

**EXAMINATION OF THE CHALLENGES OF MICRO, SMALL AND MEDIUM  
ENTERPRISES (MSMEs): INSIGHTS FROM MARKET VENDING BUSINESS IN  
MALAWI**

**MASTER OF BUSINESS ADMINISTRATION (MBA) THESIS**

**CAROL CHOMANIKA KHUNGA**

**UNIVERSITY OF MALAWI**

**THE POLYTECHNIC**

**January, 2018**

**EXAMINATION OF THE CHALLENGES OF MICRO, SMALL AND MEDIUM  
ENTERPRISES (MSMEs): INSIGHTS FROM MARKET VENDING BUSINESS IN  
MALAWI**

**Master of Business Administration Thesis**

**By**

**CAROL CHOMANIKA KHUNGA**

**Bachelor of Education Humanities – University of Malawi**

**Submitted to the Department of Business Administration, Faculty of Commerce, in partial  
fulfilment of the requirements for the degree of Master of Business Administration**

**University of Malawi**

**The Polytechnic**

**January, 2018**

## DECLARATION

I, declare that this research report is my own unaided work. It is being submitted in partial fulfillment of the requirements for the award of the degree of MBA in the University of Malawi and it has not been submitted before for any degree or examination in any other university.

Name of Candidate: Carol C. Khunga

Signature :

Date : 15th January, 2018

## CERTIFICATE OF APPROVAL

We, the undersigned, certify that we have read and hereby recommend for acceptance by the University of Malawi a thesis entitled '*Examination of the Challenges of Micro, Small and Medium Enterprises (MSMEs): Insights from Market Vending Business in Malawi*'.

Dean - Postgraduate : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

Main Supervisor : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

Co- Supervisor : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

Head of Department : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

## **DEDICATION**

I dedicate this dissertation to my Darling husband Chris Khunga and my children Wongani, Wangisa and Welani ( Khunga boys), for the love and support given to me during my studies.

## **ACKNOWLEDGEMENTS**

Firstly, I thank the Almighty God for giving me courage and wisdom throughout this dissertation.

I would like to express my gratitude and thanks to my supervisors Associate Professor Rhoda Bakuwa and Dr J.M. Buliani for their unreserved evaluation, comments and guidance in the writing of this dissertation. My gratitude also goes to Kelvin B. Chomanika (statistian), who assisted me to analyze the data using Statistical Package for Social Sciences (SPSS) software.

I would also like to express my profound and gracious thanks to my husband Chris Khunga and my children Wongani, Wangisa and Welani ( Khunga boys), for their love and great support during my studies.

Finally, my special thanks to the research assistants and to the chairperson of Blantyre flea market and all the participants in this study.

## **ABSTRACT**

Market Vending Business (MVB) is an important source of income to many people. MVB helps in poverty reduction by providing employment, income, and relatively cheap products. In Malawi, MVB plays a greater role on income - poverty reduction. However, many studies have found that MVB is experiencing numerous challenges. The challenges of MVB are rampant and they are affecting the development of many countries.

Despite finding the challenges, there is a knowledge gap that needs to be filled up. According to Dick (2000), cited in Mutambi (2008), many studies have mostly indulged the policy makers to come up with the solutions to the challenges of MSMEs. Participatory approach has not been used in finding out the challenges and solutions to the challenges. According to Creswell (2003), Participatory approach involves the participants in a research. The vendors themselves have not been fully indulged in coming up with the solutions to their challenges. The challenges of MVB can be well understood by the vendors themselves. The policy makers can just help in implementing the solutions. It is against this background that the study aimed at finding the solutions to the challenges of MVB using a participatory approach.

The objectives of the study were to: identify the dominant challenges of MVB, establish why MVB continue to increase despite the challenges, and find out the possible solutions to the challenges of MVB in Malawi. The study was quantitative and adopted the Structuralist theory because it best suits the nature of MVB in Malawi. The study used questionnaire and interviews to collect primary data. The study also used published journals, books, articles, dissertations, and magazines to collect secondary data. Convenience sampling technique was used and the actual participants were 300. Descriptive statistics was used to analyze the data.

The study findings have shown that the dominant challenges faced by market vendors in Malawi are; lack of capital, lack of legal protection, lack of business skills, and lack of stable security. MVB is still in operation despite the challenges because it is a source of income and source of informal employment. To mitigate the challenges, the study found that there is need for ‘soft loans’, legal protection, business skills, and stable security.

## TABLE OF CONTENTS

	Page
<b>COVER PAGE</b> .....	
<b>TITLE PAGE</b> .....	
<b>DECLARATION</b> .....	ii
<b>CERTIFICATE OF APPROVAL</b> .....	iii
<b>DEDICATION</b> .....	iv
<b>ACKNOWLEDGEMENTS</b> .....	v
<b>ABSTRACT</b> .....	vi
<b>TABLE OF CONTENTS</b> .....	vii
<b>LIST OF FIGURES</b> .....	xii
<b>LIST OF TABLES</b> .....	xiii
<b>LIST OF ABBREVIATIONS AND ACRONYMS</b> .....	xiv
<b>APPENDICES</b> .....	xvi
<b>CHAPTER ONE:</b>	
1.0. INTRODUCTION.....	1
1.1. BACKGROUND AND RATIONALE.....	1
1.2. BRIEF PROFILE OF MARKET VENDING IN MALAWI.....	4
1.3. STATEMENT OF THE PROBLEM.....	5
1.4. OBJECTIVES OF THE STUDY.....	6
1.4.1. General objective.....	6



1.4.2. Specific objectives.....	6
1.4.3. Research questions.....	6
1.5. RATIONALE AND CONTRIBUTION OF THE STUDY.....	6
1.6. LAYOUT OF THE RESEARCH REPORT.....	7
1.7. CHAPTER SUMMARY.....	7
<b>CHAPTER TWO:</b>	
<b>LITERATURE REVIEW</b>	
2.0. INTRODUCTION.....	8
2.1. REVIEW OF THE STUDIED CONCEPTS.....	8
2.2. CHALLENGES OF MARKET VENDING IN DIFFERENT COUNTRIES.....	9
2.3. CHALLENGES OF MARKET VENDING IN MALAWI.....	10
2.3.1. Lack of enough capital.....	10
2.3.2. Restrictive by laws and legislation.....	10
2.3.3. Unplanned policies on urban development.....	11
2.3.4. Low levels of business skills.....	11
2.3.5. Unstable security.....	11
2.3.6 Lack of legal protection.....	11
2.3.7.High market fees.....	12
2.3.8. Lack of enough market facilities.....	12
2.4. BENEFITS OF MARKET VENDING IN DIFFERENT COUNTRIES.....	12
2.5. BENEFITS OF MARKET VENDING BUSINESS IN MALAWI.....	13
2.5.1. Job creation .....	13

2.5.2. Source of income .....	14
2.6. POSSIBLE SOLUTIONS TO THE CHALLENGES OF MARKET VENDING IN DIFFERENT COUNTRIES.....	14
2.6.1. Market vendors policies.....	14
2.6.2. Market vendors associations.....	15
2.7. POSSIBLE SOLUTIONS TO THE CHALLENGES OF MARKET VENDING IN MALAWI .....	16
2.8. FEATURES OF MARKET VENDING BUSINESS.....	17
2.9. RESEARCH GAP.....	17
2.10. INFORMAL SECTOR THEORIES .....	18
2.10.1 Dualist theory.....	18
2.10.2. Structuralist theory.....	19
2.10.3. Legalist theory.....	20
2.11. CHAPTER SUMMARY.....	21
<b>CHAPTER THREE:</b>	
<b>RESEARCH METHODOLOGY</b>	
3. 0. INTRODUCTION.....	22
3.1. RESEARCH DESIGN.....	22
3.2. LOCATION OF THE STUDY AND TARGET POPULATION.....	22
3.3. SAMPLE SELECTION.....	23
3.4. DATA COLLECTION AND TOOLS.....	24
3.4.1. Pilot - test.....	25
3.5. DATA ANALYSIS METHODS.....	26
3.5.1. Unit of analysis.....	26

3.6. VALIDITY AND RELIABILITY.....	26
3.7. ETHICAL CONSIDERATIONS.....	27
3.8. LIMITATIONS OF THE STUDY.....	28
3.9. CHAPTER SUMMARY.....	28

**CHAPTER FOUR:**

**RESULTS AND DISCUSSION**

4.0. INTRODUCTION.....	29
4.1. CHARACTERISTICS OF STUDY RESPONDENTS.....	29
4.1.1 Sex of the market vendors.....	29
4.1.2. Age distribution of the market vendors.....	30
4.1.3. Marital status of the market vendors.....	31
4.1.4. Educational level of the market vendors.....	32
4.2. BUSINESS HISTORY AND OPERATION.....	33
4.2.1. Category of business operated.....	33
4.2.2. The year when the business started.....	34
4.2.3. The initial capital.....	35
4.3. DOMINANT CHALLENGES FACED BY MARKET VENDORS IN MALAWI.....	36
4.3.1. Lack of enough capital.....	36
4.3.2. Lack of legal protection.....	37
4.3.3. Low levels of business skills.....	38
4.3.4. Unstable security.....	38
4.4. REASONS WHY MARKET VENDORS OPERATE VENDING BUSINESS DESPITE	

THE CHALLENGES.....	39
4.4.1. Source of income.....	39
4.4.2. Source of employment.....	40
4.4.3. It is highly profitable.....	40
4.5. POSSIBLE SOLUTIONS FOR THE CHALLENGES FACING MARKET VENDING IN MALAWI.....	41
4.6. CHAPTER SUMMARY.....	42
 <b>CHAPTER FIVE:</b>	
 <b>CONCLUSION AND RECOMMENDATIONS</b>	
5.0. INTRODUCTION.....	43
5.1. SUMMARY OF THE STUDY FINDINGS.....	43
5.2. CONCLUSION.....	44
5.3. RECOMMENDATIONS.....	44
5.3.1. Provide the market vendors with access to financial services.....	44
5.3.2. Sensitize the market vendors on their legal rights.....	44
5.3.3. Provide needs assessment trainings.....	45
5.3.4. Build secure market structures .....	45
5.4. AREAS FOR FURTHER RESEARCH.....	45
5.5. CHAPTER SUMMARY.....	46
<b>6. REFERENCES.....</b>	<b>47</b>

## LIST OF FIGURES

	Page
Figure 4.1.1: Sex of the market vendors.....	29
Figure 4.1.2: Age distribution of the market vendors.....	30
Figure 4.1.3: Marital status of the market vendors.....	31
Figure 4.1.4: Education level of the market vendors.....	32
Figure 4.2.1: Category of business operated.....	33
Figure 4.2.2: The year when the business started.....	34
Figure 4.2.3: The initial capital.....	35

## LIST OF TABLES

	Page
Table 4.3: Dominant challenges faced by market vendors in Malawi.....	36
Table 4.4: Reasons why market vendors operate vending business despite the challenges.....	39
Table 4.5: Possible solutions for the challenges facing MVB in Malawi.....	41

## LIST OF ABBREVIATIONS AND ACRONYMS

BNL	Blantyre Newspapers Limited
CEDA	Citizen Entrepreneurial Development Agency
FAP	Financial Assistance Policy
GDP	Gross Domestic Product
ILO	International Labor Organisation
IMF	International Monetary Fund
LGA	Local Government Authority
MCF	Micro Credit Fund
MDGs	Millennium Development Goals
MGDS	Malawi Growth and Development Strategy
MITC	Malawi Investment and Trade Centre
MoIT	Ministry of Industry and Trade
MPRS	Malawi Poverty Reduction Strategy
MSMEs	Micro, Small and Medium Enterprises
MUFIS	Malawi Union for the Informal Sector
MVB	Market Vending Business
MYP	Malawi Young Pioneers
NASVI	National Association of Street Vendors in India
NGOs	Non - Governmental Organisations

NSO	National Statistics Office
PAP	Poverty Alleviation Program
PSDP	Private Sector Development Program
SPSS	Statistical Package for Social Sciences
VA	Vendors' Association



## APPENDICES

	Page
Appendix 1: Questionnaire.....	52

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 INTRODUCTION OF INTRODUCTION**

In this chapter, the general background information on the challenges of Micro, Small, and Medium Enterprises (MSMEs) is provided with an insight into Market Vending Business (MVB) in Malawi. A brief profile of MVB in Malawi, statement of the problem, objectives of the study, research questions, the rationale and contribution of the study, and the research limitations are also provided.

#### **1.1. BACKGROUND INFORMATION TO THE STUDY**

According to the World Bank (2015), poverty is severe in Malawi with over 90% of people living on less than US \$ 2 per day. Malawi is among the poorest countries in the world. In Malawi, there is severity of poverty and as in other developing countries, Malawi has been struggling to reduce poverty. Poverty reduction has been one of the primary targets of policy makers in many developing countries. In Malawi, one of the interventions has been the introduction and implementation of social and economic policies which address the issue of poverty both at national and individual levels (Okibo & Makanga, 2014).

Formal employment has been reduced due to a number of factors like globalization, privatization, and redundancies. According to Festo (2014), rural inhabitants have moved to urban areas partly because they perceive that urban areas have more employment opportunities and better facilities than rural areas. Unemployment, low productivity in agriculture and the need to migrate to the urban in search of employment has forced millions of the youth in developing countries to join the informal sector (Aryeetey 2009, as cited in Mramba, 2015). As a result of high poverty levels and lack of employment in the public and private sectors, many people are forced to join the informal sector to earn a living.

This paper will first highlight on the informal sector because within the informal sector, there is MSMEs. The term 'Informal sector' has many definitions. According to Cross (2009), as cited in

Kayuni and Tambulasi (2009), the informal sector is the production and exchange of legal goods and services that involves the lack of appropriate business permits, violation of zoning codes, failure to report tax liability, non-compliance with labor regulations governing contracts and conditions, and /or the lack of legal guarantees. Sibhat (2010), refers the informal sector to activities and income that are partially or fully outside government regulation and taxation. In less developed countries like Malawi, the term 'informal sector' has generally been associated with unregistered and unregulated small scale businesses that generate income and employment for the urban poor (Bernabe 2002, as cited in Ndhlovu 2011). The term 'informal sector' is sometimes used only to illegal activities. ("The informal sector can also be interpreted to include legal activities such as jobs that are performed in exchange for something other than money," 2010) MSMEs belong to the informal sector in the sense that they are unregulated and unrecorded in the official statistics (Mhone 1992, as cited in Madziakapita 2003).

