

# The Role of the Informal Sector in national Socio-Economic Development: The Case of Mutare Central Business District, Zimbabwe.

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## Abstract

*The paper interrogates the role of the informal sector towards socio-economic development in Zimbabwe through the use of Mutare Central Business District as a case study. A mixed-method approach was used to gather data for this paper. Data collection instruments were in-depth interviews, questionnaires, and documentary research. Study findings revealed that the informal sector contributes towards socio-economic development in many facets. Some of them include employment creation, generation of incomes, savings and investments as well as social security and medical care among others. However, despite the positive contributions of the informal sector on socio-economic development, the sector is myriad with several challenges. The capability approach was of prime significance as it helped in envisaging major debacles that blurred the realization of socio-economic development by informal sector traders. Some of the challenges included finance, limited social insurance, poor Government policies, and programs. The capability approach was instrumental in identifying that through government support urban poverty could be eradicated thus relieving many informal sector traders wandering during poverty. The paper concludes by proffering several recommendations. Some of them include that the informal sector traders and the Government should join hands and ensure that affordable and adequate insurance policies are there to protect their businesses.*

**Keywords:** Informal sector, employment, socio-economic development, capability approach.

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## **Introduction**

The paper deliberates on the role of the informal sector in terms of socio-economic development among urban people of Mutare Central Business District, Zimbabwe. This article interrogates related literature to the study, research methodology, discussion and synthesis, conclusions, and recommendations. This paper draws its theoretical grounding from the capability approach as an evaluative social development theory for assessing the socio-economic development of urban individuals. Debilitating economic conditions faced by the country from the 1990s onwards saw the exponential rise in inflation rates, high rate of unemployment, and poor economic growth which was antithetical to urban socio-economic development (Ndiweni et al 2014: 2). The desire to eradicate poverty and cope up with the high cost of living drove many urban individuals to join informal sector trading to realize their capabilities as means to survive harsh economic conditions (Chidoko et al 2011: 2). Informal sector trading is adopted as a beacon to outstep urban poverty. The ability of the urban poor to gain socio-economic development is dependent upon the government's ability to provide supportive social and economic policies to facilitate this development (Kuhumba 2018: 127). However, the literature points out phony government support as the major hindrance in the attainment of socio-economic development by urban individuals. To this end, the removal of these hindrances and widening of individual capabilities is the principal means to human and socio-economic development.

## **Literature Review**

### **Determinants of informal sector trading**

Literature points out globalization and Structural Adjustment Programs (SAPS) as one of the factors that led to the rise and growth of the informal sector (Onwe 2013: 62). As a result of these liberal policies, many African countries adopted Structural

Adjustment Programs (SAPS) which negatively ejected several urban individuals from formal jobs to unemployment (Kang'ethe and Serima 2014: 1296). Social development theorist Amartya Sen in 1980 through the capability approach argues that poverty is a result of social deprivation through unfair social and economic policies (Kuhumba 2018: 129). According to Kuhumba (2018:129) “institutions and societal arrangements are of much importance for promoting the freedoms (capabilities) of individuals. Capabilities or freedoms in this sense refer to the ability of individuals to attain basic things they value. The capability approach thus laments that poor institutional arrangements promote inequalities and poverty thus deterring human and socio-economic development. Individual capabilities or freedoms denote real possibilities or opportunities that people have to accomplish what they value (Robeyns 2003: 5). Put simply, transforming laws and institutions are vehicles for socio-economic development thus poor laws and institutions negate individual developments. Therefore, liberal economic policies that were adopted by many African governments, restrained individual access to their capabilities and left many urban people in poverty. Informal sector trading as to the capability framework is an attribute of poor laws and institutions which failed to provide the necessary ingredients for poverty eradication. These policies rather acted in depriving the greater freedom of people to enhance their development.

