



*Building up knowledge
to break down Poverty*

Scoping of small, micro and survivalist enterprises in Evaton Township

*Social Protection and Local Economic Development (LED): Designing a Graduation
Pilot Project*

September 2013

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Preface and Acknowledgements

The Studies in Poverty and Inequality Institute is an independent think tank that focuses on generating knowledge, information and analysis in the field of poverty and inequality studies.

The scoping of existing micro and survivalist enterprises in Evaton Township was undertaken as part of the “Social Protection and Local Economic Development (LED): Graduation Pilot Design” project. The objective of this project is to adapt the Bangladesh Rural Advancement Committee’s (BRAC) graduation model within the South African context. This scoping exercise forms a key part in the design of the pilot project as it sought to investigate the link between social protection and economic generating activities in the proposed pilot area, also in Evaton.

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This data from this scoping exercise was collected by Mpho Phungoyo, Makgauta Yase, Tokoloho Chabalala, Modeihle Lekepetsi and Andile Habe. This report was written by Brian Mathebula.

1. Introduction and contextual background

The following report forms part of the planning phase for the adaptation of the “graduation” concept by the Studies in Poverty and Inequality Institute (SPII). The graduation model focuses on carefully sequenced safety nets, livelihood strategies and access to finance. The concept has come to represent an innovative and direct approach for addressing extreme poverty. Through sequenced interventions, the Bangladesh Rural Advancement Committee’s (BRAC) model aims to create pathways for the poorest of the poor to move out of extreme poverty. Currently, there are over ten pilot programmes in different countries and contexts that are based on this model. Impact evaluation studies have been undertaken on the impact of the graduation model on programme participants.¹

SPII is currently designing a pilot programme which builds on the achievements of the building blocks from the BRAC graduation model. The BRAC graduation model is built on the following: Firstly, targeting: BRAC purposely selects or identifies the poorest households, and excludes those that are better off, secondly, consumption support: this is meant to create a peace of mind for participants as they are selected into the program. Consumption support is provided through cash or directly as food to selected participants in the program, thirdly, savings: considered to be the core of the graduation model. Saving enables poor people to manage risk, build resilience, and reduce the likelihood of having to sell assets in the event of exogenous shocks to the economy. Fourthly, asset Transfer: an asset transfer is meant to assist programme participants to jump-start a sustainable economic activity, lastly, skills training and regular coaching: involves regular visits by program staff, and it is considered to be pivotal for the success of the programme. This is done through weekly visits to participating households.

However, Huda (2012) argues that there are signs that if participants of the ‘graduation’ programmes are not linked with the national social security system, it becomes difficult for participants to sustain the achievements or impacts post-graduation program. It is with this in mind that SPII aims to leverage lesson from other international pilot project. What strengthens the case to motivate for a graduation concept styled graduation project is that in the South Africa the programme would be building on an existing and international lauded government cash transfer system, with over 16 million recipients. In their book “Just Give Money to the Poor”, Barrientos and Hulme (2010) argue that direct government cash transfers provide a consistent and predictable source of income and have an excellent record of getting small sums of cash to those in need.²

¹ Work by CPS (2004), Karlan and Zinman, (2008), Hashemi and Montesuoiu, (2011) show that over a period of 18-24 months, the project is able to strengthen participant’s livelihood strategies and people are able to graduate over 24 months out of extreme poverty.

*The Social Protection and Local Economic Development: Graduation Pilot*³ Project is SPII's adaptation of the BRAC graduation model, and it aims to link social protection, in this instance, the Child Support Grant (CSG) and economic generating activities in the informal economy. In order to achieve this, the project aims to test the efficacy of tailored interventions such as Life Skills training, basic management skills training, financial literacy training, savings, mentoring and incubation and linking with existing state and private sector for micro and survivalist enterprises owners operating in the informal economy over a period a 24 month period. Through targeted sequenced interventions at an enterprise level, micro and survivalist enterprises in households that receive a CSG in Evaton, graduate after 24 months from their survivalist nature into resilient enterprises, and their incomes breach the means-tested CSG threshold.

This report covers interviews conducted with micro and survivalist enterprises in Evaton Township⁴, the site of the proposed graduation pilot project. This report represents the results of interviews with 346 micro and survivalist enterprises operating in the informal economy in Evaton Township. Questionnaires and interviews were used as a means of obtaining data, and focused on asking people rather than observing. Critical to the questionnaires and interviews was to establish the linkages between social grants recipients and economic generating activities. This research is a scoping exercise for the design of the project and tailoring of interventions, and as result, not all individuals and enterprises that operate in the informal economy in Evaton were interviewed.

The following report will provide an analysis of the data gathered and more importantly, it will also highlight some of the challenges experienced by those who operate in the informal economy.

2. Methodology

Selected enterprise owners were selected on availability and willingness to participate in the interview. However, interviewees had to be the owner of a micro and survivalist enterprise operating in the informal economy⁵. A micro-enterprise, the turnover is less than the value added tax (VAT) registration (that is, R150 000 per year). These enterprises usually lack formality in terms of registration. They include, for example spaza shops, minibus taxis and household industries, and they employ no less than 5 people. A survivalist enterprises, the income generated is less than the minimum income standard or poverty line. This category is considered pre-entrepreneurial, and includes hawkers, vendors and subsistence farmers. In practice, survivalist enterprises are often categorised as part of micro-enterprise sector.⁶ According to the International Labour Organisation (ILO) (2002), the informal economy refers to "all economic activities by workers and economic units

³ For the full project design please go to www.spii.org.za

⁴ Evaton is peri-urban area located 60 kilometres south of Johannesburg, Gauteng Province.

⁵ The informal economy is sometimes referred to as the second economy. The second economy term is used to highlight the levels of marginalisation in comparison to the formal sector and support levels afforded.

⁶ See Barrientos and Hulme (2010)

that are in law or practice-not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that-although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs.”⁷

Due to the nature of the data that the scoping exercise on micro and survivalist enterprises wanted to for the proposed pilot project in Evaton Township, it was important to use surveys, through a questionnaire and interviews. Questionnaires were supported by interviews by researchers, as it allowed for the interviews to complement the questionnaire. Neuman (1994) points out that every data collection, including the survey, is only an approximation to knowledge. Each provides a different glimpse of reality, and all have limitation when used alone. In this scoping exercise, questionnaires and interviews were used to gather data. Questionnaires and interviews⁸ provide means of obtaining data by asking people rather than by observing how behave. As a shortened method of data collection, use of these instruments is a practical way to gather data.

