

THE CONSTRAINTS FACING WOMEN MICRO-ENTREPRENEURS IN LUANDA

by

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DECLARATION

TO WHOM IT MAY CONCERN

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List of abbreviations and acronyms

ANGOMENHA	Association of Water Truck Operators
BNA	Angola National Bank <i>(Banco Nacional de Angola)</i>
CSO	Central Statistics Office of Botswana
DWA	Development Workshop Angola
EDEL	Electricity Company of Luanda <i>(Empresa de Electricidade de Luanda)</i>
ENE	National Company of Electricity <i>(Empresa Nacional de Electricidade)</i>
EPAL	Water Company of Luanda <i>(Empresa de Agua de Luanda)</i>
ERS	Espirito Santo Research
IDPs	Internally displaced persons
ILO	International Labour Organisation
IT	Information Technology
MFI	Microfinance Institutions

NGOs	Non-Governmental Organisations
ROSCAs	Rotating Savings and Credit Associations
SARB	South African Reserve Bank
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation



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ABSTRACT

Women micro-entrepreneurs in Luanda constitute 47 percent of the people that are engaged as employees or as micro-enterprise owners in informal sector activities. These women have resorted to informal employment and businesses or micro-enterprises out of the necessity to sustain their families. They face significant poverty and seem to be trapped in subsistence activities. Using self-administered questionnaires, this research sought to determine the constraints that face women micro-entrepreneurs in Luanda. It was found that certain conditions and attributes of these women micro-entrepreneurs, such as their low levels of education, lack of cooperation amongst them, lack of access to credit despite the presence of microfinance institutions (MFIs) in Luanda and bureaucratic requirements, prevent these women from enlarging their businesses. These constraints make them unable to generate significant income and hence they are trapped in poverty. This research can help policymakers in Luanda as well as microfinance institutions to devise ways to increase the viability of the women-owned micro-enterprises. It can also help these women owners of small businesses to adopt better ways of running their businesses in a sustainable way. The research is also a source of information that academics can draw on to develop new literature on the subject of poverty facing urban women running micro-enterprises.

Keywords: women, micro-entrepreneurs, micro-enterprises, informal sector, developing countries, Angola, Luanda.

CHAPTER 1

THE PROBLEM AND ITS SETTING

1.1 Introduction

Women in developing countries are affected significantly by poverty. This is evident from the increasing number of women headed households in developing countries. In Botswana, according to the CSO (2004: 6), 46.4 percent of households are headed by women. In Cambodia 25.6 percent of households are headed by women (Statistics Bureau, 2008: 5). The UNDP (2005a: 7) referred to this phenomenon as the feminisation of poverty. In Angola, a country engulfed in a vicious civil war spanning three decades, the situation is even worse. Women, who were forced to flee to urban areas to escape rural instability, soon faced poverty in the urban areas. These women resorted to self-employment as a means to earn income and pull themselves out of poverty (Von Itter, 2003: 4). Today, most of these women own and operate micro-enterprises in the informal sector (De Vletter, 2002: 21).

The informal nature of these enterprises hinders their easy access to financial support or credit schemes that could finance their expansion. As such, the Angolan government and NGOs such as the Development Workshop Angola (DWA) have adopted a bottom-up approach of micro-credit to assist the poor micro-entrepreneurs who face financial constraints (Cain, 2007: 374).

Microcredit schemes have been introduced successfully by Professor Muhammad Yunus to finance micro-entrepreneurial activities of poor women in Bangladesh. According to Yunus (1997: 26-27), the inability to access credit is a significant hindrance to women micro-entrepreneurs from extricating themselves out of poverty. Furthermore, the lack of collateral prevents women micro-entrepreneurs from accessing loans. Credit can be provided even without the mandatory collateral through group-lending schemes (Yunus, 1997: 26-27). Other scholars, such as Schultz, Maccawi, El-Faith (2006: 63) have also noted that if the financial constraint is removed, women micro-enterprises can thrive.

Financial constraint is not the only factor limiting the growth of poor women micro-enterprises in developing countries. Small business owners in developing countries, the majority of whom are women, are faced with other obstacles such as the lack of education and skills as well as poor

health and nutrition (ILO, 2002: 23; Woller and Woodworth, 2001: 277). These constraints should be addressed before credit extension schemes can be effectively introduced and applied to tackle the poverty affecting women micro-entrepreneurs (Rankin, 2001: 32; Meyer, 2002: 366). Thus, microfinance institutions (MFIs) require a more integrated approach to deal with the many challenges that poor women micro-entrepreneurs face. Governments and MFIs have to recognise the impact of other constraints on the growth of micro-enterprises run mainly by poor women in developing countries. An integrated approach is seen as an effective means for the micro-entrepreneurs to maximise the benefits of microfinance and pull themselves out of poverty (Woller and Woodworth, 2001: 277).

1.1 Problem statement

According to the Human Poverty Index, Angola is ranked 118th out of 135 countries in the 2009 Human Development Report (UNDP, 2009). Estimates show that 38.5 percent of the Angolan population will not survive to the age of 40. In addition, 32.6 percent of the adult population is illiterate, 49 percent of the population do not have access to clean water and 31 percent of children under the age of 5 are underweight (UNDP, 2009). Poverty in Angola is most prominent amongst women, the majority of whom are engaged in small and micro-businesses in the informal sector. The UNDP (cited in De Vletter, 2001: 21) estimates that the informal sector in Angola currently employs 37 percent of the economically active population. Women, in particular, own 47 percent of the informal enterprises and their scores are often lower than the average for Angola as discussed above.

In Angola the main sources of micro-credit are the Angolan government and NGOs. For instance the Development Workshop Angola (DWA) is an NGO that has a microfinance programme with a client base of 14 000 small enterprises (Cain, 2007: 376). Despite the availability of microfinance programmes micro-entrepreneurs in Angola are still poor. Moreover, they rely mostly on informal sector financing such as rotating savings and credit associations (ROSCAs) or *kixikilas* to finance their informal sector activities (De Vletter, 2001: 19).

Although, De Vletter (2002: 19), Lopes (2006a: 164) and Wilson (2002: 83) expound on the opportunities for microfinance and challenges that face women micro-entrepreneurs in Angola, they do not fully explain what the constraints of micro-entrepreneurs in Luanda entail.

This study poses two questions. Firstly, what are the other constraints apart from financial constraint that poor women micro-entrepreneurs in Luanda still face? Secondly, why are microfinance institutions ineffective in serving women micro-entrepreneurs in Luanda?

1.3 The aim and research objectives

The aim of this research is to identify the constraints that poor women micro-entrepreneurs in Luanda experience. Identifying the constraints that women micro-entrepreneurs in Luanda experience will assist existing and potential microfinance institutions in providing microfinance that maximise effectiveness.

In order to achieve this aim the research is guided by the following objectives. Firstly, the research provides an economic rationale, based on sound economic theory, to capture the drivers of poverty as well as other constraints facing women micro-entrepreneurs in Luanda. Among the constraints to be analysed are the low levels of education, gender inequality and factors limiting the growth of women operated micro-enterprises. Secondly, it analyses the influence of these constraints on the ability of microfinance institutions to reach the women in Luanda.

1.4 Hypothesis and research questions

The hypothesis to be tested in this dissertation is that the constraints facing women micro-entrepreneurs in Luanda have a negative effect on their business. This research identifies the constraints that women traders in Luanda experience in order to understand their demands, financial strategies, position in society, gender inequality as well as the effect of the constraints on the demand for micro-credit.

The research is guided by the following three questions. Firstly, what are the characteristics of women micro-entrepreneurs in Luanda? Secondly, what constraints do women micro-entrepreneurs in Luanda experience? Finally, the extent and nature of income and expenditure of women micro-entrepreneurs in Luanda are analysed.

1.5 Research methodology and design

Little is known about the influence of the constraints faced by women micro-entrepreneurs in Luanda and of the effectiveness of microfinance institutions (MFIs). This prevents MFIs from

realising their potential as an instrument for poverty alleviation. This research attempts to fill this knowledge gap by adopting both a literature study and a mix of quantitative and qualitative approach. The mixed approach enables the in-depth analysis of the characteristics, constraints and the environment that these women operate in.

Academic journals, books and Internet sources were some of the literature reviewed. The literature review illustrated the characteristics of women micro-entrepreneurs in developing countries and the constraints they face.

The literature study was supplemented with a mixed approach and empirical research that relied on self-administered questionnaires. The self-administered questionnaire was chosen because it was considered easier to administer to the respondents as they were personally approached in the market and streets of Luanda by the researcher. The respondents would have found it difficult to respond effectively to the questionnaire due to their low level of education (Neuman, 2003: 298; Baptista, Ramalho and Silva, 2006: 227). Being born in Luanda the researcher was able to understand and interpret the answers of respondents, which contributed to the reliability and accuracy of the research.

The target population was women micro-entrepreneurs in Luanda, Angola. The field study focuses on Luanda not only because it houses a variety of markets, but also because the markets employ the vast majority of women micro-entrepreneurs (Von Itter, 2003: 4). The questionnaires were administered to a total of 130 women respondents. This sample was 10 more than the 120 micro-entrepreneurs surveyed by Baptista et al. (2006: 229) in their study of the characteristics of micro-entrepreneurs in Cape Verde.

1.6 Clarification of the terms used

A clarification of the important terms used in the study is carried out below to define them and to give clarity of what it entails in this dissertation.

1.6.1 Micro-entrepreneurs or subsistence traders

The terms micro-entrepreneurs and subsistence traders are used interchangeably in this research. These are self-employed people that engage in low income activities, for the subsistence of the household (Charmes, 1999: 73).

1.6.2 Women-owned micro-enterprises

The definition of women-owned micro-enterprises used in this research is derived from Barahona's (1995: 146) definition of women-owned micro-enterprises in Costa Rica. In such enterprises, the woman owner is the only employee and she uses a simple production process that is related to her domestic activities and experiences. The women are limited to the local market which includes their neighbourhood, streets or in the market where they trade.

1.6.3 ROSCAs or *kixikila*

In this research the terms *kixikila* and ROSCAs are used interchangeable. *Kixikila* is the term used by the subsistence traders in Luanda to refer to ROSCAs. ROSCAs are group saving schemes each comprising of 5 to 50 members. The members pool their funds in the ROSCAs on a weekly or daily basis and the funds are extended to members in a rotating basis (Todaro and Smith, 2009: 760). This is similar to stokvels used in South Africa.

1.6.4 Informal sector

The informal sector is compiled of income producing activities outside the formal or waged sector. These activities are small scale and labour-intensive. In addition, little capital, equipment and productivity is required to start an informal business. Furthermore, there is ease of entry and the labourers have low skills and earn a low income (Charmes, 1999: 71). The main disadvantage is that many of these enterprises do the same things, which leads to a low income earned in these micro-enterprises.

1.6.5 IDPs or internally displaced persons

According to Haynes (2009: 8) IDPs are people that flee their homes due to armed conflict, violation, and natural or manmade disasters. The IDPs flee to areas within the borders of the country as opposed to fleeing to areas across international borders.

1.6.6 *Chafariz* or standpipes

Chafariz is the Portuguese term for standpipes and the term is used to indicate where safe water is available in Luanda. Standpipes are installed by the Water Company of Luanda (EPAL) to

provide water to the population in the slums who do not have access to running water in their homes (Cain and Mulenga, 2009: 22).

1.6.7 *Fiscais* or local authorities

The local authorities ensure that the street traders have the legal documentation to trade in a particular location in the streets or outside the markets. The *fiscais* can confiscate the goods from the traders if they do not have the correct documentation (DWA, 2009: 4).

1.6.8 *Kilapi* or informal credit

This informal source of credit is used by micro-entrepreneurs in Angola in order to buy stock for the micro-enterprise. The idea behind this form of credit is that the micro-entrepreneurs obtain stock from traders that buy it in bulk. The micro-entrepreneurs pay for the stock after they sell it, and obtain short-term credit from the financiers or traders they buy it from (De Vletter, 2002: 30).

1.7 Report structure and layout of chapters

Chapter 2 discusses the literature review on the constraints faced by women micro-entrepreneurs in developing countries and Luanda. This chapter analyses the nature of self-employment activities and poor living conditions of the micro-entrepreneurs. It explains the causes of poverty in the informal sector and the constraints hindering their access to credit from microfinance institutions. It also focuses on the causes of poverty amongst women micro-entrepreneurs in Luanda.

Chapter 3 discusses the research methodology and design. It explains the research design, survey method, sampling method and sampling group used to collect data from the micro-entrepreneurs in Luanda. This chapter also explains the design of the questionnaire, the methods used to analyse the data collected and identifies limitations of the questionnaire and addressing the limitations.

Chapter 4 presents the analysis of data collected. This chapter provides a description of the markets in Luanda analyses the characteristics of micro-entrepreneurs and the micro-enterprises

and explores the constraints of micro-entrepreneurs, their financial environment and the shortcomings of microfinance institutions.

Chapter 5 summarises the main findings and the conclusion of the research objectives. This chapter also provides tentative recommendations for microfinance institutions (MFIs), traders and government, including suggestions for further areas of research.



CHAPTER 2

THE DRIVERS OF POVERTY AMONGST WOMEN MICRO-ENTREPRENEURS IN THE INFORMAL SECTOR

2.1 Introduction

The aim of this chapter is essentially to analyse the poverty of women micro-entrepreneurs in developing countries and specifically Luanda, Angola. Firstly, this chapter provides specific evidence of poverty in the informal sector of developing countries. Secondly, it discusses the causes of poverty amongst female micro-entrepreneurs in developing countries. Thirdly, this chapter discusses the constraints facing female micro-entrepreneurs in developing countries. Fourthly, this chapter discusses the challenges experienced by female micro-entrepreneurs in accessing financing from microfinance institutions. Lastly, poverty amongst the female micro-entrepreneurs in Luanda is discussed.

2.2 Explaining poverty in the informal sector in developing countries

2.2.1 The nature of self-employment activities

Self-employment activities such as petty trading, street hawking and food catering are mainly performed by women as well as poor and marginalised families, who find it difficult to obtain formal employment (Lobsy, Else, Kingslow, Edgcomb and Malm, 2002: 11). The ILO (2002: 20) estimates that self-employment constituted 70 percent of all the informal sector employment in Sub-Saharan Africa between 1994 and 2000. In the same period, self-employment accounted for 62 percent, 60 percent and 59 percent of informal employment in North Africa, Latin America and Asia respectively. The ILO (2002: 23) estimates that roughly 50 percent of women compared to 35 percent of men were self-employed in Latin America and Africa between 1990 and 2000.

Income from informal sector activities can be supplementary or the only source of income in the household. The supplementary income of micro-enterprises usually provides less than half of the household income. Mead (1999: 62) observed that a third of the micro-enterprises' income in Eastern and Southern African countries was supplementary. He also observed that a significant number of the households, that is more than half depends solely on the income from the informal

sector activities. Households that depend on the informal sector activities as the only source of income are also more likely to be poor. The average income of households that depend on the informal sector is often lower than the minimum wage of an unskilled worker in the formal sector (Chen, Vanek and Heintz, 2006: 2135). The market wage in the informal sector employment is set so low that most families would find it difficult to live solely on such an income (Mead, 1999: 63).

However, to assume that all informal sector activities are low-income activities is to underestimate the income-generating potential and earning dynamics of this sector. A consideration should also be given to the employers or owners of micro-enterprises in the informal sector. Chen, Vanek, and Heintz (2006: 2135) observe that the owners of micro-enterprises in India and Colombia earn a higher monthly income than self-employed traders. They observe that self-employed traders earn more than waged employees of micro-enterprises. In Tunisia some of the owners of micro-enterprises earn four times more than the minimum wage and two times higher than salaried workers in the formal sector.

Furthermore, the earnings differential in the informal sector is calculated on the basis of men- and women-operated micro-enterprises. The hourly earnings of women in self-employment activities in El Salvador are below those of men (Chen et al. 2006: 2135). In Eastern and Southern Africa male-owned self-employment enterprises generate higher income than those owned by women (Mead, 1999: 63). The low income earned by women in self-employment activities reflects the poverty facing women in the informal sector.

2.2.2 Poor living conditions of micro-entrepreneurs

A significant portion of micro-entrepreneurs reside in urban slums for different reasons. Owusu, Agyei-Mensah and Lund (2008: 183) state that poor households, many of which work in the informal sector, have access to friends and relatives in the slums that they can turn to for support. Todaro and Smith (2009: 327) cite obsolete building codes as being some of the reasons people opt for illegal urban housing in the slums. Moreover, according to a study by the United Nations Human Settlements Programme (2003: 31) people enter urban slums because they cannot afford the official housing market. Conditions in the slums lead to even poorer service delivery, because of overpopulation.

