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**INFORMAL CROSS – BORDER TRADE: A REVIEW OF ITS IMPACT ON HOUSEHOLD  
POVERTY REDUCTION (ZIMBABWE)**

**By**

**Chivimbiso Chani: 200302310**

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**SUPERVISOR: PROFESSOR H.S. BUTHELEZI**

**DECLARATION**

I declare that this research is my own work. It is being submitted in fulfillment of the requirements for the award of Master of Social Sciences in Development Studies at the University of Fort Hare. It has not been submitted anywhere before any degree purposes or examinations in any other University.

**SIGNATURE**

**NAMES**

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**CHANI C**

**NOVEMBER 2008**

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## **ABSTRACT**

This study endeavors to explore the value of informal cross-border trade to household poverty reduction. Informal cross-border trade has become a panacea to most Zimbabweans both employed and unemployed in the middle of the socio-economic crisis which has eroded the standards of living in Zimbabwe. This study is an eye opener to those who view informal cross-border trade as merely a survival strategy. It explores the efficacy of informal cross-border trade as a poverty reduction strategy looking at its viability and sustainability despite criticism by many people who associate informal cross-border trade with all kinds of negativity. It thrusts forward the agenda of participatory poverty reduction agenda within a nexus of partnerships and relationships between the government, non-governmental organization, institutions and families.

Informal cross-border traders have maneuvered their way out of the chains and shackles of poverty even though it has been tough due to many obstacles from different angles. They have helped to distribute the scarce goods and products in Zimbabwe as a consequent of the socio-economic crisis. If they are given a better platform they can

perform much better than they are getting at present. Thus this study advocates the forging of networks between various stakeholders in both the formal and informal sector in order to fight against poverty.

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## **List of Acronyms**

ESAP Economic Structural Adjustment Programs

SAPS Structural Adjustment Programs

ICBT Informal Cross-border Trade

GDP Gross Domestic Product

IMF International Monetary Fund

UNDP United Nations Development Program

## CHAPTER 1

### THE GENESIS OF THE CRISIS

#### Introduction and Background

There is no simple explanation for the current development crisis in Africa in general and that of Zimbabwe in particular. Household poverty reduction is one of the greatest challenges faced by the government, civil society organizations, and communities in Zimbabwe. The standards of living in Zimbabwe have deteriorated since 2000, a period coinciding with the land reform programme and a turbulent social, economic and political environment in the country. Different livelihood strategies, from above and below, have been adopted in order to improve the general social security of households. Informal small to medium economic enterprises have flourished to answer the concerns for improved household income and basic needs. However, the interest of this study is premised on understanding the impact of *informal cross-border trade* in Zimbabwe, especially on those households that have been displaced from the mainstream, formal economy.

It further explores the household livelihood strategies that the majority of the poor citizens of Zimbabwe have adopted in order to deal with the current vagaries of poverty. Informal cross-border trade is one of the epitomes of economic refuge that have shielded many Zimbabweans both employed and unemployed. Hence, informal cross-border trade as a household poverty reduction strategy forms the basis of this study. The current economic crisis in Zimbabwe as well as factors that have compounded it cannot be

dispensed with in order to understand the nature and extent of the informal cross-border trade phenomenon. Poverty was indeed a reality between 1980 and 1990 but it was insignificant (Mwanza, 1999, 15). It appears to have worsened considering that inflation is now galloping at more than 3 700 percent with an unemployment rate of 80 percent, ([www.herald.co.zw](http://www.herald.co.zw) accessed 15 May, 2007). The Zimbabwean economy suffered a lot because of successive droughts, especially between 1982 and 1992, thus further impacting negatively on the livelihoods of the poor (Mlambo, 1997, iv).

With the land reforms, multilateral relations with the West also deteriorated and that saw a complex set of external, internal and environmental factors interact against Zimbabwe (Mackenzie, 1992, 34). Land reform programmes, and the recurrent droughts further saw a decline in agricultural productivity, which further triggered the collapse of agro-based industries. The net effect was shortages of basic commodities, worsened poverty and many other attendant problems.

## **Background Information**

### **The Post-Independence Zimbabwe: Political and Economic Situation**

The present can only be understood when reconciled to the past hence, a brief history of the Zimbabwean socio-economic and political status shall be discussed. The economic policy of Zimbabwe after attaining political independence was initially articulated in several inter-related objectives. The overall goal was said to be the establishment of a socialist and egalitarian society, which was to be achieved through the attainment of a sustained rate of high economic growth to raise incomes and living standards of all the

people. The major thrust for this policy was on equity which would lead to high levels of employment creation and redressing the historical racial imbalance in skilled employment. An improvement of the rural economic infrastructure with particular emphasis on extension of marketing services, credit and agricultural input supply was one of the objectives.

Related to the above objective was the provision of social services (including housing, health and education) to lower income groups in both urban and rural areas and the devising of social security schemes where they did not exist (Zimbabwe Government, 1981a, 1). Under its policy of Equity in Health, the Zimbabwean government expanded health care facilities in rural areas after attaining its political independence (Wilks, 1998). Patients with an income below Z\$400 and those in rural areas were required by the health care policy to be treated freely. As noted by Wilks (1998), this policy resulted in an increase in child immunization from 25 percent in 1980 to 85 per cent in 1990, and a decrease in maternal mortality from 150 to 80 per 100 000 during the same period. This implies that the living conditions in Zimbabwe improved after attaining its political independence.

However, after the adoption of Economic Structural Adjustment Programs (ESAP), the health sector was faced with declining funds, loss of personnel, increased costs and greater demands for health care services (Mhone, 1998, 53). A point to note here is that the reformist intervention failed in a capitalist state as the government did not own capital and the means of production; hence the social safety nets resulted in too much spending.

The sources of finance began to shrink and this led to heavy borrowing from the International Monetary Fund (IMF) followed by heavy debts which later resulted in the collapse of the industry especially the manufacturing sector (Mlambo, 1997, iv).

The abolishing of the imperialist exploitation also made it difficult to translate the objectives into feasible social and economic programs as there was opposition in the context of both domestic and external bourgeois (Gibbon, 1993, 15). It can be argued in this study that household poverty reduction cannot take place without redistributive mechanisms of the economic gains to the poor. Hence, achieving a more equitable distribution of national resources, including land and promoting the ownership of a significant portion of the economy by nationals and the state proved to be problematic in the face of such opposition.

The IMF position was successfully resisted in the early 1980s (Chidzero, 1992), but the major Western powers (principally the US and the UK) and the International Finance Institutions (IFIs) used the Lancaster House provisions to block attempts by the young state to radically redistribute land and to transform social service provision. As a result the government of Zimbabwe lost its poverty reduction battle. In a bid to manage the shrinking economy the country adopted the economic structural adjustment programs of the International Monetary Fund and the World Bank, which prescribes certain conditionality to the recipient countries. These Economic Structural Adjustment Programmes had a direct impact on poor households in particular as retrenchments led to an increase in unemployment and a decrease in remittances to the poor by the employed

(Gibbon, 1993, 28). According to Mandaza (1986, 61), it is thus observed that the Zimbabwe government found itself

...increasingly having to follow the broad guide-line of international finance capital, even when those directly responsible for economic policy may want to think that these policies are 'home grown', independent of external influence.

Hence, this saw the pressure by the IMF and the World Bank for the restructuring of the Zimbabwean economy. Despite the adoption of SAPs, poverty levels did not decrease but rather worsened.

As the socio-economic status of the country continued to deteriorate, more and more people joined the informal sector as informal cross-border traders. This study, therefore, sets out to establish the socio-economic impact that this Informal Cross-Border Trade has on the people of Zimbabwe. An address of this problem through social policy advocacy may benefit not only the state but a number of down-stream of industries and individuals whose livelihoods are hinged on informal cross-border trade as well as reducing household poverty in both the rural and urban areas. It is on the basis of this scenario that the researcher feels compelled to establish the feasibility of informal cross-border trade as a household poverty reduction strategy.

### **Statement of the Problem**

The problem with poverty is that it undermines the fundamental qualities that make a human being. High unemployment, galloping inflation at more than 3700 percent ([www.herald.co.zw](http://www.herald.co.zw) accessed 21 May, 2007), the shortage of basic goods and services has tended to exacerbate poverty in Zimbabwe. Poverty triggers a myriad of social decays

like prostitution, unwanted pregnancies, robbery and a host of other socio-economic and political challenges. Poverty is a threat to life as it unravels the social fabric—poor people’s only “insurance” (Narayan, 2000, 4). It affects productivity, working life and life expectancy. It is in light of these challenges that the poor have been forced to depend primarily on their own informal networks. Most able-bodied people have resorted to informal cross-border trade as the last option. The question that remains unanswered is whether the poor will emerge out of the poverty predicament alone. This is a social policy issue that needs to be raised because the current social and economic policies seem to work against the poor.

The need for this study is underscored by the fact that the standard of living in Zimbabwe has deteriorated badly. In fact, the monthly poverty datum line was ZWD 17.200 in January 2006 and ZWD937.838 (US\$86.26) by February 2007, while the average wage was under ZWD100.000 (\$US9.09) per month (Department of Homeland Security, 2005-6). Despite the pervasiveness of poverty, government and policy makers are stifling informal cross-border trade by neglecting it, even though it provides refuge for both the employed and unemployed (<http://en.wikipedia.org/wiki/economyofZim> accessed 5 March, 2007).

Perhaps more critically, this study is best fitting considering that traditionally, African society is organized around the extended family which may be an extended pressure to the few who participate in the informal cross-border trade. Studies have revealed that informal cross-border trade has brought some gains to the households of the participants,

but there appears to be a dearth in professional writings on the impact of this informal cross-border trade on poverty reduction in Zimbabwe. However, research has not been able to clearly come up with solid objective information on the extent, role and impact of informal trade on household social security. Studies to date also have not questioned the viability and sustainability of this informal cross-border trade that arguably has sustained livelihoods in a country under economic stress. Therefore, this study is best fitting because it is an under-researched concept that the researcher seeks to pioneer.

### **Rationale of the Study**

The significance of this study is to enlighten policy makers about the value of informal cross-border trade, not only to the households of the participants, but also to the downstream industries and the Zimbabwean economy at large. This will challenge future social and economic policy-makers to formulate and implement policies that do not discriminate against informal cross-border traders, as they are stakeholders in the development process. Their participation at grassroots level may also strengthen regional integration through people to people integration if it is well monitored. Some of the participants have gone as far as China and Dubai, hence an exploration need to be done to find out if cross-border trade is only a survival means or it can be a household poverty reduction strategy. Now over ten years in operation, the researcher found it necessary that an exploration be made to establish the impact of the informal cross-border trade on household poverty reduction in Zimbabwe. Therefore, the need for this inquiry on informal cross-border trade's ability to reduce poverty in Zimbabwe is imperative as the

country's economy faces its demise. Hence, both social and economic policy recommendations shall also be made in this study.

### **Research Objectives**

The overall objective of the study is to explore the viability as well as the sustainability of informal cross-border trade as a strategy to household poverty reduction. In order to decode the viability and sustainability, the study seeks to address the following aspects:

- to identify households that are involved in cross-border trade;
- to examine the derived socio-economic benefits such as; household income, and household basic needs; and
- to explore any types of support from government

### **Research Methodology**

This study is a socio-economic impact assessment. Hence, to better understand the impact of informal cross-border trade in Zimbabwe, an empirical study that is both qualitative and quantitative in nature was carried out. The combination of the two research approaches, which is called triangulation, helped by adding value to the data collection process. The need to triangulate comes in that no research method can exclusively disregard the other (Leedy, 1980). Whereas quantitative researchers seek causal determination, prediction, and generalization of findings, qualitative researchers seek illumination, understanding, and extrapolation to similar situations. Qualitative analysis results in a different type of knowledge than quantitative inquiry. Thus, both qualitative and quantitative primary and secondary data was collected from the sample of

respondents and statistics respectively. Primary data collection involved the researcher going into the field to collect the necessary data from respondents, whereas on secondary data the researcher consulted relevant statistical documents. The questionnaire and the interviews were administered during the month of August 2008.

### **Research Techniques and Data Collection Methods**

The researcher specifically designed and used questionnaires and interviews as data collecting instruments in carrying out the study. On the part of interviews in-depth face to face interviews were conducted, the advantage being that they are focused and discursive thus allowing the researcher and the participant to explore the issue of informal cross-border trade. This maximized possibility for the researcher to respond to questions thoroughly and thoughtfully because it gives information that is more nuanced and textured. Clear and brief questions were asked. Open-ended questions which do not predetermine the answers, thus allowing room for respondents to respond in their own terms were also asked. Sensitive questions were avoided as they may result in the participant feeling uneasy, and give distorted information.

The survey also employed personally administered questionnaires which the participants completed and the researcher was available in case problems were encountered. De Vos (2005) explains that personally administered questionnaires save time and the response rate is raised because of the personal contact. A structured questionnaire which saves time and is easy to analyze, was used in the collection of data from 25 respondents at Johannesburg Park Station in South Africa. The questionnaires were designed in English,

the assumption being that most of the Zimbabwean population has an educational level of at least Zimbabwe Junior Certificate. Thus they can read and write. The questionnaire contained the following types of household information:

**Household demographic information:** including age, sex, status of parents (orphans), and school enrolment status.

- **Livelihood activities/occupation:** what household members are engaged in and what was their source of income before they engaged themselves in informal cross-border trade.
- **Socio-economic impact of the activities (ICBT):** including any improvements in shelter, source of Income, education for children, property, improvements in health, food security, household safety and security, status and dignity.
- **Current coping mechanisms despite the harsh economic and policy environment:** including ownership of resources, relatives support, or government support.

Lastly the questionnaire also inquired about the challenges they are facing as well as the assistance which they think is necessary for them to improve their business activities.

Observations were also done with the aim of complementing the research findings from questionnaires and interviews so that a holistic picture of informal cross-border trade could be depicted. The researcher accompanied a small number of selected informal cross-border traders to their trading places in order to obtain information from their practical experiences. Observations also included secondary data analysis for instance statistics.

### **Population and Sample Size**

The population from which a representative sample was drawn is that of informal cross-border traders at Johannesburg Park Station in South Africa. The concept of households used as a unit of analysis and action because it is the level that mediates between the realities and choices perceived by individual members and the abstract level and constraints imposed by larger external societal, political, economic and social factors (Wolf, 1991 in Mtshali, 2002).

