

**THE IMPACT OF INFORMAL TRADE ON THE LIVELIHOOD OF
HOUSEHOLDS: IN THE CASE OF THREE SELECTED SUBCITIES
IN ADDIS ABABA**



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;

DECLARATION

I, **YISEHAK WORKIYE**, hereby declare that the thesis entitled “**The Impact of Informal Trade on the Livelihood of Households: in the case of three selected sub-cities in Addis Ababa**”, submitted by me for the award of the degree of Master of Business Administration, St. Mary University, is original work and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution.

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I certify that the thesis entitled “**The Impact of Informal Trade on the Livelihood of Households: in the case of three selected sub-cities in Addis Ababa**”, is a bona-fide work of **Mr. YISEHAK WORKIYE** who carried out the research under my guidance. Certified further, that to the best of my knowledge the work reported herein doesn't form part of any other project report or dissertation on the bases of which a degree or award was conferred on an earlier occasion on this or any.

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ABSTRACT

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. This study aimed at identifying the impact of informal sector on the livelihood households engaged in informal sector. To achieve the objective of the study data were collected from 150 randomly selected sample street vendors from three market centers. Questionnaire and interview were used as data collection instruments. Descriptive statistics was employed to analyze the data obtained through questionnaire. The study finding indicated that street vending is crucial in reducing unemployment and poverty in general. The researcher is recommended that micro-credit should be available to the vendors so that they can engage in micro-enterprises with high level of capital than they have.

Keywords: Informal sector, Street vendor, Livelihood, Income, Expenditure

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CHAPTER ONE

INTRODUCTION

In this first chapter of the paper, what looks the overall study is provided. It starts with presentation of brief historical development of the sector followed by background of the study, statement of the problem, general and specific objectives of the study. Moreover, there is a section that discusses the significance of the study and a section that sets out the scope of the study with the range of limitations faced while conducting the study. Finally, organization of the paper is outlined, which enables readers to have general picture and structural organization of the whole paper.

1.1. Background of the Study

A wide range of views on “informality” have been expressed from time to time. Some scholars see the informal sector as a constraint to development (Farrell, 2004) and others see it as a potential source of economic growth and poverty alleviation (Schneider and Ernste, 2000). Over the last decades a theory and policy shift has taken place, from banning the informal economic activities and businesses to integrating them to formal economy. Everybody can witness in many cities including the capital of the country as petty vendors sell shoes, clothes, utensils at very low prices.

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.

Different studies conducted on informal sector by different scholars show that Informal sector is a significant contributor to production, consumption, employment, and income generation of

many people in developing countries. Informal sector is the most important survival strategy for the urban poor, unskilled, and socially marginalized people. Moreover, it is an important means of survival for majority of people who lack proper social safety nets and unemployment insurance especially those who are discriminated from formal sector jobs as a result of lack of skill and capabilities. In addition to the major source of employment, the sector is significant contributor to the production of developing countries(Joshi, 2009; CUTS International, 2009).

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).

In Ethiopia, the informal economy accounts for about 50-60 percent of the urban employment (UNDP, 2012) and about 42 percent of these informal sector operators earn their livelihoods from microenterprises¹(CSA, 2005). The Central Statistical Authority (2010) report indicates that while the growth rate of urbanization in Ethiopia is about 4 percent, the national population growth is about 2.7 percent. The Central Statistical Authority of Ethiopia (2003) report also reveals that about 90 percent of rural-urban migrants to the Ethiopian cities do not get formal employment and thus are forced to join the urban informal sector. Lack of skill, lack of working capital, and lack of working premises force rural-urban migrants to join the informal and low-earning economic activities such as street vending, domestic work, home-based work, and others (CSA, 2003). Among informal activities, street vending constitutes the lion's share and has become a global phenomenon where millions of poor people build their livelihoods by selling goods and services in the streets (ILO, 2002b).

Despite the contribution of the informal sector² to the national economy and supporting the

¹A working definition of microenterprises in the Ethiopian context is that they are the smallest, usually informally organized businesses engaged in diverse activities including trade, services, handicrafts, etc. They are typically operated by the owner and immediate family (usually unpaid labor) and the income from the microenterprises is in most cases the sole source of income for the family (Desta, 2010).

²The terms informal economy and informal sector are of same meaning and are used interchangeably.

livelihood of the urban poor, informal activities are situated in uncertain and non-conventional places such as private homes, streets, sidewalks, municipal markets, and open spaces (Chen et al., 2005). They are also vulnerable to the hostile attitudes of governments as they operate out of government regulations (ILO, 1993). They also do not have social protection; they have no access to infrastructure, financial and physical resources; they have fewer rights and benefits of employment; and subject to greater exclusion from government institutions (Chen et al., 2005).

1.2. Statement of the problem

Ethiopia and many other sub-Saharan African countries have been experiencing rapid population growth as a result of increased urbanization rising through natural increase and high rates of migration into the cities and large towns. In cities and towns, most of these people find it difficult to get jobs in the formal economic sectors due to their limited education and lack of skills for formal employment. In their quest for making a living, many of these people have limited choices other than taking to the streets by engaging into street vending activities. Street vending, however, has not yet been integrated as a component of urban economies in most countries of the world, especially in the developing world. Although the sector has not been accommodated within the city and national policies, it provides employment opportunities as a means of income generation for the urban poor, especially for those who migrate from the rural areas. It also provides to consumers convenient and accessible retail options and forms a vital part of the social and economic life of a city.

The importance of this sector has therefore been underestimated, neglected, and usually seen more as a liability rather than a potential resource of employment creation and a source of national income generation (Kusakabe, 2006). The result being that the obstacles that the operators of the sector face and the contribution to their socio-economic well-being are less understood and less recognized (Muiruri, 2010). Teltscher (1994) and Bromley (1998) reported on lack of research and accurate data on the subject matter while other informal activities such as production and manufacturing have received more research attention. It is therefore difficult to obtain accurate and reliable information on the street vending sector, resulting in a lack of initiation and implementation of appropriate and timely policy interventions unlike in other informal activities such as manufacturing, mining etc.

In times when there are no sufficient job opportunities, informal sector is the only most survival

strategy for majority of urban poor. It is the most and significant contributor to national economies of different countries. Therefore, this sector is crucial element of national economies for numerous reasons. It provides cheap goods and services to customers; it plays the role of a savior of the individual reserve army that holds down wages for the formal sector of the urban economy (Gottdiener and Budd, 2005; Prasad, 2007) and finally, it provides opportunities for earning income to the indigenous city residents and poor migrants (Prasada, 2007).

Street vending/informal trading is crucial source of income and employment for urban poor and plays significant role in reducing the extent and intensity of poverty. As Nirathron stated;

“A cursory view of cities with brisk street vending activities shows that this economic activity is a veritable sponge that can absorb a large number of surplus labour, besides the increasing recognition of the role of the informal economy in developing countries has brought an acknowledgement of the role of street vending in terms of creating employment, and a critical subsistence income for the urban poor”
(Nirathron, 2006; p. 3).

Different research conducted on street vending informal business activities in different countries like Botswana, Mexico, Cambodia, Mongolia, Bangkok, Thailand, Vietnam, Lesotho etc. Show that street vending plays significant role in changing the livelihood of people and alleviating poverty by creating employment and income generating activities.

Many cities around the world that have realized that street vending is important to urban economies and have started conducting research on this sector for appraisal of its contributions to socioeconomic and environmental perspectives (ILO, 2002a; Mitullah, 2003; Adhikari, 2011). Street vending in Ethiopia is a growing sector that deserves careful and research attention like any other economic activity. In Ethiopia today, there has been limited information and research on the operators and other variables - such as how best the sector can be integrated within the urban economy.

1.3. Research Questions

This study aims to answer the following research questions:

1. What factors those attract people to engage in informal trade?
2. What is the contribution of informal trading on the livelihoods of households on income, expenditure and saving?
3. What are the key challenges faced by informal traders?
4. What kind of support is needed to the informal sector/street traders from government and other sectors?

1.4. Objectives of the study

1.4.1. General objective

The general objective of the study is to assess the impact of informal trading on the household livelihood in selected sub-cities of Addis Ababa and identify challenges in operation.

1.4.2. Specific objectives

- Identifying the driving factors which attract people to informal trading
- Identifying and analyzing the economic contribution of informal trading on the livelihoods of households
- Examining the key challenges faced by informal traders
- To identify support needed to this sector from Government and related sectors

1.5. Significance of the study

The impact of informal trade on the household livelihood has not given much attention in Ethiopian context, especially on Addis Ababa. The researcher tries to show the impact of informal trade household livelihood in Addis Ababa by selecting three sub cities following issues:

- Identify possible factors which may contribute to informal trade in Addis Ababa,
- It is significant to the actors engaged and also those who are going to join this sector.
- It will help the government to give great considerations to this sector.
- Furthermore it will help different policy making bodies to consider the identified sector.
- The study might see as source of the information for those who want to carry out further related study on a wider scale.

1.6. Scope and Limitation of the study

The topic of the study is somehow wide in scope. Although it needs highly organized research activities including all Sub-cities of Addis Ababa and other main cities in a country. Moreover, the study was limited in assessing the impact of informal sector to their livelihood from income, saving and expenditure sides.

