



EXAMINING WHY MARKET VENDING BUSINESS INCREASES AMIDST ECONOMIC CHALLENGES IN MALAWI

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Abstract

In Malawi Market Vending Business (MVB) has been experiencing several challenges. Many studies have found that MVB has been affected by challenges such as: a poor economy; a lack of enough capital; insecurity; a lack of legal protection; restrictive by - laws and legislation; unplanned policies on urban development; low levels of business skills; high market rates/fees; and a lack of enough market facilities i.e. portable water and toilets. According to the results of many studies, economic challenge has negatively impacted on the income of the MVB. Surprisingly, despite the economic challenges, MVB has been increasing over the years in Malawi. As such, the purpose of this study was to examine why MVB continues to increase despite the economic challenges. The study was both qualitative and quantitative. The dualist theory was adopted to guide the study because it best suits the nature of MVB in Malawi. The researcher used questionnaire and interviews to collect primary data. In addition, published journals, books, articles, dissertations, and magazines were also used to collect secondary data. Convenience sampling technique was used and the study participants were 300. Descriptive statistics was used to analyze the data. The study findings have shown that MVB continues to increase despite the economic challenges because it is the only source of income due to the high unemployment levels in Malawi. MVB provides informal employment to both the educated and uneducated Malawians. This contributes to the increase of MVB in Malawi.

Keywords: Market vending business, MVB, Economic challenges, Malawi



INTRODUCTION

This study was conducted to examine why Market Vending Business (MVB) continues to increase despite the economic challenges in Malawi. According to the World Bank (2021), poverty is severe in Malawi with over 90% of people living on less than US \$ 2 per day. In Malawi, there is severity of poverty and as in other developing countries; Malawi has been struggling to reduce the poverty. One of the interventions has been the introduction and implementation of social and economic policies which address the issue of poverty both at national and individual levels (Okibo et al., 2014). Formal employment has been reduced due to a number of factors such as: globalization and redundancies. According to Festo (2014), the rural inhabitants have moved to urban areas for employment opportunities and better facilities.

The term 'Informal sector' has many definitions. According to Cross (2009), cited in Kayuni et al., (2009), informal sector involves the production and exchange of legal goods and services without appropriate business permits. Similarly, Sibhat (2010) refers the informal sector to activities and income that are partially or fully outside government regulation and taxation. In less developed countries like Malawi, the term 'informal sector' has generally been associated with unregistered and unregulated small-scale businesses that generate income and employment for the urban poor (Bernabe 2002, as cited in Ndhlovu 2011). As indicated in FinScope survey (2019), 89 per cent of the MSMEs trade informally. Most of the MSMEs are neither registered nor licensed. MVB belongs to the informal sector in the sense that it is unregulated and unrecorded in the official statistics.

According to Lyons et al., (2010), cited in Mramba (2015), vending is defined as all non - criminal, commercial activities that are dependent on access to public space, including market trade, trade from fixed locations, and hawking (mobile vending). In Malawi, there are two types of Vending businesses, the legal vending and illegal vending. Illegal vendors are those unlicensed. The illegal vendors risk being arrested and pay a fine to the City Council. Examples of these are mostly the street vendors who carry a few items with them, such as fruits and vegetables, second - hand clothes or shoes. The legal (licensed) vendors pay a fee to the City Council in order to be allowed to conduct their business. The majority, 74% of the MSMEs are micro enterprises with 1 to 4 employees (FinScope survey 2019). MVB falls into the Micro enterprises. MVB is an example of MSMEs that dominates the Malawian economy. In this study, the concepts of Informal sector, MSMEs, and MVB are related in the sense that they are mostly unregulated and unrecorded in the official statistics. This study concentrated on the vendors from Blantyre flea market who are regarded as 'legal' by the City Council. The study concentrated on Blantyre market vendors only because of financial and time limitations to cover the other flea markets of Zomba, Lilongwe and Mzuzu. The study was guided by the Dualist

theory, which asserts that persistence of informal sector activities is a result of insufficient formal job opportunities produced to take in the surplus labour (Tokoman 1998, cited in Ndhlovu 2011). This is due to a slow rate of economic development and a faster rate of urbanization.

