

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my Advisor Marushete Bekele (PhD & Asso. Prof.), All sources of materials used for the thesis; have been duly acknowledged, I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

St .Mary's University, Addis Ababa

Signature

JANUARY, 2017

ENDORSEMENT

This thesis has been submitted to St. Mary's university, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

St. Mary's university, Addis Ababa

Signature

JANUARY, 2017

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LIST OF ABBREVIATIONS AND ACRONYMS

ILO	International Labor Organization
WTO	World Trade Organization
OAS	Organization of American States
GDP	Gross Domestic Product
MIMC	Multiple Indicators and Multiple Cause
CSA	Central Statistics Agency
MoLSA	Ministry of Labor and Social Affairs
GDRC	Global Development Research Center
OECD	Organization for Economic cooperation and Development
BIDPA	Botswana Institute for Development Policy Analysis
CEDA	Community and Economic Development Agency
SME	Small and Medium Enterprise
GTP	Growth and Transformation Plan
MDG	Millennium Development Goal
MSE	Micro and Small Enterprise
TVET	Technical and Vocational Education and Training
NGO	Non-Government Organizations

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Abstract

This study focused on assessing the practices and challenges of street vending in the city of Addis Ababa, examined the main source of capital and identified the reasons why people are engaged in street vending business; A descriptive survey design was used and a purposive sample of two respondent groups, namely government officials and the street vending business participants was drawn. Data were generated through personal interviews and surveys questionnaires. The purpose of the interviews of the first respondent group was to discover their perception of the street vending business in Addis Ababa City in general and in Arada sub city in particular. Their perception was vital as this group influences government policies much more than the general public. The data collected from street vending business participants allowed to generate information related to practices and challenges of street vending business. Its level of operation and scope as well as the benefits and their success with a particular focus in Arada sub city. The results show that there were mixed feelings among the people in each of the two respondent groups. Although many of the government officials were positive, mainly because the government's policy of free enterprise and promote the formalization of the street vending business publicly, they still believe there is a need to control the sector's operations. More than 83 percent of the streets vending business participants are making a comfortable livelihood through their activities despite some difficulties. The lack of employment in the formal sector and the desire to survive were found to be the two pressing problems that enhance the growth of the streets vending business in Arada sub city. The participants could further expand their street vending business activities if access to credit facilities and working space were made available. However, further research is required on the size and contribution of this sector to poverty alleviation and economic growth.

Keywords: Informal Sector, streets vending business, practices, challenges and Addis Ababa, Ethiopia.

CHAPTER ONE

INTRODUCTION

This chapter begins with research background to give an idea about the area of the paper to the reader. This was followed by, background of the organization, the statement of problem, the formulated research questions, objectives, significance of the study, scope of the study, limitation of the study and finally organization of the paper.

1.1 Background of the study

As cited by Farinmade Ademola and Anyankora, M. I. “The informal sector is generally viewed as another sector outside the normal organized formal sector that provides employment and sustenance through engaging in a variety of activities, such as street trading, hawking, vulcanizing, local manufacturing and cobbling to mention but a few. The sector is characterized by small scale operations, labor intensive techniques, low-income families, private and indigenous ownership of enterprises that are largely unprotected by government” (Lawanson, 2011).

“Informal business sources from Unemployment, resource scarcity, lack of education, low productivity in agriculture, high population, high economic competition, is forced millions of youths of developing countries like Ethiopia migrate to urban to get employment and participate in informal trade ”(Aryeetey, 2009).

The informal sector is a source of livelihood for millions of vendors, mechanics, domestic workers, bus drivers and micro-entrepreneurs. Broadly defined as small-scale, self-financed activities operating with a low level of organization in an unregulated environment, the informal sector has exploded with globalization and economic openness (Verick, 2006).

Economic activity in countries simply cannot be understood without recognizing that a great share of income, output and employment is generated outside the formal economy. The sector is characterized by small scale operations, labor intensive techniques, low-income families, private and indigenous ownership of enterprises that are largely unprotected by government.

The main features of informal sector economic units are: ease of entry; small scale of the activity; self-employment; little capital and equipment; labor intensive technologies; low skill; low level of organization with no access to organized markets, formal credit, education and

training or services and facilities; low productivity and low income. Informal sector participants generally live and work in appalling, often dangerous and unhealthy conditions, usually without basic sanitary facilities, in the shanty towns of urban areas (Lawanson, 2011).

The informal business covers a wide range of labor market activities that combine two groups of different nature. On the one hand, the informal sector is formed by the coping behavior of individuals and families in economic environment where earning opportunities are scarce. On the other hand, the informal sector is a product of rational behavior of entrepreneurs that desire to escape state regulations. These are, Coping strategies (survival activities): casual jobs, temporary jobs, unpaid jobs, subsistence agriculture, multiple job holding, un official earning strategies (illegality in business): un official business activities: tax evasion, avoidance of labor regulation and other government or institutional regulations, no registration of the company; Underground activities: crime, corruption activities not registered by statistical offices.

The informal sector plays an important and controversial role. It provides jobs and reduces unemployment and underemployment, but in many cases the jobs are low-paid and the job security is poor. It supports entrepreneurial activity, but at the detriment of state regulations compliance, particularly regarding tax and labor regulations. It helps alleviate poverty. The concept of the informal sector was introduced into international usage the International Labor Organization in its Kenya Mission Report, which defined informality as a way of doing things characterized by (a) ease of entry; (b) reliance on indigenous resources; (c) family ownership; (d) small scale operations; (e) labor intensive and adaptive technology; (e) skills acquired outside of the formal sector; (g) unregulated and competitive markets.

The informal sector workforce can be categorized into three broad groups: (a) owner-employers of micro enterprises, which employ a few paid workers, with or without trainers; (b) own-account workers, who own and operate one-person business, who work alone or with the help of unpaid workers, generally family members and apprentices; and (c) dependent workers, paid or unpaid, including wage workers in micro enterprises, unpaid family workers, apprentices, contract labor, homeworkers and paid domestic workers (ILO, 2009). Its contribution to the economy now matches and sometimes even outweighs that of the formal sector in many developing countries: in 2009, informal activity accounted for over 80% of non-agricultural jobs in Sub-Saharan Africa and South Asia, 50% of gross national savings in India, and 58% of non-

agricultural growth in Ghana (CUTS, 2009). This expansion shows no sign of slowing down. Even in the presence of strong economic growth in Southeast Asia and Latin America, rates of informal employment have increased steadily over the past twenty years, with formal employment stagnating in comparison (Jütting and Laiglesia, 2009).

Yet despite the clear economic, political and social importance of this phenomenon, a wide knowledge gap remains concerning the impact of informal sector size on macroeconomic outcomes (Gerxhani, 2002). There has recently been a renewal of interest in the dynamics of informality, yet the discourse is not without disagreement: economists and decision-makers disagree as to whether this phenomenon is a problem to be suppressed or an opportunity to be stimulated. Some experts argue that due to their small size, informal firms cannot achieve high capital intensity and productivity (Pagés, 2010). Furthermore, a large informal sector may create competition for official firms and draw workers away from these, with negative repercussions for public finance.

At a January 2011 panel event hosted by the Organization of American States (OAS), for example, participants discussed the problem of the informal sector and presented various roadmaps to formalization as proposed policy responses (OAS, 2011). On the other hand, the rising popularity of microfinance initiatives and of micro-pension schemes for informal workers cast informality as a force for inclusive economic development in poor countries. Informal sector jobs can enhance the competitiveness and flexibility of production, allowing workers to find employment in the absence of government support (Misati, 2010).

To measure the magnitude of informal sector several approaches may be used to estimate activity in the informal sector. The choice or combination will depend on the objectives which range from very simple such as only having information about the evolution of number and characteristics of persons involved in the informal sector, or more complex such as obtaining detailed information about the characteristics of the enterprises involved, the main activities undertaken, number of employees, income generation, capital equipment, etc. The choice of measurement method depends upon data requirements, statistical systems organization, financial and human resources capability and user needs, especially policy makers involved in economic decision taking. The main methods used to obtain estimates of the magnitude of the informal sector can be separated into three classes: Direct methods, indirect methods and Model

approaches consequently. Direct methods are microeconomic in nature and based on surveys or the results from tax audits used to construct estimates of total economic activity and its official and unofficial (or measured and unmeasured) components.

In order to make a direct estimate of the informal sector several approaches are used, To conduct a special survey on the informal sector, To expand the coverage of the existing regular surveys, such as labor force or household surveys, with information pertaining to the informal sector, To carry out mixed household–enterprise surveys. Special surveys on the informal sector, even if they are the most appropriate for data collection, are very costly and often entail sizeable financial and human resources. Indirect methods are macroeconomic in nature, and combine various economic variables and a set of assumptions for producing estimates of total economic activity (that is, measured and unmeasured, official and unofficial). Hence, only the size of the informal sector may be estimated, not any other relevant information and indicators about the country, like the extent of social protection, access to education, health, credit, differences in wages and working conditions and prevalence of poverty. Indirect methods can be sub-classified as follows: Discrepancy methods that rely on differences between aggregate income and expenditure that capture the economic activity of the informal sector or between labor force and formal employment. This estimation of the informal sector based on the differences between aggregates requires having independently obtained measures of GDP using expenditure and income approaches and thus, limiting its application in practice.

Monetary methods are by far the most used in the empirical literature. They are based on the assumption that hidden transactions use only cash; so, estimating the quantity of money in circulation and then taking away the incentives that induce agents into informality (usually taxes) should give a good approximation of the money used in informal activities. Physical input methods use discrepancies in electricity consumption and GDP. This method has limitations due to the assumption of a constant coefficient of use per unit of GDP which does not consider technological progress and starts its estimation from a base year in which the magnitude of the informal economy is zero or negligible (an unrealistic assumption for most countries).

The Model approach for measuring the informal sector involves using structural equations to link unobserved variables to observed indicators and cause. The most common method is that of the Multiple Indicator–Multiple Cause (MIMIC) model that imputes a level of underlying

informality from a set of presumed causes of informality on the one hand, and measurable consequences of it, on the other. Among the causes that can be included are taxation level, inflation, salaries, and unemployment; the indicators refer to the currency in circulation and real GDP. The two main components of the model, the measurement equation and the structural equation, provide the size of the informal economy using the causes and indicators included in estimations (Dalisay, 2008). The informal sectors activity is practiced with full of challenges like lack of initial capital, inadequate skill, lack of decent market place, lack of encouraging policy, and with police harassment. Totally the sector is with unsecured working condition. Street vending is an informal type of business, which provides goods for sale to the society. This informal sector is an urban livelihood strategy because it is a low entry barrier in terms of skill and capital, family ownership of enterprises, labor intensive production, no access to formal credit, low skills, low level of education, low incomes, and unregulated markets (Bhowmik, 2015).