The study is delimited to street trade in Addis Ababa on three selected sub cities, namely Arada, Gulelle and Lideta, and limited to informal trade on streets. However, it doesn't cover all Addis Ababa's sub cities.

1.7. Organization of the study

The paper contains five chapters and organized as follows: the first chapter introduces the introduction of the study, second chapter reviews of related literatures, third chapter describes research design and methodology, chapter four result and discussion and the last chapter is conclusion and recommendation part of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Concepts, Definitions and Characteristics of Informal Sector

2.1.1. Concepts and Definitions of informal sector

Rural–urban migration, urban unemployment, and the informal economy have received considerable attention in development economics since the 1960s (Potts, 2007). The discussion starts with the models of Arthur Lewis (1954) and the Harris and Todaro (1970). The Arthur Lewis (1954) model explains the transfer of labor from the agricultural (traditional) sector to industrial (modern) sector. As to the theory, agriculture in LDCs is characterized by subsistence nature. It has low productivity and hence low output, low incomes, and high unemployment. In contrast, the industrial sector is characterized by high productivity and absorbs labor from rural areas. Under such circumstances, people migrate from rural to urban areas. Rural-urban migration is said to have no effect on agricultural production as marginal product of labor is assumed to be zero (Lewis, 1954).

The concept of informal sector originated in the Third World out of studies on urban labor markets in Africa (Potts, 2007). How to define the informal sector and differentiate it from the formal economy has been an ongoing contest ever since Keith Hart first introduced this concept in his work on Kenya (ILO, 1972) and Ghana (Hart, 1973) four decades ago. The first ILO (1972) mission in Kenya distinguished the informal sector from the formal sector on the basis of seven antipodal traits: easy versus difficult entry; reliance on local rather than foreign resources; family in contrast to corporate ownership; small versus large-scale enterprises; labor intensive and adapted instead of capital intensive and imported technologies; informally rather than formally acquired skills; and unregulated and competitive as opposed to a protected market.

According to Suthuraman (1989), the informal economy is defined as an urban way of earning a living distinguished by easy entry in terms of skill, capital, and organization; family ownership of enterprises; small-scale of operation; labor-intensive production; and unregulated markets. In their study of informal sectors of West Africa, Webster and Fidler (1996) define the informal sector as a marginal economy providing income for the poor. They describe the informal sector

workers as “survivist” (very poor people who work part-time in various non- farm, income generating activities); self-employed people who produce goods for sale, purchase goods for resale or offer services, and those engaged in microenterprises, which usually operate in fixed locations with regular hours”.

Portes and Haller (2005) point out that the informal sector comprises small scale, labor-intensive, and family owned enterprises. In a study of informality in Addis Ababa, Fransen and Van Dijk (2008) also found that informal entrepreneurs are often underemployed persons living below the poverty line and scuttling to survive in a saturated market. They further note that informal sector workers are self-employed with no or very low levels of education and that the largest share of employees are unpaid family laborers.

2.1.2. General Characteristics of informal sector

The informal sector is characterized by a large number of small-scale production and service activities that are individually or family owned and uses labor-intensive and simple technology (Todaro and Stephen, 2003).

Easy of entry, reliance on indigenous resources, family ownership of enterprises or activity operated by the owner with few or no employees., small scale of operation, labour incentive and adaptive technology, skills acquired outside the normal school system, have little or no access to organized markets, to credit institutions, unregulated and competitive markets (ILO, 1972).

To start with operation in the informal sector depending on its scale of operation doesn't require formal education, procedures and other requirements. Studies covering twenty one African countries show that only a quarter of enterprise in the informal sector acquire their skills from formal school and training centers.(ILO,1985).

"Small-scale activities characterized by self- employment, mainly using self-labor and household laborers (usually less than ten), simple technology, low level of organization and unfixed operation of premises and working hours (ILO, 1992)

According to CSA urban informal sector survey of 2003 has mainly engaged in marketed production, not registered as companies or co-operatives, no full written book of accounts, less

than ten persons engaged inactivity, no license & fixed time of operation, small-scale operation and usually uses indigenous, local raw materials.

We can categorize characteristics of informal sector based on employment that the people engaged in the informal sector and enterprise that the activities in the informal sector.

Characteristics of the people engaged in the informal sector

Some of the characteristics include 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, and No fringe benefits from institutional sources

Characteristics of the activities in the informal sector

Some of the characteristics include 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

2.1.3. Specific characteristics of informal traders/street vendors

According to Mwaniki (n.d.) informal traders are categorized in the levels are Global level- Informal Cross Border Trade (ICBT), Regional level and local level- urban informal traders. Street vendors are categorized local level- urban informal traders with the following characteristics.

Location

Mitullah (2003) argues traders are choosing place where easily visible to pedestrians & motorists that place at strategic points with heavy human traffic. Such as: main roads, streets, parks, pavements, within shopping centers and corners of streets & roads.

Structures

Mitullah (2003) describes the traders use different structures. Most of them are use mats, gunny bags, tables, racks, wheel barrows, handcarts and bicycle seats to display their goods. The other traders carry their commodities on their hands, heads and shoulders. Some of them are hang their

commodities on walls, trees & fences, and significant of them construct temporary shades to displaying their goods.

Urban informal sector in the public area of cities are particularly in street-based trading, which is usually known as street vendors. These street enterprises are not paid tax, not registered and they involve very visible structures. These economic activities involve simple organizational, technological and production structures. It is ease of entry and small scale of operate where operates in urban area especially take place at heavy human traffic.

2.2. Types of informal sector

Generally businesses categories in four enterprises: illegal enterprises that fully activity related to criminals, subsistence enterprise that use as means of income or for survival, unofficial enterprises who seek avoid or reduce cost and formal enterprises that works based on rule and regulation.

When we become to informality there are different kinds of informal businesses we can categorize

1. Depending on the industries that are informal businesses in agriculture, in domestic services, in manufacturing, in construction and commerce, among others.
2. Depends on the geographic region rural and urban informal businesses.
3. Depends on the size survival business and there are the micro enterprises

In 2007, the Latin America division of the World Bank brought out a publication entitled Informality: Exit and Exclusion presented a holistic framework of the composition and causes of informality, as follows:

According to World Bank causes of formality depend on compositions that are three pairs of economic agents labour, micro- firm and firms.

1. Labour: do not find formal job that informal sector as a means of income and quit formal job by boss to maximize profit through avoid tax
2. Micro-firms: they do not have plan work with state and they cannot penetrate to the market due to high barriers to entry

3. Firms: seek to avoid costs like taxation and commercial regulations and partially registering their workers and sales

2.3. Driving factors that attract people to street vending

There are many reasons, economic or social, that push a person into the street vending sector. The following section explains some of the reasons that push people into street vending

2.3.1. Economic driving factors

Search for Employment: Many sub-Saharan African countries have experienced rapid population growth and urbanization from natural population increase and high rates of migration into the cities and large towns. Most of these people have difficulty in finding jobs in the formal economic sectors due to their often limited education and lack of skills required in informal employment. In their quest to make a living, many of these people have no choice other than taking to the streets to fashion out a living.

According to Berner et al. (2008) and Gomez (2008), street traders do not start their business by choice but are forced into it because they cannot find wage employment or because of other economic shocks. Similarly, Nittaya (2014) showed that the suitable conditions for new entrants to street vending are a large pool of unemployed people.

Escape taxes and government trade policy: In some countries business registration procedures are costly and cumbersome; the taxation system is heavy while labour regulation is rigid. Due to this, small entrepreneurs' initiatives are limited and therefore forced to operate from the streets. It is, therefore, necessary to eliminate some of the entry barriers to the formal sector of the economy in order to improve conditions in the labour market.

Other economic driving factors: This literature review shows that street traders undertake the business due to lack of enough capital and to avoid paying rent in the formal markets. Further, traders try to avoid the cost of formality in terms of strict rules and regulation, taxes, time and effort involved in complying with formal state procedures (De Soto, 1989). Others engage in street vending to supplement income earned elsewhere, or changing the jobs because the previous job working conditions were unsatisfactory (Turner & Laura, 2012).

2.3.2. Social Driving Factors

Desire to be self-employed: According to Ndhlovu (2011), street traders undertake the activities as an easy means of setting oneself up as self-employed with low initial capital.

Supporting family: Street vending provides earning opportunity and livelihoods to support the dependent family members. Because of the increasing vulnerability at the household level, one is supposed to support family members, for example, children, siblings and parents. Providing basic necessities to dependent family members becomes the responsibility of youths and adults. Many vendors work on the streets for the survival of their dependent family members. This has also been confirmed by Babere in her study in 2013 about struggle for space: appropriation and regulation of prime locations in sustaining informal livelihoods in Dar-Es-Salaam City, Tanzania. She found that street traders take the role of providing for their household as the circumstances require, which makes them for any means possible for meeting the family daily needs.

Limited education: The study of Judai in 2002 in Zambia showed that lack of education and training for employment in formal sector is one of the various reason that push people into street trading activities. This has also been confirmed by Ndhlovu (2011) in her study on street vending in Zambia, a case study of Lusaka District.