STATEMENT OF THE PROBLEM

In Malawi, MVB is possibly the most visible and very significant in the urban informal sector. However, as indicated in many studies, the MVB has been experiencing several challenges such as: a poor economy; a lack of enough capital; a lack of legal protection and a low level of business skills. According to the results in many studies, economic challenge has been very dominant and it has negatively affected the income of the MVB in Malawi. Of recent, COVID 19 and Cyclone Freddy have greatly accelerated the economic challenge in Malawi.

Despite the economic challenges, MVB has been increasing over the years. According to FinScope survey (2019), the MSME sector has 1,141,784 business owners. This marks an increase of around 50 per cent from 758,118 in 2012. As such, it was against this background that the study aimed at examining why MVB continues to increase amidst the economic challenges.

METHODOLOGY

This study used a qualitative and quantitative research design. The qualitative approach was used to examine why the MVB continues to increase in Malawi, despite the economic challenges. According to Creswell (2014), the qualitative approach falls within the interpretive paradigm which is based on the assumption that social reality is subjective to experiences of individuals. It is based on the individual's own views, interpretations and experiences. In addition, a quantitative approach was used to help explain the phenomenon. According to Tuli (2010), a quantitative design describes, predicts, and verifies social phenomena.

The study was carried out at Blantyre flea market in Blantyre city, located in the southern region of Malawi. The target population included traders and service providers in Blantyre flea market. Blantyre is one of the highly urbanized areas of Malawi where vending business is highly taking place. It is the oldest urban centre in Malawi and is the main hub for communication and commercial activities. Due to time and financial limitations the study was conducted in Blantyre market only. The study failed to include the other flea markets of Zomba, Lilongwe, and Mzuzu. However, the study used reliable instruments proved using Cronbach's Alpha score so that the results can be generalized to Malawi and other countries

The study used non - random sampling technique, namely convenience sampling. According to Delpont et al., (2011) cited in Saunyama (2013), convenience sampling allows the

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

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

1. Traders.

These included: - Clothing sellers.

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

2. Service providers.

These included: - Shoe, watch, and radio repairs

- Hairdressers and barbers.

A sample size was calculated using the formula offered by Gay (1996). According to Gay, the following are the guidelines for selecting a sample size: If the population size is at least 500, 50% of the population should be sampled. If the population size is at least 1,500, 20% should be sampled. Beyond a certain point (at approximately $N = 5,000$), the population size is almost irrelevant, and a sample of 400 would be adequate. Thus, the larger the population, the smaller the percentage. This study calculated the sample size based on the above guidelines. Therefore, the sample size was:

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

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

		Sample
Traders	$80\% \times 300$	240
Service providers	$20\% \times 300$	60
	Total:	300

The researcher used a questionnaire for data collection. The questionnaire was self - designed. To complement the questionnaire, the researcher also used individual interviews to

obtain more detailed and meaningful information on the reasons why MVB continues to increase despite the economic challenges. The individual interviews were carried out with 10 selected market vendors using convenience sampling. The study also used secondary sources to collect information. Published journals, books, articles, dissertations, magazines etc, were used.

