry, the cost of production for industries went up and this affected prices and wages. Some industries resorted to downsizing and retrenchments in response to new challenges brought about by the structural adjustment programme. People that were retrenched joined the informal economy (Sachikonye 1999). There was also an influx of street children and prostitutes and consequently an increase in AIDS due to poverty (Chakaodza 1993:62). The government introduced social dimension fund (SDF) to assist “vulnerable groups” but

that could not help. Although the government aborted the programme, to this date the economy has still not recovered from the consequences of ESAP.

The situation has been exacerbated more recently with increasing economic crisis in Zimbabwe. In October 2001 President Bush of United States of America signed into law the so-called Zimbabwe Democracy Act. The bill makes it illegal for any American organisation to assist Zimbabwe financially or otherwise. Among other things, the bill seeks to “oppose and vote against any extension by the respective institution of any loan, credit or guarantee of the government of Zimbabwe... and to vote against any reductions or cancellation of indebtedness owned by the government of Zimbabwe” (Baffour 2003:6). What this effectively means is that the country is under sanctions. Some members of the European Union led by Britain and some Commonwealth countries namely Australia, Canada and New Zealand took the same action. These sanctions are worsening the economic situation in the country and they are harming the ordinary worker in the formal economy. The African Union and SADC secretariat declared that the US and European Union sanctions against Zimbabwe were “unwarranted and ineffectual”(Business Day, 2003).

In Zimbabwe, unemployment is speculated to be standing at 70% (Financial Gazette). It is estimated that almost half of these are involved in the informal economy. Partly in response to this the government of Zimbabwe has created a ministry responsible for micro-enterprise development and other policies to support the informal economy. The Zimbabwe Economic and Social Transformation (ZIMPREST) programme informs the government’s policy support for the informal economy. The policy recognises the need for SMMEs to spread and grow in order to reduce unemployment. A number of support programmes have been instituted. These are the Small Enterprise Development Corporation (SEDCO), Zimbabwe Development Bank, Credit Guarantee Company of Zimbabwe, Agricultural Development Bank (Agribank) and the Venture Capital Company of Zimbabwe (Government of Zimbabwe, Policy and Strategy Framework 2002).

The main areas of policy intervention in the Zimbabwe informal economy are in the legal framework, investment promotion and financial assistance, market promotion, technology and infrastructure support, provision of information, entrepreneurial

management and skills development, creating partnerships and institutional reform (Government of Zimbabwe, Policy and Strategy Framework 2002).

Informal Economy in South Africa

There is still unemployment figure of approximately 40 percent in South Africa although she has one of the healthiest economies in Southern Africa (Valodia, Devey and Skinner, 2002). Drawing conclusions from the national economy over the period 1997-2001 using the various October Household Surveys (OHS) and the more recent Labour Force Surveys (LFS), it is estimated that 30 percent of the labour force are involved in the informal economy (Valodia, Devey and Skinner, 2002). The economy of South Africa is characterised by “jobless growth”. The formal economy’s absorption capacity of labour is no longer sustainable. Informal economy or SMMEs are expected to stimulate growth with jobs in terms of “flexible specialisation, industrial clusters and the promotion of industrial districts” (Rogerson 2000).

The adoption of Growth, Employment and Redistribution (GEAR) as a neo-liberal economic policy was a departure from Reconstruction and Development Programme that encompassed a more Keynesian approach. The core elements of GEAR were, among other things, to liberalise the economy and reduce state spending. GEAR, like similar structural adjustment programmes has resulted in retrenchments as companies downsized in response to international competition. This policy was meant to create a 6% growth rate and 400 000 jobs (SA Labour Bulletin, 1996:21-23). Unfortunately there were job losses.

In terms of current policy in South Africa, there are national policy initiatives and local/city ones. Chen, Jhabvala and Lund (2001) cited by Skinner (2002), argue that the macro-economic policies are skewed in favour of the formal economy. They argue that there is need to balance the benefits from these policies between the informal and formal economy. As an example, unemployment insurance and pension benefits can be extended to the informal economy players as well. There are also supportive policies being formulated by local city authorities in consultation with players in the informal economy. These policies include designation of selling points to informal traders.

Previous Research on Cross Border Trading

This section briefly reflects on the previous research that has been conducted on cross border trading.

In 2002, Musi (2002) conducted research focusing on informal cross borders from Lesotho to South Africa, Durban. A total of seventy-six informal cross border traders participated in the study. Various research techniques were employed to generate data and these included interviews, observations, focus group discussions and use of questionnaires. Traders exported food, clothes, cosmetics, utensils and appliances from South Africa. The research showed that traders face a number of problems in different stages of their journey. Among them is the problem of travelling long distances from Lesotho to South Africa, robbery and expensive transport services. Traders from Lesotho were not taking goods for sale in South Africa. Goods bought in South Africa were sold in Lesotho in streets, shops, and villages and at home. The research also found out that there were still exit and entry problems and border officials were alleged to be perpetrating corruption. Traders were given visitors' permits and not trading permits. Findings also showed that traders were not claiming their VAT due to partly lack of information. The research also revealed that traders were helping each other with market information. Although the research revealed some of the problems that traders from Lesotho face, these problems cannot be generalised. Traders from Zimbabwe operate in an environment different from that of traders from Lesotho.

Muzvidziwa (2001) conducted a survey of 50 female household heads in Masvingo, a provincial town in southern Zimbabwe. These women were either knitting or crocheting for cross border traders or were the cross border traders themselves. The research was conducted between 1994 and 1995 and concentrates on multiple identities and economic strategies of women cross border traders. It is particularly concerned with the role of the media in building negative projections of these women. Traders had attracted such derogative names like prostitutes, "muti" users, "bag gals", witches and lazy because cross-border trading was not a legitimate occupation

(Muzvidziwa 2001:68-9). Interestingly the research did show that women sometimes masqueraded as “witches” in order to force defaulting clients to pay.

In terms of demographics the majority of interviewees were either divorcees or widows. Their age ranged from 20 to 47. Most of the women had more than five dependents (Muzvidziwa 2001: 69). The research also found that 38 per cent of these women were reported to be “climbing out of poverty”, 54 per cent were managing to maintain their standard of living and only 8 per cent was regressing in material terms, (Muzvidziwa 2001: 69). The women also developed connections in South Africa whom they related as aunts or sisters who assisted them to access markets. Findings also showed that the South African “kin” reciprocate by making holiday visits to Zimbabwe. These women cross border traders also had no intention to settle in South Africa permanently (Muzvidziwa 2001). The research recommended for a policy change by media institutions, government and society on their perception of the traders.

Since Muzvidziwa’s research was conducted the economic situation in Zimbabwe has deteriorated. Further the research focused only on women traders. Muzvidziwa’s work however does provide a useful point of comparison for this research.

In 1996, Peberdy (2000) conducted research on the participation of non-South Africans in the handicraft/curio sector of street trade in South Africa in informal cross-border trade. Interviews were conducted with a total of 112 non-South African traders - 72 in Johannesburg, 40 in Cape Town and Stellenbosch. Interviews were also conducted with 21 South Africans craft traders and a number of South Africans employed by foreign craft traders. Within this sample a total of 23 Zimbabwean curio cross border traders were also interviewed in Harare and Masvingo. Twenty-two Traders were aged between 20 and 29 years. Sixty-six percent of the traders were married. Fifteen percent of the married interviewees had spouses who lived in South Africa (Peberdy 2000:206). Fifty percent of the male traders had no children but only 25% of the women were childless (Peberdy 2000:206). Over seventy percent of the respondents had dependents with ages ranging from one to 13.

The research demonstrated among other issues that informal cross border traders are making significant contribution to formal and informal regional economies (Peberdy 2000:204). The research also found that the traders were bringing goods into and out of South Africa. The informal traders also contributed to the South African economy through payment of tax and employment of local South Africans. Rogerson (1997), Reitzes (1998) and Dodson (1998) confirm these findings in their own studies.

Reitzes and Simkins (1998) study considers cross border migrants in Gauteng and North West Province. The focus of the research was to explore the role of migrants in specific economic sectors in which they are thought to be concentrated - formal and informal construction, hotel, restaurant and catering, domestic work and general services – and their reasons for working in these sectors. Interviews were conducted with 50 people between May 1997 and January 1998. Migrants were from the following countries - 18 from Mozambique, 6 from Lesotho, 5 from Ethiopia, 4 from Botswana, 4 from Zimbabwe, 3 from Togo, 2 from Zambia, 2 from Zaire, 1 from Malawi, Comoros, Liberia, Nigeria, Ghana, and Swaziland. Reitzes and Simkins' (1998:5) research focused on a combination of the informal and formal traders. It was also multi-sectoral in approach. However, the research did not focus specifically on cross borders trading though it covered a number of issues on the informal economy. Findings from the research showed that labourers had no intention to settle in South Africa. The research also found out that foreigners had better education than locals and this challenges the assumption that “they are uneducated, illiterate, and unskilled” (Reitzes and Simkins 1998:5). Migrants in the formal sector also contributed towards the payment of tax and they constitute a large market for South African goods. Traders faced hostility from locals and they were also not involved in crime (Reitzes and Simkins 1998:5).

Dodson (1998) analysed data from surveys conducted by Southern African Migration Project (SAMP) in Lesotho, Zimbabwe and Mozambique in mid- 1997. The research, among other issues, sought to answer questions on migration, gendered aspects of migration, comparing spatial and temporal patterns of female and male migration. The research also sought to show the difference of economic behaviour of female and male migrants, social experience of male and female migrants and how men and men

perceive the impact of migration at individual, household, community and national levels (Dodson 1998:1).

The research findings revealed that migration to South Africa was male-biased, with fewer females. Married women tended to have more migration experience. Female migrants were more educated than their male counterparts (Dodson 1998). Further, the research showed that males were migrating to South Africa to look for employment, mainly in informal employment, while women migrated to South Africa to trade. Additionally, places of destinations differed. Males went to places where they were likely to get employment such as mines while women went to cities where they expected trade opportunities in the informal economy. The degrees of independence between two sexes differ. Female migration is still commonly tied to men, visiting a male relative for a short time (Dodson 1988). Finally, the research also established that migration was costly through loss of skills to the local economy.