3. Site Description

A contextual background of Evaton Township is provided using the Household Expenditure Survey (HES)⁹ that was undertaken with 142 households in the area. The Household Expenditure Survey was undertaken by the Studies in Poverty and Inequality Institute (SPII) in cooperation with Statistics South Africa between March 2011 and April 2012.

Evaton Township falls under Emfuleni local municipality which forms part of the greater Sedibeng District Municipality. Evaton Township is a peri-urban area, which is a term used to define a systematic process of urban growth that involves the movement of people towards the rural surroundings of cities. Peri-urban areas are characterised by landscapes that have both urban and rural social and economic activities. The total population of Evaton is 111,641, with approximately 33,299 households, with an average household size of 3.5. The Evaton area is made up of 7 suburbs, namely Beverly Hills (population of 1,902), Evaton Central (population of 55,442), Evaton Small Farms (population of 22,088), Evaton West (population of 5,189), Sebokeng Unit 3 (population of 6,559) and Sebokeng Unit 7 (population of 5,584).¹⁰

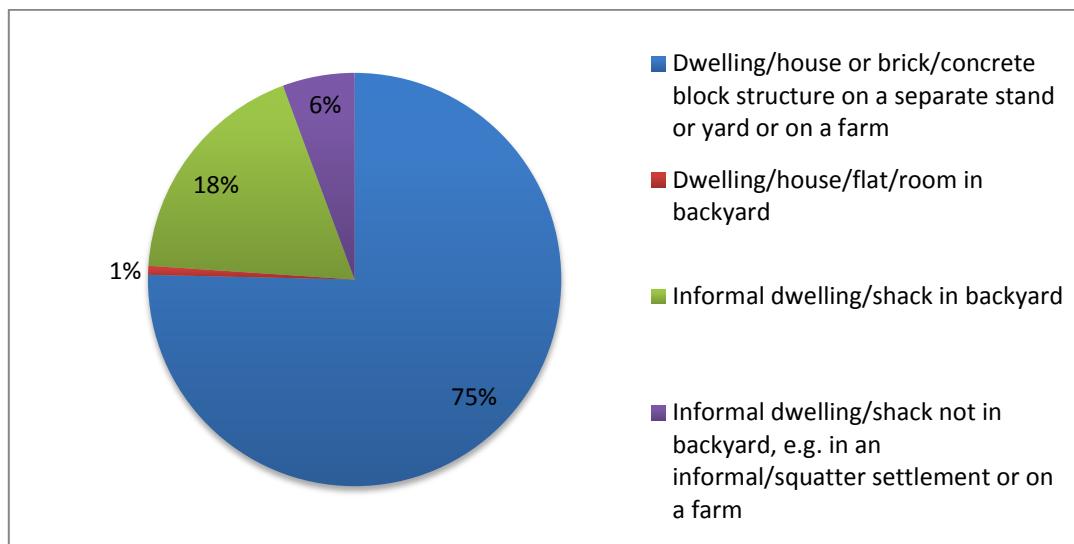
⁷ See International Labour Organisation (ILO) (2002)

⁸ There is one major difference between the questionnaire and the interview. While the questionnaire consists of a set of questions and the respondent answers on paper himself, the interview consists of an interviewer asking the questions and recording the responses.

⁹ 142 households were part of the Household Survey that looked at the coping mechanism and consumption patterns of these households. The Household Survey also included a food basket, which households filled in all the food and non-food items that households spent their money on.

¹⁰ Demacon, Evaton Local Economic Development Plan, 2009.

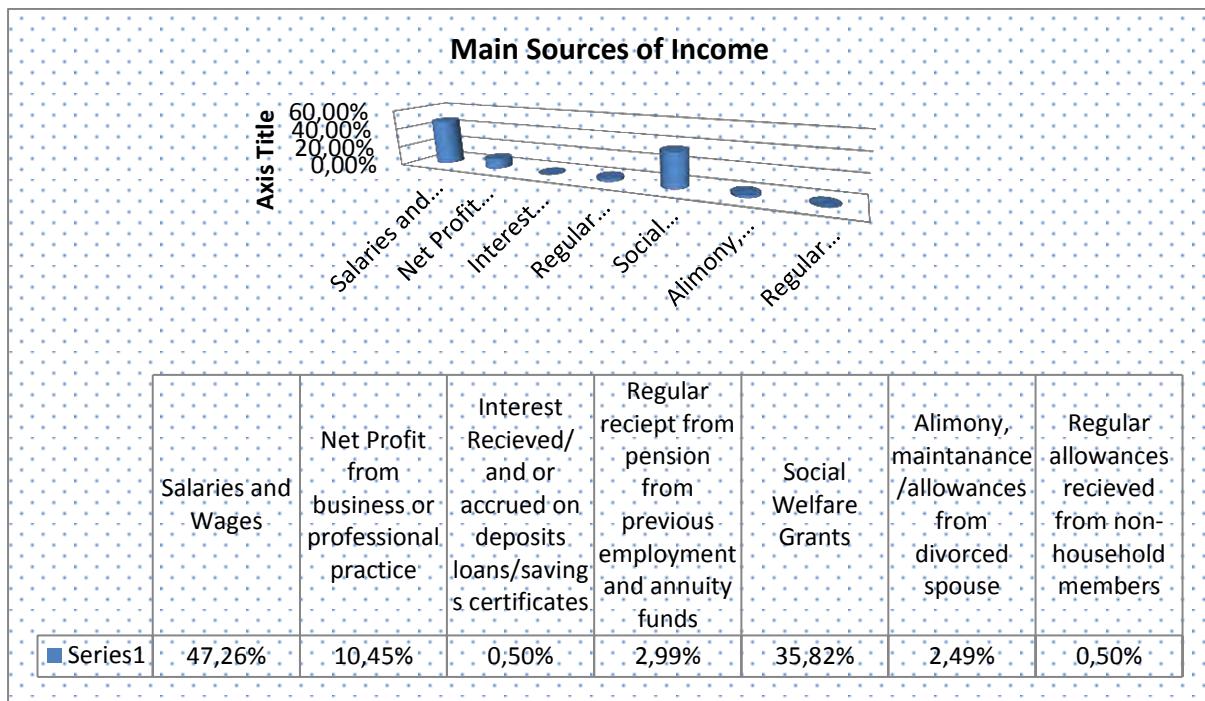
Figure 1: Type of dwelling



Source: SPII Household Expenditure Survey (HES) (2011-2012), Own analysis.

Figure 1 indicates the type of dwellings that make up Evaton. The figure also indicates that 75% of household have concrete structures on a separate stand/yard. Evaton is a growing township with new residents moving into low cost government provided houses or informal dwellings. A large part of the township is made up of residents who have settled in the area for a long time, thus have built their own houses or bank financed their homes.