2.4. Challenges faced by street vendors

Despite the socioeconomic importance of street vending in urban areas, especially for the urban poor group, street vendors face various challenges. Cohen (2010) found that like all informal workers, informal street vendors lack legal status, representation, and voice. Due to this situation, they face several specific problems along the way of securing the livelihood which limits their opportunities to work efficiently for income generation and poverty reduction.

2.4.1. Street vending on run

Asiedu&Agyei-Mensah (2008) and Brown (2006) said that vendors are continuously on the run due to constant harassment, assault and seizure of goods by the local government authorities or police in and other users\ of the city space. All these disturb the development of links with customers, reduce the accumulation of fixed-asset value, and discourage investment even if the investment is low.

2.4.2. Street vending and access to capital

If street vendors could have access to funding from financial institutions, they could also have higher investment capital, judging from the expensive merchandise they sell. In addition, the high capital could provide them with the opportunity to rent space in prime areas of the city. But street traders operate below capacity because they have limited access to capital as they have no access to financial services such as credit, loans from financial institutions because they do not have collateral security.

This concurs with the assertion of the renowned Zimbabwean economist John Robertson, who stated that it is difficult for people in the informal sector to secure credit facilities because they do not have evidence to secure such services since their incomes are erratic and low with little production involved. They lack things like pay slips and bank account statements as an indication to the lender that one can pay or service credit (Nkululeko et al, 2014). Therefore, the lack of capital or access to capital hinders the development of their activities.

2.4.3. Street vending and Business Skills

The majority of street vendors has a low level of education and do not have any skills for business. Even those who are educated do not have the requisite skills for business. And because their activities are not legally recognized, they therefore do not have access to any training for business and any technical training that could help in ensuring the development of their business. This continues to challenge their business as they have low level of business skills.

2.4.4. Street Vending Regulations and Policy

Majority of street vendors around the world, undertake street vending business with the threat of eviction, jail, harassment, and fines because street vending activities are usually not recognized or protected under legal and regulatory frameworks. Almost in all countries in Africa, they operate with restrictive policies and regulations that lay emphasis on the illegality of street vending (Bhowmik, 2005; Mitullah, 2003). As informal activities (street vending activities) in many countries are on the fringes of the law, authorities often confuse them with criminal activities and subject them to oppression (ILO 2002 as cited in Brown, 2006).

Street vending is mainly affected by policy and practice of both national and local governments. According to Brown (2006), actions of local governments can be a major hindrance to the development of a secure environment for street trading. For the street vending business to work towards poverty reduction there is a need for the African governments to formulate supportive policies, regulations and organization of street vending space that will provide legal protection while conducting business.

2.4.5. Street vending and access to Basic Infrastructure

In many developing countries street vending is often looked down on as an undesirable activity undertaken by criminals which impinges on the use of public space. Due to this, they work in poor conditions, with little access to basic infrastructure such as water, electricity, waste removal, storage facilities etc (Donovan, 2008).

2.4.6. Street Vending and planned Business Location

In many developing countries, lack of well-planned and designed business areas and premises result in conflict of land use and also expose street vendors to harassment or eviction from the place that they have invaded for trading. In addition to this, street vendors face environmental risks involved in the activity. Here one may cite the constant exposure to harsh weather conditions like heavy rains and harsh sun, especially in tropical Africa as the traders mostly carry out their activity in the open areas without any shelter (Lund, 1998).

2.5. Livelihood

A livelihood comprises the capabilities, assets, and activities required for a means of living. It is deemed sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities, assets, and activities both now and in the future, while not undermining the natural resource base (Serrat, 2008) .

A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks (Conway, 1991).

The term 'sustainable livelihood' came to prominence as a development concept in the early 1990s, drawing on advances in understanding of famine and food insecurity during the 1980s. Nowadays, thinking about poverty and sustainable development converge around and linked themes of vulnerability, social protection and livelihood and has been accompanied by the development of a variety of approaches to analyze situations (Ibid).

2.6. Economic Contribution of Street Vending to Livelihood

Street vending is one of the activities within the informal economy and is fast becoming a global phenomenon. Although it is mostly practiced in developing countries, it is not uncommon in the developed world. Over the years, it has become rampant and a source of employment and income for many urban dwellers. Street vending contributes largely to the distribution of relatively priced goods (Muiruri, 2010).

2.6.1. Street Vending and Creation of employment opportunities

Street vending is becoming an important activity for the survival of many urban poor people around the world, by helping them create their own jobs and earn cash incomes, especially in the developing world. Thus, street vending activities avail good opportunity for the urban poor to work and to be self-employed. This sector, therefore, has been neglected and underestimated (Hart, 1973). The street vending sector contributes significantly to the urban employment creation where unemployment and poverty issues are more acute.

In Tanzania, the Dar-es-Salaam city authority shows that street vending employed more than 1 million in 2014 (Mramba, 2015). Increasingly, street vending is becoming an employment and income earning option for a larger segment of the African society (Mitullah, 2003). Furthermore,

this sector also links to the other formal sectors by providing labour force and marketing their products. Studies show that a lot of goods sold by street vendors, such as clothes, leather and plastic goods as well as household commodities are manufactured in small scale or home-based industries. These industries employ a large number of workers and they rely mainly on street vendors to market their products. In this regard, street vendors provide a valuable service by helping to sustain employment in these industries (Timalsina, 2011). The sector acts as a provider of a viable alternative to formal employment. It acts, therefore, as a buffer against instability and insecurity in terms of work and income opportunities among the urban poor.

2.6.2. Street Vending and Generation of Income for Livelihood

Street vending is perceived as an important sector, having vast vitality for promoting economic growth, employment creation and on the job training or developing entrepreneurial skills (UN, 1996). In fact, it has a potential role in alleviating poverty through income generation from the sector. In other words, it is a means of survival and confers financial independence. Street vending creates economic resources to sustain the livelihoods of vendors and other people who benefit from their services, especially low income families (Tripp, 1997). In all these cases, the profit margins from street trading activities depend on the size and location of the business, the tax burden, and level of education, the initial investment into the business, gender and the type of commodities sold. However, given the poor conditions of street vendors, most traders make minimal but reasonable profits (Adhikari, 2011); (Bell & Loukaitou, 2014).

Income generated contributes to daily expenditure for family livelihood needs. Furthermore, the income earned from this business can be spent on commodities that are not related to the current business operation such as buying agricultural land, supporting children's education, paying medical fees and medical insurance (Turner & Laura, 2012).

Apart from creating jobs and being a source of income, street vending offers business opportunities where vendors can successfully compete. This is the case in South Africa, where street traders begun by selling only a few low cost items like cigarettes and candies before switching to sell high profit items such as shoes and clothing (Cohen, 2010). In addition, street vending can serve as a transient job before moving to other jobs (Agadjanian, 2002).

2.6.3. Street Vending and Provision of Relatively Low priced Goods

Street vendors provide food, services and commodities at cheaper prices and at convenient locations. For this reason, they provide basic necessities from the pavements, particularly for low income groups who cannot afford to shop in formal shops (Nittaya, 2014). Street vending also offers goods and services at prices that are affordable for the low-income population. The distinct advantages of buying from street vendors are that one can buy very small quantities of goods such as a single bar of soap, for example, instead of a package of three. In this sense, street vending makes goods accessible to those with scarce resources (Roever, 2014).

2.7. Operational definition of terms

Informal trade: It refers to economic activity by individuals and/or groups involving the sale of legal goods and services, within public and private spaces which spaces are generally unconventional for the exercise of such an activity (Motala, 2002: 8).

Street trading: is an activity for marginalized groups in society who trade informally owing to lack of capital, as an alternative to formal economy employment to supplement wages and welfare benefits to purchase basic household needs (Leonard, 2000: 28; Unni, 2000: 14; Mitullah, 2003)

Street vendors as visible and distinctive part of urban landscape, offering a range of goods from small informal stalls; from mats on the pavement, baskets that they carry on their heads, from pushcarts, or wares in baskets on poles on their shoulders as Ramaite (2006: 6) defines.

Informal sector:Chen (2005: 25) defines informal sector as all the economic units and workers who are not a part of the regulated economic activities and protected employment relations. The known definition given by ILO that the way of the activity characterized by easy to entry mean that not need much training, education and capital. , depend on local resources; family ownership of enterprises; small scale of operation; labor-intensive, skills acquired outside the formal school system; and not officially regulated and competitive markets.

CHAPTER THREE

METHODOLOGY

3.1. Introduction

Aiming to put the users of this study ease to understand the overall nature of the research methodology related with the research's issue, this chapter gives brief and precise explanation about the methodological tools that the researcher used to accomplish the study thereby achieving the objectives. Henceforth, it comprises study area and population, data sources and data collection methods, sampling technique and sample size and data analysis technique.

3.2. Research design and approach

The research design is the guiding framework on how the researcher should get and analyze information. It helps to have the most appropriate and feasible methods for testing hypothesis or answering research questions. It situates the researcher in the empirical world. In the case of this study, survey was used and took both a quantitative and a qualitative dimension.