### **Sampling Procedure**

In quantitative inquiry, the dominant sampling strategy is probability sampling, which depends on the selection of a random and representative sample from the larger population. The purpose of probability sampling is followed by generalization of the research findings to the larger population. Purposeful sampling, which dominates sampling strategies in qualitative research, was used by interviewing the household members who participate in informal cross-border trade. Purposeful sampling uses the maximum variation technique described by Patton (1990, 23) as the method that ‘involves purposefully picking a wide range of variation on dimensions of interest’. Purposeful sampling helped to minimize the challenges of sampling posed by the hassles at the border posts.

### **Data Analysis**

Quantitative data was analyzed using frequency distributions, pie-charts and bar graphs which reveals variables under the study. These were complemented with qualitative data analysis aimed at giving explanations to the quantified pieces of data using the household

survey as reference. Qualitative data analysis, which is mainly descriptive in nature, added value to the data analysis process.

### **Delimitations of the Study**

The area under study is Zimbabwe, a country surrounded by four major borders that is Mutare, Plum Tree, Beitbrigde and Victoria Falls. Due to resource related constraints in terms of time and finance, which may pose challenges if all border posts are to be considered, Johannesburg Park Station was chosen. Inadequate information may also pose challenges to the field work processes. For budgetary and sampling reasons, transactions along the open border outside the established roads and trading centers were not included in this study. Lack of standards of operation in the informal sector may be a limitation in determining the efficacy of informal cross-border trade as a poverty reduction strategy.

## **Explication of Concepts**

### **Poverty**

In the words of Hall and Midgley (2004, xv), it is a condition of material and social deprivation in which people fall below a socially acceptable minimum standard of living or in which they experience deprivation relative to others in a society.

### **Informal Cross-Border Trade**

Conceptually, informal cross-border trade includes merchandise that crosses borders without being recorded officially as well as under-invoicing and under-declarations (Ackell-Ogutu, 1997, 83).

### **Households**

It is considered as the scene of economic allocation, arranging collectively for food, clothing and shelter of its members, and seeking to provide for these needs over the long term with some measure of security against uncontrollable disruptions of the climate, the market economy and the state (Netting, 1993, 16).

### **Household Food Security**

It is the continuous availability of food for the household which is ensured by adequate purchasing power and well-functioning of markets for food and through adequate household capability to grow; store and process needed food (Tagwireyi and Greiner, 1994, 48).

### **Informal Sector**

A concept generally believed to have been coined by Hart (1973) to distinguish unregulated economic activities from those which conventional wisdom regards as “proper” or “normal” and which are institutionally regulated in the formal sector (Gibbon, 1993, 35).

### **Extended Family**

An extended family is a family that consists of three or more generations, which places primary emphasis on the “blood ties” with various relatives (Popenoe, 1995, 311).

### **Dependency Ratio**

It is the ratio of the total number of household members, unadjusted by age, to the total number of working members (Moser, 1997, 27).

### **Sustainable Development**

Sustainable development is defined as, “development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development 1987, 43).

### **Conclusion**

The aim of this chapter was to situate the roots of the socio-economic crisis in Zimbabwe by using extrapolations from research done in the past. The present can be best understood when linked to the past, hence the need to dig into the social, political and economic history of Zimbabwe. It also highlighted the rationale of the study and the main objectives. The research approaches have also been outlined clearly together with the procedures for data collection, analysis and presentation. The available literature on this research topic shall be reviewed and acknowledged in the next chapter. It shall uncover the concept of poverty, looking at its root causes linking to the socio-economic crisis in Zimbabwe. It shall also discuss the stakeholders in poverty reduction, with particular emphasis on the actor-oriented approaches to development since development is a multi-faceted concept.

## CHAPTER 2

### CONCEPTUAL AND ANALYTICAL ISSUES: POVERTY REDUCTION VERSUS STAKEHOLDER PARTICIPATION

#### **Introduction**

Poverty reduction is one of the millennium development goals for 2015. Poverty is a multidimensional concept hence there is no universal definition to the concept of poverty. Its persistence is linked to its multidimensionality: it is dynamic, complex, institutionally embedded, and a gender-and location-specific phenomenon (Narayan, 2000, 6). Consequently, livelihood strategies are also complex and contextual of which informal cross-border trade is one of them. A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for means of living (Hall and Midgely, 2004, 98). This implies that efforts to reduce poverty should also be complex and multifaceted. Thus, it requires the government, civil society organizations and communities to play differential roles as they are all stakeholders in the development process.

Swanepoel and De Beers (op cit, 18) define a stake holder as a person or institution who performs a certain task. On the other hand Hall and Midgely (2004), view a stakeholder as a person, group or organization with a direct or indirect interest or involvement in a project or program. They identify four stake holders in rural poverty alleviation which are, the public sector represented by the government's organs, the private sector, the non governmental sector (NGOs) and the popular sector, (the local community). Poverty reduction strategies therefore, require a human face, as opposed to the basic assumptions

of structural adjustment programs (SAPs) which ignore the human factor and are largely concerned with economic considerations, thus ignoring their social impact.

The concept of sustainability cannot be dispensed with also in as far as poverty reduction strategies are concerned. Livelihood strategies can be sustainable when they can cope with and recover from stress and shocks, and maintain or enhance its capabilities and assets both now and the future, while not undermining the natural resource base (Hall and Midgely, 2004, 98). This study strives to conceptualize and contextualize the Zimbabwe socio-economic catastrophe in terms of a national crisis because the government is the main stakeholder in development endeavors of any developing economy. The economic crisis in Zimbabwe leading to the unprecedented growth in informal cross-border trade dates back to the early 1990s, when the country undertook unilateral measures to liberalize its trade regime within the context of structural adjustment programs (SAPS) with the assistance of the Breton Woods Institutions. Therefore, the resurgence of informal cross-border trade (ICBT) in Zimbabwe is symptomatic of the ailing economy, which is on the verge of collapse. Hence, the main thrust of this study is to explore the impact informal cross-border trade have on household poverty reduction.

Various studies reveal that poverty in Zimbabwe was a reality since the early 1980s before the implementation of the economic structural adjustment programs but it was insignificant as compared to the period 1990 to date. However, interplay of a complex set of internal, external and environmental factors compounding the poverty levels in Zimbabwe cannot be dispensed with in this study. Issues of structural adjustment

programs, land acquisition and drought which have had a fare share on the socio-economic crisis in Zimbabwe shall be discussed in order to situate the present with the past. The aim is to relate how these issues have contributed to the resurgence of the informal sector, which in turn, gave birth to the unprecedented growth of informal cross-border trade. Chronic poverty in Zimbabwe is therefore a residual product of poor economic performance, capitalism, drought and politics. In order to deal with the exigencies of the crisis, the majority of the Zimbabwe citizens have flocked into informal cross-border trade.

It is important to note that traditionally, African society is organized around the extended family which can be an extended pressure to a few who participate in informal cross-border trade. This increases the dependency ratio thus making the poor more vulnerable. Poverty and vulnerability are two inseparable concepts as poverty unravels the social fabric, which is the poor peoples' only insurance. Consequently, the poor have been forced to depend primarily on their informal networks, particularly through informal cross-border trade. The poor citizens of Zimbabwe have applied their indigenious knowledge which is human capital embedded in the lives of the poor people. Hence, it is an asset and driving force to self development based on people's experiences.

Goldman *et al*, (2000) assert that the key to empower people is to broaden the range of strategy options through diversification of livelihood choices which reduces vulnerability. The questions are: will this kind of approach materialize in Zimbabwe given the prevailing harsh policy environment without social policy that integrates human and

social capital? Will the poor emerge out of the poverty predicament alone and survive in a free market economy? Where is the Zimbabwe government as the main stake holder in poverty reduction?

This study therefore, sought to find out some of the answers to the posed question by examining the role of informal cross-border trade on household poverty reduction. Poverty reduction as a process requires social policy, measures that affect people's well-being, whether through the provision of welfare services or by means of policies that impact upon their livelihoods more generally (Hall and Midgley, 2004, 98). This section of the study is going to discuss the concept of poverty and the role of various institutions in poverty reduction. It shall also reflect a little bit on the post-independence state of Zimbabwe and how it relates to the current socio-economic crisis that has worsened the poverty levels in Zimbabwe. It also acknowledges the related literature from the former studies carried out on the informal sector as well as informal cross-border trade.

### **The modernization theory**

The modernization theory became popular in the 1950s and 1960. This theory assumes that all societies tend to follow one route to development; hence, societies not yet developed are yet to pass through stages passed by the developed world (Haines, 2000, 32). Rostow's 'stages of growth model', which suggest that development should follow a linear fashion, with societies moving from a traditional stage through pre-conditions of take-off, take-off and drive to maturity stages towards the age of high mass production also falls under the modernization theory (Todaro, 1989, 70). This approach assumes that

the so-called ‘underdeveloped’ communities can achieve the same status as developed countries if they would accept modernization as a goal.

According to Haines (2000, 32), the modernization approach promised a guided transition towards a developed industrial society to developing nations. Thus, regarding development as a global process aimed at reproducing the image of highly developed societies.

Another modernization ideology is the structural change model, which is premised on the transformation of developing countries’ economies from a heavy dependence on subsistence agriculture to an urbanized industrialized economy. Lewis’ ‘two sector surplus labor model and Chenery’s ‘patterns of development model have been identified under this approach. According to Lewis, it is assumed that developing economies, which he termed ‘underdeveloped economies’ consist of two sectors, namely the traditional, rural subsistence sector with surplus labor and a second high productivity urban industrial sector that absorbs the surplus labor from the rural sector. The core assumption is that transformation of the economy would have occurred when rural labor is transferred to urban countries until it is absorbed in the industries (Todaro, 1989, 77).

### **Modernization theories and Critiques**

From the core assumptions of the modernization theory, it can be deduced that the core values of the development strategies conceived in these approaches are *inter alia*: emphasis on industrialization and economic growth, the call for progressively more

centralized planning and control over the allocation of resources, with particular emphasis on the provision of infrastructure and institutions to manage progress (Gabriel, 1991, 1).

### **Neo-liberalism**

This is a new ideology which gained popularity in the 1970s. This development ideology is based on the following core beliefs:

- neo-liberals favor a competitive market economy and oppose an economic system planned and directed by the state;
- they contend that a market economy is an essential bulwark of democracy because, by dispersing property ownership, it prevents the concentration of power in the hands of the law;
- neo-liberals subscribe rule of the law, that is the doctrine that the powers of governments should be limited by a higher constitutional law and that the exercise of power should be based on predictable laws rather than discretionary commands, and;
- they contend that there is a higher morality to which governments are subject and which in extreme cases may justify rebellion against tyrannical rulers

Haines (2000, 48-49) notes that the global economic recessions of the 1980s as well as rising debt were decisive of this policy shift in the developing world. Structural Adjustment programs contain the package of the neo-liberals which most developing countries adopted as a remedy to their ailing economies. The ingredients of the Structural Adjustment programs carries with it trade

liberalization, privatization, devaluation, huge cuts in government and social services like health, education and deregulation of working conditions which normally works against the poor. The aim of deregulation was to reduce government regulation on everything that could diminish profits, including protecting the environment and safety on the job. Privatization entailed selling all state-owned enterprises, goods and services to private investors (Martinez and Garcia, “Neo-liberalism: A Practical Guide for Practitioners”).

### **Critique of Neo-liberalism**

It has been argued that neo-liberals did not make a sharp distinction between economic issues and other issues. Hence, they sought a society based on a democratic political system that recognized the value of open discussion and accountability; the rule of the law (rules for living that applied equally to all and were not subject to arbitrary interpretation); and recognition that government had important but limited duties. Neo-liberal approaches in the structural adjustment epoch came as anti-poverty remedies but it proved to be anti-poor as it destroyed the welfare programs and cuts back on social services. This has been accomplished by crippling the role of the state through deregulation, devaluation and decreasing state subsidies.

Neo-liberalism thinkers have been criticized for increasingly focusing on the new world order that followed the collapse of communism. Hence, the trickle-down approach was thought to benefit the poor from economic growth. Classical

liberals pictured a society, not comprising individuals with established preferences, but made up of people learning as they went along, discovering new things about themselves, measuring up to the expectations of others, doing good and being serviced.

### **Development Theories and the Zimbabwean Poor**

The failure of the development theories in Africa in general and Zimbabwe in particular has been witnessed by the failure of structural adjustment programs to produce the desired results. Zimbabwe is one of the countries that adopted SAPs with the aim of administering treatment to its ailing economy but to no avail. Their impact on poverty levels has been calculated. The discussion below highlights the magnitude of the impact which SAPs had on poverty levels in Zimbabwe.

### **Structural Adjustment Programs and Their Impact on Poverty Levels in Zimbabwe**

Structural adjustment programs (SAPs) do not form the basis of this study but the present can only be understood when linked to the past. The concept of SAPS was introduced in the early 1980s to developing countries and the Sub-Saharan countries as a remedy to the perpetual socio-economic crisis. This is the time when developing countries were desperately reaching out for aid from the developed countries. The basic assumption was that SAPs would provide an effectual remedy for the ailing economies, but the results did not come out as was intended. The other assumption behind the prescriptions of SAPS was that poverty would be reduced through the 'trickle-down effect' that is development through growth. In effect SAPs turned out to be economic-growth-unfriendly and anti-poor.

The introduction of SAPS in the 1990s by the World Bank and the IMF largely directed by western governments, helped to erode post-independence social and economic progress and drove down the living standards of the people of Zimbabwe. SAPS typically came with the package of trade liberalization, devaluation, privatization, huge cuts in government and social services like education and health and the deregulation of working conditions which normally works against the poor. It is important to note that SAPS do not discriminate between the rich and the poor because of their prescriptive nature. They do not take into account the plight of the poor hence; they equalize the unequal thus further marginalizing the poor. Bernstein and Boughton (1993), cited by Degefe (1994), point out that people in the recipient countries noted that rates and taxes were increased; subsidies on food, education and health were decreased in real income, and the plight of the poor deteriorated. Studies by Tichagwa and Maramba (1998) also reveal that the removal of price control and subsidies on basic commodities and liberalization of the economy resulted in increased commodity prices, reduction in access to basic services, retrenchments and high inflation rates.

