

CONTRIBUTIONS AND CHALLENGES OF INFORMAL TRADERS IN LOCAL ECONOMIC DEVELOPMENT

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Abstract

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Unemployment, poverty, and lack of income contributed to the rising number of people participating in informal trading (Zhanda et al., 2022). Informal street traders are faced with many challenges, namely, unavailability of funds, support from the government, infrastructure, lack of management skills, and marketing skills (Connor & Charway, 2020; Manzana, 2019). Hence, this research investigates the contributions and challenges of informal traders in local economic development in Thulamela municipality. The research was quantitative in nature and used a self-administered questionnaire to collect data. The questionnaires were hand-delivered to the respondents. Probability sampling techniques, specifically, cluster sampling was used to sample 100 Thulamela municipality informal traders. A 96 percent response rate was achieved in this research. Descriptive statistics were used to describe the collected data. The study found that informal street traders experienced lack of financial assistance from government, lack of management skills, and lack of marketing skills. However, the research established that the informal sector creates job opportunities, income source, and lead to poverty reduction. Consequently, it is recommended that government and private sector should initiate strategies to support informal traders. Informal traders should strive towards formalizing their business to access support offered by government and private sector.

Keywords: Informal Traders Challenges, Thulamela Municipality, Poverty, Unemployment, Local Economic Development, Government Support, Job Opportunities

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1. INTRODUCTION

According to the International Labour Organization (ILO, 2021), the informal economy employs more than six out of ten workers and four out of five businesses worldwide operate in the informal economy. This demonstrates that the informal

sector plays an important role in the developing world by reducing poverty and providing an alternative for those who are unable to find formal employment. In South Africa, despite the difficulty of measuring the sector due to its informal nature, the International Monetary Fund (IMF, 2017) estimated the sector's value to be

around 35% of South Africa's gross domestic product (GDP). The informal sector controls a sizable portion of the country's annual output. The importance of informal traders in developing and less developed countries has been established long in advance, nonetheless, it is not clearly indicated in the governance of informal economic activities in most countries (Bamu-Chipunza, 2018). Developing and less developed countries are encountering a growing share of informal traders, thereby supporting growth in informal economic activities (Guild & Shackleton, 2018). South Africa's high unemployment rate continues to be the state's most important problem (Ngatiane et al., 2021; Stats SA, 2019). Hence, the number of informal traders has seen exponential growth and its impact on the economy and local economic development cannot be ignored (Khumalo et al., 2019). This development has created a discourse about the importance of informal street trading in the country's economy and how authorities assist them. Informal trading in developing and less developed countries has become the main source of income for the poor who do not have formal employment (Connor & Charway, 2020).

However, unemployment, poverty, and inequality are the most critical issues hindering development in developing and less developed countries (Zhanda et al., 2022). Hence, most people resort to informal trading as a means to get income and survive (Connor & Charway, 2020). Moreover, informal street trading like small and medium enterprises (SMEs) is the backbone of all the world's economies and thus influences industrialization (Bennett, 2019). It is estimated that informal traders and SMEs account for 99% of all businesses in middle-income countries making them very critical in the economy (Muriithi, 2017).

The importance of informal trading on local economic development (LED) has gained prominence in the development literature (DeVries, 2018). Studies on informal trading have indicated the critical role that street trading play in LED and in resolving socioeconomic problems (Mafela, 2019). Informal trading is therefore regarded as the source of direct employment, income, poverty reduction, and economic redistribution in developing and less developed countries (Manzana, 2019). Though this sector contributes substantially to employment on the international, continental, and national stages, its operators encounter a lot of constraints. Other researchers have exposed that unavailability of infrastructure, lack of trading space, cost of the trading space, safety, and security, access to training, unavailability of financial support, lack of management skills, legislative framework, and access to markets are some of the challenges confronting informal traders (Mears & Theron, 2006; Maloka, 2013; Majadibodu, 2016; van Scheers, 2011).