Comparing these findings with those by Peberdy (2000) discussed above, there are more females than males in cross border trading. It also becomes evident that women face a plethora of problems such as sexual harassment when travelling.

Rogerson (1997) conducted research between November 1996 and February 1997. The focus of the study was to examine and analyse the role of foreign migrants working in the small enterprise economy of South Africa's major city. In gathering data, Rogerson used secondary material, local press, interviews and field surveys of a cross-section of 70 SMMEs in Johannesburg run by international migrants. Thirty-seven of migrants were from SADC countries, 33 from non-SADC countries. Some 39 interviewees were from English speaking countries, 24 from French speaking countries in Africa and 7 from Portuguese-speaking countries. In summary, Zimbabweans were 14, Malawi 10, Mali 10, Mozambique 6, Zaire 4, Senegal 4, Guinea 3, Nigeri 3, Ghana 2, Lesotho 2, Kenya 2, Swaziland 2, Congo 2, Angola 1, Gambia 1, Botswana 1, Camerron 1, Ugandal and Zambia 1 (Rogerson 1997:5).

The research found out that most entrepreneurs were in retailing rather than production. People were selling curios, retailing ethnic food and clothes, motorcar parts/repairs panel beating and hair dressing saloons. Some were involved in making

traditional clothing, wedding dresses and general tailoring. Immigrants worked for long hours and they were mostly male. They also suffered hostility from locals as a result of xenophobia. Further, despite Johannesburg's tarnished image of crime, some traders still preferred to run their businesses there because it was close to home for SADC citizens and there was also a strong market potential. There was also growing social networks among immigrants.

These results concur with those by Dodson (1998). Male immigrants are more likely to be working in the informal economy and stay longer while females dominate cross border trading. There is also reported hostility between local people. Peberdy (2002) established similar findings. The study does not specifically focus on cross border traders. The study focused on "settled entrepreneurs" while my study focuses on cross border traders from Zimbabwe coming to South Africa for trade and going back.

A lot of research has been done focusing on a number of countries. Other than Muzvidziwa's study, specific information on Zimbabwean cross border traders has not been gathered. Research so far has not utilised business tools in the analysis of this trade. Previous research expended energy to demonstrate to policy makers in South Africa and elsewhere that informal economy was worthwhile and beneficial to the local economy. This study approaches the issue from a different perspective. It analyses the business environment within which traders operate by drawing on business analysis techniques normally employed to understand the formal economy such as Porter's Generic Model among other models. The assumption being made in this study is that informal cross border traders' business activities are comparable to those in the mainstream economy hence the application of similar business tools.

This chapter looked at the context of the research and some of the areas covered by previous research.

CHAPTER 4

RESEARCH METHODOLOGY

This chapter explores the research design. The primary data source was interviews with cross border traders. The content and process of conducting these interviews is discussed. The other means of data collection – focus group discussions, observation and key informant interviews is then reviewed. The chapter ends with a brief reflection on ethical issues, problems experienced in conducting the research and potential biases.

Interviews with Traders - Content

In this research, a total of thirty-five structured interviews were conducted with cross border traders. The questionnaire contained open-ended questions. As Hawkins and Tull (1998:267-9) note open-ended questions allowed respondents to answer in any manner they choose so as to get rich varied responses. The first section of the questionnaire deals with biographical details of the cross border traders. It looked at gender, place of residence, number of dependents and marital status of the respondents. It also looked at their educational levels. The second section of the questionnaire asked questions related to work history of the respondents. It sought to find when traders had started cross border trading and their sources of capital. The third section contained questions about transport arrangements of informal cross border traders between Zimbabwe and South Africa and within South Africa. The fourth section of the questionnaire dealt with questions related to business environment. It sought to understand in particular, how traders are organised, who their suppliers are, what the nature of their products and distribution strategies were as well as pricing issues. The purposes for these questions were to understand how traders were surviving in their business environment. The final section of the questionnaire asked questions about the marketing strategy of goods imported from South Africa in Zimbabwe. (See Appendix 1 for a copy of the questionnaire) .

Interviews with Traders - Process

Table 1 below shows places where interviews were conducted. As is clear from the table, interviews were conducted in South Africa and Zimbabwe as well as at the Beit Bridge border post.

Table 1: Place of Interview

Place of interview	Number of Interviewees
South Africa	
Durban Station	4
Park Station	4
Zimbabwe	
Gweru	10
Harare	9
Bulawayo	5
Border post	
Beit Bridge	3
Total	35

The majority of interviews were conducted in Zimbabwe. Interviews were conducted between March and April 2003. Although the questionnaire was in English, some of the discussions were conducted in Shona¹ and the researcher compiled the answers in English.

Informal cross border traders were identified at international bus terminuses or at their place of trade. A combination of convenience sampling and snowball sampling approaches were used. With respect to traders at bus terminuses the researcher had prior knowledge of bus terminuses where cross border traders get transport to South Africa. Their big bags enabled the researcher to identify them. Once these traders had agreed to be interviewed, they identified other cross border traders. With respect to those selling at their trading sites, in Gweru a group of traders selling in streets at sites designated by municipality were identified to be selling South African goods. When questioned it was confirmed that they were cross border traders, selling

¹ Shona is one of the two dominant languages spoken in Zimbabwe. The second is Ndebele. English is language business is conducted in.

products in South Africa and with the profit from such sales, they bought goods for re-sale in Zimbabwe. They were thus included in the sample.

In this study only 35 people were interviewed. The total population of cross border traders is unknown. At no point is the study claiming that the findings hold for all Zimbabwean cross border traders. Rather this study draws on Pinder's (quoted in Mokone, 2002:18) idea that rather than making claims based on numbers, research can use the "richness of the interview material to trace connections between individual experiences and wider economic institutions".

Other Methods of Data Gathering

Interviews were supplemented by one focused group discussion, which was held in Harare, Zimbabwe. Seven traders participated in this discussion – three male traders and four female traders. The aim of the focus group discussion was to get a deeper understanding of the experience of the cross border traders while in South Africa. The advantage of this method was that it provided "direct evidence about similarities and differences in the participants' opinion and experiences" (Babbie, 2001:280).

There are two forms of observation that were used as a method of data gathering. There is simple observation where "the researcher remains an outside observer" and participatory observation where "researcher is simultaneously a member of the group she or he is studying and a researcher doing the study" (Babbie 2001: 280). Firstly the researcher travelled with the traders from the Durban station to Harare during the course of this research. Not only did this allow for much more in-depth questioning but also provided the opportunity to observe for example how traders experienced border crossings. Second, in the course of doing the research it became clear that there was an organisation active in supporting cross border traders - the Zimbabwe Cross Border Traders Association. The researcher not only interviewed the leadership of this organisation but also became a member. This facilitated collecting information. For ethical reasons, the association was informed of the intention of the researcher.

Key Informant Interviews

A number of key informant interviews were conducted. To obtain information about importation of goods by traders from the perspective of government officials, Zimbabwe Revenue Authority (ZIMRA) officials at the Beit-Bridge border post were interviewed. Further three micro-finance institutions in Zimbabwe - Zambuko Trust, Micro-King, and Small Enterprise Development Corporation (SEDCO) were interviewed. Zambuko Trust is a non-governmental micro-finance institution that trains and extends credit to informal traders regardless of whether they are cross borders traders. Micro-King Finance is a private sector initiative, which also trains and gives loans to informal traders. SEDCO is a government owned micro-finance institution. It also trains and grants loans to informal traders. The purpose of these interviews was first, to establish whether micro-finance institutions were being utilised by cross border traders and second to understand the nature of services they offer.

Ethical Considerations

In dealing with all interviewees, the purposes of the research were explained. It was made clear that the interview was voluntary and that the interviewee had the right to terminate the interview if they so wished. The researcher made a commitment that the identity of respondents would be protected. In this text the real names of respondents are not used. Certain traders were employed in the Zimbabwean public sector where it is illegal to engage in other income making activities. These interviewees had to be particularly assured that their identity would be protected. A number of interviewees were reluctant to reveal where they sourced their goods and what their profits were. Their reluctance was respected.

Problems Experienced / Potential Biases

This research was done at the time when there was political polarisation and uncertainty in Zimbabwe. Some interviewees were suspicious of the research, thinking that the researcher was seeking information totally unrelated to informal

cross border trade. The researcher assured these respondents partly by showing them the University of Natal student card.

As mentioned, problems were experienced in securing information about income. Certain interviewees indicated that they were not willing to disclose their profits. Very few cross border traders kept business records so some struggled to give information. The income data must therefore be treated with caution.

In terms of biases interviewees were found at bus terminuses. This is not the only mode of transport cross border traders use. Some use cargo carriers because buses limit the volumes of luggage. Others use private vehicles. The sample might therefore be biased towards slightly smaller scale traders who cannot afford these other means of transport.

CHAPTER 5

TRADERS' DEMOGRAPHICS

This chapter focuses on the demographics of interviewees. Traders' sex, age, marital status, number of dependents, educational levels and previous work experience, among other issues, are considered.

Sex and Age

As stated earlier, a total of thirty-five traders were interviewed. Their profiles according to sex and age are as shown in Table 2.

Table 2: Sex and Age

Age	Male	Female	Total
26-30	0	3	3
31-35	2	15	17
36-40	2	9	11
41-45	1	2	3
46-50	0	1	1
51-54	0	0	0
Total	5	30	35

Interestingly there appear to substantially more women than men traders. This was confirmed through observation. Peberdy (2002:1) confirmed this finding by indicating that officials in Zimbabwe and Mozambique said that between 80-95% of visa applicants were female. Further, it is clear from the table that most traders are between the ages of 31 and 40. Those in this age category are likely to have young families whose financial needs are relatively high. On the other hand Haan's (2000:4) found that "the majority of labour migrants are young, able bodied men".

Marital Status

Respondents were asked about their marital status. Table 3 below reflects the findings.

Table 3: Marital Status

Marital Status	Male	Female
Married	3	25
Unmarried	2	0
Widow	0	5
Total	5	30

Most women said they were married or widowed. There was some evidence that traders may not have been reporting accurately. In conducting interviews in Gweru a trader referred to a woman interviewee by her first name. In the Shona/Ndebele culture married women are called by their husband's surname or as mother of the first-born child like “Mai Chinos” literally translated as "Mother of Chinos". There is special social status attached to marriage. Muzvidziwa’s (2001) study of identities of Zimbabwean cross border traders demonstrates that since the 1980’s this activity has been viewed negatively with women cross border traders often been derided as witches, prostitutes, unpatriotic and economic saboteurs. This perhaps explains why most women preferred to be identified as married so as to avoid this negative portrayal.