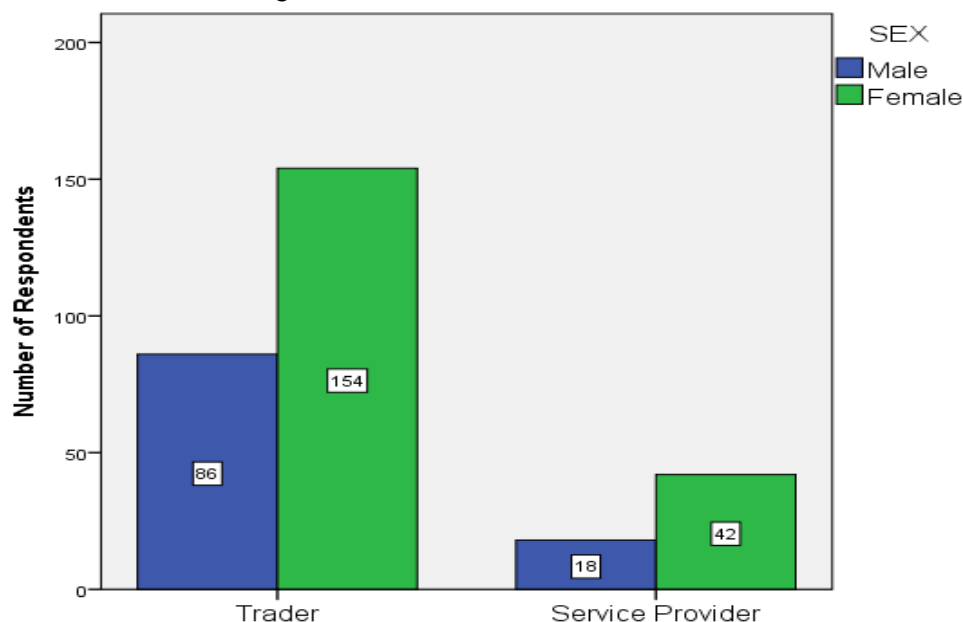
The data was analyzed using thematic analysis for the qualitative data and Statistical Package for Social Sciences (SPSS) for quantitative data. The quantitative data was described using bar graphs, frequencies, and tables. Then, the data was analyzed using a quantitative analytical approach. According to Abeyaseka (2000), a quantitative analytical approach allows the reporting of summary results in numerical terms to be given with a specified degree of confidence. The researcher made use of valid and reliable measuring instruments and ensured that the study was conducted in an ethical manner.

FINDINGS AND DISCUSSIONS

In this section, the results of the study are presented and discussed. The results are divided into three sub sections. The first sub section deals with the characteristics of study respondents. The second sub section deals with the business history and operation of MVB. In the third sub section, there is an examination on the reasons MVB still operates despite the challenges.