There is no universal definition of MSMEs as its concepts change from country to country. According to Government of Malawi (2012), as cited in Zidana (2015), the dividing line that defines the nature of business that falls into Micro, Small, and Medium enterprises category is not universal but varies from economy to economy depending on prevailing circumstances. In Malawi, the definition of MSMEs is based on three criteria namely: the number of employees, the level of capital, and turnover. So many countries extend the definitions by including turnover thresholds. However, due to currency and inflammatory dynamics, it has been rendered unstable for comparisons over time (Government of Malawi, 2012, as cited in Zidana 2015). According to Kachiza (2000), due to inflation, the turnover and level of capital criteria have been rendered useless. Therefore, the definition of MSMEs is mostly based on the employment criteria. The draft of MSMEs policy for Malawi proposes the following categorization of MSMEs according to the number of employees: Micro enterprises (1 - 4 employees), Small enterprises (5 - 20 employees), and Medium enterprises (21 - 100 employees).

According to Whitby (2012), under the Banda era (1964 - 1994) a number of business support institutions were established to promote Malawian enterprises. Various donor led programs developed a sector approach to MSMEs promotion but since multi-party democracy in 1994, the new governments had their own ideas on what MSMEs should do. This caused confusion and their mandates and policies were developed with little consultation and in isolation of the private

sector. The Malawi government recognizes the importance of MSMEs in the economy, as clearly stated in the poverty alleviation program framework document (Kachiza, 2000). According to the World Bank (2003), as cited in Wube (2010), entrepreneurs in MSMEs are the engine of economic growth. According to Peterhof, Romeo and Calvay (2014) as cited in Zidana (2015), MSMEs account for 90% of all businesses globally and in addition, they generate 60% of employment worldwide. However, the (2012) MSME survey established that 59% of MSMEs were excluded from financial services as opposed to 31% that were formally served by some sort of financial system. (Ministry of Trade and Industry, 2012).

According to Lyons and Msoka, (2010), as cited in Mramba (2015), vending is defined as all non - criminal, commercial activity dependent on access to public space, including market trade, trade from fixed locations, and hawking (mobile vending). In Malawi, the city councils have regulated vending business by licensing vendors and by limiting geographically where vending is allowed. According to Jongh (2015), the city councils have made efforts to match certain areas as appropriate to vendors, but other areas as inappropriate. The Malawi Licensing Act (19) states that “every person doing business in Malawi should possess business licence.” Business licence are the permits that are issued by the government to allow individuals or companies to conduct business within the government’s geographical jurisdiction. In Malawi, there are two types of Vending businesses, the legal vending and illegal vending (Jongh, 2015). Illegal vendors are those unlicensed. They risk being arrested and paying a fine to the city council. Examples of these are mostly the street vendors who carry a few items with them, such as groundnuts, fruits and vegetables, second - hand clothes or shoes. The legal (licensed) vendors pay a fee to the city council in order to be allowed to conduct their business. The majority, 59% of the MSMEs are micro enterprises with 1 to 4 employees (Malawi Investment and Trade Centre, cited in Daily Times, 2016). MVB falls into the Micro enterprises. MVB is an example of MSMEs that dominates the Malawian economy. The activities of MVB include employment and income generation. In this study, the concepts of Informal sector, MSMEs, and MVB are related in the sense that they are mostly unregulated and unrecorded in the official statistics. Therefore, in this study these concepts will be used interchangeably. This study concentrated on the vendors from Blantyre flea market who are regarded as legal by the city council. The study concentrated on Blantyre market vendors only because of financial limitation and time limitation to cover the other markets.

Despite the role of MVB on pro - poor economies, market vendors are challenged by limited access to capital, unstable security, unplanned policies on urban development, and low level of business skills (Falla 2013, as cited in Mramba, 2015). According to Dick (2000), as cited in Mutambi (2008), many studies have mostly indulged the policy makers to come up with the solutions. There is no participatory approach. Market vendors are left out in coming up with solutions to the problems affecting them. It is against this background that the study aimed at finding the solutions to the challenges of MVB using a participatory approach. Therefore, this research examined the challenges of MSMEs with an insight from MVB in Malawi. The study found out the dominant challenges and their solutions using a participatory approach. The concepts under study were MVB and the challenges of MSMEs.

## **1.2. A BRIEF PROFILE OF MARKET VENDING BUSINESS IN MALAWI.**

According to Kayuni and Tambulasi (2009), MVB in Malawi has been there since the one party-regime of Dr Kamuzu Banda. During the one - party regime, vending business as well as other informal activities were seriously suppressed or frowned upon and Dr Banda created Malawi Young Pioneers (MYP) to encourage the unemployed youth to work in the fields or take up vocational training activities (Kayuni & Tambulasi. 2009). In 1993 when there was a call for multiparty system of governance, the MYP was disbanded through a Malawi Army Operation known as *Operation Bwezani*.

When Dr Bakili Muluzi took over from Dr Kamuzu Banda in 1994, he encouraged the informal market and he even stated that he was ‘Minister of vendors’ or ‘Patron of vendors’ (Kayuni & Tambulasi 2009). According to Kayuni and Tambulasi (2009), democracy enhanced the vending business activities in Malawi. During Muluzi’s second term, he made efforts to ‘formalize’ vending business by building the flea markets popularly called ‘Vendors Markets’ (Kayuni & Tambulasi 2009). According to Kayuni and Tambulasi (2009), the flea markets were built to help bring about cleanliness and reduce congestion on the streets. However, when the markets were completed, the vendors refused to relocate and amongst other reasons, the vendors mentioned that the markets were not well designed and too small to accommodate all the vendors. Despite a lot of pressure from the local assemblies, nothing was done and when president Dr Bingu wa Mutharika took over the government in 2004, he implemented a policy in relocation of vendors. Despite overwhelming opposition from the vendors, Bingu mobilized

heavily armed police in an operation named *dongosolo* (Chichewa word which means ‘order’) (Kayuni & Tambulasi 2009). In 2006 the vendors were relocated to the markets.

As in many developing countries, Malawi vendors constitute a large proportion of the informal sector. In Malawi, vending business is not allowed under the prevailing legal framework of market and peddler by - laws. The mode of operation of vending business differs from one vendor to another, depending on the type of the goods sold. For example, others use buckets, baskets, tables etc. According to Urban Africa Net (2014), Malawi’s laws indicate that vending business in urban areas that have designated markets in line with council by-laws is illegal. Despite being illegal, vending business has become a feature of urban life in Malawi (Urban Africa Net, 2014). The relations between local government and vendors have often been confrontational. According to Chungu and Kashiwa (2006), as cited in Riley, (2014), in November 2002, there were many clashes between vendors and officials of Blantyre City Assembly. In Malawi, scarcity of vending space appears to be one of the problems encountered by street and market vendors (Chungu & Kashiwa 2006, as cited in Riley 2014). Although MVB is facing many challenges, it is of great significance on income - poverty reduction in Malawi (Kapunda & Moffat, 2014).

### **1.3.STATEMENT OF THE PROBLEM**

According to Jimu, (2006), as cited in Kayuni and Tambulasi (2009), MVB is possibly the most visible and significant in the urban informal sector. Vending business helps in poverty reduction by providing employment, income, and relative cheap products.

Despite the great role played by MVB on income - poverty reduction, many studies have found that MVB is experiencing many challenges in many countries. Madziakapita (2003), analyzed MVB in the three major cities of Malawi and from the analysis, the study showed that MVB contributes positively to poverty reduction. However, the study indicated that MVB is facing a lot of challenges which need to be addressed. Also, Jimu (2004), found some challenges of MVB in Malawi. The challenges which have been reported by many studies on market vendors are: lack of capital, restrictive by - laws and legislation, lack of stable security, lack of legal protection, unplanned policies on urban development, low levels of business skills, high market rates/fees, and lack of enough market facilities i.e portable water and toilets.

According to Dick (2000), as cited in Mutambi (2008), many studies have mostly indulged the policy makers to come up with the solutions. There is no participatory approach. Market vendors are left out in coming up with solutions to the problems affecting them. The studies of Madziakapita (2003) and Jimu (2004), did not focus on a participatory approach. It is against this background that the study aimed at finding the solutions to the challenges of MVB using a participatory approach where the participants themselves are indulged to suggest solutions to the problems they are facing.

## **1.4. OBJECTIVES OF THE STUDY**

### **1.4.1. General objective**

To examine the challenges experienced by MVB in Malawi.

### **1.4.2. Specific objectives**

In the study, the objectives were:

1. To identify the dominant challenges of MVB in Malawi.
2. To establish why MVB continue to increase despite the challenges.
3. To determine the possible solutions to the challenges of MVB in Malawi.

### **1.4.3. Research questions**

1. How have you been affected by the challenges?
2. Why do vendors operate on MVB despite the challenges?
3. What are the possible solutions for the challenges of MVB in Malawi?

## **1.5. RATIONALE AND CONTRIBUTION OF THE STUDY**

Since the study aimed at finding the solutions to the challenges of MVB using a participatory approach, the findings from this study will contribute to the body of academic knowledge and literature. The Government of Malawi can use the findings from this study to develop supportive policies to mitigate the challenges of MVB, develop laws and regulations that promote the growth and development of MVB. Also, the findings of the study will help the market vendors to strengthen their associations by being active and work hand in hand with the Government and

other stakeholders to mitigate the challenges and make the MVB an important source of livelihood.

## **1.6. LAYOUT OF THE RESEARCH REPORT**

In this research report, there are five chapters. In the first chapter, the study is introduced. The general background information on the challenges of MVB is presented. In the second chapter, literature review on MVB and the underpinning theories is provided. In the third chapter, the methodology and rationale for the study is described. In the fourth chapter, data analysis is provided. In the last chapter, conclusions and recommendations are drawn from the research.

## **1.7. CHAPTER SUMMARY**

In this chapter the basis for the entire study was set. The general background information of the challenges of MSMEs was presented with an insight from MVB in Malawi. Also, a brief profile of MVB in Malawi, statement of the problem, objectives of the study, research questions, the rationale and contribution of the study, and the research limitations were presented.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0. INTRODUCTION**

In this chapter, relevant literature review on vending business is presented. In the chapter, challenges of MSMEs are examined with an insight into MVB within the Structuralist theory by Moser, Castells, and Portes. Various ideas from a number of studies on vending business are evaluated.

#### **2.1. REVIEW OF THE STUDIED CONCEPTS**

According to Sibhat (2010), the informal sector is referred to activities and income that are partially or fully outside government regulation and taxation. In less developed countries like Malawi, the term ‘informal sector’ has generally been associated with unregistered and unregulated small scale businesses that generate income and employment for the urban poor (Bernabe 2002, as cited in Ndhlovu 2011).

MSMEs belong to the informal sector in the sense that they are unregulated and unrecorded in the official statistics (Mhone 1992, as cited in Madziakapita 2003). According to Government of Malawi (2012), as cited in Zidana (2015), the dividing line that defines the nature of business that falls into Micro, Small, and Medium enterprises category is not universal but varies from economy to economy depending on prevailing circumstances. In Malawi, the definition of MSMEs is based on three criteria namely: the number of employees, the level of capital, and turnover. According to Kachiza (2000), due to inflation, the turnover and level of capital criteria have been rendered useless. Therefore, the definition of MSMEs is mostly based on the employment criteria. The draft of MSMEs policy for Malawi proposes the following categorization of MSMEs according to the number of employees: Micro enterprises (1 - 4 employees), Small enterprises (5 - 20 employees), and Medium enterprises (21 - 100 employees). The majority, 59% of the MSMEs are micro enterprises with 1 to 4 employees (Malawi Investment and Trade Centre, cited in Daily Times, 2016). MVB falls into the Micro enterprises. MVB is an example of MSMEs that dominates the Malawi economy.

In this study, the concepts of Informal sector, MSMEs, and MVB are related in the sense that they are mostly unregulated and unrecorded in the official statistics. Therefore, in this study these concepts will be used interchangeably. Despite being unregulated and unrecorded, these concepts are very important in pro - poor economies. They act as the engines for development.

## **2.2. CHALLENGES OF MVB IN DIFFERENT COUNTRIES**

In many countries, studies have indicated that MVB is facing many challenges. According to Abdala (2015), in Sudan, the challenges of the informal sector including MVB are: lack of culture of excellence and progression; the informal sector is free entry and exit arena (Abdalla, 2015). To workers in it you don't have to conform to any kind of training i.e certification to be eligible to function. As a result, quality is compromised. Also, there is lack of innovative national financing mechanism; some of the experiences witnessed showed that money spent by the microfinance facilities is not effective in achieving the goal of poverty reduction/ eradication and improved community participation in economic development (Abdalla, 2015).

In addition, there is reluctance of the national private sector. In Sudan, most of the interventions to support and develop the informal sector depend on funds and donations from the international community (Abdala, 2015). Again, there is lack of civic skills and competencies. Participants in the informal sector should know that they are positive contributions to the community (Abdalla, 2015). However, lack of appropriate training makes the workers in the informal sector vulnerable for abuse and maltreatment. Informal sector businesses in different countries are facing a lot of challenges mainly because they do not have assistance from the government, Non - Governmental Organizations (NGOs), and the private sector (Tshuma, 2013)

According to Mupedziswa (1991), as cited in Dhemba (1999), in Zimbabwe, the major challenges are lack of capital, and restrictive by - laws and legislation. In addition, Mramba (2015), indicated that there are many challenges facing MVB in Tanzania due to the absence of supportive laws, regulation, and policies of the government. Consequently, their contribution to income - poverty reduction is minimal. Also, Charles (2014), as cited in Mramba (2015), found that vendors in Tanzania experience the challenges of limited access to capital, unstable security, and unplanned policies on urban development. Again, Falla (2013), as cited in Mramba (2015), found that vendors are challenged by limited access to capital, unstable security, unplanned policies on urban development, and low level of business skills.