The challenges on street vendors are Absence of official protection and recognition, Non coverage by minimum wage legislation and social security system, Predominance of own-account and self-employment work, Absence of trade union organization, Low income and wages, Little job security or working condition and No fringe benefits from institutional sources. Beyond economic capability, street vendors are entrenched in a web of complex livelihood challenges, which go beyond self-empowerment (Joseph, 2011).

1.2 Statement of the problem

Addis Ababa is the capital city of Ethiopia. A lot of people living in this city, out of the total population nearly 75% are participating on formal sectors and the rest 25% of all employed population are engaged in street vending business the share of informal sectors in the city economy plays an important role in poverty reduction and creating employment through small units of production and services (CSA, 2014).

The activities of the people operating in the informal sector in most urban settlements in less developed countries cannot be ignored since they play significant role in the development of the economies of these countries. Street vending business has a great significance on generating income for the poor people and providing employment opportunity for those who are marginalized women, low educated youths and disabled peoples in our county and also play a

crucial role of the total development of the economies of our country. So this sector should not be ignored as an illegal sector rather we have to make it work efficiently for poverty reduction Particularly in Ethiopia.

In Ethiopia, as indicated in a document produced by Ministry of Labor and Social Affairs (MoLSA) entitled: Labor Market Dynamics in Ethiopia (2013), of the shares of informal economy employment for the years 1999 -2010 had the proportion of working population in the informal sector with a significant decline from 72.8% in 1999 to 33.3% in 2010 (MoLSA, 2013). Out of the total employed population in urban areas of the country, 34.1% were engaged in the informal economy. The highest percentage share who were working in the informal economy was found in Somali region (46.5%) followed by Gambella region (42.1%). The lowest proportion of people engaged in the informal economy was found in Addis Ababa City Administration (20.5%).The sector also provided most of the population with a means of livelihood or essential supplementary income. Most probably the sector is also the only reliable source of livelihood for women and the poor, for whom the formal sector has no accommodation for economic engagement (MoLSA, 2013).

Despite its contribution to economic development, the sector is still regarded as the sector where the bulk of the poor are found. Scientific studies on the practices and challenges of informal sector in alleviating poverty and their coping measures are still in short supply in Arada sub-city. Some related researches were conducted in other sub-cities but their scope was limited to a specific operator group on specific issue of the informal sector. It is therefore difficult for officials and policy makers to provide pragmatic solutions to the poverty situation in the sector. In order to provide objective solution to the practices and challenges in the sector, this study will fill in the gap by conducting a study on the practices and challenges of employment and income levels, and the various problems faced by unregistered street vending business at the Sub-city level.

1.3 Research objective

1.3.1 General Objective of the study

The main objective of the study is to assess the practices and challenges of street vending in the city of Addis Ababa.

1.3.2 Specific objectives of the study

1. To examine the main source of capital.
2. To determine the constraints faced by participants on the street vending business.
3. To determine opportunities for entrepreneurs in the street vending business.
4. To identify the reasons why people are engaged in street vending business.
5. To identify support needed to this sector from Government and related sectors.
6. To explore the socio economic background of street vendors.

1.3.3 Basic Research Question

The basic questions in this study are:-

1. What are the main sources of capitals?
2. What are the constraints for entrepreneurs in this informal sector?
3. What are the opportunities for entrepreneurs in this informal sector?
4. Why people are engaged on street vending business?
5. What kind of support is needed to the informal sector from government and other sectors?
6. What is the socio economic back ground of street vendors?

1.4 Significance of the problem/study

The findings of the study have practical significance. This micro level study is expected to give insights to understanding of the importance of street vending business in Addis Ababa. The study is expected to raise societal awareness of street vends, to identify the factors that contribute to this operation and to understand the challenges faced by the vendors. In due course, it is hoped that this study will provide information to donor communities about recent statistical data and research findings. It may also have some contribution to the formulation of appropriate policies for reducing and managing the problems of street vendors. The concerned bodies will use the research findings to focus on the root causes of street vending attention to the observed problems. In addition to this, the policies will facilitate to have further studies on the problem since there is little relevant and comprehensive data on the problem of street vending.

1.5 Scope and Limitation of the study

This study is limited to street vendors in Addis Ababa. This thesis will mainly concentrate on practices and challenges of street vendors in Addis Ababa. And it does not look over all informal sectors focus on.

The scope of the study restricted to un-registered street vendor or informal sector operators in Addis Ababa city, Arada sub-city Administration. The scope and depth of the research problem

is bulky, will be constrained to cover exhaustively due to limited resources and expertise of the researcher and it is very much difficult to get a population list of the study.

The study gives emphasis on socio-economic analysis of the vendors and identifies appropriate strategy to include street vending into city system. However given the complexity of street vending and diversity of individual circumstances suggesting any generalized solution to the existing problem for a large and growing city like Addis Ababa is quite difficult task.

The geographical scope of this study is restricted to areas under the jurisdiction of the Addis Ababa Municipal and only to some selected markets.

1.6 Research Design and Sampling Techniques

A descriptive survey design is used to collect data from two sources. These are secondary source which concentrated on reviewing the literature related to informal sector and develop contextual framework; and primary source from interviews and questionnaire filled by respondents to attain the general and specific objectives. The study relied on both qualitative and quantitative methods of data collection used in this research. Samples will be drawing from two different target groups' government officials and the informal sectors operate themselves. The sample size for the second group is based on the population's estimates.

1.7 Organization of the research report

This research report is organized in to five chapters. The first chapter will study with the introduction of the problem and its approach. The second chapter will study with the review of the related literature. The third chapter treats the methodology. The fourth chapter will deal with the analysis and interpretation of data. The fifth chapter contains summary, conclusion and recommendations of the study. Finally list of reference materials and papers containing important information will be annexed in the appendices.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews the literature written by different authors and researches conducted by different scholars in relation to the study and present a summary of Practices and Challenges of street vending business of literature such as definitions, assumptions, major concepts regarding Practices and Challenges of Street vending business and review of empirical works. Finally, conceptual framework of the study is included by summarizing literature results.

2.2 Theories of informal sectors

As cited by Farinmade Ademola and Anyankora, M .I. The existence and presence of the informal sector has been widely acknowledged generally. The International Labor Organization (ILO) estimates that the proportion of the urban work force engaged in the informal sector is highest in sub-Saharan Africa and accounts for more than 50% of urban employment in two thirds of the countries surveyed in 1999. This statement indicates that informal sector activities must be significant practice in many African countries and probably developing countries too. There are three views about street vending business; Romantic views, parasite views and dual views. The romantic view holds that, formal and informal sectors are not quite different. The dissimilar is that, informal sectors to be born in informal environment. If they will be intervened by the government in terms of policies, regulations, capital and skills, they could perform in the same way as the formal sector (Granstrom, 2009). According to this view informal sectors are potentially productive, but discourage by government policies, regulations, and limited access to finance. Hence if those barriers would be eliminated informal business would register and take advantage of benefits of their formal status.

The parasite views, views informal sectors are illegal and when they compete with formal sector it is getting an unfair benefit (Jutting and Laiglesia, 2009). According to these views, informal sectors are surviving at the expense of formal sectors. Street vendors stay on the informal economy is a rational one, due to escaping tax and different government regulation. So the formal sectors (competitors) and government policy aims to avoid informal sectors by reducing tax evasion and increasing government regulation enforcement. Street vending businesses are highly inefficient, do not bring much threat to the formal ones and also do not help to economic

growth, which is driven by the efficient formal firms (Jutting and Laiglesia, 2009). The dualist argues that the informal sectors and their activities have few linkages to the formal economy, but rather, operate as a distinct separate of the economy (Chen, 2007). Given the heterogeneity of the informal economy, there is some reality to each of these outlaying's unlike the previous study by Jutting and Laiglesia (2009). Informal business is in favor of Granstrom's Romantic view of informality. This means that if the street vendors will be empowered in terms of business license, policy, regulation, special vending zones, appropriate business skills, vending association and business security they would provide power to income growth and general business development.

2.3 Definition and characteristics of informal sector

Because of unbalanced growing proportion of the world, working population is in the informal sector, planners of vocational training for adults must pay closer attention to those concepts of teaching and learning that have relevance for the informal sector, and they must develop strategies for building bridges between various existing forms of formal and informal education and training. Informal sector is sector which encompasses all jobs which are not recognized as normal income source which taxes are not paid. The term is sometimes used to refer to only illegal activity, such as an individual earn wages but does not claim them on his or her income tax, or a cruel situation where people are forced to work without pay. However, the informal sector could also be interpreted to include legal activities such as jobs that are performed in exchange for something other than money opposite of formal sector. The informal sector or informal economy refers to activities and income that are partially or fully outside government regulation, taxation, and observation. The main attraction of the undeclared economy is financial. The activity allows employers, paid employees, and the self-employed to increase their take home earnings or reduce their costs by escaping taxation and social contributions. It is means of employment who cannot find a job in the formal sector. But a loss in budget revenues by reducing taxes (World Bank, 2009).

The informal sector covers high range of labor market activities like Coping strategies (survival activities); casual job, temporary job, unpaid job, subsistence agriculture, multiple job holding and Unofficial earnings strategies (illegality in business);unofficial business activities is tax evasion, avoidance of labor regulation and other government or institutional regulation, no

registration of the company and also underground activities; crime, corruption-activities not registered by statistical officials (GDRC, 2009). And also the simplest definition of informal economic activity is any exchange of goods or services involving economic value in which the act escapes regulation of similar such acts (ILO, 2009).

The informal sector often refers to as subterranean economy underground economy, shadow economy, non-corporate enterprises, micro enterprises and petty producers is also defined as a large volume of self employed in developing countries who are engaged in small scale intensive work such as tailoring, food preparation, trading, shoe repairing, etc. these people are often regarded as unemployed or under employed as they cannot be included in the national employment statistics but they are often highly productive and make a significance contribution to national income. Their work in general is characterized by low capital output ratio that is, the ratio of the level of equipment or capital relative to output is low (Soares, 2005).