According to Onwe (2013: 62), poverty is another driver to the adoption of informal sector trading by most urban individuals across the globe. Similarly, Menyah (2015: 115) indicated that the growth of the informal sector in Botswana is attributed to the need by the individuals who are poor to earn a living. In Zimbabwe, the period 1998-2008 is referred to as the lost decade as the rate of poverty increased in urban areas and facilitated the emergence of many informal sector traders (Ndiweni et al 2014: 3). The informal sector is thus perceived as a poverty-reducing zone by the suffering

and poor urban individuals. According to Kuhumba (2018: 133) “the distinguishing characteristic of the capability approach is its focus on what people are effectively able to do and to be, that is, their 'capabilities'.” Of particular to note is that, Sen proposes that for human development to take place there has to be a combination of capabilities and functioning. Within this context, informal sector traders should be able to do what they value to enhance their development as well as the realization of what they value. This means that the prevalence of poverty in the African context despite the involvement of people in the informal sector reflects those individuals are not able to do what they should do to realize what they value.

### **Socio-economic contributions of the informal sector to urban livelihoods**

There is an agreement in the literature on the potential contribution of the informal sector towards socio-economic development. Koto (2015: 95) postulated that in any discourse of development in sub-Saharan Africa, it is of paramount importance for one to look at the contribution that is made by the informal sector through which individual socio-economic development is not an exception. Within this view, Onwe (2013: 66), opines that the informal economy contributes 80% of new jobs in Africa and 90% of the labor force in India thus the informal sector is efficient and effective in creating jobs, goods, and incomes for lower-income groups which has an ultimate output on the gross domestic product of the country. Job creation should be matched with specific social and economic developments that individuals attain. Implied is that the observation by Onwe (2013) mainly focused on the contributions of the sector to the GDP and did not provide the relationship that should exist from the creation of informal sector jobs to individual socio-economic development. This paper, therefore, sought to assess the specific contributions of the sector to the social and economic development of urban individuals.

However, in Nigeria, the contribution of the informal sector to

socio-economic development increased from 48% to 52.3% in 2009 and 2015 respectively (Otehkile and Matthew 2017). This observation is in unison with Mhondiwa (2015: 16) who indicates that the informal sector is efficient in the alleviation of urban poverty and providing goods and services at lower costs which the formal sector cannot provide. Otehkile and Matthew (2017) further reiterate that the informal economy acts as an alternative to other activities like prostitution, theft, and other activities to unemployed youths and individuals in urban areas. This indicates the informal sector can reduce anti-social activities thus shaping the social well-being of the urban people. It is imperative to note that, poverty alleviation and the social well-being of the society are indicators of socio-economic development since they constitute preliminary steps to economic or social development. Gray (2006: 35) defines social development as a theory that advocates for alleviation of poverty and the ability of one to influence human development. This definition shares similar sentiments with the capability approach which emphasizes the ability of individuals to transform the available resources and wealth into real capabilities of 'beings' and 'doings.' According to Robeyns (2003: 5), “the core characteristic of the capability approach is its focus on what people are effectively able to do and to be, that is, on their capabilities”. To this end, informal sector trading has the potential to influence urban development if only the right conditions prevail. Implied is that at the heart of social development there is poverty alleviation thus informal sector has the potential to alleviate urban poverty through enhancement of individual capabilities which translates to socio-economic development.

In Zimbabwe, Sakuhuni (2014: 2) observed that the informal sector creates employment opportunities for many Zimbabweans. This reflects that employment creation through the informal sector provides positive social and economic implications for urban individuals. However, Ndiweni et al (2014: 3) noted that though

the informal sector provides considerable benefits to urban individuals, the benefits are for subsistence purposes and lacks sustainability. Paradoxically, the informal sector continues to grow, and it continues to register new entrants. This ambiguity denotes that there is no comprehensive evidence in the literature that establishes a relationship between informal sector trading and socio-economic development. This paper aims at understanding whether the informal sector enables individual socio-economic development, or it remains a survivalist strategy alone. There is scarce evidence in the literature concerning specific socio-economic developments that are championed by urban individuals as a result of informal sector trading. Studies in South Africa by Ndabeni and Maharajh (2013: 13) mainly focused on the development challenges of the informal sector and did not mirror the contributions that it makes to social and economic development. The paper, therefore, seeks to assess the contribution of informal sector activities to national socio-economic development.