## **2.3. CHALLENGES OF MVB IN MALAWI**

In Malawi, the challenges which have been reported by many studies on MSMEs are: lack of enough capital, insecurity, lack of legal protection, restrictive by - laws and legislation, unplanned policies on urban development, low levels of business skills, high market rates/fees, and lack of enough market facilities i.e portable water and toilets

According to Dick (2000), as cited in Mutambi (2008), many studies have mostly indulged the policy makers to come up with the solutions to the challenges of MSMEs. There is no participatory approach. Market vendors are left out in coming up with solutions to the problems affecting them. It is against this background that the study aimed at finding the solutions to the challenges of MVB using a participatory approach. In the previous studies of Madziakapita (2003), and Jimu (2004), there exists a gap in knowledge as a result of the research approach used. These studies did not focus on a participatory approach to identify the challenges and solutions. Instead, these studies focused much on the policy makers to suggest the solutions to the challenges facing the informal sector in Malawi.

This study aimed at finding the dominant challenges and their possible solutions using a participatory approach, where the participants themselves are indulged to suggest solutions to the problems they are facing. Convenience sampling technique was used.

### **2.3.1. Lack of enough capital**

In Malawi, like in many developing countries it is difficult to obtain loans from the formal financial institutions like the banks due to the lack of enough collateral (Adisu, 2006, as cited in Tshuma and Jari. 2013). According to Zidana (2015), in Malawi majority of commercial bank loans offered to MSMEs are often limited to a period far too short to enable a small business in a medium to long investment that attracts a sizeable pay off. Financial institutions do not give loans to people who do not have collateral. As a result, vendors fail to obtain loans from financial institutions.

### **2.3.2. Restrictive by - laws and legislation**

By - laws set controls that ensure that markets are safe and clean. According to Mramba (2015), restrictive by laws and legislation is a challenge to MVB because vendors fail to sell their

merchandise in clean and safe markets due to overcrowding especially during the rainy seasons. This is due to the failure of the City Council to always ensure safe and clean environment. Regulation protects all business support programs. Legislation which recognizes market vendors is not reviewed. As a result, the market vendors can not enjoy the benefits of being protected. The laws on legislation are not put in place.

### **2.3.3. Unplanned policies on urban development**

In most of African cities there is no specific policy for MVB. They are governed by trade policy while their business environments are quite different (Mramba, 2015). MVB policy is a tool for setting standards in the provision of public goods and services. Policies protect consumers, investors, and the general public. According to Mramba (2015), among others, MVB policy is supposed to address the challenges of MVB. However, in Malawi the policies are not specific on the challenges of MVB.

### **2.3.4. Low levels of business skills**

The market vendors are challenged by low levels of business skills. Most of the market vendors just start operating their businesses without undergoing any training on business management. As a result, most of the market vendors operate their businesses without book records and they do not even know if they are operating their businesses at a profit or at a loss. The lack of business skills hinders the growth and development of MVB because of poor business management that comes due to low levels of business skills.

### **2.3.5. Unstable security**

According to Falla (2013), as cited in Mramba (2015), market vendors lack enough security. The markets are not well secured due to stealing. The market vendors lack security for the storage of their merchandise after close of business. As a result of many vendors lose some of their merchandise through stealing of each other's property.

### **2.3.6. Lack of legal protection**

The market vendors lack legal protection in their business. Market vendors need legal protection because they are a vulnerable group in the sense that most of them do not know their legal rights as far as market business is concerned. For example, the market vendors legally need to be

protected against some risks and uncertainties that affect the growth of their business. Examples of some of the risks and uncertainties that need legal protection are: natural disasters i.e. floods, and market fires. Most of the informal workers fall outside the legal framework for formal workers with rights and protections.

### **2.3.7. High market rates/fees**

The market vendors do not make enough profits to be able to pay the market fees on a daily basis. In Malawi, most of the market vendors find it hard to pay MK100 (14 Cents, {Reserve Bank of Malawi, 2016}) everyday as a market fee. This affects their business especially in days when they have not even sold any of their merchandise. As a result, many market vendors run away from the City Officials to avoid paying what they consider as high market fees.

### **2.3.8. Lack of enough market facilities**

Market vendors lack enough market facilities such as portable water, waste removal, and toilets. The market vendors do not have enough of the market facilities and this affects their business negatively. This is a big challenge because it limits the growth of MVB in Malawi. For example, lack of enough public toilets forces the market vendors to go for ‘pay in’ toilets and this makes them spend even more than what they are able to make as profits.

## **2.4. BENEFITS OF MVB IN DIFFERENT COUNTRIES**

The contribution of MVB to socio - economic growth and development of many nations takes many forms including poverty alleviation through employment creation and economic empowerment of its citizens (Zidana, 2015). MVB development is a fundamental strategy for reducing poverty as it promotes and empowers even the poor.

The informal sector due to its role in many developing countries such as South Africa, it is viewed as one of the principal driving forces in economic development (Schmognerona 2004, as cited in Tshuma 2013). The informal sector has a number of roles other than just the provision of income for the less educated and unskilled people. The businesses in this sector are flexible and can adapt quickly to changing market demand and supply situations. They generate employment, help diversify economic activity, make a significant contribution to exports and trade, provide raw materials to local producers and also help in alleviating poverty.

The informal sector including MVB can be viewed as the driving force in the job creation process since it typically includes many small and micro enterprises. This is supported by Biggs and Srivastava (1996), as cited in Tshuma (2013), whose findings confirm that small enterprises with less than 50 employees are an important source of employment growth. This sector is the fastest growing and adds to employment and investment (Tshuma, 2013). According to Hope (2004), as cited in Tshuma (2013), the informal sector's growth in Africa will overtake that of the formal sector by the year 2020. Informal sector is increasingly recognized as an alternate option to the growing unemployment, particularly among the youth and the poor in South Africa (Ndabeni & Maharaj 2013).

MVB acts as a source of income. According to Mc Laughlin (1990) as cited in Tshuma (2013), the informal sector consist of small – scale, self employed activities typically at a low level of organization and technology with the main objective of generating employment and income. What makes the informal sector attractive worldwide is that the sector typically requires relatively small capital which in most cases comes from the traders own personal savings. According to Mijere (1998) as cited in Tshuma (2013), the informal sector usually emerges due to the inability of the formal sector to create job opportunities for the urban as well as the rural labor force in the third world countries. To acknowledge the important role of the informal sector, Hallberg (2000) as cited in Tshuma (2013), holds the view that a nation with a large number of small firms, have a strong foundation for future development because as its economy matures, some of these small firms join the formal sector and become large and competitive enterprises.

## **2.5. BENEFITS OF MVB IN MALAWI**

The key players in MVB are the economically disadvantaged people such as new migrants, individuals searching for jobs, and the low educated people ( Girma, 2009). According to Jimu (2005), as cited in Girma (2009), generally, MVB contributes to job creation, income generation and distribution, and conveniently provides goods and services.

### **2.5.1. Job creation**

MVB is a major potential source of employment and income (Mramba, 2015). MVB is the driving force of job creation. Informal business has a high labor absorption rate which makes it capable of creating many new jobs at a low cost (Dhemba, 1999). Employment is the primary

channel through which economic growth reduces poverty. The informal sector consistently provides work for new arrivals. When people are employed, they are able to care for their families, save money or invest it and this leads to economic growth, which raises the standard of living (Madziakapita, 2003).

In Malawi, many people earn a living through the informal sector. Otherwise, despite the informal sector they would have been jobless. Informal employment is on average low paid and risky (Heintz & Vanek, 2007). However, the ease of entry in the informal sector, makes it possible for those who are struggling to find a job to start something that can provide immediate income (Madziakapita, 2003).

### **2.5.2. Source of income**

According to Mwanakatwe and Kebedew (2015), although Malawi has registered positive economic growth for much of the past decade, progress in poverty reduction has been limited. In Malawi, extreme poverty is a reality facing many people. According to the Malawi Poverty Reduction Strategy Paper (2012), the objective of Malawi Growth and Development Strategy (MDGS) II remained wealth creation and poverty reduction through sustainable economic growth and infrastructure development. According to Girma (2009), the majority of the vendors have source of income in vending business. MVB is the major source of income to many people in Malawi. Vending creates an employment opportunity because it is a source of income for the marginalized groups and the urban poor (Darrare 2007, as cited in Girma, 2009).

## **2.6. POSSIBLE SOLUTIONS TO THE CHALLENGES OF MVB IN DIFFERENT COUNTRIES**

### **2.6.1. Market vendors' policies**

India has a national policy for vendors which provides security to them. In India, the National Alliance of the vendors has been more successful and it has been able to intervene at the national level and at the local level to initiate policy dialogues with the concerned authorities (Bhownik 2005, as cited in Girma, 2009).

In South Africa, the government committed itself to creating a conducive environment for informal activities including vending (Girma, 2009). For example, The White paper (1995), as cited in Girma (2009), on national strategy for development and promotion of Small business in

South Africa commits the government to the creation of an environment that encourages and assists the development of all categories of the informal sector. According to Mittulla (2003), as cited in Girma (2009), the white paper on Local Government focused on finding sustainable ways to meet the social, economic and material needs of citizens and groups within the community. In Malawi the policies and regulations are not appropriate for vendors because vendors are hardly consulted in the development of the by - laws and they do not have access to them.

The government of Botswana provided assistance to MSMEs through various schemes for citizen empowerment as represented by Financial Assistance Policy (FAP), which was replaced by Citizen Entrepreneurial Development Agency (CEDA). Botswana Development Corporation, and the Micro - Credit fund. These programs put emphasis on the provision of financial assistance (Tem time 2008, as cited in Chico – Matenge 2013). Financial Assistance policy was introduced in the early 1980's to provide direct government financial assistance to MSMEs (BIDPA 2011, as cited in Chico - Matenge 2013). In the late 1980s the Integrated Field Services (IFS), was launched as a program of training MSMEs in record keeping, costing, business planning, marketing, buying, and stock control (BIDPA 2011, as cited in Chico - Matenge 2013). Local Government Authority (LEA) is a government intervention which was set up in 2006 to spearhead the growth and development of MSMEs. LEAs promote these developments through provision of training, facilitation of access to finance, identifying business opportunities for existing and future MSMEs (BIDPA 2011, as cited in Chico – Matenge 2013). Although Botswana does not have a comprehensive informal sector policy, Botswana realized the potential and importance of MSMEs in creating jobs and generating income (Narayan et.al. 2004, as cited in Chico - Matenge 2013). The government of Botswana and the private sector have been assisting MSMEs but not paying of training small business owners on how to manage their businesses for long - term survival in the market (Citizen Entrepreneurial Development Agency (CEDA) 2007, as cited in Chico - Matenge 2013). In developing countries, urban planners formulate policies to control the operation of the informal sector activities including MVB.

### **2.6.2. Market vendors associations**

In Sub - Saharan Africa, except South Africa, vendors associations address largely welfare issues with very few focusing on business issues affecting their operations such as services, site of operations, licensing, policy and advocacy (Chen, 2001, as cited in Mramba 2015). According to Ray (2014), as cited in Mramba (2015), one of the best vendors associations in the world is



National Association of Street Vendors in India (NASVI). NASVI is responsible for ensuring livelihood and social security of vendors through policy interventions and changes in political and legal environment, building capacity of vendors' associations, evidence gathering and dissemination of evidence and issues concerning vendors, and undertaking schemes and programs enabling vendors to get access to financial services such as Self Help Groups, Formal Banking Institutions, and Insurance companies (NASVI 2014, as cited in Mramba 2015). Business associations can advocate for a positive change in the MSME sector, and reducing the government sponsored interventions which have diminished in quality over time due to the budget constraints facing the government (Whitby, 2012).

## **2.7. POSSIBLE SOLUTIONS TO THE CHALLENGES OF MVB IN MALAWI**

According to Madziakapita (2003), in Malawi MVB is facing a lot of challenges which need to be addressed. The Government and its stakeholders need to plan and implement financial support scheme to help achieving positive transformation in social and economic lives of its citizens. According to Jimu (2004), with proper regulation and control, within the parameters of freedom to economic opportunity and success, MVB could be a positive though not a core force in the socio - economic transformation and development of the poor urban community. The Government of Malawi and other stakeholders have a greater role to play in making MVB a successful source of income and informal employment to many Malawians, both educated and uneducated.

In Malawi, the informal sector formed a union, Malawi Union for the Informal Sector (MUFIS), in 2001. The union aims at uplifting the status of informal economy operations, in particular street and market vendors (Chungu & Kashiwa 2006). According to Chungu and Kashiwa (2006), MUFIS work together with the existing market committees. In Malawi, each type of vending has their own small association with a small committee including a chairperson, secretary and treasurer. According to Muiruri (2010), as cited in Mramba (2015), the vendors associations are supposed to enable vendors to defend their rights, secure access to the basic services, influence public policy, and increase their bargaining power. Although the associations are unable to defend the needs and rights of the vendors, they help in the facilitation of negotiations and discussions with the city councils among other things.

## **2.8. FEATURES OF MVB**

According to Meier and Rauch (2005), as cited in Girma (2009), some of the main features of the urban informal sector including MVB are:

- Free entry. All people who wish to enter this sector can find some sort of work which will provide them with cash earnings. According to Girma (2009), vending is an obvious representative of free entry activities. There is no exhibition of entry as there is no complicated licensing requirements. It is one sector that is not regulated as it lacks official registration and legal recognition (Butale 2001, as cited in Chico – Matenge 2013). The capital requirements for operating in that sector is rather very low and so anybody at any time may decide to set up business in the informal sector. There are no regulatory requirements for entering into the informal sector.
- They form linkages with the rest of the economy, especially linkage with the formal sector.
- Their employment is not protected by any sort of employment benefit either from government or labor union.
- Their enterprise are small and are mostly own - accounts workers or employing unpaid family members or apprentices. According to Yankson (1992) as cited in Boateng and Stifting, (2011), the urban informal sector enterprise is individually - owned and operated, generally for less than five years duration.
- Family ownership. Their businesses involve family members in both ownership and management system.
- Reliance on locally available resources. Urban informal sector businesses are quite small in size and lack capacity to do off acquisition of resources- material, human and financial, for the running of the business. Informal sector enterprises depend largely on the local resources primarily from the formal sector (Ofori 2009, as cited in Boateng et.al. 2011).