Hence, this research aimed to investigate the contributions and challenges of informal traders in local economic development in Thulamela municipality. The findings of this research contribute to the existing body of knowledge pertaining to informal trading in developing economies. Moreover, the research explores the contributions and challenges of informal traders in local economic development in Thulamela municipality situated in

Limpopo Province of South Africa. The purpose of this research was to answer the following research question:

RQ: What are the contributions and challenges of the informal traders in local economic development?

The structure of this paper is as follows. Section 2 reviews the relevant literature. Section 3 outlines and discusses the research methodology. Section 4 presents the study results. Section 5 discusses the findings of the study, and Section 6 provides the conclusion and managerial implications.

2. LITERATURE REVIEW

Informal traders play a key role in LED (Manola & Koufadakis, 2020). They are a source of income for those who are unable to secure jobs, retirees, and young people (Rogerson & Rogerson, 2019). Informal trading is defined as an action taken by the fewer privileged people in a community who conduct their business activity informally due to the unavailability of money, as a substitute for employment in the formal economy to complement salaries, wages, and other social benefits to buy elementary consumer goods (Leonard, 2000; Unni, 2002; Mitulla, 2003). Ramaite (2006) states that informal traders are as evident and typical in most parts of city centres, providing a variety of products and services from minor casual stands; along the street, and shopping baskets which they bring along as they move around selling. LED is defined as the process by which the public, business and non-governmental sectors partner working together to create better conditions for economic growth and employment generation (Goga et al., 2004). Maloka (2013) indicates that LED is an outcome-based local initiative driven by local stakeholders. This involves identifying and using local resources, skills, and ideas to enhance economic growth and development.

LED was advanced as a critical answer for poverty alleviation, unemployment, and economic development in less developed and developing countries (Ngatiane et al., 2021). LED has progressed from just being regarded as an economic term like GDP, which in essence did not fundamentally measure the distribution of income and well-being (Mafela, 2019). Development concepts have become premises with a human feature in which development is not viewed simply as economics, but aspects such as the level of education, gender-based development, quality of water, health, employment, and poverty levels are included (Mafela, 2019). Maloka (2013) asserts that LED links the economic processes and the features of development. It also focuses on the aspects of development at the micro level. Maloka (2013) further indicates that LED is a sensible process in which societies are aided by well-advanced organisations to work towards improving the standards of social and economic well-being. LED encourages shared development amongst the local government, community, private sector, non-government organisations, and other stakeholders (Ngatiane et al., 2021).

The informal sector is not a new concept nor original in sub-Saharan Africa, since the sector has been studied in most countries (Etim & Daramola, 2020). Kanayo and Duncan (2019) and Dlomo and Rogerson (2021) indicate that the contribution of the informal sector to poverty and unemployment

reduction differs from country to country. Jokia et al. (2021) confirm that informal traders create employment and ultimately contribute to LED. The income received from informal trading contributes to the mainstream economy of municipalities, provinces, and countries (Ngatiane et al., 2021).

Worldwide, small businesses of which informal street traders are part, contribute massively to economic growth and employment (Garidzirai et al., 2019). Their contribution to GDP is around 35%, producing 40% of all kinds of economic activities and, adding to generating an employment volume of 50% (Kanayo & Duncan, 2019; Dlomo & Rogerson, 2021). Moreover, Dlomo and Rogerson (2021) argue that the increasing rate of informal trading activities and of entrepreneurial activities has the potential to influence the levels of employment directly in a positive manner.

Studies by Masonganye (2010), Misati (2010), and Valodia (2013) indicated that there is statistical evidence in developing countries that reveal that sub-Saharan Africa has the highest percentage of people relying on the informal sector because of various reasons. However, the contribution of the informal sector in the region has not reached the desired level due to undesirable economic conditions such as "poor hygienic system and lack of storage facilities" (Mafunzwaini, 2013). Mafunzwaini (2013) ascertain that the informal sector contributes between 50% to 75% of non-agricultural jobs in developing countries. Moreover, in their study, Ligthelm and van Wyk (2004) indicate that employment in the informal economy is increasing at an estimated rate of 7% on a yearly basis in Africa.