The informal sector is understood by many names such as black market, casual work, clandestine activities, community of the poor, family enterprise sector, hidden sector, informal economy, informal opportunities, intermediates sector, invisible sector, irregular sector, lower circuit of the urban economy, non-plan activities, non-westernized sector, one person enterprise, parallel economy, people's economy, petty commodity production, shadow economy, trade service sector, transient sector, underground economy, unobserved economy, unofficial economy, unorganized sector, unrecorded economy activities, unstructured sector, urban subsistence sector and so on. Essentially these terms characterize it in terms of what is informal sector is; informal sector is not a formal sector (non-formal), it is not controlled by the government (non-plan, hidden, unofficial, unrecorded). It is not legal (illegal, black, shadow) and it is not taxable (unrecorded, parallel), but recent research and exploration on the issue has resulted in a more benign approach, where the names and definitions have used the characteristics of the sector itself (casual, family enterprise). Some emphasize its poverty focus (subsistence, petty commodity and one person enterprise) as well as its temporary nature (transient, intermediate). In reality it is all of these taken together. That defines all the characteristics of the sector (GDRC, 2009).

2.4 Street Vending

Street vending is one of the most visible activities in the informal economy and is found everywhere in the world, both in developed and developing countries. It has been defined in many different ways by various authors. However, a common theme among definitions is the location of trade. It may include trading without a permit, trading outside formally designated trading locations and non-payment of municipal/national taxes or self allocation of shelter for trading (Lyons and Snoxell, 2005). Street vendors are known to play a very important role in the urban economy by providing employment, income and other items to the public. They sell different kinds of goods such as second hand clothes, shoes, vegetables, fruits, food stuffs, plastic goods, and various household necessities, which are manufactured in small scale or home based industries. In many countries the urban poor prefer to buy clothes and accessories from street vendors because the goods that they sell are usually cheaper and affordable than those found in formal retail shops (Saha, 2009).

Street vendors can be categorized as survivalists entrepreneurs with very few growths oriented. According to Berner et al, (2008), survival entrepreneurs do not start their business by choice but because they cannot find wage employment; they attempt to increase security and smoothen consumption rather than maximizing profits; for this purpose they diversify their activities instead of specializing, they consider profits as part of their household income. Similarly, Gomez (2008) argues that the majority of survivalist micro-enterprises in developing countries do not pursue expansion in their business rather they are necessity driven entrepreneurs that are forced in to selling due to joblessness or other economic shocks. She further adds that most poor entrepreneurs started selling as a means of surviving and that the products of the survival entrepreneurs are generally of low-quality mainly supplying the survival needs of low income consumers whose purchasing power is limited to the lowest priced products or cheap imports (Gomez, 2008).

On the other hand there are growth oriented entrepreneurs, mainly men, who specialize on a single firm, may use hired labor and seek may use hired labor and seek external sources of capital (Ibid, 2008).

2.5 People engaged in street vendors

Street vendors are mainly those who are unsuccessful or unable to get standard jobs. This section of the urban poor tries to solve their problem through their own inadequate income. Different others actions of the urban residents they do not demand that government create jobs for them, or hold in begging, theft or extortion. Women vendors earn even less, these people work for over 10 hours in a day under difficult conditions on the street and are under constant threat of eviction. A study of street vendors in Mumbai conducted by Women's University and ILO showed that an overpowering majority of them suffered from illnesses related to stress hyperacidity, migraine, hypertension, loss of sleep etc. (Khadar, 2016).

2.6 Characteristics of the activities in the Street vending

The characteristics are unregulated and competitive markets, Small scale operation with individual or family ownership, Ease of entry, Reliance on locally available resources, Family ownership of enterprises, Labor intensive and adapted technology, Absence of access to institutional credit or other supports and protections

2.7 Obstacles, Constraints and risks

Employs in informal sectors has unsecured and work with low wage and poor working condition, informal sector exploitation higher than formal sector that work more than 10hour work per day and one half wage get with same productivity. Salary workers leads to uncertainty in terms of future earnings , uncertainty in terms of contract renewal, lack of basic benefits (severance pay, overtime, unemployment benefits, sick leave) and social protection , long working hours, work accidents, absent workers' organization, and also self-employed with uncertainty in terms of enterprise survival and high indirect operational costs (OECD, 2008).

Informal sector or traders are facing a lot of financial and non-financial obstacles and constraints. They are suffer a lack of legal protection, tolerate restricted access to capital and business support within the informal economy are faced problem here are some of the main ones, as they affect local government, poor infrastructure, poor infrastructure affects street vendors, they needed infrastructure includes formal markets, transport, storage space, water and electricity, poor access to finance and banking, lack of training, lack of access to economics of scale and low demand. The above problems are common to the activities of informal sector. on the other

hand, employees who work in informal enterprise are working with a lot of disadvantages; Including no social benefits: any pension, insurance or health insurance scheme, Under minimum wage that difficult to make any savings, Non- appropriate working conditions: little or no job security, unprotected by labor laws, odd working hours, illness or injury due to working without safety. The informal sector is often ignored and in some respects helped and in some harassed by the authorities, enterprises and individuals within it operate largely outside the system of government benefits and thus have no access to the formal credit institutions and the main sector operate illegally (ILO, 2002).

Chen (2005) argued that informal sector include activities done out of formal sectors like home based workers, waste pickers, shoeshine, street vendors and so on. More or less they face same problem. But some ways differently affected by depends on special work condition. exposure to weather – extreme temperatures, wind, rain and sun, poor access to clean water and sanitation from dirty streets and poor drainage, as well as waste produces from other vendors, diseases transmitted by pests, Lead poisoning and respiratory problems from vehicle smokes, Musculoskeletal problems associated with ergonomic hazards at workstations and static postures, and Risk of physical harm from both authorities, members of the public or other traders. The greatest challenge facing street and informal traders is with site of operation and right to trading space, environmental condition, security, transport, municipal services, and finance (Miltullah, 2003).

2.8 Challenges faced by street vendors

The challenges are Absence of official protection and recognition, Non coverage by minimum wage legislation and social security system, Predominance of own-account and self-employment work, Absence of trade union organization, Low income and wages, Little job security or working condition and No fringe benefits from institutional sources. Beyond economic capability, street vendors are entrenched in a web of complex livelihood challenges, which go beyond self-empowerment (Joseph, 2011). They are subjected to repressive planning legislation which excludes them from street trading (Joseph, 2011; BIDPA, 2011).

According to the 2007 Informal Sector Survey (2009), many street vendors enterprises in Botswana are faced with the following challenges; non-payment of goods and services supplied

on credit to their customers; high competition, lack of managerial skills which were the most constraints among operators, lack of space for business operations and lack of credit facilities. Though street vendors are one of the highly visible informal sector activities, street vending is mostly unregulated trading that takes place in public spaces such as streets, sidewalks, bridges, pavements etc. The use of public space in Botswana both physically and socially by street vendors has become the subject of intense contestation (Joseph, 2011).

In many African countries street vending is perceived as a major crisis and an eye-sore in the urban authorities and criticized for causing or contributing to a number of social ills that negatively affect cities (Palmer, 2007). Most of the policies and programs formulated lack coordination and ultimately lead to poor management and failure of use of funds by these micro enterprises (Acquah and Mosimanegape, 2007; Pansiri and Temtime, 2008). Most street vendors or micro traders depend on owner savings for initial investment and others relied on loans from relatives and friends. Commercial banks were reluctant to lend money to small scale business as they lacked business skills, had high cost risk and that small business emphasized on short term survival issues while banks were for long-term competitiveness (Gwebu, 2005; Pansiri and Temtime, 2005).

Botswana government and the private sector have been assisting micro enterprises but not paying much attention on the component of training small business owners on how to manage their businesses for long term survival in the market (Gobagoba and Littrell, 2003; BIDPA and CEDA, 2007). In developing countries urban planners formulate policies to control the operation of the informal sector activities particularly street vending (Palmer, 2007) but some of these policies are not friendly to street vendors (Palmer, 2007; Joseph, 2011). For instance, they carry out frequent inspection and do destructions, removal of goods and sometimes remove some street vendors from where they operate (Joseph, 2011). Furthermore, restrictive bureaucratic regulations are some of the challenges that affect street vendors and lack of facilities to conduct their business. Due to competition street vendors sometimes as a way of attracting customers, they sell their products at low prices which in turn a lead to reduced profits (Sekar, 2007; Bhat and Nengroo, 2013; Jimu, 2004; Fuller-Love, 2006).

Furthermore, there is lack of appropriate land zones gazette specifically for street vending in Gaborone (Joseph, 2011). Location preferences for street vending enterprises are customer driven such that the officially poorly zoned market area at Bontleng, becomes unattractive to even the new entrants (Joseph, 2011). Moreover, urban planners are reluctant to organize spaces such as market stalls within street vendors' site of preference (Monnaesi, 2011).

Joseph (2003) indicated that there was lack of definite statutes, disjunction between licensing and land requirements, lack of consultation, environmental and public health concerns. Street vending and other informal sector activities in Botswana are managed using clauses found in legislations drawn to address different issues such as public health, food control, and environmental management (Joseph, 2003; Joseph, 2011).

There is lack of inspection on health issues and poor hygiene practices tend to pose significant health risks to street vendors. They also highlighted that there are health risks in preparation and handling of food. The food can be contaminated with bacteria as some food lack covering. There is issue waste water which is usually splashed everywhere which can be a breeding place for mosquitoes and malaria (Ayed et al., 2011).

2.9 Challenges of Street Vending

According to Rachna (2014), Street Vendors in India, The challenges specific to street vendors faces many problems as they are vulnerable population, who are neither protected by government, non-government organizations, labor union nor by any labor law. They are disadvantaged by laws made by government in respect of labor union. The street vendors always suffer competition with other street vendors because of fluctuation in market prices, insecure and irregular employment. Their incomes are often minimal and their sales fluctuate. Another reason for decrease in income of street vendors is that they are forced to pay 15 to 20 percent of their daily income as bribes to local police. Street vendors are usually associated with encroachment of public spaces, causes traffic congestion, inadequate hygiene, and poor waste disposal. Safety of goods has been increasingly become a concern in regard to street vendors. No Government agency is authorized to verify the content of goods as they are not regulated by any government agency. The government does not recognize the contribution of street hawkers towards economic

and social well-being of urban population. They survive without government support. But lately, government has passed Street Vendors Bill 2013, which protects the rights of street vendors.

2.10 Uncertainty and insecurity:

The basic problems of street vendors is insecurity and uncertainty as their profession is considered illegal, but according to government of India assessment done in 2004 shows around 2.5% of local poor urban population survive by working in this occupation. If government provide license to street vendors, they can be protected by harassment and removal by local authorities and local police.

2.11 Challenges of Small scale business in Somaliland

The unavailability of commercial banking system and efficient micro-finance institutions In Somaliland which further puts a strain on those businesses who face shortage of liquidity and those who are inspiring to set up their own startups. Lack of basic book-keeping, sales, marketing, business planning, further complicates the problems SME sector in Somaliland is facing. Lack of sufficient commercial legal framework and commercial negotiation mechanism, this is one of the biggest obstacles in small and medium enterprises /SME/ growth and success. Female entrepreneurs who are more than their male counterparts in the SME sector face the same female inherent labels and cultural bottlenecks while they are in business (Mohammed, 2007).