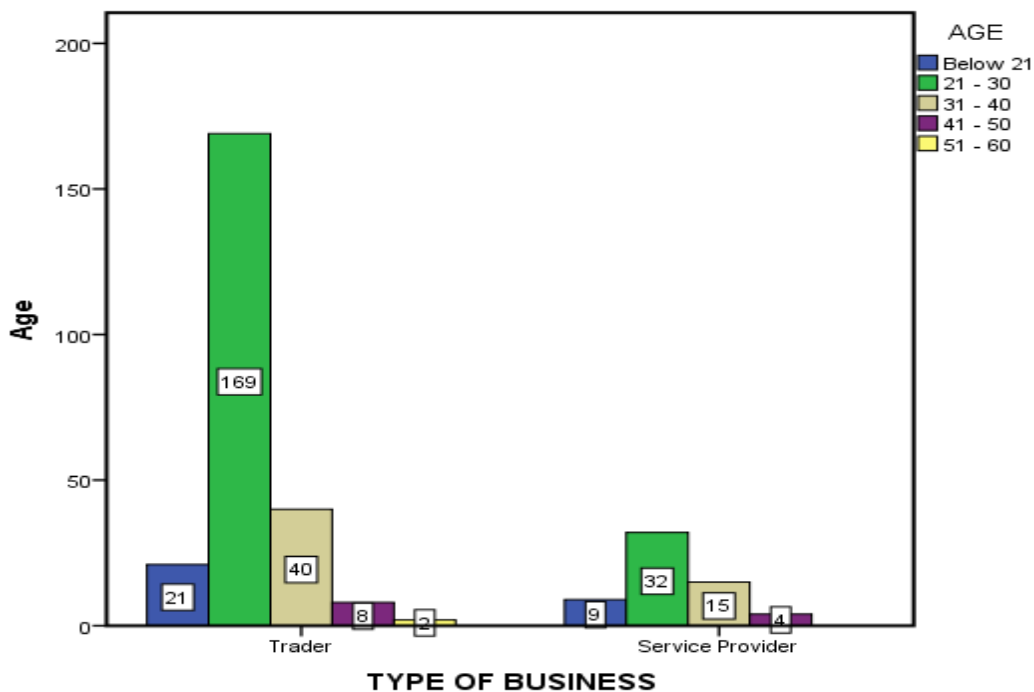
Characteristics of the respondents

Figure 1: Sex of the market vendors



According to the study results as shown in figure 1, out of the total respondents, 65% were females whilst males accounted for 35%. Considering the findings of the study, females participate more in MVB than males. According to FinScope (2019), women are the largest group in MVB. This confirms the research findings that women dominate MVB in Malawi and similarly in other countries. The UNDP states that women have a higher unemployment rate than men in every country (Cheston et al., 2002, cited in Saunyama, 2014). Therefore, the reason why females predominantly participate in market vending business more than males because of high economic needs. Studies in Africa and other countries in the developing world indicate that women constitute the principal labour force in the informal sector, particularly in such activities like food and beverages, retail trade, pottery, basket weaving, and cross border trade (United nations 1996, cited in Jimu, 2004). To meet their economic needs, women dominate vending business. According to Girma (2009), in many parts of Asia, Africa and Latin America, women represent majority of the vendors. This is due to the limited economic opportunities for women in both rural and urban areas, and gender bias in education. Besides this, vending has a special appeal for women due to its flexibility.

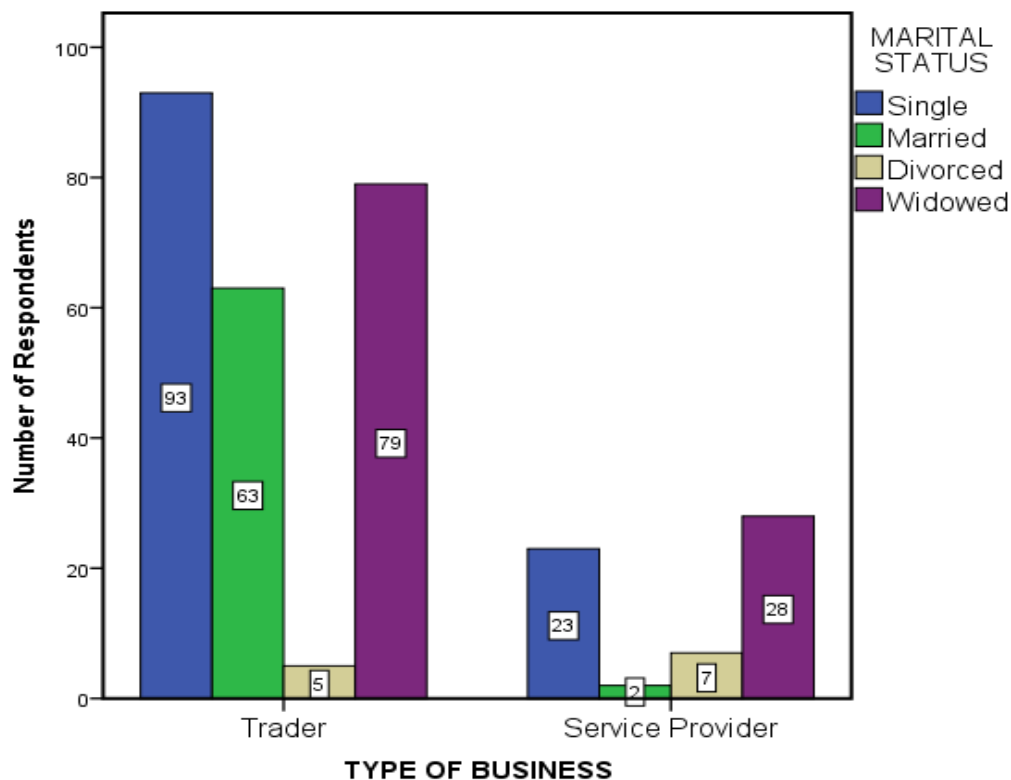
Figure 2: Age distribution of the market vendors



For the purpose of this study, the age group was categorized into four age groups. The age groups were: below 20, 21-30, 31-40, and above 40. As shown in figure 2, out of the total respondents, the youths within the age groups of below 20 years, 21-30 years, and 31 - 40

years had an account of 95%. But within the youths, the age group of 21 - 30 years appeared to be more, with an account of 67%. Similarly, Girma (2009), found that vendors within the age group of 20 and below, and 21 - 30 are the majority in vending business. Also, FinScope survey (2019) indicated that the youths dominate the MSMEs in Malawi. According to the results above, the age group of over 40 years was the least. This age group accounted for only 5%. The reason for this may be because most of the vendors who are above 40 are less energetic to run MVB as it requires running up and down to order and sell their merchandise. According to the results, it clearly shows that urban formal youth unemployment is very high and market vending is the major source of informal employment for the youths (Kachiza 2000). Since the youths are active and energetic, they are dominating MVB to earn a living.

