The Growth Challenges To Informal Clothing Trade In Gweru Central Business District 2009 To 2015

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Abstract

The study sought to investigate factors contributing to slow growth of informal clothing trade in Gweru Central Business District (CBD) in Zimbabwe. Fundamentally, the examination of this topic has been stimulated by criticism of slow transition of informal businesses to formal establishments against thousands of dollars being siphoned by government to promote SMEs for economic development. The qualitative research approach was used to solicit various ideas, opinions, perceptions and attitudes on factors that militate against growth of informal clothing businesses. Data were collected through face to face interviews, focus groups and open ended questionnaires. Purposive sampling was employed to collect data for this study. Data were thematically analysed in line with the qualitative research approaches. It emerged from the empirical findings of the study that factors, such as poor managerial skills, lack of finances, legislation, lack of financial control, competition, lack of infrastructure, lack of planning, red tape bureaucracy, marketing issues and escalating of costs stall growth of informal clothing trade. This study recommends that informal businesses be closely monitored and supervised as interventions to mitigate effectiveness through feedback mechanism. Furthermore there is need for support from the government, City Council, private sector and other stakeholders.

Keywords: Second hand clothes, Informal trading, Central Business District, Informal clothing, SMEs

Introduction

Zimbabwe once a British colony became politically independent on the 18th of April 1980. Since the collapse of colonialism, Zimbabwe’s economy, like the rest of post colonial states in Africa has experienced some substantial growth (from 5%-11% between 1980 and 1999) in the informal and formal economic activity (Schneider 2002; ILO 2003). It is noted that the growth was more pronounced in the formal sector but the informal sector was growing at a rate of 3% per annum. In a study by Davis (2006), it was observed that increased rural insecurity during the liberation war in 1970s, the removal of legislative restrictions on movement at independence in 1980, Economic Structural Adjustment Programme (ESAP) (1993-1998) and sanctions in 2000 caused a significant increase in unemployment rates. Zimbabwe Central Statistics Office (1999) says by 1992 the unemployment rate had reached a peak of 22%. This situation has left the population vulnerable to poverty, unemployment and marginalization.

Smith (2006) noted that although there was rapid increase in urban population, employment generation failed to keep pace with the growing population. There were a number of droughts such as in 1982, 1987, 1991 and ESAP worsened the already cracking unsound economy. Smith observed that in the year 2006, only 40% (3.1 million) of unemployable Zimbabweans had informal jobs. The economic situation increased poverty coupled by the vicious land reform programme of the year 2000 which left several farm labourers unemployed. Thus to some extent failure on the government to pursue a clear economic policy, such as the land reform, ESAP and Operation Murambatsvina has seen an increase in the informal sector.

The researches have remained silent on the buying and selling of new and second hand clothes. The period 1990 witnessed the surge in the informal sector businesses notably the increase in cross border trade, second hand clothing trade, hawkers, foreign currency dealers and the awakening growth in the informal clothing trade which are normally termed flea markets in Zimbabwe.

Review Of Related Literature

There There could be no simple definition of the informal sector but however, Michael et al (2001) defines informal sector as an economic activity not included into national data on gross domestic product and not subject to formal contracts, licensing and taxation. This sector is subject to the production of goods and services which are not subject to control by the government. In Zimbabwe it seems there is less recognition of the informal businesses. There are several constructive roles in the informal sector in an economy. A research by Michael et al (2001) notes that the informal sector is absorbing thousands of job seekers coming out of Zimbabwe’s school system every year. Zimbabwe Chamber of Commerce (2011) points out that 90% of the retrenched workers finally find their destinations in the informal sector. Other researchers such as Lubel and Zarour (2004) concur that street hawking indicate that the informal sector facilitate the availability and distribution of scarce products. Crush (2007) contributed that the informal sector is absorbing all age groups and both sexes and provides opportunities for different groups to con-
tribe towards supply and production of goods in the
economy. But this goes without its share of challenges