3.3. Research population and Sampling

The target population for the study was that of street traders. The population was chosen by the researcher because of the researcher interest in informal trading which is a growing sector for the urban low income households in Addis Ababa who depend largely on the street vending activities as a source of income for their livelihoods. People vending commodities such as processed food products, new and second hand clothes, plastic products, shoes, vegetables, fruits, cigarettes, sweets, equipment used for household purpose, cosmetics used for beautification, books, newspapers, stationery etc. were chosen in this study. In addition, government officials, formal business operators, and pedestrians were interviewed as key informants about the street vending sector.

The total sample drawn from the population (accessible) was based on Cochran's W.G 3rd edition "Sampling Techniques" When the size of population is not certainly known and more than 10,000 sample size determination formula which is stated below.

$$\text{Sample size} = (Z^2 (p)(1-p))/ME^2$$

Z = Z value (eg. 1.96 for 95% confidence level)

P = percentage of picking a choice, expressed as decimal (0.5 when P is unknown)

ME = Margin of error (eg. 0.1 = +/- 10)

N= 140 +/- 10 N= 150

Since the target group was street vendors, and the population size is not precisely known, the sample population of 150 street vendors was drawn from this group of traders. In addition, information was obtained from other informants who included central and local government officers, pedestrians, customers and formal traders. According to Leary (2010), purposive sampling involves the selection of a sample with a particular purpose in mind and the researcher concentrates on people with particular characteristics who are better positioned to facilitate the success of a study.

The sample was purposively selected from the target population. Purposive sampling was used to select a sample group of 150 people that had the characteristics of what the research was studying. Purposive sampling was in addition used in the selection of the three sites of street vending since the study was interested in finding out the contribution of street vending on livelihood of households.

A reconnaissance study was conducted before the actual study, and the researcher observed and mapped the street vending sites in each of the three sub-cities. After mapping all the sites, the researcher observed that street vendors in all the sites mapped had the same characteristics. Since the street vendors had the same characteristic and similar pattern, the research purposively selected three different sites of street vending that had high number of street vendors.

Table 3.1: Sample size by sub-cities

Sub Cities	Cluster Site	Sample size
Arada	Piassa	50
Gulelle	AddisuGebaya	50
Lideta	Mexico	50
Total		150

3.4. Instrument for collecting data

The first instrument to collect data is questionnaire. Questionnaire is designed for street venders. Semi structured interview was developed for government officials, formal business operators and pedestrians.

The questionnaire and Interview guide were prepared in English and then translated in to Amharic and then back to English by different individuals, to avoid incorrect translation.

3.5. Data Analysis

After data was collected, it was analyzed both quantitatively and qualitatively. Descriptive statistics was used for analysis. The compilation and analysis of quantitative data was done using the Statistical Package for Social Science (SPSS) software. The interviews carried out will be interpreted and analyzed qualitatively.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter presents the results of the data analysis and the interpretation of the study findings.

More specifically it presents the characteristics of street vendors , factors driving people into street vending, the contribution of this informal sector to the livelihoods of street vendors and the challenges in street vendors obtained from both the questionnaires and interviews.

Street vendors offer a wide range of goods and services delivery, generate different levels of earnings/income and cope with various daily challenges. Yet, some clear patterns emerge around the status in employment, enterprise structure, gender, contribution to their livelihoods and working conditions. This section details some of these patterns. Furthermore, the findings help to explain how policy choices are likely to play out across and influence these different segments.

4.1. Demographic Characteristics

There were a total 150 respondents (street vendors) participated in the survey by filling the questionnaire. The response rate was 100 percent.

4.1.1. Gender Distribution of Respondents

According to the survey, men dominated the sector, accounting for 58.67% (n=88) of 150 respondents, while women accounted 41.33% (=62) of 150 respondents. This finding is not similar to that reported by Charmes (2000) on the street vending sectors in developing countries where he indicated that women share a higher percentage than men in this type of employment, in countries like Benin, Chad, Mali, and Senegal. The informal sector is a large source of employment for both for males and females. This can show that currently males are more actively (relatively higher than female counterparts) engaged in the informal sector, specifically street vending activity of the study areas, in seeking a way of improving their livelihood conditions.

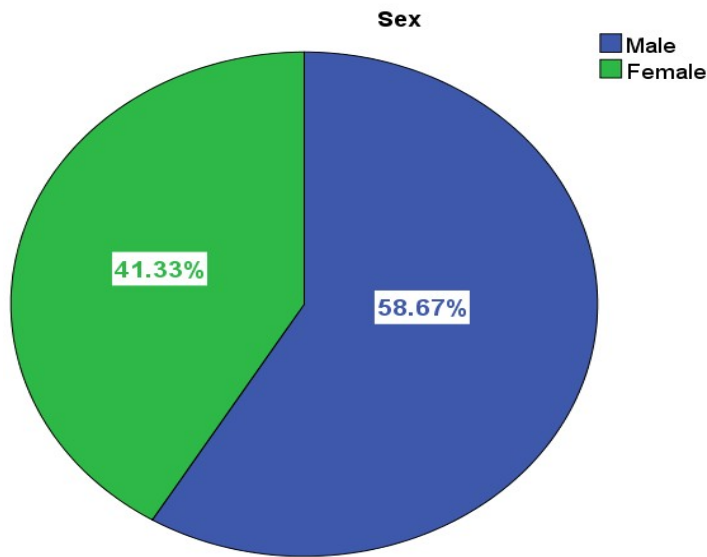


Figure 4.1: Gender Distribution of Respondents

4.1.2. Educational Background of Respondents

The education level among street vendors was distributed in such way that out of the total 150 respondents the higher proportion i.e. 39.3% (n=59) of them were between 5th to 8th grade level. Those who had no formal educational background accounted for the second highest proportion or 25.3% (n=38), followed high school level respondents by 24.7% (n=37). 6.7% or 10 respondents' education level is between grades 1 to 4.

In the sample, it was observed that this sector has created employment opportunity not only for illiterate but for those who had been schooling.

Table 4.1: Educational level of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
None	38	25.3	25.3	25.3
Grade 1-4	10	6.7	6.7	32.0
Grade 5-8	59	39.3	39.3	71.3
Grade 9-12	37	24.7	24.7	96.0
Certificate/Diploma	3	2.0	2.0	98.0
Degree	3	2.0	2.0	100.0
Total	150.0	100.0	100.0	

4.1.3. Age Distribution of Respondents

In the study areas the city of Addis Ababa, sample street vendors were mainly dominated by youth and adults who are main breadwinners for their family livelihood. They comprise the highest percentage of all age groups, since 60% (n=90) out of all 150 respondents fell between the age of 18 to 30 years old; and 33.3% (n=50) were under the age group of 31 to 45. There were 2 youngsters among the respondents that were below 18 years of age, while the oldest with age group of 46 to 60 years accounted for 5.3% (n=8). The age span between 18 and 30 years is a period when most individuals are detaching from their nuclear families (parents) and take greater responsibility towards supporting parents and younger siblings, while also establishing their own households.

Another possible explanation to this is that the young people are more energetic and are therefore more likely able to respond to harassment and eviction when it occurs as compared to the older people.

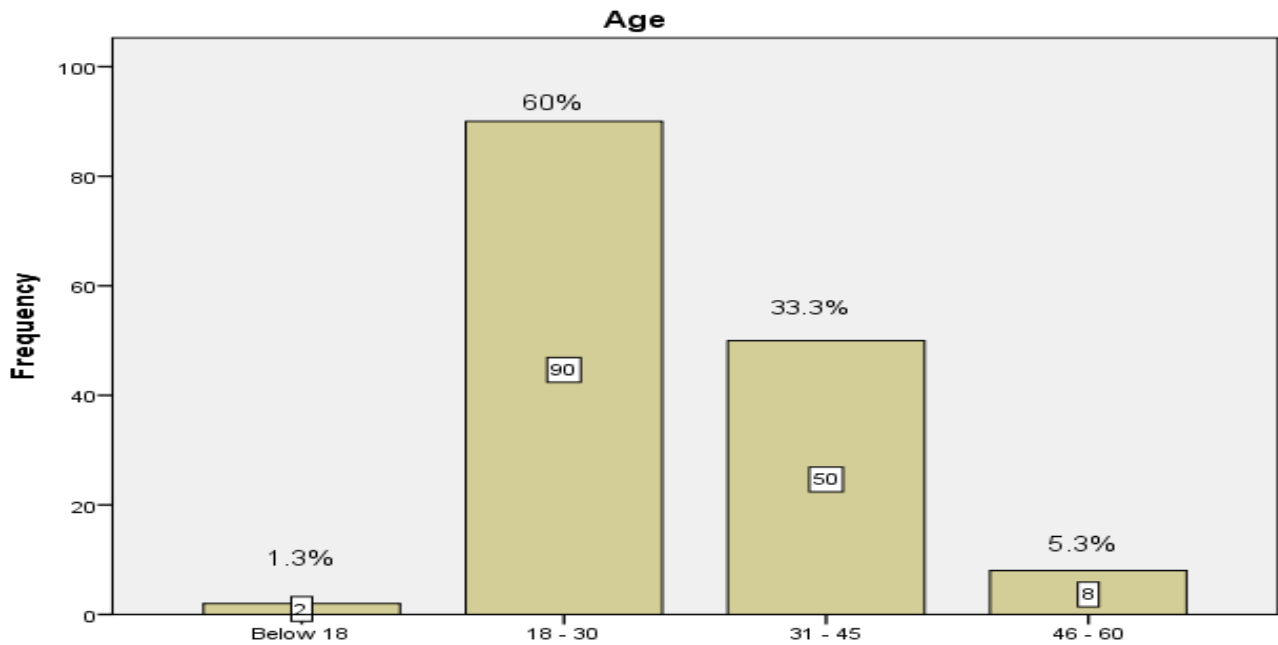


Figure 4.2: Age Distribution of Respondents

In addition, the findings showed that the young i.e. between ages of 18 to 30, males (61.36%) slightly outnumber females (58.06%) engaged in street vending. The reason behind the imbalance could be due the socioeconomic situation of the country that favors to male than female to take responsibility to engage in occupation that exhibits more hardship.