## **2.9. RESEARCH GAP**

The challenges which have been reported by many studies on market vending are: lack of enough capital, lack of stable security, lack of legal protection, restrictive by - laws and legislation, unplanned policies on urban development, low levels of business skills, high market rates/fees, and lack of enough market facilities i.e portable water and toilets. According to Dick (2000), as

cited in Mutambi (2008), many studies have mostly indulged the policy makers to come up with the solutions to the challenges of MSMEs. There is no participatory approach. Market vendors are left out in coming up with solutions to the problems affecting them. It is against this background that the study aimed at finding the dominant challenges of MVB and their solutions using a participatory approach.

In the previous studies of Madziakapita (2003), and Jimu (2004), there exists a gap in knowledge as a result of the research approach used. These studies did not focus on a participatory approach to identify the challenges and solutions. Instead, these studies focused much on the policy makers to suggest the solutions to the challenges facing the informal sector in Malawi.

This study aimed at finding the dominant challenges and their possible solutions using a participatory approach, where the participants themselves are indulged to suggest solutions to the problems they are facing.

## **2.10. INFORMAL SECTOR THEORIES**

According to William, (2006), cited in Mwaura and Ngugi, (2014), theoretical framework is the structure that can hold or support a theory of a research study. Theoretical framework introduces and describes the theory which attempts to explain the research problem under study. Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge, within the limits of the critical bounding assumptions (William, 2006, as cited in Mwaura & Ngugi 2014). This research highlights the three theories of the informal sector namely: dualist theory, structuralist theory, and legalist theory.

### **2.10.1. Dualist theory**

Dualist theory is the concept of informal sector used by Hart and the ILO and later supported by Tokman (Hart, 1973). Dualist theory represents almost two opposite parts of the economy. It views the formal and informal sectors as having almost no links with each other. As a result, the informal economy has generally been defined in contrast to business in formal economy (Wahnschafft 1982, as cited in Ndhlovu 2012). According to the Dualist theory, the persistent of informal activities is due to the fact that there is not enough formal job opportunities produced to take in the surplus labour due to a slow rate of economic development and a faster rate of urbanization (Tokoman 1998, as cited in Ndhlovu 2011). The Dualist views the informal sector

as a totally separate sector which is not directly linked to the formal sector. In their view, economic growth has not materialized and therefore failed to absorb all people into formal employment hence the existence of the informal sector. The implication of this theory is that, the job market in Malawi is saturated and most traders end up joining the informal sector. According to Forces for change (2005), the Dualist conceptualise the informal sector as a sector that includes the poor and unemployed. The challenges of MVB in the informal sector are there because the informal sector is a separate sector, with its own challenges. That is why the informal sector includes the poor and the unemployed who are typical of having not enough capital to start business in the formal sector. This is consistent with the dualist theory which states that the persistence of informal activities is due to the fact that not enough formal job opportunities have been produced to take in surplus labor. One of the main features of the informal sector is family ownership (Meir & Rauch 2005, as cited in Girma 2009). Unlike the formal sector, in the informal sector business involves family members in both ownership and management system.

However, Chen (2009) as cited in Ndhlovu (2011), disputed the dualist view. He argued that the formal and the informal sectors are dynamically linked with many informal enterprises having production or distribution relations with formal enterprises. In reaction to the Dualist theory, a new understanding of the informal sector emerged (Rakowski 1994, as cited in Ndhlovu 2011).

### **2.10.2. Structuralist theory**

The Structuralist theory was propounded by Moser et al. in the late 1970s and 1980s. Structuralists proponents rejected the dualist argument of the economic system and emphasized the way in which forms of production, productive units, technology, and workers are integrated into various parts of the economy (Rakowki 1994, as cited in Ndhlovu 2011). According to Moser (1978), as cited in Ndhlovu (2011), micro firms in the informal sector act as a subordinated, dependent and specialized units of a formal sector. The Structuralist emphasize that corporations in the formal sector often seek to erode employment relations in order to reduce their labour and inputs costs. In the Structuralist view, formal and informal activities are simply alternative facets of the same economy. The structuralist views the informal sector as an extra layer having formal and informal sheds (Portes & Schauffler 1992, as cited in Ndhlovu 2011).

According to Meir and Rauch (2005), as cited in Girma (2009), one of the main features of MVB is a linkage formed with the formal sector. Market vendors in Malawi have both formal and

informal sheds. In terms of resources, the informal sector depends largely on the local resources from the formal sector (Ofori 2009, as cited in Boateng & Stifting 2011). In Malawi, market vendors are considered formal once registered, and have licence or pay the necessary taxes. Structuralist theory implies that although market vendors in Malawi are regarded as being 'formal' by the City Council, market vendors are experiencing a lot of challenges which need a participatory approach to find the solutions. Despite having registered their businesses and complying with tax payments, for instance, they do not have enough access to financial services, lack of training to acquire business skills, lack of legal protection, and lack of enough infrastructure such as portable water and toilets etc (Mramba, 2015). These challenges are there because MVB has informal sheds despite having some formal sheds. As a result of these challenges of MVB in Malawi the market vendors are not enjoying their businesses like their colleagues in the formal sector. MVB is in the informal sector despite having the sheds of the formal sector. Although MVB is regarded as being formal by the City Council, it is in the informal sector hence the challenges. The research adopted the Structuralist theory because it best explains the challenges of MVB in Malawi. Similarly, Omar (2006), as cited in Sibhat (2010), also used structuralist theory in vending business research.

According to Malawi Poverty Reduction Strategy Paper (2012), on labour and employment, the goal of MGDS II is to stimulate and ensure productive and decent employment for improved standards of living. However, the government is unable to develop relevant policies to support and regulate the operations of the vending business in Malawi (Jimu 2004). This leads to both the failure of the government to make decisions on management of the vending business and abuse of the available freedom by the vendors to operate freely, creating uncondusive economic environment. In the context of MSMEs, this implies that MSMEs in Malawi have prospects of experiencing growth and contributing meaningfully to employment generation only when participatory approach is emphasised in sorting out the challenges they are facing.

### **2.10.3. Legalist theory**

Another theory regarding the informal sector is the legalist theory by a Peruvian economist Hernando De Sato. He argued that informality is a consequence of bureaucratic barriers and that the inflexible rules and regulations, terms and conditions for operating a business in the formal sector are so tedious such that it becomes an additional burden for people. Thereby forcing them to operate in the informal sector (Maiti & Sen 2010, as cited in Ndhlovu 2011). Legalists

contribute information on entrepreneurship and the impact that institutions and state interventions have on informal activities (Rakowski 1994, as cited in Ndhlovu 2011). The Legalist argue that Government should introduce simplified bureaucratic procedures to encourage informal sectors to register and extend legal property rights for the assets held by informal operations in order to unleash their productive potential and convert their assets into real capital (Chen 2009, as cited in Ndhlovu 2011). This theory implies that the challenges that MVB are facing as a result of being in the informal sector, they can be improved once the informal sector registers and extend legal property rights for the assets held by the informal operations. This is so because by doing so, the informal sector will enjoy the benefits of the formal sector. According to Meir and Rauch (2005), as cited in Girma (2009), one of the main features of the informal sector is free entry as there are no regulatory requirements for entering into the informal sector. As a result of this, the informal sector lacks official registration and legal protection.

## **2.11. CHAPTER SUMMARY**

In this chapter, a literature review on MVB was presented. In the chapter, the challenges of MSMEs were examined with an insight from MVB in different countries and in Malawi. Within the Structuralist theory, various ideas from a number of studies on vending business were evaluated. Many studies have indicated that vending business contributes positively to income - poverty reduction. Despite the great role played by vending business on poverty reduction, many studies have found that vending business is experiencing many challenges in many countries.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0. INTRODUCTION**

Methodology is a research strategy that translates ontological and epistemological principles into guidelines that show how research is to be conducted (Sarantakos 2005, as cited in Tuli 2010). Basically, research methodology is the process or procedure which means the execution of the research plan or research design (Leedy & Omrod, 2001). In this chapter, the research methodology is documented. This includes research design, location of the study, target population, sample selection, data collection and tools, data analysis methods, validity and reliability, and ethical considerations.

#### **3.1. RESEARCH DESIGN**

According to Orodho (2003), a research design is the ‘glue’ that holds all of the elements in a research project together. A research design is an outline which produces a logical order to a research methodology. This study used quantitative design to examine the challenges of MVB in Malawi.

According to Tuli (2010), a quantitative design describes, predicts, and verifies social phenomena. Like all quantitative studies, emphasis was on explaining MVB through measurable data such as bar graphs and frequencies. According to Tuli, (2010), data collected through quantitative methods are often believed to yield more objectives and accurate information because they are collected using standardized methods. Therefore this study finds quantitative design the best fit for the study because the study would like to get the accurate information on the dominant challenges of MVB in Malawi.

#### **3.2. LOCATION OF THE STUDY AND TARGET POPULATION**

Orodho (2002), argues that the selection of a research site is essential. It influences the usefulness of the information produced. This study was carried out at Blantyre flea market in Blantyre city, located in the southern region of Malawi. The target population included traders and service providers in Blantyre flea market. Blantyre is one of the highly urbanized areas of Malawi where

vending business is highly taking place. It is the oldest urban centre in Malawi and is the main hub for communication and commercial activities.

Due to time and financial limitations the study was conducted in Blantyre market only. The study failed to include the other flea markets of Zomba, Lilongwe, and Mzuzu. However, the study used reliable instruments proved using Cronbach's Alpha score so that the results can be generalized to Malawi and other countries

### **3.3. SAMPLE SELECTION**

“Sampling is a process of selecting subjects to take part in a research investigation on the ground that they provide information considered relevant to the research problem.” (Oppong , 2013).

The study used non - random sampling technique, namely convenience sampling. According to Delpont and Strydom, (2011) as cited in Saunyama (2013), convenience sampling allows the researcher to collect data from the participants that are available and willing to participate in the study until such a time the desired number is obtained and data is saturated. Probabilistic samples would not have been more appropriate in this study. Convenience sampling, a non - random sampling technique was more appropriate because most of the participants were sampled due to their availability on that particular day. Besides, as a result of time and financial constraints, convenience sampling was appropriate because it is fast and inexpensive (Saunders, 2000). This sampling technique was appropriate for the study because it was obvious that not all the market vendors were willing and interested to participate in the study.

According to Blantyre City officials and the records of Blantyre flea market chairperson there were 600 registered market vendors comprising 80% traders and 20% service providers.

#### **1. Traders.**

These included: - Clothing sellers.

- Market vendors for assorted items.
- Food, fruits and vegetable sellers.
- Metal, wood products and handcrafts.

#### **2. Service providers.**



These included: - Shoe, watch, and radio repairs.

- Hairdressers and barbers.

A sample size was calculated using the formula offered by Gay (1996). According to Gay (1996), the following are the guidelines for selecting a sample size:

*If the population size is at least 500, 50% of the population should be sampled. If the population size is at least 1,500, 20% should be sampled. Beyond a certain point (at approximately N = 5,000), the population size is almost irrelevant, and a sample of 400 would be adequate. Thus the larger the population, the smaller the percentage*

This study calculated the sample size based on the above guidelines. Therefore, the sample size was:

$$50\% \times 600 = 300$$

A sample size of 300 respondents was selected for the interview and there was a 100% response rate. From a sample size of 300, the sample was made up as follows:

		Sample
Traders	80% x 300	240
Service providers	20% x 300	60
	Total :	300

### **3.4. DATA COLLECTION AND TOOLS**

The study used questionnaire for data collection. The questionnaire focused on demographic data (age, sex, marital status, and educational background), the dominant challenges faced, and how they can be addressed, why vendors operate on vending business despite the challenges, and the extent at which market vendors have been affected by the challenges in their business. These questions were helpful in providing the right information to the objectives of the study. The market vendors from Blantyre flea market were the respondents to the questionnaire. The market vendors from Blantyre flea market were the respondents to the questionnaire. The questionnaire was administered by the researcher with the help of two enumerators in a period of three days. The enumerators underwent a training to familiarise them with data collection tools.

During the training, the questionnaire was translated from English to Chichewa to ensure consistency in meaning. The collected questionnaires were cleaned, coded, and inputted into SPSS using double entry to minimize data entry errors. The measurement scales were the dominant challenges, the solutions to the dominant challenges, and the extent of the challenges. The scales that were contained in the questionnaire were tested for their validity using Cronbach's Alpha score. Because of this, the understanding of the questions was not affected in any way.

To complement the questionnaire, the study also used individual interviews to obtain more detailed and meaningful information on the solutions to the challenges facing MVB. The individual interviews were carried out with 10 selected market vendors using convenience sampling. This was done to supplement and strengthen the collected data through questionnaires.

The study also used secondary sources to collect information. Published journals, books, articles, dissertations, magazines etc, were used. Data obtained from secondary sources was used to help in understanding the challenges facing MVB in Malawi and in other countries.

Green and Mc Clintock, (1985) as cited in Oppong, (2013), suggested that the use of different methods of data collection provides the researcher with the opportunity to account for similarity and complementarity or otherwise of information collected.

#### **3.4.1. Pilot - test**

The questionnaire was pilot tested on people similar to the ones to be included in the research study. The pilot test involved ten respondents from Blantyre flea market. The respondents were not part of the selected sample. The pilot test helped to take note of some problems that were over looked. After the pilot test, changes were made to questions that were not clear or difficult to understand. Technical problems and an irrelevant question which was asking about their physical address, was removed. After the pilot test, changes were made to questions that were not clear or difficult to understand. A change was made on question 8. Initially, the question wanted the respondents to mention the dominant challenges. However, six out of ten respondents failed to mention the dominant challenges. Six of the respondents said that all the challenges are dominant. This cannot be true. Therefore, the question was changed by listing the known challenges for them to choose the dominant ones. However, the question has been further

changed by paraphrasing it to; ‘How have you been affected by the challenges in MVB.’? This has been done to match the scale and item list reading.

### **3.5. DATA ANALYSIS METHODS**

Quantitative data analysis method was used. Descriptive statistics i.e. bar graphs, frequencies, and tables were used. The data was analysed using Statistical Package for Social Sciences (SPSS). Data was described using bar graphs, frequencies, and tables. Then, the data was analysed using a quantitative analytical approach. According to Abeyaseka (2000), a quantitative analytical approach allows the reporting of summary results in numerical terms to be given with a specified degree of confidence.