The Zimbabwean situation is arguably similar to that of Peru where the combined effects of economic crisis and SAPs led to an increase in poverty with more severe outcomes for households headed by women (Moghadam, 1994, 98). The studies by Moyo and Yeros (2005) sum up the economic results of SAPS were as follows. By 1992, the trade deficit had ballooned, inflation had tripled to 42 percent and monetary authorities were implementing 'sodo-monetarism' (Bond, 1998). According to their studies,

deindustrialization had set in between 1991 and 1995, with a new round of downsizing and bankrupts, involving the closure of one-fifth of the clothing sector. Utilization of industrial capacity was further reduced to 65 percent, while by 1998; the contribution of manufacturing to Gross Domestic Product had fallen to 17 percent, down by one-quarter (ZCTU, 1996; UNDP/UNCTAD, 2000).

By 1993, real wages had fallen by two-thirds; by 1995, job losses in both public and private sectors amounted to 45, 000; meanwhile the share of wages in the national income had dropped from 64 percent to 40 percent, as against the increase in the profit share from 37 percent to 60 percent (ZCTU, 1996; Kanyenze, 1996) in Moyo and Yeros 2005. Agricultural policy underwent similar reversals. Marketing boards were commercialized or privatized; extension services, subsidies and credits were reduced, all of which produced an adverse synergy with currency devaluation, to the effect of raising the cost of production for petty-commodity producers and hence, eroding farm incomes (ZCTU, 1996; UNDP/UNCTAD, 2000) in Moyo and Yeros 2005.

The foregoing serves to illustrate that structural adjustment programs had a devastating effect on Zimbabwe, socially, economically and politically. In the words of Michael O'Hearney (in Mlambo 1997, vii).

“The deregulation of price controls and the abolition of subsidies...brought a disastrous impact on many families both in rural and urban areas. Basic commodities like cooking oil, margarine, sugar, bread, maize meal, electricity, and water and transport prices more than tripled over the last year and a half of the implementation of SAPS.”

Thus the retrenchment of workers and the cut in basic wages further compounded the poverty levels as income levels fell. School enrollment also fell while at the same time health care facilities deteriorated. Renfrew ( in Mlambo, 1997) points out that, “poverty leads to poor nutrition, poor hygiene and overcrowding, lack of education, lack of sanitation, more deaths in childhood, larger families to compensate and more maternal ill-health.” As Chakawodza (1993, 34) puts it, Zimbabwe provide an interesting case study in that the impact of SAPs was further compounded by a severe drought in 1992, resulting in food shortages. This was not the government’s fault, but lack of long-range planning and lack of long term food security policy-contributing to the economic crisis, yet Zimbabwe was the bread-basket of Southern Africa.

Coupled with the formal sector’s failure to provide the basic needs and services to the people, it became imperative for the people of Zimbabwe to look outside the national borders for their survival. In such cases women have responded by working longer hours in the informal sector including cross-border trade (Gibbon, 1995, 15). Informal cross-border trade became an option for many people in Zimbabwe as the above-mentioned economic events appear to have worsened the poverty levels in Zimbabwe. According to the **Southern African Poverty Reduction Network, 2006** ([www.saprin.org/zimbabwe/research/zim\\_trade\\_lib.pdf](http://www.saprin.org/zimbabwe/research/zim_trade_lib.pdf), accessed 10 May, 2007), trade liberalization saw the unprecedented growth in informal cross-border trade which has become an economic refuge for many households. A report compiled by the Harare government’s social welfare ministry at the end of 2006 revealed that living standards in

Zimbabwe had declined by 150 percent within the last decade alone ([www.africaaction.org/newsroom/indexas](http://www.africaaction.org/newsroom/indexas) accessed 5 April, 2007).

### **The Concept of Poverty**

Poverty is not a static condition; individuals, households or communities may be vulnerable to poverty as a result of shocks and crises (uncontrollable events which may harm livelihoods and food insecurity) and long-term trends (such as racial and gender discrimination, environmental degradation and macroeconomic trends). It is a condition when the ability of the poor to improve their quality of life is constrained by lack of resources or asserts both physical as well as human-they have no educational status and skills (Osei-Hwedie, 1995). Poverty may also involve social exclusion in either an economic dimension (exclusion from the labor market and opportunities to earn income) or a purely social dimension (exclusion from decision-making, social services, and access to community and family support (Buvinic, 2004, 5). Vulnerability is characterized by an inability to devise an appropriate coping or management strategy in times of crisis. Individuals and households become vulnerable as they lack asserts or the combination of asserts that can enable them to cope or manage the negative effects of external shocks.

Generally poverty can be defined as the inability to attain a minimal standard of living, measured in terms of basic consumption needs or income required to satisfy them. In the words of Hall and Midgley, (2004, xv), it is a condition of material and social deprivation in which people fall below a socially acceptable minimum standard of living or in which

they experience deprivation relative to others in a society. However, there is no universal definition to poverty as poverty is a complex and dynamic phenomenon. Studies carried out by the World Bank in the 1990s in fifty countries around the world can best explain the multidimensionality of poverty. These studies provide rich descriptions of poor people's realities, drawing from their experiences of poverty and the quality of their interactions with a range of institutions, from the state to the household. The studies also came up with important distinctions of the poor between social groups as follows: the dependent poor, the resource less poor, the temporary poor, the working poor, and God's poor, all of whom have different priorities (Narayan, 2000, 4). Similar underlying themes that emerged are: hunger, deprivation, powerlessness, violation of dignity, social isolation, resilience, resourcefulness, solidarity, state corruption, rudeness of service providers, and gender inequality. Hence, voices of the poor speak volumes as far as poverty reduction strategies and policy change is concerned.

### **The multi-dimensionality of poverty**

According to the World Bank studies as summarized by Narayan (2000, 4), poverty firstly consists of many interlocked dimensions. The study notes that although poverty is rarely about the lack of only one thing, the bottom line is always hunger-the lack of food. Secondly, poverty has important psychological dimensions, such as powerlessness, voiceless ness, dependency, shame, and humiliation. Thirdly, poor people lack access to basic infrastructure-roads (particularly in rural areas) transportation, and clean water. Fourthly, while there is a widespread thirst for literacy, schooling receives little mention or mixed reviews. Fifth, poor health and illness are dreaded almost everywhere as a

source of destitution. Finally, the poor rarely speak of income, but instead on managing assets-physical, human, social, and environmental- as a way to cope with their vulnerability. The study argues that, despite inhumane conditions in Zimbabwe, the maintenance of cultural identity and social norms of solidarity helps the poor people to continue to believe in their own humanity. In this study it can be argued that most Zimbabweans have suffered a lot in most of these dimensions as the socio-economic crisis worsens in the country.

**The state has been largely ineffective in reaching the poor.**

The same World Bank study also identified some loopholes in government interventions. It notes that although the government's role in providing infrastructure, health, and education services is recognized by the poor, they feel that their lives remain unchanged by government interventions. Poor people report that their interactions with the state representatives are marred by rudeness, humiliation, harassment, and stonewalling. This is typical of the Zimbabwe situation, particularly the clean up campaigns that started in 2005 which left most people destitute. The impact of corrupt and brutalizing police force is particularly demoralizing for the poor, who already feel defenseless against the power of the state and the elite. It has also been noted that in many places poor people identify particular individuals within the state apparatus as good, and certain programs as useful, but these individuals and programs are not enough to pull them out of poverty.

### **The role of NGOs in cross-border**

In some quarters, it is argued that NGOs touch relatively few lives given the scale of poverty. In some areas NGOs are the only institutions people trust, and in some cases they are credited with saving lives. It has also been stated that poor people sometimes also report that besides being rude and forceful, NGO staff members are poor listeners. Sometimes the poor report that they consider some NGOs to be largely irrelevant, self-serving, limited in their outreach, and also corrupt, although to a lesser extent than is the state. According to the study there are relatively few cases of NGOs that have invested in organizing the poor to change poor people's bargaining power relative to markets or the state. Thus, poor men and women throughout the world have been forced to trust and rely primarily on their informal institutions and networks, while recognizing the limitations of these institutions even under the best of circumstances. In the case of Zimbabwe the informal networks have been forged through extended families and as well as informal cross-border trade in order to deal with the vagaries of poverty. The effective role of NGOs in Zimbabwe has also been suppressed by the prevailing political environment. NGO operations have been put at halt several times since it is assumed that they negatively influence the Zimbabwean citizens.

### **Households are crumbling under the stress of poverty.**

The household is an institution per se. While many households are able to remain intact, many others disintegrate as men, unable to adapt to their "failure" to earn adequate incomes under harsh economic circumstances, have difficulty accepting that women are becoming the main breadwinners and that this necessitates a redistribution of power

within the household. The study also notes that in contrast women are able to swallow their pride and go out into the streets to do demeaning jobs, or in fact, to do anything it takes to put food on table for their children and husbands. Many Zimbabwean men and women are risking their lives by crossing the Limpopo River which is infested with crocodiles with their children tied on their back, running away from the socio-economic conditions in Zimbabwe. However, this study is concerned with those informal cross-border traders who use official routes and legal documents only.

**The Social Fabric, the Poor People’s only “insurance,” is unraveling.**

From the perspective of poor men and women, the World Bank study reveals that the social fabric-the bonds of reciprocity and trust-is unraveling. It identifies two twin forces that facilitate the disintegration of the social groups. Hence, the more powerful and internally cohesive groups reinforce social exclusion of particular groups, while social cohesion (the connections across groups) breaks down. This study therefore notes that economical dislocation and sweeping political changes have produced conflict at the household, community, regional, and national levels. This conflict has worsened the poverty levels in Zimbabwe as it has led to increased lawlessness, violence and crime, to which the poor are the most vulnerable. However, despite these political upheavals, the poor did not give up. They forged informal networks with people from the neighboring countries through informal cross-border trade to find an exit out of poverty.

From the foregoing, it can be deduced that poverty reduction is a process that involve various actors from a divers of institutions. Institutions can be understood as complexes

of norms and behaviors that persist over time by serving some socially valued purposes (Uphoff, 1986, in Narayan, 2000). These institutions comprise a wide variety of formal and informal relationships that enhance societal productivity by making people's interactions and cooperation more predictable and effective. The state, civil society and households are institutions that can be coordinated to fight against poverty at various levels. The questions are: Will this kind of an approach materialize in Zimbabwe given the current socio-economic crisis? Will informal cross-border trade help the poor get out of the poverty predicament without cooperation from other institutions?

### **Alternative Avenues to Escape Poverty**

As a consequent of the above attendant problems of poverty people have been forced to search harder for other avenues to secure their household security. The most vulnerable population groups like women and the poor have flocked into the informal sector to seek an economic refuge, particularly informal cross-border trade which forms the basis of this study.

The term "informal sector" refers to very small-scale units producing and distributing goods and services, and consisting largely of independent, self-employed producers in urban areas of developing countries, some of whom also employ family labor and/or a few hired workers or apprentices; which operate with very little capital, or none at all; which utilize a low level of technology and skills; which therefore operate at low level of productivity; and which generally provide very low irregular incomes and highly unstable employment to those who work in it ( Mhone, 1996, 1). The study further expound on

this definition by highlighting the characteristic features of the informal sector. It stipulates that it is informal in the sense that they are for the most part unregulated and unrecorded in official statistics; they tend to have little or no access to organized markets, to formal credit institutions, to formal education and training institutions or to many public services and amenities; they are not recognized, supported or regulated by the government; they are often compelled by circumstances to operate outside the framework of the law, and even where they are registered and respect certain aspects of the law they are almost invariably beyond the pale of social protection, labor legislation and protective measures at the work place.

### **The Rationales for Promoting the Informal Sector**

The study by Mhone (1996, 4) identified three rationales for promoting the informal sector. According to the study the first rationale identified is the developmentalist rationale which is based in the belief that the informal sector could play a transformational role similar to that which petty capitalism played in the industrialization of the currently developed countries; second, there is a romanticist rationale based on the celebration of 'small is beautiful' and an appreciation of the ingenuity and adaptability of informal sector participants in being able to produce and market goods and services relying on what are seen to be labor intensive methods and indigenous resources, in the face of overwhelming odds against them.

The third rationale is the welfarist rationale based on an appreciation of the informal sector's role as a safety net for the destitute, in that it provides alternative employment

opportunities for surplus labor from the formal and communal sectors in the face of economic stagnation, economic crises, or slow economic growth. The study also highlights that the foregoing rationales, either singly or in combination, have been the basis of many projects and supportive policies by government, non-governmental organizations and aid agencies aimed at promoting the informal sector.

However, the study state that the major shortcoming of all of them, from the point of view of economic analysis, is that they do not explicitly address efficiency criteria in a consistent and comprehensive manner. This study, therefore, endeavors to determine the impact of informal cross-border trade, which is part of the informal sector by finding out whether informal cross-border trade has a developmentalist, romanticist or welfarist rationale on poverty reduction.

### **Informal versus Formal Sector**

For the informal sector to exist, there should be something called the “formal sector”, hence, the informal sector cannot be studied in isolation from the formal sector because they are closely linked (Mpande, 2004, 45). The formal sector comprises “government policies, laws and regulation” whereas the informal refers to all economic activities that lie outside regulated and official parameters within the state (Chen, 2005, 1-51). On the other hand, the informal sector consists of entrepreneurs who produce legitimate products without proper permits and legal status because they lack the resources and/or the incentives to comply with the burdensome and excessive rules and regulations necessary to become part of the formal economy (Boserup, 1998).

However, a plethora of terms has been used to describe those economic transactions which are not captured and/or are under-reported in official Gross National Product statistics. These activities have been referred to by such names as the subterranean economy (Gutman), the hidden economy (Feige, 1987), the underground economy (Tanzi, 1982), the parallel economy (Del Boca, 1982), the bazaar economy (Geertz, 1963) and the second economy (Maliyamkono and Bagachwa, 1990).

### **The Subterranean Economy**

Guntmann (2001, 29) attributes the subterranean economy to the following causes:

- inflation which pushes the taxpayers into higher income brackets who in turn try to push part of the cost of inflation onto the government by getting off-the-book income;
- immensely complex tax system, requiring inordinate tax-payer time, paper work and expense;
- the increase in the size of government which leaves smaller share of national output for direct consumption by wage earners; and
- perception of government as wasteful and inefficient by the public making inadequate use of their hard money.