4.1.4. Place of Origin of Respondents

Among the street vendors (n=150) who are participated in the survey, the majority i.e. 78% (n=117) were originated from elsewhere in the country outside Addis Ababa, those who are born and raised in the city accounted for only 22% (n=33). Except Harari, street vendors under the study areas and participated in the survey represented all regions of Ethiopia. Those who originated from Southern Nations Nationalities and Peoples (SNNP) and Amhara region dominate the sector in the study.

This result implies that the informal trade sector, specifically street vending, attracts peoples from all over the country towards Addis Ababa, which is the country's capital, huge city and the largest market.

4.1.5. Marital status of Respondents

Regarding the marital status, the study revealed that 63.33% (n=95) of the surveyed street vendors had been married. Followed by 30% (n=45) of the total 150 respondents reported they were not married, while the remaining 6.67% (n=10) were divorced or separated.

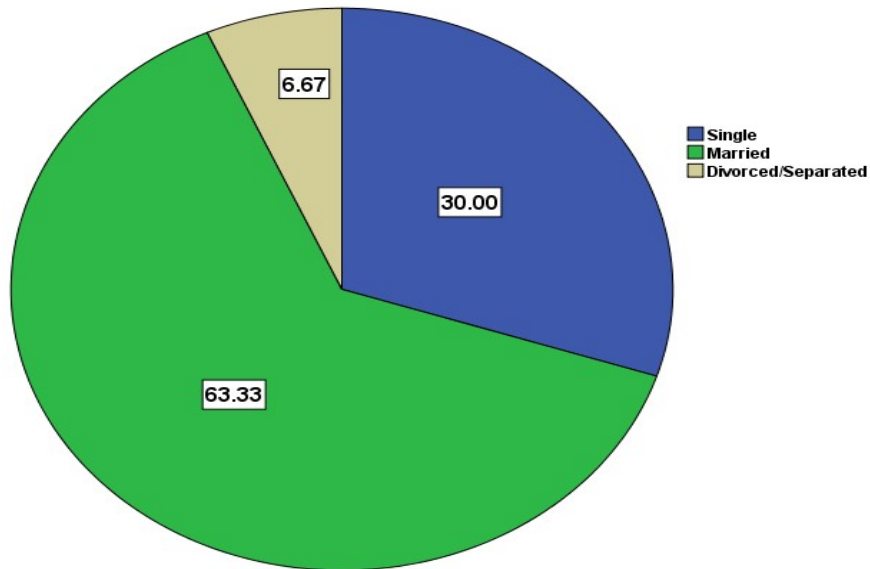


Figure 4.3: Marital Status of Respondents

This reveals that the majority of the respondents were married so that they were responsible in supporting not only theirs but also their families' livelihood. It is therefore important to emphasize that street vending activities were really important as a main source of income for their households.

4.1.6. Household Roles and Income Contributions of Street Vendors

With regards to the roles of street vendors as head of their household, results of the survey showed that out of the total 150 respondents 72% (n=108) were reported that they were head of their household. Similarly, 70.7% (n=106) confirmed that they are the main contributor of their household income.

Table 4.3: Respondents' household roles

Response	Are you heads of the HH?		Are you the main contributor of HH income?	
	Frequency	Percent	Frequency	Percent
Yes	108	72.0	106	70.7
No	42	28.04	44	29.3
Total	150	100.0	150	100.0

This implies that, in aligning with the result obtained on the respondents' marital status above, nearly three quarters of street vendors under the study had the leading role as a head as well as the main income contributor in the household and the income generated from the informal sector of trading on streets.

4.1.7. Family Size of Street Vendors

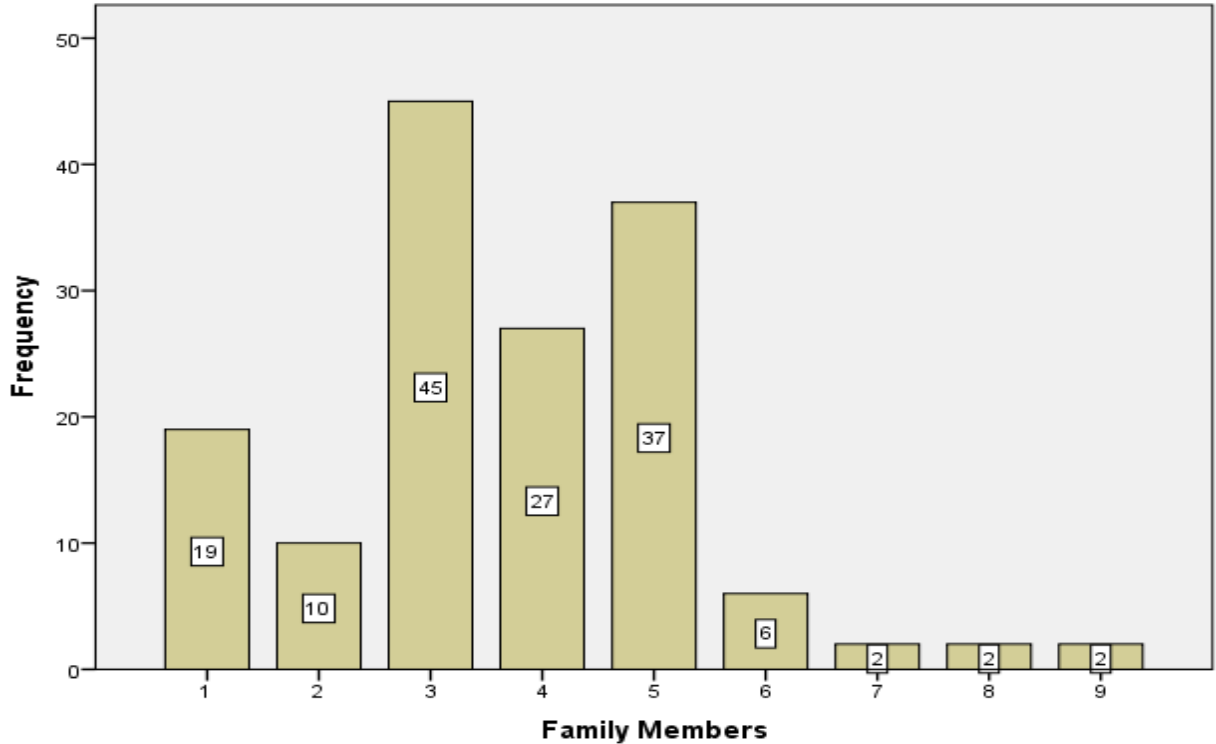


Figure 4.4: Family Size of Respondents

With reference to figure 4.4 above, 12.7% (n=19) of the street vendors were characterized by single family size whereas the remaining 87.3% (n=131) of the vendors has more than one family size. In details, the largest proportion i.e. 30% (n=45) of respondents had a family size of 3 persons; the least proportion was gone to respondents how had a family sizes of 7, 8 and 9 persons accounted for 1.3% (n=2) each.

This shows that majority of the street vendors have responsibility for at least one person to take care of in addition to him/herself. Regarding the average family size of the street vendors in the study area was 3.67 with standard deviation of 1.64.

4.2. Factors which Attract to Street Vending

One of the objectives of this study was to find out the driving factors that attract people to street vending. For the question in which respondents were inquired whether or not they had engaged in other occupation before joining street vending, 48% (n=72) said Yes and 52% (n=78) said No. Those street vendors under the study who had work previously indicated predominant reasons like *not enough income for living, to switch to better reward occupation [street vending]* and few responses like *health problem*, which were responsible to shift from their previous occupations to street vending.

From the literature review, searching for employment, to be self-employed, limited of education, supporting family and escaping taxes and government trade policies were among the major factors that push people into street vending. With reference to these factors, table 4.5 below shows the factors driving people into street vending in the study areas of Addis Ababa and how the factors were ranked by the respondents. Note that these driving factors are grouped into social and economic factors.