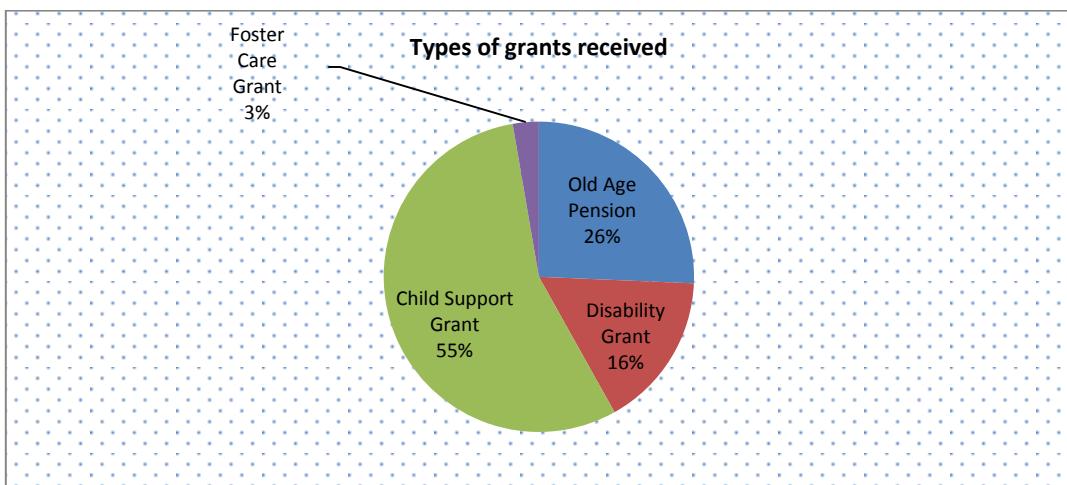
Figure 2: Main sources of income



Source: SPII Household Expenditure Survey (2011-2012), Own analysis

Figure 2 above provides information on the main sources of income within households. 47% of households are receiving the majority of income through salaries and wages. Whilst, 36% of households reported that social welfare, as in social grants was their main source of income. 10% reported that their main source of income was accrued through business or professional practice.

Figure 3: Types of Social grants¹¹ received



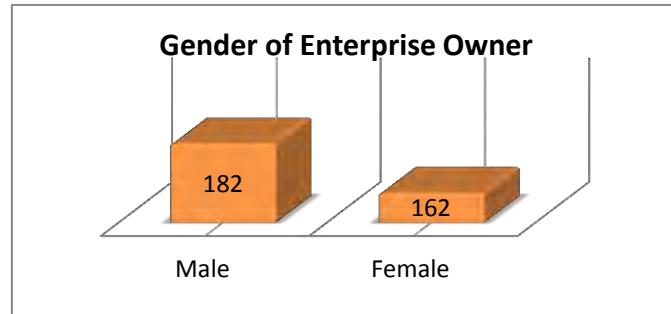
Source: SPII Household Expenditure Survey (2011-2012), own analysis.

The chart above provides information on the different types of social grants that are received by households who formed part of the survey. 55% indicated that they had someone within the household receiving a Child Support Grant (CSG), whilst 26% indicated that they had a recipient of the Old Age Grant (OAG), and 16% indicated to have a recipient of the Disability (DG). Lastly, 3% indicated to have a recipient of the Foster Care Grant within the household.

¹¹ Old age Grant (R1200=R20 if older than 75), Disability Grant (R1200), Child Support Grant (R280), Foster Care Grant (R770).

3. Findings

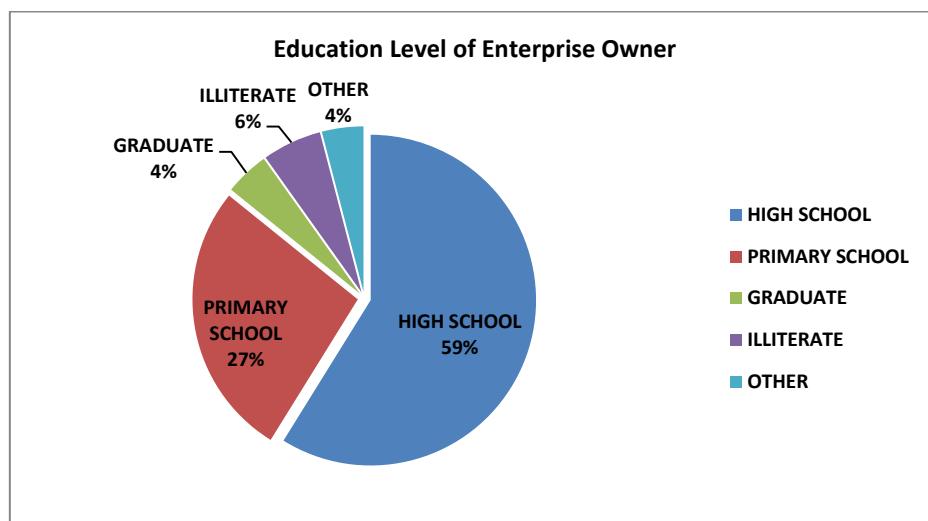
3.1 **Figure 5:** Gender



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

The above graph provides gender specific information of the interviewed enterprise owners. Out of a total of 344 enterprise owners, 182 (52%) were made up of males, whilst 162 (42%) were females. The graph shows that although there are more men, their number is not significantly higher.

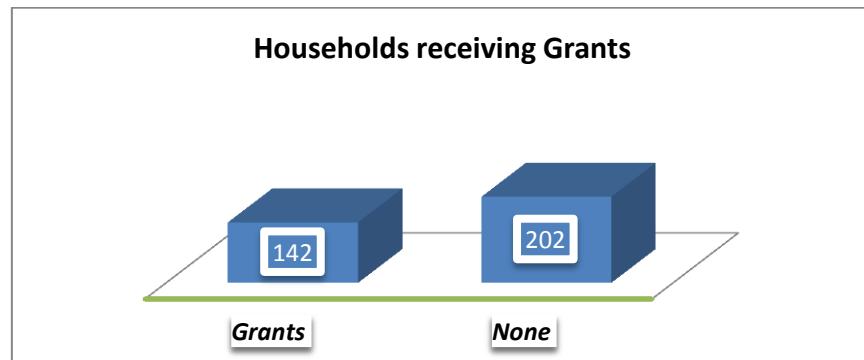
3.1 **Figure 6:** Education Level of Enterprise Owner



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

The chart above provides information on the highest levels of education attained by interviewed enterprise owners. Those who have attained high school qualification make up the largest numbers of people interviewed with 59%, followed by those who have completed primary school with 27%. Those who are illiterate made up 6% of the interviewed responses, whilst those are graduates or have higher learning qualifications made up 4%. Amongst the interviewed enterprises owners, 4% of them indicated that they had some form of qualification, such as attending a workshop, hair salon training etc. This chart provides brief background of the level of education, and it also shows the low levels of education for interviewed enterprise owners.