2.12 Empirical Literature

Adenuts (2009) argues that entrepreneurship (e.g. Street Vending Business) is the catalyst for economic growth and development through job creation, income, empowerment and poverty reduction in an economy. This suggests that entrepreneurship is crucial to create high job opportunity, income and reducing poverty. So here it is better to develop policy measures and intervention programs that are very important and consistent with the objective of welfare improvements. So now there is a demand of government and development stakeholders intervene the operation street vending business to make it work for poverty reduction. Poverty reduction is a function of many things. But the common one is the economic growth (khan, 2009).

Another study by Misati (2007) in Kenya argues that the creation of wealth and poverty reduction in Sub-Saharan countries is associated with informal sector particularly through the creation of employment. The study recommends that, policy in low income countries should include the role of informal sectors and the governments should improve the working conditions of the informal sector. In many African countries the working conditions of the informal sector are difficult and not regulated by the government policy and regulations.

Kar and Marjit (2009) study in sub-Saharan Africa argues that instead of discouraging informal trade activities emphasis should be on encouraging them and providing them with institutional, managerial, technical, and financial support necessary to grow and contribute to the economies. Mlinga and Wells (2002) Study in Tanzania show that, the informal sector is ignored and receives little support from the government. The study argues for the government to develop policies for supporting the informal sector that can be used to address the needs of the informal sector, where the majority of the labor force is found, as well as those of the formal sector. The study found strong linkages between formal and informal construction industries in Tanzania in the form of outsourcing. All these studies prove the ability of the informal sector to contribute to poverty reduction, through creation of employment and earnings. However, all the studies recommend to the government to develop favorable policy and regulation for smooth and effective informal sector operation. The informal sector is a combination of many industries e.g. construction, manufacturing, trade, employment, and many others yet none of them explore the linkages of street vending business and informal business. In the Ethiopian context, the working definition for the informal sector is provided by Central Statistical Authority CSA (2014) and National Labor Force Survey (2013) as follows:

- a) Does the enterprise have book of account (Tax); or
- b) Does the enterprise have a license; or
- c) Does the product/Service of the organization you engaged in is mainly for market?

Based on the response to these three questions, classification on sector of economy was made as: Formal, informal or not identified. Employed persons who satisfy at least one of the above conditions (a or b answered yes) were considered as working in the formal sector. On the contrary, those who respond no for a and b and yes for c, the activity was taken as informal. For those who don't know the situation about their main activity/business/ enterprise with respect to the above questions was labeled as not identified. Some empirical studies on the informal sector

were conducted in Ethiopia to look in to the features, problems and solution. The researcher discussed that urban poverty and unemployment in many urban centers of Ethiopia has been expanding. He confirmed that this pushed many people particularly the urban poor and other impoverished groups of the society to various income generating activities in the informal sector (Amene, 2011).

The urban poor women in Dejen town are engaged in different informal activities; however, their participation is powerful in the processing of Tella and Katicala. The purpose of this study was to assess the livelihood conditions of women in the urban informal sector with particular emphasis on Tella and Katicala producers and sellers in Dejen town. The study also found that the reasons for women participation into informal activities were lack of alternatives for living, divorce, insufficient monthly income, school dropouts, family and/or husband death, and presence of large dependents in the households. In the research, the problem of housing, shortage of working capital, strong competition, lack of institutional and government support, fluctuation in demand and cost of inputs and health problems were reported as major working constraints for these women. The researcher discussed that informal sector plays crucial role in reducing urban unemployment, crime, violence and serving as a breeding ground for new entrepreneurs and in reducing youth unemployment. Operators who were more educated, natives to the city, more profitable, stayed longer in the activity, and have a culture of saving, have showed better livelihood improvement than their counterparts (Tefera, 2011).

Lack of working capital, working locations, adequate market and raw materials were reported as the major weaknesses for the operators. The study recommends, given the vast contribution that the sectors has. Therefore, the government needs to consider the sector as one of the fundamental popular to fight youth unemployment. Thus operators should be encouraged to join the formal sector by lessening the Bureaucracy to get license, minimizing entry cost such as lowering registration or licensing cost and providing tax-holidays for some times. The researcher investigated the importance of informal sectors in Ethiopia economy and identifies constraints and risk in the operation, specifically to examine the reason why informal operators become in the informal sector (Ethiopia, 2013).

Solomon (2006) discussed that child labor is pervasive problem thorough out the world, especially in developing countries. In his study the researcher confirmed that as in many developing countries. Child labor is a widespread problem in Ethiopia. In Rural areas; Agriculture is by far the dominant factor of child employment where as in urban areas child workers are mostly engaged in the informal sector. There are different types of child labor in the informal sector in Ethiopia but the study focused only on those children who are engaged in shoe shining activities in Gulele sub city. The objective of the study was to know the factors that led the children in to shoe shining work, the types of Hazards and risks they face, the number of hours they devote to work, the impact of work on the health and education of the working children. The findings of the study indicated that nearly all the child shoe shiners that participated in the study were with disadvantaged background involving lack of access to education, coming from poor families, some being orphaned and migrated from other parts of Ethiopia to Addis Ababa.

According to the study findings working children participated on the study were forced to engage to shoe shining carrier by so many reasons including the socio economic and culture factor of their circumstances. The study findings showed that shoe shiners that participate in the study were leading Adult leaves, normally working for long hours under conditions damaging their healthy and their physical development, facing physical and verbal abuse, frequently deprived of meaning full educational opportunities that could open up for them better future. The researcher recommends as a solution to reduce the problem faced by child shoe shiners in the study area. The findings of the study showed that the main factors determining the reason of informal operators to become in the informal sector are unable to fulfill criteria of formal sector and lack of job opportunity in the formal sector. Also the study discovered that informal sector is source of income for the poor or means of employment and also it is a base of formal sector. The study showed that the majority of the street vendor's constraint was shortage of capital and faced working place. The study found the strong linkages between formal and informal construction industries in Ethiopia in the form of breeding and base to formal sectors. However, all the studies recommend the government to develop favorable policy and regulation for smooth and effective informal sector operation.

The Ethiopian researcher is cleared that from the findings of Yeka sub-city Administration of Addis Ababa that the participants are making a substantial contribution to the lives of the people in the informal sector business (Elias, 2015).

Street vending business like another informal business is important to the livelihood of many less educated Tanzanians. It acts as a substitute of employment for those who lacked such opportunity in formal sector due to low level of education or lack of sufficient capital. However, the street vendors face many challenges due to the absence of supportive laws, regulations, and policies of the government; as a consequence their contribution to the income poverty reduction is minimal. In order to strengthen the role of street vending business in income poverty reduction the Tanzanian government should develop supportive policies, laws, and regulations that address the informality and illegality of street vending business. According to this view informal firms are actually or potentially extremely productive, but held back by government taxes and regulations as well as by the lack of safe property rights and access to finance. If such barriers were lowered, street vending business would register and take advantage of the benefits of their formal status. Currently the government of Tanzania is using millions of money to pay police and security guards to remove street vendors in Dares Salaam city, such amount of money could be used to make street vending business be meaningful for income poverty reduction (Nasibu, 2015).

The main factors determining the reasons to involve in informal sector is lack of job opportunity in the formal sector. The Pattern of Economic growth, Economic restructuring and Economic crisis, Globalization, Rural-urban migration, Trade liberalization and poverty, Easier entry Possibilities, and Social factors are causes to increase the size of informal sector. Any ways Street vending is one of informal sector and its researchable area but in the area of study little has been done (Ethiopia, 2013).

2.12.1 Best Practices

According to Harlan Dimas, in his book of street vendor's urban problem and economic potential, there is no question that for many people street vendors are a major pain. They obstruct foot and vehicle traffic, due to their encroachment of sidewalks/pavements and roads.

They are unsightly, due to their slap-dash shelters or booths. Their booths and shelters also reduce air flow and sun rays. They are dirty and disorderly. First and foremost is a change of mindset.

People make and enforce policies. Without the correct attitude with respect to street vendors there will not be any sustained policy effort to support them. In Thailand (ILO, 2006) and India (ILO, 2007) are good examples of public concerted effort to support. Macroeconomics is a necessary factor. The conventional view of trickle-down effect is not totally in error. With better economy the need for informal sector employment will be less and, in turn, there will be less street vendors also (both mobile and static).

Development economists have for some time advocated rural development to prevent rural labor migrating to urban areas. With prosperity in the villages there will be less need to search for employment in the crowded least developing countries (Todaro, 2005). Consequently, allocating scarce capital to the cities to alleviate urban poverty will only attract more rural migration. This is a classical example of a wrong economic policy. Monetary economics supplies a vital ingredient: micro financing, Commercial banks have been empirically proven to be unable to support the informal sector. Thus micro financing is born and it is hugely popular since Prof. Mohammad Yunus and the Grameen Bank in Bangladesh were awarded the 2006 Nobel Peace Prize. The Central Bank of Indonesia (2006) initiated rules to guide micro financing institutions. Brazil has two examples of successful micro financing institutions (ILO, 2005). Microeconomics: in the end the local implementation is what counts. One of the most difficult obstacles to overcome is bureaucracy. For informal sector participants generally and street vendors specifically, the cost of bureaucracy is often too prized. They simply cannot afford to pay the price, so they never can step up to formality.

2.13 INSTITUTIONAL FRAMEWORK

Efficient institutional and legal framework is important for ensuring the smooth operations of business. Inappropriate regulations raise the cost of business entry, growth and distort markets. The institutional framework for informal activities including street trade has generally been hostile in most Addis Ababa sub-cities. The policies, by-laws, regulations, registration, licensing, organizing, relations with government and other partners are major issues which can be used as framework.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The methodology refers to the procedural framework within which the research is conducted. This chapter will present how the current study was designed and provide a clear description of the specific steps that were taken to address the research problem and test each of the six specific questions.

3.2 Research Design and Approach

This chapter provides an over view of the methods to be used to collect and process data. It discusses the research design, the sample selection methods, sample size, and data processing and analysis. Research design is a master plan that specifies the methods and procedures for collecting and analyzing the needed information. The intention of the research is to assess the practices and challenges of street vending business in the city of Addis Ababa. In order to achieve this objective the researcher will use a descriptive type of research and the researcher will use quantitative and qualitative research approach. The reason for selecting descriptive research type is that the researcher has no control the variables rather he only report what is happened in the area where the research is being conducted.