Lack Of Government Support
Koray (2003) criticises the informal sector by arguing
that the sector has no definite statistics in such a way that
it is difficult for government to measure its contribution
to the economy. Rogerson (1994) postulated that most
governments want to minimise the informal sector be-
cause it is difficult for governments to collect tax and
regulate the activities. He pointed out that the sector
brings evil in the society such as illegal dealings, crime
and prostitution thus fuelling black marketeering such
was the situation between 2003 and 2008 in Zimbabwe.
Contrary to this position Chiwara and Ndiaye (2005)
carried a research on Women in the Informal sector
cross border traders in Uganda, Kenya and Zimbabwe
and they found out that the informal traders make a sig-
nificant contribution to economic growth and that gov-
ernment revenues have cushioned the effects of finan-
cial crisis and food crisis in African countries.

Effects of Economic Structural Adjustment Pro-
gramme (ESAP)
Upon the introduction of Economic Structural Adjust-
ment Programme (ESAP), research on the effects of
ESAP states that 240000 workers were laid off by 1996.
Rogerson (1977) said it is vital also to explain the low
volumes of unemployment and the informal sector in the
1980s in terms of policy formulation put in place by the
Zimbabwe government. Significantly the scholar’s posi-
tion may clearly indicate how the government policies
have a responsibility in causing unemployment and vis a
vis triggering informal trade. Research reveals that the
increase of unemployment during 1984 to 1985 can be
explained in terms of the failure on the part of govern-
ment to pursue a clear economic policy, government’s
adoption of economic liberalization measures and prag-
matic socialism are cases in point, (MacGarry, 1994)

This situation has therefore created a dire need for sur-
vival against a backdrop loss of income, salaried jobs
and retrenchments and unstable economy, leading to
high levels of unemployment, poverty and the surge of
informal sector businesses. Tevera (2005) says instead of
delivering the economic benefits that it had promised,
ESAP was “a medicine which killed the patient”.

Under-capitalization Challenges
Sekete (2005) pointed out that the informal sector is
challenged mainly by the shortage of finance and general
government support. In a research by (1986) says, many
informal traders start a business without sufficient cash
to carry them through the initial period of a year or more
when sales are low and expenses are high.

Infrastructure Challenges
Hermann (2005) underscores that governments are reluc-
ant to construct infrastructure specifically for the infor-
mal sector because the returns of the sector are minute.
In the case of this study area there are structures made by
the local authorities, but they might be inadequate.

Managerial Skills Challenges
A research by Zimmerer and Scarborough (1998:23)
underscores that ‘in most cases, management, in-
experience or poor decision making is the chief problem
of the failing enterprise.” This seems to say that there are
combinations of factors that help to improve the informal
trader’s business. What kills businesses has usually less
to do with sufficient money, talent, or information than
with something more basic: a shortage of good judgment
and understanding at the top, (Zimmerer and Scar-
borough, 1998:9). So planning is integral for the success
of any business venture.

Government Legislation Challenges
If the informal traders do not follow the stipulated regu-
lations for registration with the city council their busi-
nesses will not kick off. It is a clear fact that the informal
traders may face huge challenges that affect their busi-
nesses. Government legislation is a formidable imped-
iment to the success of informal clothing traders. Robbins
and Coulter (2002), say that society’s laws and regula-
tions determine the “rules “of the game and what deci-
sions and actions are likely to meet with –success.

Statement Of The Problem
The empowerment of the people of Zimbabwe just like
any developing nation has been one of the greatest issues
on top of the government’s agenda. Informal sector
businesses form strong foundation for future economic
development. Against this opinion informal clothing
businesses in Gweru CBD find it difficulty to make fea-
sible transition growth to formal establishments. This
study was therefore imperative in helping to establish
growth challenges that affect the entrepreneurs. Harper
(1984), postulates that one of the most viable sectors
perceived by many as significant towards improving the
livelihoods of the poor majority is the informal sector,
especially since it can provide business opportunities to
the less skilled thereby bringing them income.