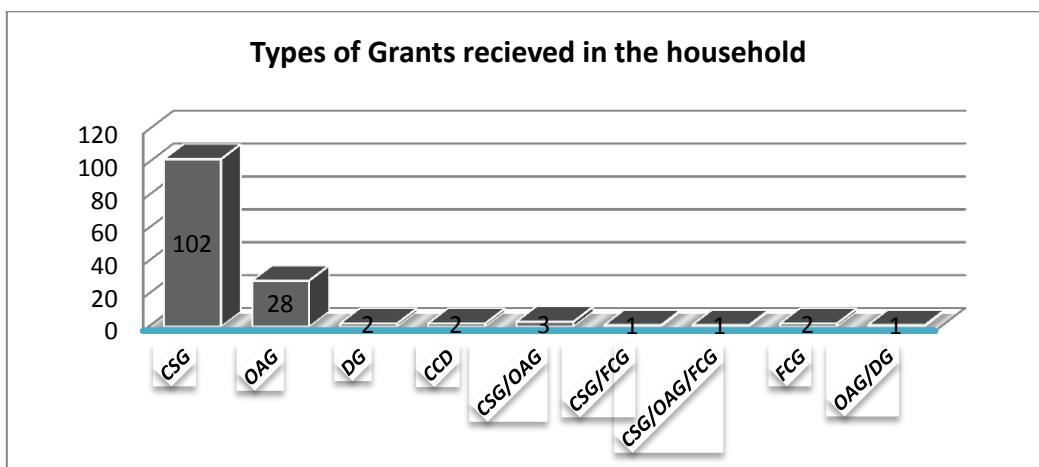
3.3 **Figure 7:** Households receiving grants



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

The above graph provides information on whether the interviewed enterprise owners were receiving a social grant or had someone within the household that was receiving any form of a social grant. Out of a total of 344, a total of 142 interviewed enterprise owners indicated that they were receiving a social grant or there was someone in their household receiving some form of a social grant.

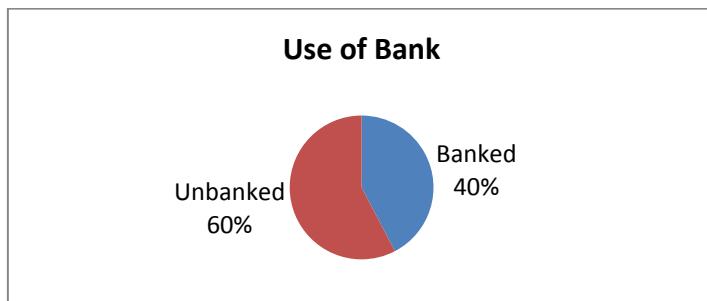
3.2.2 **Figure 8:** Types of grants received



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

The above graph provides information that builds on whether interviewed enterprise owners were receiving a social grant or they had someone in the household that was receiving a social grant. Out of a total of 142 interviewed enterprise owners who indicated that within the household, there had someone receiving some form of a social grant. A total of 100 interviewed enterprise owners indicated that they were receiving a Child Support Grant (CSG), over 20 indicated that they were receiving an Old Age Grant (OAG) and the remaining 20 social grants such as the Foster Care Grant (FCG), Disability Grant (DG), and some households received a combination of grants.

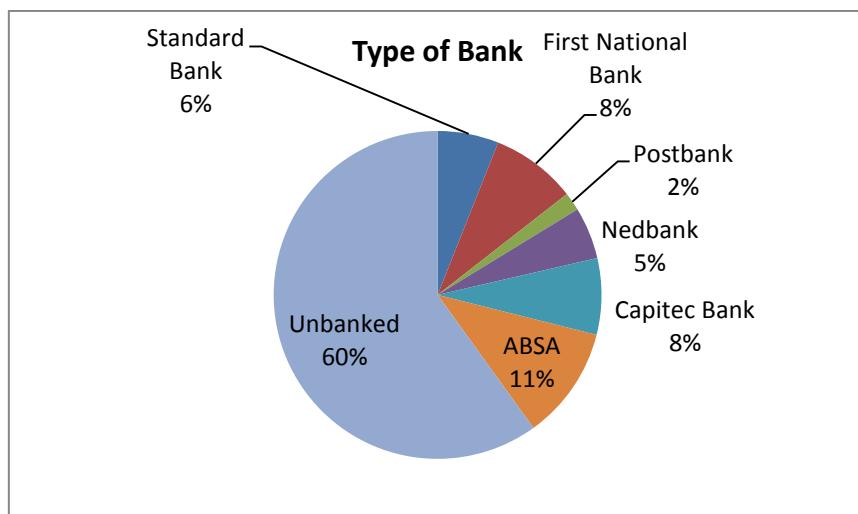
3.4. **Figure 9:** Use of formal financial services



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

The chart above provides information on the use of formal sector financial services and it is an indication of the levels of access to these services. Out of the 346 respondents, 58% indicated that they had no access to a bank account and 42% indicated that they had a bank account. In this chart, it is clear that large amount of interviewed enterprise owners were not part of the greater financial inclusion agenda for low-income households.

3.4.1 **Figure 10:** Type of Bank used

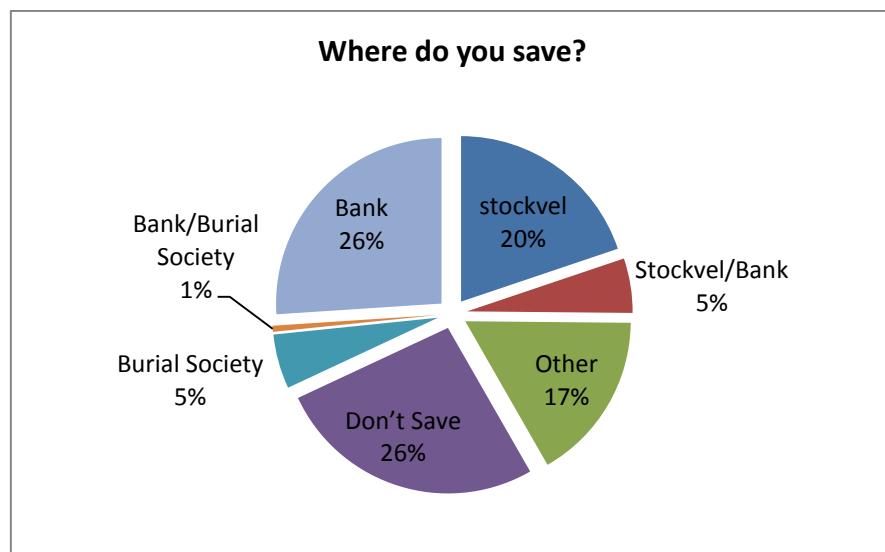


Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

The chart provides information on the use of banking services and the type of banks that interviewed enterprise owners used. 11% indicated that they used ABSA, whilst Capitec Bank and First National Bank (FNB) both had 8% of respondents indicating that they used this bank. Standard Bank had 6% and Nedbank with 5%. Postbank¹², which is state subsidised banking facility had 2%. Although studies indicate that Capitec in the last two years has been the cheapest in transaction fees, ABSA still enjoyed a larger share of usage. What is also interesting is that Postbank, which offers no bank charges, and no interest, has the lowest share of usage.