Number of Dependents

Traders were asked how many people were dependent on their incomes. Table 4 below reflects the findings.

Table 4: Number of Dependents

Number of Dependents	Frequency
1	2
2	2
3	5
4	7
5	10
6	4
7	3
8	2

It is clear that all traders have dependents. These are nuclear family members and their extended families. A number of traders mentioned supporting extended family due to deaths from AIDS. Some have large numbers of dependents. On average these traders are supporting four people per person. These findings confirm Peberdy's (2002:1) argument that cross border traders enabled people to meet the "education, housing, and other basic needs of significant number of dependents". Peberdy (2002:1) found that traders were "supporting an average of 3.2 children as well as 3.1 dependents who were not children or spouses".

Those who had children depend on relatives to look after their families when they are outside the country on business. This shows that social capital has a role to play in supporting these business activities. A few reported they employed domestic workers to look after their children.

Other Sources of Income

Respondents were asked if trading was their main source of income. Most respondents indicated that cross border trading was their only source of income. Of those who had other sources of income there were two respondents who had employment in the public service as teachers. They both said that they were supplementing their meagre salaries because they had children at private boarding schools. They were widowed and were single salary earners in their families.

Further, a few respondents indicated they supplied agricultural inputs - maize seeds, agricultural equipment – in the rural areas.

Education Levels

Respondents were asked about their educational qualifications. Table 5 below shows the results.

Table 5: Educational Levels

Educational Level	Frequency
Zimbabwe Junior Certificate of Education (ZJC)	10
General Certificate of Education - Ordinary Level	9
Technical/Vocational College	9
General Certificate of Education - Advanced Level	4
University Degrees	3
Total	35

The informal cross border traders have various educational levels. All respondents indicated that they had at least secondary school education. Ten respondents said that they had done the Zimbabwe Junior Certificate of Education (ZJC). In order to obtain this qualification, a person should have spent seven years of primary education and two additional years of secondary school education. These were mainly elderly women who might not have benefited from the government’s free education policy adopted at independence in 1980. Prior to independence, education was difficult to access. Nine of the respondents had exited schooling with the General Certificates of Education (GCE), Ordinary level. This qualification takes seven years of primary education and four years of secondary education. It is a built-up of the ZJC formerly examined by Cambridge University International Examinations. The Zimbabwe Examination Council in collaboration with the same University now examines it.

What the table above clearly demonstrates is that these traders are relatively well educated. Four respondents were holders of GCE Advanced level. The Advanced level takes six years of secondary study and it is built on the GCE Ordinary level.

Three traders even have university degrees. Drawing comparisons with South African street traders using Lund, Nicholson and Skinner (2000:12), almost “half of the members of Self Employed Women’s Union (SEWU) who are over 65 years old have no formal education”. 14% of the women in Durban had no formal education while 9% of men have no formal education (Lund, Nicholson and Skinner 2000:12). However, there are recent improvements in educational levels. Young traders have more years of education than older people (Nair in Lund 1988). This has to do with the history of the two countries. South Africa only became democratic in 1994 and prior to that education was not easily accessible to the majority. In comparison, Zimbabwe became independent in 1980 and the new government invested in education hence the difference in the findings.

The Zimbabwe curriculum is well known for incorporating practical subjects such as metal work, carpentry and fashion and fabrics. Although there were no questions related to the curriculum, there are indications that some respondents may be using the skills acquired at school. Three male traders who were dealing in metal products for the Cape Town market said that they had studied metal work as a subject at school.

Home Language

Traders were asked what their first language was. All respondents were speakers of Zimbabwe’s two main languages – Shona and Ndebele. Relatively more respondents 27 – spoke Shona. All traders were conversant in English. Traders noted that the language of business was English. A few traders indicated that they were trying to learn South African languages like Zulu for business purposes.

Previous Work and Future Plans

Respondents were asked what their previous work was. Twenty female traders indicated that they were not working. Some said they could not find work in the formal economy. Others said they needed to supplement the small salaries of their spouses. Some male traders said they were working in the formal economy and they were retrenched. One respondent noted that they were retrenched after the introduction of ESAP in 1990. Another respondent noted:

“When I was retrenched from my job as a Welder in 1994, I had nothing else to do to get income yet I had a family to look after. I used my retrenchment package to first start as a street trader selling vegetables and after raising enough capital, I ventured into cross border trading.”

(Male Respondent in Gweru 11/04/2003)

Some traders identified pull factors related to personal satisfaction. One respondent noted that it was better to do her own business than to work for other people. Another stated:

“It is better to be self-employed than to be employed by someone who pays you so little you cannot survive.”

(Female Respondent in Harare 16/04/2003)

Another respondent noted:

“I am better off as trader than as an employee. The incomes are higher than those in the formal economy. People work for nothing.”

(Male Respondent at Park Station, Johannesburg 3/04/2003)

Most of the traders indicated that they were positive about their current trading activities. This was reinforced by the fact that all traders indicated that they did not foresee themselves seeking work in the formal economy. This may well be due to the fact that formal employment in Zimbabwe is not very lucrative.

Contribution to Household Welfare

Traders were asked how they spent their profits in Zimbabwe. Table 6 below reflects the findings.

Table 6: Use of Profits in Zimbabwe

Usage	Frequency
Food	22
School uniforms	18
School fees	15
Rent/Water/Electricity	10
Support extended family	5

All the traders indicated that they spent their profits on household needs – food, school fees, school uniforms, rent and support of the extended family. There were multiple responses from traders. Twenty-two people indicated that they were spending their income on food. Eighteen traders spent their incomes on fees school fees and school fees respectively. Ten traders noted supporting their elderly parents, particularly those in rural areas in a number of ways - the purchased of farm implements, clothes and groceries.

Changing Gender Dynamics

There are many women cross border traders. It was clear from some interviews that women earning money had changed the gender dynamics in the household. A number of women who had spouses working in the formal economy noted that they were earning more than their husbands. One woman categorically stated thus:

“When times are good, I earn three times more than my husband. This has earned me a lot of respect from my husband and my in-laws”

(A woman respondent in Chitungwiza 16/04/2003)

In summary this chapter demonstrates that most Zimbabwean cross border traders are women. Traders are relatively well educated in comparison to their South African counterparts. They are often pushed into these activities needing to supplement household income. The low remuneration in the formal economy in Zimbabwe is also a factor. This trade contributes significantly to household well being and has in some

cases generated positive changes with respect to the gender dynamics in the household with women traders being able to command respect from their families.

CHAPTER 6

TRADER'S BUSINESS ACTIVITIES

This chapter reflects on traders' business activities. Drawing on Kotler (2000) and Lynch's (1997) idea of assessing external business environment factors, the political, economic and social context in which cross border trading occurs will be considered. Then the legislation impacting on cross border trading is assessed. The details of traders' business operations are then considered – years in operation, goods sold in South Africa and goods bought in South Africa for resale and their mode of transport between the two countries. Issues critical to the internal workings of the business – access to supply, access to markets as well as extension of credit to customers, social capital, organisational membership – are then considered. The process of securing documentation to come to South Africa, their experience in South Africa and their experience at the border post is assessed. The chapter ends with a brief reflection on social capital and these traders contribution to the South African economy.

External Business Environment – The Political, Economic and Social Context

With respect to the political context the new South African government and Zimbabwean government have over time had good diplomatic relations. This relationship dates back to the liberation struggle when Zimbabwe together with other SADC countries assisted in dislodging apartheid. They are both members of SADC and the African Union (AU). Despite pressure from countries in the North, especially Britain and the United States who have problems with Zimbabwean government, the South African government and Zimbabwean government appear to have cordial diplomatic relations. In the economic realm this good relationship has been concretised through a relatively open trading relationship between the two countries.

The economic context, especially in Zimbabwe is reaching a crisis point. There are drought-induced food shortages and chronic fuel shortages, very high unemployment and significant inflation rate estimated to be approximately 500%. Of particular relevance to this study is the exchange rate. The official South African Rand /

Zimbabwe Dollar exchange rate at the time of writing up this research was R1:ZW\$110. However there is little or no foreign currency available in the formal market in Zimbabwe. Traders therefore have to resort to the black market or what is increasingly known as the parallel market. In this market the exchange rate is R1:ZW\$500. This unfavourable exchange rate is likely to impact on the business activities of traders.

The economic context in South Africa, although more stable than its neighbour, is one in which there are also serious problems. The unemployment rate is between 30 and 40% and there are extremely high levels of poverty and crime. This has been given as one explanation as to why South Africans are xenophobic towards their fellow Africans particularly those who appear to be taking jobs in the formal and informal economies. Reitzes and Simkins (1998:30), reflecting on the xenophobia some foreigners' experience, quote a Zimbabwean who said:

“Most South Africans forgot the hospitality they received in Zimbabwe. (But) I do not blame the black people of this country, because that is the legacy of apartheid. South Africa never saw other people from the world.”

In terms of social factors, language is particularly important. There are two main languages in Zimbabwe namely Shona and Ndebele in comparison to the eleven official languages in South Africa. There are cultural links between Ndebele speakers and Zulu's. Ndebele speaking Zimbabweans' knowledge of Zulu motivates them to come to KwaZulu Natal to sell their wares. The Shona speaking traders have limited benefit from these links. Muzvidziwa (2001) found that there are also links between whites that relocated to South Africa from Zimbabwe and traders.

External Environment - Laws and Taxes

There are two primary aspects of the law that shape the environment that cross border traders operate in – migration legislation and taxes.

In terms of migration legislation, there are two types of permits – a business permit and a visitor's permit. To qualify for a business permit traders have to have substantial amounts of money in their bank accounts and have to have a trading

licence from the government of Zimbabwe. This is suitable for importers and exporters in the formal economy. No traders interviewed had managed to get a business permit. Cross border traders only managed to secure a visitors permit. When on a visitor's permit you are not entitled to work or be self-employed. Visas that are commonly granted are either single entry visas valid for one month or a multiple entry visa valid for three months. It is notable is that there is no cross border-trading permit.