### **The Hidden Economy**

Feige (1979, 6) defines the hidden economy as including those economic activities which go unreported or are unmeasured by the society's current techniques for monitoring

economic activity. Thus, Feige's definition is broad and describes the parallel economy in terms of behavioral characteristics embracing those activities which are excluded from Gross Domestic Product by convention (Bias) as well as those which elude the measurement process (Measurement Error). Another reason stated for the resurgence of the hidden economy in developing countries is the shortage situation due to inappropriate industry structures or insufficient capacity.

### **The underground economy**

This type of an economy in the words of Sennholz has been described as a bustling and shadowy world where jobs, services, and business transactions are conducted by word of mouth and paid for in cash to avoid scrutiny by government officials. He contends that the underground economy springs from human nature that makes man choose between given alternatives. Hence, faced with the agents of government and their exactions, man will weigh the alternatives and may choose to go "underground." He understands the underground economy as involving otherwise law-abiding citizens who are seeking refuge from the wrongs inflicted on them by government. They are employers and employees who are rendering valuable services without a license or inspection sticker, or failing to report their productive activities to the political authorities. He identified the four main categories in which the underground economy can be grouped, namely;

- economic activity yielding income that is not reported to the tax authorities;
- economic production that violates one or several other mandates, such as compulsory government licensing and rate making, inspection and label laws, labor

laws, government regulations of agriculture, export and import controls, government control over money and banking, government control of energy production and distribution, and countless others. Violators may or may not evade taxes, but they all work illegally, hiding from swarms of government inspectors;

- productive activity by transfer beneficiaries who draw Social Security benefits or receive public assistance. Their freedom to work is severely restricted; and
- productive activity by illegal aliens without residence status. They may pay income taxes and other taxes, but must remain underground for fear of deportation.

### **The Parallel Economy**

The study Schneider and Enste (1979) defines the parallel economy as all economic activities which contribute to the officially calculated (or observed) Gross National Product. This definition considers parallel economy as simply unrecorded income. Feige, Schneider and Enste's approaches to the parallel economy divide it into four comparable components: the criminal, irregular, household and informal sectors. A historical yet interesting perspective about the origin of parallel economy given by Bawly stipulates that one of the main causes of the many emigrants, revolts and revolutions so frequent throughout history was public reaction to the imposition of what people believed to be unfair taxes. Hence, passive resistance, in the form of increasing evasion, is the modern expression of such hostility.

More generally the concept of informal economy is variably referred to as the underground economy, the hidden economy, the parallel market, the black market or

even the criminal economy (Krakowski, 2005, 4-5). The popular name by which these activities are known is, however, the “informal sector” – a concept generally believed to have been coined by Hart (1973 in Gibbon, 1993) to distinguish unregulated economic activities from those which conventional wisdom regards as “proper” or “normal” and which are institutionally regulated in the formal sector. It is in this informal sector where we find informal cross-border trade, the main thrust of this study. Informal cross-border trade lies within this informal economy which is unrecognized and deemed illicit and illegal. This part of the study shall discuss the history of the informal sector in Zimbabwe. It shall also discuss the determinants of the emergence of the informal sector and the resurgence of the so-called informal cross-border on which this study is premised.

### **History of the Informal Sector in Zimbabwe**

In the pre-independence era the informal sector in Zimbabwe was rather less visible and diversified than in other developing countries (Kajubi, 1990; O’Donoghue, 1990 in Gibbon, 1993). Their expansion was related to Zimbabwe’s colonial legacy, which was characterized by a well-established manufacturing sector with numerous barriers that made competition from the informal sector extremely difficult. The government also actively regulated the sector’s spread (Kajubi, 1990; Mupedziswa, 1991 cited in Gibbon, 1995). The Rhodesian government attempted to control the spread of the informal sector in urban centers, making it largely a “hidden” feature of the economy. Informal activities were subject to an extensive network of regulations and by-laws enforced by local councils, which controlled types of goods and services which could be produced, and the conditions, places and localities of this production (Gibbon, 1993). Under the Factories

and Works Act (1951), establishments which employed ‘mechanical power’ required a license irrespective of the number of persons employed, while certain zoning regulations and complex requirements for the registration and licensing of small businesses, shops, hawkers and vendors further served to inhibit the sector’s growth.

Despite the stringent regulatory environment in Zimbabwe which distinguished it from many other sub-Saharan countries, the informal sector was still argued to have become the country’s major employer by the late seventies (Davies, 1978 in Gibbon, 1993). The informal sector to date is still the major employer in Zimbabwe as the country’s formal sector faces its demise. Many people both employed and unemployed, men and women have flocked into informal cross-border trade in order to deal with the socio-economic crisis in Zimbabwe.

### **Factors Determining the Emergence of the Informal Sector**

In the publication by the International Labor Organization, “*The Dilemma of the Informal Sector*” 1991 in Mhone (1996), it has been argued that the persistence of the informal sector is due to the inability of other sectors of the economy to – agriculture or other rural activities on the one hand and modern industry and services on the other to – provide adequate incomes or employment to a rapidly growing labor force. Tenev *et al* (2003, 14) argue that informality is a product of government-business interactions in an over regulated business environment with very high compliance costs and discretionary behavior by officials. They emphasize that over regulation and discretionary behavior of officials are the problem not informality itself, which can be viewed as a rational response in such a business environment.

Another study also indicates that high business costs and the informal economy are mainly caused by: ill-designed and unstable rules and regulations (particularly in relation to taxation, labor policy and business registration); a lack of well-defined and secure property rights; poor-quality or non-existent infrastructure and public services; deficient government capacity and autonomy of government institutions (for example the judiciary); as well as a high degree of macroeconomic instability, unemployment and corruption (Tekere, 2001).

In the case of Zimbabwe it can be argued that interplay of the above factors can best explain the resurgence of the informal sector particularly informal cross-border trade. The agriculture sector as well as the manufacturing sector in Zimbabwe has collapsed because of an ailing economy. This has resulted in high unemployment rates, hyperinflation and shortages of basic commodities. The poor citizens of Zimbabwe have flocked into informal cross-border trade in order to deal with the vagaries of poverty.

### **Arguments For The informal sector**

The important role that the informal sector plays in providing income opportunities for the poor is clear (Todaro, 2006, 331). The informal sector has demonstrated its ability to generate employment and income for the urban labor force. Some studies have demonstrated the informal sector is generating almost one-third of urban income. It is in this informal sector where informal cross-border exists. The study by Mupedziswa (2005) indicates that informal cross-border trade is a dynamic sector in which small traders or

small exporters and importers make a profit. He also argues that informal cross-border trade is not only a means of survival, a source of income and employment, but plays a key role in household poverty reduction which complements the objectives sought under regional integration.

Several other arguments can be made in favor of the informal sector. First, scattered evidence indicates that the informal sector generates surpluses even under currently hostile policy environment, which denies it access to the advantages offered to the formal sector, such as credit, foreign exchange, and tax concessions. Second, as a result of its low capital intensity, only a fraction of the capital needed in the formal sector is required to employ a worker in the informal sector, offering considerable savings to the developing countries so often plagued with capital shortages. Third, by providing access to training and apprenticeships at substantially lower costs than that provided by the formal institutions and the formal sector; the informal sector can play an important role in the formation of human capital. Fourth, the informal sector generates demand for semiskilled and unskilled labor whose supply is increasing in both relative and absolute terms and is unlikely to be absorbed by the formal sector with its increasing demands for skilled labor force. Fifth, the informal sector is more likely to adopt appropriate technologies and make use of local resources, allowing a more efficient allocation of resources. Sixth, the informal sector plays an important role in recycling waste materials, engaging in the collection of goods ranging from scrap metals to cigarette butts, many of which find their way to the industrial sector or provide basic commodities to the poor. Finally, promotion of the informal sector would ensure an increase of the distribution of

the benefits of development to the poor, many of whom are concentrated in the informal sector (Todaro, 2000, 332). The question is: what is the Zimbabwean government's attitude towards the informal sector?

It is important to note that since May 2005, a number of clean-up campaigns were held by the Zimbabwean government in a bid to get rid of the informal sector activities. Despite the pervasiveness of poverty, government and policy makers are stifling informal cross-border trade by neglecting it, even though it provides refuge for both the employed and unemployed. According to the National Survey Report carried out by Action Aid Southern Africa Partnerships SAAP-Zimbabwe on the impact of Operation Murambatsvina/Restore Order, a majority 70 percent of urban dwellers were engaged in informal trading prior to the operation of which 7 percent of them were involved in cross-border trade.

### **Informal Cross-border Trade**

Conceptually, informal cross-border trade includes merchandise that crosses borders without being recorded officially as well as under-invoicing and under-declarations (Ackell-Ogutu, 1996 in Technical Paper N0. 59 July 1997 [www.saprin.org/zimbabwe/research/zim\\_trade\\_lib.pdf](http://www.saprin.org/zimbabwe/research/zim_trade_lib.pdf), Accessed 13 March, 2007. It also involves registered and unregistered business activities undertaken across the borders based mainly on popular economy. The presence of a thriving black market given the differential in foreign currency rates, poor political environments; the collapse of the

social sector such as health care and education has also promoted informal trade (Chari, 2004).

### **Characteristics of Informal Cross-border Trade**

One of the main characteristics of this trade is that it is not mandatory to submit tax returns at the end of each financial year hence not entered in national accounts. Generally, informal cross-border trade is conducted by small-scale quasi-professional traders including women, who use various means to move small quantities of goods across national frontiers, conduct trade (<http://www.tradescentre.org.zw/publications/issue7.html#characteristic>, Accessed 17 June, 2008).

In the South African context they include: traders who travel to South Africa for short periods (1-4days) to buy goods (usually from formal sector retail and wholesale outlets and farms) to take back to their home country to sell. These goods are sold in markets, on the street, and to formal sector retail outlets and to individuals. According to several scholars, informal trade activities are generally defined by the following characteristics:

- easy of entry or exit;
- reliance on indigenous resources;
- family ownership and management of resources;
- small scale nature of operations;
- basic skills which are acquired outside the formal education system; and
- a business entity which is not legally recognized.

<http://www.tradescentre.org.zw/> Accessed 11 January 2008. **Informal Cross-Border Trade: Salient Features and Impact on Welfare**, by Nyatanga P., Mpofu S. and Tekere M. (November 2000).

### **Who are the Players in Informal Cross-border Trade?**

The study by Tekere (April, 2001) indicates that during the 1980s mainly low-income earners and unemployed poor people alone were engaged in informal and this form of trade was despised. The study also observed that people who were involved in informal cross-border trade were mostly women in their active working age, but due to harsh economic conditions even men, both employed and unemployed, have joined the band wagon. Many people today are quitting their jobs particularly civil servants because of minimal wages which cannot be failing to meet the needs of the entire family. Currently a qualified teacher gets a salary which is below R100 per month, which is too little to meet even the needs of a single person.

### **Conclusion**

Given the above scenario, there is therefore, need to investigate the developmental role of informal cross-border trade, quantify the magnitude of informal cross-border trade at the major border point [Beitbridge - SA], and analyze the impact of informal cross-border trade on employment and incomes. This helped the researcher to explore the relationship between informal cross-border trade and household poverty reduction among women and vulnerable groups, and finally to draw appropriate social policy recommendations about the effects of informal cross-border trade on intra SADC trade. Unless informal cross-

border traders receive the necessary social policy support in their endeavors to reduce poverty, the poor people continue to be trapped in the viscous cycle of poverty. This study then sought to explore the viability as well as the sustainability of informal cross-border trade as a household poverty reduction strategy in Zimbabwe. The following chapter is going to outline a set of procedures that were followed in order to accomplish this study. These include methodological procedures, sampling strategies, as well as the research tools for gathering data.

## **CHAPTER 3**

### **INFORMAL CROSS-BORDER TRADE PARTICIPATION AND METHODOLOGICAL ASPECTS**

#### **Introduction**

This chapter will outline a set of logical procedures that were followed to enable the researcher to obtain the evidence to determine the degree to which the researcher is right or wrong. Thus, it lays out the methodology for the study, detailing the procedures and techniques of research, data collection and analysis. Hagedon and Labovitz (1992), contend that the purpose of the research design is to ensure that the relation between the dependent and independent variables is not subject to alternative interpretations. Hence, it entails a plan of what is going to be done, how, when and where. In order to come up with a valid insight of the impact of informal cross-border trade on household poverty reduction, both the qualitative and quantitative approaches to data collection were used.

#### **Type of Research Design**

To better understand informal cross-border trade in Zimbabwe, an empirical study that is both qualitative and quantitative in nature was carried out. Thus both qualitative and quantitative primary and secondary data was collected from the sample of respondents and statistics respectively. Primary data collection involved the researcher going into the field to collect the necessary data from respondents, whereas on secondary data the researcher consulted relevant statistical documents.

The combination of the two research approaches which is called triangulation, added value to the data collection process. The need to triangulate comes in that no research method can exclusively disregard the other (Leedy, 1993, 143). According to Creswell (1994, 174), the concept of triangulation is based on the assumption that any bias inherent in a particular data source, investigator and method would be neutralized when used in conjunction with other data sources, investigators and methods. The researcher used data triangulation and methodological triangulation.

### **Data triangulation**

Data triangulation denotes the use of more than one data source (interviews, archival materials, observational data, and so on.) while methodological triangulation denotes the use multiple methods to study a single topic, for example combining qualitative and quantitative methods in a single study (Padgett, 1998, 97). Whereas quantitative researchers seek causal determination, prediction, and generalization of findings, qualitative researchers seek illumination, understanding, and extrapolation to similar situations (Strauss and Corbin, 1990, 17). This is made possible by the use of a research methodology that engages the respondents actively in the research process through the use of open-ended and participatory methods.

Poverty, a condition of material and social deprivation in which people fall below a socially acceptable minimum standard of living or in which they experience deprivation relative to others in a society, cannot be fully studied using a single approach. Qualitative analysis results in a different type of knowledge than quantitative inquiry,

thus providing a valuable insight into the multiple meanings, dimensions, and experiences of poverty (Wratten, 1995). Hence the qualitative approach provided important complementary information to quantitative data such as poverty lines, social and demographic characteristics of the poor and their economic profiles (sources of income, asset ownership). A poverty line denotes a monetary measure of poverty that establishes a socially acceptable minimum standard of living.