Table 1. Contribution of the informal sector towards employment in developing countries

<i>Region</i>	<i>Contribution (%)</i>
Sub-Saharan Africa	80.4
Asia	79.4
Latin America	58.7
Middle East and North Africa	50.5

Source: Mafunzwaini (2013).

As per Table 1, it can be deduced that the contribution of the informal economy toward job creation to fight poverty and increase the standard of living is significant in many developing countries. The contribution ranges from 50% to 80%. Of critical importance is that most statistical estimates in relation to employment generation in sub-Saharan Africa do not include South Africa and Botswana (Mafunzwaini, 2013). Based on the table, it is critical to note that the informal sector can effectively reduce unemployment and poverty.

Based on the report by the Department of Trade and Industry (DTI, 2008), the informal trading and small business sector in South Africa contribute 75% to job opportunities country-wide and contribute approximately 28% to South Africa's GDP (Agbenyegah, 2013). Ngatiane et al. (2021) indicate that informal trading and small businesses contribute significant amounts of job opportunities to the economy of South Africa.

The informal sector is a significant element in the economies of both developed and developing countries (Ngcobo, 2021). Despite the important role they play in the promotion of economic growth and

the creation of employment, the informal sector still encounters (faces) numerous problems that have a negative impact on their prosperity and their contribution to economic growth and development (Bennett, 2019). Furthermore, researchers have noted that informal trading is faced with numerous challenges which are both external and institutional (Mafela, 2019; Majadibodu, 2016). Some of these challenges are crime, corruption, weak property rights and contract enforcements and an education system that does not promote entrepreneurship (Muriithi et al., 2017). Moreover, Maloka (2013) found that the challenges are mostly found in areas such as management, marketing, operations, and finances. These challenges are discussed below.

Unavailability of infrastructure: Provision of infrastructure is part of service delivery and is therefore a societal, welfare, and economic issue which must be attended to on an urgent base. Availability of basic services such as water, electricity, shelter, refuse removal, toilets and storage facilities are critical for the establishment of businesses and community at large (SEDA, 2008). The absence of such amenities at different trading venues leads to informal traders paying for such services at the nearby shops. According to Mitulla (2003), the lack of children's daycare centres creates barriers for female street traders. Majadibodu (2016) asserts that a fully-established physical structure such as transport services, storage facilities, refuse removal, water, electricity, and communication networks facilitate the smooth running of informal trading. The unavailability of public infrastructure is seen as a factor that hinders the development and establishment of the informal sector. Public infrastructure such as electricity, roads, water, sanitation, and telecommunication are the enablers of any business. Therefore, public infrastructures are required to enhance the internal operations of the business. It is logical to argue that the absence of public infrastructures which are provided by government or local authorities affects the performance and competitiveness of the informal sector negatively (Maloka, 2013).

Trading space: Thulamela municipality has over 500 stalls for informal street traders which are scattered around the central business district (CBD) and Tshilamba. These amenities are effectively utilised, even though they are not enough to cater to most street traders. The problem with the stalls in CBD is that they are not located at the most strategic place suited for lucrative markets. Therefore, this calls for the municipality to consult with street trader's organisation for their views when planning for spaces. The areas which are restricted trading zones are best suited for being trading spaces for informal traders (Majadibodu, 2016). This brings confusion and conflict between the municipality and the hawkers.

Cost of trading space: According to Majadibodu (2016), informal street traders in many areas are required to pay for permits and trading licenses. They are also required to pay for space provided by the municipality. The amount paid constitutes revenue to the municipality. But, these payments made to the municipality erode the profit margin of the informal traders. Moreover, Majadibodu (2016) argues that the payments for the permits and

licenses are not accompanied by the improvement of the infrastructure to better the trading conditions of the street traders.