However, despite the contributions of the informal sector to urban livelihoods, Kang'ethe and Serima (2014: 1296) highlighted that for social and economic development to take place by informal sector traders, there must be supportive legal frameworks behind it. This observation coincides well with Chambers (1995) who notes that; there are transforming institutions and processes which can enable or disable the livelihood outcomes of the people in trying to get rid of their vulnerability from shocks and trends. Laws and policies are therefore necessary to ensure that livelihood outcomes are attained using the available poverty-reducing assets. Kenya has passed numerous laws and policies to protect the Small and Medium Enterprises (SMEs) in the informal sector and also an Industrial Technology Development Fund (ITDF) was proposed to solve the funding limitations while Kenya Industrial Property Office (KIPO) protects SME innovators on request (Ngui et al 2014: 13). The informal sector if

well supported may have significant contributions to individual socio-economic development. Therefore, using the capability framework to assess the socio-economic development of urban individuals, extant literature points to poverty, tyranny, and poor economic opportunities as major debacles that deter individuals from achieving what they value (Ngu et al. 2014; Otehkile and Matthew 2017). Lack of supportive legislation is the major deterring factor for the attainment of individual capabilities.

According to Marmot and Wilkinson (2006) people express and enjoy their capabilities (freedoms) through economic and social policies that provide fair and equitable resources and vice versa. Unfortunately, most countries still do not have specific policies that protect the informal sector and they are still regarded as illegal as they are blamed for the destabilization of the formal sector and the economy as noted by Ngu et al (2014: 14). This observation agrees with Kang'ethe and Serima (2014: 1296) on the view that; a lack of supportive legal frameworks to the informal sector negates individual social and economic development. This implies that if the government provides laws and policies that are favourable, fair, and just, individuals can attain their development through the informal sector. What is not known is the state of legal frameworks and regulations in the informal sector in Zimbabwe as means to social development of the informal sector. The capability approach however notes that poverty in society is a product of deprivation (Kuhumba 2018: 127). Deprivation entails the absence of supportive laws and policies to support the suffering urban poor. The exponential growth of the informal sector yet the increase in urban poverty and unemployment seems to bear testimony to deprivation that exists to informal sectors in terms of phony government recognition and poor social and economic policies. The question to be explored is; does the government deprive the informal traders in terms of its laws and polices? There is a growing interest to that because of the realisation that, removal of

these hindrances and expansion of freedoms is the principal means to the human and socio-economic development of urban individuals.

## **Methodology**

This study utilized a mixed-methods approach in data collection, presentation, and analysis. A mixed-methods approach was adopted to effectively understand the role of the informal sector in national socio-economic development. The use of mixed-method research is instrumental in research to provide greater depth and breadth of information which is not possible utilizing singular approaches in isolation (Almalki, 2016). The researcher adopted mixed-method research to deepen and widen the understanding of the national socio-economic benefits of the informal sector to urban individuals. A case study research design was used in this study. Yin (1984: 23) reiterates that case studies are very useful especially when a holistic and in-depth inquiry needs to be done. The study used the case study of Mutare Central Business District (CBD) in Zimbabwe. The study population was informal traders who operate in the Mutare CBD. The study population was informal traders in the Central Business District (CBD) in Mutare. Through the sampling frame obtained from the City of Mutare, the research took a survey of 102 informal traders. The study adopted two sampling techniques which included non-probability and probability sampling techniques. The study included 90 respondents and 12 participants. A sampling of the respondents was done using purposive and cluster sampling methods. Purposive sampling was adopted to select participants for in-depth interviews and cluster sampling was used to select the respondents for the questionnaires. Krejcie and Morgan (1970) table of formulas was used for selecting a sample for quantitative sampling. The study used both qualitative and quantitative data collection instruments. Primary data collection was done through interviews and questionnaires. The study utilized these data collection instruments since the study used a mixed-method research approach thus they fit in both quantitative and qualitative



research designs. In-depth interviews were conducted as they provide an understanding of the deeply entrenched meaning of values, perceptions, and diverse views of individuals concerning the topic under study (Mogalakwe, 2006). A total of 90 closed-ended questionnaires were distributed to the respondents. Closed-ended questionnaires were used to gather the opinions of people that would not be reached by interviews. The use of questionnaires was meant to strike a balance between the data collection tools since the study utilized a mixed-method research design. Data analysis was done through SPSS and thematic content analysis which was appropriate to analyze qualitative and quantitative data. The study also considered confidentiality and anonymity as part of the research ethics.