3.3 Study Population and Sampling

Table 3.1 Addis Ababa population distribution by sub city (2007)

S/n	Sub city	Population size
1	Addis Ketema	255092
2	Arada	212009
3	Lideta	201613
4	Qirkos	220991
5	Gullele	267381
6	Kolfea Keranio	428654
7	Nifas Silik Lafto	316108
8	Yeka	346484
9	Bole	308714
10	Akaki Kality	181202
	Total population	2,738,248

Source: - CSA (2008), Census Report

Addis Ababa has 10 sub cities namely Akaki kality, Nefas silik lafto, Kolfe keranio, Yeka, Gulele, Lideta, Kirkos, Arada, Addis ketema, and Bole sub city Administration and my study will focus on Arada sub-city at all informal trade zones of the sub city will be cover purposively chosen as a case area for they have a huge number of informal sector participants.

The study is conducted in Arada sub city because of the following reasons. I am familiar to the area and know some of the situations of the street vendors in the area referred and the research site is easily accessible than other sub cities of Addis Ababa to me. Samples will be drawing from two different target groups' government officials and the informal sectors operate themselves. The sample size for the second group is based on the population's estimates.

I. The government officials

The purposive sampling method will be use. According to this method there is a deliberate selection of certain units of the judgment of the researchers and nothing will leave to chance (Gupta, 1993). The officials will be select using purposive sampling method will be relevant experts of Arada sub-city Addis Ababa government medium and small enterprise development bureau. Micro and Small enterprise experts of Addis Ababa; experts from ministry of trade and experts from Addis Ababa, Arada sub city security Guard office. Samples of 14 are drawn using purposive method from a population of 15.

The sample size is determined by using the Slovin's formula (Serakan, 1992).

$$n = \frac{N}{1 + N(e)^2}$$

Where:

→ N is the population size

→ n is the sample size

→ e is the margin of error

Applying 7% error margin the sample size for the study will be 14 (fourteen) out of 15 officers of the official governments of the target population. Therefore, the study's sample size of 14 is fair enough to represent the target population of the study area.

II. The informal sector participants

Since there is no accurate official data on the population size of the informal sector in Addis Ababa in general; particularly Arada sub-city the research will be use purposive method to select a sample size of 121 respondents of the street vendor participants from a population of 300. The sample size is determined by using the Slovin's formula (Serakan, 1992).

$$n = \frac{N}{1 + N(e)^2}$$

Where:

→ N is the population size

→ n is the sample size

→ e

Applying 7% error margin the sample size for the study will be 121 (one hundred twenty one) out of 300 respondents of the target population. Therefore, the study's sample size of 121 is fair enough to represent the target population of the study area.

3.4 Data sources and data collection method

A descriptive survey design will be used to collect data from two sources those are primary sources from interviews and questioner filled by respondents and secondary source which concentrated on reviewing the literature related to assessment of the Practices and challenges of street vending business develop contextual frame work to attain the general and specific objectives. The study will base on both qualitative and quantitative methods of data collection will be used in this research.

3.4.1 Primary Data source

Primary data source involved personal interviews group focus discussions and filling questionnaire by different respondent groups. Which include indirect respondent from relevant government departments and respondents who involved directly in informal sector, specifically street vendors, home to home service providers, trader, and fruit swing a rounds, fast food cookers, small and medium enterprise workers in Addis Ababa, Arada sub-city.

3.4.2secondary data source

Secondary data source concentrated mainly from literature review of the subject. The available literature will be used to gain an understanding of the informal sector and also to compile the theoretical chapters. In addition, literature on the informal sector and development theory will use throughout the study to support the researchers viewpoints or provide alternative viewpoints. It will be also use as a reference point to determine what other authors have discovered on this subject. This may or may not be similar to the author's findings. The chief source of secondary data will broadly classify in two groups. Published sources and unpublished sources

3.4.3 Data collection

Data will be collect in Addis Ababa; Arada sub-city from two sources primary data will gather using a questionnaire and interviews for the informants. Secondary data will gather from published and unpublished materials.

3.4.3.1 Data gathering instrument design

Two types of data gathering instruments/tools will be design for the purpose of primary source. The first is an open ended interview will develop for the respondent group from government officials. The second questionnaire will be develop and distribute to the respondent group from the informal sector operates. The questionnaire will be mostly closed ended questions and few open ended questions which will help probe more opinion from the respondents.

3.4.3.2 Pretesting the questionnaire

Before proceeding with pretesting contacts will be made with the informal sector participants to obtain permission to conduct this research in Addis Ababa, Arada sub-city street vendors will be personally approach by the researcher. By conducting the pretesting of the actual Administration of data collection process and help to improve the instrument.

3.4.3.3 Data coding entry

Coding refers to assigning digits, letters or both to various responses to make possible easy tabulation of informants on completion of this simple manual coding. The variables (in this case, the questions) and assertions will be entering in to frequency tables.

3.5 Procedures of Data Collection

The researcher will collect first hand data through questionnaire participants of street vending. The same way the researcher will collect primary data from official government through interview. In addition, secondary data will be gathered from journals, articles and internal reports generated by different researchers. The entire data collection task is expected to be completed in one month.

3.6 Data analysis method

In the study both qualitative and quantitative methods of data analysis techniques was employed. Analysis of data in this research was done by using statistical tools like frequency and percentage. A descriptive analysis was also used for demographic factors such as gender, age, marital status, educational level, and for how long has been the participants work on the street vending business. Tables were employed to present the data and statistical package for social science (SPSS) version 20 were used to support the analysis.

3.7 Reliability Test

In any research results, the issue of validity and reliability are important confidence measures. The validity of the instrument was and found valid Cronbach's alpha is one of the most commonly accepted measures of reliability. It measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other Fubara and Mguni, (2005). The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability, but, satisfactory value is required to be more than 0.6 for the scale to be reliable (Sekaran, 2003 as cited by Sirbel, 2012). In the study the Cronbach's alpha coefficient was calculated for each field of the questionnaire. The values of Cronbach's Alpha for the entire questionnaire were done. The result shows that 0.77 Cronbach's alpha coefficient values. Hence, the result ensures the reliability of the questionnaire. Therefore, it can be said that the above questionnaire is adequately reliable.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter concentrates on the actual research findings and its interpretation. These are presented in two sections. Firstly, the findings on the government officials are examined; secondly, the findings on those of the informal sector participants themselves are presented. In each section, the results are presented in a simple report, which is divided into three subsections: the finding, a discussion and a conclusion. In addition, the results of the informal sector participants are stated using frequency tables and percentages. And my findings have a similarity result with the theory that Granstroms (2009) romantic view of informality and with literatures of saha (2009), ILO (2006), Amene (2011) and Tefera (2011) in the case of Ethiopia as well.

4.2. Presentation and Analysis of data collected from Government Officials

There are several possible explanations for the above result. The government officials are able to comprehend relevant policy and strategy documents due to their literacy and day to day activities of their office. All the officials interviewed were involved in the street vendor in their day-to-day jobs. Although the majority of the officials had been in their current position for less than fourteen years, their understanding about the role of the government and its policy measures towards the street vendor is significantly useful because they deal with the issue under study in their day-to-day jobs. So the finding here shows the similarities and differences in between, which had a similarity of the street vending business have a huge contribution on alleviating poverty by creating employment and improving livelihood in the sub city, while the differences in between was the government officials were interested how to control the operation and the participants were interested in how the government, non-government and institutions could give them help to enhance their activities.

4.2.1 Government policies and strategies the development of informal sector in Ethiopia, Addis Ababa.

All of the government officials agreed that the government have policy and strategy documents on how to guide the informal sector. All of the respondents who said the government have a policy and strategy by referring to different poverty reduction documents designed by the government. They mentioned GTP, MDG, MSE, TVET strategy documents as an example. The researcher had access to see some evidences proving the existence of such a strategy despite the issue of informal sector was treated together with poverty and unemployment problems. Some of the responses were as follows: The aim of the strategy is to control the informal sector operations by providing special Sunday market places and by organizing them in to associations where informal sector participants can operate. One of the components of the strategy documents is the introduction of weekend markets on public areas and roads and training for entrepreneurship so that the self-employed can also employ others. The micro and small enterprises/MSEs /Development program of the government focuses on the training of the informal sector participants to support them in the formation of formal small enterprises. The emphasis is on facilitating the graduation of the informal sector into formal ones that will contribute to the economy. Three things emerge from the findings above as a government strategy: the need to construct Sunday markets on the road to control the operations of the informal sector, the need to have a structure that will regulate operations and collect market fees, the need to train and encourage the informal sector participants to organize themselves into formal businesses so that they can contribute more fully to the economy of the country. While the responses were diverse, the impression given by the government officials was that the government intended to provide the infrastructure to the informal sector to enhance control and ensure that it contributed more to the economy of the country. The Ethiopian government does have a policy and strategy document on how to handle the informal sector and the intention mainly focusing on providing the infrastructure to the informal sector to enhance administrative control and not emerging the life of the individual operators in the sector . Based on the claim of the government officials I have tried to refer some of the mentioned programs of the Ethiopian government and I have got on National Planning Commission (2015), Ethiopian development goals report (2012) and KonjitDebela (2011) were explain that the explanation of the government officials was correct about GTP, MDG, MSE and TVET programs.

4.2.2 Size of the informal sector in Addis Ababa, Arada Sub-City

All of the government official respondents did not have any precise statistics on how many people were involved in the informal sector at sub-city level. They were able to make estimations based on (CSA, 2008). Survey data, and tended to give unreliable estimates. The fact that there is no official definition of the informal sector, it is difficult to come up with reliable statistics on how many people are involved in this sector. The informal sector plays a crucial role in absorbing urban labor and its role cannot be fully appreciated without research into its size, a challenge which presupposes a precise definition. Without an official definition of the informal sector, it was not surprising to find out that the government officials did not have statistics to guide the government activities on the informal sector in Arada sub-city. A clear and official definition plays a key role in gathering the statistics or estimates of the informal sector in a country. Without this definition, measurement becomes difficult.

4.2.3 The criteria to identify participants in the informal sector from the formal sector

Majority of government officials agreed that the criteria to identify those who participate in the informal sector revolve around all jobs which are not recognized as formal income source and for which taxes are not paid. The term is sometimes used to refer to only illegal activity, such as an individual earn wages but does not claim them on his or her income tax, or a cruel situation where people are forced to work without pay. However, the informal sector could also be interpreted to include legal activities such as jobs that are performed in exchange for something other than money opposite of formal sector. The informal sector refers to activities and income that are partially or fully outside government regulation, taxation, and observation. The activity allows employers, paid employees, and the self-employed to increase their take home earnings or reduce their costs by escaping taxation and social contributions. It is also a means of employment who cannot find a job in the formal sector.