### **Qualitative versus quantitative research**

Qualitative research, broadly defined, means “any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification” (Strauss and Corbin, 1990, 17), whereas quantitative research purports to test predictive and cause-effect hypotheses about social reality. Thus it encompasses surveys which may be used for descriptive and explanatory purposes (Rubin, 2001). Descriptive methods seek to answer questions like what, when, where, who and how many. Burgess (1985) states that the advantage of using the qualitative approach is that qualitative researchers... can formulate and reformulate their work, may be less committed to perspectives which they may have been mis-conceptualized at the beginning of the study and may modify concepts as the collection and analysis of the data proceeds.

The question underlying differences in research paradigms should be their ontological and epistemological assumptions. Hence, specific methods, particularly data gathering methods, are not necessarily linked with one set of assumptions as opposed to another.

The quantitative approach is 'hard' and 'objective' and 'hypothesis-testing', while the qualitative research is 'soft' and subjective' and 'speculative' (Miller and Dingwall, 1997). Thus the quantitative technique allowed the researcher greater control of the research process. The qualitative research helped the researcher to find meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things, while the quantitative approach complemented the process by counting and measuring the variables under the research study (Dabbs, 1982 in Berg, 1989). In this study it can be argued that a combination of these two research paradigms added value to data collection and processing. To support the above argument, (Strauss and Cobin, 1990; Patton, 1990) believe that qualitative and quantitative research can be effectively combined in the same research project since both approaches use systematic procedures for gaining new information.

### **Research Techniques and Data Collection Methods**

The researcher specifically designed and used questionnaires and interviews as data collecting instruments in carrying out the study. The data collecting instruments had two sections, section A and B comprising the questionnaire and the interview guide respectively. The questionnaires were formatted in the form of written questions which provided excellent strategies for maximizing the goals or objectives of collecting data (Cournoyer and Klein, 2000). In order to allow the participants to gradually adjust to the pattern of the interview schedule, questions were arranged from simple to complex and from broad to more specific (Bailey, 1982, 196).

Clear and brief questions were asked. Open-ended questions which do not predetermine the answers, thus allowing room for respondents to respond in their own terms were also asked. Issues and dimensions of poverty that are penitent to the community but not basically obvious to the researcher can be revealed through the use of open ended questions. Sensitive questions were avoided as they may result in the participant feeling uneasy, and give distorted information. The recording process involved the researcher jotting down some notes when respondents were answering the questionnaires. Field notes included both empirical observations and interpretations. An account of the researcher's emotions, preconceptions, expectations and prejudices during the interview was produced.

The survey employed personally administered questionnaires which the participants completed and the researcher was available to answer questions where clarification was needed. De Vos (2005) explains that personally administered questionnaires save time and the response rate is raised because of the personal contact. A structured questionnaire which saves time and is easy to analyze, was used in the collection of data from 25 respondents at Park Station in Johannesburg. The question order therefore, started with simple short questions, followed by long probing questions that elicited more complex responses. Few but detailed questions were used to cover all relevant aspects of the research so that the questionnaires could be answered completely.

Kvale (in Sewell, 2001, 1), cited by De Vos (2005), defines qualitative interviews as 'attempts to understand the world from the participant's point of view, to unfold the

meaning of people's experiences, [and] to uncover their lived world prior to scientific explanations'. Hence, on the part of interviews in-depth face to face interviews were conducted, the advantage being that they are focused and discursive thus allowing the researcher and the participant to explore the issue of informal cross-border trade. This maximized possibilities for the researcher to respond to questions thoroughly and thoughtfully because it gives information that is more nuanced and textured (Zelith in Marshall and Rossman, 1995). The respondents accounted for their own experiences and thoughts. This gives better understanding of the problem from their point of view (Kvale, 1997 in Eklund, 2000).

The questionnaire and the interview guide contained the following types of household information as social indicators, which are the measures of standards of living, both qualitative and quantitative:

**Household demographic information:** including age, sex, status of parents (orphans), and school enrolment status.

**Livelihood activities/occupation:** what household members are engaged in and what was their source of income before they engaged themselves in informal cross-border trade.

**Socio-economic impact of the activities (ICBT):** including any improvements in shelter, source of Income, education for children, property, improvements in health, food security, household safety and security, status and dignity.

**Current coping mechanisms despite the harsh economic and policy environment:** including ownership of resources, relatives support, or government support.

**The challenges they are facing as well as the assistance which they think is necessary for them to improve the business activities.**

Observations were also carried out to complement the research findings from questionnaires and interviews so that a holistic picture of informal cross-border trade can be depicted. The researcher accompanied a small number of selected informal cross-border traders to their trading places in order to obtain information from their practical experiences. Observations also included secondary data analysis for instance statistics.

### **Population and Sample Size**

The population from which a representative sample was drawn is that of informal cross-border traders at Johannesburg Park Station rather than at the Zimbabwe-South Africa border post. The reason why the researcher chose Johannesburg Park Station over the Zimbabwe-South Africa border post is that it is much easier to get detailed and undistorted data at Park Station. This argument is based on the researcher's own practical experience as she crosses the border during the vacation. There are so many hassles at the border as cross-border traders will be required to stamp their traveling documents and to declare their goods. At the Zimbabwe-South African border Post the researcher interviewed the key informants like the customs officials who work at the border posts.

The concept of households was used as a unit of analysis and action because it is the level that mediates between the realities and choices perceived by individual members and the abstract level and constraints imposed by larger external societal, political, economic and

social factors (Wolf, 1991 in Mtshali, 2002). A sample of twenty five respondents, which is a subset of the population having the properties that make it representative of the population, was purposefully selected at Park Station. A small sample was chosen because the study was more qualitative than quantitative in nature. This was done during the month of August 2008. This implies that it is an in depth study hence a lot of information can be obtained from a small sample of respondents.

### **Sampling Procedure**

Interviewing particularly the household participants of the cross-border traders was used as purposeful sampling, which dominates sampling strategies in qualitative research. Erlandson *et al.*, (1993, 33) cited by De Vos 2005, contends that the processes that guide the search for data must be guided by processes that will provide rich detail to maximize the range of specific information that can be obtained from and about that context. The sampling procedure targeted those cross-border traders who have been in the field for quite some time, thus those who been there from three years and above. The motive behind this reasoning is that poverty is a complex issue, which cannot be measured within a short period of time. Purposeful sampling uses the maximum variation technique described by Patton (1990) as the method that ‘involves purposefully picking a wide range of variation on dimensions of interest’. Purposeful sampling served to minimize the challenges of sampling posed by the hassles at the border posts

### **Respondents**

The target population comprising both men and women, employed and unemployed, was chosen at Johannesburg Park Station in South Africa; a leading destination for non-South

Africans immigrants. The researcher targeted various age groups from both rural and urban areas who had entered the country legally. Respondents targeted also include those having flea markets and those who migrate most of the time. The questionnaire took approximately twenty minutes to answer.

### **Pilot Study**

In order to test the validity and the reliability of the data collection tools, the researcher conducted a pilot study. This acted as a pre-test before applying the final version in a hypothesis-testing situation. Hence validity refers to the extent to which an empirical measure accurately reflects the concept it is intended to measure (Babbie, 2004, 143). On the other hand reliability refers to a measuring instrument's ability to yield consistent numerical results each time it is applied; it does not fluctuate unless there variations in the variable being measured (cf. Gravetter & Forzano, 2003, 91; Monotte *et al* 2002, 117). This was accomplished by clearly conceptualizing all constructs, increasing the level of measurement, and use of multiple indicators of a variable.

### **Data Analysis Procedure**

Data was analyzed and interpreted quantitatively using frequency distributions, pie charts and bar graphs, which reveal variables under the study. According to Bouma (1993, 160), “Bar graphs can be used to represent percentage data and the essential feature being that the size of the bar is proportional to the size of the variable.” Pie charts are much better for depicting multiple replies on many sources, when the intent is to reveal the proportion of each relative to the whole.

Data interpretation involved the researcher representing and summarizing in words what is shown on the graph and one does not attempt to explain the data nor draw conclusion from the data (Bouma, 1993). This was complemented by qualitative data analysis aimed at giving explanations to the quantified pieces of data using the household survey as reference. Qualitative data analysis according to Bogdan and Biklen (1982) entails “working with data, organizing it, breaking it into manageable units, synthesizing it, searching for patterns, discovering what is important and what is to be learned” and deciding what to put in the report. This implies that qualitative analysis requires inventiveness for the researcher to face the challenge of placing data into logical meaningful categories to examine it and present it a holistic fashion.

### **Delimitations of the Study**

The area under study is Zimbabwe; a country surrounded by four major borders that is Mutare, Plum Tree, Beitbrigde and Victoria Falls. Due to logistical and financial constraints in covering all the four major borders, only Johannesburg Park Station shall be used. The research included both male and female respondents, employed and unemployed.

In every research project bias cannot be ruled out as some respondents may give biased or construed responses that are meant to please the researcher. Inadequate information by respondents posed challenges to the fieldwork processes. The problem was that the respondents were afraid of being spied on; hence they feared victimization due to the past brutal treatment which recently took place in Zimbabwe. To overcome these challenges, the research objectives were clearly state to the respondents so that they could understand

the vital importance of their unbiased contributions. This was done after conducting a pilot study.

The English language was used to design the questionnaire and the interview guide, which is a second language to most if not all of the respondents. This could have posed some challenges in expressing oneself. To curb this problem the contents of the questionnaire were made as simple and clear as possible. The researcher also encouraged the respondents to answer in Shona Language so that the respondent could express themselves clearly. Lack of standards of operation in the informal sector may be a limitation in determining the efficacy of informal cross-border trade as a poverty reduction strategy.

### **Research Ethics**

Every document consulted and cited was acknowledged. The confidentiality and anonymity of all respondents such as informal cross-border traders was guaranteed as none of the respondents filled his/her name. The contents of the filled questionnaires were never discussed with anyone to ensure confidentiality. No respondent participated in the research process without informed consent. Informed consent implies that all possible or adequate information on the goal of the investigation, the procedures which will be followed during the investigation, the possible merits, demerits and dangers to which respondents may be exposed, as well as the credibility of the researcher, be rendered to potential subjects or their legal representatives (Williams *et al.*, 1990, 30).

## **CHAPTER 4**

### **INFORMAL CROSS-BORDER TRADE: A SURVIVAL OR A HOUSEHOLD POVERTY REDUCTION STRATEGY?**

#### **Introduction**

This study has shown that informal cross-border trade is more than a survival strategy for both the employed and unemployed. If people can afford to meet their basic needs, save and invest in property through informal cross-border, it implies that it is not merely a survival strategy but also a household poverty reduction strategy. Informal cross-border trade has helped many people both male and females to uplift their lives in the midst of the socio-economic crises in Zimbabwe, which has worsened poverty levels. Indicators include food security, incomes, shelter, property, health security and education for children; which has variously improved at different rates for the households of participants. Various pull and push factors have been highlighted by participants which have contributed to the success of their endeavors to household poverty reduction. Case examples shall be highlighted to show the extent to which informal cross-border trade can be a household poverty reduction strategy.

The completion of this study has been made possible by the employment of personally administered questionnaires to collect relevant data. A sample of twenty five respondents was randomly selected at Johannesburg Park station. This chapter is mainly concerned with data analysis and presentation of the research findings. Different graphical presentations will be used and shall be complemented by explanations based on

respondents' stories as well as extrapolations from previous studies. Data shall be analyzed following the sequence on which questions were asked.

**Table 4.1 Household Demographic Characteristics: Personal Details of Participants.**

Age	Marital Status	No. of dependents	Educational level	No. of years in ICDT	Area of residence in Zim.	Estimated Amount/month (R)
16+	Married	11	Form 4	14	Urban	10 000
16+	Single	3	Form 4	3	Rural	4 000
16+	Married	10	Form 6	3	Urban	6 000
16+	Married	7	Form 4	4	Rural	500
16+	Married	15	Form 6	6	Urban	6 000
16+	Married	4	B.Tech: Ed	3	Urban	5 000
16+	Divorced	5	uneducated	2	Urban	+/-7 000
16+	Single	3	Form 4	1	Urban	720
16+	Single	3	Form 6	8	Urban	2 000
16+	Single	9	Grade 7	12	Growth point	7 000
16+	Married	2	Form 4	18	Rural	8 000
16+	Single	1	Form 4	4	Urban	1 000
16+	Single	2	Form 4	1	Urban	400
16+	Married	4	MA Education	19	Urban	4 000
16+	Married	4	Grade 7	25	Urban	8 000
16+	Married	4	Form 4	6	Urban	2 500
16+	Single	2	Form 4	3	Urban	2 000
16+	Married	5	Form 4	7	Urban	2 000
16+	Married	4	Form 3	4	Urban	2 000
16+	Single	10	Form 6	2	Urban	8 000
16+	Single	3	Honors	3	Urban	-
16+	Divorced	4	Form 6	9	Urban	-
-16	Divorced	2	Form 4	2	Urban	2 700
16+	Married	7	Form 4	6	Urban	3 000
16+	Married	2	Form 4	3	Urban	3 000

Source: Household Questionnaire Survey (August-September 2008).

From the table above it can be deduced that the amounts varied from one individual to another even though some respondents found it difficult to disclose their income.

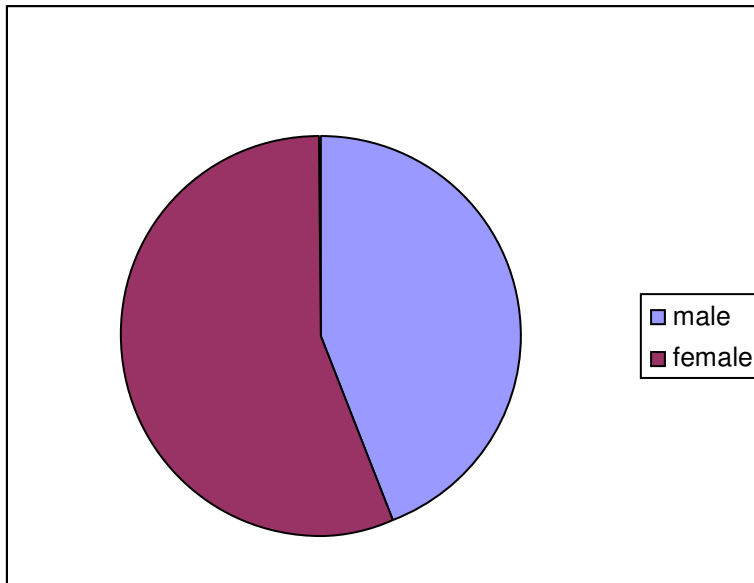
### **Age of Participants and Family Status**

In this study, four percent of the participants were below the age of 16 while ninety percent were above the age of 16. The percentage of female participants was 56 whereas that of male participants was 44 percent. A significant difference of 12 percent has been calculated, which augments a study by Narayan, 2000 which stipulates that women normally swallow their pride when poverty strikes. They are prepared to do any kind of work in order to earn a living. Many women were determined to forge informal networks with South Africans by importing a variety of merchandise to South Africa. The age of participants for both men and women ranged from 16 to 56 years. Only one female was below the age of 16. Duration of participation in informal cross-border trade ranged from one to twenty-five years. Fifty-two percent of the participants are married while 36 percent is single, and 12 percent divorced respectively. Family size ranged from one to nine children including dependents. Others are looking after their extended families hence the large number of dependents. More than 75 percent indicated that they had dependents to support ranging from one to fifteen.