In terms of duties, there are duties to be paid on both sides of the border. On the South African side there are complex tariff lines. Further imports of certain Zimbabwean goods, for example animal products, are currently banned. This is because of reports of foot and mouth disease in Zimbabwe. According to the provisions of the Animal Act (Act 7 of 2002) of South Africa "no live cloven-hoofed animal (cattle, sheep, goats, pigs, game) or any quantity of their products (raw or processed in any form) as well as any grass products may be imported, until further notice, from Zimbabwe into South Africa without the necessary import and export certification". This legislation is particularly problematic for those exporting grass products or carvings decorated with animal hides.

South Africa does offer Vat refund to anyone who purchases goods in South Africa for export worth more than R250. To qualify for a refund a tax invoice needs to be provided. The tax invoice should show original tax invoice from the supplier, tax seller's name, seller's Vat registration number, date, invoice number, description of goods in detail and the value of goods. This invoice together with the goods should be presented to the South African Revenue Services (SARS) at the border for VAT refund.

Years in Operation

Traders were asked when they started cross border trading. Table 7 below shows the findings.

Table 7: Year of Starting Informal Cross Border Trading

Year of Start	Frequency
2001-2003	5
1996-2000	16
1991-1995	10
1986- 1990	4
Total	35

Although there are some traders who started cross border trading prior to 1990, most of them started from 1990 onwards. This corresponds with the period when Zimbabwe adopted the structural adjustment programme. The programme resulted in many companies closing and people losing their jobs. This is likely to be a contributing factor to the establishment of new informal businesses. It is clear that informal businesses are fairly well established with only 5 traders having started their business in the last 3 years. It is also more likely to South Africa's opening of borders in post 1990.

Products Sold in South Africa

Traders were asked what products they were selling in South Africa. Table 8 below shows the results.

Table 8: Goods sold in South Africa from Zimbabwe.

Name of Product	Frequency
Seat covers / doilies	18
Wood crafts	16
Metal crafts	13
Baskets	9
Furniture	5

There were multiple responses because traders were dealing in more than one product. It is clear from the above table that the main products being sold were seat covers and doilies with 18 people trading them. Seat covers were made from material and are used mainly to cover sofas. Doilies are crocheted for table and other household decorations. Sixteen people were dealing in woodcrafts largely sculptures. Thirteen

traders were trading in metal crafts. The metal crafts are made from recycled scrap metal. Nine traders were trading in baskets. Finally a group of traders were selling wooden furnishings, like chairs/stools, styled in unique African ways. Male traders tended to be those selling wood metal crafts. Women sold all the other products.

Peberdy's (2002:1-2) study found that goods brought into South Africa often included curios and handicrafts, wire to make wire goods, crochet work, traditional dresses, capulana, fish and shellfish, nuts (particularly cashews) and vegetables. With the exception of food products the findings of this study are similar. Interestingly in the time between Perberdy's study and this study, the Zimbabwean government had imposed a ban on the exportation of food, which was in short supply. This would explain why no cross border traders are selling food products. Further, no traders reported selling statues with hides or products made with grass. This is likely to be due to the legislation mentioned earlier in this chapter.

Traders were asked where they were selling their products in South Africa. Traders indicated that they were selling in a number of the major cities in South Africa; specific mention was made of Johannesburg, Pretoria and Durban as well as Port Elizabeth and Cape Town. Traders noted that they did not only sell in the inner cities but also township areas.

Products Purchased in South Africa

Although there were no specific questions related to monetary value of goods bought, most traders - 28 - indicated that they bought goods in South Africa to sell in Zimbabwe. Those who did not purchase goods kept South African currency to sell in Zimbabwe. Those who bought goods were asked to specify the main product they purchased. Table 9 below reflects the findings.

Table 9: Goods Purchased in South Africa

Types of goods	Frequency
Groceries & food	25
Clothing and footwear	19
Electronic goods (TV's, video machines etc)	10
Cosmetics	4

There were multiple responses to the question. Twenty-five people bought groceries. Cross border traders mentioned purchasing commodities in short supply in Zimbabwe. The goods in short supply were cooking oil, maize meal, and milk. Some nineteen people bought clothes and footwear. Only ten people bought TV's, video and machines. In contrast, Peberdy (2000) found that clothes, followed by electronics and appliances (stoves, fridges) were the main products being exported by cross border traders. The difference is likely to be because of differences in economic climates between the two periods of research. At the time of this research, there were sporadic shortages of basic commodities in Zimbabwe. Further the Zimbabwean government had increased duties on luxury items like electronic appliances and clothing and textiles.

Despite this shift in the nature of South African products being bought by Zimbabwean cross border traders, this trade is still benefiting the South African business community. The purchase of goods in South Africa for re-sale in Zimbabwe boosts South African exports.

Mode of Transport

Traders were asked about their mode of transport between Zimbabwe and South Africa. Most respondents used buses. Given that the interviewees were found at bus stations this is unsurprising. Among the buses are luxurious coaches and non-luxurious coaches. Luxurious coaches target the up-market travellers and the other buses target poorer travellers. Traders are attracted by the latter as they are cheaper.

A few traders reported using cross border haulage trucks commonly known as “magonyeti”. Magonyeti are commercial trucks ferrying goods between South Africa (especially the Durban port) and Zimbabwe. Informal cross border traders enter into agreements with drivers of these trucks for a fee. Most of the drivers do not own the trucks but are employees. Traders noted that these truckers were officially not allowed to carry passengers. Traders noted cheap fares as the reason for their choice of “magonyeti”. Other respondents in the sample also indicated that they were aware of some of their colleagues who were involved in the use of “magonyeti” trucks.

Cross borders traders complained that they face transport problems. The transport from Zimbabwe to South Africa and back is very expensive such that it is eroding their profits. Some buses do not allow traders to carry their products in large quantities. Because of rough roads some of the products break during the trip. Buses do not also insure their products. While in South Africa, the traders use kombis to move from one suburb to the other. These kombis do not like to carry goods because most of them do not have carriers on top. Traders are forced to take little quantities per trip. In the focus group discussion in Harare, it emerged that it was in these combi trips that traders experienced xenophobia. Traders reported for example that passengers called them names and complained that there were ‘dirtying them’.

Access to Supplies

Traders were asked who their suppliers were. Traders cited three sources of suppliers. First they said they got their goods from fellow traders. Wood and metal craft traders particularly said they were getting their supplies from fellow traders who had no passports to travel to South Africa themselves. Second, traders selling doilies, seat covers and curtains indicated that they made their own goods. For big orders, traders sought the assistance of other tailors in the informal economy to make seat covers and curtains. Third clothes were bought from formal wholesalers.

They all indicated that they were buying cash since there were no credits extended to them. Traders were not buying in bulk. Prices of raw materials were soaring against

a backdrop of prices not changing in South Africa. The seat cover traders complained that the price of cloth in Zimbabwe had recently skyrocketed. At the same time, it was difficult for them to adjust prices upwards to match these costs in South Africa. Most traders indicated that their clients were price sensitive. In such situations, traders were bound to absorb some of these costs.

Access to Information about Markets in South Africa

Cross border traders were asked how and where they got to know information about markets. In the focus group discussion, traders said they largely sourced information about markets from fellow traders. Other traders told them what particular products were in demand, where. This reconfirms that there are intricate relationships between informal cross border traders. This is despite the fact that they are often selling the same goods; so in pure economic terms they would be considered competitors. This is likely to partly be based on the philosophy of *Hunhu* or *Ubuntu*². Some traders said they sourced information directly from South Africans about what goods were needed. It is thus clear that informal cross border traders conduct rudimentary market research in identifying market gaps.

Distribution of Goods in Zimbabwe

Traders were asked what their distribution strategy of goods in Zimbabwe was and who their clients were. Table 10 shows the findings:

Table 10: Places where Goods are Sold

Distribution/Place	Respondents
House	20
Street	15
Shop in town	5

² Ubuntu or Hunhu is a way of life for most African people, which require care for one's own. It is based on the philosophy that "we are therefore we exist" (Samukange 1980). It is communalistic. It is an opposite of the Western philosophy, which focuses on the self. Rene Descartes (1984) presents thus "cogito ego sum"- I think therefore I exist. This may mean that Descartes exists in isolation of his community. This is the heart of individualism. The focus is on the individual or "self". Ubuntu/Hunhu focuses on the community at large as in "we are therefore we exist".

Traders reported three ways of selling the goods they buy in South Africa. First, a number of traders said they sell directly to individuals or households. Their clients often place orders before traders leave for South Africa. The goods they request are mostly small items like clothes, jewellery and electronic equipment such as televisions sets or/and radios. Second, products from South Africa are often distributed through street trading. This shows that there is a relationship between cross border trading and street trading. Ten of the cross border traders have street stands in cities and towns. Bulawayo, Harare, Gweru and Mutare were mentioned. Those trading from home said they find the regulatory policies in the street trading problematic. Payment of rent was said to be expensive. Thirdly, some traders reported selling to wholesalers or formal businesses. These businesses are located in the urban areas and are often owned by Indians. Peberdy (2002:4) had similar findings.

Credit Relations

Traders were asked whether they sold goods on credit. Table 11 below shows the findings.

Table 11: Terms of Trade

Method of Selling	Frequency
Cash only	19
Credit only	7
Mixture of Cash and Credit	6
No responses	3
Total	35

Traders reported that in South Africa they offered credit to their clients as a last resort. They said that there was little or no trust between them and some of their customers. They reported that after getting credit, clients simply disappear by relocating to another township. As a foreign trader, it is very difficult to ever find the person again. The other problem mentioned was that some customers then refused to pay giving many excuses. Given that in most cases the traders have only thirty days in South Africa, they often do not have enough time to address these problems. As previously

mentioned traders do employ some interesting tactics to secure payment. Cross border traders are believed to have strong traditional medicine or “muthi” that can change a person into an animal or body parts into snakes.

Understandably traders were more willing to offer credit in their home country. Twenty-six traders said they were prepared to offer credit. Traders said they only offer credit to someone they know and often the person is expected to pay half the marked price as a deposit. This deposit is meant to reduce the severity of the damage should a person decide not to pay.