The overcrowded slum living conditions in developing countries are often illegal, and therefore government limits the provision of basic services (Tannerfeldt and Ljung, 2006: 83; Baker, 2008: 7). The slum residents have to make use of alternative sources of basic services, such as sourcing water from water vendors, using public taps and public toilets. Moreover, the overcrowded environment in slums is fertile for infectious diseases. Seabrook (2007: 121-122) explains that inadequate provision of water and sanitation in slums results in contaminated water being supplied to the residents. The lack of adequate sewage systems leads to the accumulation of dirty water which is a fertile breeding ground for insects that spread diseases such as malaria and dengue fever (Seabrook, 2007: 122). These poor conditions affect the health of the micro-entrepreneurs that reside in the slums and hinder their ability to operate their businesses productively.

2.3 Causes of poverty in the informal sector in developing countries

2.3.1 Necessity or survival strategy

Women micro-entrepreneurs in self-employment activities are motivated by the need to survive. According to Roy (2004: 11) urban micro-entrepreneurs are motivated by basic needs that are not satisfied. Physiological needs such as food, water, shelter, warmth, safety needs of security and stability are some of the factors that induce people into self-employment activities. The fact that the needs of urban micro-entrepreneurs are inadequately met is the main reason for them to earn an income to sustain their families. The urban micro-entrepreneurs are not interested in making profit or attaining financial independence, but rather in earning enough money to survive (Bewayo, 1999: 4).

The women micro-entrepreneurs work for long hours and earn little income in a sector where few of the self-employed manage to move from survival activities to activities that create employment. The study by Eversole (2004: 136) on the women owned micro-enterprises in Sucre, Bolivia, estimates that 85 percent of women engage in subsistence activities, that include selling produce, meat, cooked food, clothing, shoes and school supplies. These women are limited to the subsistence activities because they are constrained by external forces and limited resources (Eversole, 2003: 114). They have to cope with a weak local economy and poor transport infrastructure. Women micro-entrepreneurs have limited knowledge and information

about markets. They are also risk-averse while women micro-traders are furthermore limited by the saturated local markets and the homogenous goods they sell.

The subsistence traders in developing countries are flexible in the trading activities. In Bolivia, Peru and Guatemala the micro-entrepreneurs take advantage of seasonal demands. For example, during special holidays, such as Christmas they sell candles. In winter the micro-entrepreneurs sell hot liquid desserts, while in summer they sell cool drinks (Eversole, 2003: 109). The problem with adapting to seasonal demands is that a micro-entrepreneur that does not have enough knowledge of market demands can experience losses. This is often the case with women micro-entrepreneurs in the Central regions of Malawi. According to Johnson (2005: 234) the Central regions of Malawi is based on agriculture and the subsistence activities of women depend on the seasons. A greengrocer experiencing reduced demand quickly shifts to a new business opportunity, before the influx of the other traders into the same opportunity causes prices and profits to decrease. The problem arises when the micro-entrepreneur that has ventured into the new market does not understand the market fluctuations and how to obtain new stock. The micro-entrepreneur can quickly lead the new venture to losses, because of a lack of knowledge and experience of a chosen activity.

Competition in subsistence activities also aggravates poverty amongst subsistence traders. Subsistence trade in developing countries is a survival strategy for rural-urban migrants and formal sector workers that are unemployed. Women are increasingly moving to the urban areas as a survival strategy (Awumbila and Ardayfio-Schandrof, 2008: 173; Acharya and Cervantes, 2009: 23). However, many migrants are unable to find employment in the formal sector of the economy in the urban areas. They engage in the urban informal sector to sustain themselves and their families (Charmes, 1998: 3). The influx of migrants to informal sector activities increases competition in the sector.

2.3.2 Rural-urban migration

Timalsina (2007: 21) defines migration as the permanent and semi-permanent movement of people in order to improve their lives, while rural-urban migration is the internal movement of people from rural areas to urban areas, mainly in the same country. Todaro and Smith (2009: 345) state that an individual makes the rational decision to migrate despite the visibility of urban

unemployment. Migration is the response to the difference in expected income rather than actual earnings. The individual migrant compares gains in the urban areas over time with present rural income. They migrate when the expected urban income exceeds present rural income. Hence, the individual migrant has the expectation of earning more by being employed in the urban areas than in the rural areas. The individual migrant also weighs the probability of being unemployed in the urban areas. If unemployment in the urban areas is below 50 percent, the probability of being unemployed is less than the probability of being employed. These motivations for migration can then encourage rural to urban migration. A situation where the rural to urban migration process continues despite the visibility of unemployment in the urban areas then occurs. This happens because migrants expect to be employed and well compensated in the future. Therefore, they are willing to engage in minimal jobs or risk being unemployed to wait for better job opportunities (Timalsina, 2007: 24).

Microeconomic causes for migration also lead to urban unemployment. Lee (cited in Timalsina, 2007: 27) divides the causes of migration into positive and negative pull-push factors. The positive factors that induce rural-urban migration are job or income opportunities at the destination. The opportunities of attaining a job or income pull people to the urban areas so that they can settle and work. The negative push factors such as poverty and unemployment push people away from their home in the rural areas through rural-urban migration. In the urban areas the migrants often engage in self-employment activities, while waiting for formal employment.

The self-employment activities create employment opportunities and income for migrants in the interim, but this may also be for a period or permanently in many cases. According to Timalsina (2007: 28) the ability to be employed and have an income gives migrants access to resources. The resources include roads to commute, education, skills, training, health and savings. The migrants use the resources to participate in the labour market and as a means of survival to sustain their families. However, the absorption of more migrants into self-employment activities reduces the income and can push them further into poverty.

2.3.3 Lack of product differentiation

According to Roy (2004: 20) micro-entrepreneurs do not differentiate between the products they sell. The micro-entrepreneurs often buy and sell similar goods, with the same price, quality and

quantity. The similarity in products then increases competition and reduces the price of the goods sold. The reduced price lowers the profits and the income of the micro-entrepreneurs in the informal sector (Timalsina, 2007: 113).

2.3.4 Poor health as cause of poverty in the informal sector

Poor health reduces productivity, which reduces income earned, because poor health lowers the number of hours dedicated to work (Szirmai, 2005: 204). The poor health of women micro-entrepreneurs is linked to occupational risks and environmental hazards (Forastieri, 1999: 2; Sinha, 2007: 121). Pick, Ross and Dada (2002: 202) state that traders' poor health reflects the nature of their activities. Women who engage in self-employment that involve cooking, often experience injuries such as cuts and burns. The activities of women micro-entrepreneurs also contribute to poor health. Micro-entrepreneurs engage in selling street food, use coal and/or gas for cooking (Bowao, 2008: 18). The use of these substances generate hazardous pollutants such as carbon monoxide, nitrogen dioxide and other harmful gases that increase the risk of respiratory infections and pulmonary disorders (Montgomery, 2009: 13).

Women whose activities involve lifting heavy objects suffer from musculoskeletal problems such as fractures and sprains. Rogel (2007: 7-9) states that poor infrastructure in the market can create an environment conducive for water borne diseases. Rogel (2007: 9) affirms that in Zambia vendors of Chisokone market situated in Kitwe are prone to water borne diseases. This is because the market lacks an appropriate drainage system.

Acho-Chi (2002: 145) claims that women traders in the Province of Kumba, Cameroon, leave food and organic waste to decay in the market and streets, which then produces an unhealthy environment.

2.3.5 Low level of education in the informal sector

Women micro-entrepreneurs have low levels of education and are more likely to partake in informal sector activities that are harmful to themselves, their families and their environment. In developing countries women often have low levels of education. The low level of education amongst women in developing countries is mainly because a greater percentage of girls who are of primary school age are not attending school. UNESCO (2005: 19) estimates that between

2001 and 2002 the percentage of girls without primary education was 58 percent in the Middle East and North Africa. In Southern Africa the estimate was 51 percent. The fact that women in developing countries have low levels of education limits them to informal sector activities. The micro-entrepreneurs do not have the education levels to be absorbed in the formal sector and it affects their running of the micro-enterprises. Mead (1999: 66-67) asserts that the owners of micro-enterprises who have completed primary education are able to grow even in an economic downturn. Women owners of micro-enterprises in Nepal that lack primary education do not understand information regarding government regulations and future policies. These women also have difficulties using information for the success of their micro-enterprises (Bushell, 2008: 556).

Education linked with years of experience plays a critical role in the ability of micro-entrepreneurs to survive in saturated markets. According to Mead (1999: 67) micro-enterprises that survive in a saturated market have a given set of characteristics. Roy (2004: 19) states that experienced and educated micro-entrepreneurs have a better understanding of the market. These micro-entrepreneurs are then more likely to diversify to reduce risks.

According to Hafkin and Taggart (2001: 23) low levels of education are an obstacle to the access of information technology (IT). Women in developing countries of Asia, Africa, Latin America and the Middle East lack basic literacy and numeracy skills needed to access the internet (Hafkin and Taggart, 2001: 23). They argue that the inability to access IT, disadvantages women micro-entrepreneurs, because usage of information technology contributes to their empowerment and increases productivity. Women who can use the technology, such as the internet or mobile phones are able to obtain more information about market opportunities and usually do better in business (Jiyane, 2010: 54).

The lack of basic education by women in the informal sector also makes them risk averse. According to Roy (2004: 21) to be risk-averse means that they are unwilling to differentiate between different merchandise as they mainly trade in similar goods and charge similar price. The similarity of the goods sold creates a competitive environment that erodes their income. Micro-entrepreneurs adopt an octopus organisation form in order to diversify and reduce risk. The octopus organisation form is a costly method of diversifying risk, because micro-entrepreneurs engage in several unrelated micro-enterprise ventures at once. An unsuccessful

micro-enterprise becomes difficult to liquidate and the micro-entrepreneurs close the venture and reactivate it when there is better market demand (Kiggundu, 2002: 247).

2.3.6 Gender inequality

Gender inequality limits the ability of women micro-entrepreneurs to own property. Terry (2007: 88-89) asserts that women in developing countries have limited property rights and are discriminated against in property and inheritance laws. This prevents women from owning the land where they live and work.

Johnson (2005: 227) describes gender inequality in the informal sector through a concept known as male social capital. She asserts that the presence of male social capital in Cameroon prevents women micro-entrepreneurs from expanding their micro-enterprises. The micro-entrepreneurs in the informal markets have to cope with gender segregation, whereby physical market space and marketing structures are subject to gender bias.

Pick et al. (2002: 195) explain that discrimination against women micro-entrepreneurs limits them to low income activities. Sometimes women micro-entrepreneurs engage in activities such as washing clothes that were previously occupied by men but which men have since abandoned as they became less lucrative.

The UNDP (2005a: 7) notes that gender inequality of women results in women being involved in household activities such as cooking, cleaning and looking after the children. Clunies-Ross, Forsyth and Huq (2009: 439) state that because women are time constrained, they have opted for low income micro-entrepreneurial activities with low demands. This is mainly because women micro-entrepreneurs do not have enough time to dedicate to the running of their micro-enterprises and household responsibilities to improve their situation.

2.4 Constraints faced by women micro-entrepreneurs in developing countries

2.4.1 Bureaucracy in the registration process of the micro-enterprise

Micro-entrepreneurs experience excessive bureaucracy when registering their micro-enterprises. Strict regulation enforces a complex registration process that micro-entrepreneurs have to adhere to. The ILO (2003: 34) compiled a research of 120 registered micro-entrepreneurs from Zambia

in the capital city of Lusaka and the province of Kitwe in 2002. The research shows that micro-entrepreneurs have to complete forms written in legal terms they hardly understand. They also have to queue at different government departments in order to attain correct documentation. The result of the strict regulation process is longer delays, higher costs of public service, higher corruption and less investment (Becker, 2004: 23). The cumbersome registration process also interferes with the operations of micro-enterprises.

The micro-entrepreneurs spend more time trying to register micro-enterprises as opposed to operating them (Elkan, 1988: 177). The time cost deters micro-entrepreneurs from legalising their business. Then again, unregistered micro-entrepreneurs are continuously harassed by local authorities, who fine them or confiscate their stock until they are able to pay the fines (Acho-Chi, 2002: 136; Rogel, 2007: 7).

2.4.2 Lack of enterprise clusters and isolation of business activities

Enterprise clustering takes place when similar enterprises operate in one location (Ramachandran and Ray, 2008: 154). The benefit of an enterprise cluster is that enterprises can cooperate with each other through networks. Cooperation means that enterprises share information about potential markets and resources. The micro-entrepreneurs operate in close proximity of each other in the market or in the streets and they can benefit from an enterprise cluster (McCormick, 1999: 132).

However, women micro-entrepreneurs have failed to take advantage of clusters. Kiggundu (2002: 246) notes that in Africa, small micro-enterprises are often unable to cope with risks after joining a network of entrepreneurs. Kiggundu (2002: 246) states that only a few firms have effective joint actions, such as standardisation, quality control, labour training or common marketing in Africa.

The inability of micro-entrepreneurs to take advantage of enterprise clusters arises from the lack of trust amongst micro-entrepreneurs. This lack of trust develops because entrepreneurs are afraid to be cheated off their money by other traders (Roy, 2004: 28). In addition, traders of different ethnic communities are reluctant to trade with each other due to ethnic diversity (McCormick, 1999: 137). Furthermore, ethnic conflicts or civil conflicts destroy the social fabric of a country and hamper development of trust in communities (Colletta and Cullen, 2000: 3).

The failure of micro-entrepreneurs to take advantage of enterprise clusters reduces their productivity. This is mainly because there is no division of labour. The micro-entrepreneurs have to deal with all the activities pertaining to the operation of their micro-enterprises (Roy, 2004: 29). Furthermore, micro-entrepreneurs that do not take advantage of enterprise clusters lose out on potential market opportunities (Kiggundu, 2002: 247).

Ramachandran and Shah (1999: 73) analyse the performance of entrepreneurs, from Asian and European descent located in Kenya, Zambia, Zimbabwe and Tanzania. They further compare them with the performance of local entrepreneurs in these countries. Entrepreneurs from minority Asian and European descent often outperform the indigenous people. This is mainly because the minority entrepreneurs capitalise on the cluster for network trust. Ramachandran and Shah (1999: 73) argue that the clusters allow the minority entrepreneurs to spread risk, access information, attain favourable terms of credit and make available a pool of talent to choose from for management positions.

2.4.3 Isolationist approach in seeking credit

When microfinance institutions provide credit to micro-entrepreneurs they adopt an individual approach to credit provision or a group-lending scheme. In the group-lending scheme micro-entrepreneurs have joint-liabilities which mean that everyone in the group is liable for any debt default. In the case where a member of the group defaults in the repayment the whole group is denied future loans from the microfinance institution (Sengupta and Aubuchon, 2008: 12). Joint-liabilities replace mandatory collateral that is required by banks and ensures repayment of loans (Sengupta and Aubuchon, 2008: 12).

However, the concept of group-lending is not taken favourably by the micro-entrepreneurs. Group-lending or joint-liabilities are based on the concept of trust. This trust allows them to access micro-credit, since the groups are self-selected and the members are jointly liable for the repayment of the loan (Sengupta and Aubuchon, 2008: 12).

Problems of loan repayment arise in the group because of the free-rider incentive. The incentive for free-riding occurs in a large group of women who have different levels of income and who are not sensitive to social sanctions. In a group size of 20 members or more where the members are not sensitive to social sanctions such as shame, guilt and stigma the incentive to free-riding

increases (Impavido, 1998: 254). This is mainly because a process of cross-subsidisation occurs. This happens when members that have financial means subsidise the members that cannot afford to repay the loans (Devereux and Fische, 1993: 106). Failure to repay loans means that the group cannot borrow again from the microfinance institution (Abbink, Irenbusch and Renner, 2006: 615). In an environment of limited trust amongst micro-entrepreneurs group-lending deters women from seeking financial assistance from microfinance institutions.

Amoako-Tuffour (2002: 6-7) states that micro-entrepreneurs in Ghana prefer to borrow from informal sources such, as ROSCAs for a variety of reasons, mainly because there is no formal collateral needed. This includes that there are only a few conditions attached to the repayment of loans, the small amounts of loans and the short-term nature of the loans. ROSCAs are flexible enough to adapt to changing economic conditions. In the case of post-conflict countries such as Angola, ROSCAs are the only group scheme that survived the conflict (Hudon and Siebel, 2007: 15). These features of ROSCAs suit and attract women micro-entrepreneurs in developing countries, because of its informal nature and structure.

2.5 Constraints hindering women from accessing credit from microfinance institutions (MFIs)

The issue of whether MFIs should adopt a minimalist or an integrative approach to microfinance plays an important role in how microfinance services are delivered to micro-entrepreneurs. A minimalist approach is based on the idea that poverty is reduced through financial support such as micro-credit, micro-savings and insurance. The integrative approach identifies more than financial constraints as the causes of poverty (Woller and Woodworth, 2001: 227)

Institutions that fail to understand the reality faced by micro-entrepreneurs cannot adequately improve the lives of these people. Some MFIs such as the Grameen Bank, have demonstrated that the poor are bankable. Matin, Hulme and Rutherford (2002: 291) argue that the key to the effectiveness of MFIs is through the understanding of the needs and the preferences of the target market. A minimalist approach whereby only financial services are provided cannot realise the benefits for women micro-entrepreneurs as some of their services are not understood (Baptista, Ramalho and da Silva, 2006: 239). Furthermore, gender dynamics relevant to women in

developing countries are often ignored by institutions pursuing the minimalist approach. Hence, the objective of women empowerment is often not achieved by such MFIs (Johnson, 2005: 224).