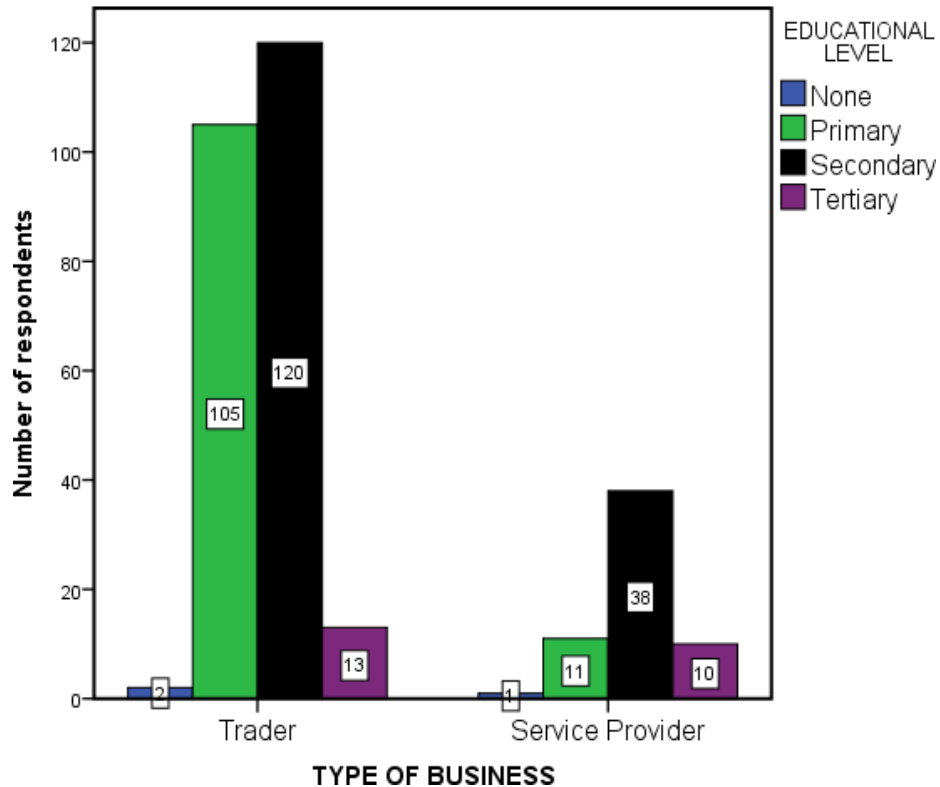
Figure 3: Marital status of the market vendors



Based on figure 3, out of the total respondents, the single participated most in MVB, with an account of 39%. The single market vendors participated most in MVB because most of the singles were the youths that dominate the business. There is also a significant percentage of widows doing MVB. The widows accounted for 35%. According to one of the interviewees in this study, the widows find MVB as the only way of survival to meet their basic needs due to high unemployment rate. The least was the divorced with an account of 4%. The reason for this was

because most of the divorced lacked financial support. According to one of the interviewees in this study, most of the divorced failed to have initial capital unlike the widows who most of them had access to the property left by the deceased.