The Process of Securing Documentation

Traders reported that to come to South Africa they needed to have a passport and a valid visa. In order to get the visa they produce a valid passport to the South African Embassy in Harare, Zimbabwe. They also have to produce a bank statement showing a balance of not less than one hundred thousand Zimbabwe dollars so proving they can survive while in South Africa. All traders interviewed reported receiving visitor’s permits to enter South Africa to do their cross border trading. Mokone (2002) had similar findings for Lesotho cross border traders. As previously mentioned on a visitor permit traders are not entitled to work or to be self employed. Their trading is thus a violation of the visa specifications.

Traders’ Experience in South Africa

Traders were asked how they experienced trading in South Africa. Traders reported being called names like “kwerekwere”, “grigamba”, “Mwana waMugabe” (Mugabe’s child) and Mbuya Nehanda. The traders found the first two to be very offensive. The others were less so. Being called Mugabe’s child was said to be fine because he is the President of the country and they are bona fide citizens. Mbuya Nehanda is one of the early martyrs of Zimbabwe’s liberation struggle. She was hung with a rope on a tree in 1897 when she resisted white settlers. Some women said they had no problem with this label, others said that they were not politicians but businesswomen and that they did not want to be drawn into politics. A related problem was that traders often found it difficult to find accommodation.

As previously mentioned traders are largely in South Africa on visiting permits and are thus not entitled to trade. Because of this, cross border traders reported that the South African Police and Home Affairs officials periodically harassed them. Many reported being arrested arbitrarily. Some said they asked to pay bribes to buy their freedom back. One respondent noted that they often had to pay a bribe even if their papers were in order. The amounts reported were between R50 and R200. The traders described it as “freedom money”. One trader noted:

“We know that the police are arresting us because we are foreigners. We know that we are breaking the law by paying them bribes but there is nothing that we can do. There is no way out I can go to prison to meet those heartless hardcore criminals known world over for raping even children. I better pay and go...” (*Male Trader in Harare 16/04/2003*).

They bemoaned not having recourse to the law. Some traders said they sell their goods door-to-door. These traders reported that there were suburbs where they were particularly harassed. Mention was made of Sandton in Johannesburg and Umhlanga Rocks in Durban. Traders reported having been chased by the police or local residents calling the police to arrest them.

Traders’ Experiences at the Border

Traders were asked about their experiences at the border. In terms of entering South Africa, traders reported that the queues are normally very long. Traders reported that it took on average between five and six hours to clear customs. Traders said the buses leave them some distance from the point of clearance and fetch them again once they have cleared customs. They therefore have to carry very heavy loads to and from the bus. A number of traders said that in the process they were often robbed of their goods. Further fragile goods are often broken. Traders help each other in carrying goods and watching each other’s goods when they are completing immigration formalities.

Traders reported that duty at the South African border seemed to be calculated very arbitrarily. One trader said: “Duty for similar goods with the same volume even on

the same day is often charged different tax rates”. Another humorously noted: “What you get charged seems to depend on the weather”. Traders noted that they were not aware of how duty was calculated. This is very problematic as they thus cannot do cash flow and profit projections. Further, duties are due in South African Rands. In the light of the shortage of Rands in Zimbabwe and the unfavourable exchange rates duties become a serious financial burden.

In terms of existing South Africa tax laws, few traders reported that they knew that they could claim VAT. This means cross border traders lose a significant amount of money in their operations. Those who did noted that some SARS officials had to be bribed to get them to pass a trader’s invoices for tax refund. At the border an official called a trader to a private place for “talks”. When the women came out she would not disclose the nature of her discussion but proceeded to the VAT office to get her refund. This kind of corruption was also found in Mokone’s (2002) study.

On the Zimbabwean side the only problems they experienced in exiting was with respect to the type of goods they were allowed. As already mentioned the Zimbabwean government had banned the export of goods that were currently in short supply in Zimbabwe. These include basic commodities like sugar, maize, cooking oil and powdered milk. Traders were often searched for these goods.

In terms of entry back into Zimbabwe traders reported again that the queues are very long. The Beit Bridge border post is one of the busiest in the region. Traders complained that there were few Zimbabwean border staff which is what generated the delays. Traders also complained about duties. The researcher sought an audience with the head of the Zimbabwe Revenue Authority (ZIMRA) at the Beit Border Post. He noted that there was a 65% duty on general goods, 70% duty on electrical goods, 75% for auto video, 90% on wine and 110% for clear beer and cigarettes. There is no maximum value put on the goods that a trader can import into Zimbabwe. Duties are due in Zimbabwe dollars at the official exchange rate of 1:110. Some traders reported that they had failed to pay the tax and that their goods were impounded and later auctioned by the government.

Access to Financial Services

Finance capital is critical to start a business; it addresses cash flow problems as well as allowing business people to purchase the necessary equipment. If businesses are to expand they need access to capital. Traders were asked what their primary source of finance was. The findings are reflected in Table 12 below.

Table 12: Source of Capital

Source	Frequency
Family	18
Friends	5
Government	5
Commercial Bank	3
Micro-Finance Institution	2
Death benefits	2
No response	2

The table shows family and friends as major sources of capital for most traders. A number of women cited their husbands as main sources of finance. Some used three sources – family, friends and government. Others noted better off extended family members. Family and friends were sited to give loans under favourable conditions – sometimes interest free with a flexible repayment period. These sources of income shall be put under spotlight when discussing the role of social capital and micro-finance below.

Five respondents indicated that they had received loans from the Zimbabwean government. The Zimbabwean Ministry of Youth, Gender and Employment Creation in the President's Office offers start-up loans for self-income generating projects. The funds were set aside in line with government policy to economically empower Zimbabweans. Although respondents applauded the government for this initiative they also questioned its long-term sustainability. The repayment rate on loans was very low. The government has thus been unable to continue to distribute the funds. Further there have been limits placed on the resources allocated by national government. Demand for these loans thus significantly outweighs supply. One respondent criticised the government for inefficiency when distributing the funds.

Another criticism levelled against the programme was that it was prone to political manipulation.

Very few cross borders traders mentioned commercial banks as a source of finance. This is despite the fact that Barclays Bank (Zimbabwe) has a Small Business Unit. The Bank defines a small business or informal business as a business that employs between 1 to 2 people with assets not exceeding Z\$250 000. The Small Business Unit offers the following services: start-up loans of approximately Z\$10 000; expansion finance for people who are already in business that are growing and may need capital to cover capital expenditure for say, equipment; training and extension services; training in financial management, business management and business development as well as consultancy and advisory services (proceedings for the Women in Cross Border Trade Workshop, 2000). This facility is targeted at slightly bigger businesses.

The informants cited a number of reasons for not being in a position to access commercial banks. First, they noted that banks needed collateral security. All the respondents indicated that they did not have assets that the banks needed as surety. One respondent said she had a house in Chitungwiza, one of the satellite towns surrounding Harare but was not prepared to use it for collateral. Her fear was that the house would be sold if she fails to honour the debt thereby further exposing her to poverty. She mentioned that cross border business like any business has risk. For these reasons, she preferred to use family and friends as sources of capital. Given that banks prefer to lend to those with regular incomes, they are particularly strict about collateral with those informally employed. Cross border traders are perceived to be mobile and they may be hard to track down in the event that they are in default. The second concern raised was that commercial banks charged very high interest rates for loans. This was thought to potentially prevent business growth. There is need for further research to examine how the gap between financial institutions and informal traders can be closed.

The above findings - that informal traders do not have access to formal financial institutions are not unique to Zimbabwe. In South Africa and the rest of the world the formal financial institutions service few informal traders. Schoombe (2000:752) attributes this to a number of factors. First, there is the high risk of default when

granting credit (due to the unavailability of conventional forms of collateral). Second there are high costs incurred in servicing this group combined with low returns. Despite this there are examples of financial institutions successfully servicing those working in the informal economy e.g. BancoSol in Bolivia and Bank Rakyat in Indonesia. The successes of these micro-finance institutions are attributed to their “use of innovative and non-conventional banking technologies, mainly imitating what is done by informal financial intermediaries” (Schoombe 2000:753). Interviews were conducted with micro finance institutions operating in Zimbabwe. See Appendix 2 for organisational profiles.

In this research only two respondents said that they were using micro-finance institutions. They said that these institutions had reasonable interest rates.

Organisational Membership

Traders were asked if they were members of any organisation. Some reported being members of political parties and some were members of trade organisations. Fifteen respondents reported being members of the Zimbabwe Cross Borders Traders Association (ZCBTA). Respondents were further asked how their membership assisted them. Traders were not very positive about the benefits. The only benefit cited was representation with government on policy issues. Ten complained about lack of action by their organisation in representing their interests at both national and regional levels.

An interview was conducted with the President of the ZCBTA at Sheraton in Harare in April 2003. At the time of the interview, the association had been in operation for four years. For a trader to join the organisation s/he has to pay a joining fee of \$6000. The President claimed they had a total membership of one million three hundred people. These numbers seem very high. A previous study on informal trader organisations (Skinner and Lund, 1999) demonstrates that associations often claim that everyone who has ever signed up is considered a member.

The president noted that the primary purpose of the organisation was to represent the interest of informal traders. The President claimed that his association, among other

functions, does the following. It assists its members with getting import and export licences. These licenses are important as they allow traders to import / export in larger quantities. The association also has links outside the country with cross border agents in Botswana, South Africa, Zambia, and Mozambique. The organisation assists their members with emergency relief when, for example, a trader falls ill when s/he is outside the country. In situations where traders have problems with debtors, the association can assist in the recovery of the debt for minimal charges. Finally the association lobbies government on issues like importing and exporting duties. Given the dissatisfaction that traders who were interviewed expressed it is clear that this organisation is exaggerating the range and reach of its activities. The president of the organisation did however admit that the organisation was facing financial problems. This was because it had offered loans to its members that had not been repaid.

Social Capital

The researcher also investigated the use of social networks among traders. Social capital was identified to be assisting cross border traders in a four as follows.

First social networks assisted with respect to child support. In this study, 28 traders were married. Only one woman from a total of five widows was widowed due to Zimbabwean war of independence fought in the 1970s. Family sizes ranged between four and six. The couples depended on members of the extended family to look after their children during their absence while in South Africa. Some traders indicated that they could not afford to pay domestic workers government minimum wages. Use of extended family members was viewed as an important saving by cross border traders. This shows the importance of social capital. However some indicated that they employed domestic servants to help them in their absence.