One of the objectives of MFIs is to empower poor women by fostering financial independence, as the women use the additional finances to support their families. However, many development practitioners overlook the issue of gender dynamics in empowerment issues (Johnson, 2005: 227-228). An ethnographic study of a community on the impact of microfinance indicates that microfinance in Nepal is ineffective in the empowerment of women, because the influence of gender inequality was not recognised. This is because, although women may obtain credit, their husbands manage the additional finances (Rankin, 2001: 32).

The benefits of microfinance are often limited to those women entrepreneurs with established businesses. This issue was highlighted by Milgram (2001: 218) who found that only women entrepreneurs with existing businesses in the Philippines benefited from micro-financing as they used the extra finance to diversify their business, while women farmers were reluctant to invest their loans. This situation also creates inequality amongst women. This is evident in Senegal where women with greater means can afford to take up extra debt, while the very poor women who are unable to repay the loans are harassed by creditors (Guèrin, 2006: 550).

2.5.1 Overcoming loan repayment difficulties

The inability to repay the loan impacts negatively on the women as it contributes to them dropping out of a microfinance programme. In Bangladesh the field workers maintain a good repayment record to avoid being harassed by MFIs to repay the loans (Ahmad, 2003: 70).

Lack of flexibility of repayment dead-lines creates hostility between the field workers and their MFIs. The hostility results in clients often leaving the microfinance for other institutions that are more flexible, but that may be less focused on empowerment and poverty reduction. Milgram (2001: 215) defines this power over the poor women-entrepreneurs as an unquestionable procedure in the MFIs. This is exhibited in ways such as the demand for weekly repayments. This procedure is mainly applied in the Caribbean where the poor repayment culture has resulted in high default rates (Lashley, 2004: 92). This stems from the ineffectiveness of MFIs to consider the other constraints facing micro-entrepreneurs as the institutions tend to pursue the minimalist approach.

Women micro-entrepreneurs cooperate to attain finance for their micro-enterprises. Women mainly make use of informal financing activities such as rotating savings and credit associations (ROSCAs) (Snyder, 2000: 87). The ROSCAs allow women micro-entrepreneurs to access start-up capital and finance for the micro-enterprise without any interest charges being involved. The micro-entrepreneurs in Zambia prefer to rely on each other for finance, because it is the easiest and cheapest form of financing (ILO, 2003: 34). Women micro-entrepreneurs complain that loans from microfinance institutions (MFIs) are too small, interest charged is high and the repayment period is too short.

In the Philippines women in craft businesses, who are members of the Central Cordillera Agricultural Programme, depend on the income from tourists that visit the village at seasonal times as well as social networks to repay the loans (Milgram, 2001: 217). Members of the Bulako Farmers' Group in Uganda adopted the same strategy to cope with the loan repayment to MFIs. Relatives and friends assist the members when the loans are due to be repaid to the microfinance institution. Then the members from the Bulako Farmers' Group pay back the loans to friends and relatives at no interest when possible (Mosley and Rock, 2004: 491).

Micro-entrepreneurs adopt multi-loan-taking to cope with repayment. The increased competition among MFIs in Uganda resulted in reduced repayment performance by the clients as the clients took up loans from one institution to repay another (McIntosh, De Janvry and Sadoulet, 2005: 1002). The loans were supposed to be used to generate income from productive activities, but instead the loans were used as a source of repayment. Since, MFIs are focused on trying to attract clients and are often too inflexible, their clients had to resort to multiple borrowing.

Group-lending also affects repayment. The idea of group-lending is to facilitate repayment and also to substitute for physical capital. However, group-lending can negatively impact on the development of micro-entrepreneurs due to the free-riding problem that can occur depending on the group-size (Abbink, Irlenbusch and Renner, 2006: 615) and due to the group heterogeneity (Hetelahti and Linden, 2006: 309).

2.6 Causes of poverty amongst women micro-entrepreneurs in Luanda, Angola

2.6.1 Lack of access to credit in post-conflict Luanda

A study conducted by the National Institute of Statistics estimated that 530 000 micro and small enterprises in Angola demand credit and loans which are in most cases unmet (UNDP, 2005b: 3) in 2000. The banks in Angola are only interested in supplying credit to big businesses with the necessary collateral (UNDP, 2005b: 10). Many NGOs distribute micro-credit to micro-entrepreneurs in the informal sector. De Vletter (2002: 72) has listed the following programmes that provide micro-credit in Luanda, namely the Development Workshop Angola (DWA), CARE International, Banco Sol, Christian Children's Fund and African Humanitarian Action. These institutions provide micro-credit to micro-entrepreneurs as individual loans or group-lending schemes. Cain (2007: 375) states that since its inception in 2002 the DWA has distributed micro-credit to 5 000 individuals and 300 group-lending schemes, with a repayment rate of 98 percent. The number of clients has increased to 14 000 by 2007. However, in a market of 530 000 micro-entrepreneurs, the DWA has only 14 000 micro-entrepreneurs as clients (Cain, 2007: 376).

The micro-entrepreneurs in Angola use the social network to make sure that they do not default in the repayment of the micro-credit. Lemos (2007: 49) states that members of the DWA group-lending scheme located in Huambo in Angola, form ROSCAs to finance medical or funeral expenses of family members so that they do not rely on micro-credit to finance such expenses. This shows that some loans made for business purposes are used for personal matters.

The micro-entrepreneurs in Angola prefer informal sources of credit such as *kixikilas* or ROSCAs to credit from MFIs. Micro-entrepreneurs form ROSCAs and cooperate to create self-lending schemes (Wilson, 2002: 33). The difficulty with this source of credit is that the micro-entrepreneurs who are allocated the lump sum continue to pay the contributions until the last member in the group has received the lump sum (Lemos, 2007: 49).

The other form of credit which is available to the micro-entrepreneurs is *kilapi* defined in section 1.6.8. The problem with this type of credit on purchases is that when it matures and the time comes to pay the traders from which the merchandise was bought, some micro-entrepreneurs do not have sufficient money to pay (Lemos, 2007: 51).

2.6.2 Gender disparities in the informal sector in Luanda

According to De Vletter (2002: 36-37) gender inequality in the informal sector is subtle. The women micro-entrepreneurs in Angola engage in less lucrative self-employment activities

compared to men. Women are predominantly in petty businesses such as selling clothes, bread, fish, charcoal, pots and shoes. Men adopt activities such as selling CDs and electronic equipment and are skilled in activities such as mechanics, carpentry, construction and electricians. These employment opportunities require skills that are deemed not accessible to women. Men have also begun to engage in activities previously dominated by women such as selling second-hand clothes and foreign exchange dealers, thus pushing women out of such business and causing more poverty amongst women (De Vletter, 2002: 38). The poor women are then forced to take up washing and ironing of clothes.

In Luanda, women micro-entrepreneurs engage in activities that are similar to subsistence activities they perform in rural areas. The rural activities include cooking, cleaning and caring for children. The micro-entrepreneurs keep the income they earn from informal sector activities, which indicates financial independence (De Vletter, 2002: 37). However, micro-entrepreneurs still work for long hours and make relatively low returns. This is because the informal sector activities in Luanda are volatile. The income fluctuates according to daily market activities and the expenditures relate to both the personal and professional needs of the micro-entrepreneurs (Guèrin, 2006: 552).

2.6.3 Bureaucracy in legalising the micro-enterprises

Micro-entrepreneurs also have to cope with bureaucracy and corruption to register their micro-enterprises. De Vletter (2002: 50) states that the process of legalising a business is complex and complicated in Angola. He affirms that micro-entrepreneurs have to submit a string of documents which are costly to obtain. For a car mechanic in the province of Namibe to register the workshop and legalise the business he has to spend between US\$250 and \$350 in 2009. In Luanda a business man was reported to have spent US \$800 to have an agent deal with the registration process of his business (De Vletter, 2002: 50). The micro-entrepreneurs that do not have money to spend in obtaining documentation required to register the micro-enterprise, obtain a temporary licence and paid US\$25 a month (De Vletter, 2002: 50). The cost of registering a business for micro-entrepreneurs deters them from legalising their businesses. For example, street traders have to operate from a permanent place to have their businesses registered (DWA, 2009: 11).

Unregistered micro-entrepreneurs are continuously harassed by local authorities and do not have title deeds to their properties. The lack of title deeds means that micro-entrepreneurs do not possess collateral to obtain credit from banks (De Vletter, 2002: 52). The micro-entrepreneurs that reside in slums of Luanda without title deeds to their property also face the risk of expropriation by commercial developers or the State (Cain, 2007: 366). Amongst the micro-entrepreneurs in the informal sector and resident in the slums of Luanda are migrants from rural areas.

2.6.4 Migrations from rural areas to Luanda

The migrations to Luanda have been caused by the combination of push and pull factors. The 30 years of conflict in the country that lasted until 2002, is the single most significant push factor. The expected income opportunities' in Luanda is an example of the pull factors (Timalsina, 2007: 27; Ammassari, 2005: 31).

The end of the conflict created opportunities for income and employment in urban areas due to the need to rebuild the country. The process of reconstruction and development that government embarked upon and the growth of other sectors contributed to the demand for labour. In Luanda, the building construction and development involved in the building of residential homes, hotels and office buildings (Last, 2009: 2). This attracted migrants from rural areas in search of jobs and income opportunities in urban areas. Migration of people from the rural areas to Luanda was facilitated by the opening of roads and better mobility to the capital (Cain, 2004: 3).

The income earned in the informal sector in Luanda was higher than the minimum salary in the public sector in the 1990s. The UNDP (2000) (cited in De Vletter, 2002: 24) compiled a study which revealed that income earned by women micro-entrepreneurs in Luanda was higher than the minimum salary earned by an unskilled labourer in the formal sector. The reasons for the income difference were the high level of inflation, high demands for informal sector goods and services and the flexibility of micro-entrepreneurs. During the period between 1993 and 1996 Angola experienced hyper-inflation, which eroded the real value of salaries (Pereira, 2004: 7). Micro-entrepreneurs in Luanda adapted quickly to changes in price and demand. In this way demand for their products did not reduce as much as that of the formal sector (De Vletter, 2002: 24).

However, post-conflict Angola marked the beginning of macroeconomic stability and reduced inflation, which favoured the public sector minimum salary and formal sector. The country entered the initial stages of development where entrepreneurial activities are negatively related to economic development. The developing countries at the early stage of development find that entrepreneurs are motivated by the necessity and not the opportunity for making profit (Acs, 2006: 101). The micro-entrepreneurs are not interested in attaining financial independence. They just want to make enough money to survive. Moreover, the micro-entrepreneurs would prefer to be employed in the formal sector as opposed to the informal sector (Acs, 2006: 102).

Income earned from self-employment activities decreased when the opportunity for high earnings in the informal sector attracted migrants to self-employment activities. This is because the influx of migrants into the informal sector increased competition. The increased competition in self-employment activities eroded the earnings of micro-entrepreneurs, sinking them further into poverty (Timalsina, 2007: 97).

The influx of migrants into Luanda resulted in high growth of slums and shantytowns (Von Itter, 2003: 5). The growth of informal housing in Luanda is marked by the inability of the public sector to cope with the inflow of migrants, which led to overcrowding and densely populated areas. The informal housing areas in Luanda are characterised by inadequate provision of public services, such as the supply of electricity, water and sanitation (Von Itter, 2003: 4-5).

2.6.5 Inadequate provision of water and electricity in the slums

The availability of electricity in Luanda is limited to the urban areas and only 20 percent of the population have access to electricity, with frequent blackouts (ESR, 2009: 7). This is because the country has suffered from several years of civil conflict that caused the destruction of water storage dams located in the provinces and the electricity system dates from the colonial era, which is unable to cope with the increased demand. The electricity services depend on poor institutions and poor management (DWA, 2009: 50). The price of electricity and fuel in Angola are subsidised by the government (World Bank Angola, 2005: 7). The people in the slums prefer to use generators because it is reliable.

The price of water is subsidised by the government. However, the supply of piped water in Angola is very limited. The DWA (2009: 16) reports that it is easier for micro-entrepreneurs in

Luanda to have access to electricity than piped water. Their report estimates that 2 percent of micro-entrepreneurs have access to piped water and no electricity in Luanda, whereas 48 percent of micro-entrepreneurs have access to electricity and no piped water.

The inadequate provision of water to households in the slums of Luanda has given rise to an informal sector market for water. Houses in slums lack piped water and depend on private sellers of water. The water is pumped from the River Bengo on the outskirts of Luanda and transported to households in cisterns. This system provides water to households in Luanda, but health risks arise. Water from private sellers is often not treated and risks of continuation exist (Cain, 2007: 368). The cistern owners in Luanda form part of ANGOMENHA and source up the water in the ANGOMENHA Girafas or filling stations located in Kifangondo (Cain and Mulenga, 2009: 24). However, the water sourced from this filling station is not treated. Cain and Mulenga (2009: 26) argue that this problem occurs because there is no system in the filling station to enforce that the water is treated. Water is sold in buckets to people who cannot afford to fill their own underground storage tanks or who do not have storage tanks in the slums. The micro-entrepreneurs in Luanda have to cope with such poor living conditions, which reduce health and lead to lower productivity.

2.7 Summary of main findings and conclusions

Self-employment activities in developing countries are significant sources of employment. It provides employment to 70 percent of the population in Sub-Saharan Africa, 62 percent in North Africa, 60 percent in Latin America and 59 percent in Asia. The majority of the people that engage in self-employment activities are women. The income which they earn from self-employment activities is the only source of income, which is less than the income of an unskilled labourer in the formal sector.

The informal sector also provides income for owners of micro-enterprises and people that are employed in micro-enterprises. The income earned by owners of micro-enterprises in the formal sector is generally higher than the income of a self-employed micro-entrepreneur in the informal sector. The income differential is also present between self-employed men and women. The research estimates that men that are self-employed earn higher wages than those of self-employed women. This reflects the poverty and gender inequality in the informal sector.

In the informal sector poverty has different causes. These include survival strategies, rural to urban migration, poor health, levels of education and gender inequality. The self-employment activities are survival strategies adopted by rural to urban migrants, because there are no barriers and little capital and skills are required to start trading. The influx of people to the informal sector increase competition and aggravate the poverty of the subsistence traders already in the informal sector. This is mainly because people adapt similar activities in the same location, which reduce the prices and profits. Income of the micro-entrepreneurs is small because the number of hours that they dedicate to the micro-enterprise is reduced. Another factor which reduces the number of hours that micro-entrepreneurs dedicate to the micro-enterprise is poor market infrastructure, the subsistence activities such as cooking for sale and hygienic practises in location of trade. The micro-entrepreneurs lack access to resources and information about different markets and they are afraid to venture into a market that they do not understand. As such, the micro-entrepreneurs are limited to a saturated local market with a weak economy and poor transport infrastructure.

The process of rural to urban migration led to the rapid growth of the informal sector in the urban areas. The influence of migration on the informal sector is explained by Todaro's theory of migration. He states that the expectations of rural migrants to have a better life in the urban areas have led to their migration. The migrants who are unable to find employment in the formal sector are pushed to informal sector activities. The unplanned semi or permanent movement of people into the urban areas also results in the growth of slums where people live in overcrowded conditions. The overcrowded environment is a fertile ground for infectious diseases, which affects the health of the micro-entrepreneurs and leads to a reduced income.

The low levels of education amongst women micro-entrepreneurs negatively affect the productivity and operation of their businesses or micro-enterprises. Accordingly, they are unwilling to differentiate, they do not understand the information that is available to them in terms of the government regulations and how it applies to them. The micro-entrepreneurs cannot take advantage of the years of experience and enter a niche market which limits them to a saturated and competitive market in the informal sector. They find it difficult to access and make use of technology to the benefit of the micro-enterprise. The access and use of technology is also limited by gender inequality.

Gender inequality also limits the women to low income activities in the informal sector. This is mainly because the traders have limited ownership to property, they are time constrained and they have to cope with male social capital. The male social capital means that the micro-entrepreneurs have to cope with gender segregation and a marketing structure that is subject to gender bias.

Micro-entrepreneurs face various constraints in the operation of their businesses. The micro-entrepreneurs experience bureaucracy in the registration of the micro-enterprise in the form of obtaining documentation. The micro-entrepreneurs have reported that registering the micro-enterprise is a time consuming, a cumbersome and expensive process and that they often choose not to register. The problem is that unregistered traders are constantly harassed by the local authorities, which negatively affects their productivity and income.

Another constraint is that the micro-entrepreneurs do not cooperate. This means that they do not take advantage of division of labour and of networking. This can lead to access to favourable terms of credit, a better talent pool and the spreading of risks.