Confiscation of goods: Confiscation of goods occurs when authorized officials remove and impound goods or products of an informal street trader which is found in an area where street trading is restricted. According to Majadibodu (2016), informal traders are supposed to be given a warning before their goods or products are confiscated. The content of the written warning should be first communicated to the street trader verbally.

Safety and security: According to Mitulla (2003), municipalities should ensure that there is a good relationship between law enforcement agents and informal traders to curb crime and create a safe business environment. Mitulla (2003) further asserts that informal traders also complain about their own security and the security of their products. Safety and security are therefore an economic priority. Crime is a major problem in South Africa, and therefore affects informal traders immensely. It impacts informal traders directly, with the theft of property and money, and in a way indirectly reduces business confidence, and loss of investment, causes emigration, and destroys the foundation upon which the economy is built (Maloka, 2013).

Access to training: Mitulla (2003) indicates that the majority of informal street traders have secondary and below education levels. It is, therefore, not easy for informal street traders to read and understand the by-laws, contracts, training materials, and any other important notifications. Agrisystems Consortium (2008) outlines that informal street traders regard training as a hindrance rather than an enabler for growing business because attending training means a loss of income for the time they spend in class. Thus, training should be conducted outside business hours to make it more attractive to informal street traders. Training should concentrate on aspects such as financial management, purchasing, client care, and marketing. This will have a positive impact on the expansion of their businesses. The provision of e-learning should be planned for informal traders who are able to read and write outside business hours. The municipality can form a partnership with appropriate Sector Education and Training Authority (SETA) or educational institutions situated within the local proximity to provide training that is thoughtful of the street traders' educational level and training needs. Access to education and training has a positive impact on the growth and development of the informal sector. Education and training enhance the competitiveness of any business. Technology also plays a critical role in business. Thus, access to education, training, and technology are also major challenges among informal traders. Access to the latest technology requires is expensive hence informal traders do not exploit it to gain a competitive advantage (Maloka, 2013).

Unavailability of financial support: According to Mitulla (2003), informal traders lack access to formal finance, and they depend entirely on their savings and financial assistance from friends and relatives. In Kenya, where financial assistance is provided to informal traders at a reasonable interest rate

(Majadibodu, 2016). Informal traders are then able to purchase stock in large quantities to get discounts that will enhance and increase sales at affordable prices to customers. Thus, access to finance is critical to informal traders who have the potential to advance. However, informal traders are discouraged by the low level of capital financing, excessive bureaucracy, high-interest rates, and short-term loan repayment (Maloka, 2013). Katwalo (2010) indicate that informal traders present a high risk to creditors because many of them have inadequate assets and suffer from low capitalization. They assert that poor accounting records make it difficult for banks to assess the creditworthiness of prospective borrowers. According to Maloka (2013), access to finance remains a serious challenge in rural areas. Maloka (2013) further ascertains that the problem is compounded by a lack of understanding of loan application procedures or a private lending institution's bias against informal traders due to the relatively high cost of administration and a relatively small amount of loans.

Lack of management skills: According to Mears and Theron (2006), lack of management skills is viewed as the most widespread challenge amongst informal traders. Thus, a lack of management skills hinders informal traders to manage their businesses successfully, and thus impacts the performance and competitiveness of the business. Maloka (2013) indicates that informal traders lack skills such as financial management, marketing, personnel management, and basic business management.

Legislative framework: Government rules and regulations are seen as the major obstacle to the expansion of any enterprise. According to the study by Okpara (2011, as cited in Maloka, 2013), a legal and regulatory system that entails complex registration, licensing requirements, and costly reporting practices imposes profound costs on entrepreneurial activities. Informal trader finds it difficult to function effectively and efficiently as they must adhere to laws that also apply to employees and customers. Informal traders may sometimes fail to understand the laws and may end up paying huge penalties and fines due to a lack of implementation of the required legislation (Maloka, 2013).

Access to market: According to van Scheers (2011), the inability to access the market by informal traders has a negative impact on the development and growth of the informal sector. Market-related challenges facing the informal sector include marketing locality, lack of knowledge of the market, product demand, and competition. Maloka (2013) indicates that the informal sector's ability to penetrate the market depends on internal factors like the quality of the product and price.