#### **3.5.1. Unit of analysis**

According to Miles et.al, (1994), unit of analysis is a phenomenon of some sort, occurring in a bounded context. Phenomenon can be many different things i.e. an event, activity, problem, or an individual. Unit of analysis is the major entity that is being analysed in the study. According to Cheston and Kuhn (2002); Rosario (2002); Mupedziwa and Gumbo (2001), as cited in Saunyama, (2013), many studies on the informal sector have had women as the main unit of analysis. This study had market vendors as the unit of analysis. This enabled the researcher to gather the relevant information for the study. The unit of analysis helped to fully understand and appreciate vending business in Malawi.

### **3.6. VALIDITY AND RELIABILITY**

This study used questionnaire and individual interviews to collect data. Methods triangulation increases the validity of the research (Yin, 2003). According to Creswell, (2003), a threat to validity is selection error. Boyartzis, (1998), refers reliability as the consistency of the measurement techniques. The threats to reliability are: subject error, subject bias, observer error, and observer bias. Therefore, the study made use of valid and reliable measuring instruments, and appropriate sampling methods. The questionnaire was checked for its reliability using Cronbach’s Alpha score.

**Table 3.1: Cronbach's Alpha Score Report**

Item	Cronbach's alpha score
Lack of capital	.816
Lack of legal protection	.806
Lack of business skills	.802
Lack of stable security	.789
Lack of enough market facilities	.764
High market rates	.763
Unplanned policies on urban development	.734
Restrictive by – laws and legislation	.722

According to the table above, the alpha range was 0.816 to 0.722. This ensured that the research results would be applied to a wider group than those who took part in the study.

### **3.7. ETHICAL CONSIDERATIONS**

The study adopted several measures to address issues and ensured that the study was conducted in an ethical manner. The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities (Cooper & Schindle 2003). For this reason, the study respected the rights, values, needs and desires of the participants as well as the confidentiality of the information. Informed content: potential research participants were provided with information that enabled them to make an informed decision as to whether they want to participate in the research study or not. The study clearly outlined the aim of the research and did not intentionally withhold or offer incorrect information in order to ensure full participation of the participants when they would have otherwise possibly refused (Neuman, 2000, as cited in Saunyama, 2013). Confidentiality of the participants was ensured by using codes. The research assistants were trained to use codes effectively when recording the information.

### **3.8. LIMITATIONS OF THE STUDY**

Due to time and financial limitations the study was conducted in Blantyre market only. The study failed to include the other flea markets of Zomba, Lilongwe, and Mzuzu. However, the study used reliable instruments proved using Cronbach's Alpha score so that the results can be generalized to Malawi and other countries.

### **3.9. CHAPTER SUMMARY**

In this chapter, the research methodology was described and justified. The study was quantitative in design. The study was carried out at Blantyre flea market, located in the southern region of Malawi. The study used convenience sampling technique. Valid and reliable measuring instruments, and appropriate sampling methods, were used in the study. Quantitative data was analysed using SPSS. The study adopted several measures to address issues and ensured that the study was conducted in an ethical manner.

**CHAPTER FOUR**  
**RESULTS AND DISCUSSION**

**4.0. INTRODUCTION**

In this chapter, the results of this study are presented and discussed. Data is obtained from 300 Blantyre market vendors. The results presented in this chapter are divided into five sections. The first section deals with the characteristics of the respondents. The second section deals with the business history and operation of MVB. The third section deals with the dominant challenges of MVB. In the fourth section, there is an examination on the reasons MVB still operates despite the challenges. The last section is about the possible solutions for the challenges.

**4.1. CHARACTERISTICS OF STUDY RESPONDENTS**

In this section, the profile of market vendors who participated in the study has been presented. This includes the gender, age distribution, marital status, and educational background.

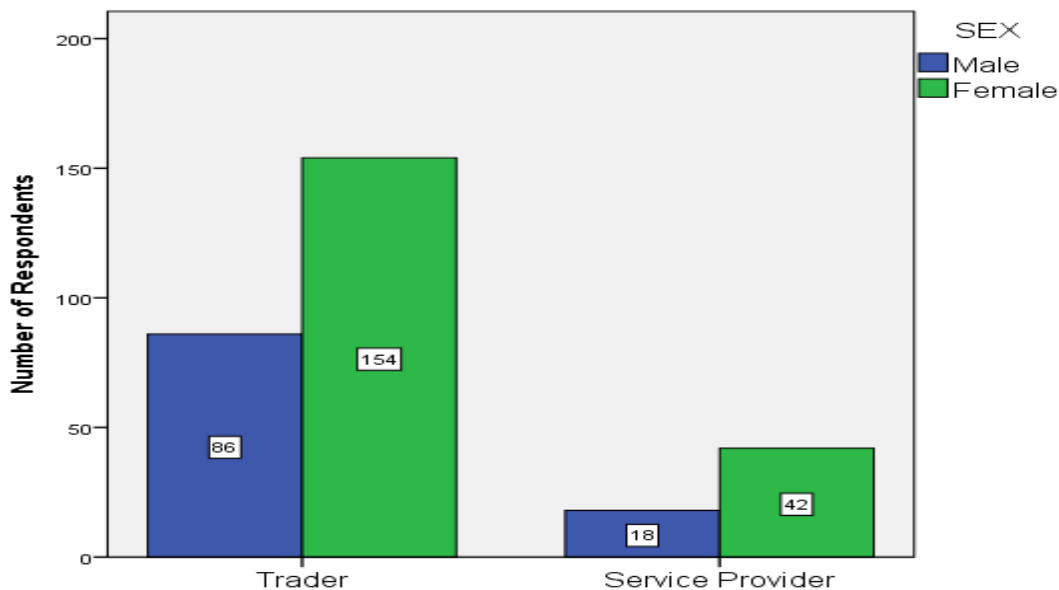


Figure 4.1.1: Sex of the market vendors

According to the study results as shown on figure 4.1.1, out of the total respondents, 65% were females while male accounted for 35%. Considering the findings of the study, females participated more in vending than males. According to the study of Jimu (2001), women are the largest group in MVB. This confirms the research findings that women dominate MVB in Malawi and similarly in other countries. The UNDP states that women have a higher unemployment rate than men in every country (Cheston & Kuhn 2002, as cited in Saunyama, 2014). Therefore, the reason why females predominantly participated in market vending business more than males is because of a higher formal unemployment rate. Studies in Africa and other countries in the developing world indicate that women constitute the principal labour force in the informal sector, particularly in such activities like food and beverages, retail trade, pottery, basket weaving, and cross border trade (United nations 1996, as cited in Jimu, 2004). To meet their economic needs, women dominate vending business. According to Girma (2009), in many parts of Asia, Africa and Latin America, women represent majority of the vendors. This is due to the limited economic opportunities for women in both rural and urban areas, and gender bias in education. Besides this, vending has a special appeal for women due to its flexibility.

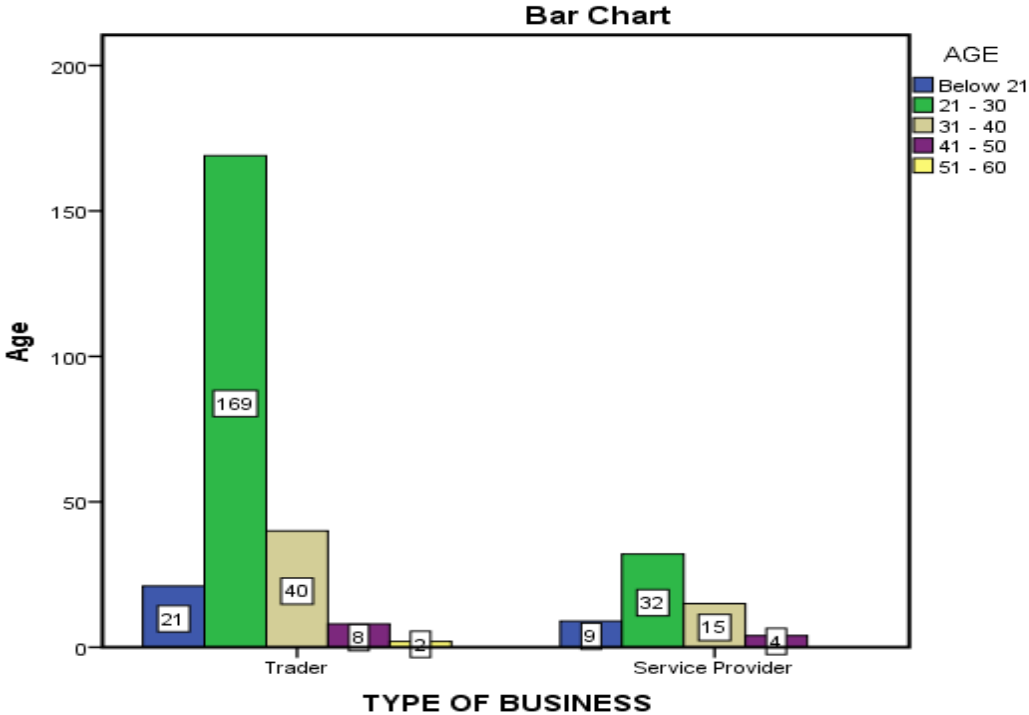


Figure 4.1.2: Age distribution of the market vendors

For the purpose of this study, the age group was categorized into four age groups. The age groups were: below 20, 21-30, 31-40, and above 40. As figure 4.1.2 shows, out of the total respondents of 100%, the youths within the age groups of below 20 years, 21-30 years, and 31 - 40 years had an account of 95%. But within the youths, the age group of 21 - 30 years appeared to be more, with an account of 67%. Similarly, Girma (2009), found that vendors within the age group of 20 and below, and 21 - 30 are the majority in vending business. The age group of over 40 years was the least. This age group accounted for only 5%. The reason for this may be because most of the vendors who are above 40 are less energetic to run MVB as it requires running up and down to order and sell their merchandise. According to the results, it clearly shows that urban formal youth unemployment is very high and market vending is the major source of informal employment for the youths (Kachiza 2000). Since the youths are active and energetic, they are dominating MVB to earn a living.

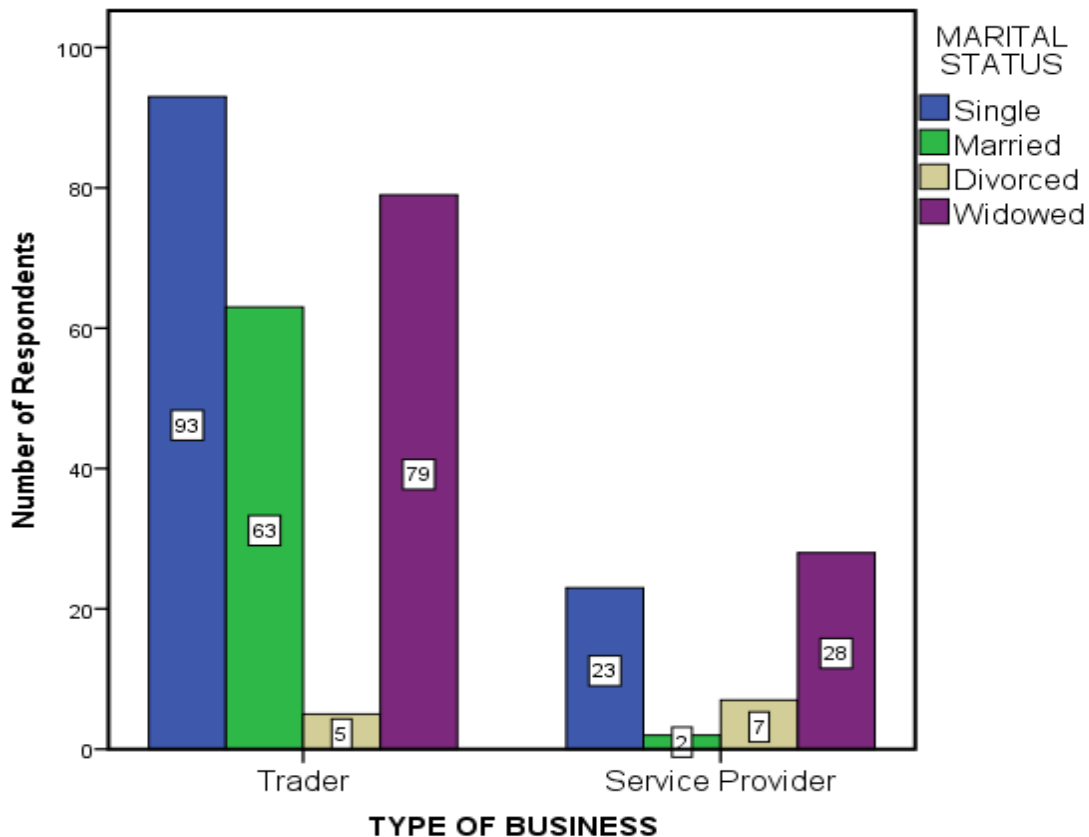


Figure 4.1.3: Marital status of the market vendors



Based on figure 4.1.3, out of the total respondents, the single participated most in MVB, with an account of 39%. The single market vendors participated most in MVB because most of the singles were the youths that dominate the business. There is also a significant percentage of widows doing MVB. The widows accounted for 35%. According to one of the interviewees in this study, the widows find MVB as the only way of survival to meet their basic needs due to high unemployment rate. The least was the divorced with an account of 4%. The reason for this was because most of the divorced lacked financial support. According to one of the interviewees in this study, most of the divorced failed to have initial capital unlike the widows who most of them had access to the property left by the deceased.