Second because of problems of capital discussed above, it has become a common practice among cross border traders to borrow from family, friends and each other. The money is lent without interest and the borrower is expected to return within agreed time. Contracts are not normally written and the system works according to trust. Those that breach these verbal agreements are in future excluded from

borrowing. This is meant to encourage repayment. Gweru respondents reported this way of raising capital.

Third cross-borders move in groups of between two and six. They normally identify themselves by language, normally Ndebele or Shona, or food tastes – liking for sadza. Traders assist each other to watch goods when someone is away. Traders also assist each other to carry goods. Some labourers have the tendency to ask for help and then later charge exorbitant prices. This, they complained, was detrimental to their viability. This is why they assist each other in their small groups. This demonstrates that social capital can motivate people to work together in reducing the severity of poverty among people.

Finally, as already mentioned informal cross border traders assist each other with market information. They advise each other on products that are in demand and places where the goods are in demand. This shows that social networks play a fundamental role in business of traders.

Economic Contribution of Cross Border Trading

There are a number of ways in which cross border trading contributes to the South African Economy. Firstly, Zimbabwean cross border traders boost exports for South Africa. As indicated they spend most of their profits on South African goods for resale in Zimbabwe. Secondly, they contribute to the South African government revenue by paying duties on the goods they import and paying VAT on the goods they take back home (the research demonstrates that although some traders are likely to be entitled to a VAT return, few traders are aware of this). Thirdly, while in South Africa traders spend money on food and accommodation. Those traders who gave details of their accommodation said they largely stayed in South Africans homes in township areas and they paid between R200 and R300 for two weeks. This shows that cross border traders assist in supporting South African households. Finally, it was found that cross border traders sometimes employ other people to assist in selling their goods from South Africa. This final finding was also made by previous research (See also Rogerson 1997, Dodson 1998, Reitzes 1998).

There also seems to be a policy contradiction on the part of South Africa. Whereas at a macro level South Africa's policies aim to increase exports, this does not hold for those working in the informal economy. GEAR stresses the need for growth in the export sector. Cross border traders who invest their profits in South Africa in form of purchase of goods for resale in their home countries still face problems of getting business permits.

In conclusion, this chapter demonstrates that the external environment has an impact on the operation of cross border trading. It also demonstrated the intricate links between traders themselves as they survive in the business environment. It also showed traders experiences. Among other things, this chapter also showed the distributional pattern of goods between two countries by traders.

CHAPTER 7

BUSINESS ANALYSIS

This chapter deals with the environment within which the informal cross border traders operate. Critical to this evaluation or assessment of the environment is the application of business tools/concepts.

Analysing Business Environment: Porter's Generic Model

Michael Porter (refer to Figure 1)³ designed a model used when analysing business environment. The same model can be used to analyse the environment within which informal traders operate. Traders are affected by bargaining power of suppliers, threat of new entrants, threat of substitutes and threat of new entrants.

Bargaining Power of Suppliers

Those trading in doilies and sofa covers are particularly subject to the bargaining power of suppliers. Traders do not buy in bulk, nor do they buy collectively and therefore have no influence on prices. If manufactures increase the price of cloth, traders reported that they often had to absorb the increase, as competition was stiff. The intermittent changes in prices of cotton and cloth significantly affect traders who use these goods. However, it has to be noted that suppliers do not affect all traders. Some traders – metal crafters - get raw materials from dumpsites. Some get free grass from forests to weave baskets. This variable therefore does not affect all the traders.

Bargaining Power of Buyers

Traders were asked what problems they were facing when selling their products and how the market responded to their products. Cross border traders reported facing price pressure from their buyers in South Africa. This was exacerbated by the fact that, due to their visa's, the number of days was severely restricted. Traders end up

³ Professor Joel Bain's works in the 1950s and others on industrial economies inspired Porter's. It is acknowledged that it was Porter who gave these studies a strategic focus (Lynch 2000:146).

accepting any price offered by the buyers for them to return home in time as stipulated by the permit. Further, they are often in a weak position in that they have no accommodation in South Africa. These conditions affect their profits sometimes resulting in total loss. Mokone's (2002) study on cross border traders from Lesotho coming to Durban also showed that most of the traders were given few days and resorted to lodging when they were in Durban. This restricted their stay because of charges in rentals.

Threats of Substitutes

Substitutes occur when there is "... (a) possible threat of obsolescence; the ability of customers to change substitutes, the costs of providing some extra aspect of the service that will prevent switching, the likely reduction in profit margin if prices come down or are held" (Lynch 1997:105).

The products that traders are dealing with are those fulfilling "wants" and not "needs". Wants are those items that people want but they can do without in everyday life. Needs are those things that people need and cannot do without in everyday life. Consumers have a greater chance of not buying wants if they do not have disposal cash. They also have an option to buy undecorated pieces of clothes from, say, Pick and Pay in place for doilies and seat covers from Zimbabwe. When traders are faced with such situations, they are forced to find new markets.

Threat of New Entrants

New entrants are attracted by the weaknesses of the current players in a market and especially by the market's profitability. Robbins and Coulter (2000:256) say that "factors such as economies of scale, brand loyalty, and capital requirements determine how easy or hard it is for new competitors to enter an industry".

The cross border trading business is open to everyone irrespective of skill. As long as someone has a passport and a small amount of capital, s/he can enter into the business. Making one's own products like doilies or ordering sculptures is easy to do. Grass used to make baskets is free. There are no laws restricting new entrants in cross

border trading. This results in the greater competition. The flooding of markets by similar products forces prices down and makes them cheap and consequently profits wane. One woman trader had this to say,

“My son, anyone can be a cross border trader. There are no barriers. This means we are vulnerable to competition from current and aspiring traders. When new people come, they sell their products lower than us. Eventually we lower ours as well because our products look similar...”

(Woman Trader Gweru on 3/4/2003)

The Extent of Competitive Rivalry

Traders were asked what their relationship was like with other traders. They argued that as competitors, they are always jockeying for positions in a market. Robbins and Coulter (2000:256) state that factors such as industry growth, increasing or falling demand and product differences determine how intense the competitive rivalry will be. The informal cross border traders from Zimbabwe dealing with sculptures have arguably superior products compared to their counterparts from the region. The only problem they face is that there is increased competition among them against a backdrop of dwindling markets. These traders complained of falling prices. Product differentiation is a marketing factor. As for traders from Zimbabwe, the extent of competitive rivalry is triggered by the fact that their products are not differentiated. This has also seen their products appear generic despite them being superior in design. Traders survive in this business environment partly through the use of social capital.

Analyzing the Marketing Strategy

The marketing mix refers to the manipulation of product, price, promotion and place (distribution) or all of these for the fullest benefit of both the seller and buyer. This is also known as the Four Ps Model.

Product

There is room for product differentiation and improvement. Most products sold by traders looked similar. This increases competition among traders resulting in them

undercutting each other in the process. They all race to the bottom by charging lower prices. Products that most cross border traders were trading were not branded. This means that they are mostly selling generic products that are cheap. This is another area of attention that training institutions need to concentrate on. Most traders indicated that there was a strong market for Zimbabwean goods in South Africa. Some of the reasons cited for preferring the goods were that the products were durable and of better quality – superior in design. These reports were coming from women selling in high-density areas where the poor consider durability.

Price

Price is the value attached to a product. There are a number of pricing strategies. In making a price decision, traders considered cost of raw materials, transport cost, food, accommodation and labour.

Traders were asked what prices they were charging and factors that they considered when arriving at such price decisions. Table 13 shows factors reported by traders.

Table 13: Factors Considered when Pricing

Factor	Frequency
Transport Cost	35
Cost of raw materials	25
Food	16
Accommodation	10
Labour	5
Other	3

All traders cited the cost of transport as the most important factor when deciding prices of their goods. There were multiple responses. Some traders considered cost of raw materials with 25 traders citing it. Food and accommodation were some of the factors with 16 and 10 traders citing it respectively. Labour was considered less important with only 3 traders citing it. The responses with “Other” cover incidentals like police bribes and bribing of border officials. This shows that corruption, if not checked, is a burden to innocent people in society.

It is important to note that where as traders thought they were working, they did not consider their labour as an important variant when arriving at price decisions. Only 5 people mentioned it.

Promotion

In this research, traders were asked how they were making their products known by their target market. Promotion makes the product known by targeted consumers. In the main stream business the tools of promotion are advertising, sales promotion (use of coupons, contests, premiums), public relations and publicity, personal selling and direct marketing (direct mail, telemarketing, and internet marketing) (Kotler 2000:565).

The most preferred tool of promotion used by informal cross border traders was personal selling. Personal selling has three distinct qualities. It involves personal confrontation, cultivation and getting a response. Personal selling “involves an immediate and interactive relationship between two or more persons” (Kotler 2000: 565). It also builds relationships. Cross border traders do so by learning South African languages.

Informal cross border traders selling their wares in South Africa shout in the streets of high-density suburbs. This is done to attract the prospective customers. They shout “...Doilies! Doilies!” on top of their voices. Some have learnt local languages and they go, “ Doili dzi khou fhira!” (Tshivenda) translated as we are passing with doilies. They also sell from door-to-door. These two approaches are jointly employed. However, in low-density areas, they do not shout. The residents in these areas do not like noise. Instead, they reported using the door-to-door selling strategy.

Informal cross border traders also provide credit to their consumers without interest. This is meant to cement relations between traders and consumers. However, there are problems of recovery of debt as already discussed above. From the sample, none indicated that they used the mainstream forms of media like newspapers, transit media

and billboards. These were said to be costly and beyond the reach of many cross border traders.

However, my observations were that most of the products like metal products and woodcarvings found way into the mainstream market. For example, most hotels in Durban have suspected Zimbabwean stone carvings. There were also billboards showing some of the artefacts in Durban. Shops in the formal business sponsored the advertisements. It is not clear whether the benefits reach the cross border traders. This area needs further investigation so as to understand the distributional pattern and benefits at each stage in the distribution chain. It is also important to research consumer behaviour and customer satisfaction of the market and customer by traders.