3. RESEARCH METHODOLOGY

Research methodology is the belief that establishes the methods in which research should be performed in order to achieve the defined purposes (Saunders et al., 2009). Research methods include qualitative, quantitative, and mixed (Saunders et al., 2009). In quest of achieving the objective of this

research, a quantitative method was employed. The quantitative design approach enhances the accuracy of results through statistics analysis (Berndt & Petzer, 2011) and avoids the elements of subjectivity associated with the qualitative approach (Du Plessis & Rousseau, 2007). A self-administered questionnaire was designed and used to collect data for the purpose of fulfilling the objectives of this study. The questionnaire consisted of closed-ended questions. A five-point Likert scale ("Strongly disagree" (1) to "Strongly agree" (5)) was used to establish the level of agreement to variable items. The questionnaire was designed from scratch as there was no existing comprehensive one that would address the objectives of this research. The questionnaires were administered to informal traders in Thulamela municipality, targeting those who are currently active in the informal economy. Probability sampling, specifically cluster sampling was used to select a sample of informal street traders located in a different cluster around the Thulamela municipality. Thulamela municipality has a population of approximately 497,237 inclusive of informal traders (Vhembe District Municipality LP, 2020). Hundred (100) informal street traders were sampled for the purpose of this research. Of the 100 questionnaires distributed, 96 were received back from the respondents yielding a 96% response rate. The questionnaires were hand-delivered to informal street traders. Collected data was captured, organised, and coded on Microsoft Excel before being exported to Statistical Packages for Social Sciences (SPSS) and the Analysis of Movement Structures (AMOS) for analysis. To ensure the validity of the data, exploratory factor analysis was performed (Rubin & Babbie, 2011). Cronbach's alpha was used to ensure the reliability of data (Kimberlin & Winterstein, 2008; Ha et al., 2010). Malhotra (2010) recommends that the lowest recognized composite reliability value should be 0.70. The satisfactory

value for the Cronbach alpha coefficient should also be greater than 0.70 (Pietersen & Maree, 2007). Descriptive statistics were used to describe valid and reliable data. The mean and standard deviation were used to describe data in this research (Kimberlin & Winterstein, 2008). Ethical clearance was obtained for this study prior to the collection of data. Respondents participated in this study voluntarily. All respondents completed the informed consent form.

4. RESEARCH RESULTS

4.1. Data validity

This research used exploratory factor analysis (EFA) to test the validity of the collected data. EFA produces a smaller number of combinations of original factors that may fulfil the objective of the study (Garson, 2009). According to Hair et al. (1998), a minimum sample of 60 respondents is suitable for analysis in a quantitative study. This research achieved 96 responses and is therefore suitable for analysis.

To establish commonality between variables, the Kaiser-Meyer-Olkin (KMO) index was used. KMO index value range from 0 to 1 with 0.50 or more regarded as suitable for further analysis. Further analysis can only be done if it makes a significant contribution. Bartlett's test of sphericity is used to test significance. The study makes a significant contribution if the $p \leq 0.05$. The two variables of this study, namely challenges faced by informal traders (*CFT*) and contribution to local economic development (*CLED*), have a KMO index value of 0.50 or more with a $p \leq 0.05$ and thus warrant further analysis. Table 2 and Table 3 show the KMO index and Bartlett's test of the sphericity of all these variables.

Table 2. Validity of *CFT*

<i>KMO and Bartlett's test</i>		
Kaiser-Meyer-Olkin measure of sampling adequacy		0.500
Bartlett's test of sphericity	Approx. Chi-square	15.198
	Df	1
	Sig.	0.000

Table 3. Validity of *CLED*

<i>KMO and Bartlett's test</i>		
Kaiser-Meyer-Olkin measure of sampling adequacy		0.620
Bartlett's test of sphericity	Approx. Chi-square	50.432
	Df	3
	Sig.	0.000

4.2. Data reliability

This research used Cronbach's alpha coefficient to test the internal consistency of the data. It is the most used method (Malhotra, 2010). Its values range from 0 to 1. The data is considered reliable

when the value is 0.6 or more. Data is considered very reliable when the value is 0.7 or more (O'Leary-Kelly & Vokurka, 1998). Table 4 summarises the reliability of the two variables of this study. The two variables are reliable as their Cronbach's alpha values are greater than 0.6.