The micro-entrepreneurs form rotating credit and savings associations (ROSCAs) to access finance. The women prefer to rely on each other through ROSCAs, because it is flexible whereas MFIs are inflexible and too strict. MFIs can adopt an integrated or a minimalist approach. The minimalist approach assumes that the only problem experienced by micro-entrepreneurs is credit. Once the micro-entrepreneurs are given credit they can expand their micro-enterprises. This credit is provided through group-lending schemes and the women make regular repayments. The problem with this approach is that the micro-entrepreneurs experience gender inequality and lack of education which limits the expansion of the micro-enterprises and affects regular repayments required by the MFIs.

The micro-entrepreneurs solve the problem of regular repayments by relying on social capital and multiple-loan taking. These solutions defeat the purpose of empowerment of the micro-entrepreneurs. This is because the micro-entrepreneurs create a web of debt that pushes them further into poverty. The problem of multiple-loan taking to repay the loans is the solution for micro-entrepreneurs that participate in MFIs that are minimalist and the group formed by the micro-entrepreneurs are large.

The MFIs in Angola are minimalist and they supply micro-credit to micro-entrepreneurs in group-lending schemes and individual loans. In Angola there are an estimated 530 000 small and micro-entrepreneurs that demand credit. However, the MFIs do not supply credit to the entire market. The micro-entrepreneurs rather rely on informal sources of credit such as ROSCAs and *kilapis* to satisfy the demand for credit. The micro-entrepreneurs in Huambo that participate in MFIs participate in ROSCAs to ensure that they do not default from the repayments in the case of unpleasant eventualities. This does not benefit the micro-entrepreneurs, because they finance debt with loans which contributes to poverty.

During the civil conflict in Angola, income earned from self-employment activities in the informal sector was higher than salaries in the formal sector. The main reason for high returns in the informal sector was hyper-inflation that eroded the purchasing power of formal sector salaries. The fact that there were disparities in earning made it easy to find employees from the formal sector also involved in the informal sector. The end of the conflict in Angola and macro-economic stability caused the earnings in self-employment activities to reduce. After the civil conflict micro-entrepreneurs in Luanda were faced with a decrease in inflation and competition from the rural areas' migrants.

In Angola internal migrations to Luanda has combined push and pull factors, which has resulted in the rapid expansion of the informal sector and growth in the slum areas. During the civil conflict people migrated to the coastal areas where it was safe and a significant number of internally displaced persons (IDPs) migrated to Luanda. IDPs adopted their strategies for survival to provide for housing and employment. IDPs engaged in self-employment activities in the informal sector and began squatting on unoccupied land, which later grew into slums that are overcrowded and lack basic services.

In Angola gender inequality is present in the level of education. That is, the women have lower levels of education and lower levels of literacy than men. Gender inequality also reflects the fact that women are not equipped with men dominated skills, such as carpentry and electrician training. The women are equipped with skills which parallel the survival activities in rural areas. This limits women to less lucrative activities and to lower income.

Bureaucracy in the registration process is another factor that micro-entrepreneurs have to face. The bureaucracy involves complex procedures to register the micro-enterprise and high costs, which deter micro-entrepreneurs from registration. The micro-entrepreneurs who are not registered have lower productivity, because they are continuously harassed by the local authorities. The street traders are most vulnerable because they do not have a fixed location to do business and they cannot register their businesses.

The discussion in this section has failed to pinpoint other relevant issues that prevent the wellbeing of micro-entrepreneurs in Luanda. The literature is silent on issues such as health standards of women micro-entrepreneurs in Luanda. Poor health of micro-entrepreneurs is linked to occupational risks, environmental hazards, poor infrastructure in the market and the micro-entrepreneurs unhygienic practices. Literature failed to present a link between the health and productivity of micro-entrepreneurs.

Micro-entrepreneurs in Luanda experience gender inequality in a subtle manner. However, research has failed to reveal whether gender inequality limits women to less lucrative activities in the informal sector. Research and literature about poverty of micro-entrepreneurs in Luanda also fails to quantify the income earned by micro-entrepreneurs in Luanda and their expenditure patterns.

Access to IT such as mobile phones and the internet can contribute to the empowerment of micro-entrepreneurs in developing countries. Research has failed to explain whether accessibility to IT for micro-entrepreneurs in Luanda is affected by the education levels and gender inequality.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This section attempts to address the methods used to answer the research questions and the research problem. The discussion in Chapter 2 revealed gaps that need to be filled by a primary research. The literature review did not link poor health and productivity of the micro-entrepreneurs in Luanda, address whether gender inequality limits them to informal sector activities and to the access of information technology (IT). The literature review did not quantify the income earned and expenditures of women micro-entrepreneurs in Luanda in order to explain their poverty. To address this knowledge gap a survey was conducted of women micro-entrepreneurs in Luanda. This method is used because it provides unbiased representation of women micro-entrepreneurs and the same information can be collected from the micro-entrepreneurs and used to complement existing data from secondary sources (Owens, 2002: 2). This chapter discusses the research methodology and design that was used to fill these gaps. The chapter also elaborates on the sampling method, research instruments and how the collected data was analysed. The data collected includes the characteristics of micro-entrepreneurs and micro-enterprises in the urban areas of Luanda and the financial practices of micro-entrepreneurs.

3.2 Research design

The survey uses a combination of quantitative and qualitative approach. The qualitative approach makes it possible to describe the micro-entrepreneurs and their micro-enterprises in terms of place of trade, type of subsistence activities, years of experience, their level of education, marital status and the housing arrangements. It further makes it possible to identify constraints such as occupational injuries and risks, the reasons that pushed them into informal sector activities and whether they take advantage of an enterprise cluster.

The quantitative approach explored the financial profile of women micro-entrepreneurs in Luanda. This included weekly income from business, rotating savings and credit associations (ROSCAs), transfers, pensions and rent as well as expenditure on household and business-related

expenditures. The expenditures include food, water, electricity, school fees, airtime, restocking for the enterprise and ROSCAs contributions.

3.3 Sampling method and sampling group

Non-probability random sampling was used in this study. This sampling method is used because micro-entrepreneurs in Luanda are a large group of women and it makes it possible to choose the respondents without having to be restrictive. In the non-probability random sampling the sample size is decided by the researcher (Taylor-Powell, 1998a: 6). The sample size can also be established from similar research sample sizes. Baptista, Ramalho and da Silva (2006: 229) used a sample size of 120 to survey micro-entrepreneurs in the Cape-Verde markets. This study used a sample of 130 as recommended by Taylor-Powell (1998a: 10). According to Taylor-Powell (1998a: 10) a population size of 100 000 should be surveyed by a sample size of between 100 and 398. In Luanda the population size of women micro-entrepreneurs was estimated at 441 000 (DWA, 2009: 20). However, due to previous research a smaller sample of 130 was chosen.

Respondents were randomly selected from the market and the street traders in Luanda. A total of 8 markets were visited. These markets are São Paulo, Congolenses, Katinton, Golfe, Trapalhães, Asa Branca, Praça da Independente and Mabunda. The respondents were selected on condition that they were the owners of the informal enterprises, they were the sole employees of the business owned by women and their activities reflect the definition of the informal sector highlighted in Section 1.6.3. These conditions ensured a fair representation of women urban micro-entrepreneurs in Luanda. Micro-enterprises owned by women who are the only employees of the businesses and who engage in activities that are easy to access are the majority of micro-enterprises in Angola (De Vletter, 2002: 20).

During the sampling process sample bias was expected to affect the sample design. This bias occurs when respondents do not answer all the questions in the questionnaire and the researcher is left with incomplete questionnaires. To reduce this bias, careful editing of the questionnaires were done to compare the characteristics of respondents that completed the questionnaires with those of respondents that did not complete the questionnaires. This was done to detect any suspected differences (Westat, Frierson, Hood and Hughes, 2002: 26). All the questionnaires completed were usable, but questions in the questionnaire that were not completed were rendered

unusable. For example 2 respondents did not answer their age, 21 their average income and 12 the average expenditure on bread and 62 on electricity.

3.4 Research instrument: Questionnaire

The questionnaire sought to capture the perceptions, behaviour and attributes of micro-entrepreneurs in Luanda as well as the characteristics of the women-owned micro-enterprises.

3.4.1 Construction of the questionnaire

The questionnaire used had a combination of open and close-ended questions. The open-ended questions allowed the micro-entrepreneurs to provide their own answers and describe the financial environment. They provide information on income earned and spent on a daily or weekly basis and the expenditure patterns of the household's basic needs and business-related expenditures (See Annexure 1 for the questionnaire).

Close-ended questions were exhaustive and mutually exclusive in order to identify the characteristics of micro-entrepreneurs and micro-enterprises in Luanda. The characteristics range from demographic characteristics such as age, to gender inequality, cut or sprains sustained while operating the micro-enterprise and places where they buy merchandise for the micro-enterprise.

The questionnaire was subdivided into 5 sections, marked A-E. In Section A the aim was to identify attributes of micro-entrepreneurs in Luanda which included the location of the micro-enterprises and the type of activity. Other characteristics considered were years of experience, age, civil status, number of children, literacy levels, level of education and number of dependants.

Section B aimed to identify occupational health issues, such as injuries incurred at the place of business and accessibility to medical care concerning women micro-entrepreneurs. The respondents were also asked if they had consulted a health centre after injuries and whether their experiences at the health centre was positive or negative.

Section C analysed other factors that motivated self-employment activities, aside from low levels of education and migration. On the first part of Section C the traders were surveyed on the

motive for engaging in the self-employment activities. In the second part of Section C the traders were asked to select the motive(s) for not engaging in the self-employment activities that are dominated by men. These activities include taxi drivers, construction, tailors, carpentry and other activities such as hairdressing and retail agents.

Section D explored the networking activities of micro-entrepreneurs in Luanda. Networking is explored through facets of micro-entrepreneurial activities in Luanda. The respondents were surveyed on the formal or informal nature of financing and the presence of cooperatives in the informal sector. They were also asked what form of cooperatives they mostly used. Micro-entrepreneurs were also questioned on the benefits of being in a cooperative, be it financial or otherwise.

Networking also inquired about the restocking activities of micro-entrepreneurs. The respondents were surveyed on how they buy stock, why they buy the stock in this manner and which form of transportation is used to attain the stock. The aim was to establish whether the respondents cooperate in certain aspects of running their businesses or whether they operate the micro-enterprise in complete isolation.

Section E, analysed the financial environment in the informal sector in Luanda. It examined the income of the micro-entrepreneurs and their expenditure pattern. The income that micro-entrepreneurs earn is examined from income earned on different self-employment activities. The aim was to investigate whether micro-entrepreneurs supplement their income from different self-employment activities. It also explores whether the octopus organisation form is present in the micro-entrepreneurial activities (See Annexure 1 for the questionnaire). The expenditure patterns was categorised into household expenditures and business-related expenditures. The household expenditure included food, water, electricity, school fees and money allocated to purchasing airtime for mobile-phones. Business-related expenditures included restocking, bank loan and micro-credit repayments, deposit in a savings account and ROSCAs.

3.5 Analysis of the data

The data was analysed using graphs, tables and descriptive statistics that depict the characteristics of micro-entrepreneurs and micro-enterprises and the operational constraints of the respondents. Moreover, it explained whether the respondents supplement household

expenditure with the extra finance from ROSCAs or invest in the micro-enterprise by purchasing stock. The income earned from self-employment activities underlines the earnings on a daily or weekly basis from a single informal sector activity or different unrelated informal sector activities. In the quantitative data analysis there is the possibility that responses are unlikely or out of line. In such cases it may be necessary to eliminate the item or items from the data to be analysed (Westat et al. 2002: 34).

The income and expenditure amounts of the micro-entrepreneurs are in monthly aggregates. This is done by multiplying the daily income and expenditures amounts by 22 and the weekly income and expenditures amounts by 4.3 in cases where daily or weekly income and expenditure was reported.

The amounts on income, expenditures and finance from rotating savings and credit associations (ROSCAs) are also converted from US dollars and the Angolan currency called the Kwanza into the South African Rand. The currency conversions are necessary as the primary data was in US dollars and Angolan Kwanza, the main currencies used in Angola. The exchange rate for Rand/Angolan Kwanza at that time was Kz 10.36 and was obtained from Angolan National Bank (BNA 2009). The US dollar/Rand was estimated at R7.82 and was sourced from the South African Reserve Bank (SARB 2009).

3.6 Questionnaire limitations

In Section E of the questionnaire the micro-entrepreneurs had to provide their average income from different sources. Many of the respondents obtain income from only one source, mainly the micro-enterprise and do not record the income earned from the micro-enterprise. The respondents could only provide an estimate of the lowest and highest daily income. As such, all the data was collected and carefully arranged in order to calculate the average income earned by the micro-entrepreneurs in their category activity.

Some questions were ambiguous which led respondents to understand and respond to some questions differently. For example, when the respondents were asked to provide information on the expenditure of basic needs such as food and clothing, it was not specified the type of food and clothes they purchase. Also, it was not specified whether the respondents accessed electricity from the municipal provider Company of Electricity in Luanda (EDEL) or private generators as

expenditure on both would differ. Similarly, it was not specified as to whether the respondents accessed water from private individuals, government-provided standpipes (*chafariz*) or from the local municipality Water Company of Luanda (EPAL) that distributes running water (DWA, 2007: 4-5). In the case of expenditure on school fees, the level of education and whether school fees were for the micro-entrepreneur or her children was not stipulated.

In order to reduce the limitation of ambiguity, some of the questions can be restructured and others eliminated after the pilot study (Taylor-Powell, 1998b: 2). For the average household expenditure on food the respondents were asked to provide information on daily expenditure of bread, to have a standard measure for food. This is mainly because bread is the cheapest and most affordable staple food in Angola. To have a measure for electricity expenditure, those that depended on generators as a source of electricity were asked to provide information on their daily expenditure on fuel for the generator. In the case of expenditure on school fees the respondents were asked to provide information regarding the average school fees for children in primary and secondary school. In the case of expenditure on clothing, furniture and equipment for the micro-enterprises, no data was collected for these categories. This was because these are irrelevant items that do not provide information on the expenditure of the micro-entrepreneurs.

3.7 Summary of the main findings and conclusions

The research adopted a mixed approach of qualitative and quantitative studies in order to determine the constraints that micro-entrepreneurs in Luanda experience in the day-to-day trading. The mixed approach was used because the results from the qualitative and quantitative studies reinforce each other and make it possible to include both open-ended and close-ended questions in a questionnaire. The data that is collected make it possible to provide the distributional characteristics of the micro-entrepreneurs and their micro-enterprises and to describe their constraints.

A total of 130 women micro-entrepreneurs and their micro-enterprises were surveyed through a self-administered questionnaire in Luanda. The survey provides information of the type of activities that they engage in, how long have they been in the activities, level of education, age, number of dependants, marital status and informal housing in the slums. Moreover, the survey provides data on the injuries that micro-entrepreneurs sustained while operating the micro-

enterprises, risks suffered, the ability of micro-entrepreneurs to cooperate with each other and reasons that pushed them into informal sector activities. It also provides data on their financial activities and allows income and expenditures to be calculated.



CHAPTER 4

CONSTRAINTS EXPERIENCED BY WOMEN MICRO-ENTREPRENEURS BASED ON THE DATA CAPTURED IN LUANDA

4.1 Introduction

The aim of this chapter is to analyse the data of respondents on their micro-enterprises and the financial environment. This is done to determine the constraints that they experience in their operations and trading. The chapter is divided into four parts. Firstly, it describes the characteristics of the respondents and their micro-enterprises. This includes the location of the businesses and the structure of the markets, types of self-employment activities as well as the years of experience, age profile, marital status, literacy levels and housing arrangements of the respondents. Secondly, it analyses some of the constraints facing women-owned micro-enterprises. Thirdly, this chapter focuses on the sources of finance of the micro-entrepreneurs. Finally, this chapter analyses the shortcomings and constraints of microfinance institutions (MFIs) in Luanda. Although this chapter analyses the data of the questionnaire it is supported by previous data to make the point or to support it.

4.2 Characteristics of the respondents and their micro-enterprises

4.2.1 Location of one-woman business trade and the structure of markets in Luanda

The research established that most of the informal trading in Luanda takes place mainly in the streets and in the markets. There are 15 large markets in Luanda, 8 of which were surveyed. These markets were Mabunda, Trapalhães, Katinton, Golfe, Asa Branca, Congolenses, São Paulo and Praça da Independente. The data was collected from 130 respondents. Of the 130 respondents, 95 or 73 percent were located in the markets (Survey data 2009). The informal sector traders source and sell their merchandise from the same markets.

4.2.1.1 The lay-out of the fish markets

Mabunda is an informal fish market that is located adjacent to the coastline where the fishermen dock their boats in the harbour of Samba. This market houses an estimated 200 traders that sell fish and other products (Manuel, 2009a: 2). The fishmongers are placed on the South of the coastline and the rest of the traders are stationed to the North along the coastline. The

fishmongers display the fish they are selling on the sand and the rest of the traders use makeshift tents and improvised wooden stands.

