

Informal Traders in an Uncertain Economy in Mutare Flea Market, Zimbabwe

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Abstract

These informal business activities include informal trading which is becoming popular as a result of the push for entrepreneurial hubs, discounted products and gathering space for various activities. However, in Zimbabwe, informal traders are hit by cash shortages due to economic challenges facing the country. This study aims to analyse their cash flow management, drawing with reference to Mutare Flea Market. The study synthesizes the findings from the secondary data reviewed from prevailing bodies/sources of literature and the primary data gathered using a quantitative approach where data were collected using 82 survey questionnaires. The informal traders are encountered by challenges such as site of operation and rights to trading space complexities, transportation of products to trading places and homes, negative trade policy processes, lack of capital or survival funding and seasonal changes. The cash flow management was analysed, drawing inferences from the Mutare flea market in Zimbabwe. From the sample which was taken, the researcher finds out that the majority of the informal traders in Mutare Flea markets evade payment of taxes, do not bank their money and use mobile money services.

Key words: cash flow, management, flea Market

1.0 INTRODUCTION

The role played by informal business activities in the economic development of a country has been noted in nearly all the countries of the world (Imani, 2013). These informal business activities include informal trading which is becoming popular as a result of the push for

entrepreneurial hubs, discounted products and gathering space for various activities. According to the US National Flea Market Association (2015), there are currently over 1100 flea markets in the United States of America providing opportunities to over 2,25 million vendors. It is also estimated that flea markets make over US\$30 billion in sales annually and are visited by over 150 million customers each year. The success of informal trading in the United States of America is made possible through favourable economic policies, provision of cheaper lines of credit and availability of a stable financial system (US National Flea Market Association, 2015).

It therefore entails that unfavourable economic conditions are most likely to affect the operations of informal traders, mainly as a result of liquidity challenges which affects the circulation of cash which is required by traders to carry out their business.

In Zimbabwe, there has been a rapid growth of the informal sector particularly informal trading since the turn of the new millennium. The Zimbabwe National Statistics Agency (2015), reports that about 95% of the employable population in Zimbabwe is employed in the informal sector and almost half of that population is doing informal trading. This has seen the proliferation of flea markets in all the major cities and towns in Zimbabwe. However, it is also important to note that since the turn of the new millennium, the economic environment in Zimbabwe has been very elusive. The environment has been characterised by cash crisis, fragile banking system, unstable pricing system dwindling production levels by local firms and inconsistent economic policies among other problems. Despite all these problems, the informal sector particularly informal trading has been thriving whilst the formal sector has been facing a myriad of problems. The Labour and Economic Development Research Institute of Zimbabwe Ledriz (2015) states that since the turn of the new millennium, the economic environment in Zimbabwe has been very elusive (LEDRIZ, 2015). From year 2009 up to date, the economic environment has been characterised by a critical shortage of cash and this has been having negative impacts on operations of businesses (Mangundy, 2016).

Mutare Flea market is situated in the city of Mutare, Manicaland Province, Zimbabwe and is a centre for informal trading which has been thriving despite economic challenges prevailing in the country. Traders at this market specialise in the sale of clothes, shoes and other house hold

gadgets. Traders at this market have been able to stock and sell their products at very low and competitive prices. However, despite formal businesses facing challenges due to limited cash in the economy, informal traders at Mutare Flea market have been thriving. This has raised some questions as to how these traders are managing whilst big formal traders are struggling due to the cash crisis prevailing in the country.

2.0 Materials and Methods

Research philosophies are paradigms engaged by the research in the generation of knowledge (Creswell, 2009). There are two applicable research paradigms to this study namely, positivism and phenomenology. The phenomenological paradigm builds from the normative means; that is qualitative research whilst positivism uses statistical data emanating from the quantitative means, (Saunders and Lewis, 2012). The research study used the positivism paradigm to generate knowledge on the cash flow management by informal traders in an unstable economy drawing inferences from Mutare Flea Market. According to Creswell (2014), research methodology is the plan or blueprint that is used in conducting the research. Thus, a framework adopted, covering the activities, to be carried in the investigation of a particular problem to acquire perceptions from the respondents. In addition, Kumar (2011) attested that research methodology specifies the guidelines of decision making in conducting the study, research design to be adopted, data collection methods, data analysis and findings presentation. There are two research methodologies a research can adopt namely, qualitative and quantitative approaches.