## **Research Findings**

### **Demographic details of respondents**

#### **Sex of respondents**

The researcher also looked at the sex composition of the informal sector traders to understand the gender distribution of the informal sector traders. Table 4.1 shows the gender distribution of the respondents.

*Table 4.1*

<b>Sex</b>	<b>Frequency</b>	<b>Percentage</b>
Male	52	58
Female	38	42
<b>Total</b>	<b>90</b>	<b>100</b>

### **Source: Survey (2019)**

The research indicates that most of the respondents were male constituting 58% and females constituting 42%. Men seem to dominate the informal sector through several trades ranging from vending to other hard activities like carpentry and motor mechanics. However, women traditionally dominated the informal sector trading (Ndiweni et al. 2014: 2). There is however an overlap of trades between males and females though women seem to be confined in vending, tailoring, and food outlets. Interviews with participants revealed that men are involved in all trades which traditionally were a reserve of women like vending, but women somehow do not do some activities which men venture in.

### **Age of respondents**

An inquiry was made on the age of the respondents to understand the category of individuals who dominates the informal sector. Of particular to note is that to have an understanding of social and economic development depends on how different age groups perceive development in their own context thus age is very critical to have unbiased inferences. Table 4.2 illustrates the age distribution of respondents.

**Table 4.2**

<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
20-29	38	42
30-39	32	36
40-49	13	14
50 and above	7	8
<b>Total</b>	<b>90</b>	<b>100</b>

**Source: Survey (2019)**

Research data indicate that many individuals involved in informal sector trading are people aged between 20-29 and 30-39 years. These two categories constitute a larger percentage of the respondents which is 42% and 36% respectively. 13 respondents were in the age range of 40-49 and 7 respondents were 50 years and above. This indicates that the informal economy is being run by young individuals and a small number of elderly people are still engaging in informal sector trading. Implied is that, much of the manpower or active labor is engaging in informal sector activities. These findings collaborate well with (Ndiweni et al 2014: 5) who noted that most informal sector traders are youths who come out of colleges and universities and fail to be absorbed in the already shrinking formal sector.

**Level of Education of respondents**

**Table 4.3**

<b>Level of education</b>	<b>Frequency</b>	<b>Percentage</b>
Grade 7	6	7
O' Level	47	52
A' Level	21	23
Degree	16	18
<b>Total</b>	<b>90</b>	<b>100</b>

**Source: (Survey 2019)**

Most of the respondents had the O' level as their highest academic qualification which constituted 52% of the respondents. A few individuals had grade 7 as their highest academic qualification. A' level and degree holders accounted for 21 and 16 respectively. This indicates that 72% of the respondents were literate enough to

respond to the questionnaire which merits the response rate and credibility of the research findings. This also means that the respondents were literate enough to understand the contributions of their activities to socio-economic development. In contrast, studies in Nigeria by Ngui et al (2014: 16) highlighted that the informal sector was dominated by uneducated individuals since it did not require education for new entrants. Findings in Zimbabwe seem to disagree on that since most informal traders seem to have at least attained an ordinary level.

### **Presentation of Research Findings**

Study findings were organized in different sub-themes which are employment creation, savings and investments, social security and medical care, and source of income. The researcher through in-depth interviews enquired about the positive benefits that they derive from informal sector trading. Employment creation was one of the major benefits that were identified by respondents.