Figure 4: Educational level of the market vendors

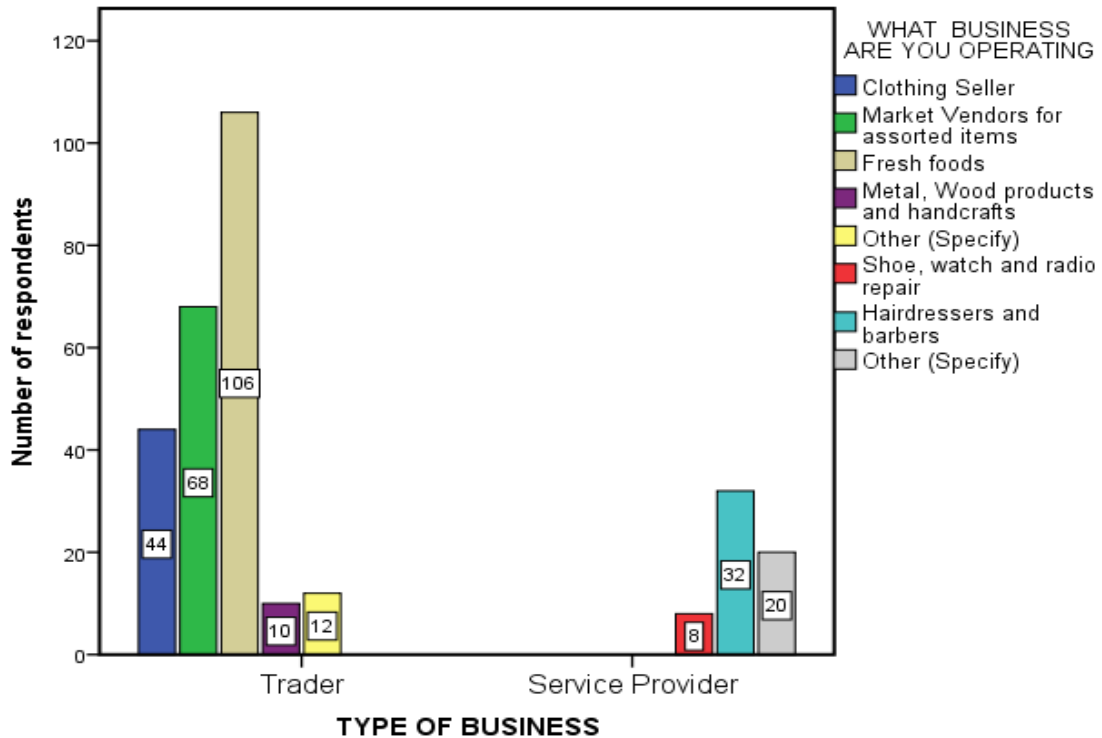


Based on the study results in figure 4, majority of the vendors had attained secondary education level, with an account of 53%. Market vendors who had attained primary education accounted for 39%. Similarly, the study of Ikoja - Odongo et al., (2004) cited in Ndhlovu (2011), found that most traders in informal sector had completed primary and secondary education. Only 1% of the market vendors had not attained any educational qualification. According to a study by Judai et al., (2002) cited in Ndhlovu (2011), most of the vendors have little or no education. Contrary to the findings of this study, the majority of the market vendors had attained both secondary and primary education levels. This shows that most of the market vendors are literate.

Business history and operation of Market Vending Business

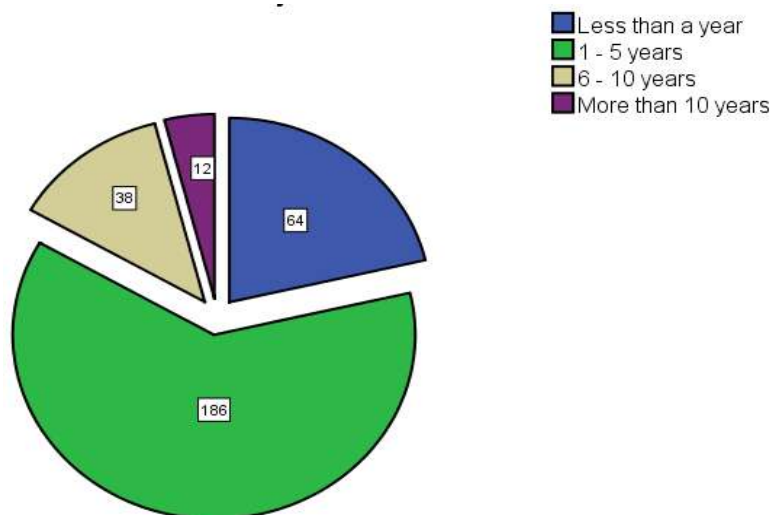
In this sub section, the history of the business operated has been presented. This includes; the category of the business, the year when the business started, and the initial capital.