### Distribution of Participants by Gender

The pie chart below shows the distribution of participants by gender. Fifty-six percent of the participants were females while 44 percent were males. The number of males involved in informal cross-border trade has increased significantly as compared to the previous studies conducted before the worsening of the socio-economic crisis in Zimbabwe. Previous research studies show that man cannot easily swallow their pride to do menial jobs. Most often, it is women who can do any job to fend for the family. From the previous studies conducted on informal cross-border trade, the percentage of women in informal cross-border trade was above 60 percent which support the above argument.

**Figure 4.1 Distributions of Respondents by Gender**



Source: Household Questionnaire Survey (August-September 2008).

## Educational Qualifications of Respondents

Most people have a belief that informal cross-border trade is done by illiterate people, but this study proves that this notion is a myth. Fifty-six percent of the respondents had a secondary education qualification (form 4) whereas 16 percent of them went as far as advanced level (form 6). Twelve percent had tertiary qualifications that are two with Honors Degree and one with a Masters Degree. Only one respondent had no education at all while one went as far as form 3 and 2 others up to grade 7. Among all the 25 respondents, 7 of them were teachers by profession. Others were accountants, policemen, electricians and so on. Among the educated 56 percent were women while 44 percent were men. This research, demystifies the myth that informal cross-border trade is done by illiterate and or uneducated people. The major reason why many people left their jobs was poverty as their salaries could not sustain them. The table below is a summation of the educational qualifications of respondents.

**Table 4.2 Education Qualifications of Respondents**

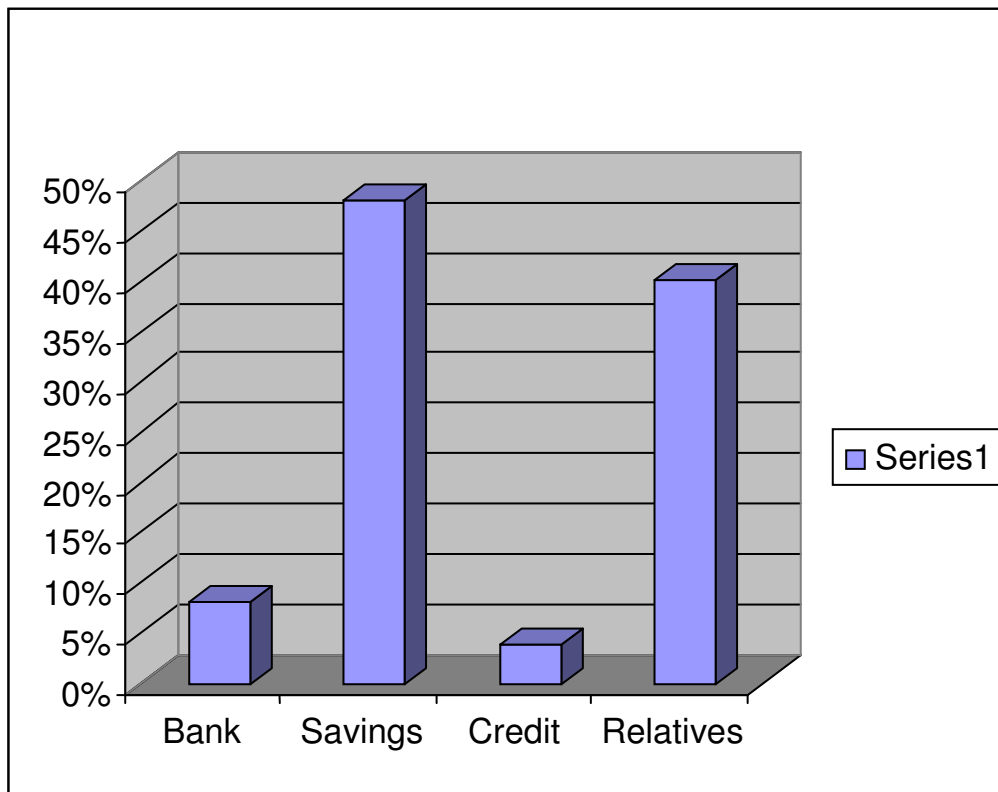
Educational Level	Males	Females
No Education	1	-
Grade 7	-	2
Form 3	-	1
Form 4	7	7
Form 6	1	3
Honors	2	-
Masters	-	1
<b>TOTAL</b>	<b>11</b>	<b>14</b>

Source: Household Questionnaire Survey (August-September 2008).

## Sources of Funding

The diagram below shows the various sources of funding for informal cross-border traders. The highest percentage was from personal savings, followed by borrowings from friends and relatives, banks and other forms of credit facilities respectively. Banks have been found to be so discouraging to borrow from because of stringent measures such as high interest rates which deter people from borrowing. Personal savings and borrowing from relatives and friends proved to be the major source of initial funding. The graph below shows the percentages of the various sources of funding which have help support many informal cross-border traders.

**Figure 4.2 Initial Source of Funding**



Source: Household Questionnaire Survey (August-September 2008).

### **Motivation for Informal Cross-border Trading**

The majority of respondents indicated that poverty in Zimbabwe was the main push factor. They could not watch the socio-economic conditions in Zimbabwe deteriorating, but maneuvered to take a stand against the wave of poverty which has badly eroded the standards of living in the country. Some of the respondents were qualified professionals like teachers and nurses who swallowed their pride to do menial businesses which pay much better than their monthly salaries. During the interview most the respondents who were teachers indicated that they were earning less than R100 per month which was not even enough for their bus fare to work every day. Respondents were asked to define poverty from their own experience. The majority viewed poverty as a desperate situation in which people lack basic necessities like food, clean water, medication and so on which are vital for the survival of human beings. They indicated that their lives have improved greatly as compared to the time they were still pursuing their professional jobs. Indicators include household food security, access to health care facilities, a better income even though it fluctuates with time, as well as improvement in shelter and property.

### **Reasons for choosing South Africa**

Most respondents indicated that they chose South Africa for varying reasons. Some had friends and relatives who live in South Africa so they had a place to stay. Some were attracted by the value of the South African currency as compared to the Zimbabwean Dollar which is eroded by inflation every second. With the South African currency the time value of money is maintained, whereas with the Zimbabwean Dollar the value falls all the time. Others stated the availability of a variety of goods ranging from foodstuffs,

clothes, properties and so on which offered them a diversified market when they buy and resell their goods. Some indicated the availability of tourists in the country which offer a market particularly those who buy handicrafts and doilies as souvenirs.

### **Business categories of respondents**

Quite a number of the respondents are vendors who walk from door to door to sell their products thus enabling them to establish informal networks which are vital for establishing markets. Some also have licenses to sell their goods in flea markets near Johannesburg Park station and four percent of them run retail shops in Zimbabwe. They normally sell seat covers, doilies, brooms and handicrafts like curved stone and wooden products like animals, people and wooden bowls and cooking spoons. Those running retail shops supply a relatively big population in their areas with mainly groceries and vehicle and machinery parts as well *inter alia*: car tyres, reams, beams, bolts, nuts.

### **Perception of poverty by respondents**

The definition of poverty given by respondents differed from one respondent to the other which shows that poverty is a multifaceted issue. Most of the definitions of poverty given by respondents were comparing income and available resources in relation to their ability to meet basic necessities as well as sustainability. The majority emphasized lack of potential to meet basic necessities such as food, education, shelter, clothing and health security as well as explanation of people in various forms accompanied by poor welfare. People defined poverty according to their personal experiences. The following are some of the definitions given by respondents:

*"Poverty is lack of food, clothing and shelter and exploitation by mankind"*

*"Poverty is not being able to get basic necessities of life like food, shelter, and education, clothing and health security"*

*"Poverty is a situation when families can no longer afford a basic daily meal and when children are supposed to be in school and they are not in school and when one earns a salary that can take them for two days"*

*"Poverty is a situation when one fails to satisfy his basic needs such as food and shelter after getting paid"*

*"Poverty is when one is in a position of failing to support him/her even when they have the potential to plan but because of circumstances they would and will not perform them"*

*"Poverty as you know is hunger and starvation and without anything to cover your own body"*

*"Poverty is when one cannot afford to live a better life or provide for himself or his family basically when one has no resources to provide for their loved ones especially his family"*

*“Poverty is a situation where people are in a state of hunger and bankrupt”*

**Source: Household Questionnaire Survey (August-September 2008).**

All the above-mentioned definitions of poverty reveal that poverty is a multifaceted situation which is understood from people's experiences hence there can be no a straight jacket definition of poverty. It is the severity of the poverty in Zimbabwe that has coerced many people to live their jobs to pursue informal cross-border trade which is more than a survival strategy to those who can plan well and make good decisions.

### **Benefits of Informal Cross-Border Trade**

This study discovered some benefits that are derived from informal cross-border trade, which can be supported by the study by Tekere: Informalization of Trade – the case for Informal Cross-Border Trade, (April, 2001). Both studies argue that informal cross-border trade has more positive than negative gains. From the analysis of his study, he argued that informal cross-border trade plays a very important role in moderating economic hardships, reducing poverty and enhancing welfare and human development in Zimbabwe. The same results have also been found in this study. The following are some of the positive gains that his study highlighted:

- **Employment creation.** By engaging in cross-border trade people who otherwise have no jobs become gainfully employed and in turn a chain of other service providers such as transport and commuter operators get jobs where otherwise these operators would be unemployed.
- **Enhancing household incomes and foreign currency reserves.** With the unstable and deteriorating macroeconomic conditions in Zimbabwe, real incomes

have been declining in the 1990s forcing everyone in formal employment or unemployed to seek supplementary or new sources of income. Many families, both employed and unemployed people depend on this source of income even for school fees and other expenses. Informal cross-border traders also reduce the pressure on foreign exchange resources by selling handicrafts in South Africa and then using the proceeds to buy imports for sale locally. In some cases it is profitable to bring foreign currency than goods. Thus, both men women engaged in informal cross-border trade do not only enhance household incomes, but also generate foreign currency that is very critical for the country.

➤ **Responding to food insecurity.** Through increased incomes and importation of some foods, cross-border trade has improved food security for a number of households. Instead of attempting to be food self sufficient by relying on own harvest which in turn depends on whether rains are good or not, some families are focusing on generating income from informal cross-border trade. In times of drought, traders living in border areas produce foodstuffs from neighboring countries to supply local markets. Informal cross-border trade has enhanced availability of a wide variety of foodstuffs and other commodities through imports of food varieties not available locally. Local buyers of the imported goods have access to quality and relatively cheaper commodities.

➤ **Empowerment of men and women.** Cross-border trade has become a source of economic empowerment to a large number of Zimbabwean men and women who

cannot be absorbed in the formal sector labor market as well as those who quitted their jobs due to the crisis in Zimbabwe.

➤ **Poverty Reduction.** By raising employment levels, cross-border trading has helped to reduce poverty among the poor and also cushions both the employed and unemployed by supplementing their incomes from harsh economic conditions.

Given the above benefits from informal cross-border trade, this study went beyond poverty alleviation because poverty alleviation tends to main the status quo, whereas poverty reduction strives to eliminate the causes of poverty. Hence, this study managed to reveal that informal cross-border trade raptures people out of the viscous cycle of poverty rather than comforting them in the poverty cycle.

### **Challenges Facing Informal Cross-border Trade**

The expansion of the informal during the last decades has never been fully reflected in official statistics, which continue to seriously under-estimate its importance (Kajubi, 1990; Mupedziswa, 1991 in Gibbon, 1993). Most specialists in foreign trade and regional integration ignore informal cross-border trade flows and concentrate on recorded or official trade flows. Furthermore, informal cross-border trade is stigmatized by the detestable label of smuggling and lack of interest arising from lack of data and difficulties in data collection due to secrecy of the activity (<http://www.tradescentre.org.zw/publications/issue7.html#characteristic> accessed 15 April, 2007).

## **Informal Cross-border Trade and the Current Policy Environment**

Informal cross-border traders are faced with a hostile policy environment at both national and regional level thus undermining their ability to fight poverty. Informal traders are often viewed generally as “smugglers” while women traders are frequently portrayed as “prostitutes” (Muzvidziwa, 2005, 51). He argues that this perception can be attributed to the fact that most of the trade is undocumented and unregistered thus unaccounted for under national trade statistics. Consequently, policies tend to be biased towards formal trade between states. This perception is prevalent moreover because the informal sector is understudied. Hence, this study strives to go deep into the informal cross-border trade phenomenon to determine its impact on poverty reduction.

Policy dialogue in many developing countries continues to be driven by the perception that informal cross-border is not only welfare reducing and economically non-viable but socially undesirable. It has been argued that informal cross-border trade undermines local industries, distorts price incentives to producers, misguides domestic policies, negatively impacts on foreign exchange earnings, reduces tax revenue and distorts the correct picture of intra regional trade. However, the reality is that many people are making a living from informal cross-border trade, particularly Zimbabweans because of the socio-economic crisis in the country. Along all Zimbabwe’s borders and between SADC states there is a large magnitude of informal cross-border trade despite very stringent restrictive trade regulations.

### **Poverty Reduction versus Indicators**

These are the tools used to measure poverty even though they cannot be homogeneous to all respondents. They vary in degrees and percentages from one respondent to another depending on skills and experience in the field. For instance, the extent of household poverty reduction for someone who has been in the field for five years and above cannot be at par with someone with one to two years experience.