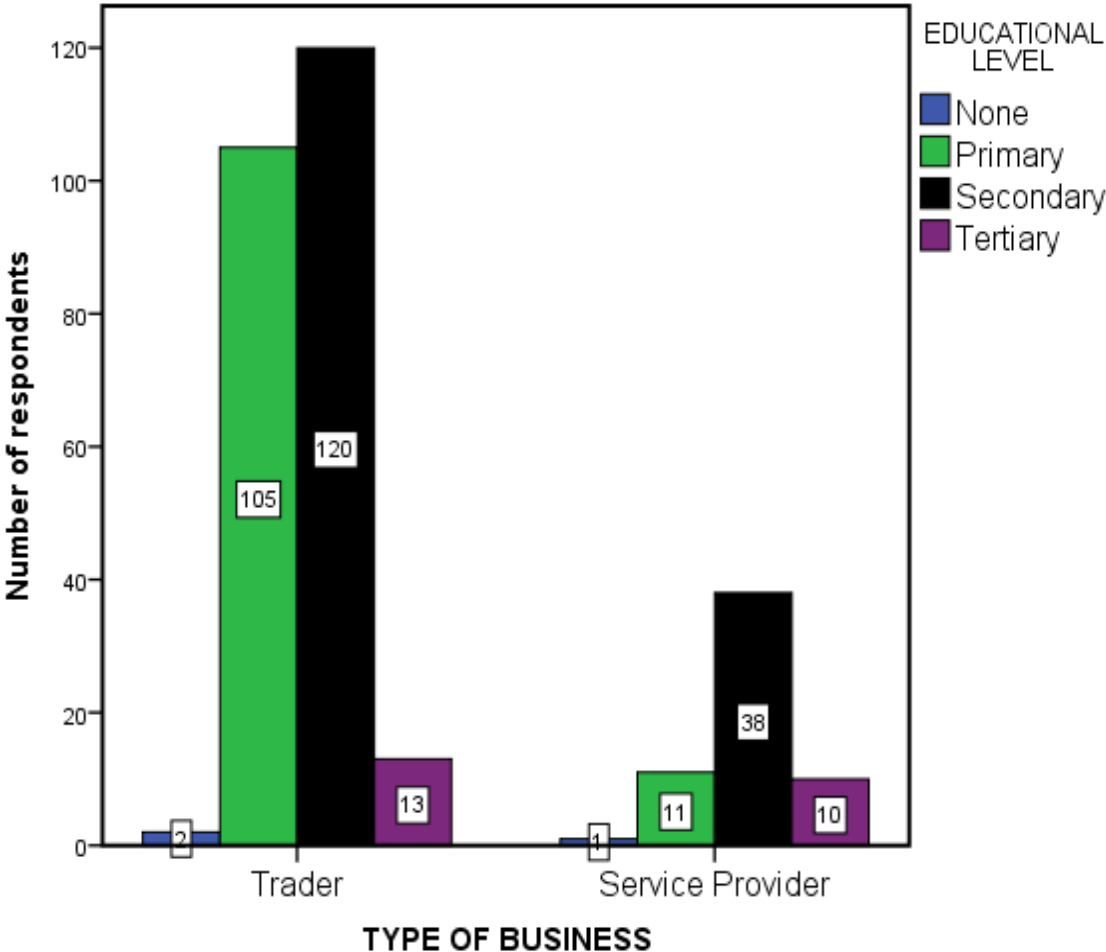


Figure 4.1.4: Educational level of the market vendors

Based on the study results in figure 4.1.4, majority of the vendors had attained secondary education level, with an account of 53%. Market vendors who had attained primary education accounted for 39%. Similarly, the study of Ikoja - Odongo & Ochola (2004) as cited in Ndhlovu (2011), found that most traders in informal sector had completed primary and secondary education. Only 1% of the market vendors had not attained any educational qualification. According to a study by Judai and Associates, (2002) as cited in Ndhlovu (2011), most of the vendors have little or no education. Contrary to the findings of this study, the majority of the market vendors had attained both secondary and primary education levels. This shows that most of the market vendors are literate.

**4.2. BUSINESS HISTORY AND OPERATION**

In this section, the history of the business operated has been presented. This includes; the category of the business operated, the year when the business was started, and the initial capital.

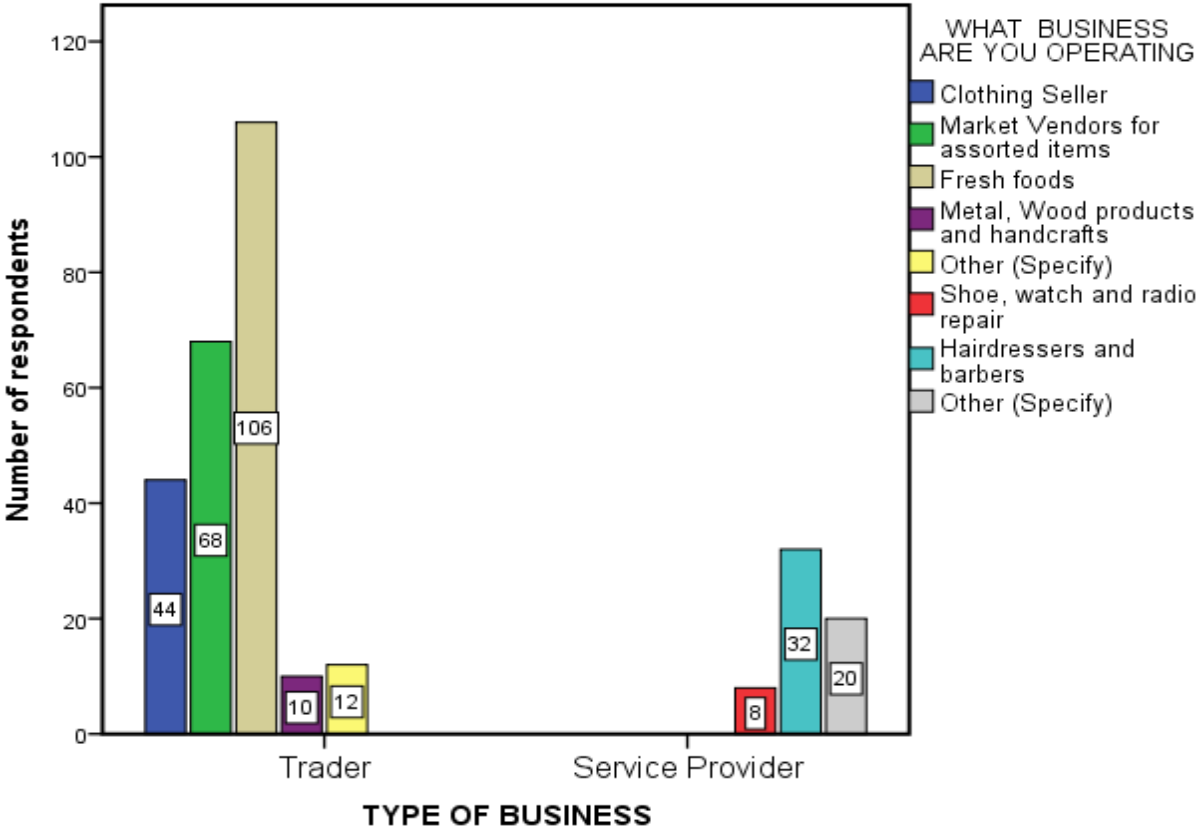


Figure 4.2.1: Category of business operated

Based on figure 4.2.1, market vendors in the category of fresh foods, assorted items, and clothing seller accounted for 35%, 23%, and 15% respectively. Many market vendors who participated in the study sell fresh foods. Since most of the fresh foods like; fruits and vegetables are cheap, many market vendors find it affordable to venture into such MVB. Market vendors in the category of shoe, watch, and radio repairs accounted for 3%. This was the least category because it requires technical skills.

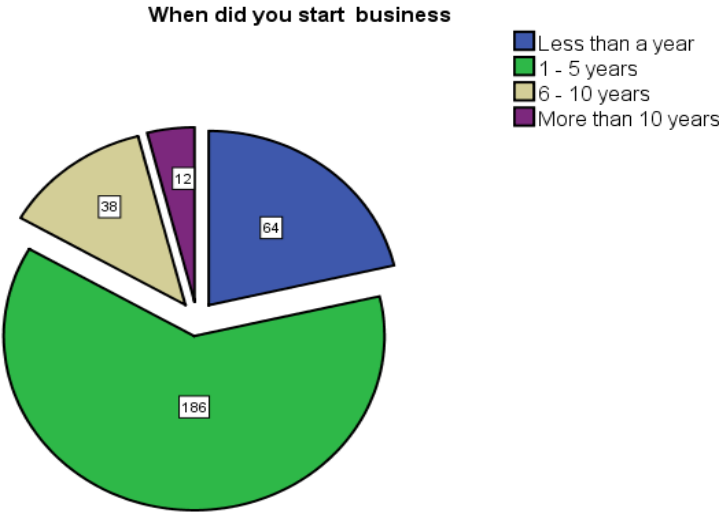


Figure 4.2.2: The year when the business started

According to figure 4.2.2, majority of the market vendors 62% who participated in the study had started their business between 1-5 years ago. Vendors who have been in business for less than a year were 21%. As a result of this, it is the survival of the fittest. Most MSMEs die within their first five years of existence and one of the factors contributing to this is lack of enough capital (Aremu & Adeyemi (2011) as cited in Agwu & Emeti (2012). The least are vendors who have been operating for more than 10 years ago. According to one of the interviewees in this study, most of the businesses that have been in operation for more than 10 years are service providing businesses.

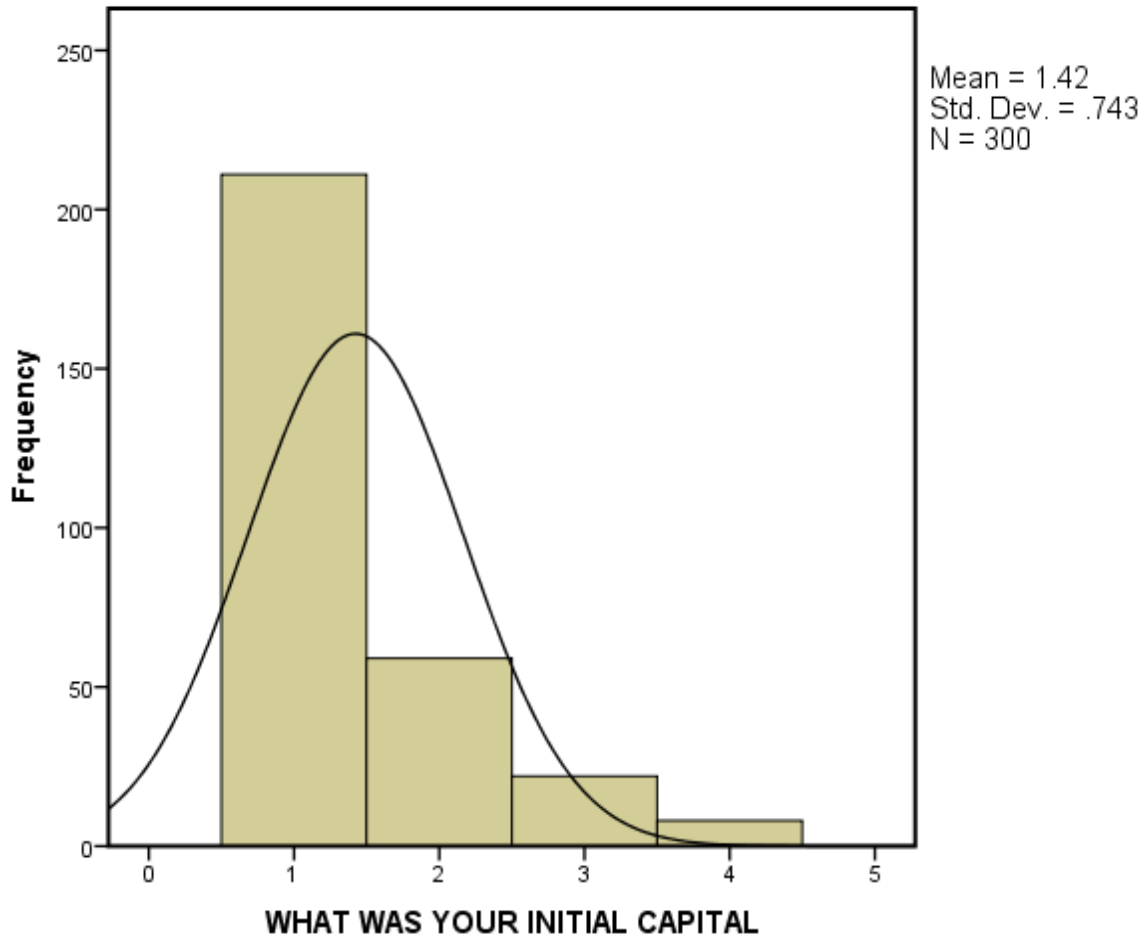


Figure 4.2.3: **The initial capital**

Based on figure 4.2.3, majority of the market vendors 70% started their businesses with less than MK 20,000 (US \$ 27, exchange rate of \$1 equals MK 740 {Reserve Bank of Malawi, 2016}). Very few market vendors 3% had started their businesses with a capital of between MK 61, 000 – MK 80,000 (US \$ 82 – US \$ 108). According to one of the interviewees in this study, most market vendors rely on owner savings for initial investment and others rely on loans from relatives and friends. Commercial banks are reluctant to lend money to small scale businesses as they lack business skills, had high cost risk, and that small business emphasized on short term survival while banks were for long- term competitiveness (Gwebu 2005, as cited in Chico - Matenge 2013).

### 4.3. DOMINANT CHALLENGES FACED BY MARKET VENDORS IN MALAWI

Table 4.3: Dominant challenges faced by market vendors in Malawi

	Challenges of market vending business	Very High	High	Low	Very Low	Not at All
1.	Lack of capital	100%	-	-	-	-
2.	Lack of legal protection	100%	-	-	-	-
3.	Low levels of business skills	97%	3%	-	-	-
4.	Unstable security	91%	9%	-	-	-
5.	Restrictive by - laws and legislation	89%	11%	-	-	-
6.	Lack of enough market facilities i.e water and toilets	81%	19%	-	-	-
7.	Unplanned policies on urban development	79%	17%	14%	-	-
8.	High market rates / fees	74%	26%	-	-	-

N = 300

#### 4.3.1. Lack of enough capital

According to table 4.3, all the market vendors who participated in this study indicated that they are greatly affected by the challenge of lack of capital. This shows that many market vendors have limited access to capital. There is a great need of enough capital for MVB in Malawi to grow. Generally, the finding revealed that the initial capital of most vendors was low. According to one of the interviewees in this study, majority of the vendors get their initial capital from their own personal sources. Similarly, Girma (2009), found that majority of the vendors start their business with very little capital. One of the major problems threatening the growth of vending business in Malawi is lack of enough capital. The extent of the problem is very high and is of great concern to many stakeholders because it is threatening the survival of MSMEs in many developing countries.