Figure 5: Category of business operated



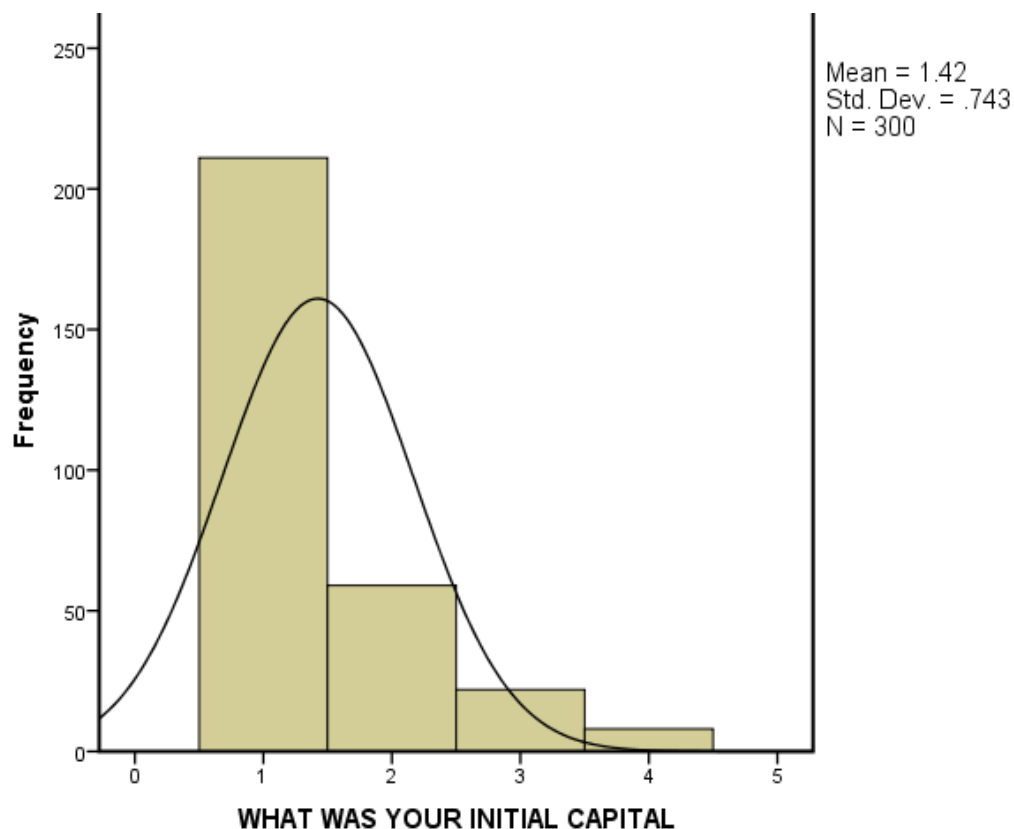
Based on figure 5, market vendors in the category of fresh foods, assorted items, and clothing seller accounted for 35%, 23%, and 15% respectively. Many market vendors who participated in the study sell fresh foods. Since most of the fresh foods like; fruits and vegetables are cheap, many market vendors find it affordable to venture into such MVB. Market vendors in the category of shoe, watch, and radio repairs accounted for 3%. This was the least category because it requires technical skills.

Figure 6: The year when the business started



According to figure 6, majority of the market vendors 62% who participated in the study had started their business between 1-5 years ago. Vendors who have been in business for less than a year were 21%. As a result of this, it is the survival of the fittest. Most MSMEs die within their first five years of existence and one of the factors contributing to this is lack of enough capital Aremu et al., (2011) cited in Agwu et al., (2012). The least are vendors who have been operating for more than 10 years ago. According to one of the interviewees in this study, most of the businesses that have been in operation for more than 10 years are service providing businesses.