The quantitative research methodology permits a diverse research, connecting large quantities of subjects and improves the generalisation of research results (Saunders & Lewis, 2012). In this regard, the quantitative allowed reaching out large samples of vendors at Mutare Flea Market. The research methodology allows objectivity and impartiality due to the total use of facts and numbers which further enhances the accuracy of results (Kumar, 2014). The responses gained from the vendors at Mutare Flea Market are summarized by virtue of percentage frequencies, mean, mode and median which establish statistical significance of the findings.

The study employed the probability sampling framework through simple random sampling due to its allowance of the researcher to be confident of the impartiality of the sample. According to Germidis, et al (2013), studying the entire population involved within the research context is not feasible. Probability sampling makes it easy to study a portion and generalise the results (Christensen, 2008) In line with the quantitative research approach, the sample of 100 was adequate to allow for an in-depth analysis of the research phenomenon. The study sampled 100 respondents from over 200 informal traders at Mutare flea market. According to Martinez et al (2014), the questionnaire is the research instrument usable in most quantitative researches. Questionnaires can be regarded as a document that requires questions intended to cross-examine the data suitable for ascertaining. According to Flick (2014), data analysis is the deciphering of sense out of the gathered data in form of text and image data. According to this authority, quantitative data analysis turns raw numbers into meaningful data through the application of rational and critical thinking. Quantitative data analysis may include the calculation of frequencies of variables and differences between variables. It is usually associated with finding evidence to either support or reject hypotheses formulated at the earlier stages.

3.0 Results and Discussion

According to Table 4.1, the study distributed 100 questionnaires and received 85 responses. On the 85 filled questionnaires, 3 of them were unusable leaving 82 responses to build the study. This corresponds with Silverman, (2001) who asserted that academic writing must obtain at least 35-40% response rate to be acceptable. Therefore, it suffices to state that the study received sufficient response rate hence acceptable.

The study captured the age groups of the respondents in the table below:

Table 1: Table Age Groups

Age Group	Number	Percentage
Below 30	11	13.4%
30-39 years	33	40.2%
40-49 years	25	30.5%
Above 50 years	13	15.6%
Total	82	100%

Source: Primary Data

The respondents were dominated by 30-39 years age group with 40.2 %, followed by 40-49 years with 30.5 %, above 50 years with 15.6 % and below 30 years with 13.4 %. The statistical representation shows that the results were extracted from mature respondents capable of giving accurate details.

The same information is highlighted by the graph below:

Table 2: Age Groups of the Respondents

Age range (years)	Frequency	Cumulative frequency
Below 30	11	11
30 -39	33	44
40 -50	24	68
Above 50	12	80

Source: Primary data

Table 2 corresponds with Table 1 in depicting the 30-39 years group as dominating the respondents. The second dominating group were the 40-50 years group which shows that the inferences were drawn from mature respondents. In this regard, the results can be considered valid for they were extracted from people who understand the patterns of cash flow management and mature enough to give accurate details.

Discussion and Interpretation of the Findings

The findings on the assertions that addressed the research objectives are presented in this section. The presentation of findings is done using frequency percentage tables that depict the statistical significance of the assertions. The study measured the responses by five Point Likert-type Scale stretching from:

1 = Strongly Agree 2 = Agree 3 = Neutral 4 = Disagree 5 = Strongly Disagree

The thrust was to analyse the cash flow management by informal traders at Mutare Flea Market in an unstable economy of Zimbabwe. The research objectives dominated the discussion along with the assertions that addressed them.

Survival Strategies of Mutare Flea Market Informal Traders

The study ascertained the survival strategies of Mutare Flea Market informal traders at the peak of harsh economic situation currently experienced in the country. To this end, the researcher inserted assertions on the research instrument that sought to capture the views and perceptions of the respondents on this regard.

Mobile money transfers

The research instrument asserted that informal traders at Mutare Flea Market are using mobile money transfers as a strategy to survive in the harsh economic situation.