### **Employment creation**

Findings from the research indicate that the informal sector is capable of providing employment opportunities for unemployed urban individuals in Zimbabwe. Data from interviews indicate that the informal sector is acting as the employer of many urban individuals in Mutare Central Business District.

Participants revealed that the informal sector is helping through the creation of employment to a lot of unemployed people especially youths. Further probing to have a deeper perception of the outcome derived from employment creation revealed that through participating in the informal sector many individuals can gain incomes that they previously did not have. An interview with

an economic expert indicated that: “the informal sector in Zimbabwe employs more than 2.9 million individuals thus becoming the largest employer in Zimbabwe.” This agrees with Njaya (2015:102) who indicated that the informal economy in Zimbabwe employs many people as compared to the formal sector.

A participant noted that:

*“Through various trades, we do some of us can generate considerable incomes which are better as compared to those in the formal sector”.*

The researcher probed the participant on specific developments they attain with these incomes from the informal sector and the participant noted that money is used for paying rentals, medical bills, and tuition fees for children. This was substantiated by questionnaire data that revealed different earnings by informal sector traders. The study noted that employment created was able to generate considerable incomes for individuals in Mutare Central Business District.

### **Incomes generated from informal sector trading**

The diagram below illustrates the monthly incomes of informal sector trading. The inquiry was made to understand the per capita incomes of the traders as well as to establish whether they are earning above the poverty datum line. Figure 4.1 shows the distribution of incomes across informal sector traders.

Questionnaire data noted that 2% of the respondents had a monthly income of ZWL\$50 and less whilst 3% of the respondents had a monthly income of \$51-100. 9% of the respondents had incomes from ZWL\$101-\$200 which comprise of small sectors like vegetable vendors. 30% and 39% of the

respondents ranged from ZWL\$201-\$400 and 17% of the respondents had incomes of above ZWL \$400. Questionnaire data revealed that 83% of the respondents had a monthly salary of less than ZWL\$400 which is far below the poverty datum line. Further probing through interviews indicated that the informal sector was providing for the informal sector traders with incomes for household sustainability depending on the size and scale of operations of the business. The researcher interviewed an economic expert to understand better the disparities that existed in the earnings by respondents and the participant noted that the scale of operation and capital base of the trade are also key determinants of the number of profits they make. The overall comment however by the participants was that some are managing to attain different social and economic amenities, and some are failing, the reason depends on the nature of trade and scale of operation. Participants also highlighted that there are several challenges that threaten the level of their incomes.

A Participant who is involved in clothes retailing and tailoring noted that we are supposed to earn more than what we are getting but we fail to do so due to insufficient funding. The researcher further probed the respondent to expand on funding and the participant noted that:

*“We need a big capital base for some of our trades to pay better but we fail to access credit from banks and the only credit which is available is from micro-financing firms which have high interest rates and are unfavorable for informal sector businesses”.*

In support of this view, a Senior Lecturer at Mutare Poly-Technique in the Commerce Department noted that there is no comprehensive government policy that supports these informal traders in their operations thus the benefits they derive from their

operations are limited. The participant further noted that some of the well-established informal traders have the potential to have access to basic social and economic amenities like houses, stands, and other assets since they charge their goods in foreign currency and are less affected by currency fluctuations as to the formal sector.

### **Savings and investments**

The results of the study depicted that the informal sector had the potential to influence the informal sector traders to save and invest which enabled them to acquire several assets including motor vehicles, residential stands, household assets, and other machinery for their ventures. The questionnaire data illustrated below provided the estimated savings each respondent made annually.

Questionnaire data indicated that informal traders were able to save and invest from their incomes on a yearly basis. The study indicates that 11% of the respondents managed to save between ZWL\$ 300 and less, 22% managed to save between ZWL\$300-500, 30% managed to save between ZWL\$501-800, 26% managed to save ZWL\$801-1000 and 11% saved ZWL\$1000+.

