

THE ROLE OF INFORMAL SECTOR IN DEVELOPMENT OF THOHOYANDOU

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INTRODUCTION

Thohoyandou is a small town which is developing at an exceptional rate, although it is developing at a fast pace in the past 5 years the town like any other town it experiences challenges with its economical balance, these challenges are rapid population growth, an increase in unemployed youth this increases the capacity for small businesses and informal businesses in the informal sector.

More uneducated youth start their own businesses and more educated youth lack job opportunities which results in them looking for other ways to make a living like opening a small business venture in the streets of Thohoyandou in areas around Mvusuludzo mall, Thohoyandou plaza ,Mutsindo mall and other places around Thohoyandou.



Source: Spot 2012

FIGURE 1: Thohoyandou central business district 2012.

Informal sector is a sector which is untaxed , unregistered and is not controlled , managed or monitored by any government.

The informal sector plays a big role in the development of Thohoyandou's economy, both positive and negative roles , in this research we will look and focus on the effects of informal sector in the economy of Thohoyandou , while comparing both the formal and informal sector looking at the positive and negative impacts of both sectors

MAP OF STUDY AREA



FIGURE 2: Central business district place nomenclature. CBD, central business district.

HYPOTHESIS

The informal sector plays an important role in alleviating poverty in the area of Thohoyandou by increasing the economy and creating jobs for the uneducated and development of Thohoyandou town which is situated in Limpopo in the Vhembe district in Venda .

The informal sector is illegal and unorganised but still positively impact the South African economy.

An informal sector is part of any economy that is neither taxed nor monitored by any form of government .although the informal sector makes up a significant portion of the economy in developing areas ,it is sometimes recognised as chaotic and hard to manage .opportunities for struggling citizens have opened up and are spreading rapidly in Thohoyandou

HISTORICAL INFORMATION

Thohoyandou is the most developed area in the Thulamela Local Municipality with an estimated ± 70 000 residents within the boundaries of the town . Thohoyandou is surrounded by several rural villages situated on the edges and outskirts of the developed and developing areas .Thohoyandou's CBD was authentically designed as a huge luxurious mall with large passages and water fountains . In the year 2020 the building process of the biggest mall (Thavhani mall) in Thohoyandou on the outskirts of a rural area also surrounding Thohoyandou. Thohoyandou is surrounded by a few towns as well which are Sibasa(8km),Makhado(45km), Malamulele(45km) and Giyani(50km).settlements surrounding Thohoyandou are Maungani,Muledane, Maniini , tshisaulu ,duthuni,shayandima ,itsani,tswinga,mashawana,and many more .The name "Thohoyandou" means elephant head when translated to English, this name(Thohoyandou) was the name of one of the kings of Venda people.

Thohoyandou was built at tshiluvhi which the king vho-Netshiluvhi. Construction started in the year 1977 with P east and P west residential areas as R293 town ,a shopping centre and Venda government buildings .The Netshiluvhis were the first residents of the area as far as 1400AD.

After the collapse of the kingdom of Mapungubwe, they were removed from this place forcefully by the apartheid government of the Venda Bantustan under the leadership of Khosi vho-Mphephu Ramabulana .

The former Venda president built his palace and his ministerial residence at tshiluvhi's chiefs kraal as they were already moved by the apartheid government.The following leaders and their subjects under Netshiluvhi's leadership were forcefully moved out of their homes and the name Netshiluvhi was totally replaced by the name Thohoyandou by the new government then the name netshiluvhi was given to a primary school(Tshiluvhi primary school).



Thohoyandou was established and built at a large portion of the village of Tshiluvhi in the late 1970s. It was established by president Patrick Ramaano Mphephu who was the prime minister of the Venda Bantustan. Thohoyandou became the capital of Venda when Venda was declared a republic in 1979, and Thovhela Mphephu became the president of the republic of Venda. Thohoyandou became the centre and economic hub of the Republic of Venda. A stadium was built in Thohoyandou to celebrate the independence of Venda, and was named Venda Independence Stadium. The name was then changed to Thohoyandou stadium in 1994. Today, Thohoyandou is one of the fastest growing towns in Limpopo. It is also home to the University of Venda.