4.2.4 The Practices and challenges of informal sector in Addis Ababa, Arada Sub-City.

The finding indicated that street vendors are faced with many challenges because of neglect and lack of support from public policies. The results indicate that the major challenges that street vendors were faced with laws that made it illegal for them to operate in any available land and these accounted for all of the respondents. According to Addis Ababa City, Arada sub-city

Government officials, laws do not recognize street vending business. therefore they are denied registration and viewed as illegal operators. Consequently, these vendors have located themselves anywhere conducive to run their businesses. This has led to government authorities removing street vendor's business items and they are penalized to have their goods back.

Street vendors raised an issue that these penalties on the long run bring their businesses to a fall as they use money from the business's coffers to clear the penalties. Furthermore, frequent removal of goods of street vendors by government authorities has led to poor performance of this business. Argued that street vendors experienced casual attacks by government officers, similarly suggests that street vendors complained of harassment by government officials.

4.2.5 Government support system to the informal sector in Addis Ababa

Respondents were asked by questionnaires whether the government has support system for the informal sector participants or not. Most of them agreed by the policy of micro and small enterprises that the government arranges easy access for credit with appropriate interest rates and business spaces for those who willingly seek assistance. They agreed that the problem of credit and market place should be solved not only by the participants in the informal business but also primarily by the government support through microfinance institutions and NGOs. Provision of support in relation to the transition from informal sector business to formal sector, micro and small enterprise/MSEs/ development strategy of the government is a solution for achieving the intended goal of alleviating poverty. Support system of human resource development and technology, market development support system, Finance and credit service support system are available. A number of problems and obstacles affect the sustainability and income of informal sector operators in the study area. To this end, marketing stands, bank loan access, working premise and getting training were among the support systems put in place by the government. And this can addressed through organizing the street vendors and giving them the support as much as possible.

4.3 Presentation and analysis of data collected from the Informal Sector Participants

Two possible arrangements are suggested here for presentation and analysis of the data on resource flows and use. These formats have come about based on the field studies that were carried out in Arada sub city street vendors and Arada sub city government officials. The main

purpose of the two arrangements presented here, is to provide planners and policy makers with a simple, quick and easy-to use tool, to serve as a basis for sustainable resource-based policies and strategies in the context of developing countries.

4.3.1. Characteristics of informal sector participants

Sex, Age, Marital Status and Children of the Respondents of the 121 street vendor participants who were contacted by a questionnaire, the result showed that 66.1% of the participants were male and 33.9% were female. Which shows the investment of male on street vending business is huge in number than women as shown in table 4.1 below. Age is an important demographic variable that influences the physical and mental abilities of individuals at work. The results of the study revealed that the age of sample respondents ranges from 30-45 years with the percentage of 33.9. As can be seen from table 4.1, huge proportion 63.6% of respondents fall within the age ranges from 15-29 years which is productive age group and this shows us the youth one are participating on this sector which is the main power full age to change the economic condition of the country. So, this shows us the sector and the participants need help. While the remaining 2.5% fall beyond 46-60 years of age. Regarding marriage status of respondents, 24% of the participants were married, 62% were single, while the remaining 14% were divorced. 37.2% of the participants had children while 62.8% did not have children. 28.1% of all the participants had one to two children and the remaining 9.1% had three to five children as indicated in table 4.1 below. When we see on marital status more of them are single and have no children and this indicates us the sector seems to be the first job opportunity and income generating area for to have a formal business.

Table 4.1: Participants Background

S/N	Item	Frequency	Percentage
1	Gender		
	1) Male	80	66.1
	2) Female	41	33.9
	Total	121	100
2	Age		
	1) 15-29	77	63.6
	2) 30-45	41	33.9
	3) 46-60	3	2.5
	Total	121	100
3	Marital Status		
	1) Single	75	62
	2) Married	29	24
	3) Divorced	17	14
	Total	121	100
4	Do you have children?		
	1)Yes	45	37.2
	2)No	76	62.8
	Total	121	100
5	If your answer is yes for Q.4 above how many of them?		
	1) 0	76	62.8
	2) 1-2	34	28.1
	3) 3-5	11	9.1
	Total	121	100

Source: Own Survey, 2016

The street vending business in Addis Ababa in general, Arada sub-City in particular is associated with poverty as well as a lack of job opportunity and working capital. It generally takes a great deal of courage for young people to be involved in the street vending business. This makes things extremely difficult for young respondents to engage in decent job in the formal sector. Many of the street vendor participants had experience in youngest life. It may also be because more young people are involved in the street vending business.

A significant number of the street vendor participants were young and have a family responsibility. Many of the street vendor participants are single. The respondents are capable of becoming involved in the street vending business if they are given the opportunity, and the environment is secure enough for them. From this, it can be understood that the majority of informants have dual responsibilities of performing productive and relay in the household.

4.3.2. Educational level of the Participant

Almost 2/3 of the respondents were literate, according to table 4.2 below. More than 70% of the respondents had finished primary school and beyond. Only 30.6% of the respondents had not attended to school.

Table 4.2, Educational level of participants in Arada Sub-City

S/N	Item	Frequency	Percentage
1	Education level of the business owner		
	1) No schooling	37	30.6
	2) Primary	73	60.3
	3) Secondary	10	8.3
	4) College Diploma	1	0.8
	Total	121	100

Source: Own Survey, 2016

It is clear from these findings that many of the street vendor participants were literate. Some of these participants may have tried to find a job in the formal sector, but with the high unemployment rate and their low education level were unsuccessful, and, thus ended up in the street vending business. It seems logical that a literate person would be able to run a business in the street if they acquire the necessary skills and experience. It can be inferred from the data that one can function and be involved in the street vending business, irrespective of educational status and gender. It is also learned from the data that majority of the respondents were primary level. This implies that low education level is the cause for the increment of street vending businesses in the sub-city.

4.3.3. Participants Housing Situation

Regarding where the respondents live, 97.5% of the participants do not own a home while the 2.5% of them own house. However, of all those who don't own home, 63.6% live in a rented house, 5% live with their parents, 11.6% with relatives and the remaining 19.8% live with their friends as indicated in table 4.3 below. According to the data obtained from the survey, 95% of the participants paid rent and/or contributed to the payment of rent where they live in. Of the participants who paid rent, 22.3% paid rent of less than 500 birr per month, 35.5% paid rent between 501 to 1000 birr per month, and 33.1% paid rent between 1001 to 1500 birr, while the remaining 4.1% of the respondents paid more than 1501 birr per month.

Table 4.3: Participants Housing Situation

S/N	Item	Frequency	Percentage
1	Do you have a home of your own?		
	1) Yes	3	2.5
	2) No	118	97.5
	Total	121	100
2	If your answer is no where did you live?		
	1) With my parents	6	5
	2) With my relatives	14	11.6
	3) With my friends	24	19.8
	4) In a rented house	27	63.6
	Total	121	100
3	Do you have to pay any rent for where you are living?		
	1) Yes	115	95
	2) No	6	5
	Total	121	100
4	How much do you pay per month?		
	1) \$0.00 birr	6	5
	2) Less than 500	27	22.3
	3) 501 to 1000 birr	43	35.5
	4) 1001 to 1500 birr	40	33.1
	5) 1501 to 2000 birr	5	4.1
	Total	121	100

Source: Own Survey, 2016

One commonly held characteristic of these respondents was the desire to be independent rather than dependent on someone else for their housing. This afforded them an opportunity to have raised families in the sub-city. On the other hand, they have built their own homes (the 5% who owned homes) using the money they earned from their street vending businesses activity. As for

those who rented a house, it is clear from the figures that an attempt was made by the participants to rent relatively the cheapest place possible. It is interesting to note that those who lived with relatives also contributed to the payment of rent. Minority of the street vendor participants in Arada Sub-City live with their families and relatives, while majority of those who rent homes, pay the minimum rent possible. One can infer from this that the street vending business in the sub-city afforded participants to contribute to their day to day livelihood and be able to support themselves and their families.

4.3.4. Participants Living Cost Responsibilities

With respect to cost of living, table 4.4 shows the average amount of money spent on food, school fees, and Transport and health issues per month. This table shows that 42.1% of the street vendor participants spent less than 1000 birr per month on food, school fees, health and transport. 52.9% spent from 1001 to 2000 birr per month while 5% spent more than 2001birr on food, school fees, health and transport cost on average per month.

Table 4.4: Participants Living Cost Responsibilities

S/N	Item	Frequency	Percentage
1	How much money do you spend per month to food, school fees, health and transport		
	1) less than 1000 birr	51	42.1
	2) 1001 to 2000 birr	64	52.9
	3) 2001 to 4000 birr	6	5
	Total	121	100

Source: Own Survey, 2016

It is clear from the above table that many of the participants spend a significant amount of their income on food, school fees, and clothing, transport and health services. This may be because they are able to obtain cheaper sources of food items. It is also possible that they use more of the informal markets which supply non expensive goods and services. More than one USD (\$1) per day is; however, higher than the national poverty line (World Bank, 2010). Thus, these participants at national level are well above the poverty line. Based on this finding, one may argue that the informal sector is indeed contributing to the well-being of individuals who would otherwise be extremely poor. The findings also show that income generated from the

involvement in the street vending business support participants to alleviate poverty and contributed to self-sufficiency.

4.3.5. Characteristics of the street vending business registration of the activity and Tax Payment.

The study looked in to the type of work/business, registration and tax payment by the street vendor participants. According to the survey from Table 4.5 below, 62% of respondents are engaged in selling oh cloths, 24.8% of them are engaged in selling of shoe, 9.1% of respondents are engaged in selling of vegetables, 5%of the respondents engaged in selling of fast foods, 15% of respondents are engaged in selling of bags, 14% of them are engaged in shoe shining activity and the remaining are engaged on other immaterial selling of goods.

A combination of work or business types to generate income for their livelihood with regard to registration for license, all of the respondents (100%) had no official registration/license for their business activities. Of all these with no registration, 9.9% do not want their business activity to be registered, 2.5% do not know whether they should register, 30.6% too many requirements to complete registration and the remaining 57% of respondents claimed their work activity does not qualify for registration. Also with respect to paying tax, all of the respondents (100%) do not pay tax as indicated in table 4.5 below. Minority 0.8% of these do not know to pay any tax, majority (99.2%) claimed that their income is too small while the remaining 38.8% no state agent/institution are asked them to pay tax because of they are not registered and have no license.

Table 4.5:- characteristics of street vending business.