An interview with a participant who is engaged in food retailing indicated that:

*“Through cooking food for selling and clothing, I was able to save about ZWL\$1000 a year and managed to join a housing cooperative called Destiny homes and managed to buy a residential stand in Dangamvura and am now building my house through my earnings. I am also paying school fees for my children and being able to provide for what they want in school.”*

The researcher further asked the participant the reasons which enabled her to have such a big saving and the participant noted that:

*“I am able to save because my husband is also involved in clothing retailing in the informal sector, so we divide household responsibilities”.*

However, participants noted that though it seems that they might have saved a lot from their operations, currency fluctuations were the major limitation that altogether devalued their savings. Some of the participants noted that they do not have the chance to save since the little they have is used for different household needs.

Interview data revealed that some women who are engaged in the informal activities are engaged in group saving and investments they call “*Mukando*”. A participant notes that:

*“We often save through “Mikando” where we have the same amounts and we should invest that money and share it at the end of the year”.*

Out of interest, the researcher asked a male participant how they save and invest their earnings and the participant revealed that after he gets his profits, he converts the money earned to the United States of America (US) dollar which is stable and can go and buy livestock in rural areas as an investment. The study finding noted that some families have both mother and father in the informal sector, and some have two or more different trades they operate in.

### **Social security and Medical care**

Interviews with informal traders revealed that the informal sector enabled individuals to have access to basic primary healthcare which inculcates preventive and curative services. Two participants indicated that acquisition of medicines and payment of consultation fees was enabled by their savings and incomes from the informal sector. They further noted that they were able to join other social security schemes like funeral policy schemes



from their earnings. Further discussion through interviews revealed that they were able to join funeral policies like Nyaradzo and Ecosure.

A participant also noted that:

*“Through informal sector trading, I managed to join a funeral policy which covers the whole of my family and a hospital cash back cover offered by Econet”.*

However, it is important to highlight that, amongst the participants, some of them did not have either a funeral plan or a medical cover. The researcher also noted that their businesses did not have any insurance which placed them at high risk in terms of sustainability.

One of the participants had to say:

*“We are not even aware of what we should do to ensure our businesses”.*

An economic expert further noted that: most informal sector traders lack education on risks associated with their operations to an extent that they fail to develop due to some risks they face coming from failing to ensure their businesses. One participant involved in carpentry noted that he was left with nothing when their compound was burnt with fire. Lack of business insurance was identified as another constraint that limited them to fully achieve social and economic amenities.

## **Discussion/Synthesis**

Findings from this study show that there are considerable social and economic benefits that are derived from informal sector operations in the Mutare CBD. The study revealed that many informal sector traders can gain livelihood options and basic social and economic amenities through their trades. The educational level of these traders depicts that most informal sector traders are individuals who come from colleges and universities but fail to be absorbed into the formal labor system. This

collaborates with the findings of Ndiweni et al. (2014:5) who noted that the informal sector in Zimbabwe is comprised of individuals who were dropped from learning institutions and failed to be formally employed. The capability approach by Sen 1980 posits that poverty is a result of social deprivation in societies where there are unfair systems and policies (Kuhumba 2018: 133). Within these lenses, urban poverty which is driving most informal sector traders to join the sector can be attributed to the deprivation of opportunities to most unemployed individuals who come out of colleges. A study by Chidoko et al. (2011: 2) also shared similar sentiments on the observation that many job seekers come out of the education system year after year and there is little chance that they can find employment in the formal sector. This suggests that the demand for formal sector jobs is somehow not matched with economic growth to the point that individuals are joining the informal sector to seek employment. Many urban individuals are deprived of the opportunities to be employed in the formal systems due to poor economic conditions among other factors. Informal sector traders are thus victims of perpetuating poor economic conditions in the country.