Research Objectives
a) To establish challenges faced by informal clothing
traders.
b) To come up with strategy-solutions to the challenges
being faced.

Research Methodology
The research adopted the qualitative interpretive ap-
proach. A case study design was employed in this study.
The qualitative approach was preferred because it allows
the researcher to gain understanding of this social phenomenon from participants’ perspectives in their natural settings, (McMillan and Schumacher, 2010). All the participants of this study were purposely selected and data were analysed thematically in line with qualitative research approaches. Data were collected through face to face interviews, open ended questionnaires and focus groups. The four officers one from SEDCO, the other from SMEs Ministry and two from City Council were individually interviewed and the responses were captured for further interpretation. Three focus groups of eight participants each were conducted and twelve participants answered the open ended questionnaires. This study had chosen to use various sources of data analysis so that diverse points and views cast light up on a topic. Thus qualitative researchers generally use this technique to ensure that an account is rich, robust, comprehensive and well-developed, (Denzin, 1978).

Findings And Discussions

The major objective of the study was to find out the challenges that contribute to slow growth of informal clothing trade in Gweru Central Business District. The challenges were discussed as follows.

Lack of Infrastructure

In this study it emerged that shortage of infrastructure affect clothing traders as they want to conduct their business daily. Hermann (2005) underscored that governments are reluctant to construct infrastructure specifically for the informal sector because the returns of the sector are minute. The study revealed that there was lack of support from the city fathers to come up with adequate selling bays. Many individuals echoed the following statements “Local authorities are challenges themselves. They can not make things work for us. All what they want is the levy they charge us daily. Most of the times our goods are just in the air, subject to intense heat, dust cold, and rain. We want more selling bays.”

Such issues were raised. Out of the forty participants interviewed 43% highlighted lack of infrastructure as the main problem that contributes to slow growth of clothing traders in Gweru. The City Council officials also confirmed this challenge and highlighted further problems by traders who do not conduct business to designated points. This seems to suggest that there is strong competition amongst traders for lucrative space to sell their wares in the CBD. The fact that there is inadequate selling points the city fathers have always given priority to traders who sell new clothes to occupy spaces in the heart of the CBD, those with second hand clothing occupy the CBD peripheral. The sites located away from CBD are not lucrative because the volumes of customers are in the CBD. Competition for space and customers has remained a bait to survive.

Competition challenges.

Competition was mentioned by some participants as a challenge contributing to slow growth of informal clothing trade in Gweru. The competition was brought about by selling similar clothes in the same bays and for similar prices. The study identified competition cutting across all levels of business. There were second hand clothes, versus new clothes in the designated bays and new clothes in the established shops most of them Chinese origin which are known for their give away prices. The following statements were advanced, “We are subject to stiff competition. It’s survival of the fittest. We rely on second hand clothes. Some competitors sell brand new clothes but at a fairer higher price. All these shouting guys depend on clothes from bails some are fairly new and some are not but the price will change from time to time up to just a dollar for a tee shirt. But my friend can you stand against cheap Chinese goods.” The city council officials concurred that competition was faced by these traders. Due to changing prices some traders come to scene and after two weeks they disappear, leaving the bays free to those who can still manage. The documents revealed that several of these traders change bays more often than not. The wave of competition especially from second hand clothes coded “Huya uhodhe” has attracted several customers and several complaints have been presented from those who sell new clothes. It is the reason why the second-hand traders are located out of the CBD. It would appear the pricing wars were very unfair to those who sell new clothes and worse still to established shops which are subject to high taxes. During the time of this study traders congregated in dense and over crowded CBD open air market, which always results in lowering prices unprofitably, loosing their goods to the effect of weather elements, gambling for customers, throat-cutting competition hence, living the little funds subjected to “hand to mouth mode of operation”. Although traders were generally affected this way, one trader said, “I do not have the dire need to grow formally because the informal sector is a better cash cow than the formal one and also there are high rental charges in the formal system, the boring-expensive registration processes and also shortage of renting premises are deterring challenges.”