The fishmongers sell a variety of fresh fish in this market. Some include dried and salted cod, croakers, groupers, moonfish, prawns, horse mackerel, scabbard fish and sole, sardine and small octopus. The prices for fish in this informal market are quite affordable and reasonable which attracts many buyers to the market (Manuel, 2009a: 1). During the weekend the market is buzzing with activity as the locals descend on the market. Traders shout out different prices and quantities to try to attract buyers. The problem with this market is that the activities of the traders and the people that buy fish in this location pollute the area. Manuel (2009a: 2) states that more than five thousand people use this market on a daily basis. The people that visit the fish market include fishmongers and people that buy the fish. They all produce garbage that pollutes the coastline. In the fish market there are boys who gut fish and throw the fish guts into the ocean. This contributes to the already polluted waters of the coastline. Their activities also contribute to the rubbish in the market and the strong stench from fish dumps. There are other traders in the market that engage in activities such as selling different products. These include vegetables, meat, coal and petroleum, second-hand clothes and shoes (Manuel, 2009a: 2).

Another fish market visited was Trapalhães. This market is located in a designated trading area and not adjacent to the coastline. This market has an estimated 100 traders engaging in different activities, such as fishmongers, restaurant owners, greengrocers and sellers of groceries such as beans, rice, sugar, and cooking oil (ANGOP, 2004: 1; Lopes, 2006b: 7).

At the front of the market there are fishmongers selling fresh fish of different sizes and shapes. There are also greengrocers, sellers of groceries and sellers of alcoholic and non-alcoholic beverages inside the market. This market has restaurants that are housed in makeshift tents made out of dried grass. These restaurants are called *barracas* in Luanda. There are about 25 such restaurants in the market that sell meals (ANGOP, 2004: 1).

The problem with the Trapalhães market is that it is in a poor state. This market was established in the 1980's, has no roofing and there are not many stands for the traders to display and sell their goods (ANGOP, 2004: 1). The greengrocers display their food on the floor or make use of

dilapidated stands. As such, this market has been earmarked for closure to allow further reconstruction to increase its capacity and improve the infrastructure.

4.2.1.2 The structures of the open-field markets

Katinton is an open-field market with a capacity for 4871 traders (Lopes, 2007: 41). The traders are divided according to the products that they sell. The traders sell fruit and vegetables, meat, groceries, alcoholic and non-alcoholic beverages, clothes and shoes, electrical appliances such as televisions, radios, computers, grocery bags, hair products and accessories. The market also has restaurants or *barracas*, which serve daily meals (DWA, 2009: 26-29). The truck drivers unload fresh vegetable produce from the interior and the Southern provinces of Angola in this market, where it is purchased by the traders in sack loads to sell in other markets (DWA, 2009: 3).

In the section for the sellers of groceries, the traders make use of individual stands. The traders display different groceries for sale such as mayonnaise, margarine, pasta, milk powder, condensed milk, tomato paste, olives, beans, sugar, cooking oil and chorizo which is a spicy pork sausage (DWA, 2009: 27). In the section for the greengrocers the traders display their stock on the floor or on old wooden stands. The vegetables such as lettuce are displayed on the vegetable sacks in an upright position on the floor. In the case of potatoes the women lay the vegetable sack on the floor and spread out the potatoes. The tomatoes and the garlic are displayed in medium-sized plastic buckets on the floor. Traders can sell one type of vegetable such as lettuce or they can sell different kinds of vegetables such as tomatoes, potatoes and garlic (DWA, 2009: 26-29). The prices, especially of vegetable produce, in the Katinton market are reasonable or affordable. This is mainly because the trucks unload at this market and the prices charged are wholesale prices (DWA, 2009: 3). The affordable prices in the market attract thousands of people on a daily basis, which creates a busy atmosphere in the market.

The market has a section for traders that sell footwear such as shoes and slippers and second-hand clothes. These clothes include jeans, t-shirts, dresses, skirts, shorts, blouses, socks, trousers and children's clothing (Gaspar, 2009). The second-hand clothes sold by the traders are imported from countries such as the United States of America, Canada and Belgium (Dias, 2008: 1). Some of the traders buy the second-hand clothes from warehouses in Luanda. The traders are located in

makeshift tents made out of dried grass and the traders display the different clothes on hangers suspended on the sides.

The selling of electronic equipment in the market is dominated by men. They sell radios, computer equipment, televisions, batteries and wrist watches in the stands (Lopes, 2007: 43; De Vletter, 2002: 37).

The other open-field market visited was Golfe with a capacity of 2240 traders (Lopes, 2007: 42). The prices in the market for the different products are reasonable and affordable and the market is busy. At the front of the market are traders in makeshift tents selling different items, such as different sizes and colours of washbasins and buckets, crockery, cutlery and beverages (DWA, 2009: 25). Mainly male traders sell radios, televisions, computers and spare parts for electrical appliances. Also at the front of the market, but to the right-hand side there are mechanics that sell spare parts and repair cars (Lopes, 2006b: 7). Inside the market the traders are divided according to the goods they sell. In one section there are greengrocers that use makeshift tents and beach umbrellas as protection against the sun. In another section there are traders selling groceries and in other sections traders who sell red meat and poultry.

The traders of meat and poultry display their produce on top of old wooden stands. The women have black plastic car covers as roofing to provide shade and protect themselves and the meat from the scorching sun (DWA, 2009: 31; Mann, 2008: 3). Nonetheless, the red meat is exposed to other elements such as dust and flies. The traders use cleavers and small machetes to cut the meat into the quantity that is demanded by the consumer (Gaspar, 2009).

Praça da Independente is another open-field market visited. This market has an old infrastructure and no roofing. The traders are organised according to their activities. The most prominent activities in this market are restaurants, greengrocers and meat sellers. The restaurants in the market are not like those found in the markets of Golfe and Trapalhães. These are made of brick and lined up one next to the other (Gaspar, 2009).

Many markets in Luanda are open-air with poor infrastructure. The Provincial Government of Luanda initiated the Programme for Public Investments in 2006/2007 to upgrade the markets and improve on the infrastructure (ANGOP, 2007a: 1). Newly renovated markets that were visited include São Paulo, Congolenses and Asa Branca.

4.2.1.3 The structures of the newly renovated markets

The São Paulo market reopened in February 2008. The market has been renovated with 180 small stores and 846 stands. There are separate toilets for men and women and a refrigerating chamber to preserve meat and vegetable produce. The market is also fitted with a 50 000 litres water tank and parking space (ANGOP, 2008: 1). The capacity of vendors in the market has increased from 750 to 1010 traders. An upper level has also been added at the market. These renovations benefit the traders, because they are located in a secure and safe area that is hygienic. The market has roofing to protect the traders and the traders are divided according to the produce that they sell (ANGOP, 2008: 1).

The lower level of the market has two rows of stands and each row has 25 long stands. At the front of the market the traders sell ornaments such as earrings, bracelets and necklaces. Fishmongers are located to the left of the front stand. Then there are the greengrocers that occupy 4 stands in each row. The rest of the stands are occupied by traders selling traditional medicine, catholic rosaries, crockery, washbasins and buckets of different shapes and colours (ANGOP, 2008: 1; Gaspar, 2009).

The sellers of imported articles of clothing such as evening dresses, wedding dresses, formal wear, day to day clothes and shoes are situated in the lower level of the market at the back. These traders buy the clothes and footwear from countries such as South Africa, Namibia, Dubai, Brazil and the United States of America (DWA, 2009: 48; Rodrigues, 2010: 2). The traders are also located on the West wing of the market in the stands. On the East wing of the market are men selling electrical equipment and CDs. The traders on both the far sides of the market make use of plastic covers for roofing or protection.

The traders on the upper level of the market sell clothes, shoes and relevant accessories. There are 5 small stores on the upper level of the market allocated to sellers of imported clothes and shoes (ANGOP, 2007b: 1; Gaspar, 2009). They display their clothes on garment racks and the shoes are neatly lined on the floor. In the stores the traders sell shoes and children's toys.

The other newly renovated market visited is Congolenses that is fitted with 1010 stands, 73 small stores and 28 medium size stores. This market was reopened in February 2008. It has 5 stores allocated for the sale of flowers and relevant accessories. The market has 5 toilets, storage space,

a refrigerator chamber and parking space (ANGOP, 2008: 1). It has the capacity for 1625 traders and has roofing to protect the traders (ANGOP, 2007b: 1).

In the stands there are 725 traders organised according to the products that they sell. The stands are occupied by greengrocers, fishmongers and traders that sell groceries (Manuel, 2009b: 1). There are 5 medium size stores that have been occupied by traders who serve daily meals and sell beverages (Domingos, 2010: 1). However, not all the stores and the stands in the market are occupied (Manuel, 2009b: 1). This is because the traders still prefer to trade outside the market. The traders outside the market state that it is easier to sell outside the market instead of inside the market. This is mainly because customers prefer the convenience of buying outside the market instead of having to go inside the market (Domingos, 2010: 1). The traders inside the market state that the traders outside are taking their clientele and lowering their income (Manuel, 2009b: 1).

The other newly renovated market visited is Asa Branca which has been renovated to increase and improve the stands and the number of shops. The market has a roof, 88 shops and 1312 stands with a capacity for 1400 traders (ANGOP, 2007b: 1). These traders are located in the area of the market that has a roof and stands.

However, there are 3800 registered traders in the market (Lopes, 2007: 42). The extra traders are located in the shops and at the back of the market which is an open-field where they have erected makeshift tents to protect themselves from the scorching sun. In the open-field sections of the market there are traders using stands and trade on the floor. The traders in the stands, the majority of whom are men, sell CDs, electronic equipment such as radios, computer equipment and household appliances (Domingos, 2010: 1). The women traders sell children's toys and school material. The rest of the traders that are not in the stands engage in the sale of second-hand clothes. The traders display their clothes in different ways. Some traders lay the clothes neatly on the ground on top of bed sheets. Some make use of garment racks and hangers to display their clothes. Moreover, some traders pile their clothes, often creating a mini mountain of clothes on the floor (Sapo, 2011: 1-2). The people who want to buy pick and choose the clothes from the heaps and it is not well-displayed. Not all the traders surveyed are located within the structure of the market, as there are traders outside the walls of the market in the street.

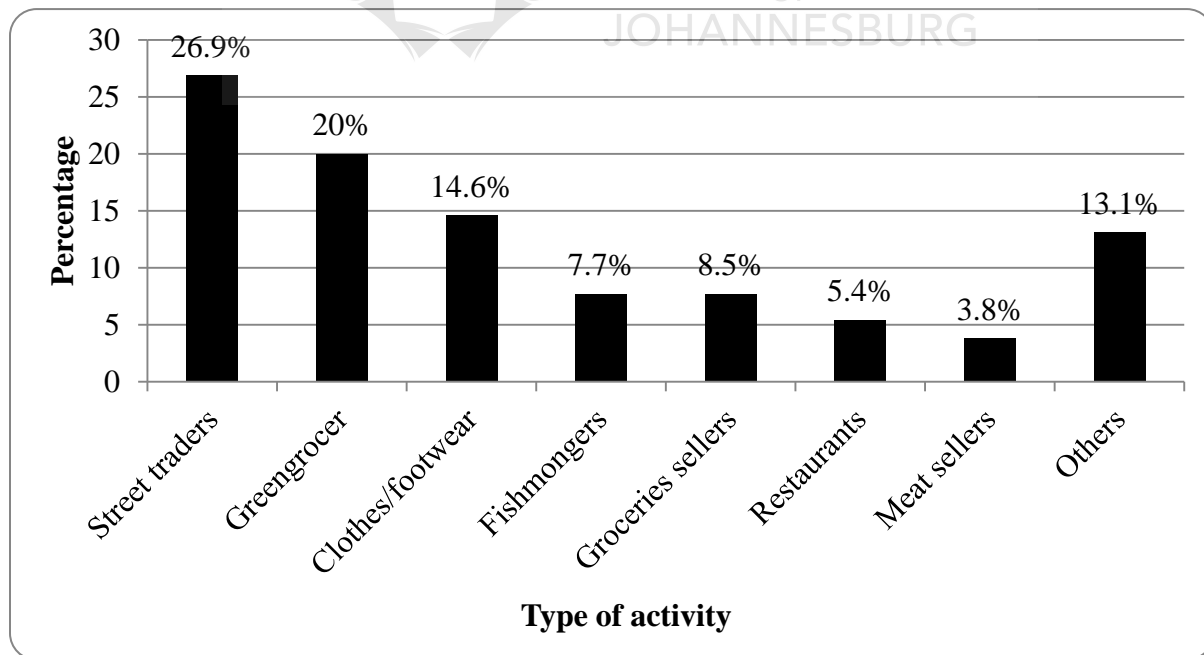
4.2.1.4 Street traders

In this research the street traders surveyed were located outside the markets of São Paulo, Congolenses and Praça da Madeira. In the research, 35 of the 130 or 26.9 percent of the respondents surveyed are street traders (Survey data 2009). There is no clear estimate of how many street traders are located in Luanda and how many outside these markets. However, the space inside the markets is insufficient to house all of the street traders (DWA, 2009: 34).

4.2.2 Types of self-employment activities

Figure 4.1 shows the different types of self-employment activities and the percentage of respondents that participate in the activities. It shows that 26.9 percent of the respondents are street traders. The street traders sell different products such as fruit and vegetables, second-hand clothing, school materials, toiletries, groceries and cooked food such as meat kebabs and sandwiches. They also sell household items such as pots, plastic containers, buckets, basins, crockery, cutlery and bed linen.

Figure 4.1: The self-employment activity of the respondents



Source: Survey data 2009

Of the total street traders' surveyed, 4 sell building materials, 5 sell coal and petroleum products, 3 sell second-hand clothes, 2 sell grilled or prepared food, one sells cookies and biscuits and one sells cooking gas cylinders. The rest of the street traders sell household items, second-hand clothes, school materials, toiletries and groceries. The street traders are flexible and they sell according to seasonal demand. During the Easter holidays the street traders sell fresh and dried fish and Easter chocolates. During winter they sell jackets, socks, long sleeved t-shirts, blankets and boots. In the dry seasons of June to September they sell vegetables and fruit brought from the south and central provinces of Angola (Josè, 2010: 5). The problem with adjusting to seasonal demands arises when respondents do not understand the new market fluctuations or how to obtain stock. The lack of experience also contributes to reduced income from the new venture (Johnson, 2005: 234).

Figure 4.1 also shows that 20 percent of the respondents are greengrocers. The research surveyed 26 greengrocers that are mainly located inside the markets, such as Katinton, São Paulo and Congolenses. Figure 4.1 also shows that 8.5 percent of respondents sell groceries, 7.7 percent sell fish and 3.8 percent sell meat, 5.4 percent are restaurant owners and 14.6 percent of the respondents sell clothes and footwear.

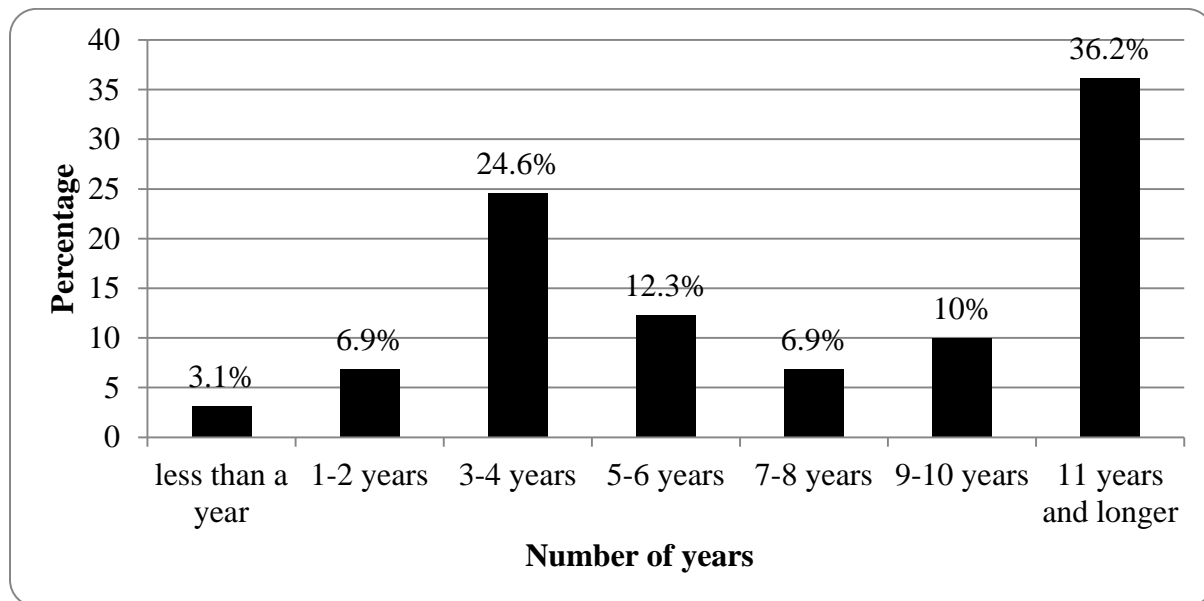
The 10 respondents who sell second-hand clothes are located in the markets of Katinton and Asa Branca. There are 7 traders who sell imported articles in São Paulo and 2 who sell footwear. One trader sells shoes and one sells beach slippers in Congolenses.