Figure 7: The initial capital



Based on figure 7, majority of the market vendors, 70% started their businesses with less than MK 20,000 (US \$ 20, exchange rate of \$1 equals MK 987 {Reserve Bank of Malawi, 2022}). Very few market vendors 3% had started their businesses with a capital of between MK 61, 000 – MK 80,000 (US \$ 62 – US \$ 81). According to one of the interviewees in this study, most market vendors rely on owner savings for initial investment and others rely on loans from relatives and friends. Commercial banks are reluctant to lend money to small scale businesses as they lack business skills, had high cost risk, and that small business emphasized on short

term survival while banks were for long- term competitiveness (Gwebu 2005, cited in Chico - Matenge 2013).

Reasons why market vending business continues to increase despite the economic challenges

The table 1 shows reasons for the increase of MVB in Malawi, despite the economic challenges.

Table 1: Reasons why MVB increases despite the economic challenges (N=300)

	Reasons	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1.	Source of income	100%	-	-	-	-
2.	Source of employment	100%	-	-	-	-

i. Source of income

Based on table 1, the results show that MVB is increasing despite the economic challenges because it is a source of income. According to Girma (2009), the majority of the vendors have source of income in vending business. Market vendors are able to meet some of their everyday basic needs because of the small income which they are able to get in a day. Although the income is not enough due to a number of challenges that are hindering the growth of MVB, the market vendors are able to at least get a little something for the day. According to one of the market interviewees, in some of the days, the market vendors knock off without selling any of their merchandise but to them they are not discouraged because they compensate in the days when their business is at peak.

ii. Source of employment

Based on table 1, the results show that MVB is a source of informal employment to both the educated and uneducated Malawians. A number of studies confirm the research findings. Associates (2002), cited in Ndhlovu (2011), found that source of employment is a push factor for MVB. According to the Malawi Poverty Reduction Strategy Paper (2012), Malawi has a high population living in rural areas and a high urbanization rate, which increase demand for urban jobs. This is the driving force for the high youth unemployment. Urban youth unemployment is very high. In many developing countries particularly in Africa and Asia, the formal sector has not been able to provide adequate jobs for a rapidly growing urban population leading to the proliferation of the urban informal sector (UN - Habitat 2006, cited in Girma 2009). The formal

sector is small and it is failing to absorb all the labour force, thereby causing high unemployment rates. Most African informal sectors are critical sources of employment particularly for those without the skills or connections to obtain a formal sector job (Girma, 2009). Vending is the major source of informal employment for the youths. This is in line with the dualist theory which asserts that persistence of informal business activities is due to the fact that there is not enough formal jobs. In Malawi the formal sector has not been able to provide adequate jobs for the rapidly growing urban populations, leading to the proliferation of the urban informal sector (Zidana, 2015).

CONCLUSION

Based on the results of this study, it shows that MVB in Malawi is encountering so many challenges that are making it difficult to thrive. Some of the challenges affecting MVB in Malawi are: a poor economy; a lack of enough capital; insecurity; a lack of legal protection; restrictive by - laws and legislation; unplanned policies on urban development; low levels of business skills; high market rates/fees; and a lack of enough market facilities i.e. portable water and toilets. According to the results of many studies, economic challenge has negatively impacted on the income of the MVB. Despite the economic challenge, MVB is still surviving and continues to increase because it is a source of income and a source of employment to the market vendors.

RECOMMENDATIONS

In light of the above findings, the researcher recommends that the Government of Malawi should put more effort in supporting the small enterprises to spur economic growth and create more job opportunities. Rendering full support to the MSMEs can help in the achievement of the Malawi 2063 first 10 - year Implementation Plan (MIP-1), which is aligned to the agenda 2063. Although there is an increase in the number of MVB and MSMEs in general, they don't make enough profits and there is no tangible growth and development of their businesses. It is only an increase in numbers because of the new entrants. There is a need for more Enterprise Development (ED) programs to help the MVB establish, expand and improve. ED helps people earn a living and leads to long-term economic growth. As such, there is a need for the Government of Malawi and other key stakeholders to properly coordinate and collaborate on how best the MSMEs can supported for improved economic growth. Lastly, the researcher recommends a further study covering the other flea markets of Zomba, Mzuzu and Tsoka in Lilongwe.

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