Table 4.5: Factors that Attract People to Street Vending

Driving factors	% of the first ranked factors	% of the 2nd ranked Factors	% of the 3rd ranked Factors
Search for employment	40	26.67	5.56
Dissatisfied with of previous employment	27.78	5.56	4.44
To be self-employed	10	3.33	8.89
Need to support their my families	6.67	16.67	34.44
Other	6.67	4.44	3.33
I have no one to support me	4.44	28.89	14.44
Separated with my family	3.33	3.33	6.67
Limited education	1.11	11.11	10
High taxes	0	0	8.9
Government policy	0	0	3.33
Total	100	100	100

It is clear from the table above that *need for employment* was the most important factor that pushed people into street vending work. The important factors that force people into street vending business are discussed below namely *lack of employment, need to support and care for their families, self-reliance, unsatisfying previous employment, self-employment, and lack of education.*

4.2.1. Economic Factors

i. Search for employment

Looking for employment was identified as one of the important factors that drive people into street vending. Up to 40 % of the respondents ranked it as a first factor that push people into street vending. This can be explained by the fact that 52% of the respondents had never been engaged in any other income generating activities before joining street vending. This can be explained by high unemployment rate of the country, and severely in urban areas.

From the above statistics, street vending attracts not only those who are looking for income but also those who are dissatisfied with pervious employment. Street vendors entered into the business in order to move from their unemployment status to self-employment opportunity because it is better working on the street rather than to be classified as unemployed. Further, the capacity of formal employment sector to absorb the available workforce is very limited and the only option remaining is to enter into street vending to eke out a living.

ii. Dissatisfaction with pervious employment

Up to 48% of the respondents had been working before joining street vending and most of them had mentioned that the conditions they were working in were not satisfactory and they eventually decided to join street vending. As mentioned above, majority of them said that the main reason they had left the previous jobs is that they were underpaid.

iii. Other economic factors

The survey results revealed that very high taxes, low capital of investment, increasing income from other activities, trading parcel expensive rent in the formal market are also important economic factors that push people into street vending.

4.2.2. Social Factors

i. To be self-employed

According to the survey, the main reason that people do sell on the streets was because of their interest in becoming independent and be their own bosses so that they can manage their time as they want regardless of the income which they get.

ii. Need to support their families

The survey had shown that 87.3% of the vendors have a family size of more than one. This shows that the majority of street vendors have responsibility for at least one person to take care of in addition to themselves. This explains their need to look for a where they can earn money so that they can be able to support and care for their own families. Those who were still single may help their distant families using the income earned in their daily street business.

iii. To be self-reliance

According to the survey, parts of the respondents were single and they have to take care of themselves. Therefore, they end up in street vending as a way of tracing their livelihood and also helping their family as a result of having no support, hence they are forced to be self-reliant.

iv. Limited Education

In the survey, 25.3% and 46% respondents had no formal education and only primary education, respectively. For them, it is more difficult to find a formal and rewarding job than those who had at least secondary education. Since, it is not easy for them to find formal jobs; they look for something else that enables them to earn some money. Most of them end up by joining street vending as it is easy to exercise this activity whether they are educated or not. However, due to unemployment condition, even some educated people with secondary and tertiary level of education join street vending as an open door to self-reliance by earning money from the informal sector by selling products on the street.

4.3. Livelihood Before and After Joining Street Vending

This section presents the vendors' livelihood situations before and after joining street vending which includes economic status and variables like income, expenditure and saving.

4.3.1. Economic Status of Respondents

Table 4.6: Economic status of the vendors before and after the business

Description		Before Joining the business		After joining the business	
		Freq.	Per.	Freq.	Per.
Economic Status of the vendors	Poor/Low Income	107	71.4	70	46.7
	Non-poor/middle income	9	6	32	21.3
	Rich/high income	2	1.3	-	-
	Others	32	21.3	48	32
Total		150	100	150	100

During the survey the sample street vendors were requested to indicate their economic status prior to the business. As a result, 71.33%, 21.33%, 6%, and 1.33% indicated their economic statuses in the community, poor/low income, neither poor nor middle income/the better off poor, non-poor/middle income and rich/high income respectively.

In addition to their economic status prior to the business the vendors also indicated their economic status after the business. Accordingly, 46.67%, 32% and 21.33%, indicated their economic statuses in the community as poor/low income, neither poor nor middle income/the better off poor and non-poor/middle income respectively.

The result of the survey reveals that majority of the sample respondents in the study area join the sector because of their low economic status. Therefore, street vending is a source of livelihood to a majority of the poor and unskilled people. Furthermore, it is an important means of survival for people in countries lacking skills for formal sector jobs. In a nut shell, there is some change in the economic status of the street vendors comparing with their former economic status.

4.3.2. Meals Served Per Day

Table 4.7: Meals served per day before and after the business

Description		Before Joining the business		After joining the business	
		Freq.	Per.	Freq.	Per.
Meals served per day	Twice	33	22	8	5.3
	Three times	110	73.3	128	85.4
	Four times	7	4.7	14	9.3
Total		150	100	150	100
Average		2.8		3.04	

In addition to their economic status, the street vendors were also asked to indicate their number of meals served per day. In view of that 72.33% of the street vendors were able to take food three times per day prior to the business, whereas the remaining 22% and 4.67% of the street vendors were able to take food twice and four times prior to the business respectively. Generally speaking, the average meals served per day of the street vendors prior to the business were 2.8.

In view of the street vendors' number of meals served per day after joining the business, majority of the vendors (85.33%) were taking foods three times. Whereas the remaining 9.33% and 5.33% of the street vendors were able to take food four times and two times after joining the business respectively. Generally, the average frequency of meal served per day of the street vendors after the business was 3.04.

4.3.3. Monthly Expenditure, Income and Saving

Table 4.8: Expenditure, income and saving before and after the business

	Monthly HH expenditure Before	Monthly HH expenditure After	Monthly Income Before	Monthly Income After	Monthly saving Before	Monthly saving After
N valid	150	150	150	150	150	150
Means						
Std. Deviation	738.81	1174.38	945.449	14442.88	36.619	386.098
Minimum	0	0	0	0	0	0
Maximum	3000.00	5000.00	5000.00	8000.00	200.00	2000.00

Variables	Before Business	After Business	Mean difference	T value(95% conf. interval)
Mean monthly household expenditure	648.9655	2051.7241	-	539.2589
Mean monthly household income	779.3103	2879.3103	-	181.8176
Mean monthly saving	6.8966	306.2069	-	361.4162

As we can see above in Table 4.8, there is a significant and visible change in all three economic variables before and after joining street vending. The average monthly expenditure of a respondent before joining street vending is Birr 648.97, while after joining the business it increased to Birr 2,051.72. Concerning the average monthly income and saving of the street vendors before joining the business, they earned Birr 779.31 and were able to save Birr 6.89 on an average from their monthly income. After joining the business, their average income is improved to Birr 2,879 and average saving to Birr 386.10.

This result supports most of earlier studies which stated that street vending contributes to improvement of the livelihood of low income households through income generation. Income generation determines therefore what to spend and this defines the kind of livelihood one can be basically having.

Income generation contributes to the livelihood improvement. Most of the issues associated with urban poverty are related to the lack of decent income. The urban poor do not have real income, yet they need to meet their basic needs in terms of food, water, shelter, education and health care services. Lack of income really means that their diet is insufficient for good health and that it is very difficult for them to pay fees in order to invest in education and training which might eventually enable them to obtain average wages. In addition, lack of income also means that saving and securing assets is very hard, rendering thus households particularly vulnerable to all

sorts of crises. But with income generated through street vending, vendors are able to properly and honestly meet their basic needs and this contributes to improving their livelihoods.

4.3.4. Children’s Education

One of the parameter to gage the changes in the livelihood of the street vendors is assessing children’s schooling conditions. The result shows that, none of the respondents had been sending his children to private school, which costs higher than government or public schools; but after joining the business, 8 respondents indicated that they send their children to private schools. In terms of payments for their children’s education, the study found out that the average payment respondents’ were expend for children’s education Birr 209 and Birr 647.14 before and after joining street vending, respectively.

4.3.5. Problems of Street Vending

Using Likert Scale which is a rating scale designed to measure user attitudes or reactions by quantifying subjective information. Respondents indicate where along a continuum their attitude or reaction resides. In order to know the extent and severity of the problems the survey was designed in five scale responses ranging from 0 = *very serious*, 1 = *serious*, 2 = *average*, 3 = *less serious*, and 4 = *not serious*. Accordingly, the vendors indicated their attitudes and reactions to the problems and are presented with mean and standard deviation in the table below.