Financial challenges

In this study it was found that lack of finance contribute to slow growth of informal business failures. Sekete (2005) pointed out that the informal sector is challenged mainly by the shortage of finance and general government support. Informal businesses are self-sponsored. The study revealed that financial sponsorship is vulnerable to the growth of informal clothing businesses. Financial backing is the bedrock of a sustainable black em-
powerment regime (Ray, 2000). The following statements illustrate the view points of these entrepreneurs.

“It’s hard for me to continue in business when I do not have adequate funds to go for orders. It is difficult to get finance from support institutions because they demand collateral security in order to get soft loans.”

“It’s difficulty for me to decide for the business when I do not have money to buy food for the family. We need money to buy materials, pay for bays, transport and buy at least a day’s lunch.”

There were several statements made by these clothing traders. Financial problems were a common challenge cited as contributing to slow growth of the informal clothing business. Out of the forty respondents 41% highlighted financial challenges as impacting negatively on growth of informal clothing business. The city council officials also concurred with these findings and highlighted that financial challenge financial discipline and misappropriation of funds leave these businesses vulnerable to closing down. Roc Connect Limited (2005:24) underscores that “Many small businesses fail because managers do not integrate accounting practices to a reasonable level in their businesses. By failing to do so, they suffer from the lack of financial control and consequently cash flow problems force the business to close.

Management and planning

Management and planning is very crucial for the success of informal businesses. In a research conducted by Liedholm, Macpherson and Chuta (1994) they obtained that large number of small enterprises fail because of non-financial reasons such as a lack of forecasting and planning skills, a lack of skilled human resources and poor management practices. Furthermore, a lack of managerial and entrepreneurial skills hampers the growth of SMEs in Zimbabwe (Nyoni, 2011). The study revealed that informal clothing businesses arefraught with poor planning and management of daily income. Most of the individuals interviewed confirmed that a trader may spend two days with cash less than five dollars and planning may be far fetched on how to spend this money. When asked why they could not consider planning the following views were said.

“What do I plan when sometimes I go home just with two dollars? Competition is one of our biggest enemies. Sometimes the money we get does not suffice so it’s just from “hand to mouth. But month ends are our “D” days, we defiantly make a killing.”

The city council officials confirmed problems associated with managing the funds in this business. Some would fail to pay for the bays if they had not made any sales. Getting into this type of a business seems as a last resort to curb poverty and unemployment. The study revealed that these sellers sometimes do not even document the cash received. It was clear from the study that the city council does not offer any other help besides levying the traders for the bays they use. Above all some of the informal traders were discovered to be inexperienced, novices and professed a lot of ignorance as a result of their poor educational qualifications. The Ministry of SMEs has a facility for loan that does not require any collateral security but some of the traders were not aware of it.

Government Legislation And Policy

In research by Jesselyn (2003) it emerged that “Informal traders in South Asia and Southeast Asia ranked the top obstacles to doing business as high tax and tax regulations, labour regulations and regulations for starting new businesses and operations.” The informal clothing traders have cited a number of such challenges they faced. When the participants were asked why they do not growth the following views were put forward.

“We are just ok with this business, why should we desire to grow into formal business. Large operations require a large injection of finance. The sizes of our businesses are not considered for financial loan. Besides that registration of a business in Zimbabwe is tedious and stressing. Operating informally is just good as we are not succumbed to high government taxes.”

Informal clothing traders operate their businesses on the basis of self sponsorship. So transition to formal sector brings with it legal processes which involve very long procedures and paper work and there are also licenses that cannot be obtained easily or cheaply. Besides, the informal businesses lack the influence or bargaining power enjoyed by big firms. Adisu (2006) observed that informal traders are therefore forced to resort to informal sources of credit such as money lenders (loan sharks) who charge them exorbitant interest rates that they cannot easily repay or cannot afford to repay at all. Thus one is compelled to say that operating cost substantially stifle growth of informal traders.