Table 4. Summary of reliability test results for the two variables

Variables	Cronbach's alpha	Number of items	Reliable items
CFT	0.623	4	The business has financial challenges.
			The business has a lack of management skills.
			The business experience infrastructure problems.
			The business experience safety and security challenges.
CLED	0.623	4	This business creates jobs opportunities.
			This business is the source of income generation.
			The business contributes to poverty alleviation.
			The business has local competitiveness.

4.3. Descriptive statistics of challenges of informal traders

The purpose of this variable was to assist in identifying the challenges of informal traders. The descriptive statistics of the valid and reliable items of this variable are discussed below. Table 5 shows the descriptive statistics of the variable items. The aim of question *CFT1* was to establish if the business experience financial challenges. A standard deviation of 0.447 indicates that there is a widespread of responses. The min and max of 4 and 5 indicate that the responses ranged from agree to strongly agree respectively. A mean value of 4.27 indicates that most businesses experience financial challenges. The aim of question *CFT2* was to establish if the business has lack management skills. A standard deviation of 0.499 indicates that there is a widespread of responses. The min and max of 3 and 5 indicate that the responses ranged from

moderately agree to strongly agree, respectively. A mean value of 3.94 indicates that most businesses lack management skills.

The aim of question *CFT3* was to establish if the business has lack of management skills. A standard deviation of 0.531 indicates that there is a widespread of responses. The min and max of 4 and 5 indicate that the responses ranged from moderately agree to strongly agree, respectively. A mean value of 4.25 indicates that most businesses experience infrastructural challenges. The aim of question *CFT4* was to establish if the business has lack management skills. A standard deviation of 0.510 indicates that there is a widespread of responses. The min and max of 3 and 5 indicate that the responses ranged from moderately agree to strongly agree, respectively. A mean value of 3.96 indicates that most businesses experience safety and security challenges.

Table 5. Descriptive statistics of *CFT* variable items

Variable	N	Minimum	Maximum	Mean	Std. deviation
<i>CFT1</i>	96	4	5	4.27	0.447
<i>CFT2</i>	96	3	5	3.94	0.499
<i>CFT3</i>	96	4	5	4.25	0.531
<i>CFT4</i>	96	3	5	3.96	0.510
Valid	96				

4.4. Descriptive statistics of contributions to local economic development

The purpose of this variable was to investigate how informal traders contribute to local economic development. The descriptive statistics of the valid and reliable items of this variable are discussed below. Table 6 shows descriptive statistics of the variable items. The aim of question *CLED1* was to establish if businesses create job opportunities. A standard deviation of 0.521 indicates that there was a widespread of responses. The min and max of 3 and 5 indicate that the responses ranged from moderately agree to strongly agree, respectively. A mean value of 4.29 indicates that businesses create job opportunities.

The aim of question *CLED2* was to establish if businesses are a source of income generation. A standard deviation of 0.479 indicates that there was a widespread of responses. The min and max of 3 and 5 indicate that the responses ranged from

moderately agree to strongly agree, respectively. A mean value of 4.71 indicates that these businesses are a source of income generation.

The aim of question *CLED3* was to establish if businesses contribute to poverty alleviation. A standard deviation of 0.515 indicates that there was a widespread of responses. The min and max of 3 and 5 indicate that the responses ranged from moderately agree to strongly agree, respectively. A mean value of 4.41 indicates that these businesses contribute to poverty alleviation.