Thohoyandou is situated in the south of the Vhembe district, north-west of Malamulele on the R524 main road between Louis Trichardt and the Kruger National Park. This is the lush agricultural centre of Vhembe, with banana plantations, subtropical fruit, tobacco and maize lands.



ANALYSIS AND SYNTHESIS OF DATA

- Advantages of informal sector employment

In Thulamela , It give people jobs ,some employers pay well because company owners do not have many tax obligations .employee effort is directed towards achieving profit rather than satisfying irrelevant routines.

There can be a close relationship with the employer , therefore making it easy to get permission when in need of time off . You are saved the trouble of paying income tax.

There is no red tape when it comes to dealing with personnel issues which are expressly handled either bythe employer or a senior manager.

The informal economy provides employment opportunities, especially within developing towns, to those who do not have guaranteed employment .It is an easily accessible economy and provides an opportunity to acquire skills and knowledge to transition to the formal economy.

If you walk around the busy streets of Thohoyandou without any doubt you are bound to come across many types of informal businesses such as fruit markets, street hawkers, car wash, food stands and informal clothing shops .

- The importance of informal trade

Informal trade refers to any unregistered,unprotected and untaxed business activities or transaction . Informal jobs are an essential source of income for many poor South Africans ,18% of south african citizens work in the informal sector ,which is a total of over 3 000 000 workers . Additionally the sector accounts for 18% of South African's GDP. Although these numbers are smaller than those of other developing countries ,they highlight the importance of informal trade in an economy with high unemployment rates.Informal businesses ,like Spotless Car Wash provide jobs for those who are unable to find formal employment.Further more , the informal workforce in Thohoyandou is full of poor young males and females .Infact the poverty level in an area correlates positively with the proportion of people working in the informal economy . most of these people are aged between 20-60 years old, most of them are uneducated while some are educated and they have degrees.

The Municipality recognises the informal economy in Thohoyandou as a valuable and important form of employment. Experience acquired in the informal sector can help untrained people, potentially aiding future integration into the formal sector.According to economists the informal economy in South Africa is growing exceptionally well than its formal counterpart. This forced the government to pass policy encouraging and protecting the informal sector. The National Informal Business Upliftment Strategy of 2014 set up a framework of government assistance with skill development, marketing ,technical support, infrastructure improvements and management training. This “inclusive growth” strategy focuses on enabling South Africa's poor to participate in the economy rather than merely redistributing wealth through social welfare programs.

Although the informal sector helps with the country , It also has its disadvantages such as :

- Less income .
- Less/no job security.