According to Fin Scope (2012) as cited in Zidana (2015), 59% of MSMEs were excluded from financial services in Malawi. However, according to Fin Scope (2012) as cited in Zidana (2015), over three quarters of MSMEs in Malawi do not borrow funds primarily because they doubt their ability to repay loans. Lack of enough capital has become counterproductive and threatens the

survival and growth of MSMEs in Malawi (Zidana, 2015). According to Zidana (2015), lack of enough capital has been identified as one of the factors that is threatening the survival and growth of MSMEs in Malawi and other parts of both developing and developed countries. According to Ministry of Trade and Industry (MTI) (2012), financial exclusion decreases as the size and formality of business increases.

As observed earlier, the structuralists school sees the informal economy as subordinated economic units (micro enterprises) and works to reduce input and labor costs and thereby increase the competitiveness of large capitalist firms (Chen 2012, as cited in Granstrom 2008). Structuralist theory view the informal sector as not an involuntary substitute for insufficient job creation, but as a voluntary cost - savings strategy for small business owners trying to avoid excessive government regulation (Portes & Schaufler 1993, as cited in Kay, 2011). In this sense, the informal sector actually compliments the formal sector's entrepreneurial need by offering a low cost - strategy for business format. As such, the sector is dynamic and has the ability to contribute to economic growth. Lack of capital in the informal sector increases the competitiveness of large firms in the formal sector and this compliments the formal sector by offering a cost - strategy for business format.

#### **4.3.2. Lack of legal protection**

Based on table 4.3, all the market vendors who participated in the study showed that they are also greatly facing the challenge of lack of legal protection. Legal protection is important for ensuring the smooth operations of business. In appropriate legal protection raises the cost of business entry, growth and distort marketing (Mitulla 2003, as cited in Girma 2009). With time, some of the small enterprises grow and try to join the formal sector. However, this transition into the formal sector brings with it many costs such as the complicated and expensive legal requirements for registration. In most countries, Malawi inclusive, the legal process involves very long procedures and there are also licenses that can not be obtained easily or cheaply (Tshuma 2013). At times, applications for licences take too long to be processed since small business owners lack the influence or bargaining power enjoyed by bigger firms.

According to Cohen et.al (2000), as cited in Girma (2009), all the vendors lack legal protection. Market vendors need legal protection in their business activities, since most of them are ignorant of their legal rights. Similarly, Private Sector Program(PSDP) (2011), as cited in MTI (2012),

highlighted that lack of legal protection is one of the challenges of MSMEs. As observed earlier, the structuralist theory sees MVB as having both the formal and informal sheds. The challenge of lack of legal protection highly affects MVB because despite having the sheds of the formal sector, MVB has the features of the informal sector, as there is no legal protection because of the free entry of the market vendors. This makes market vendors unable to enjoy the legal protection that is in the formal sector.

#### **4.3.3. Low levels of business skills**

Based on table 4.3, lack of business skills was one of the dominant challenges amongst the market vendors who participated in the study. 97% of the market vendors showed that they are greatly affected by the challenge of lack of business skills. According to Rogers (2002), as cited in Agwu and Emeti (2012), lack of business skills results into inefficiency in overall business management and poor record keeping. This is a major challenge to MSMEs growth and development. Similarly, West and Wood (1972), as cited in Agwu and Emeti (2012), indicated that lack of business skills threatens the survival of MSMEs. Further more, Falla (2013), as cited in Mramba (2015), found that vendors are challenged by low level of business skills amongst others. Using structuralist theory, it implies that MVB lacks the skills and capacity to operate. However, MVBs are surviving because they are depending on the formal sector enterprises for experience and expertise. That explains the two sheds of formal and informal sectors.

#### **4.3.4. Unstable security**

Based on the results on table 4.3, market vendors are also greatly affected by the challenge of lack of stable security. 91% of the market vendors indicated that lack of stable security is one of the major challenges affecting MVB in Malawi. According to one of the interviewees, the market vendors, lack security for their merchandise in terms of proper storage. After close of business hours, the market vendors keep their merchandise at the storage places but these places are not well secured and as a result, some of their merchandise is stolen. Further more, one of the interviewees explained that during some uncertainties like market fires, there is no security for their merchandise as some of it gets stolen and some of it, burnt into ashes. There is no compensation from the Government and as a result their businesses are doomed. Some of the benefits of operating formally are: access to finance, access to public infrastructure and services, access to formal systems of social security, membership in formal business associations, and

access to government subsidies and incentives (Chen, 2009 as cited in Chico – Matenge 2013). As observed earlier, Structuralist theory implies that market vendors have become semi formal because despite having registered their business and complying with tax payments, they do not have social security or social protection that people in the formal sector enjoy. Hence, they seem to have sheds of being both formal and informal.

Therefore, according to the results of this study, all the dominant challenges namely: lack of enough capital, lack of legal protection, lack of business skills, and lack of stable security greatly affect the growth and development of MVB in Malawi. Looking at the dominant challenges, they can be grouped into two namely: internal and external challenges. Under internal challenges these are: lack of enough capital, and lack of business skills. These two fall into this group because they are directly linked to market vendors as individuals. Lack of legal protection, and lack of stable security fall under the external challenges. These challenges are linked to the government and stakeholders. The study found out these dominant challenges of MVB using a participatory approach.

#### **4.4. REASONS WHY MARKET VENDORS OPERATE VENDING BUSINESS DESPITE THE CHALLENGES**

**Table 4.4: Reasons why market vendors operate vending business despite the challenges**

	<b>Reasons</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>
1.	Source of income	100%	-	-	-	-
2.	Source of employment	100%	-	-	-	-
3.	It is highly profitable	-	8%	58%	31%	3%

**N = 300**

##### **4.4.1. Source of income**

Based on table 4.4, the results showed that all the market vendors still operated on vending business despite the challenges because MVB is a source of income to them. According to Girma (2009), the majority of the vendors have source of income in vending business. Market vendors are able to meet some of their everyday basic needs because of the small income which they are



able to get in a day. Although the income is not enough due to a number of challenges that are hindering the growth of MVB, the market vendors are able to at least get a little something for the day. According to one of the market interviewees, in some of the days, the market vendors knock off without selling any of their merchandise but to them they are not discouraged because they compensate in the days when their business is at peak.

#### **4.4.2. Source of employment**

Based on table 4.4, the results showed that all the market vendors still operated on vending business despite the challenges because MVB is a source of informal employment to both educated and uneducated Malawians. A number of studies confirm the research findings. Associates (2002), as cited in Ndhlovu (2011), found that source of employment is a push factor for MVB. According to the Malawi Poverty Reduction Strategy Paper (2012), Malawi has a high population living in rural areas and a high urbanization rate, which increase demand for urban jobs. This is the driving force for the high youth unemployment. Urban youth unemployment is very high. In many developing countries particularly in Africa and Asia, the formal sector has not been able to provide adequate jobs for a rapidly growing urban population leading to the proliferation of the urban informal sector (UN - Habitat 2006, as cited in Girma 2009). The formal sector is small and it is failing to absorb all the labour force, thereby causing high unemployment rates. Most African informal sectors are critical sources of employment particularly for those without the skills or connections to obtain a formal sector job. (Girma, 2009). Vending is the major source of informal employment for the youths. The limited job opportunity in the formal sector and the ever – increasing urban labour force, have given rise to the informal sector employment in urban areas of Ethiopia (Girma, 2009).

In many developing countries particularly in Africa and Asia, the formal sector has not been able to provide adequate jobs for rapidly growing urban populations, leading to the proliferation of the urban informal sector (Girma, 2009).

#### **4.4.3. It is highly profitable**

Based on table 4.4, none of the market vendors indicated that MVB is highly profitable to them. According to Fin Scope (2012), as cited in Zidana (2015), in Malawi, MVB generally have low profit levels. According to one of the market interviewees, the vendors do not make enough profits but the fact that they receive cash everyday, they are able to buy the basic commodities for

their lives i.e. food. The market vendors save some money if they get high profits but the results have shown that MVB is not highly profitable as indicated from the results. Despite this, vending business is a source of livelihood to many people and that is why it is still in operation.

#### 4.5. POSSIBLE SOLUTIONS FOR THE CHALLENGES FACING MVB IN MALAWI

Table 4.5: Possible solutions for the challenges facing MVB in Malawi

	Possible solutions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1.	Provision of ‘soft loans’	100%	-	-	-	-
2.	Legal protection of the market vendors	100%	-	-	-	-
3.	Provision of business skills through trainings	92%	8%	-	-	-
4.	Provision of stable security	90%	10%	-	-	-
5.	Un restrictive by - laws and legislation	89%	11%	-	-	-
6.	Provision of enough market facilities	87%	13%	-	-	-
7.	Affordable market fees	78%	22%	-	-	-
8.	Well planned policies on urban development	66%	34%	-	-	-

**N = 300**

According to Kachiza (2000), the Government of Malawi came up with MSMEs policy which attempted to remove the challenges of MSMEs. However, much has not been done and the challenges are still there. Based on table 4.5, all the respondents showed that the provision of ‘soft loans’ can be the solution to the challenge of lack of capital. According to Kutatko and Hodgetts (1995), as cited in Ramukumba (2014), the greater the amount of capital the owner invest in business, the greater the chances of survival and vice versa. In addition, all the market

vendors who participated in the study, also indicated that the Government should make a provision of legal protection. Legal protection is important for ensuring the smooth operations of business. Furthermore, another possible solution according to the majority of the market vendors, is the provision of business skills. This had an account of 92%. Lack of business skills results into inefficiency in overall business management and poor record keeping thereby, limiting the growth and development of MVB. Again, 90% of the market vendors showed that there is a need for the provision of stable security. The least was the provision of well planned policies on urban development. This had an account of 66%. The Government need to intervene in solving some of the challenges threatening the survival of MVB in Malawi.

Therefore, the results of this study have shown that challenges that are affecting MVB in the informal sector can be mitigated by the government and stakeholders. The market vendors indicated that provision of 'soft loans' can be the solution to the challenge of lack of capital. Other possible solutions were: provision of legal protection, provision of business skills, and provision of stable security. Similarly, Agwu and Emeti (2012), in their study on MSMEs, found that government intervention through the provision of 'soft loans', capacity building of the operators through trainings, favourable taxation policies, provision of stable security, unrestrictive By - Laws, affordable market rates etc, can help in mitigating the challenges.

#### **4.6. CHAPTER SUMMARY**

In this chapter, the results of the study were presented and discussed. According to the results, the dominant challenges are: lack of enough capital, lack of legal protection, lack of business skills, and lack of stable security. Despite the challenges, market vendors still operate on MVB because it is a source of income and source of informal employment to them. Government intervention through the provision of 'soft loans', provision of legal protection, provision of business skills, and provision of stable security can help mitigate the challenges.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.0. INTRODUCTION

In this chapter conclusion are drawn and some recommendations which can be of great help in sustaining MVB in Malawi, are made.

#### 5.1. SUMMARY OF THE STUDY FINDINGS

The overall objective of this study was to examine the challenges of MVB in Malawi. The specific objectives were to: identify the dominant challenges of MVB, establish why MVB continue to increase despite the challenges, and determine the possible solutions to the challenges of MVB in Malawi.

➤ **Dominant challenges faced by market vendors in Malawi**

Using a participatory research approach, the study findings have shown that the dominant challenges faced by market vendors in Malawi are; lack of capital, lack of legal protection, lack of business skills, and lack of stable security.

➤ **The reasons why MVB continue to increase despite the challenges**

According to the study findings, despite the challenges, market vendors are still operating in vending business because it is a source of income and source of informal employment to the vendors.

➤ **The possible solutions to the challenges**

To mitigate the challenges, provision of ‘soft loans’ can be helpful to the challenge of lack enough of capital. There is a need for legal protection, provision of business skills, provision of stable security, provision of unrestrictive by - laws and legislation, affordable market fees, provision of well planned policies on urban development, and provision of enough market facilities.

## **5.2. CONCLUSION**

Based on the results of this study, it shows that indeed MVB in Malawi is encountering so many challenges that are making it difficult for such businesses to thrive. MVB is still surviving because it is a source of income and source of employment to the market vendors. However, the government and stakeholders should help in the growth and development of MVB in Malawi through the provision of possible solutions to mitigate the challenges.

## **5.3. RECOMMENDATIONS**

In light of the above findings and conclusions, the following recommendations can be made:

### **5.3.1 Provide the market vendors with access to financial services**

The market vendors need meaningful access to credit and financial services to help them expand their businesses and improve their livelihood. There is a need of expanding the scope of financial institutions, establishing more micro finance institutions and making the market vendors the targets (Girma, 2009). At Blantyre market, there is only one micro finance institution namely: Opportunity Bank of Malawi (OIBM). This micro finance bank helps a lot but there is a need of more microfinance institutions to cater for the large numbers of market vendors.

According to Kyaw (2008), as cited in Zidana (2015), Credit Guarantee Schemes can help in overcoming the inherent unwillingness within the financial system to extend credit to MSMEs. In Japan for example, they formed a Credit Guarantee Association (CGA) to MSMEs in exchange for financial information. The business information provided by the guarantees is compiled by the CGA and made available to financial institutions as a basis for credit provision to MSMEs. CGAs have also been successfully implemented in many other Asian countries including Thailand, Philippines, and Malaysia (Kyaw 2008, as cited in Zidana, 2015). Therefore, in Malawi we can also implement this scheme to help in mitigating the challenge of lack of enough capital.

### **5.3.2. Sensitize market vendors on their Legal Rights**

Market vendors need legal protection in their business activities. Since most of them are ignorant of their legal rights, the Government of Malawi and other stakeholders such as legal NGOs, should sensitize the market vendors on their legal rights as far as MVB is concerned in Malawi. Sometimes the market vendors demand for their legal rights when they are not supposed to do so

and vice versa. For example, the market vendors should know that legally they are entitled to sell their merchandise in well secured and conducive environment for business. The market vendors should also know legally that they are supposed to do business that is allowed by the City Council. In this case, the market vendors should be provided with legal protection to ensure the effective MVB in Malawi.