The aim of question *CLED4* was to establish if businesses have local competitiveness. A standard deviation of 0.375 indicates that there was a widespread of responses. The min and max of 3 and 4 indicate that the responses ranged from moderate agree to agree, respectively. A mean value of 3.83 indicates that these businesses have local competitiveness. Table 6 indicates the descriptive statistics.

Table 6. Descriptive statistics of the *CLED* variable items

Variable	N	Minimum	Maximum	Mean	Std. deviation
<i>CLED1</i>	96	3	5	4.29	0.521
<i>CLED2</i>	96	3	5	4.71	0.479
<i>CLED3</i>	96	3	5	4.41	0.515
<i>CLED4</i>	96	3	4	3.83	0.375
Valid N	96				

5. DISCUSSION

This research revealed numerous contributions and challenges of the informal traders in local economic development in Thulamela municipality. The findings of the study showed that informal traders contribute to the local economy through contribution to job opportunities, provision of income, poverty alleviation, and local competitiveness. It can be concluded that informal trade exists primarily because of unemployment, but this ignores its true value. The informal sector serves as a safety net for the formal economy, allowing the unemployed and unemployable to find employment or start new businesses, thereby increasing income and alleviating poverty. With the unemployment rate at 34.9% in South Africa, it is no surprise that people are opting for informal trading for survival (Stats SA, 2021). The informal sector contributes 5.1% to the South African GDP (Stats SA, 2019). Research also shows that informal trading has a significant contribution to poverty alleviation (Cichello & Rogan, 2017; Ngatiane et al., 2018). In answering the second part of the research question, the study shows that the informal traders in Thulamela municipality are confronted with challenges such as a lack of financial literacy skills, lack of management skills, lack of proper infrastructure, and safety and security. The results agree with the findings of the study by Zogli et al. (2021) who found that access to funds, lack of financial literacy, and management skills are the hindrance to the success of informal trading. Moreover, the findings corroborate the results of the studies by Majadibodu (2016) and Zogli et al. (2021) who found that informal traders experience challenges such as trading space, security, access to training, and access to funds.

6. CONCLUSION

The main objective of this paper was to investigate the contributions and challenges of informal traders in local economic development. This study is significant as it unpacks the important issues regarding the contributions and challenges of informal traders. According to the findings of the study, informal traders contribute significantly to local economic development through job creation, the provision of income, and poverty alleviation, and are competitive. The study also reveals that informal

traders are confronted with challenges such as access to finance, lack of managerial skills, and lack of proper infrastructure, safety, and security.

This paper reveals the importance of informal trading as a critical sector that can fuel job creation, economic growth, and development in Thulamela municipality and South Africa as a whole. This implies that there is a strong need for the informal economy and its workforce to be fully recognized through overarching policy interventions to address the issues raised in this paper (Chen, 2012). A variety of interventions should be considered, and these interventions should be tailored and designed to meet the specific country's constraints, wants, and needs of various informal economic groups. Economic and social policies should be revisited considering their impact on the informal sector and its constituent parts.

The study collected data from informal traders within Thulamela municipality in Limpopo Province of South Africa. The results of the study could assist policymakers in finding better ways to support informal traders in a way that minimizes the identified challenges and benefits from the contribution they make to the local economy. Successful informal businesses not only absorb a significant portion of the unemployed labor force, but they also reduce crime and government spending on security and legal services because more people would be earning income and not relying on crime and social grants. In fact, unless South Africa succeeds in promoting its informal sector, it will continue to grapple with a massive unemployment problem and, as a result, excessive crime in its various forms. Furthermore, because informal businesses have the potential to be a driver of black economic empowerment, creating and supporting them is one of the most promising ways of gradually redistributing ownership of productive assets.

The findings are based on a survey of 96 informal traders who returned the questionnaires. The findings must be treated with caution as the sample size is small and the study area is volatile. This background makes the generalisability of the findings difficult. Therefore, more similar studies should be conducted in the future using data collected from a larger sample. Moreover, mixed methods studies can be conducted to improve the triangulation of the results.

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