S/N	Item	Frequency	Percentage
1	Selling cloths		
	1) Yes	75	62
	2) No	46	38
	Total	121	100
2	Selling shoes		
	1) Yes	30	24.8
	2) No	91	75.2
	Total	121	100
3	Selling vegetables		
	1) Yes	11	9.1
	2) No	110	90.9
	Total	121	100
4	Selling fast foods		
	1) Yes	6	5
	2) No	115	95
	Total	121	100
5	Selling bags		
	1) Yes	19	15.7
	2) No	102	84.3
	Total	121	100
6	Shoe shining		
	1) Yes	17	14
	2) No	104	86
	Total	121	100
7	Other specify		
	1) Yes	1	0.8
	2) No	120	99.2
	Total	121	100
8	Do you have an official registration/license for your work/business?		
	1) Yes	0	0
	2) No	121	100
	Total	121	100
9	If your response is no for Q.20 why		
	1) Do not want my business be register	12	9.9
	2) Do not know if I have to register	3	2.5
	3) Too many requirements to complete registration	37	30.6

	4) My work activity does no qualify for registration	69	57
	Total	121	100
10	Do you pay an income tax?		
	1) Yes	0	0.00
	2) No	121	100
	Total	121	100
11	If your answer for Q.21 is no why?		
	1) My income level is too small	73	60.4
	2) I do not know if I have to pay	1	0.8
	3) No state agent/institution asked me	47	38.8
	Total	121	100

Source: Own Survey, 2016

The types of businesses in which the street vendor participants are involved in Arada sub-city do not require major investment and sophisticated assets. In one way, this makes entry into this sector quite easy. The participants do not need to get registered and pay tax in order to participate in the sector. They can start small, according to their financial abilities and locational advantages, and gradually grow. The respondents stated their own reasons for not getting registered and not paying tax. It can be indirect from the finding and discussion above that the street vendors in Arada sub-city is involved in trade and service businesses that are small and do not require neither sophisticated assets, registration for license nor the payment of tax in order to operate. However, it is also implied from the participant's response that there is a deliberate escape from formal sector by getting no license and paying no tax as the case stated in the finding.

4.3.6. Characteristics of the Work/Business

More than 18.2% have been in the business for more than five years. 66.9% have been in the business for 3 to 5 years and the remaining 14.9% for less than three years. Table 4.6 provides details. With respect to operating the current work/business activity, 72.5% of the respondents stated that they operated their current because it was the only source of income, 15.83% said the reason was to avoid taxation and registration fee, and the remaining 11.67% quoted not fulfilling minimum requirements for registration.

Table 4.6: Characteristics of the work/Business

S/N	Item	Frequency	Percentage
1	How long have you been in your current work activity		
	1) 0 to 2 years	18	14.9
	2) 3 to 5 years	81	66.9
	3) 6 to 8 years	22	18.2
	4) 9 years and above	0	0.00
	Total	121	100
2	Why do you operate your current activity in the street?		
	1) It is the only source of income	88	72.5
	2) To avoid taxation and registration	19	15.83
	3) Not fulfilled minimum requirements for registration	14	11.67
	Total	121	100

Source: Own Survey, 2016

More than 85% have been in the business for more than two years, which seems to suggest that business is stable and they have acquired the needed experience. However, one can argue that some people join the sector as a temporary survival mechanism but simply stay because they lack alternatives. The majority of the street vendor participants in Arada sub-city have been involved in the in street vending business for more than two years.

4.3.7. Source of Capital for the Work/Business

When one examines the sources of this initial capital of the respondent, the main sources of initial capital for were their own personal saving (19.17%), borrowed from parents or relatives (42.5%), assistance from family, friends or relatives (25%) and the remaining (13.33%) borrowed from micro finance institutions. See table 4.7 below for details. With regard to supplementing income by engaging in other activities, 45% of the respondents confirmed that they did other jobs to supplement their small income while 55% of those did not engage in other jobs. Out of those who did other supplementary jobs gave their reasons that 90.74% of respondents claimed that it was to supplement their small income and support their family and the remaining 9.26% enjoyed engaging in multiple income generating activities.

Table 4.7: Source of Capital for the Work/Business

S/N	Item	Frequency	Percentage	Rank
1	What was the source of your startup capital? /Multiple response is possible/			
	1) personal saving /Equb/	94	77.7	1
	2) borrowing from family, friends and relatives	64	52	2
	3) assistance from family, friends and relatives	45	37	3
2	How much was your initial capital			
	1) 100 -500 birr	16	13.2	
	2) 501-1000 birr	47	38.8	
	3) 1001-1500 birr	28	23.1	
	4) 1501-2000 birr	11	9.1	
	5) 2001-2500 birr	9	7.4	
	6) 2501 and above birr	10	8.3	
	Total	121	100	
3	Do you do other additional jobs?			
	1) Yes	109	90.1	
	2) No	12	9.9	
	Total	121	100	
4	If your answer for Q.27 is yes why?			
	1) supplement small income and support family	110	89	
	2) to make use of my extra time	6	5	
	3) Due to my strong opinion to escape from poverty.	5	6	
	Total	121	100	

Source: Own Survey, 2016

Respondents started their informal sector businesses with their own money. This was because of the lack of other sources of capital. The fact that they used their own capital means that they would have started with very little. The only other source of capital for them was borrowing and assistance from parents, relatives and friends who generally did not give them much. Since most of the parents, friends and relatives are also poor, they consequently start their businesses with very little capital. There are both advantages and disadvantages to this problem. One of the advantages is that they start small and gain the required experience as they grow. This helps the business to survive. In fact, there were some who went out of business and managed to borrow a little capital to restart. However, one of the disadvantages of beginning with such a small investment is the amount of time required to start making substantial profits.

The challenge is that, as they develop their business, they still need to take care of themselves and their families. With a small profit each day, balancing the needs of the business with the daily expenditures required for their families is a huge task. To supplement their small income, a little less than 50% of the respondents engage themselves in other income generating activity to supplement their small income from current business. The informal sector participants lack the adequate capital to start their businesses and this affects the size and rate of growth of their work. It does not follow that the more one invests, the more profit one will make, for profit levels depend on the business itself, the skill of the participant, the business environment and sometimes the length of the period that it has been operational.

4.3.8. Constraints Faced while Establishing street vending Business

As indicated in table 4.8 below, 100% of the participants experienced lack of start-up capital/seed money to start their businesses, 91.7% had problems because of lack of market space, while 57.9% had problems of inadequate business skill, 5% lack of experience, 61.2% had problems of competition, 71.1% of respondents claimed police harassment is their serious problem, 28.9 lack of demand for their products/services, while the remaining serious problem were about 62% the respondents suffer from lack of encouraging government policy.

Table 4.8: constraints faced by participants when starting a Business

S/N	Item	Frequency	Percentage	Rank
1	What were the serious constraints you faced before you start your business?			
	1) Lack of startup capital	121	100	1
	2) Lack of market place	111	91.7	2
	3) Inadequate skill	70	57.9	6
	4) Lack of encouraging government policy	75	62	4
	5) Lack of demand for my product	35	28.9	7
	6) Lack of experience	6	5	8
	7) Competition	74	61.2	5
	8) Police harassment	86	71.1	3

Source: Own Survey, 2016

The fact that the street vendor participants struggle to raise capital for business startup costs is not at all surprising because they are not qualified for bank loans or loans from lending institutions. This was because of a lack of assets or collateral at the time of start-up of their businesses. In addition, some institutions require proof of business experience on the part of the participant before they risk lending money to him or her, which tends to be a major problem for new participants. Lack of acquiring skills and market place was also indicated as a problem by the respondents.

This shows that entry into the street vending business is not always as easy as some may think. One has to overcome several barriers before one can become involved. The fact that many of the participants are owners of the businesses, seem to suggest that their businesses are a part Lack of capital, strong competition, lack of space and harsh law enforcement is the main obstacles to the entry into the street vending business.

4.3.9. Constraints faced after participants started their Business.

As indicated in table 4.9 below, 100% of the participants experienced lack of working capital to run their businesses, 90.9% had problems because of Harassment from government police and shop guard, while 56.2% had problems of No access to credit, 28.9% had a Family responsibility and also they are facing a challenge from lack of demand for their products and services.

4.9 Constraints faced after they start their Business

S/N	Item	Frequency	percentage	Rank
1	What were the serious constraints you faced after you start your business?			
	1) Shortage of working capital	121	100	1
	2) Harassment government police and shop guard	110	90.9	2
	3) No access to credit	68	56.2	3
	4) Family responsibility	35	28.9	5
	5) Lack of demand	67	55.4	4

Source: Own Survey, 2016

The reality that the street vendor participants struggle to have adequate capital to run their business is no still surprising at all, because they are not qualified for bank loans or loans from lending institutions. This was because of a lack of assets or collateral and is not formal businesses participants. In addition, some institutions require proof of business experience on the part of the participant before they risk lending money to him or her, which tends to be a major problem for new participants.

This shows that working into the street vending business is not always as easy as some may think. One has to overcome several barriers before one can become involved. The fact that many of the participants are owners of the businesses, seem to suggest that their businesses are a part Lack of capital, strong competition, lack of space and harsh law enforcement is the main obstacles to the work in the street vending business.

4.3.10. Training and Job Creation

As it is presented in table 4.10 below, 7.4% of the respondents had training prior to starting their current business while 92.6% of them had never had any training before. Out of all who had training, 6.6% received their training through formal education and training school, 0.8% of those received it from workshops. Tables 4.10 provide details of these findings. However, 100% of the participants do not have employed workers under supervision.

Table 4.10: Training and Job Creation

S/N	Item	Frequency	Percentage
1	Before you started this work/business, did you have any sort of training?		
	1) Yes	9	7.4
	2) No	112	92.6
	Total	121	100
2	If you received training what sort of training was it?		
	1) Formal education and training	8	6.6
	2) Workshops held by the government/NGO units	1	0.8
	Total	9	7.4
3	Do you have employees in your current work/business?		
	1) Yes	0	0.00
	2) No	121	100
	Total	121	100

Source: Own Survey, 2016

Almost all of participants started their street vending businesses without any prior training. But few of them about 7.4% of the respondents have taken some sort of training. This may have been for the following reasons: It was interesting to note that, of those who had training, the majority received their training through formal education in the street vending business.

This type of training gives them practical skills on how to run their businesses because the owners share their experience and instruct them. It is important to remember that, apart from having employees and contributing to job creation, the participants themselves are self-employed, thus decreasing the number of unemployed people in Arada sub-city. The best initial training for the informal sector participants is to have a mix of the practical type of training, which can be offered through formal training schools, workshops and apprenticeships with those who own businesses in the informal sector. The employment of assistants in the informal sector in Arada sub-city is not based on the amount invested or the average income made per day but possibly on the type of business being conducted or the need to help another person.