Table 3: Mobile money transfers

Scales	Number	Percentage
Strongly Agree	18	22%
Agree	32	39%
Neutral	8	9.8%
Disagree	14	17.1%
Strongly Disagree	10	12.2%
Total	82	100%

Source: Primary Data

In this regard, 39 % majority of the respondents generally agreed whilst 22 % strongly agreed with the assertion. However, 9.8 % remained neutral, 17.1 % generally disagreed and 12.2 % strongly disagreed. According to the Table above, the majority of the respondents affirmed the mobile money transfer as the strategy utilised by informal traders in the harsh economic situation in Zimbabwe. Therefore, the statistics indicate that mobile money transfer has been adopted as a strategy by informal traders at Mutare Flea Market as a strategy to prevail in the harsh economic situation. This supports Mangudya (2016) who asserts that the arrival of mobile money transfer is viewed as a potential tool for promoting smooth finance transactions within informal sector as observed by Onyuma et.al (2015) who cites that the financial market transaction is slowly changing to cashless basis as opposed to being cash based.

Dodge the remittance of tax and other obligations

The study pointed out the dodging of the remittance of tax and other obligations as a strategy used by informal traders at Mutare Flea Market.

Table 4: Dodge the remittance of tax and other obligations

Scales	Number	Percentage
Strongly Agree	21	25.6%
Agree	36	43.9%
Neutral	6	7.3%
Disagree	10	12.2%
Strongly Disagree	9	11%
Total	82	100%

Source: Primary Data

The 43.9% majority generally agreed, 25.6 % strongly agreed, 7.3 % remained neutral, 12.2% generally disagreed and 11 % strongly disagreed. Table 4 summarises the responses gained from the respondents where the majority affirmed that informal traders are surviving by evading remittances of tax and other obligations. The statistics show that the dodging of remittances of tax and other obligations that require payments is adopted as a strategy to survive the harsh economic situation. The view by Creswell(2013), who content that in most African countries, strenuous legal procedures and paper work heap a lot of challenges on business operations, thus causing a lot of players to go informal and try to evade those procedures is supported by the above statistics.

The research instrument asserted that butter trading is another strategy used by informal traders at Mutare Flea Market as a way of surviving the prevailing economic hardships in Zimbabwe.

Table 5: Butter Trading

Scales	Number	Percentage
Strongly Agree	10	12.2%
Agree	24	29.2%
Neutral	15	18.3%
Disagree	24	29.2%
Strongly Disagree	9	11%
Total	82	100%

Source: Primary Data

Table 5 depicts the 29.2 % generally agreeing with the assertion that butter trade is still rampant and a strategy to survive the economic hardships by informal traders at Mutare Flea Market. The majority was supported by 12.2 % majority who strongly agreed with the assertion. However, 18.3 % majority remained neutral while an equal share of 29.2% majority disagreed with the assertion. The majority was backed by 11 % who strongly refuted the assertion. *Exploiting local resources* against this background, there is no variation between the majority who generally agreed and generally disagreed with the assertion. This shows the batter trade as not really a viable strategy and as sparsely practiced as a strategy to survive the economic hardships by informal traders at Mutare Flea Market. This is because batter trade lacks a common measure of value, double coincidence of wants and indivisibility of certain goods whereas cash can outmanoeuvre all those limitations. This confirms the assertion by Losby et.al (2013) that besides cash transactions, informal economy maybe based on the exchange of services commonly known as battering or swapping.

for trading products

The research instrument posited the exploiting of local resources for trading stock procurement as a strategy to survive the harsh economic situation in Zimbabwe.

Table 6. Exploiting local resources

Scales	Number	Percentage
Strongly Agree	20	24.3%
Agree	29	35.3%
Neutral	11	13.4%
Disagree	17	20.7%
Strongly Disagree	5	6.1%
Total	82	100%

Source: Primary Data

The table above presents the views and opinions of the respondents. The 35.3 % majority of the respondents affirmed the assertion, 24.3 % strongly agreed, 13.4 % remained neutral, 20.7 % generally disagreed and 6.1 % strongly disagreed with the assertion. According to the statistics distributed, the exploitation of local resources for trading is a significant strategy used by informal traders at Mutare Flea Market to survive the harsh economic situation in Zimbabwe. The above is consistent with McCrohan et al. (2014) who argues that in Burkina Faso, informal sector consists of fishing, rice and fish farming, trade and craft production including agriculture.

Diversification

The study asserted the diversification as a strategy used by informal traders at Mutare flea market to survive harsh economic situation in Zimbabwe.