These findings concur with the research findings conducted in ILO. (2010) It asserted that business registration remains a challenge in Uganda and is the major reason people prefer the informal sector. Most participants to an informal survey responded that it was costly and tedious to register a business in Uganda. The process is also unnecessarily time consuming, and costly for those already financially burdened. In many countries, especially poor countries, a heavy burden of taxes, bribes, and bureaucratic hassles drives many producers into an informal sector” as cited in (Azuma and Grossman, 2002: 1)

High Operating Cost

About 19% of the participants lamented high ordering costs and low sales. Selling of the same type of goods by
a number of the informal traders result in the goods fetching lower prices irrespective of the high ordering costs. When the participants were asked on issues of growth they highlighted some of the following sentiments.

“Customs duty fees are high and regulation requirements for the number of goods imported are a hindrance. The traders felt that these costs deplete their earnings from their businesses.”

“Graduating into formal system is like graduating into problems and high operating costs. The city fathers are robbing us, mind you most of us are doing our business in the open air subject to all types of weather but we pay for any other day.”

“These goods do not just come into the country; we loose many dollars at border declaring these goods.”

Many such statements were made by the participants. The city council officials also highlighted the hassles encountered by the traders. The study revealed that the city council is failing the growth of informal businesses by their ineffective conduct to promote this form of business. “In many countries, especially poor countries, a heavy burden of taxes, bribes, and bureaucratic hassles drives many producers into an informal sector,” (Azuma and Grossman, 2002: 1). A participant from the Ministry of Small to Medium Enterprises (SMEs) vowed that the government is to blame on some of its policies. But on a different note the officer castigated the traders in his remarks. “These so called clothing traders are too sleepy. We have small loans here and we communicated that they should form up groups of six people and then come to qualify for the loan with different terms from the ones parcellled out by SEDCO but none shown up.” Most of the traders who were interviewed confirmed that they were not aware of the loan facility issued by the Ministry of SMEs. When asked why they could not do business for the past six months before consulting SMEs offices they professed ignorance of the loan facility. “I never heard of such a loan facility available at the Ministry of SMEs. There was barely nothing I could do other than getting time to reorganise my finances.” “What can you do against the Chinese products that have flooded the CBD and they charge market destroying prices?”

The council officers also have confirmed the poor communication from the Ministry of SMEs and SEDCO institutions. The study revealed that there was no deliberate effort by city fathers to assist the traders to get loan support from the above institutions.

**Conclusion**

a) Growth of informal clothing business was stalled by shortage of finance, capital, managerial skills, infrastructure, and lack of transparency on the issuing of loans. High rentals unconducive policies, lack of financial control, high import duties and high tariffs charged by City Council were other challenges faced by informal traders.

b) Informal clothing traders could not meet SEDCO’s demands of proof of ownership of assets pledged as collateral, proof of operating premises or lease agreement, balance sheet, Trading, Profit and Loss statements for the past three years as well as bank statements for the past three months and this was non existent.

**Recommendations**

Based on the findings of the study, the study comes up with the following recommendations:-

a) To realise feasible economic development small businesses need to be supported professionally through the afore-said support institutions, by exhibiting transparency in issuing of loans, avoid politics, training and monitoring and supervision to get effective feedback.

b) The government needs to try to minimise excessive regulations, bureaucracy and red tape in accessing loans and policies that maintain stable operating rules for informal businesses must be put in place.

c) The City Council needs to review tariffs downwards, since they indicated that their motive is to reduce poverty and assist in providing adequate infrastructures.

d) The government, the City Council, SEDCO and SMEs Ministry must work towards the provision of financial and non financial services. There is a need to provide training services to informal traders so that they have the necessary knowledge needed in running small businesses.

e) All informal traders need to be registered for easy regulation and monitoring of traders in order to produce financial statements to the authorities for the government to charge tax.

f) The responsible authorities must allocate decent selling points in which the traders’ wares are well protected from bad weather and pilferage.

g) This study recommends further research be conducted on the state of informal businesses in Zimbabwe to have an in depth insight of the problems stalling growth of this economy.

**References**