¹² Postbank is government subsidised banking facility and operates out of national post offices.

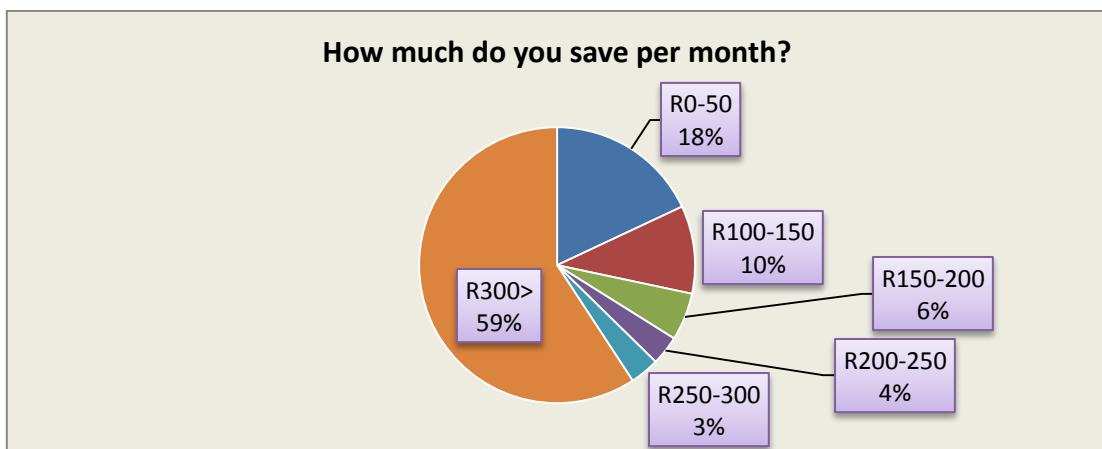
3.5. **Figure 11:** Where do you save?



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

The chart above provides information with regards to savings, and also, where they prefer to save their money. Those who do not save and those save using a bank a preferred mechanism for saving were both at 26%. The Stockvel made up 20% of the preferred place to save money and 17% indicated that they preferred other methods such as saving in the house. 5% of interviewed enterprise owners indicated that they used both stockvel and bank to save their money, whilst another 5% indicated that they preferred to use a burial society to save their money. Only 1% used both bank and burial society to save their money.

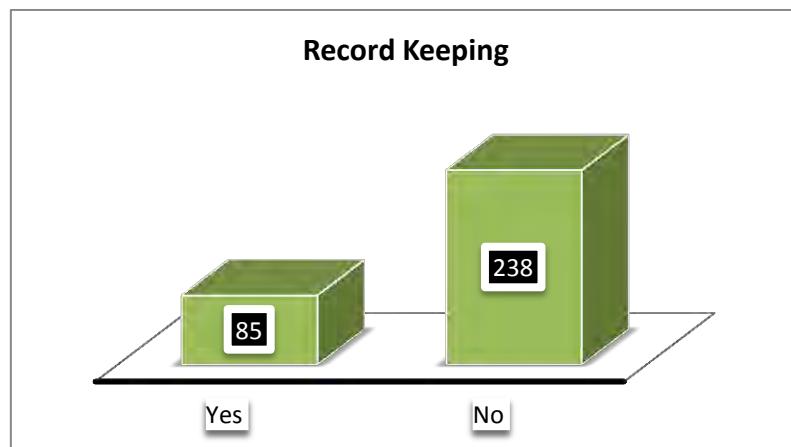
3.6. **Figure 12:** How much do you save per month?



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

Those who indicated that they do save; the chart above provides information on the maximum amount that they save a month. Over 59% of those who save indicated that they save above R300 per month. Those who save between R0-50 made up 18% of the total of those who reported to be saving on a monthly basis. 10% of those who save reported to be saving between R100-150 a month, whilst those who save between R150-R200 made up 6%. Lastly, those who save between R250-R300 made up 3% of those who reported to be saving on a monthly basis.

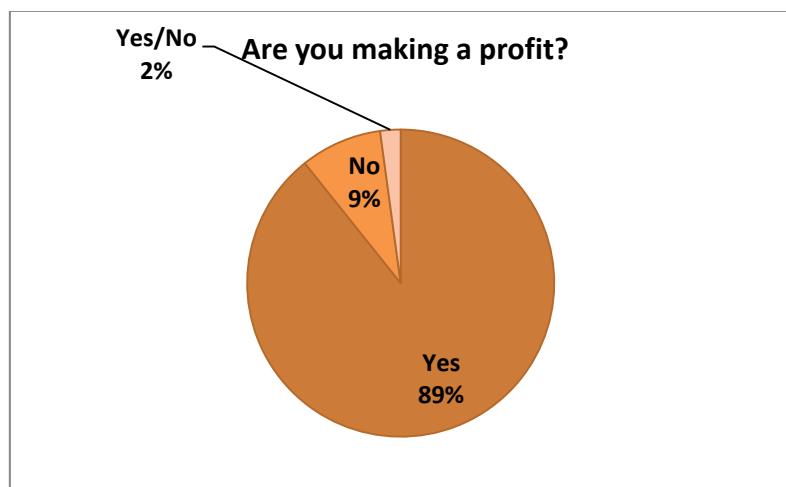
3.7. **Figure 13:** Record keeping



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

In the above graph, interviewed enterprise owners were asked whether they keep record of business transactions. Out of a total of 344, a total number of 85 indicated that they did not keep record of business transactions.