Table 6: Diversification

Scales	Number	Percentage
Strongly Agree	15	18.3%
Agree	29	35.3%
Neutral	10	12.2%
Disagree	18	22%
Strongly Disagree	10	12.2%
Total	82	100%

Source: Primary Data

Table 6 summarised the gained perceptions gained from the respondents. The 35.3 % majority generally agreed with the assertion while 18.3 % strongly agreed that diversification is survival strategy by informal traders at Mutare Flea Market. However, 12.2 % remained neutral, 22 % generally disagreed and 12.2 % strongly disagreed with the assertion. In this regard, the diversification can be in form of trading agricultural products as well as other essentials that capture the attention of targeted customers. Therefore, it holds water to state that diversification is a vital strategy used by informal traders at Mutare flea market to survive harsh economic situation in Zimbabwe. McCrohan et al. (2013) established that the informal sector can diversify into fishing, rice, trade and craft production and agriculture.

Sources of Funds for Informal Traders at Mutare Flea Market

The research instrument ascertained the sources of funds for informal traders at Mutare Flea Market in the unstable economy of Zimbabwe. The questionnaire covered assertions that aimed at statistically capture the views of the respondents to depict statistical significance of such posited sources. The assertions are discussed as per below where views and perceptions are deliberated through percentage frequency tables.

The research instrument asserted the microfinance or small loans as a viable source of funds for informal traders at Mutare Flea Market in an unstable economy of Zimbabwe.

Table 7: Microfinance or small loans

Scales	Number	Percentage
Strongly Agree	17	20.7%
Agree	31	37.8%
Neutral	9	11%
Disagree	18	22%
Strongly Disagree	7	8.5%
Total	82	100%

Source: Primary Data

Table 7 depicts the 37.8 % majority agreeing with the assertion while supported by 20.7 % who strongly agreed that microfinances or small loans are serving as the sources of funding for informal traders at Mutare Flea Market in Zimbabwe. However, 11 % remained neutral, 22 % generally disagreed and 8.5 % strongly disagreed with the assertion. The statistics makes a strong claim that the informal traders at Mutare flea market are using microfinance as a source of funds for their business regardless of the unstable economy. This confirms the view by Zhao and Wry (2014) who posit that microfinance lending allows informal enterprises to have smooth cash flow, manage risk, and cope with economic shocks. In support of this, Sunn and Inn (2015) observed that microfinance is a mechanism that supplies loans to small businesses.

Rotating Savings and Credit Associations

The study asserted the rotating savings as another source of funding for informal trading at Mutare Flea Market.

Table 8 : Rotating Savings and Credit Associations

Scales	Number	Percentage
Strongly Agree	23	28%
Agree	31	37.8%
Neutral	7	8.5%
Disagree	16	19.5%
Strongly Disagree	6	7.3%
Total	82	100%

Source: Primary Data

Table 8 presents the findings gained from the primary study. The 37.8 % majority affirmed the assertion while 28 % majority strongly agreed that the rotation of savings and credit associations are serving as sources of funds for informal traders. In the same note, 8.5 % remained neutral, 19.5 % generally disagreed and 7.3 5 strongly disagreed with the assertion. The statistical distribution shows that rotating savings and credit associations is a viable source of funds for informal traders at Mutare Flea Market in the unstable economy. It thus confirms Carrithers and Humphrey (2013) who view that this association can be formed by a group of friends and carried out informally.

The study asserted that pawnshops are also sources of funding for informal traders operating at Mutare Flea Market in Zimbabwe.

Table 9: Pawnshops

Scales	Number	Percentage
Strongly Agree	12	14.6%
Agree	27	32.9%
Neutral	17	20.7%
Disagree	16	19.5%
Strongly Disagree	10	12.2%
Total	82	100%

Source: Primary Data

Majority of pawnshops agree which is 32.9% and a paltry 12.2% disagree. Table 9 depicts the majority of the respondents as affirming the pawn shops as a source of funding for informal traders at Mutare Flea Market at the peak of harsh economic situation. The assertion was consented by 32.9 % majority who generally agreed, 14.6 % who strongly affirmed that pawnshops are funding informal trading. However, 20.7 % remained neutral, 19.5 % disagreed, and 12.2 % strongly disagreed with the assertion. From the distributed statistics, there is no significant variation in statistical representation. Nevertheless, the combined percentage of those who agreed by strong or general terms indicates that pawnshops are used as a source of funding for informal traders at Mutare Flea Market. It therefore concretises the argument by Thomas (2013), that pawn shops are increasingly becoming irreverent in developed countries but still significant in developing countries.