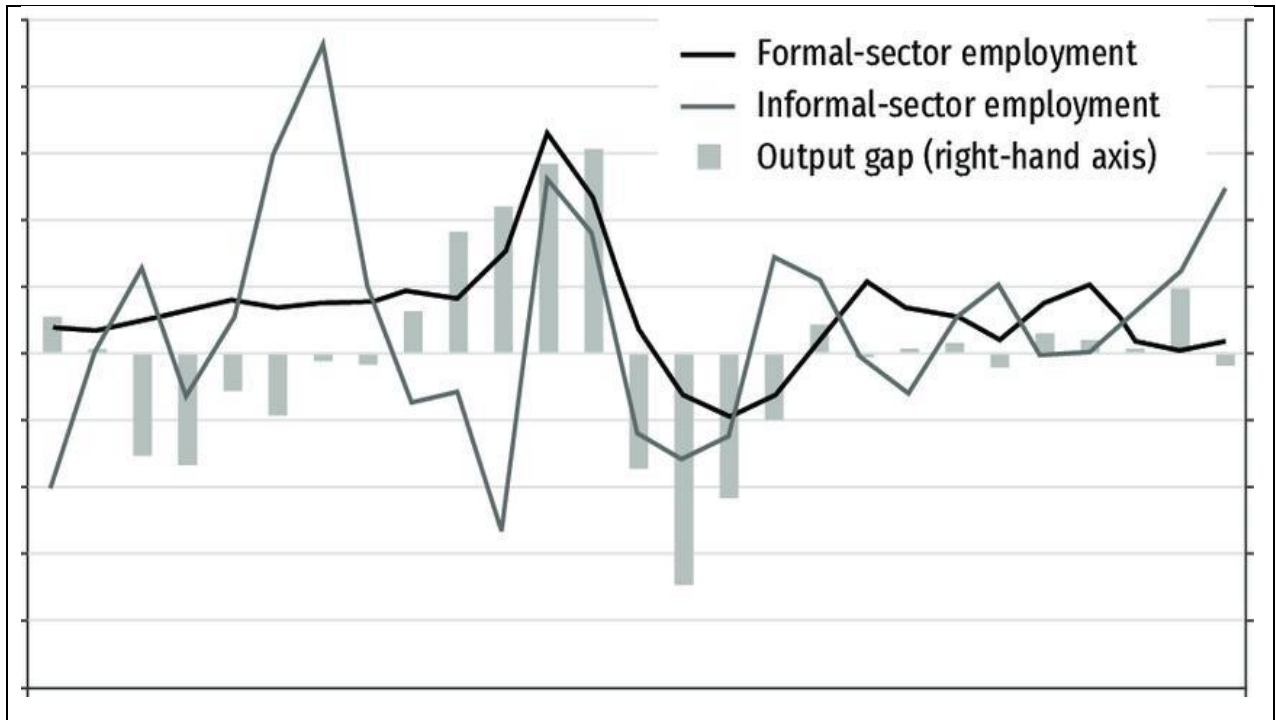
- Employees are unprotected by labour laws .
- Odd working hours .
- No pension ,insurance and health insurance scheme.
- Summary dismissal .
- Difficulty to make any savings due to low wages .
- A brief illness or injury or serious injury can mean no financial means to survive.
- Income inequality.
- Increasing crime rate, risk of robberies
- Another key issue holding informal businesses is the lack of finance, whether it is for stock or equipment.

● CAUSES OF INFORMAL SECTOR

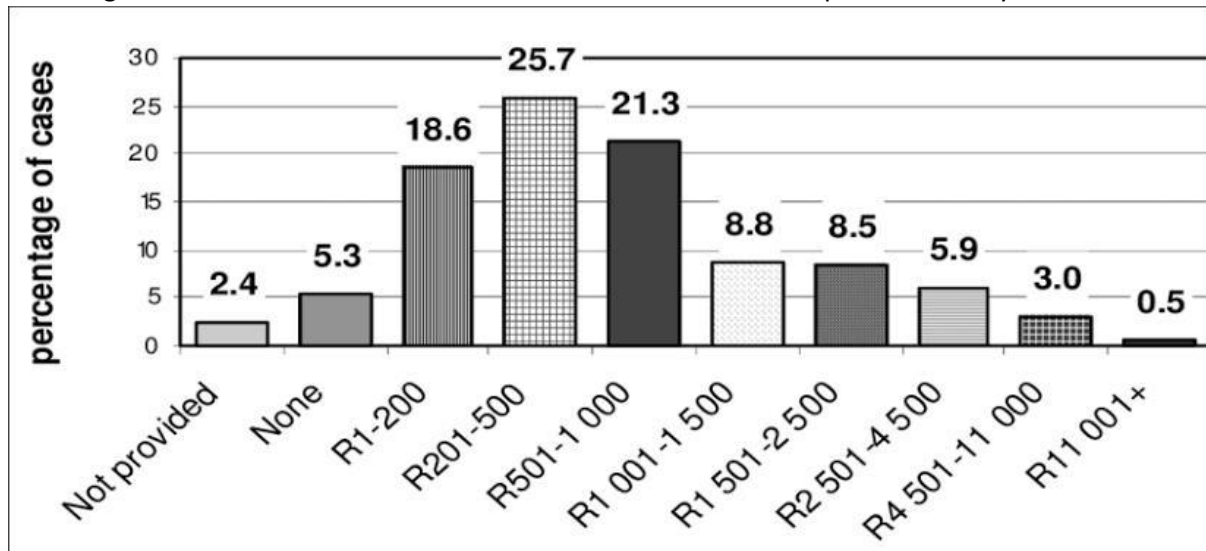
Informal sector is caused by high rate of unemployment and high rate of migrants, people can study and get degrees but it turns out that jobs are scarce in Thohoyandou ,So people end up opening their businesses.