Figure 4.1 also shows that 13.1 percent of the respondents employed are in other activities. Their activities include foreign exchange dealings as well as selling of cigarettes, traditional medicine, plastic bags, car covers, crockery and pots. Other products sold are beverages, sweets, hair products, accessories and grilled meat.

4.2.3 Years of experience of respondents

Question 1.3 inquired about how many years the respondents had been in business. The data collected shows that 36.2 percent of the respondents have been in the informal sector for more than 11 years. They engage in commercial activities such as selling of groceries, meat, fish, catering, greengroceries, second-hand clothes and imported articles.

Figure 4.2: The period respondents have been self-employed



Source: Survey data 2009

The number of years that respondents have been in the informal sector is a reflection of their years of experience and success in their business. The years of experience together with education, plays a role in the growth of the micro-enterprises (Mead, 1999: 66). The years of experience are often not related to their level of education, because respondents have not managed to shift from survivalist self-employment activities to profit making micro-enterprises that create employment.

Table 4.1 shows that 47 or 36.2 percent of the micro-enterprises have been operating for more than 11 years. It also shows that 32 or 24.6 percent of the respondents manage to operate the micro-enterprise for 3-4 years. This is the average longevity of micro-enterprises in Luanda (DWA, 2009: 10). There are 9 respondents who have operated the micro-enterprise for 1-2 years, 16 for 5-6 years, 9 for 7-8 years and 13 for 9-10 years.

Table 4.1: The period that the micro-enterprise has been in existence

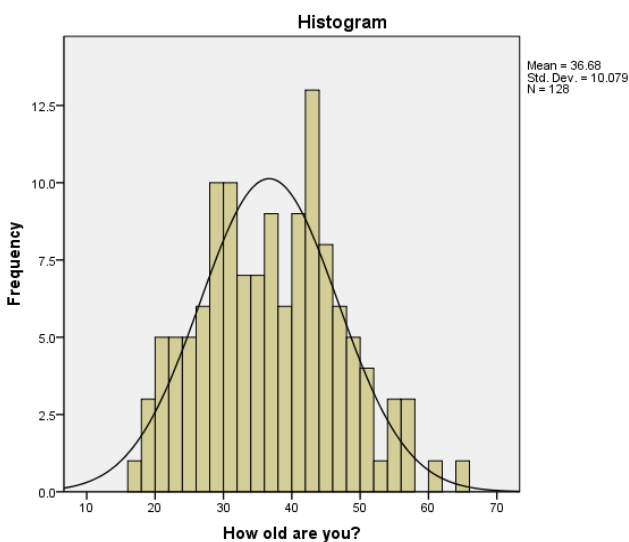
Number of years	Number	Percentage
Less than a year	4	3.1
1-2 years	9	6.9
3-4 years	32	24.6
5-6 years	16	12.3
7-8 years	9	6.9
9-10 years	13	10.0
11 years and longer	47	36.2
Total	130	100

Source: Survey data 2009

4.2.4 Age profile of the respondents

Question 1.4 investigates the age of the respondents and 128 respondents answered this question. Two of the respondents did not answer the question, because they were unwilling to disclose their age or see this data as sensitive. Figure 4.3 shows the age distribution of the respondents. It shows that both old and young respondents are represented in the informal sector as the age of the respondents ranges from 17 to 64 years.

Figure 4.3: Age distribution of the respondents



Source: Survey data 2009

Table 4.2 shows the age categories of the respondents, with the number of respondents in the age category and the percentages.

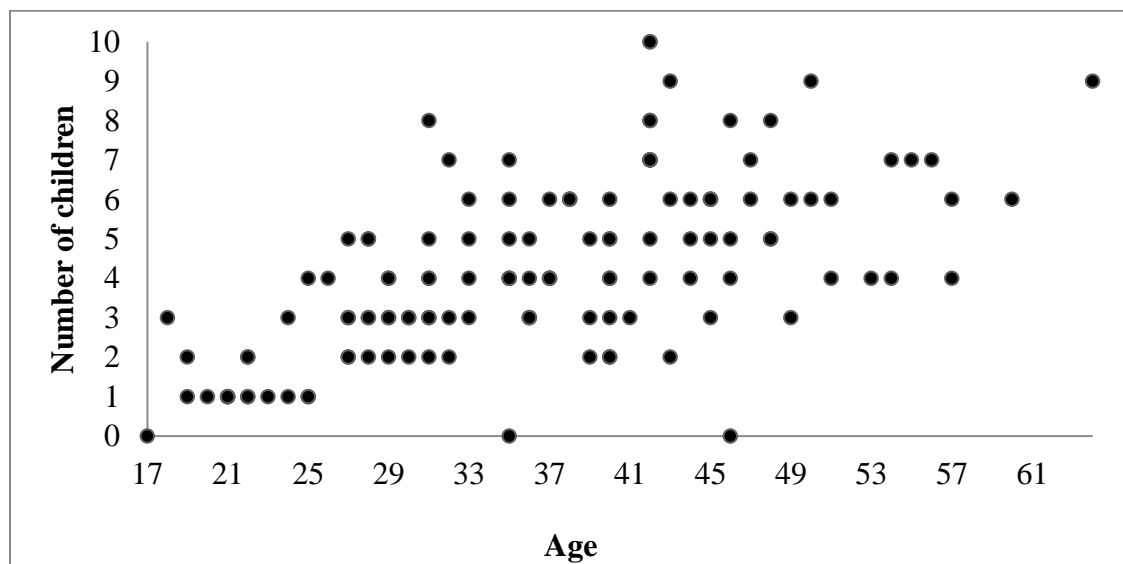
Table 4.2: The distribution of respondents by age group

Age group	Number	Percentage
17-19	4	3.1
20-29	31	23.8
30-39	39	30.0
40-49	41	31.5
50-57	11	8.5
60	1	0.8
64	1	0.8
Missing	2	1.5
Total	130	100

Source: Survey data 2009

The average age of the respondents is 36 years and the most common age group of the respondents is the category 40 to 49. This is because 41 or 32 percent of the respondents are aged 40 to 49. Figure 4.4 compares the age of respondents to the number of children that they have. The scatter diagram depicted in Figure 4.4 shows that there is a positive relationship between the age of the respondents and the number of children that they have. Although, Figure 4.4 depicts one respondent aged 42 with 10 children, generally the older a respondent is the more children she has. Survey data shows that one respondent aged 64 has 9 children and a respondent aged 27 has two children. This relationship is reflected in the Pearson product movement correlation coefficient, which depicts the relationship between two interval-level variables (Fielding and Gilbert, 2000: 167). A coefficient of +1 indicates a perfect positive correlation, between two variables. This means that an increase in one variable leads to the proportionate increase in the other variable. The Pearson product movement correlation coefficient is +1 for the relationship between the age of the respondents and the number of children they have.

Figure 4.4: The relationship between age of respondents and the number of children



Source: Survey data 2009

4.2.5 Marital status of the respondents

There are 81 or 62.3 percent of the respondents that cohabitate, which means that they live together with male partners without being officially married. Another 42 or 32.3 percent of the respondents indicate that they were married, while 6 or 4.6 percent are widowed and one or 0.8 percent of the total is divorced.

4.2.6 Literacy profile of the respondents

Questions 1.7 and 1.8 ask the respondents about their literacy level and the highest level of education completed. Table 4.3 shows the literacy rate of the respondents and Table 4.4 shows the level of education of the respondents.

Table 4.3: The literacy rate of the respondents

Questions and answers	N	%	N	%	Total
1.7 Can you read and write?	Yes		No		
Number and %	91	70	39	30	130

Source: Survey data 2009

Table 4.3 shows that 91 or 70 percent of the 130 respondents can read and write while 39 or 30 percent of the respondents cannot read and write.

Table 4.4: The level of education of the respondents

Questions and answers	N	%	N	%	N	%	N	%	Total
1.8 What is the highest level of education attained?	None		Primary		Secondary		Tertiary		
Number and %	22	16.9	77	59.2	30	23.1	1	0.8	130

Source: Survey data 2009

The education system in Angola is structured into basic education level, pre-university level and tertiary level. The basic education is further divided into 3 levels, level 1 from Grade 1 to 6, level 2 from Grade 7 to 8 and level 3 from Grade 9 to 10. Pre-university is from Grade 11 to 12 (Torres, 2002: 40).

Table 4.4 shows that 77 or 59.2 percent of the respondents completed primary education which is level 1. There are 30 or 23.1 percent of the respondents who have secondary education. Of these respondents, 28 completed only level 2 of secondary education and 2 respondents completed Grade 11 to 12. Only one respondent completed tertiary education. This respondent used to be a nurse and she now sells imported goods in São Paulo. She stated that she left the nursing profession in the formal sector, because there is higher income and more opportunities for growth in the informal sector (Survey data 2009).

Table 4.3 shows that 30 percent of the respondents cannot read and write and Table 4.4 shows that 16.9 percent of the respondents have no education. This means that a total of 30 percent of the respondents are illiterate. Section 2.3.5 shows that respondents' with low education in an economic downturn struggle to manage their micro-enterprise. This is because a downturn causes market demand to decrease, which means a decrease in the number of customers and income (Mead, 1999: 66; Roy, 2004: 30). The income of these respondents also decreases, because of increased competition in the informal sector due to unemployment and migration. Moreover, income is reduced because these respondents are risk averse, which means that they are unwilling to differentiate or are uninformed about market opportunities (Roy, 2004: 21). They often sell similar goods in the same location and charge similar prices for the goods that they sell (De Vletter, 2002: 29). The respondents who never went to school do not understand

microfinance institutions (MFIs) services such as micro-credit. These respondents are then uncertain about participating in MFIs and that prevents them from approaching these institutions for credit.

The low level of education of the respondents limits their ability to be absorbed into the formal sector. This is because the formal sector demands that individuals should have completed secondary and tertiary education (Todaro and Smith, 2009: 388). This pushes women with primary education and those who have not completed secondary and tertiary education into subsistence activities, where they work for long hours and earn little income. The level of education completed by the respondents limits the growth of the micro-enterprise. That is because the micro-entrepreneurs have limited knowledge to identify opportunities in other markets, cannot bridge into a niche markets and are limited to a local market that is competitive and saturated (Eversole, 2003: 114).

4.2.7 Housing of the respondents

Question 1.9 inquired about the respondents' housing. The aim of this question was to determine the type of accommodation that the respondents use. The data collected estimates that 87 or 66.9 percent of the respondents live on their own property in the slums. The data also shows that 39 or 30 percent of the respondents live in rented housing or pay rent. There are 4 or 3.1 percent of the respondent who live in Wendy houses located in the yard of a house owned by a family member or the parents. These traders often do not pay rent for this type of accommodation (Encyclopaedia Britannica, 2011: 1). As discussed in Section 2.6.5 the conditions in the slums are poor and inadequate.

4.3 Constraints experienced by the respondents

The constraints experienced by the respondents were surveyed based on occupational risks and injuries, motive for subsistence activities and networking activities. The respondents were surveyed on these aspects to determine the constraints they experience in the self-employment activities. This is needed to determine whether these constraints hinder the growth of the micro-enterprise or limit them to subsistence activities in the informal sector.

4.3.1 Occupational risks and injuries

The aim of this section was to identify the occupational risk and injuries sustained by the respondents in the operation of the micro-enterprise and the effects on productivity. Of the 130 respondents, 14 reported having suffered occupational injuries such as being hit by a car, cuts, fractured limbs, a heart attack and a gunshot wound. The occupational risks include theft, poor market infrastructure and harassment by the local authorities in charge of clearing the area outside the newly renovated markets from street vendors (DWA, 2009: 13).

The occupational injuries sustained by the respondents lower their productivity because they were not able to operate the micro-enterprise while being treated for their injuries. Table 4.5 shows the injuries sustained by the respondents. It shows that 7 respondents have sustained cuts and injuries related to their occupations. This type of injury is common amongst fishmongers, respondents that cook and a street trader. Three fishmongers, one seller of grilled meat, one restaurant owner, one meat seller and one street trader reported having suffered such injuries. The restaurant owner and the street trader reported that they had to attend clinic. The other respondents did not report their injuries and stated that the injuries were not serious.

Table 4.5: Occupational injuries sustained by the respondents

Questions and answers	N	%	N	%	N	%	N	%	Total
2.2 What type of injuries have you sustained	Cuts		Fracture, sprains		Road-related accidents		Other injuries		
Number and %	7	50.0	2	14.3	3	21.4	2	14.3	14

Source: Survey data 2009

Table 4.5 also shows that two respondents sustained fracture limbs. These respondents are a foreign exchange dealer and a street trader. The street trader sustained a fractured leg while trying to escape from the local authorities and the forex dealer sustained a fractured arm while trying to escape from being robbed. Both of the traders went to health facilities, hospitals or clinics. Moreover, three respondents were involved in road-related accidents. These were all street traders who were hit by a car while doing business. Table 4.5 shows that two respondents sustained other injuries. One respondent sustained a gunshot wound and the other respondent suffered a heart attack. The research estimates that 116 respondents did not report injuries related to their occupation. These respondents are mainly located in the newly renovated markets

(Survey data 2009). Although only 10.8 percent sustained injuries the occupational risk is still high.

The occupational risks experienced by the respondents affect their health and lower their productivity (Forastieri, 1999: 2; Sinha, 2007: 121). The street traders are at risk of being hit by moving vehicles or are constantly harassed by the local authorities. The forex dealers cannot be protected from theft. The fishmongers suffer minor cuts when they gut the fish without protection, risking infection of their cuts (Survey data 2009). The infrastructure is poor in the older and not yet renovated markets such as Katinton, Praça da Independente, Golfe, Trapahões and Mabunda. These markets do not have roofing to protect the traders from the sun and the rain, which means that during the rainy season the traders are at the mercy of the weather (Gaspar, 2009). Many of these markets do not have a proper sewage system, which means that when it rains, pools of water build up and become fertile grounds for disease vectors such as mosquitoes that spread malaria. In Section 2.3.4 a similar situation is highlighted by Rogel (2007: 9) for vendors in the Chisokone market in Zambia.

4.3.2 The reasons that push respondents into subsistence activities

This section discusses 2 questions. Question 3.1 asks the respondents why they have decided to engage in this particular business, while Question 3.2 asks them why they have not decided to engage in other male dominated activities. Table 4.6 shows the questions and the answers of the respondents.

Table 4.6: The factors that motivate subsistence activities and the reasons respondents are not in men dominated activities

Categories of questions and answers	N	%	N	%	N	%	N	%	N	%	Total
3.1 Why have you decided to engage in this activity?	Little capital or equipment is required		Ease and not mentally challenging		A specific skill is not required		Necessity		Others		
Number and %	1	0.8	8	6.2	24	18.5	74	56.9	23	17.7	130
3.2 Why have you not decided to engage in another activity such as	Men's work		Difficult registration		Lack of finance		Tradition		Lack of skills		
3.2.1 taxi driver	48	36.9	0		6	4.6	0		76	58.5	130
3.2.2 cart carriers	56	43.1	0		5	3.8	0		69	53.1	130
3.2.3 construction	52	40.0	0		5	3.8	0		73	56.2	130
3.2.4 tailor	8	6.2	0		6	4.6	0		116	89.2	130
3.2.5 hairdresser	7	5.4	0		6	4.6	0		117	90.0	130
3.2.6 carpentry	10	7.7	0		7	5.4	0		113	86.9	130
3.2.7 retail agents	10	7.7	0		17	13.1	0		103	79.2	130

Source: Survey data 2009

Table 4.6 shows that the necessity or the urge to survive motivated 74 or 56.9 percent of the respondents to engage in self-employment activities. This means that many only try to survive and are not able to make profits or to attain financial independence. Moreover, a specific skill is not required to engage in informal sector activities, which explains the motive of 24 or 18.5 percent of the respondents. Table 4.6 also shows that 8 or 6.2 percent of the respondents engage in subsistence activities, because it is not mentally or physically challenging. These respondents state in the questionnaire that they lack sufficient education to engage in another activity and/or that the subsistence activities are easy to undertake. Table 4.6 also shows that 23 or 17.7 percent of the respondents have other motives for engaging in subsistence activities. The other motives that the respondents provide in the questionnaire include retrenchment, lack of employment, the only livelihood they know and profitability (Survey data 2009).

Table 4.6 also shows the factors that deter respondents from male dominated activities. It shows that the respondents considered the physically demanding activities such as cart driving, taxi driving and construction work to be men's work. Other respondents stated that they lack the necessary skills to participate in these activities. In some activities such as carpentry, hairdressing and tailoring their lack of skills is the main deterrent. In Luanda tailoring is an

activity dominated by mainly immigrant men from the neighbouring Democratic Republic of Congo (DRC). The respondents are not particularly interested in acquiring this skill, because they perceive tailoring as low wage employment and without a daily inflow of money. A small number and percentage of the respondents report a lack of finance as the reason why they do not engage in male dominated activities. Most of the respondents do not perceive tradition and difficulties to register as a deterrent to engage in male dominated activities.