### **5.3.3. Provide needs assessment trainings**

Provide the vendors with training based on needs assessment. According to Girma (2009), the training should focus on entrepreneurship and creativity. The Government of Malawi and other responsible NGOs should Provide Market vendors with trainings based on the needs assessment through workshops and seminars. The training can help the market vendors to acquire the necessary skills and expertise in running their businesses. Most of the vendors do not have book records of how much profit they are making for example in a month. Some of the market vendors think that they are making profits when they are not. The trainings should be well focused, based on the needs assessment and this can be of great help in making their businesses grow.

### **5.3.4. Build secure market structures**

The Government of Malawi through the City Council should ensure that the market vendors are provided with enough security for the storage of their merchandise. The City Council should build enough and well secured rooms for the storage of the merchandise. This will minimize stealing of each other's merchandise. In case of market fires, the Government of Malawi through the City Council should have clear policies on how to handle such circumstances. For example, the Government can have a 'starter pack' compensation for the market vendors in case of such unforeseen circumstances. However, this is not a guarantee because recently, there have been so many cases of market fires and sometimes the market vendors themselves have been faulted for this.

## **5.4. AREAS FOR FURTHER RESEARCH**

- As this study is limited to Blantyre flea market only, another study should be conducted in the other flea markets of Zomba, Lilongwe (Tsoka) and Mzuzu in Malawi to obtain the overall picture.

- Another study should be conducted focusing on the dominant challenge of lack of capital. Microfinance institutions are the source of capital to some few vendors in Malawi. However, from the findings, vendors complain of the high interest rates. According to Zidana (2015), the challenge of access to capital coupled with persistent high cost of borrowing provides the basis to understand whether promoting the altering of capital structure, which has been biased towards debt, has the potential of mitigating the capital access challenge amongst MSMEs in Malawi. Therefore, another study should look at how best microfinance institutions can help in the provision of capital to MSMEs, with an insight into market vendors.

## **5.5. CHAPTER SUMMARY**

In this chapter, the findings of the research were summarised. In the chapter, some recommendations were suggested. These suggested recommendations can be of great help in sustaining MVB in Malawi. The findings have shown that market vendors in Malawi have been greatly affected by the challenges and there is a great need for the implementation of possible solutions to the challenges.

## REFERENCE

- Abdalla, N.M. (2015). *Challenges facing the informal sector in Sudan*. Unpublished thesis.
- Adeyaseka, S. (2000). *Quantitative analysis approaches to qualitative data*. UK: Statistical services center.
- Agwu, O & Emeti, I. (2012). *Discussed issues, challenges and prospects of SMEs in Nigeria*. Unpublished thesis, Nigeria.
- Al - Saggaf , Y., & Williamson, K. (2006). Doing ethnography from within a constructivist paradigm to explore virtual communities in Saudi Arabia. *Qualitative Sociology Review*, 2 (2) 5-20. Retrieved from [http://www.qualitativesociologyreview.org/ENG/archive\\_eng.php](http://www.qualitativesociologyreview.org/ENG/archive_eng.php).
- Boateng, C.O. & Stifting, F.E. (2011). *The informal sector in Ghana*. Unpublished thesis.
- Boyaltzis, R. (1998), *Thematic analysis and code development: Transforming qualitative information*. London: Sage publications.
- Browmik, S.K. (2005). Street vendors in Asia : A review. *Economic and Political Weekly*. 2256-2264.
- Chico – Matenge, N.C. (2013). An assessment of challenges faced by micro enterprises in Botswana: A case of Street food vendors in Gaborone. *International Journal of Learning and Development* 3 (5), 2164 – 4063.
- Cooper, D.R., & Schindle, P.S. (2003). *Business research methods*. London: Mc Graw – Hill.
- Creswell, J.W. (2003) *Research design: Qualitative, quantitative and mixed methods approach* (2nd ed.). California : Sage.
- Daily Times. (2016). *Promoting team work among SMEs*.
- Dhemba, J. (1999). Informal Sector Development: A Strategy for alleviating urban poverty in Zimbabwe. *Journal of Social Development in Africa*. 14 (2), 5-6.
- Face of Malawi. (2015). Lilongwe vendors, police clash. Retrieved from <http://timesmediamw.com/lilongwe-vendors-police-clash/>.
- Festo, N.G.J. (2014). Understanding spartial distribution of informal Sector activities for income poverty alleviation: The case of Iringi Municipality, Tanzania. *International Journal of Business, Humanities and Technology*. 4 (22)



- Forces for Change. (2005). *Informal economy organizations in Africa*. Zambia.
- Gay, L. R. (1996). *Educational research: Competencies for analysis and application*. Beverly Hill, CA : Sage Publications.
- Girma, Y. (2009). *Challenges and prospects of street vending in Addis Ababa*. Unpublished thesis.
- Hasam, M. & Alam, J. (2015). Street garments vendors' contribution to the economy and local community: An empirical study to the street garments vendors in Dhaka city, Bangladesh. *International Journal of Management* 5(2), 129 - 139.
- Heintz, J., & Vanek, J. (2007). Employment, the informal sector and poverty: Data and analytical challenges. *A report China - India labour market research design conference*.
- Jimu, I.M. (2004). An exploration of street vending's contribution towards Botswana's vision of prosperity for all by 2016. *Botswana Journal of African Studies*, 18, 19-30.
- Jongh, L. (2015). *Street vending in urban Malawi: Strategies and practices of vendors and local authorities*. Sweden.
- Kachiza, C.C. (2000). *Developing an SME policy framework in Malawi*. Guidelines for the draft policy statement for small and micro enterprises. Freidrich Ebert Stifting.
- Kapunda, S.M., & Moffat, B.D. (2014). Employment trends and poverty reduction : The case of the informal sector in Botswana. *Journal of Social and Economic Policy*, 11 (2) 1-12.
- Kay, D.D. (2011). *The relationship between formal and informal employment in South Africa*. University of Illinos - urbana.
- Kayuni, H.P. & Tambulasi, R.I.C. (2009). Political transitions and vulnerability of street vending in Malawi. *Theoretical and empirical researches in urban management*, 3, 79-96.
- Kombo, D.K., & Tromp, D.L.A. (2006). *Proposal and thesis writing: An introduction*. Nairobi: Paulines Publications.
- Leedy, P. D., & Omrod, J.E. (2001). *Practical research: Planning and design*. New Jersey: Prentice Hall.

- Madziakapita, S. (2003). *A situational analysis of the informal sector in the three major cities Blantyre, Lilongwe & Mzuzu of Malawi*. Unpublished PHD Thesis, University of South Africa.
- Malawi Government, (2012). Malawi poverty reduction strategy paper: Malawi growth and development strategy 11 (2011 - 2016). *IMF Country Report*. 12/122.
- Miles, M.B., & Huberman, M., (1994). *Qualitative data analysis : an expanded sourcebook*. Thousand Oaks, London : Sage Publications.
- Millenium Development Goals for Malawi. (2014). *Ministry of finance, economic planning and development*. Lilongwe.
- Ministry of Trade and Industry. (2012). Micro, small and medium enterprises (MSMEs) policy strategy for the republic of Malawi. “*Enabling enterprise growth in Malawi*” (2012 - 2017).
- Mramba, N. (2015). The Conception of street vending business (SVB) in income poverty reduction in Tanzania. *International Business Research*. 8(5). ISSN:1913-9004. Retried from <http://dx.doi.org/10.5539/ibr.v8n5p120>
- Mutambi, J. (2008). *Stimulating industrial development in Uganda through open innovation business incubators* .Unpublished PHD Thesis, Blekinge Institute of Technology, Sweden.
- Mwanakatwe, P., & Kebedew, G. A. (2015). *African economic outlook*.
- Mwaura, M., & Ngugi, K. (2014). Factors affecting performance of community - based organizations’ projects in Kisii County, Kenya. *International Journal of Social Sciences Management and Entrepreneurship*. 1 (2), 51 – 67. Retrieved from [www.sagepublishers.org](http://www.sagepublishers.org)
- Ndhlovu, P. K. (2011). Street vending in Zambia: A case of Lusaka District. Unpublished Masters Thesis. Institute of the Social Studies, Netherlands.
- Nirathron, N. (2006). Fighting poverty from the street: A survey of street food vendors in Bangkok. *Informal Economy, Poverty and Employment Thailand series*. 1, ILO, ISBN 92-2-118737-3.

- Nyameh, J. (2013). Application of the Maslow's hierarchy of needs theory: Impacts and implications on organizational culture, human resource and employees performance. *International Journal of Business Management Invention*. 2 (3). 2319 – 8028.
- Okibo, B.W., & Makanga, N. (2014). Department of commerce and economic studies. *Journals of Current Research and Academic Review*. 2(2). 2347-3215.
- Opping, S.H. (2013). The problem of sampling in qualitative research. *Asian Journal of Management Sciences and Education*, 2(2), 202- 210.
- Orodho, A.J. (2003), *Essentials of education and social sciences research methods*. Nairobi: Masola Publishers.
- Ramukumba, T. (2014). Overcoming SMEs challenges through critical success factors: a case of SMEs in the Western Cape Province, South Africa. *Economic & Business Review*, 16 (1), 19 - 38.
- Republic of Malawi. (2012). *Integrated household survey 2010 - 2011*. NSO. Zomba.
- Reserve Bank of Malawi. (2016).
- Richards, L., Chungu, M., Kashiwa, L. (2006). *Forces for change: Informal economy organizations in Africa*. The workers association of Zambia & war or want, London.
- Riley, L. (2014). Operation dongosolo and the geographies of urban poverty in Malawi. *Journal of Southern African Studies*, 40, 443-458.
- Saunders, M.N.K., Lewis, P., & Thornhill, A. (2000). *Research methods for business studies* (2<sup>nd</sup> ed.). London: Prentice Hall.
- Saunyama, T.C. (2013). *The contribution of informal sector trade to poverty reduction in Rusape, Zimbabwe*. Thesis. University of Pretoria.
- Sibhat. E.E. (2010). *Cause and effect of informal sector: The case of street vending in Addis Ababa Ethiopia*. Unpublished thesis.
- Tchuma. M.C., & Jarib. (2013). The informal sector as a source of household income: The case of Alice town in the Eastern Cape Province of South Africa. *Journal of African Studies and Development*. 5 (8), 250 - 260. Doi:10.5891/JASD12.042.

- The informal sector. (2010). Retrieved from [http://www.business dictionary .com](http://www.businessdictionary.com)
- Tuli, F. (2010). The basis of distinction between qualitative and quantitative research in social science: Reflection on ontological, epistemological, and methodological perspectives. *Ethiopian Journal of Education and Science*. 6(1), 97 - 108.
- Urban Africa Net. (2014).
- Vandenberg, P. (2006). Poverty reduction through small enterprises. *Emerging Consensus, Unresolved Issues and ILO activities*, 92-2-118200-2
- Whitby, G. (2012). *The development situation in Malawi*. How the UK can best help to improve opportunities for economic growth, job creation and meeting the millennium development goal targets in Malawi. Session 2010 - 2012.
- World Bank. (2015). *World development indicators*. Retrieved from <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators#>, 1.
- Wube, M.C. (2010). *Factors affecting the performance of women entrepreneurs in micro and small enterprises: The case of Dessie Town*. Thesis, Bahir Dar University.
- Yin, R.K. (2003). *A case study research: Design and methods* (Revised ed.). CA: Sage.
- Zidana, R. (2015). Small and medium enterprises (SMEs) in Malawi: Lessons from elsewhere. *International Journal of Management and Commerce Innovations*, 3 (2), 455 - 460.

## APPENDIX 1

### QUESTIONNAIRE

I am Carol C. Khunga. Master of Business Administration (MBA) student from University of Malawi, Polytechnic.

Questionnaire number: .....

#### **EXAMINATION OF THE CHALLENGES OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs): INSIGHTS FROM MARKET VENDING BUSINESS IN MALAWI (BLANTYRE).**

To encourage quick and honest answers, the rule of anonymity will be observed.

#### **SECTION A. INTRODUCTION (Bio-data of the respondents)**

Date of the interview.....

**1. Age**

- (A) Below 21      (C) 31-40 years      (E) 51 years and above  
(B) 21-30 years      (D) 41-50 years

**2. Sex**

- (A) Male      (B) Female

**3. Marital status**

- (A) Single      (B) Married      (C) Divorced      (D) Widowed

**4. Educational level**

- (A) None      (B) Primary      (C) Secondary      (D) Tertiary

#### **SECTION B. BUSINESS HISTORY AND OPERATION**

**5. What type of business are you operating?**

- (A) Trader      (B) Service Providers

**If you are a trader what business are you operating**

- (A) Clothing seller.      (B) Market vendors for assorted items.

(C) Fresh foods (D) Metal, wood products and handcrafts.

(E) Other (Specify).....

**If you are a service provider what business are you operating**

(A) Shoe, watch, and radio repairs.

(B) Hairdressers and barbers. (C) Other (Specify).....

**6. When did you start your business?**

- (A) Less than a year (C) Between 6 – 10years ago
- (B) Between 1 – 5 years ago (D) More than 10 years ago

**7. What was your initial capital?**

- (A) Less than K20,000 (C) Between K 41,000 and K60,000
- (B) Between K 21,000 and K40,000 (D) Between K61,000 and K80,000
- (E) Above K80,000

**SECTION C. RESEARCH QUESTIONS**

**8.** How have you been affected by the challenges in MVB? (tick where necessary).

	<b>Challenges of market vending business</b>	<b>Very High</b>	<b>High</b>	<b>Low</b>	<b>Very Low</b>	<b>Not at All</b>
1.	Lack of capital					
2.	Lack of enough market facilities i.e water and toilets					
3.	High market rates/fees					
4.	Low levels of business skills					
5.	Unplanned policies on urban development					
6.	Restrictive by - laws and legislation					
7.	Unstable security					
8.	Lack of legal protection					

Other(*specify*).....  
 .....

**9. Why do you operate on MVB despite the challenges.?**

	Reasons	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Source of income					
2.	Source of employment					
3.	It is highly profitable					

**10. What are the possible solutions for the challenges.?**

	Possible solutions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Provision of 'soft loans'					
2.	Provision of enough market facilities					
3.	Affordable market fees					
4.	Well planned policies on urban development					
5.	Conducting training to provide business skills					
6.	Un restrictive by - laws and legislation					
7.	Provision of stable security					
8.	Provision of legal protection					

Other(*specify*).....  
.....

Interview done by..... Date.....

THE END.

THANK YOU.