Gender distribution of the informal sector traders shows that both men and women are involved in informal sector entities. The study however disagrees with the observation by Bhana et al (2009) who noted that participation of women in the informal sector is due to lack of education and social exclusion due to the patriarchal nature of African societies. Study findings noted that both men and women are equally represented in the informal economy and women have also competing for educational qualifications as compared to men. However, the study is in agreement with Ndiweni et al. (2014: 2) on the sectoral distribution of informal sector trades that women tend to major in vegetable vending, food outlets, tailoring and the clothing sector and men seem to dominate the furniture, motor mechanics and the manufacturing sector which is more rewarding as compared to

those of women. According to Kuhumba (2018: 134), the capability approach recognizes that individual incomes and opportunities differ despite the need to achieve personal freedom (capabilities) hence the ability of authorities to realize these differences and cater to individual functionalities enhances human and socio-economic development. The observation seems to underline the notion that though there is the sectoral distribution of informal sector traders; their overall objective is to achieve socio-economic development hence the government should recognize specific individual needs to create real possibilities for development. The argument stems from the backdrop that capabilities are dependent upon different lifestyles individuals can choose thus irrespective of different trades and gender by informal sector traders their activities should be recognized as they are and proportional support should be given to them. However, phony government support is given to these informal sector traders and they are not recognized as individuals with diverse trades and opportunities which require different attention in policy considerations. This is to say, poor recognition from the government is hindering the effective establishment of informal sector traders to socio-economic development. To this end, laws and policies for informal sector traders should be tailor-made to suit the diverse individual needs of the traders rather than a straight-jacket approach that fails to adequately address challenges faced by informal sector traders.

The study noted that employment creation is a major benefit that is derived from informal sector operations. The study revealed that the need to find employment was the major driver to joining informal trading by informal sector traders. Individuals who were denied employment opportunities in the formal sector were able to find employment in the informal sector. The study by Ndiweni et al. (2014) highlighted that informal sector jobs only enabled individuals to survive the harsh and unstable economic environment but the informal sector is not a good provider of

employment. According to Kuhumba (2018: 130), the capability approach regards basic capabilities as a person's abilities to do certain basic things, necessary for one's survival to keep out of poverty". Implied here is that in assessing the socio-economic development of informal traders in urban areas, there are key indicators for human development which inter-alia inculcates poverty eradication and its sustainability. A study by Ndiweni et al. (2014) further noted that the income levels derived from informal sector activities were unsatisfactory to the point that most individuals live below the poverty datum line. Study findings also collaborate with this observation that most informal sector individuals earn below US\$ 400 which is far below the poverty datum line. It can therefore be noted that though the informal sector in Mutare Central Business District managed to absorb unemployed individuals, the benefits of employment remain unsatisfactory for the attainment of socio-economic development. It is imperative to highlight that employment creation should be matched with the ability of the informal sector to eradicate poverty in urban areas. This is to say, individual capabilities in Mutare Central Business District are not effectively met thus informal sector trading remains a survival strategy with no meaningful contribution towards socio-economic development. The crux of the argument here rests on the capability approach which advocates those real freedoms or capabilities should be followed by eradication of poverty. Therefore, the prevalence of poverty amongst informal sector operators reflects the failure of the responsible authorities to fully capacitate informal sector traders with real capabilities for poverty eradication.

However, it is important to acknowledge that the informal sector provided individuals with access to medical care and some social insurance policies. The findings revealed that several informal

sector traders managed to join a funeral policy that covers their dependents. Social insurance through informal sector trading is a vehicle to achieve social development. Kuhumba (2018: 130) noted that “capabilities as real opportunities engulf personal abilities as well as social opportunities such as safety nets, social facilities, and economic opportunities”. The findings revealed the ability of individuals to save and invest as well as having access to basic social amenities mirror positive steps to social development. This depicts that there is great potential by the informal sector to spearhead socio-economic development.

However, social development does not end up gaining access to the basic social goods but looks on a much broader perspective towards the sustainability of the outcomes. The study noted that most informal sector traders did not have insurance on their businesses which threatens the sustainability of the social gains derived from the activities. This implies that through the informal sector can provide individuals with incomes for livelihood sustainability, the realization of socio-economic development is challenging owing to lack of sustainability of the operations and the risks associated therewith. This argument is rooted within the capability framework which places an emphasis on the need to end perpetuating poverty through meaningful transforming laws and institutions. Chambers (1995) argues that without any sustainable ways to consolidate social and economic gains, development remains a dream to live. This underlines the opinion that with no sustainable means for the continuance of the gains achieved through informal sector trading, socio-economic development is still a dream to witness. To this end, it is important to highlight that the informal sector has limited contribution to the socio-economic development of urban individuals. The capability approach indicates that the major hindrance to these limitations is limited opportunities to realize individual freedoms. This is to say, economic and social policies are inadequate to ensure that there is

sustainable socio-economic development of informal sector traders.