Migrants are also a huge cause of the informal sector because most of them are illegally living in Thohoyandou, they hold the majority share of the informal sector.

INTERPRETATION OF DATA



The image above shows forms of informal sectors found in different parts of Thohoyandou.



The graph above shows how the informal sector has been growing in the past 5 years, the sector has grown bigger and bigger and also evolved with time.

RECOMMENDATIONS AND SOLUTIONS

STABILIZING INFORMAL SECTOR

- In order to help stabilize the informal sector the solution is to make them formal ,Reduce the of tax amount and also make sure that they get insurance for their businesses,Proper short-term welfare support with coverage from public work programs.

REDUCING POVERTY SCHEME

- To reduce high chances of extreme poverty,The government has introduced food distribution(food parcels) and social grant(sassa R350) and this scheme is meant for those who fall under the informal sector although its not everyone in the informal sector who have access to these measures ,only those who do not have a stable income source get this aid.

CASH TRANSFER

- Cash transfers can be particularly affect as little economic stabilizers .
- To survive a crisis small businesses in the informal sector need urgent liquidity support.

ADJUSTING TO SUPPLY CHAIN

- Disptions plus private sector development interventions value chain disruptions have huge impacts, as MSMEs in the informal sector rely on day to day sales for survival.
- To avoid insolvencies in the short term, these businesses will increasingly rely on stimulus measures that lower operational cost and waive pending debts .

EXPANDING BUSINESS LINKS

- Expanding business links is also possible, whereby large,formal businesses can work with small ,informal businesses as outlets or distributors of essential goods to customer's doorsteps.
- Stimulus should improve working space ,conditions and infrastructure of the informal economy ,such as communal markets ,in a way that promotes long distance services.
- In the long term , business performance and competitiveness could be enhanced through more comprehensive private sector development interventions.
- This should combine access to finance ,consulting and business training with industry specific networking,regulations,standards,innovations and linkage programmes.

STRUCTURAL POLICIES FOR RESILIENCE

- Resilience will depend on structural policies that support training and resources, provide information and invest in building capabilities .
- In the short term , this should help MSMEs adopt new working modes and digital technologies such as teleworking ,online retail or home delivery.
- However ,to establish these kind of services require basic infrastructure such as internet connection and familiarity with digital platforms , along with customer demands for such services.

- Medium to long term digital transformation can help ensure MSMEs can come back strongly.
- Simple digital solutions and training that do not require large upfront capital outlay will make it easier to adapt.

CONCLUSION

The informal sector does play an important role in alleviating the poverty and economy in Thohoyandou and in South Africa because they contribute in the cash flow of the country and also get people to have job opportunities and grow the rate of employment in South Africa, the informal also reduces the crime rate since more people will network for themselves, the informal sector decreases dependency of people on the government.

The research and findings has shown how the informal sector plays a big role in Thohoyandou's economy and how it has led to the development of Thohoyandou through its informal businesses, The topic and research have led to acceptance of the informal sector in elevating Thohoyandou's development.

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