### **Income**

Income generation through informal cross-border trade increased significantly among most of the respondent's household. A very practical example is revealed by those who left the teaching profession who used to get a salary which is less than R100. There is a very significant increase in income which indicates that informal cross-border trade is a household poverty reduction strategy. These findings concur with those by Moses Tekere, which revealed that informal cross-border trade is an income generating activity which has cushioned many people from the vagaries of poverty. Findings from this study indicate that income for many informal cross-border traders ranged from 50 to 90 percent.

### **Household food security**

Household food security is one of the major indicators of poverty reduction. The range of household food security was from 54 to 90 percent. There is also a very big percentage range considering that some households at present cannot afford to have even a single meal because of the socioeconomic crisis in Zimbabwe. Most respondents indicated that they can send groceries worthy more than a thousand Rand to their families per month

depending on the amount of money they get per month from their customers. Food in Zimbabwe has become a very scarce commodity as many shops are empty due to shortages of foodstuffs and other basic necessities as this study is being carried out.

### **Health Security**

The percentage change in health security for respondents ranged from 35 to 100 percent. This is due to the fact that respondents are able to access medical facilities here in South Africa and can bring prescriptions for their family members to buy them treatment in the event that they fall sick. Some are actually able to bring their relatives to South Africa for treatment until they recover from their ailments. Most big hospitals in Zimbabwe like Parirenyatwa and Harare Hospital have closed due to shortage of staff and medication as well.

### **Education**

As far as education is concerned, the findings indicate a range from 60 to 100 percent in improvement in affordability. Some indicated that they can manage to send their children to schools and universities outside Zimbabwe, South Africa included. A good example is one respondent who reported that one of her sons is pursuing a degree at the University of Zimbabwe while the other one is at the University of South Africa. The respondent is divorced and is working hard through informal cross-border trade without the husband's support. Despite the socioeconomic hardships in Zimbabwe, many people are prospering through informal cross-border trade.

## **Shelter**

Through participation in informal cross-border trade, some respondents have managed to improve their standards of living by either buying a stand and then develop it or by buying full houses in urban areas. The woman discussed above also bought a stand in Chitungwiza suburban area and developed it. She built an eight roomed house through informal cross-border trade. She used to buy the building material from South Africa bit by bit as the house was not erected within a very short period of time. The same applies to the case study in this study. They also furnished the houses with properties. Some even went to the extent of developing their rural homesteads. These findings reveal that informal cross-border trade has graduated from the stage of being merely a survival strategy to a poverty reduction strategy to those who have a vision and are determined to work hard.

## **Property**

Investment in property is also another indicator of poverty reduction. Property is a luxury rather than a basic necessity hence, when people can manage to serve and invest in properties; it means they have satisfied their basic needs first. Findings from this study indicate a percentage increase in properties ranging from 10 to 75 percent varying from one respondent to another. Most if not all of the participants managed to buy household gadgets like television sets, four plate stoves, washing machines, refrigerators, HI-FI systems, microwaves, DVD players, home theater systems just to mention but a few.

## **Job Security**

Informal cross-border has become a major source of income to many Zimbabweans. The research findings revealed that of all the respondents who participated in this study, 20 percent are currently employed while 48 percent quitted their jobs to fully engage themselves in informal cross-border trade which has proved to offer greater rewards than their former jobs. The percentage range in terms of job security ranged from 30 to 100 percent depending on the individual participant's capacity to utilize the opportunities around them. The remaining percentage of respondents never worked and some of them are much more developed than those who worked before. This implies that informal cross-border trade has become an epitome of self employment cushioning many households from the vagaries of poverty. Only those without the means to join informal cross-border trade swallow the bitter pill of the socioeconomic crisis in Zimbabwe as they provide a reliable market for those fully engaged in informal cross-border trade.

## **Case Study**

This is a detailed case of a single woman who has been engaged in informal cross-border trade for 12 years. The aim of this case study is to highlight the value of informal cross-border trade and how it has helped to change the lives of participants. Hence, it is aimed at proving that informal cross-border trade is more than a survival strategy, which is a poverty reduction strategy.

## **Respondent A**

This participant is a single woman with two children. She attended school up to grade 7. She never attended secondary school. She was never employed in formal employment.

She raised her children alone without the aid of the husband. In Zimbabwe she stays at a growth point where she owns a stand and a large piece of land for farming.

### **Motivation for participating in cross-border trade**

During the interview, the respondent told the researcher that she was compelled by poverty to engage in informal cross-border trade. She reported that farming was her main source of income but it was unreliable due to the uncertainty of the weather. Recurrent droughts affected the respondent's source of income as it proved to be unreliable since it was determined by the amount of harvest in a particular year. The deteriorating economy together with recurrent droughts forced the participant to look for other avenues for self-sustainability.

### **Decision to quit farming**

When things got worse the participant decided to borrow money from relatives and bought goods to start business in South Africa. Her first business trip to South Africa was in January 1996. She had had some contacts with friends who were also cross-border traders who advised her on the merchandise to sell. She started vending the merchandise she bought from Zimbabwe. According to her observation informal cross-border trade was more profitable than farming. She started renting out her field instead of engaging in full time farming. It is now 12 years since she started this trade.

### **Types of merchandise sold and method of payment**

The respondent told the researcher that she sell things like seat covers, crochet work, handicrafts such as curved stones and wooden spoons. She also buys clothes and foodstuffs for resale in both South Africa and Zimbabwe. She moves from door-to-door to establish informal business contacts with her customers. Through informal networking she managed to establish markets both in South Africa and in Zimbabwe. This makes her business stable since she benefits from each business trip between the two countries because of a diversified market. As far as payment is concerned she applies different methods of payment which are cash, deferred payments and barter trade. This allows flexibility in her business transactions. From barter trade she normally exchanges groceries for maize and other farm produce like ground nuts and round nuts which she will in turn resell in South Africa. She gets tones of maize which she sells at the Grain Marketing Board in Zimbabwe. According to the respondent's report, at times she gets twice the amount of what she used to invest from barter trade only. At times she exchanges electric gadgets like television sets, stoves, and solar panels and so on for cows. The respondent also makes super profits from goods sold for cash and deferred payments. She makes more than hundred percent profit from each item sold. For instance, she can buy a skirt for R50 and sell it for R150 like what other participants indicated. Her business is well planned and organized in terms of markets and merchandise. The stability of the South African economy has been described by the respondent as the advantage that makes her businesses flourish.

### **How profit is used**

During the course of the interview the respondent indicated that she ploughs back a certain percentage of the profit into the business while the remainder is either saved or used to look after her dependents. Profit made in Zimbabwe is converted into South African currency which is much stronger and stable than the Zimbabwean Dollar. Some is used to buy properties.

### **Number of dependents**

The respondent has ten dependents from both the immediate and extended family of which four are attending primary school. She looks after her mother, brother and his two children and married daughter who have three children and her husband as well. She also pays the housemaid every month.

### **Improvements in household welfare**

The respondent commented that the life of her household has greatly improved through her engagement in informal cross-border trade. Indicators include household food security, health, and education for children, shelter and property. Her savings have also improved as compared to the period before she became fully engaged in informal cross-border trade.

### **Properties**

According to the respondent's report she managed to build a four-roomed house and installed electricity even though she sometimes uses a solar panel as a source of energy.

She also bought the following gadgets: a deep freezer, sewing machine, HI-FI System, television set, kitchen chairs, a wardrobe, solar panel, washing machine and other small gadgets like a kettle, iron, toaster and so on. She also bought small-scale farm equipment like an ox-plough, a cultivator and a spraying boom.

### **Household food security**

The respondent is able to feed her family as well as the extended family without difficulties despite the food crisis in Zimbabwe. She even buys extra food for sale to community members especially basics like cooking oil, soap, sugar, and salt and so on. She can also process cool drinks and bakes a variety of scones and cakes for sell.

### **Education for children**

The respondent managed to send her daughter to school up to form four. She also helped her son in-law to further his studies by sending him to college. Currently she is catering for the education of her two grand children and two nieces which are orphans. She buys them all the school kits and uniforms as well.

### **Household health**

The respondent reported that she can manage to buy medicine for her dependents particularly in South Africa since there is a problem of medical supplies in Zimbabwe at present due to the socio-economic crisis. Many people in Zimbabwe have been affected by many disease outbreaks such as malaria, rabies and cholera. This is a result of lack of

chemicals to treat water as well as lack of medication for both animals and human beings to prevent disease outbreaks.

### **Factors that have sustained the participant informal cross-border trade**

#### **Planning**

The respondent emphasized the issue of planning as the corner-stone for the success of her endeavors to reduce household poverty through informal cross-border trade. She highlighted that without proper planning one may not see the viability of informal cross-border trade to household poverty reduction. Through planning she is able to reduce risks associated with her business thus reducing chances of collapse. Planning enables her to make alternatives in the event that there are some changes as far as markets and products are concerned. She also reported that through planning she can also budget her money and time to make sure that she does not waste her resources, including time. According to her report she crosses the border every month to and from South Africa.

#### **Market and product diversification**

The market, as well as the product range of the client, is highly diversified. As far as her market is concerned the respondent targets people from all walks of life. These include the working class, farmers, mine workers, rural people and tourists as well. With products she does not rely on one type of product hence she sells products like foodstuffs, craft work, clothes, blankets, cell phones, rubber products and crochet work. Electrical gadgets like television sets, radios as well as solar panels are sold to those people who would have placed orders only. With craft-work and crochet-work she normally targets tourists

and other local South Africans from affluent communities, whereas with foodstuffs she normally targets the local people particularly low income earners. This ensures sustainability of her businesses, hence, when one area is not profitable the other market will cover costs and expenses. The growth point in which the respondent lives is near a gold mine where there are large numbers of gold paners who provide a very reliable market to various types of goods sold by the respondent, especially groceries and foodstuffs, clothes and gadgets like television sets, radios and cell phones as well.

### **Informal networking**

This is also an integral part of the respondent's success in informal cross-border trade. It enables the respondent to get the necessary information about market niches and products on demand since some of her goods are produced seasonally. She networks with her customers as well as with other informal cross-border traders. Some of the seasonally produced goods which the respondent sells are umbrellas, jackets, shoes and so on. Informal networks have also been recognized as avenues for people to people integration.

### **Knowledge of demand and supply in both markets**

Through informal networking the respondent has gained indigenous knowledge about goods which her customers need especially traditional foodstuffs for both Zimbabweans and South Africans. She is now acquainted with the knowledge about their staple food; consequently she sources different foodstuffs for her differentiated markets.

### **Accepting different methods of payment**

Different methods of payment are encouraged by the respondent since she has carefully studied her targeted customers and these include cash, barter trade and deferred payments. All these methods of payment work for her even though sometimes she struggles with deferred payments, especially during the festive seasons as most of her customers may not pay her fully or fail to pay at all. The reasons that are normally given by the customers are that they would have saved money to spend with their families during the festive season. The advantage of her using barter trade is that she can always convert the goods into cash or alternatively stock for seasonal demand. A very good example is dry maize in Zimbabwe which she collects during harvesting time. She normally sells it during the beginning of summer when it is on demand thus sustaining her businesses.

### **Savings**

Informal cross-border trade is the main source of income for the respondent; hence she makes sure that she saves by all means. The respondent highlighted that saving is one of the best ingredient of her success in informal cross-border trade. She told the researcher that savings have sustained her during the time when her markets crumble due to fluctuation in demand and supply as when her customers default or delay payment. Savings are ploughed back into the business to ensure continuity and sustainability.

## **Challenges Faced by the Respondent**

### **Visa and duty issues**

The respondent cited the issue of visas as the major obstacle to informal cross-border trade. The major concern is the large amounts of South African Rand that is charged to put a visa that is valid for six months and the number of days that they are allowed to stay in South Africa. For instance, one is required to pay R2000 for a visa and the person is not allowed to stay more 30 days before returning to his or her home country. She also stated that duties paid at the border are a significant drain on her profit margin. A study by Peberdy and Crush (1998: 3) also present the same argument about visas and duties. They argue that the present system of restrictive regulation has negative consequences for both informal cross-border traders and the government of South Africa. They view the issue of single-entry visas as a problem as it increases the workload of issuing officers as traders have constantly re-apply, creating opportunities for corruption.

### **Politics**

The respondent reported that the political environment in Zimbabwe adversely affected her business since some of her goods used to be confiscated by cruel people who are against the informal sector. Some participants were brutally beaten and their goods confiscated during the political crisis in Zimbabwe. She could not freely participate because of fear. **Source: Household Questionnaire Survey (August-September 2008).**

## **Conclusion**

From the foregoing it can be concluded that informal cross-border trade is a household poverty reduction strategy considering the fact that the respondent managed to break the fetters of poverty that had imprisoned her household in poverty. The conditions explained above have contributed to the success and progress of the respondent in her endeavors to improve the welfare of her household including the extended family.

## CHAPTER 5

### CONCLUSION: RESEARCH AND POLICY RECOMMENDATIONS

#### Introduction

This last chapter is a summation of the whole study which endeavors to highlight the issue of informal cross-border, particularly its value and contributions to household poverty reduction. Its main thrust is to indicate and align the most significant findings with the research question. Thus it aims to assess whether the findings answered or measured the variables under the study. The major findings are mainly from the experiences of the respondents as to how they view poverty and how they have managed to strategize to fight against poverty through informal cross-border trade.

General conclusions shall be drawn and recommended suggested. This chapter then analysis and presents the concerns of informal cross-border trade from the previous chapters. This study also augments the actor-oriented approach to poverty reduction which implies that poverty reduction can only be achieved if all stakeholders in poverty reduction are given enough room to participate with all the necessary support that is required. Informal cross-border trade is part of the informal sector which has been neglected at the expense of the formal sector. Policy-makers have not been fair as far as informal cross-border trade is concerned. Recommendations shall be made in this chapter in order to enlighten policy makers on the value of informal cross-border trade which has become a panacea to many Zimbabweans in a country which is on the verge of collapse.

## **Major Findings**

All respondents argued that informal cross-border trade is a poverty reduction strategy that is 100 percent of the people interviewed. This study established that informal cross-border trade when given a better momentum and managed very well is really a poverty reduction strategy rather than a survival strategy. It also uncovered that only those who have been involved in informal cross-border trade for a year and below view informal cross-border as a survival strategy since they have not achieved much. This shows that poverty reduction cannot be measured over-night but after a reasonable duration of time. It has also been established in this study that informal cross-border trade does not benefit the households of the participants only but also the Zimbabwean citizens as it has helped to distribute the scarce goods in the country. One of the respondents commented that if there were no informal cross-border traders coming to South Africa there could have been a disaster in Zimbabwe. Most respondents commented that what is needed is determination, focus and hard work in order to achieve the desired goals.