4.3.3 Sources of stock for trading and modes of transport used by respondents in their self-employment activities

In this section the aim was to access the networking activities of the respondents. Question 4.5 asked where respondents obtain the merchandise, while Question 4.6 asked why they obtain the merchandise from the location identified in Question 4.5. Question 4.7 inquires about the mode of transport used to move their merchandise (Survey data 2009).

4.3.3.1 Sources of stock for trading

Table 4.7 shows that 77 or 59.2 percent of the respondents obtain their stock mainly from large wholesale markets in Luanda. These markets include Roque Santeiro, Katinton, Rocha, Kwanzas and Kabala. The respondents that source their merchandise from the wholesale markets are mainly greengrocers who purchase their stock in large quantities to sell in other markets such as Asa Branca, Congolenses, São Paulo and Golfe. The respondents state that they buy their stock from these markets because of the availability and convenience (Survey data 2009).

Table 4.7: The sources and locations for purchasing of stock and the transport used to move the stock

Categories of questions and answers	N	%	N	%	N	%	N	%	N	%	N	%	Total
4.5 How do you source your merchandise?	Distributor or suppliers		Wholesale warehouses		Wholesale markets		Family member		Self-support group		Others		
Number and %	14	10.8	32	24.6	77	59.2	0	0	0	0	7	5.5	130
4.6 Why do you source your merchandise from this place?	Cheaper		Near home		Close to the place of trade		Obtain on credit		Availability		Others		
Number and %	37	28.5	5	3.8	22	16.9	0	0	55	42.3	11	8.5	130
4.7 What transport is used to move the merchandise?	Car hire in isolation		Car hire in a group		Taxis		Walk		Handcart carriers		Others		
Number and %	9	6.9	9	6.9	74	56.9	20	15.4	8	6.2	10	7.7	130

Source: Survey data 2009

Table 4.7 also shows that 32 or 24.6 percent of the respondents buy their stock from wholesale warehouses, because it is cheaper, available and closer to their business. Another 14 or 10.8 percent of the respondents purchase their stock directly from the suppliers or distributors. These are mainly fishmongers that purchase their stock from the fishermen's boat, because of the freshness, price and availability.

Another 7 respondents source their stock from other sources. These are mainly sellers of imported articles. They purchase stock from countries such as Brazil, Namibia, Dubai and South Africa, because it is cheaper and the quality is better than in Angola.

This shows that most micro-entrepreneurs do not have access to transport and purchase the stock available close to the place of trade. There are 28 traders that walk and/or use hand-cart carriers to purchase stock close to the place of trade. Of these traders 22 purchase stock close to the place of trade, the other six traders still have to walk quite a distance to purchase stock for the micro-enterprise.

4.3.3.2 Transportation means for stock replacement

A table 4.7 shows that taxis are the most popular means of transport. An estimated 74 or 56.9 percent use taxis, as this form of transportation is mostly used by street traders and greengrocers. The research shows that 14 greengrocers and 22 street traders rely on taxis (Survey data 2009).

Table 4.7 also shows that 9 or 6.9 percent of the respondents hire transport such as a truck in a group. These are mainly greengrocers that have been active for more than 10 years. They organise themselves in groups to share the cost. It also shows that 9 respondents organise transport individually. Of these 4 are fishmongers, 3 greengrocers and 2 are street traders (Survey data 2009).

Moreover, there are 20 or 15.4 percent of the respondents that walk to purchase their stock. These respondents restock from the same location that they trade in. Another 8 or 6.2 percent of the respondents use a handcart or porters. This is manual labour performed by young men who transport the trading stock such as boxes, sacks of vegetables, beans, rice and flour from one side of the market to the other side using handcarts or wheelbarrows (DWA, 2009: 32). The respondents rely on handcart porters because it is cheap to move the goods and the prices they charge are negotiable (Lopes, 2006a: 175). However, this form of transport is not useful for long distance purchases. There are 10 or 7.7 percent of the respondents who rely on other transport means. This includes 6 traders that sell imported clothes as they have to catch an aeroplane to acquire their stock. Moreover, 2 restaurant owners each own a car and the suppliers or distributors of 2 respondents provide the transportation (Survey data 2009).

Most of the respondents do not cooperate with each other in the purchasing of stock. The respondents prefer to be in charge of the operation of the micro-enterprise when it concerns the movement and purchase of the stock. Section 2.4.2 shows that lack of cooperation amongst entrepreneurs stems from the fear of being cheated, ethnic diversity and civil conflict which destroys the social fabric of a country. It confirms that the lack of cooperation does not benefit micro-entrepreneurs, because they do not take advantage of joint action, networking and shared information (Kiggundu, 2002: 246; McCormick, 1999: 132). Moreover, the respondents do not take advantage of enterprise clusters that often takes place when enterprises operate in a similar location (Ramachandran and Ray, 2008: 154). The failure to make use or take advantage of

enterprise clusters mainly reduce productivity, because there is no division of labour as the respondents are responsible for all their activities in the micro-enterprises (Roy, 2004: 29). Table 4.7 shows that none of the respondents buy their stock from family members who own a distribution store or from members in the self-support group such as ROSCAs, which further strengthens the argument that micro-entrepreneurs do not cooperate in the operation of the micro-enterprise.

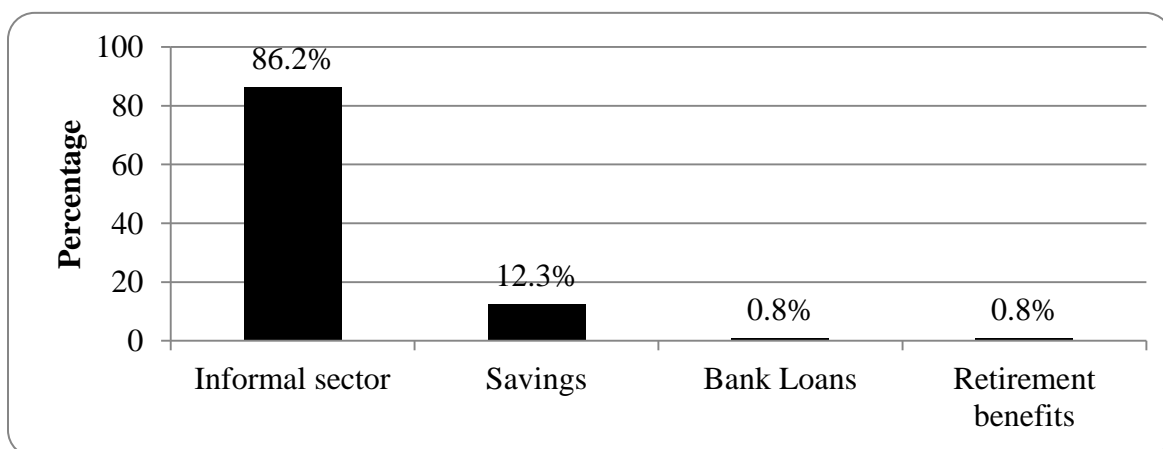
4.4 The financial profile of the respondents

The aim of this section is to determine the respondents' source of start-up capital, finance from ROSCAs, income earned and expenditures incurred on their enterprises and household. This section in the questionnaire consists of two questions. Question 5.1 requires that the respondents specify from which sources they have earned income and how much was earned from each source. Question 5.2 inquires how much the respondents spend each week or day on selected items for their households and how much on their business (Survey data 2009).

4.4.1 Source of capital or finance

Figure 4.5 show that the respondents obtain start-up capital mainly from informal sources, such as friends or family members. This form of finance was chosen by 112 respondents or 86.2 percent of the total.

Figure 4.5: The sources of start-up capital for informal women traders in Luanda



Source: Survey data 2009

A small percentage of the respondents reported that they have used formal sources of finance, such as personal savings, bank loans and retirement benefits. An estimated 16 or 12.3 percent use personal savings or their own money as start-up capital. One woman reported to have used a bank loan, while another reported to have used her retirement benefits. The fact that the micro-entrepreneurs do not use formal sources of finance shows that they are not targeted by banks as highlighted in Section 2.6.1. Banks lend money mainly to big businesses.

4.4.2 Finance from rotating savings and credit associations (ROSCAs)

In post-conflict countries self-supportive groups such as rotating savings and credit associations (ROSCAs) are the only society groups that managed to survive the conflicts. Hence, people trust these ROSCAs as a better means of saving and for financing their activities (Hudon and Siebel, 2007: 15). In Angola women in the informal sector form ROSCAs that consist of a president, vice-president and a treasurer. The president of the group collects the contributions from the members and allocates the lump sum to a member in the group. The lump sum is allocated to a member on a weekly, daily or monthly basis, depending on when and how the contributions are made (Lemos, 2007: 18). The decision on who is allocated the lump sum is made through group consensus and it is usually the member who needs finance the most (De Sousa, 2009: 18). The women use funds from ROSCAs to purchase merchandise for their micro-enterprises (De Vletter, 2002: 33).

The research found that 61 respondents participate in ROSCAs and 69 do not. Most of the respondents that participate in ROSCAs have been trading for more than 11 years. These respondents have their own property in the slums or squatter camps and they are aged 25 or older. They participate in one or more ROSCAs to satisfy their liquidity needs and to save. They make contributions to the ROSCAs on a daily, weekly or monthly basis depending on the scheme they choose. ROSCAs vary in size from 5 to 60 members (Survey data 2009).

The respondents inside the newly renovated markets, such as São Paulo, Congolenses and Asa Branca have a strong presence of ROSCAs. These respondents have organised themselves into groups to obtain credit. In the old and open-field markets with poor infrastructure there is less participation in ROSCAs. The respondents that participate in ROSCAs are either trader in the neighbourhood or from other markets adjacent to the ROSCA (Survey data 2009). Table 4.8

shows the contributions by the respondents in their category activity to the ROSCAs, frequency of the contributions and the average finance received from the ROSCAs on their receipt date.

Table 4.8: The finance earned by the respondents per activity category from ROSCAs in Rand

Activity categories	Number	Frequency of contributions	Contributions range	Finance range from ROSCAs	Average finance
Sellers of second-hand clothes and footwear	8	Daily and weekly	48.26-289.57	1109.98-5984.86	2974.24
Sellers of imported clothes	2	Monthly	4826.25-13685.00	4826.25-13685.00	9255.63
Meat sellers	3	Daily	48.26-289.57	965.30-5791.40	2783.09
Street traders	20	Daily and weekly	19.31-337.84	193.10-9652.50	2125.54
Sellers of groceries	5	Daily and weekly	96.53-289.57	2220.19-6032.75	3716.28
Greengrocers	10	Daily and weekly	48.26-482.63	772.24-17664	5868.79
Fishmongers	4	Weekly	289.58-868.73	2895.80-13030.89	8120.72
Restaurant owners	1	Weekly	289.58	4922.86	4922.78
Other activities	5	Daily	96.53	1158.36-5791.80	2548.39
Respondents in more than one ROSCA group	3				–
Total	61				–

Source: Survey data 2009

Table 4.8 shows that these traders make these contributions on a daily, weekly or monthly basis and earn an average finance that depends on the category or type of activity. These traders use the finance received from the ROSCAs to purchase stock for the micro-enterprise (De Vletter, 2002: 30). Of the 130 households 61 or 46.9 percent make use of ROSCAs.

Table 4.8 shows that 3 traders participate in more than one ROSCA. These are a meat seller and 2 fishmongers. The meat seller participates in 4 ROSCAs, where she makes contributions on a daily and monthly basis. Her total expenditure on the ROSCAs contributions is R9170.10 per month. Depending on when the lump sum is allocated to her, this micro-entrepreneur receives different lump sums from the different ROSCAs she participates. In a ROSCAs group of 35 members she receives R6756.75, and of 23 members she receives R2220.19, with 32 members the finance is R3088.96 and of 15 members it is R10135.20 (Survey data 2009). This respondent uses income from the micro-enterprise and the network of friends and family members to make

the ROSCAs contributions and the money which she receives from the ROSCAs she uses to buy meat for the micro-enterprise and pay for the household expenses.

Each of the fishmongers participates in 2 ROSCAs. Similarly depending on when the lump sum is allocated to them, they receive different lump sums from the ROSCAs groups they participate. One fishmonger receives finance of R965.30 and R2799.27 in groups of 10 and 29 members respectively. The money is used to buy merchandise for the micro-enterprise. She makes daily contributions and her total expenditure on contributions is R4247.32 per month. The other fishmonger makes weekly contributions and receives R3185.38 in a group of 11 members and R4826.30 in a group of 10 members. Her total expenditure on ROSCAs contributions is R3320.50 per month (Survey data 2009).

4.4.3 The estimated total income of the respondents

In this section of the questionnaire the respondents are asked to specify how much income is earned from the micro-enterprise. Table 4.9 shows how much income was earned from the micro-enterprise in September 2009.

Table 4.9: The average income earned by respondents from the micro-enterprise in Rand in September 2009

Activity categories	Second-hand clothes and footwear	Imported clothes	Sellers of groceries	Green grocers	Street traders	Meat sellers	Fish mongers	Restaurant owners	Other activities
Average income	1633.47	13629.84	1746.03	1761.42	1747.85	2011.58	2589.17	2426.00	1827.10
Maximum income	4247.10	33626.00	3185.33	6370.66	15640.00	2905.41	4150.58	4150.58	6370.66
Minimum income	415.06	415.06	830.12	415.06	415.06	1245.17	539.58	579.15	415.06
Total answered	11	6	9	20	30	5	8	3	17
No response	1	1	2	6	5	0	2	4	0
Total	12	7	11	26	35	5	10	7	17

Source: Survey data 2009

A seller of imported articles on average earns a monthly income of R13629.84. This income is used to pay for the household expenses which are estimated in Table 4.10. However, the average

income earned is often not sufficient to cover contributions to ROSCAs and for the replenishment of stock. Thus, respondents adopt other strategies of finance as discussed in Section 4.4.3 to cover these expenses. The maximum income earned in this activity is R33626.00 and the minimum income is R415.06.

A total of 21 respondents did not answer this question. The respondents did not know how much income they earn and state that it is mainly because income earned is only enough to cover the household's daily expenses. The respondents also stated that their income depends on the number of customers per day. A respondent stated that on one day she can earn an income of R62.94 and the next day depending on the market demand she earns between R255.75 and R383.63. In another case, a fishmonger stated that in a good week she can earn R1278.77 and earn nothing in the following week (Survey data 2009). These cases imply that income from micro-enterprise activities is volatile. In a particularly good day when the demand for goods is high, they make enough money to take home for dinner. On a day when demand is low, they do not manage to sell anything and suffer losses.

The income of respondents is less than minimum salaries in the public sector. The minimum salary in Angola is measured as the minimum amount that a person needs to survive. Section 2.6.4 shows that the minimum salary in Angola was stabilised post-conflict. The public sector minimum salary is estimated at R880.27 per month (CEIC, 2008: 84). Table 4.9 shows that only the meat sellers earn a minimum income which is more than the public sector's minimum salary. For the rest of the traders the minimum income is less. The low income is explained by competition in the informal sector and different reasons are given to explain this. The respondents are risk averse, which means that they are afraid to differentiate. They often engage in similar activities and sell similar quality goods at the same price and the same location (Roy, 2004: 20; De Vletter, 2002: 29). The rural to urban migration to Luanda as a result of the push and pull factors has increased the inflow of people to informal sector activities. This is mainly because migrants who cannot find employment in the formal sector of the economy engage in informal sector activities as a livelihood (De Vletter, 2002: 25). A characteristic of the informal sector in Luanda is that there are no barriers to entry (De Vletter, 2002: 20). This means that men can engage in informal sector activities previously dominated by women, such as sellers of second-hand clothes and foreign exchange dealers.

The low income explains the negative perception that respondents have of their activities. The respondents described their activities as survivalist activities, low income activities and volatile. They are unhappy about their informal sector activities and would rather be employed in the formal sector (Survey data 2009).

The business-related expenditures in Table 4.11 show that the income of the micro-entrepreneurs is not sufficient to buy merchandise for the micro-enterprise and to pay for the ROSCAs contributions. This is mainly because, after paying the household expenses, most of the respondents do not have enough money to pay for the business-related expenses. The research found that only 13 respondents use the income from the micro-enterprises to contribute to the ROSCAs. The rest of the respondents rely on the network of friends and family to contribute (de Sousa, 2009: 17). The research also shows that only 3 respondents rely solely on the income from the micro-enterprise to buy stock for the micro-enterprise. The rest of the respondents' have to supplement income from the micro-enterprise with informal sources to buy stock for the micro-enterprise. Section 2.6.1 explains the problems associated with the different informal sources of credit. The respondents that participate in ROSCAs use the lump sum amount of the contributions received from the ROSCAs to purchase the stock for the micro-enterprise. The respondents that do not participate in ROSCAs use an informal source of credit called *kilapi* in Angola. This credit means that respondents obtain their stock from traders that buy in bulk from wholesale warehouses. The respondents then pay for the stock in instalments with the money earned from the sale of the goods (Lemos, 2007: 59). Figure 4.5 shows that the respondents rely on family members and friends for most of their start-up capital. The respondents that use such sources of finance must make sure that the stock does not run out before they stock up again.