Place

Place refers to the distribution pattern of goods. As already discussed above, traders distribute their goods using informal but legal channels. The products are also legal. The places that they sell from are in Zimbabwe and South Africa. Port Elizabeth, Cape Town and Durban are some of the cities where traders sell their products. In Zimbabwe, traders sell in Bulawayo, Gweru, Harare and Mutare.

The above characterisation of the business environment within which the cross-borders operate is important. A clearer understanding of the environment should help inform the players in the formulation of competitive strategies. Strategy formulation is a pivot on which any successful business is built on. Nineteen traders complained of lack of skills in marketing, production and management. All traders argued that they did not have money to hire the services of marketing experts to prospect markets for them. They reported that they depended on the traditional selling skills that were keeping their margins low. Training is therefore important for growth.

Relevance of Business Tools

This section has demonstrated the relevance of business tools in analysing cross border trading. This confirms the earlier assumptions that informal economy is a

business like any other business. Further, the tools assist us to draw appropriate policies as demonstrated in Chapter 7.

Porter's Generic Model

Porter's Generic Model assists in understanding the informal economy environment. The ultimate expectation is to develop viable policies. First, traders succumb to excessive bargaining power of buyers because they have fewer days to do business in South Africa because of the 30 days visitors permit. Traders are susceptible to manipulation by clients, police and Home Affairs officials because it is a legal violation of visitor's permit to engage in trade while in South Africa. This raises policy questions that need to be addressed – that is immigration policies and permits.

Porter's Model also shows that traders' products can be substituted. This also raises policy questions regarding training. With proper training in business management, products can be diversified. Products can also be differentiated. Differentiated products cannot be easily substituted.

A potential entrant of competitors is one of Porter's elements of his Model. Competition is a result from too many players selling similar products in the same market. In cross border trading, competition is catapulted by the fact that there is easy of entry. There are also few skills required to join cross border trading. This analysis shows that the informal economy has the potential to grow if proper supportive policies are in place. These policy challenges are discussed in chapter 7.

Competition analysis also shows that there is rivalry among the traders. Their products are generic and are not branded. They are also not patented. This gives no intellectual rights to traders. This is why there are copycats in the market. This is another policy challenge.

As demonstrated in the analysis, Porter's Generic Model goes a long way in furthering our understanding of informal cross border business. It provides a solid foundation on which business and policy decisions can be made. Traders need to understand their buyers, competitors and suppliers if they are to realise higher profits

in business. Despite these strengths, the model does not holistically (which it does not need to) address the business environment of informal traders. There are other salient factors that need further research such as the training needs of traders. It is one thing to understand the environment and it is another to integrate that knowledge with business practices leading to higher profits. Porter's Generic Model does not also provide for sectoral differences. As an example, threat of suppliers does not affect all traders. Some traders like basket weavers get their raw materials from nature at no costs. The model ignores human resource issues. It ignores the skills level of traders and their financial position. Porter's Model also ignores socio-political and cultural matters (Lynch 2000). The model also assumes that "threats" is something that needs to be dealt with. Competitors/ fellow traders in this research had a cooperative relationship and they did not deal with each other as assumed by Porter's Model. The model also puts the threats of suppliers, buyers, consumers and new entrants at par. Some analysts, Kotler for example, argues that consumers are most powerful (Lynch 2000). Finally, the model ignores market factors. It ignores the Four Ps of Marketing namely: product, price, promotion and place.

Marketing Mix Model

An analysis of traders' business activities using the Four Ps Model may also assist in understanding the informal economy. The analysis can inform policy. Firstly, analysis of a *product* ascertains the source of these products. It also shows the main inputs of the product and the product chain relationship. The production relations also reveal how the informal economy creates employment. As shown, there is sub-contracting by traders in situations where demand is high. This revelation has an important bearing on policy.

The Four Ps Model also provides for the analysis of *promotion*. The findings show that there is more of personal selling than any other forms of promotion. This shows that there is an element of personal touch between traders from Zimbabwe and South Africans. The issue of xenophobia needs careful examination if the traders are to perform their business without hindrance. This is another policy matter. Educational policies in the region should reflect the glaring reality of the expansion of informal economy hence the need to tackle xenophobia in society.

Place refers to distributional matters. Places where traders sell their products have been noted. These places where traders do business need security and provision of market information centres for traders. Traders complained of high transport costs and long queues at the border. This makes distributional efforts by traders frustrating.

The analysis of informal cross border trade using the Four Ps Model provides a window through which the informal economy can be understood. The limitation of the Four Ps Model is similar to that of Porter's Generic Model in that it does not succinctly cover the broad area of business environment. It does not adequately cover all the issues in traders' business environment such as consumer behaviour, traders' skills level and financial needs of traders. Despite this limitation, the Four Ps Model provides a broad framework through which the marketing environment of traders can be understood. Appropriate policies can thus be formulated on the basis of that understanding.

In conclusion, this chapter demonstrated the strengths and weaknesses of business tools in furthering our understanding of informal economy with particular reference to informal cross border trading. Although there are a number of such business tools, two were only used in this study. These are Porter's Generic Model and the Four Ps Marketing Model. The idea behind their application was to further our understanding of informal trading with the aim to provide the basis of policy suggestion. The policies are discussed below. The policy recommendations are not restricted to the findings of this chapter only. They are informed by culminated findings of this study.

CHAPTER 8

CONCLUSION

This chapter deals with theoretical reflections and policy matters surrounding the informal cross border traders. Specific policy recommendations targeting informal cross border traders are made. The recommendations are informed by findings of this study.

Theoretical reflections

The approaches to the informal economy have different explanations to the existence of the informal economy. The ILO/PREALC approach attributes the emergency of the informal economy to the declining economic conditions. This observation is confirmed by the findings in this study. Cross border trading increased when the government of Zimbabwe embarked on ESAP in the 1990s. Thus this explains the fact that informal economy is a safety net for the poor escaping raising unemployment. Half of the traders in this study had no intention of seeking permanent employment in the formal sector.

The Structuralist/Underground approach does not sufficiently explain the existence of informal cross border trading. Structuralist/Underground approach argues that informal economy surfaces when mainstream companies go underground by subcontracting to small companies in order to lower costs associated with protective labour legislation. The companies in the formal economy referred to in the study are in fact clients too. They are not sub-contractors as implied in the Structuralist/Underground approach. This shows that the approach does not adequately capture the emergence of cross border trading.

The De-Soto approach which argues that informality is caused by excessive legal costs and bureaucratisation does not succinctly explain the existence of cross border trading. The existence of informal trade between South Africa and Zimbabwe cannot be ascribed to these factors.

In concluding this section, there is no single approach, which adequately explains the emergency and rise of informal cross border trading. There are socio-economic and political factors that partly explain the phenomenon. The approaches also ignore the historical realities of countries such as colonialism. Studies by Lund (1998), Matsebula (1996) and Mokone (2002) demonstrate this point for South Africa, Swaziland and Lesotho respectively.

Policy Recommendations

The following section discusses some of the policy recommendations that can assist the cross borders develop more viable businesses.

There are three levels of understanding policy. There is regional level (SADC), and country level and then local government policy. At regional level (SADC), in line with the SADC Protocol on the Facilitation of Movement of People, there must be a free flow of people and goods between member states. At country level, countries should design national policies that are congruent to SADC policies without compromising their national interests. Peberdy (2001:9) suggests that there are three options namely: “the fortress approach, the free movement approach and managed migration approach”. She advocates for the managed migration approach. She also points out that migration policies should not be left to the Department of Home Affairs only, but should be dealt with in all areas such as labour, trade, judiciary and human rights.

Although South Africa, as a sovereign state, has the right to restrict foreigners who enter their country, this should be done in accordance with international human rights provisions as well as regional agreements. Cross border traders coming to South Africa assist companies to export. After selling their produce, they spend the money in South Africa by buying goods for re-sale in Zimbabwe. It is in this way the South African economy benefits. Boosting export is one of GEAR’s core elements. Since traders do not qualify for “business permit”, South Africa should consider introducing a traders’ permit or issuing multiple entry visas. Visitors’ Permits do not allow traders to participate in trade. Further single entry visa increases opportunities of officials to solicit bribes when issuing visa. Visitors’ permits given to traders make it

difficult to monitor and regulate patterns of migration. Single entry visa also mounts pressure on the South Africa High Commission, it creates uncertainty to traders and it also increases costs to traders when they travel to Harare each time they want to make a trade trip (See also Peberdy 2002).

South African companies like Discom, Clicks, Shoprite, Truworths and Edgars have been allowed access to the Zimbabwean markets. Is it not paradoxical that Zimbabwe has to let South African formal business activities while denying Zimbabwean informal traders to operate in South Africa? This is a policy contradiction. Traders from the SADC should be allowed to sell their products in both the formal and informal sectors (Peberdy 2002). A trading permit is critical to the stability and growth of cross border trading businesses.

Local Government Interventions

Skinner (2000:7) suggests a range of activities that would enable the street traders of Durban to do their business. This involves, among others, shifting from policing to a developmental approach to street trading (Skinner 2000:7). Such centres like the Warwick Junction Trading Centre and Durban Beach Front are good distribution centres for cross border traders. The cross borders can simply supply these traders at wholesale price and the traders would sell to individual customers.

There is also need to set up advice centres for informal cross traders in all the major cities. Cross border traders would then use these as points for business information, general business management advice and counselling, after care and networking with other business (Rogerson 2000:185). Marketing information and country information could also be availed to traders at such centres. In other words, advice centres would one-stop information centres for traders.

The boarding/departure points for Durban, Harare and Johannesburg were reported to be comfortable. The Bulawayo station was said to be small. The Bulawayo City Council has legislated that there be no food outlets in or near the station. Traders complained that there is no security provided to these people when they arrive from

South Africa at night with their goods. Women traders are particularly vulnerable to harassment and robbery. Where possible, improvements should be made.

Training

Training is an important part of business development. The informal cross border traders need training in various ways and various areas. Kilby (quoted in McKean, 1994:201) refers to, “a flow of services aimed at transferring knowledge and skills which enable the recipients to increase their usable productive capacity”. Areas of focus in training may include bookkeeping, cost accounting, management, and marketing (McKean 1994:201). Although the respondents were educated, they all admitted that they still need training. As shown by the Four Ps Marketing Model, competition is a result of products that are undifferentiated, unbranded and without patents. Providing training that addresses some of these issues like pricing, product development and distribution would assist.