As indicated by many participants, their household income, health security, food security, shelter and property has improved remarkably. Consequently, all of the participants do not regret their participation in informal cross-border trade because it has become their main source of income at the peak of the socio-economic crisis in Zimbabwe. Some participants who left their teaching jobs indicated that their monthly salary was less than R100 hence they now get R1000 plus a month. In South Africa this figure may appear to be insignificant, but in Zimbabwe it holds a lot of value thus it will be a great achievement to the participants.

However, there are some obstacles in the form of policy and restrictive government regulations which hinder the full potential of informal cross-border traders to accomplish their desired goals. For instance, trade regulations like visa policy, customs duties, the issues of temporary residence permits instead of trading permits and licenses are stumbling blocks which limit the full capacity of informal cross-border traders to exercise their full ability to fight against poverty. Ninety-two percent of the respondents showed that visa issues and customs duty are a major drain on their profit margins. They advocated for trade agreements between South Africa and Zimbabwe which may be in the form of trading blocks, such as a customs union, thus removing the stumbling blocks to their efforts to reduce poverty.

These restrictive trade issues have been viewed by the respondents as encouraging corruption by Home Affairs officials, customs duty officers as well as by police officials. One of the respondents highlighted that each year they lose thousands of rands through some corrupt South African police officers who confiscate their goods and tell them that they hold temporary residence permits and not trading permits. Some corrupt police officers ask for bribes from these informal cross-border traders because of the status of their permits. The other respondent also indicated that South Africa as a neighboring country should consider relaxing the visa issues while Zimbabwe should relax their duties which are giving informal cross-border traders a hard time. He suggested that both countries should reach trade agreements in order to remove these major obstacles.

Poverty reduction is a social policy issue, 24 percent of the participant advocated for the formation of Cross-border Trade Associations, which would provide security to discrimination against informal cross-border traders. This is viewed as a way of protecting these informal cross-border traders from exploitation through corruption in its diverse forms. Twelve percent also argued that these Cross-border Trade Associations are of vital importance since they can form agents which help participants with research and market information while 28 percent of them suggested that the government should assist them with financial support. Most of the beginners of informal cross-border trade indicated that financial support is really critical especially during the first time of engagement in informal cross-border trade.

The cost of transportation was also highlighted as another setback on their profit margin as transport owners charge exorbitant fares. Eight percent of the respondents were concerned about the high transport charges which erode their profits. They therefore suggested that the government should provide transport for informal cross-border traders to make their lives easier. Besides the above-mentioned problems, respondents also face competition among themselves and the problems of deferred payments. Twenty-four percent of them complained that they are facing challenges when they sell their staff on credit as some clients take months to pay.

## **Conclusions**

The objectives of this study seem to have been accomplished. The administration of questionnaires accompanied by an interview guide has helped to assess the viability and

sustainability of informal cross-border trade as a poverty reduction strategy. Fifty-six percent of the respondents were women while 44 percent were men indicating an increase in the number of male participants in informal cross-border trade as compared to previous studies on informal cross-border trade. Most participants had the burden of looking after the extended family as they had a very big number of dependents. Over 90 percent of the respondents are educated. The process and benefits of informal cross-border trade participation were uncovered thus highlighting the feasibility of informal cross-border trade to poverty reduction.

Assessment of the viability of informal cross-border trade as a poverty reduction strategy was one of the objectives of the study. The information gathered shows that informal cross-border trade is a poverty reduction strategy as indicated by significant improvements in the standards of living for many participants. Indicators include household food security, increase in income, properties, shelter, household health security as well as education for children.

Another related objective was to assess the sustainability of informal cross-border trade as a household poverty reduction strategy. The findings have shown that the sustainability of informal cross-border trade is feasible provided that certain conditions are met. The majority of respondents agreed that the sustainability of informal cross-border trade can only be achieved if the participants are determined to work hard, create a vision and goals to be achieved. Planning was seen as the major ingredient for the

viability and sustainability of informal cross-border trade as a household poverty reduction strategy.

The major push factors for informal cross-border participation were poverty which has been exacerbated by the socioeconomic crisis in Zimbabwe, unemployment and poor remittances. Some respondents especially those who were employed revealed that their salary was enough to commute to work only while they had other needs to be met. The South African economy was then a pull factor considering the stability of the South African Rand and the availability of basic commodities. The availability of markets also was another pull factor, particularly for handcrafts and foodstuffs especially tourists and local South African respectively.

In summation, informal cross-border trade has been proved to be an effective household poverty reduction strategy, considering the benefits it has brought to the households of the participant. It has also been found to be a viable and sustainable household poverty reduction as could be seen from the research findings. Participants have managed to find an exit out of the viscous cycle of poverty even though there are some stumbling blocks that hinder the full capacity of the participants to achieve their goals. For instance, restrictive government regulations through customs duties, visas and the issuing of temporary residents permit instead of trading permits, which erode the profits of participants, have been identified as the major stumbling block. Lack of social policy which advocates for the participation of people at grassroots level is another hindrance as the informal cross-border traders have been neglected at the expense of economic and

political policies. Therefore recommendations shall be suggested as to how this issue can be solved.

### **Recommendation for Policy Makers**

Given the above mentioned challenges facing informal cross-border traders, it is, therefore, imperative for policy-makers to be enlightened above the value of informal cross-border trade so that social policies can also be made in favor of informal cross border traders who are also stakeholders in poverty reduction. The following recommendations can therefore: be suggested:

- Policy dialogue among policy-makers should not be obsessed with the assumption that informal cross-border trade is not an economically viable and socially undesirable activity. Many negative images have been attached to informal cross-border trade but the fact is that informal cross-border trade has proved to deliver positive results on household poverty reduction. Informal cross-border trade also plays a vital role in regional integration by “people-to-people” integration facilitated by informal networks.
- A policy framework that would allow for multiple entry and cancellations of visa restrictions would be suggested as it gives traders ample time to conduct their businesses without a rush. This would also eliminate the problem of corruption by Home Affairs officers as well as by customs duty officials.
- Financial institutions that render access to credit by infant cross-border traders, as well as those that are struggling should be formed as a support structure so that participants will not sink when they are facing financial difficulties due to

- shortages of foreign currency. Banks have been posing stringent measures to borrowers, thus negatively impacting on the growth of the businesses.
- Informal cross-border associations that support the rights of traders should also be set up as the rights of informal cross-border traders have been violated by different groups of people who associate informal cross-border traders with a variety of negative labels. The associations can also help the participants by standardization of goods in buying and selling; provide market information, technical support and advocating for their interests and rights.
  - Policies that which endeavor to eliminate obstacles to the free movement of people; goods and services should be formulated and implemented. For instance, the ambiguous status of the current permit which are given as visitor's permit which people use when they trade. Hence, there should be traders' permits which allow informal cross-border traders to conduct business freely. Bank statements which are intended to show that the applicant has sufficient money should be abolished. Letters of invitation from relatives or friends in South Africa is also another restrictive measure that should be abolished. Customs duties on the other hand limit the profit margins of participants hence they should also be removed. They also encourage corruption by officials who overcharge cross-border traders.
  - New policies should allow the issuing of trading permits and licenses which allow flexibility in conducting businesses as well as free movement of goods and services, capital and labor as well. Thus, giving momentum for informal cross-border traders to perform to their full potential.

### **Suggestions for Further Research**

- There is need to investigate the developmental role of informal cross-border trade besides it being a poverty reduction strategy. This is because informal cross-border trade does not benefit the households of participants but also the economies of the countries of participants. Informal cross-border trade has a positive indirect impact on government revenue of the countries of participants even though it has never been researched.
- Given enough financial resources it is better to accompany respondents to their trading places to see the clear picture of how the informal trade economies operate. More information can only be gathered if the researcher behaves like the respondent by escorting them to their trading places. For instance, going to those places may help the researcher to experience the challenges they face, the places where they sleep, and the methods in which they conduct their businesses.
- It is also imperative to accompany respondents to their home areas to have tangible evidence of the benefits accrued from informal cross-border trade as well as interviewing the household members of the participants in order to get more information.

## APPENDICES

University of Fort Hare  
P Bag x1314 Alice  
5700



### **APPENDIX A: SURVEY INSTRUMENTS** **BASELINE SURVEY: JOHANNESBURG PARK STATION** **QUESTIONNAIRE: INFORMAL CROSS-BORDER TRADE: A REVIEW OF ITS** **IMPACT ON HOUSEHOLD POVERTY REDUCTION: THE CASE OF** **ZIMBABWE.**

**This questionnaire shall take about 15-20 minutes of your time to fill it.**

#### **To All Cross-Border Traders**

My name is Chivimbiso Chani, a second year Masters student at the University of Fort Hare. I am carrying out a research on Informal Cross-Border Trade for academic purposes for me to complete my degree in Development Studies. This research is not meant to help me complete my studies only, but also to enlighten development policy makers on the value of Informal Cross-Border Trade on poverty reduction. The main aim of my research is to assess the impact of Informal Cross-Border Trade on poverty reduction. It has nothing to do with the political situation in Zimbabwe. Our country is undergoing a crisis hence many people have been forced to join Informal Cross-Border Trade as a solution to the socio-economic crisis. I therefore kindly ask you to give as much objective information as you can. The information you shall provide shall be treated with confidentiality, I therefore encourage you to give true and honest answers.

Your cooperation and participation in this regard is highly appreciated.

#### **SECTION A**

General Instruction: Circle the relevant code(s)/Fill in the blank spaces where necessary.

**For example, Your Gender 01 Female 02 Male**

##### **1. Household Demographic information:**

a) Indicate your age and gender.

- 01** Boy below 16 years                      **02** Girl below 16 years  
**03** Adult male 16+years                      **04** Adult female 16+years

b) Are you Literate:            **01** Yes                                      **02** No

c) Educational Level.....

d) Marital Status:

- 01** Single            **02** Married                      **03** Divorced                      **04** Widowed

e) Number of dependents.....and number of children going to school.....

2. Indicate your area of Residence in Zimbabwe.

- 01** Rural area            **02** Urban area **03** Growth point

3a. Business category of respondent:

- 01** Retailer **02** Wholesaler                      **03** Retailer/Wholesaler **04** Other.....

4. Identify the five major goods of specialization you buy and sell from both Zimbabwe and South Africa:

Zimbabwe	Buying Price/unit Z\$/	Selling Price/unit Z\$	South Africa	Buying Price/unit Rand	Selling Price/unit Rand

5. What is the source of initial funding?

**01** Bank    **02** Savings    **03** Credit    **04** Relative/friend    **05** Other.....

6. Source of market information:

**01** From adverts (Radio, Newspaper, T.V)    **02** From friends/relatives/business colleague **03** other.....

7. Method of payment when selling both in Zimbabwe and in South Africa:

**01** In Cash    **02** Deferred Payments    **03** Barter trade  
**04** Combinations of above.....

8. How do you obtain foreign exchange?

**01** Official    **02** Parallel Market    **03** Other .....

9. How much do you spend on each of the following? Please specify currency.

- a) Rent.....
- b) Processing and Packaging.....
- c) Storage of goods.....
- d) Hired labor.....
- e) Taxes/duty.....
- f) Transportation.....
- g) Household food.....

10. What is the approximate amount of goods imported for?

**01** the past one month. ....  
**02** the past six months. ....

- 03** the past twelve months.....
- 11. Estimated Amount taken home per month (Rand).....
- 12. Mode of transporting goods across the border:
- 01** Own means    **02** Hired Vehicle    **03** Bus    **04** Other.....

**SECTION B: INTERVIEW GUIDE**

- 1. Are you currently employed?
  - 01** Yes    **02** No    **03** Quitted    **04** Never worked
- 1.1 Explain what motivated you to engage yourself in cross-border trade.
  - .....
  - .....
  - .....
  - .....
  - .....
  - .....
  - .....
  - .....
- 1.2 Is cross-border trade your main source of income?
  - Please explain.
  - .....
  - .....
  - .....
- 1.3 When was your first business trip to South Africa?
  - .....
- 2. Who was involved in the decision?
  - 01** Spouse    **02** Self    **03** Parent/Guardian
- 2.1 Why did you choose to come to South Africa over other African countries?
  - .....
  - .....
- 2.2 Did you know someone here in South Africa before you came who accommodated you?
  - .....
- 2.3 Was it worthwhile leaving your family and coming to South Africa? Please explain.
  - .....
  - .....
  - .....
- 2.4 Can you describe the form of accommodation that you use during your stay in South Africa?
  - .....
- 2.5 For how long have you been in this field? Please specify.
  - .....
- 3. Can you rate any improvement so far since the time you joined this business field in terms of the following:

- a) Food security.....
- b) Income.....
- c) Shelter.....
- d) Property.....
- e) Education for children.....
- f) Health security.....
- g) Job security.....

4. Can we safely say that your welfare has greatly improved because of your engagement in informal cross-border trade?

**01** Yes                      **02** No

Please explain.

.....

.....

.....

.....

.....

4.1 Do you think informal cross-border trade can reduce poverty?

**01** Yes                                      **02** No

Please explain.

.....

.....

.....

4.2 Given the chance to expand your business, in which country would you prefer to expand your business?

**01** Zimbabwe      **02** South Africa      **03** Both countries

Please explain your choice

.....

.....

.....

.....

5. Do you face any challenge in this field?

**01** Yes                                      **02** No

5.1 Tell me more about these challenges.

.....

.....

.....

.....

5.1 How are you coping in the face of these challenges?

.....

.....

.....

.....

5.2 What do you think should be done in order to overcome these challenges?

.....  
.....  
.....  
.....  
.....

5.3 What form of assistance would need to help you overcome these challenges?

.....  
.....

5.4 What role do you think the government of Zimbabwe and South Africa should play in order to assist informal cross-border traders?

.....  
.....  
.....

6. From your own point of view can you safely say informal cross-border trade is a poverty reduction strategy? Explain

.....  
.....  
.....  
.....  
.....  
.....

1. If you were to be asked how to define poverty, how best could you define it?

.....  
.....  
.....  
.....

Any other comments

.....  
.....  
.....  
.....

**THANK YOU FOR PARTICIPATION**

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