Findings from the study exhibited that the informal sector is associated with several challenges. Access to credit was the major challenge faced by informal sector traders in their operations. Findings depicted that high and unscrupulous lending rates from micro-financing institutions debarred informal traders to have access to credit. A study by Matshidiso and Kole (2015) revealed that most informal sector traders in South Africa face a problem of access to adequate funding to expand their operations. The capability framework points out that the ability of people to enjoy and express their capabilities is dependent upon enabling factors which are economic and social policies to provide fair and equitable resources. The government therefore should ensure that there are laws and policies that allow individuals to perform their functions and doings with full capability. This suggests that though the informal sector is contributing to the national economy, little is done by the government through supportive policies to enhance the viability and development of the sector. The capability framework also posits that poverty in societies is a result of deprivation that exists. The most important point to note is that deprivation exists in the form of a lack of recognition of informal traders by the government and the private sector so that they can have access to the resources of enabling factors required for their success. At the heart of the capability approach for human development poverty, tyranny and poor economic opportunities act as major drawbacks that deter individuals from attaining the greater freedom they want (Kuhumba 2018: 133). Chidoko et al. (2011: 2) noted that in Zimbabwe most informal sector traders have no collateral to access funds from the banks because of their unregistered status. On the same note, a study by Mhondiwa (2015: 15) revealed that most informal traders are not willing to register because of the administrative delays associated with the registration process as well as high charges of operating thus they only pay fees to the local authority but they are not registered with

the Zimbabwe Revenue Authority (ZIMRA). Study findings however noted lack of government support as the crux of the matter. Therefore, using the capability approach, it can be noted that the presence of liberal social and economic policies brought deprivation to urban individuals and there are no adequate social and economic policies to give real capacity or possibilities to informal sector traders. This means that the government is failing to provide the much-needed support to informal sector traders to ensure that effective development of the sector takes place. The study thus noted that these constraints facing informal sector traders impede the realization of the socio-economic turnaround of the urban individuals.

## **Conclusions**

The study focused on the contribution that is made by the informal sector to the socio-economic development of urban individuals in Mutare Central Business District. The research concluded that the informal sector was able to provide the urban individuals with socio-economic amenities like employment creation, generation of incomes, medical care, education, and some household assets among other benefits. The desire to obliterate poverty is the major driver of informal sector trading and most informal sector traders are youths who come out of the education system but fail to be absorbed into the formal labor system. The study noted that though there are social and economic amenities derived from informal sector trading, there is no sustainability in terms of the earnings of the traders thus socio-economic development is undermined. Lack of funding is the major challenge affecting informal sector traders thus threatening the potential to develop. The lack of a comprehensive government policy that specifically addresses the grassroots needs of informal sector traders again inhibits the ability of informal sector traders to achieve socio-economic development through their trading. Due to these daunting challenges, informal sector trading only becomes a

source of livelihood than a driver of socio-economic development. Most informal sector businesses are not insured which places them at a high risk of losing their businesses. The capability approach highlights that individual development is a result of the removal of hindrances to people's capabilities. This framework calls for concerted efforts to remove all driving factors of vulnerability and ensuring that informal sector traders attain the best achievable development which is commensurate to their operations. The study thus recommends that the government should have specific support policies targeting funding of informal sector trading. The informal sector remains a driver of socio-economic development if there is adequate support. Informal traders can perform their functions and doings given the availability of the necessary conditions. The informal sector traders should take necessary steps to ensure their businesses so that they do not risk losing their means of living. Governments in this respect should also come up with business insurance packages that are tailor-made to match informal sector operations. The informal sector if well supported has the potential to contribute to national development.



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