4.3.11 Participants Earning and Life Status

Of those asked about their daily income, 16.5% of the respondents made between 50 to 100 birr per day, another group of 69.4% made an average of 101 to 200 birr per day. 9.9% made 201 to 300 birr per day and 4.1% of the total respondents made more than 301 birr per day. as shown in table 4.11 below. 100% of the participants thought that their current work/business activity improved and supported their life. 100% of those who thought their life was improved due to their informal work claimed that they were able to support themselves and their family economically. 52.7% said their monthly income has increased substantially, 16.5% claimed that they could create jobs for others and the remaining 12.4% said that their working capital has increased from time to time.

Table 4.11: Average Income of the Participants

S/N	Item	Frequency	Percentage
1	How much money do you normally make per day?		
	1) 50-100 birr	20	16.5
	2) 101-200 birr	84	69.4
	3) 201-300birr	12	9.9
	4) More than 301 birr	5	4.1
	Total	121	100
2	Do you think that your current work/business activity improved and changed your life in a better way?		
	1) Yes	121	100
	2) No	0	.00
	Total	121	100
3	If your answer is Yes for Q. 35 above, how can you tell?	121	100
	1) I can support myself and my family economically,	63	52.7
	2) My monthly income has increased substantially,	20	16.5
	3) I was able to create jobs for others,	15	12.4
	4) my working capital has increased time to time.		
	Total	121	100

Source: Own Survey, 2016

83.5% of the participants made on average more than 100 birr (\$4.40) per day, which translates into more than 3000 birr (\$132) per month based on the current exchange rate (\$1=22.80 birr). According to the poverty line set at \$1 and \$2 a day for the extreme poor and for the moderate poor respectively as provided by the world bank (World Bank, 2001), they were making USD\$132 per month which is significantly above the poverty line. With this income in mind, one may conclude that the street vending business participants were doing very well in Arada sub-city. However, the average number of people per participant household should be taken in to consideration.

This however was still higher than the poverty line of USD\$129. More than 80 percent of the street vending business participants in the sub-city earned enough money through their businesses to make a good livelihood. Given the same opportunities, women are just as capable of establishing and running profitable businesses as men. It can be inferred from this that the sector played a significant role in poverty alleviation with struggling a lot of challenges faced in the sub-city.

4.3.12. Future Plans of the Participants

Respondents were asked if they wanted to expand their current business, 100% of participants indicated that they would want to expand their business. 100% of those who want to expand their businesses indicated that they would easily do so if they had an opportunity to loan and credit facility, 83.5% needed training, 95% needed descent market place. As shown below Table 4.12. While expressing their opinion regarding the benefits of working in the street vending business, 76% of respondents said not paying tax is their benefit, 43.8% claimed no cost involved for registration, 93.4% you are free to operate where you are as their benefit, 92.6% of them claimed that they are their own boss.

Table 4.12: Factors that can lead to the expansion of businesses

S/N	Item	Frequency	Percentage
1	Do you want to expand your work/business activity?		
	1) Yes	121	100
	2) No	0	0.00
	Total	121	100
2	If your answer is yes for Q. 37 above, what do you need to expand your Work/business activity?		
	1) A loan or credit facility	121	100
	2) Training	101	83.5
	3) Descent market place	115	95.0
	4) A license	53	43.8
	5) other specify	0	0.00
	Total	121	100
3	What do you think is the benefits of being an informal sector participant?		
	1) You do not pay tax	92	76
	2) No cost involved for registration	53	43.8
	3) you are free to operate where you are	113	93.4
	4) You are the boss for yourself	112	92.6
	5) Other Specify	0	0.00
	Total	121	100

Source: Own Survey, 2016

Almost all the participants wanted to expand their businesses. This is because everyone wants to progress in what they were doing. In addition, expanded businesses would enable them make more profit which, in turn, would help them to improve their standard of living. As stated above, the obstacle to expansion is a combination of factors listed in item number 38 in the above table. The participants mentioned several benefits of being involved in the street vending business. The majority of the street vending business participants in the sub city want to expand their business. Expanded access to capital would enable them do so. The benefits of the street vending business differ when one examines them from the perspective of the participants themselves. All these benefits, however, make the street vending business in Arada Sub-City increasingly relevant. The respondents were also provided with an open-ended question to give comment on their current work.

The respondents had several comments: Respondents forwarded their comment that government should make the business environment very conducive so that some hardworking members of the street vending business participants would like to grow into a formal sector through process, It would be helpful if institutions give training for street vending business participants and facilitate access to credit facility which is a major problem in the growth of the sector and Since the street vending business provide goods and services more cheaply than most shops in the formal sector, the government's effort to support the street vending business should not focus on tax collection purpose only. The street vendors in Arada sub-city have ideas on how to improve their businesses but most of them require support from the government, non- government organizations and other institutions to do so.

4.4. Conclusion of the Chapter

It is clear from the findings that the participants are making a substantial contribution to the lives of the people in the street vending business. The need for opportunities to obtain credit, Training and decent market place was underlined, and they are of the opinion that this would further enhance their activities. A large percentage of the participants are supporting themselves and other family members from the income generated through street vending businesses. These businesses contributed to alleviating poverty by creating employment and improving livelihood in Arada Sub-City.

The findings of this research were presented in two areas, namely the government officials and the street vending business participants themselves. The government officials were interested in how they could control the operations of the street vending business participants. The street vending business participants themselves were interested in how the government, non-government organizations and institutions could help them to enhance their activities so that they could expand and support their families. Chapter 5 examines the conclusions drawn in each section, and then makes recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The assessment of practices and challenges of street vending business in Arada Sub-City was the general objective and focus of this study. The specific objectives for this study were to explore general concepts on the street vending business which forms a background upon which the analysis would be based to understand the business environment, to explore the contribution of the street vending business to reducing poverty and identify coping mechanism of poverty in the sub-city.

5.1. Summary of the Main Findings

A summary of the main findings critical to the objective of this study has been drawn from chapter four (4) and introduced into this section to enable the author to make comprehensive recommendations later. These main findings are presented below: Majority of the government officials confirmed that the government holds a positive perspective towards the presence of the street vending business even if negatively influence the performance of the formal sector, street vending business activities are being supported with clear guidelines regarding government actions and regulations. The living conditions of the street vending business operators especially Women live supporting their own families in their homes, which they either own or rent. They faced many challenged such as lack of working capital and market place, lack of credit facility, police harassment and lack of experience. They also accept a vast responsibility to look after their families. The street vending business contributed a lot to poverty alleviation by being a good source of income for the operators and helped them support a sustainable livelihood. They had initial training and practical hands-on type of experience, which is helpful to those already engaged in the business.

The street vending business operators used a coping mechanism by working as an apprentice for family, relatives or friends. They also borrowed money without interest from their families to start their business. Others had employment in the formal sector to acquire the skill and experience even though the payment was far from adequate. The street vending business operators use live sharing family property to avoid paying rent, some others move from work place to work place to skip work place rent as a coping mechanism.

5.2. Conclusions

The street vending businesses are becoming the major source of livelihood for many people in both urban and rural areas of Ethiopia. This sector in Arada sub-city, Addis Ababa, provides livelihood for huge population mainly to the poor and other impoverished groups of the society. The participation of individual citizens into street vending business activities in the sub-city have been increasing mainly due to lack of job opportunities and insufficient monthly income of households. There are various factors that hinder the success and profit earning potential of these street vending business participants. These include lack of convenient working place, shortage of working capital, inadequate skill, lack of experience, strong competition, lack of institutional and government support, and police harassment. Street vending business in Arada sub-city supports the livelihood of the poor. Most of the operators depend on it for living while some others used it as an additional source of income.

The monthly earnings of participants are low on average. In addition, natural incidents like illness and loss of family; and human induced problems like competitions and market fluctuation further aggravate the vulnerability of street vending business participants. The challenges and practices of street vending business in alleviating poverty with reference to the participants' day to day livelihood and the objectives of this research show that; they do have the human resource and physical well-being, which gives them a potential to work in areas that require education and skills. They do have financial/capital shortage which poses a challenge to expand their activity; The majority of participants lived in rented houses which consumed their earnings making investment almost impossible. It was found that social relations are a big asset that these participants have. Many of the participants borrowed money and obtained assistance from their families, relatives and friends. Street vending business participants do not have access to credit facility and training support from government and stakeholders despite their activity contributed to employment creation and poverty alleviation in the sub-city. From the above, it can be concluded that most of the street vending business participants in this study were challenged by lack of convenient working place, shortage of working capital, inadequate skill, lack of experience, strong competition, lack of institutional and government support, and police harassment. Coping strategies were implemented by participants to tackle these challenges. These include: Cheaper living house, Using family property to cut rent cost, Street vending to cut work place rent, Spending less on cheaper food items, Borrowing items in kind/cash from families, relatives and friends, Engaging in multiple jobs to supplement income. Involvement in street vending work/business is a livelihood strategy that participants pursue to survive and alleviate poverty in urban centers like Arada sub-city of Addis Ababa City. These activities as a livelihood strategy have brought various outcomes. Initially most of the participants had only

their literacy, skill and small amount of startup capital before they start work, however, after their participation in the street vending work/business; they are able to create jobs for themselves and others to better survive and alleviate poverty even if their living condition is still unsatisfactory. In addition to this, some participants have showed significant improvements in their living and were able to make various assets including house, condominium savings.

5.3. Recommendations

There are several recommendations that can be made based on the findings and conclusions stated above. However, I decided to look only at the major recommendations, as presented below.

- Addis Ababa city government in general and Arada sub-city Administration in particular needs to compile a systematized data base and official statistics of the street vending business that will guide policy implementation and help design support programs for the sector and be able to measure its contribution to the national economy.
- Arada sub-city administration and the street vending participants should work together on rules, regulations so that the operations of the street vending business can be discussed, agreed upon and a plan of action devised on how to build trust between each other and contribute to the national economy and tackle unemployment.
- The government, private sector, NGOs and other stakeholders should support the operations of the street vending business by providing for their required credit or capital needs, training programs and work place for their business operations with no or minimal precondition. There is need to strengthen the relations between the formal and street vending business by making sure that it is a mutually inclusive rather than excluding themselves from the formal sector through market linkage and SMEs.
- The street vending business should engage with government on issues that concern the street vending business participants in order to come up with solutions critical to the success of their businesses. The process of formalization should be the ultimate goal for the street vending business.

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Appendix