Table 4.9: Challenges faced by street vending

Challenges	N		Mean	Std. Deviation	Rank
	Valid	Missing			

Lack of supply of products in Quantity	150	0	1.88	1.73	9
Lack of supply of products in Quality	150	0	1.4933	1.03461	8
Lack of customers	150	0	1.8933	1.43376	10
Too much competition	150	0	1.3533	1.58913	6
Lack of space	150	0	0.3733	1.10852	4
Poor accessible to capital and credit	150	0	1.1467	1.60698	5
Lack of business skill	150	0	0.36	0.95031	3
Lack of promotional support	150	0	1.4533	1.66523	7
Lack of formal linkage with suppliers	150	0	2.7933	1.60242	12
Negative public perception	150	0	2.24	1.53562	1
Lack of support	147	3	0.3129	0.94218	2
Unclear government policy	145	5	0.2138	0.63668	1

According to the mean value to compare between problems, the more the mean value approaches to zero its seriousness has been increased and the more it approaches 4 the reverse. Therefore, concerning the problems of the vendors the most serious problems that the vendors faced in the street vending environment according to their importance and severity the three sever problems are:

1. Unclear government policy
2. Lack of support from government or non-government organizations
3. Lack of business skill

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. Summary of findings

The main findings of the study include:

- Out of the total 150 respondents 72% (n=108) were reported that they were head of their household. Similarly, 70.7% (n=106) confirmed that they are the main contributor of their household income.
- 12.7% (n=19) of the street vendors were characterized by single family size whereas the remaining 87.3% (n=131) of the vendors has more than one family size.
- Street vendors (under the study) who had work previously indicated predominant reasons like not enough income for living, to switch to better reward occupation [street vending] and few responses like health problem, which were responsible to shift from their previous occupations to street vending.
- Need for employment was the most important factor that pushed people into street vending.
- Looking for employment was identified as one of the important factors that drive people into street vending. Up to 40 % of the respondents ranked it as a first. This can be explained by the fact that 52% of the respondents had never been engaged in any other income generating activities before joining street vending.
- 48% of the respondents had been working before joining street vending and most of them had mentioned that the conditions they were working in were not satisfactory and they eventually decided to join street vending.
- Very high taxes, low capital of investment, increasing income from other activities, trading parcel expensive rent in the formal market are also important economic factors that push people into street vending.
- 71.33%, 21.33%, 6%, and 1.33% of respondents indicated their economic statuses in the community, poor/low income, neither poor nor middle income/the better off poor, non-poor/middle income and rich/high income respectively.
- 72.33% of the street vendors were able to take food three times per day prior to the business, whereas the remaining 22% and 4.67% of the street vendors were able to take food twice and four times prior to the business respectively. After joining the business,

majority of the vendors (85.33%) were taking foods three times.

- Average monthly expenditure of a respondent before joining street vending is Birr 648.97, while after joining the business it increased to Birr 2,051.72.
- In terms of payments for their children's education, the study found out that the average payment respondents' were expend for children's education Birr 209 and Birr 647.14 before and after joining street vending, respectively.
- The most serious problems that the vendors faced in the street vending to their importance and severity the three sever problems are: unclear government policy, lack of support from government or non-government organizations and lack of business skill.

5.2. Conclusions

The general objective of the study was to assess the impact of informal trading on the household livelihood in selected sub-cities of Addis Ababa and identify challenges in operation. Informal sector like any other sectors contribute for development endeavor of our country. More specifically the sector benefits our country via creation of employment opportunity and income generation activities for the poor, socially marginalized, those who lack skill for formal jobs. The socio-economic impact of the informal sector is even larger than what its contribution to employment would imply, as the income received from informal work accrues disproportionately to households that are close to the poverty line. The informal sector providing income for a large number of households to the city residents, result in a substantial decrease in the city's poverty rate. Therefore, the sector in general and street vending particularly is significant contributor in poverty alleviation.

Majority of the productive poor people in the city are forced to join and fight poverty from streets due to lack of formal jobs, sense of independency and lack of other options as a means of income generating activities. Majority of the people in the city who joined the street vending are characterized by low level of education with illiterate lower hand and 12th grade upper hand of literacy. Moreover, the majority age category of the street vendors was between 18 to 30 years with average family size of three.

In a nutshell, street vending provides employment opportunity and means of income generating activity for male, female, old, young, illiterate and educated poor people of the city. Furthermore, it is crucial armed force in fighting and reducing the extent and intensity of poverty in general.

On average the study has shown that the income welfare and saving of those who joined street vending has increased significantly from their prior expenditure, income and saving. This underlines that their wellbeing has also improved and changed to some extent. Although, income is not the only indicator of quality of life or wellbeing, it indicates the opportunities that could be available to a person or household (Girod, 1986). As a result of the improved income, some changes in their payments to schools for their children. However, the change that they have achieved is not yet satisfactory.

Although street vending is contributing a lot for livelihoods of the poor people in the city, the street vendors are facing numerous obstacles. Among other things due to lack of space - adapted premises, financial difficulties – lack of access to capital and credit, Sale of product - lack of customer, lack of support from government and no-government bodies and municipality related problems the role of the sector that could have been achieved in the absence of the problems is diminished.

5.3. Recommendations

Based on the findings of the study and conclusions made the following recommendations and policy implications are forwarded to different level of decision makers and potential researchers in the area.

Street vending is important income generating activity and to combat and reduce poverty. Therefore, it is recommended that micro-credit should be available to the vendors so that they can engage in micro-enterprises with high level of capital than they have.

The central and local government bodies need to formulate a standard policy for street vendors. The policy should address the main challenges such as business location, license, taxation, skills and capacity building. The policy should also address inclusion of street vending in urban planning regulations, and provide guidelines on harassment from local government authorities, confiscation of vendors' commodities. In short, the overall objective of the policy should be the provision for and promotion of a supportive environment for the urban street vendors to carry out their vocation while at the same time ensuring that street vending activities do not lead to overcrowding and unsanitary conditions in public spaces and streets. Such policy will ensure protection of street vending for livelihood enhancement.

Street vending is a subsector of the informal sector economy that operates in urban spaces meant for other planned uses. As the study found, street vendors' location depends on attractiveness, accessibility, number of customers, as well as site allocation by the city authority. In order to take some initiatives to assist street vendors, in terms of business locations, the city government should assign and demarcate city specific designated and well planned restriction free street vending zones. The no-street vending zones are to be made city specific also. This will help to incorporate street vending into the life of the city management. Those business locations should take into account the interests of sellers and customers within the city.

The informal sector in general and street vending in particular is a breeding ground for entrepreneurs and has a lot of potential capabilities, good ideas, entrepreneurial skills, and education, which need to be exploited for the development endeavors. Therefore, government should reward those who perform well in the business as what is rewarding to development actors. Furthermore, non-governmental organizations should provide financial support for the street vendors.

5.4. Further Research Area

Finally, this study did not pay attention to all aspects of informal sector. It focused only on the role of informal sector on household livelihood with very limited scope. Therefore, the study suggests that in order to fully exploit the contribution of the sector and see synergetic effect of the two sectors how to formalize informal sector will be left to other interested researchers for further study to obtain relatively full conclusive results.

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APPENDIX

APPENDIX 1: Questionnaire in English

ST. MARRY UNIVERSITY SCHOOL OF GRADUATE STUDIES DEPARTMENT OF BUSINESS AND ECONOMICS

QUESTIONNAIRE

(To be filled by street venders)

The purpose of the study is to conduct a research for partial fulfillment of the requirement for Master of Arts degree in Business Administration from School of Business and Economics, St. Marry University School of Graduate Studies. The title of the study is the “The Impact of Informal Trade for the Household Livelihood: in the case of Three Selected Sub-cities in Addis Ababa”. By promising that your response will be used for academic purpose and kept confidentially I courteously request you to give me your sincere responses for the questions.

I. Demographic Characteristics

1. Sex

Male Female

2. Level of Education

None 1-4 5-8 9-12

Certificate/Diploma Degree Other (please specify) _____

3. Age

Below 18 18-30 31-45 46-60 Above 60

4. Place of birth _____

5. Marital status

Single Married Divorced/Separated Widowed

6. Are you head of the house hold

Yes No

7. Are you the main contributor of the house hold income

Yes No

8. Family size _____

II. Factors which Attract to Street Vending

9. Have you ever been engaged in other activity before joining street vending?

Yes No

10. If your answer for question number 9 is yes, why did you leave the previous work?

11. What were the main reasons that forced you to start street vending?

- To be self-employed
- Separation of my family
- To support my family
- I have no one to support me
- Previous employment condition is unsatisfactory
- Looking for employment
- Escape taxes
- Government policy
- Lack of education

Others, (please specify) _____

III. Change in Livelihood

12. What do you think is your economic status in the community **BEFORE** joining street vending?

Poor/Low income Non-poor/Middle income

Rich/High income Other (please specify) _____

13. What do you think is your economic status in the community **AFTER** joining street vending?

Poor/Low income

Non-poor/Middle income

Rich/High income

Other (please specify) _____

14. On average how many times did you and your family take food per day **BEFORE** joining this business?

Once Twice Three times Four times More than four times

15. On average how many times did you and your family take food per day **AFTER** joining this business?

Once Twice Three times Four times More than four times

16. How much was your total monthly household expenditure **before** you start the business? _____ Birr

17. How much is your **current** monthly expenditure? _____ Birr

18. How much was your monthly income **before** you start the business? _____ Birr

19. How much is your average monthly income **now**? _____ Birr

20. How much is your monthly average saving **before** starting the business? _____ Birr

21. How much is your monthly average saving **now**? _____ Birr

22. To which school you send your children (if any) **before** you start business?

Public school Private school

23. To which school you send your children (if any) **now/after** your business?

Public school Private school

24. How much you pay for children education (if any) **before** starting business? _____ Birr

25. How much you pay for children education (if any) **now**? _____ Birr

IV. Challenges in Street Vending

For the following problems please rate according to the following points **VS** = Very Serious, **S** = Serious, **A** = Average, **LS** = Less Serious, **NS** = and Not Serious,