The study attested the owners' savings as a source of funding for informal traders at Mutare flea market in the unstable economy of Zimbabwe.

Table 10: Owners' savings

Scales	Number	Percentage
Strongly Agree	25	30.5%
Agree	33	40.2%
Neutral	5	6.1%
Disagree	14	17.1%
Strongly Disagree	5	6.1%
Total	82	100%

Source: Primary Data

Those who agree constitute the highest portion with 40.2% and those who strongly disagree had the lowest portion of 6.1% Table 10 summarises the responses gained from the primary study on owners' savings as a source of funding for informal traders at Mutare flea market. The tables show a 30.5 % majority strongly agreeing while 40.2 % majority generally agreed with the assertion. The statistical distribution shows a 70.7 % combined majority who affirmed that informal traders conduct own savings for business. However, the 6.1 % majority that remained neutral, 17.1 % who generally disagreed and the 6.1 % who strongly disagreed did less to alter the relevance of the assertion. Therefore, it suffices to state that owners' savings is a viable source of funding for informal traders at Mutare Flea Market. The finding supports the International Labour Organisation report (2013), which states that 65% of start-up in informal African business enterprises comes from owner's savings. This is the view of Adu and Eshun (2018) who argue that sources of funding of small enterprises includes personal savings and family equity.

The research instrument asserted that informal traders borrow from friends as a source of funding for their business.

Table 11: Borrowing from friends

Scales	Number	Percentage
Strongly Agree	14	17.1%
Agree	28	34.1%
Neutral	11	13.4%
Disagree	19	23.2%
Strongly Disagree	10	12.2%
Total	82	100%

Source: Primary Data

Those who agree constitute 34.1% while those who strongly disagree constitute the lowest percentage of 12.2%. The assertion posited borrowing for starting business as another source of funding for informal traders. The assertion, as summarised in Table 11, gained 17.1 % majority who strongly agreed with the back of 34.1 % who generally agreed. However, the 13.4 % who remained neutral, 23.2 % who generally disagreed and the 12.2 % who strongly disagreed are worth considering. The statistics show that although borrowing exists as a source of funding, it is not really a strong source. Nevertheless, it holds water to posit that informal traders at Mutare flea market are using the source of funding although not that common and reliable. Adu and Eshun (2018) posit that debit financing includes short loans as well as long term financing from friends and relatives.

The primary study addressed the first objective on the survival strategies by informal traders in the harsh economic situation of Zimbabwe's unstable economy. The study noted that informal traders are adopting mobile money transfers, dodging the remittances of tax and other obligations, exploiting local resources for trading and diversification of trading products. These strategies are helping the informal traders to manage the cash flow and for their business to keep operating.

The primary study addressed the second objective on the sources of funds for informal traders at Mutare flea market in the unstable economy of Zimbabwe. The study noted the microfinance or small loans, pawnshops, owners' personal savings, borrowing from friends and family as the main rampant sources of business funds in terms of capital or survival. Nevertheless, the choice of sources of funds is determined by the nature of business, size and the level of income for the informal trader.

4.0 Conclusions

The study concluded that the survival strategies used by informal traders at Mutare flea market in the harsh economic situation of Zimbabwe's unstable economy include mobile money transfers, dodging the remittances of tax and other obligations, exploiting local resources for trading and diversification of trading products. The strategies are adopted for survival in continuity of business, manage cash flow and survival.

The study reached a standing that the cash flow management challenges faced by informal traders at Mutare flea market are site of operation and rights to trading space complexities, transportation of products to trading places and homes, negative trade policy processes, lack of capital or survival funding and the seasonal changes. The challenges affect the business operations, survival of informal traders in the sector and compromise the cash flow management.

5.0 Recommendations

More so, the study reached a standing that the cash flow management can be successfully managed by establishment of low interest loans for business loans to informal traders, capitalizing on local resources for products and trading essentials, creation of bank accounts that charge as you earn or low charging accounts, education on financial literacy through workshops and networking and the rotating of savings and credit associations. The strategies are fundamental for improving the success of cash flow management, business survival and mitigation of cash flow management challenges.

The study recommends that informal sector needs to be formalized for the local town to account for the benefits and contributions made by the sector in local economic development and circulation of money. The formalisation can be done by the municipality trying to access funding for the informal sector and convince stakeholders to invest in the informal sector.

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