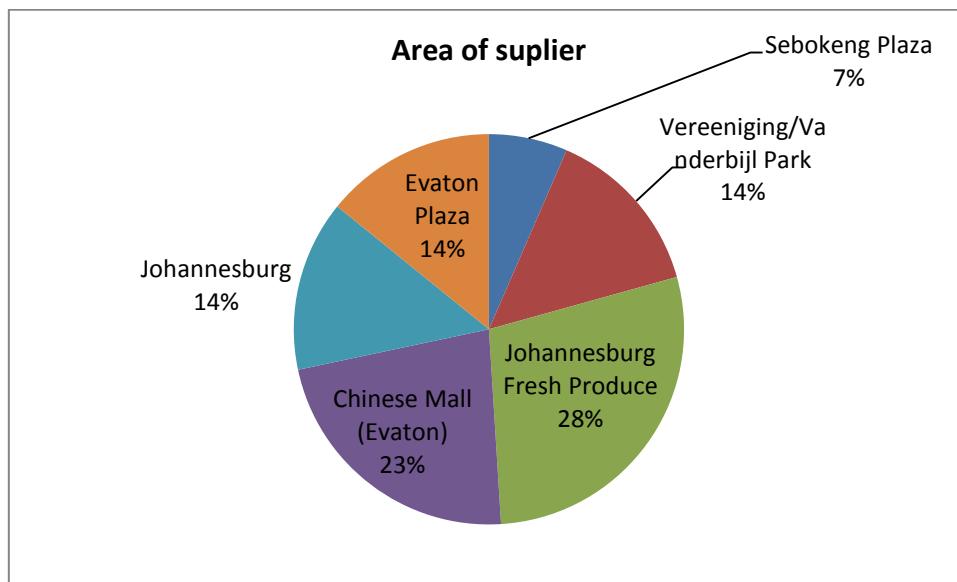
3.8 **Figure 14:** Profit making



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

The chart above provides enterprise specific information, it sought to establish whether enterprise owners thought their business were making a profit. Over 89% of enterprise owners indicated that their enterprise was making a profit. 9% of interviewed enterprise owners indicated that they were not making a profit, whilst 2% indicated stated yes and no. This was to highlight that some of the days they did and some of the days they didn't.

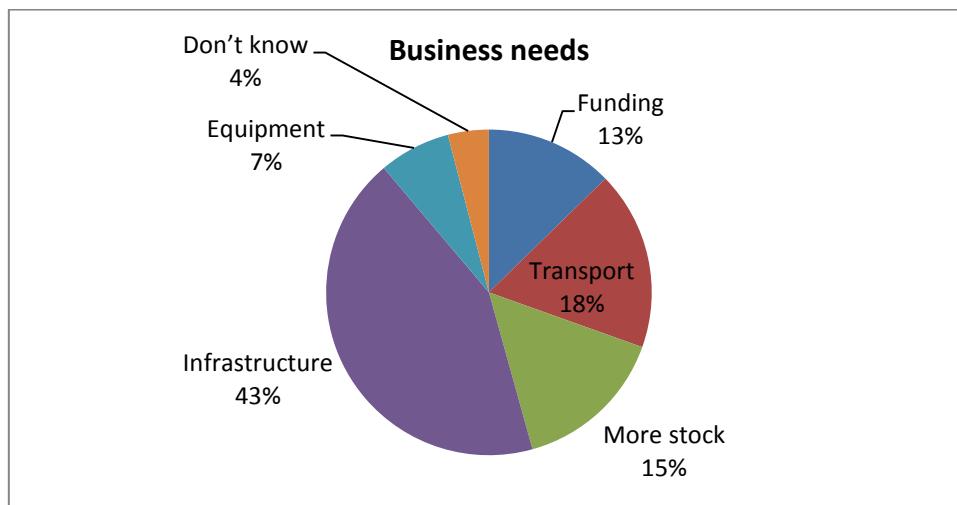
3.9. **Figure 15:** Area of supplier



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

In the graph above, enterprise indicate the area that they buy their supplier/stock. Evaton is located 60 km south of South Africa's main economic hub, Johannesburg. Over 28% indicated that they procure their suppliers from the Johannesburg Fresh Produce (JFP). This applies to those who use and sell fruits and vegetables. However, 23% indicated that they procured from the newly built Chinese Mall in Evaton, whilst 14% indicated that they use the Evaton Plaza to procure business supplies. Lastly, 14% indicated that they procure their supplies in Vereeniging and Vanderbijl Park, which is local Central Business District (CBD), and it is 25 minutes away on public transport. Evaton Plaza (14%), Sebokeng Plaza (7%), Chinese Mall (23%) are located within Evaton, and in most instances its one taxi ride or a walk away from the suppliers.

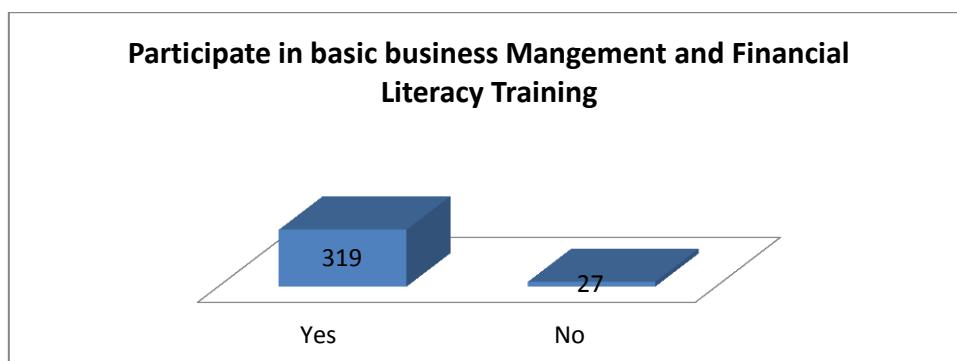
3.10 **Figure 16:** Business needs



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

In the questionnaire, enterprise owners were asked to identify what they deem the most important needs of the business. The chart above provides information of what enterprise owners see as the most important and immediate need for the business. 43% identified poor infrastructure as inhibiting their business growth, and 18% view transport costs as a major challenge to business growth. 15% of enterprise owners deem lack of sufficient stock as a major constraint to the business and important aspect why the business was not growing. 13% identify the lack of funding, as in financial assistance or ability to access credit as a key constraint to their business growth, whilst 7% identified lack of business specific equipment as one of the key business issues that need to be addressed. Lastly, 4% could not point out a business need, and in most instances, they stated that they may be undertaking the wrong business.