S.N	Challenges	VS	S	A	LS	NS
1	Lack of supply of products (quantity)					
2	Lack of supply of quality products					
3	Lack of customers					
4	Too much competition					
5	Lack of space - adapted premises					
6	Lack of access to capital and credit					
7	Lack of business skill					
8	Lack of promotional support					
9	Lack of formal linkage with other suppliers					
10	Negative perception of the public towards street vendors					
11	Lack of support from government/ nongovernment bodies					
12	Unclear government policy regarding street vending					
13	Other (please specify) a) _____ _____ b) _____ _____ c) _____ _____ d) _____ _____					

APPENDIX 2: Questionnaire in Amharic

በቅድስተማርያም ዩኒቨርሲቲ በቢዝነስና ኢኮኖሚክስ ድህረ ምረቃ ት/ቤት

በጎዳና ንግድ ለተሰማሩ ነጋዴዎች የቀረበ መጠይቅ

የመጠይቁ ዓላማ በቅድስተማርያም ዩኒቨርሲቲ በቢዝነስና ኢኮኖሚክስ ድህረ ምረቃ

ት/ቤት በቢዝነስ አድሚኒስትሬሽን የትምህርት መስክ የማስተርስ ዲግሪ የመመረቁ ድምፅ ለማካሄድ ነው።

የመመረቁ ድምፅ ለማስገኘት

«መደበኛ ያልሆነውን ግድብ በተሰጠ የኑሮ ደረጃ ያለው ተፅዕኖ በተመረጡ ሰዓት የላይ ስለሚጠበቁ ለከተሉት»

ምን እንደሚመለስ ለማሳየት ሲሆን ጥናቱ ከትምህርት ዓላማው ጨለሌ ላተግባር ፈፅሞ የማይውል መሆኑን እያረጋገጥ ከመጠይቁን በአኩባሪ ትኩረት ማረጋገጥ ነው።

ሀ. የህዝብ ስነ-ምግባር

1. ያታ

ወንድ ሴት

2. የትምህርት ደረጃ

ያልተማረ/ች 1-4 5-8 9-12 ሰርተፍኬት ዲግሪ
 ሌላ ካለ -----

3. ዕድሜ

ከ 18 በታች 18-30 31-45 46-60 ከ 60 በላይ

4. የትውልድ ቦታ

5. የትምህርት ዓይነት

የገባ/ች ያለገባ/ች የፈታ/ች የተለያየ/ች በሞት የተለየ/ች

6. የቤተሰብ አስተዳዳሪ ነህ/ሽ?

አዎ አይደለም

7. በቤተሰብ የገቢ ምንጭ ያለህ/ሽ መቆጣጠር ከፍተኛ ነው?

አዎ አይደለም

8. የቤተሰብ ብዛት

ለ. ለጎዳና ንግድ ሳቢ ምን ያህል ጊዜ ስላለህ

9. በጎዳና ንግድ ላይ ከመሰማራት ህ/ሽ በፊት በሌላ ስራ ተሰማርተህ/ሽ ታውቃለህ/ሽ?

አዎ አላውቅም

10. ለተራቁጥር 9 መልስህ/ሽ እዎ ከሆነ የቀድሞ ስራህ/ሽ ለምንተውክ/ሽ?

11. በጎ-ዳናንግድ ለመሰማራት የገፋፋህ/ሽ ዋነኛ ምክንያት ምንድን ነው?

- ለራሴ ስራ ለመፍጠር
- የቤተሰብ መለያ የትብብር ጠሩ
- ቤተሰቤን ለመርዳት
- የሚረዳኝ ሰው ስለሌለ
- የቀድሞ ስራ ዩኒቨርሲቲ ይቀርብኛል
- እንደ ስራ ዕድል በማየት ግብር ላለ መክፈል
- የመንግስት ፖሊሲ ስለሚያበረታታ
- ትምህርት ስለሌለኝ

ሌላ ካለ ይገለፅ _____

ሐ. በኑሮ ደረጃ ያመጣው ለውጥ

12. በጎ-ዳናንግድ ላይ ከመሰማራትህ/ሽ በፊት የአንተ/ቺ የገቢ ሁኔታ ከሁበረተሰቡ አንጻር እንዴት ገለጻል?

ዝቅተኛ ገቢ መካከለኛ ገቢ ከፍተኛ ገቢ

ሌላ ካለ ይገለፅ _____

_____ በጎ-ዳናንግድ ላይ ከተሰማራትህ/ሽ በኋላ የአንተ/ቺ

የገቢ ሁኔታ ከሁበረተሰቡ አንጻር እንዴት ይገለጻል?

ዝቅተኛ ገቢ መካከለኛ ገቢ ከፍተኛ ገቢ

ሌላ ካለ ይገለፅ _____

_____ በጎ-ዳናንግድ ላይ ከመሰማራትህ/ሽ በፊት አንተ/ቺ እና ቤተሰብህ/ሽ

በቀን ለአማካይ ለስንት ጊዜ ትመገቡ ነበር?

አንድ ጊዜ ሁለት ጊዜ ሦስት ጊዜ አራት ጊዜ ከ 4

ጊዜ በላይ

13. በጎ-ዳናንግድ ላይ ከተሰማራትህ/ሽ በኋላ አንተ/ቺ እና ቤተሰብህ/ሽ በቀን ስንት ጊዜ ትመገባላችሁ?

አንድ ጊዜ ሁለት ጊዜ ሦስት ጊዜ አራት ጊዜ ከ 4

ጊዜ በላይ

14. የጎ-ዳናንግድከመጀመርያ/ሽ በፊት በቤተሰብ ደረጃ ለጠቃላይ ወርሃዊ ወጪዎች/ሽ በብር ስንት ነበር? _____
15. በአሁኑ ወቅት ወርሃዊ የቤተሰብ ወጪዎች/ሽ ስንት ነው? _____
16. የጎ-ዳናንግድከመጀመርያ/ሽ በፊት ወርሃዊ ለማካኛ ገቢዎች/ሽ ስንት ነበር? _____
17. በአሁኑ ወቅት በለማካኛ ወርሃዊ ገቢዎች/ሽ ስንት ነው? _____
18. የጎ-ዳናንግድከመጀመርያ/ሽ በፊት ወርሃዊ ለማካኛ ቁጠባ ስንት ነበር? _____
19. በአሁኑ ወቅት በለማካኛ ወርሃዊ ቁጠባዎች/ሽ ስንት ነው? _____
20. የጎ-ዳናንግድከመጀመርያ/ሽ በፊት ልጆችህን/ሽን የምታስተምረው/ረው የት ነበር? (ልጆች ካሉ)
 የመንግስት ት/ቤት የግል ት/ቤት
21. በአሁኑ ወቅት ልጆችህ/ሽ ትምህርት የሚሟሩት የት ነው? (ልጆች ካሉ)
 የመንግስት ት/ቤት የግል ት/ቤት
22. የጎ-ዳናንግድከመጀመርያ/ሽ በፊት ለልጆች የትምህርት ክፍያ ስንት ትከፍላለህ/ሽ? _____
23. በአሁኑ ወቅት ለልጆች የትምህርት ምን ያክል ክፍያ ትከፍላለህ/ሽ? (ልጆች ካሉ) _____

መ. የጎ-ዳናንግድ ተግዳሮቶች

ቀጥሎ ለተመለከቱት ችግሮች ደረጃ ለሰጣጥ በሚከተለው መልኩ ይሆናል። በጣም ከፍተኛ፣ ከፍተኛ፣

መካከለኛ/አማካይ፣ ዝቅተኛ እና በጣም ዝቅተኛ በሚል ይሆናል።

ተ.ቁ	ተግዳሮቶች	በጣም ከፍተኛ	ከፍተኛ	መካከለኛ/ አማካይ	ዝቅተኛ	በጣም ዝቅተኛ
1	የምርት አቅርቦት በዘጠኝ ለጥረት					
2	የምርት አቅርቦት ጥራት					
3	የደንበኞች ለጥረት					
4	ከፍተኛ የሆነው ድድር					
5	የስራ ጥረት					
6	የካፒታልና የብድር ለጥረት					
7	የቢዝነስ ክህሎት ለጥረት					
8	የማስተዋወቅ ድጋፍ ለጥረት					
9	ከሌሎች አቅራቢዎች ጋር ያለ የትስስር ችግር					
10	መደበኛ ላይ ሆኑ ነጋዴዎች በህብረተሰቡ ዘንድ ያለ አሉታዊ መረዳት					
11	የመንግስትና የመንግስታዊ ያልሆኑ ድር					

	ጅቶች ድጋፍ ማነስ					
12	መደበኛ ባልሆኑ ነጋዴዎች ዙሪያ ገልፅ የሆነ የመንግስት ፖሊሲ አለመኖር					
13	ሌሎች ካሉ ይገለፁ?					
	13.1					
	13.2					
	13.3					
	13.4					
	13.5					