Drawing on King (1989) it is clear that the following needs to be done. Firstly, training needs assessments must be conducted. Needs assessments inform the trainer of the specific training needs of the target group. Porter’s Generic Model has shown that traders were undercutting each other on prices. This identifies a specific training need with respect to pricing methods. It is important to realise that training programs for the cross border traders need to be integrated. It should encompass all areas of business such as management, marketing, finance and production. This should be done with an understanding that some of the players in the informal cross border trading have limited educational levels. Content needs to be designed accordingly. Further the costs should be within their reach. It is at this stage where government should be called to contribute with free education as it is doing in primary, secondary and other institutions of higher learning. The costs could be also thought in terms of time and finance.

Access to Financial Services

Cross border traders also need funding for their operations. As demonstrated in the findings section, banks are not willing to loan money to clients without security. Governments can do a range of things to encourage banks to service poorer clientele.

Banks are in business to make profit. They only engage in business activities that enable them to make more money. Non-business activities such as corporate responsibility activities are done to enhance the company's image. In order to entice banks to serve the informal cross border traders, there should be incentives in place. This market segment however is a high risk. Government can lower the risks through incentives then only can banks consider catering micro-finance.

Risk results from the debtor's failure to pay his/her debt. In order to lower the risks, banks perform three tasks: "they screen potential borrowers to establish the risk of default, they create incentives for borrowers to fulfil their promises and they develop various enforcement actions to make sure that those who are able to repay, do so" (Schoombee 2000:761). Banks normally ask collateral security requirements so as to test the debtor's credit worthiness. The problem with this requirement is that most informal cross borders do not have conventional collateral. The solution for this problem is to introduce government guarantee schemes.

The other issue raised by Levitsky and Prasad (1987) in Schoombee (2000) is that of sharing of risk between the lending institution and the guarantor. If the share of risk to the bank is large, the cost of obtaining collateral to cover the bank's share does not make it viable to adhere to the formalities needed to acquire a guarantee. If a bank's share of risk is small, it is encouraged to process risky loans. This calls for efficiency when dealing with government guarantee funds (Schoombee 2000).

Access to loans from micro-finance financial institutions is inhibited by numerous factors. As discussed above, collateral security is one among them. Further to that banks employ standardised procedures for lending, irrespective of the size of the loan. This makes it hard for small traders to access loans no matter how small. In the case of this study, all three micro-finance institutions indicated that they had specific

procedures to be followed if they are to issue a loan. There is a need to simplify these procedures so that these people, mainly with low skills, can have access. The micro-finance institutions in this research have branches in main cities and they do not have branches in smaller towns. This again is a cost to small informal traders who may be residing in remote rural areas and small towns. These costs need to be taken into consideration and the only way to lower them is through locating banks close to people. Schoombe (2000) suggests that government can assist these people through provision of grants and/or subsidies. The limitation of grants is that there are no monitoring mechanisms at the present moment that can ensure smooth sailing of such schemes.

Market Information

The Four Ps Marketing Model has shown that personal selling is the main form of promotion used by traders. Media has been very negative about the operations of the cross border traders especially women. Muzvidziwa (2000) shows that women cross border traders are called all sorts of derogative names. If media plays a constructive role, cross border traders can be seen as a normal business practice this can reduce xenophobia. With that, there may be a possibility of change in perception, which in turn influences policy.

Media can also play an educative role to cross border traders. Cross border traders need to be acquainted with rules and regulations regarding trade between South Africa and Zimbabwe. They need to be reminded about the importance of keeping records and/or documentation. VAT claim processes can be communicated through the media. Media can also assist by highlighting dangerous areas in South Africa where crime is rife. This assists the traders to take preventative measures when doing trade in those areas.

As shown in the findings of the research, some communities in South Africa are hostile to cross border traders. They are xenophobic. These findings are confirmed by numerous other studies on cross border trading. The media can assist in this area through positive information dissemination. This leads to people embracing these cross border traders as people who are there to do business and not to take their jobs,

take men and/or women or any of their possessions. Many studies demonstrate that foreigner traders do not have plans to settle permanently. In this sample, most of the women were married and would never abandon their families.

Areas for Further Research

It is clear from the study conducted so far that the following issues, among others, remain areas for further analysis:

- ◆ Further information about the obstacles in provision of financial services
- ◆ Analysis of shortcomings of existing training interventions
- ◆ Analysis aimed at understanding the xenophobia among South Africans
- ◆ Institutional analysis aimed at understanding why the South African government has opted for such a conservative stance on this issue
- ◆ Further analysis of the impact of informal cross border trading on households well being and the gendered impact of this

In conclusion, people in the developing world have limited choices. For some, working in the informal economy is a last resort. The growth of the informal economy in developing and developed world shows that it is here to stay. This calls for appropriate policies by governments if the growth is to be beneficial and sustained. Whereas previous research has laboured to justify the contribution of informal economy, this research has gone beyond that. It demonstrates the significance of business tools in analysing the informal economy. This research employed analytical business models used in the mainstream economy to further our understanding of informal economy.

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Appendix 1: Questionnaire

APPENDIX A

UNIVERSITY OF NATAL: SCHOOL OF DEVELOPMENT STUDIES

Interview No. _____

**Questionnaire for
Cross Border Informal Traders**

Place of interview: _____
Date of interview: _____
Time of interview: _____

SECTION A

Biographical Details

- 1. Name (optional): _____
- 2. Gender: _____
- 3. Age: _____
- 4. Country of birth: _____
- 5. First / Home language: _____
- 6. Current place of residence: _____
- 7. How many children do you have? _____
- 8. Martial status _____

Education

- 9. What was the last year you completed at school? _____
- 10. What further education have you had? _____

SECTION B

Work history

11. When did you start cross border trading?

12. Where did you get funds to start this business?

13. What work did you do before you started cross border trade?

14. Why are you working as an informal trader?

15. Do you consider yourself to be working? _____

16. How many people depend on your income?

17. Is this your only job? If not what else do you do?

SECTION C

Transportation

18. What are the transport arrangements to the border from Zimbabwe, from the border to South and within South Africa? _____

19. What are the problems at the border?

SECTION D

Business Environment

a) General

20. How and where do you get to know about markets for your products in South Africa? _____

21. Do you use the media to assist you in your business? If yes then which form of media?

22. What is the relationship like between traders?

23. What is your trading experience in South Africa?

b) Organisations

24. Are you a member of any organisation? If yes which organisation?

25. How does the organisation help you? _____

26. What are the three most important obstacles to growing your business?

27. What skills do you think you need? _____

28. Have you had any contact with government institutions of any sort? If yes which ones?

29. What else could government be doing to assist you?

c) Suppliers

30. Where do you source your material (name of suppliers in Zimbabwe)?

31. What is your relationship like with your suppliers?

32. Do you buy any goods on credit from your suppliers?

d) Products

33. What products are you selling in South Africa?

34. How do South Africans respond to your products?

e) Distribution

35. Where do you sell your products? How do you find customers for your products?

36. What problems do you experience with selling your goods?

37. Do you offer credit to your customers?

f) Price

38. What kind of prices do you charge?

39. What factors do you use to arrive at those decisions?

g) Profits

40. While in South Africa, What do you use your money for?

41. While in Zimbabwe, what do you do with income from the trade?

42. Do you employ people to assist you when you are in SA?

SECTION E

Marketing Strategy of Goods in Zimbabwe from South Africa

43. What kind of goods do you bring from South Africa for sale in Zimbabwe?

44. If yes, where do you sell your goods?

45. Who are your clients?

46. What kind of business records do you keep?

Appendix 2: Micro Finance Institution Profiles

Small Enterprise Development Corporation (SEDCO)

SEDCO assists people in commerce, manufacturing, construction, service and small agro-based projects. Informal cross border traders fall in the category of commerce. SEDCO provides financial assistance in the form of loans. The loans are short term ones repayable over three years. Some loans are medium term repayable over five years. Long-term loans are repayable over 5-10 years. Micro finance loans are repayable over 12 years. Micro finance loans are informal economy loans given under group lending scheme. The group should have minimum membership of three. Individuals can benefit under the scheme if they have collateral security or guarantee. SEDCO also provides extension services. These services can be directed towards project identification, management training and counselling, entrepreneurship development programme, secretarial and accounting services and technical skills development. In order to access these loans, SEDCO requires applicants to produce project plans. There is also need for reasonable security for the cash that a person wants to borrow. The loans can be used for start up, expansion, rehabilitation and management/worker buyouts.

Micro-King Finance

Micro-King is a private sector initiative by Kingdom Bank. Access to loans is open to any Zimbabwean in the informal economy operating a legal business. Informal cross border traders and street traders are eligible to borrow. Their criterion for offering loans is that the business should have been in operation for at least a year. The applicant should be above 21 years and below 60 years. This micro-finance institution accepts as security little items such as household assets – televisions sets, radios, sofa, stove or fridges. The type of assistance available to small-medium enterprises is in the form of working capital targeting informal economy. The cross border traders are the main beneficiaries in this scheme. The institution has assessors who go to high-density suburbs assessing businesses and household assets that potential or current borrowers may want to use as collateral security. Cross border traders have to produce a passport with a valid visa to get a loan.

Zambuko Trust

Zambuko Trust is a member of Gesher Trust with branches in Peru, Latin America United States and Europe (Britain, Australia). This is a non-governmental initiative. It offers assistance in entrepreneurship training and other support services related to small businesses. Zambuko offers advisory services for free and it is working with government institutions such as Gweru Polytechnic College. Their loans are open to the marginalized but who are economically active. Zambuko offers solidarity Group Schemes where people can borrow as a group. The Trust requires collateral security equal to the total amount being borrowed. Their interest rates are between 7.5 to 8% per month. The reason why they charge low interest rates is that they want people to “cross”. This is why they call themselves Zambuko that means a bridge that people use when crossing from “rags to riches”.

The profiles assist us to appreciate the role of government, private sector and civil society in meeting the needs of informal economy. Partnership of these institutions is critical to the expansion of informal economy. What is illuminated is the fact that there is collateral security required by these institutions. An issue that needs closer analysis is whether cross border traders are accessing the loans. At the time of doing interviews the researcher met some women at banks applying for loans at a Micro-King Bank in Gweru.