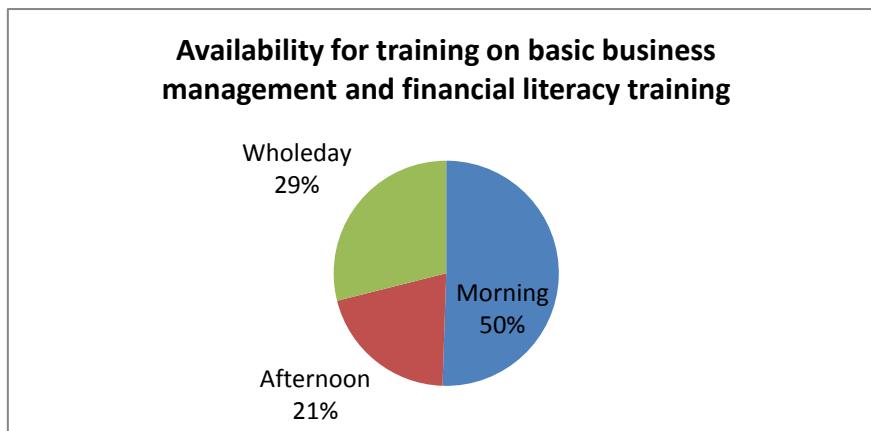
3.11. **Figure 17:** Participate in basic business management and financial literacy training



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

Due to the nature of their informal activity, and the challenges that arise with operating informally, the graph above provides information about enterprise owner's willingness to participate in a capacity building programme, which includes basic business and financial literacy training. Out of 344 interviewed enterprises, 319 stated that they would be willing to participate in the basic business management skills and financial literacy training over a period of the programme.

3.12. **Figure 18:** Availability for training on basic business management and financial literacy training.



Source: SPII's of micro and survivalist enterprises in Evaton, (own analysis).

The chart above provides information on the availability, and time that interviewed enterprise owner's preferred time to attend a basic business management and financial literacy training workshop for a period of three days. Over 50% of those that indicated that they would be willing to attend the three day training on basic business management and financial literacy training in the morning. 29% indicated that they would be available the whole day. 21% indicated that they preferred to attend the trhee day training in the afternoon. The times indicated by enterprise owners are an indication of the nature of the work for those who operate in the informal economy. It is not uncommon for many people to be done by the afternoon, and this could include those who make fast foods at social grants pay points,

4. Discussion

Since its acclaimed discovery in the 1970's in Kenya, the informal economy/sector has had a significant amount of literature dedicated to understanding it. Chen *et al* (2001) argue that the work of Nobel Peace Prize winner, Arthur Lewis has largely influence the way the informal economy is viewed and addressed. The experience in 1960's in Japan and America largely supported this policy

premise.¹³ Despite this belief, in the developing world, the informal economy was not disappearing, rather it was growing. In most instances, the economy does seem to swell during times of recession and economic growth in all the regions of the world.¹⁴ This report does not seek to discuss the informal economy in its entirety. However, it does seek to highlight the key issues about the informal economy and more importantly, its extent and reach in the South African context.

In the 1970s, the International Labour Organisation (ILO), out of concern for the high levels of unemployment in developing countries, initiated a number of studies and fact-finding missions to a select group of countries. The results of these studies highlighted a number of important findings and conclusions about the informal economy. Significantly, it was observed that the informal economy was: firstly, not marginal or peripheral- in fact that is inextricably linked to the formal economy, secondly, not unproductive but rather that is constituted by profitable and efficient enterprises, thirdly, not un-innovative and thus provided competition to the established and formal enterprises. Fourthly, the informal economy is very diverse and cuts across many sectors of the economy including the highly regulated sectors such as financial services, education, and health and information communication technology. Lastly, it encompasses entities operating both small and large business as well as self-employed and paid employees.

In the South African context, the informal economy continues to be peripheral to first economy. There were efforts to engage with the concept of the informal economy in South Africa, especially after the speech by Thabo Mbeki (2003), where he stated that South Africa has a dual economy, first and second economies. Phillips (2003) argues that the Presidency Commissioned Review of targeted support for the second economy did not thoroughly engage with the concept of Second economy. Instead, the emphasis was placed on the use of the term, and on highlighting challenges of poverty and economic marginalisation, compared to focusing on the development of individuals and enterprises that operate in this sector.¹⁵ There is a need for a thorough analysis of the role of the informal economy and the terms of incorporation, especially as an economic generating opportunity for the poor and marginalised. Compared to its counterparts in the developing world, the informal economy in South Africa is largely underdeveloped and smaller, despite the high levels of poverty and unemployment.¹⁶ Countries such as Ghana, India and Kenya, the informal economy are seen as an avenue for job creation and poverty alleviation. The informal sector in Sub-Saharan Africa is responsible for nearly 55% of GDP and 77% of non-agricultural employment.¹⁷

South Africa's regulatory environment and policy context under apartheid increased the barriers to economic participation and overlooked whole categories of the informal economy. This resulted in a missing regulatory environment, which has proved to be to informal sector operators. The policy regime under the apartheid government made most formal economic participation for black people in urban areas illegal.¹⁸ Under the incumbent administration, the informal economy remains peripheral to the formal economy. This highlights the need for a thorough analysis of the role of the

¹³ It was assumed that the manufacturing/industrial sector would grow and expand tremendously and the industrial sector would absorb the vast and readily available supply of labour in the developing countries.

¹⁴ See City of Johannesburg (2011).

¹⁵ See Phillips, K (2011).

¹⁶ The apartheid policy which did not allow black people to establish and run business in urban areas has been highlighted as part of the reasons why the levels of entrepreneurship have been low amongst the black majority in So6uth Africa.

¹⁷ See ILO (2002)

¹⁸ See SERI, 2011.

informal economy and the terms for incorporation, especially as an economic generating opportunity for the poor and marginalised.

The scoping exercise was meant to establish whether there was a link between social grant recipient households and economic generating activities in the informal economy. 344 enterprises owners were interviewed and the sample size was sufficient to be able to draw conclusion for designing interventions for SPI's proposed *Social Protection and Local economic Development: Graduation Pilot Project*. Key issues that emerged from the survey include the following:

4.1 Use of Bank

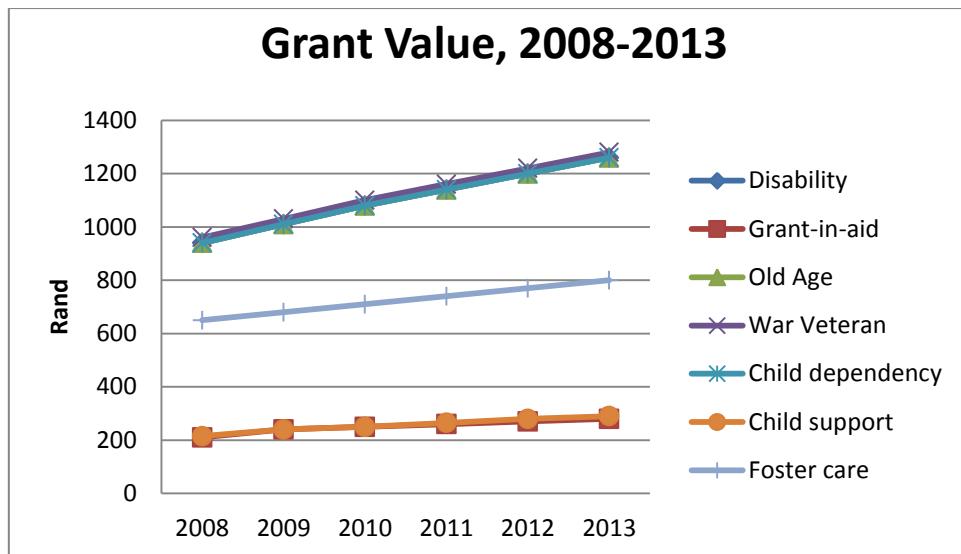
Historically, the finance sector did not cater to previously disadvantaged groups. This point was stressed by Pravin Gordhan in his 2011 Budget Speech that there is a need to "transform the financial sector' in South Africa". The results from the scoping exercise also indicate that 60% of enterprise owners did not have a bank account and thus did not have access to formal savings mechanism. Due to the new system introduced by the South African Social Security Agency (SASSA), the custodians of the social security system in South Africa. All social grants recipients had to register or reregister so that they could access their money through a new electronic system. A 2011 country report by CGAP was critical of this move as they point out that there was no indication from the interviews that there a clear coordination between departments with regards to greater inclusion to social grants.¹⁹ In their analysis, CGAP (2011) note that SASSA had the objective to migrate recipients from cash payments to electronic payments, this move was motivated by the need to reduce the cost of delivering this service than pushing the financial inclusion agenda.²⁰

4.2. Social grants received

The results are indication that in the absence of employment in the formal sector, many people are carving a living in the informal economy. This focus on this research was establishing whether there was linkage between economic generating activities and social grants. The results show that there is a clear linkage that exists. These direct means-tested cash transfers provided by government to over 16 million people, forms one pillar of state's social security system. Social security is divided into two pillars, namely social grant system and the contributory social insurance. The Old Age Grant (OAG), War Veterans Grant (WVG), Disability Grant (DG), Grant-in-Grant (GIG), Foster Child Care Grant (FSG) and Child Support Grant (CSG) make up the different social grants.

¹⁹ The report covers interviews with three government agencies (Department of Social Development, South African Social Security Agency, National Treasury, Standard Bank, ALL PAY and 10 focus groups.

²⁰ See CGAP, (2011).



Source: National Treasury, 2008-2013

Out of the 346 interviewed enterprises 142 indicated that in the household they had someone receiving a social grant. Out of the 142 who indicated that they had someone in the household receiving a social grant, 100 indicated that they were receiving a CSG. In 2013, the CSG was valued at R290 per month per child under the age of 18²¹, and it is the lowest in monetary value. Due to South Africa's means-tested social grant system, in order to qualify for the CSG, the guardian of the child has to earn R34 000 if single, and R78 000 if married annually. Advocates of increasing the amount have often noted that there is a need to increase the value of the grants, as the means-test is a clear indication of economic vulnerability.

4.3. Levels of savings and mechanism for saving

According to the National Treasury, South African households are struggling to save. The gross household savings rate as % of Gross Domestic Product was 1.7% in 2012, and net household savings rate as % of GDP was 0%, also in 2012. One of the reasons stated was that there was a lack of information at people's disposal. The National Treasury also highlighted the following as amongst the reasons why South African households experienced low levels of saving: high unemployment, easy access to credit, low financial literacy, high level of indebtedness, returns of traditional savings products are low, and short-termism; most people focus on short term consumption. As a result, government is considering a number of reforms and initiatives to support and encourage household savings, which will include financial inclusion, consumer protection, financial literacy, retirement funds and universal social Old Age Gran without the means-test.²²

²¹ Over 11 million people were receiving the CSG in 2013

²² Makhubela, O. 2013. Household Savings: A policy challenge and perspective from government. A presentation made to the National Economic and Labour Council (NEDLAC).

The survey also collaborated with the findings by the National Treasury, and 60% of interviewed enterprise owners did not have a formal bank account. More importantly, due to the low levels of education amongst interviewed enterprise owners, this also stressed the need for the proposed intervention by government for greater financial literacy programs that are tailored for those with low levels of education. However, the results also show that many people prefer to use Stockvels and Burial Societies as a mechanism for savings. This also highlights the need for further research that will enable better understanding of the role of Stockvels and Burial Societies as a cheaper and easily accessible mechanism for saving for low income households.

4.4 Profit making

The profit making aspect of the interview needed to be dealt with care and needed good interview skills to be able to unpack the different ways that interviewees view their businesses in relation to profit making. A high number of interviewed enterprise owners did not keep record of business transaction and as result, this section relied on qualitative data to establish how the enterprise sees as profit and what keeps him coming back every day to do the same thing. Interviewed enterprise owners indicated that their ability to buy more stock, provide food for the households, send children to school and the fact that they have been undertaking this activity for a number of years is an indication that they were making a profit.

4.6. Challenges experienced by enterprise owners

At a national level, there is no policy framework that seeks to promote the growth and sustainability of people and businesses that operate in the informal economy. The City of Durban is the first South African city that has recognised the need to develop the informal economy.²³ Lack of infrastructure, lack of access to financial services, business development and lack of access to training were identified as key constraints to their business growth by enterprise owners.

5. Conclusion

The research shows that the poor have a potential for entrepreneurship that needs to be harnessed and strengthened. The 2012 National Development Plan also recognises that there is a need to strengthen people livelihood strategies. Despite this policy premise by the National Planning Commission (NPC), there is still that lack of formal recognition in the South African context to address the issue of the informal economy and its potential as job creating avenue. The current

²³ The City of Durban's Informal Economy Policy has been lauded as been progressive in its approach to towards those who operate in the informal economy in the City of Durban.

approach in the South African context seems to ignore those who operate in the informal economy, and a result, there is always a mismatch between what the sector needs in terms of interventions. There is a greater emphasis on formalising the informal sector, rather than placing emphasis on the human development of those who operate in the informal economy. Just the same as the formal sector invests in the wellness and productivity of its employees, there is a need to relook at this with regard to the informal sector if we are to address the high levels of unemployment, poverty and inequality in South Africa. However, this will remain a fleeting illusion to be pursued in South Africa if we still believe that the formal sector will create enough jobs to absorb the large numbers of low-skilled, badly educated poor black people into the labour force.

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