4.4.4 Household expenditures of the respondents per activity category

Many of the respondents did not answer the question on how much they spend on water, electricity, school fees, bread and airtime when asked about the household expenditure. Some respondent did not want or refused to provide data for the expenditure categories for different reasons. In the case of electricity, there are respondents who either live on rented property where the cost is included in the rental bill or they live in houses without electricity. For airtime purchases most of the respondents do not buy on a regular basis, but only when money is available or in an emergency. Therefore, they do not know how much they spend per week, day

or a month as it can vary significantly. On the expenditure category of school fees, these are respondents that do not pay, mainly because basic level public education is free in Angola.

Table 4.10 shows the average expenditure for the household on selected items in September 2009.

Table 4.10: The average household expenditures of respondents on selected items in Rand in September 2009

Activity categories and values	Bread		Water		Electricity		School fees		Airtime		Total expenditure
	N	R	N	R	N	R	N	R	N	R	
Sellers of second-hand clothes and footwear	11	273.61	10	193.97	5	351.35	7	57.00	11	86.87	962.80
Sellers of imported articles	5	241.89	–	–	4	244.21	1	782.00	7	373.55	1641.65
Sellers of groceries	10	303.28	10	454.92	7	193.05	2	342.67	20	173.75	1467.67
Greengrocers	24	302.43	21	382.85	15	401.29	6	337.84	10	130.31	1554.72
Street traders	31	314.21	30	212.36	17	276.80	10	233.85	28	173.75	1210.97
Meat sellers	5	382.24	4	612.94	4	302.85	2	323.36	4	373.55	1994.94
Fishmongers	10	330.50	7	289.58	3	138.58	3	675.68	8	1307.44	2741.78
Restaurant owners	6	353.92	6	424.71	4	144.79	2	207.53	7	649.06	1780.01
Other activities	16	309.00	15	381.40	9	401.02	3	415.43	13	293.36	1800.22
Total answered	118	–	105	–	68	–	36	–	108	–	–
No responses	12	–	25	–	62	–	94	–	22	–	–
Total	130	–	130	–	130	–	130	–	130	–	–

Source: Survey data 2009

The households' total expenditures and expenditures per items show how low the income is and the extent of poverty amongst women traders in Luanda. The total household expenditure of a greengrocer is estimated at R1554.72 and the average income is estimated at R1761.42. This leaves only R206.70 left to buy meat, fish, soap and other items. On average a street trader spends R314.21 monthly to purchase bread. The expenditure on bread depends on the number of dependants and children they have. The higher the number of children and dependants the more money they spend on bread. The data shows that the average number of children is 4 and the number of dependants is one. This means that on average they have 5 people to purchase bread for on a daily basis. The fact that respondents have to provide for themselves, their children and dependants further reduces their already low income. The traders' monthly expenditure on water

is less than the monthly expenditure on water for a household in Luanda, which is estimated at R4183.70 (Cain and Mulenga, 2009: 14). Section 2.6.5 it shows that government subsidises water, but the low price does not benefit the poor because they consume less water.

The household expenditure on water and electricity explains the different sources that micro-entrepreneurs use to meet their demand for water and electricity and the prices charged for the services. For 2 sellers of imported articles the total expenditure on water is R1264.48. The one seller relies on government standpipes for water for which she spends R106.18 per month. The other seller relies on private water sellers on which she spends R1158.30 per month. The cost of water for these respondents reflects an important characteristic in the different prices charged by the suppliers of water in Luanda. The majority of the respondents obtain water from government standpipes, as this is the cheapest option. The research shows that only 6 respondents rely on private sellers to supply them with water (Survey data 2009).

The respondents obtain electricity from two sources, either the municipal provider of electricity or generators to mitigate the shortage of electricity supply. There are 36 respondents that use generators as a source of electricity. Their expenditure on electricity is based on the money they use to purchase gasoline for the generators. There are 32 respondents that access electricity from the municipality on a monthly basis and pay every 3 or 6 months (Survey data 2009). The expenditure on these sources of electricity is low because they are subsidised by government as explained in Section 2.6.5.

The household expenditures on school fees and airtime show that the respondents are not limited by gender inequality and education and they share the expenditure responsibilities. Table 4.10 shows the average expenditure on school fees. The respondents report that school fees are a joint responsibility with their living partners for those who cohabit and the married women share the responsibility with their spouses. This means that a fishmonger who cohabitates or is married shares the average cost of R675.68 on school fees. The household expenditure on airtime shows that the respondents own mobile phones and are not limited to the access of a mobile phone by low levels of education and gender inequality (Hafkin and Taggart, 2001: 8).

The strategies that micro-entrepreneurs adopt to pay for the business-related expenses show that they often rely on loans to finance debt. This is similar to micro-entrepreneurs in developing

countries that participate in MFIs and rely on social capital or use multiple loans to cope with the repayment of the micro-credit (Milgram, 2001: 217; McIntosh, De Janvry and Sadoulet, 2005: 1002). These micro-entrepreneurs often live beyond their means which contributes to poverty because they are caught in a circle of debt.

4.4.5 Business-related expenditure

Table 4.11 shows the average business-related expenditures for respondents in September 2009

Table 4.11: The average business-related expenditures of respondents in Rand in September 2009

Activity categories	Restocking the enterprise		ROSCAs contributions		ROSCAs as % of income	
	N	R	N	R	N	%
Sellers of second-hand clothes and footwear	11	2356.09	8	1612.57	8	98.72
Sellers of imported clothes	6	14076.00	2	1460.13	2	10.71
Greengrocers	24	2490.35	10	2099.42	10	119.19
Sellers of groceries	11	2075.29	5	1245.17	5	71.31
Street traders	34	1618.73	20	1061.78	20	60.75
Meat sellers	5	3615.83	4	4247.11	4	211.13
Fishmongers	10	5152.86	6	2997.69	6	115.79
Restaurant owners	7	3559.50	1	1245.17	1	51.33
Other activities	17	1930.00	5	1781.85	5	97.52
Total answered	125	—	61	—	61	—
Total did not respond	5	—	69	—	69	—
Total	130	—	130	—	130	—

Source: Survey data 2009

In the business-related expenditure some respondents did not answer the question. This is because they were unsure of the correct figure and were unwilling to disclose such sensitive data. In the case of ROSCAs' contributions these are respondents that do not partake in ROSCAs.

The figures of ROSCAs as percentage of income in Table 4.11 confirm that not all micro-entrepreneurs rely on income from the micro-enterprise for the ROSCAs contributions. It shows the percentage of income that goes to ROSCAs contributions if the micro-entrepreneurs rely solely on income of the micro-enterprise. To calculate the ROSCAs contributions as percentage

of income, the contributions are divided by the average income from Table 4.9 and multiplied by 100. For example a seller of second-hand clothes with the average ROSCAs contribution of R1612.57 and an average income of R1633.47, would spend 98.72 percent of her income on the ROSCAs contribution, which is above her means. The micro-entrepreneurs cannot afford the cost of the ROSCAs contribution, but need the extra money. They rely on the network of family or friends or participate in more than one ROSCA to pay their contributions.

The restocking process of the micro-entrepreneurs depends on the quantity of stock that is needed in the micro-enterprise. A micro-entrepreneur that sells a variety of groceries ranging from oil, sugar, beans, rice, flour and other items would not wait for all the groceries that she sells to finish before she buys stock for the micro-enterprise. Some respondents stated that if the demand for oil is high and the supply of oil is running out the micro-entrepreneur purchases more oil to replace the supply which is almost finished (Gitman, 2003: 607).

In Question 5.2 the respondents also had to provide expenditures on loan repayment to the bank, loan repayment to the MFIs and savings deposits. There was only one respondent who reported a monthly loan repayment to the bank. She sells imported articles and the monthly loan repayment was R924.64. None of the respondents participate in MFIs or have bank savings deposit accounts (Survey data 2009).

4.5 The constraints of MFI's in Luanda

The microfinance institutions in Luanda are limited because they target groups of women in rotating savings and credit associations, women headed households that engage in activities of commerce and agriculture, single women with children that live below the poverty line and people that were misplaced by the conflict (De Vletter, 2002: 72). The microfinance institutions do not target women that are married or that cohabitate. This means that they fail to understand the realities of women micro-entrepreneurs concerning the difficulties caused by gender inequality in the informal sector activities. The inability to account for gender inequality in the informal sector activities impedes the objective of microfinance institutions to empower women micro-entrepreneurs.

The microfinance institutions compete with the ROSCAs. The research estimates that 61 respondents partake in ROSCAs, whereas none of the respondents partake in microfinance

institutions. The ROSCAs are a prominent feature of finance for the respondents as opposed to micro-credit for different reasons. The respondents have trust in the ROSCAs as a means to save and finance their informal sector activities. There are a few conditions attached to the ROSCAs and they understand the process. The ROSCAs are flexible and adjust to changing economic conditions to meet their needs (Wilson, 2002: 83; Amoako-Tuffour, 2002: 6-7).

Moreover, there seems to be a lack of communication between respondents and MFIs. The MFIs are not visible in the areas where there is a concentration of women informal traders. Their agents are not visible to advertise to the respondents about micro-credit and the respondents are unaware of micro-credit (Gaspar, 2009). The lack of information and knowledge about MFIs therefore deters the respondents from participating in this type of finance.

The microfinance institutions provide micro-credit through solidarity group loans adopted from Grameen Bank in Bangladesh (UNDP, 2005b: 11). The success of group loans is based on trust and solidarity that micro-entrepreneurs have for each other (Sengupta and Aubuchon, 2008: 12). In Angola there is a strong preference for solidarity lending, especially through ROSCAs groups (Wilson, 2002: 89). However, group loans from MFIs have not been an effective tool for providing micro-credit. This is mainly because the long civil conflict eroded trust amongst micro-entrepreneurs who are reluctant to borrow together.

4.6 Summary of the main findings and conclusions

This section of the research analysed data on the characteristics of women micro-entrepreneurs, their micro-enterprises and the constraints they experience in the informal sector. The research showed that 35 respondents traded in the streets of Luanda while 95 traded inside the markets. These women engage in subsistence activities such as greengrocers, selling of second-hand clothes and footwear, fishmongers, meat sellers and catering. The traders have been in the informal sector for more than 11 years and have not managed to move away from these subsistence activities. The informal sector activities are a livelihood strategy adapted by women who are aged from 18 to 64 in Luanda. However, the majority of the women are aged 40 to 49. These women mainly own their property in the slums and they live with a partner without been legally married.

The micro-entrepreneurs earn a low income, which is used to cover the households' basic needs. The research shows that the minimum income of the micro-entrepreneurs is less than the minimum monthly salary of a public sector worker and the average income is only enough to cover the households' expenses. The fact that the micro-entrepreneurs spend their income on the household expenses confirms how low their income is and the extent of poverty in the informal sector.

The micro-entrepreneurs experience poverty in the informal sector because they face constraints which limit them to subsistence activities. The research showed that 74 or 56.9 percent of the micro-entrepreneurs engage in subsistence activities out of necessity to sustain their families. They lack skills to engage in male dominated activities and adopt subsistence activities that are easy to undertake and not mentally challenging.

The micro-entrepreneurs generally have low levels of education, which limits them to low income activities in the informal sector. This is because the micro-entrepreneurs are risk averse and unwilling to differentiate in a competitive and saturated local market. They do not take advantage of the years of experience and market opportunities. The low levels of education also mean that the micro-entrepreneurs are not absorbed into the formal sector of the economy. To survive, the micro-entrepreneurs adopt informal sector subsistence activities. The micro-entrepreneurs also have different levels of education. This prevents them from approaching micro-finance institutions for group-lending of micro-credit loans. This is mainly because different levels of education result in misunderstanding in groups and is an incentive to free-riding.

The micro-entrepreneurs have suffered from occupational injuries and risks while operating the micro-enterprises. The research estimates that 14 or 10.8 percent of the respondents have been involved in such accidents. The injuries and risks that respondents sustained contribute to poor health which lowers their productivity and also the income.

The micro-entrepreneurs prefer to work in isolation when it comes to the purchase and movement of their merchandise. Except for greengrocers that have been in the informal sector for more than 10 years and hiring trucks to transport their merchandise, the rest of the micro-entrepreneurs rely on taxis or hire hand-cart drivers to transport their stock. The problem is that

micro-entrepreneurs do not trust each other to cooperate and take advantage of enterprise clusters. This lack of trust stems from the many years of conflict and lowers their productivity. This is so because the micro-entrepreneurs do not participate in networking and share information about potential market opportunities.

The micro-entrepreneurs rely on each other to access informal credit through ROSCAs, which is the most prominent informal source of credit in the informal sector. The research shows 61 respondents participate in ROSCAs to access loans in order to purchase merchandise for the micro-enterprise. The problem with this source of credit is that the cost of ROSCAs contribution is higher than the finance received from ROSCAs group. For example a micro-entrepreneur only receives a loan if the group decides she needs it. Yet every day, week or month she has to make the contributions and once she receives the loan she continues to make the contributions.

The business-related expenditures show that respondents do not have enough money to pay for the business expenses and rely on loans. The research shows that only 3 respondents rely solely on the income of the micro-enterprise to buy stock for the micro-enterprise. The rest of the respondents supplement the income of the micro-enterprise with money received from the ROSCAs, *kilapi* or informal credit and/or through social ties of family and friends for the start-up capital. The research shows that 13 respondents rely on the income from the micro-enterprise to pay the ROSCAs. The rest of the respondents rely on the network of family and friends to help pay for the contributions. The fact that respondents rely on loans to buy merchandise and pay the ROSCAs contributions means that they are caught in a circle of debt which pushes them into poverty.

The respondents do not participate in microfinance institutions (MFIs) to access credit as none of the respondents who were surveyed reported participation with MFIs. The microfinance institutions in Luanda that supply micro-credit to micro-entrepreneurs are faced with challenges which limit their outreach to a wider spectrum of clients in the informal sector. This is mainly because the MFIs have a limited target group and the micro-entrepreneurs in Luanda prefer to rely on each other for finance. The microfinance institutions provide micro-credit through the Grameen Bank style of group loans. The Grameen Bank style of providing micro-credit would not attract the micro-entrepreneurs, because they lack trust in each other to borrow collectively and be jointly liable for the loan.

CHAPTER 5

SUMMARY OF THE MAIN FINDINGS AND CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

5.1 Introduction

The aim of this research was to identify and explain the constraints faced by women micro-entrepreneurs in Luanda. This was done in order to understand the effects of these constraints on their operations of the micro-enterprise and their demand for micro-credit. This chapter summarises the main findings and conclusions of the research. This research was guided by 3 main objectives. Firstly, it provided an economic rationale for the drivers of poverty amongst women micro-entrepreneurs in the informal sector in developing countries. Secondly, it identified the constraints faced by women micro-entrepreneurs in Luanda. Thirdly, the research analysed the effect of these constraints on the demand for finance by micro-entrepreneurs in Luanda.

The volume of literature on the motives for engaging in micro-enterprises and the constraints faced by the micro-entrepreneurs was discussed to understand the nature of poverty amongst micro-entrepreneurs in developing countries. The literature on the social and economic dynamics of the micro-entrepreneurs, such as their migration from rural areas to Luanda, their poor living conditions, ill health, poor education, gender inequality as well as the access to micro-credit were also reviewed.

5.2 Summary of the main findings and conclusions for the different objectives

5.2.1 Objective 1: the drivers of poverty amongst women micro-entrepreneurs

The literature review in Chapter 2 explains the drivers and causes of poverty amongst women micro-entrepreneurs in developing countries. It shows that women micro-entrepreneurs earn lower incomes than men in the informal sector and reside under poor conditions in the slums. The micro-entrepreneurs engage in subsistence activities that do not have barriers to entry and the income from the micro-enterprise is the only source of income. It thus creates a competitive environment that erodes their income.

The micro-entrepreneurs are pushed into informal sector activities out of necessity. This means that the micro-entrepreneurs do not have to dedicate themselves to the micro-enterprise so that it grows to make profits and create employment. As long as they make enough at the end of the day to purchase the basic needs of the household, it is enough. This motivation for micro-entrepreneurial activities limits them to low income subsistence activities because profit is not the reason to engage in entrepreneurial activities.

Chapter 2 indicates that the women micro-entrepreneurs migrate from the rural areas to the urban areas in search of a better life and economic conditions. The women engage in informal sector activities to sustain their families while they wait for employment in the formal sector. The problem is that the micro-entrepreneurs do not differentiate and engage in similar activities of traders already in the informal sector. This increases competition and erodes the income of traders in similar activities.

Chapter 2 shows the strategy that micro-entrepreneurs adopt in order to counter reduced market demand that decreases income which is already low. To counter this negative effect the micro-entrepreneurs start trading in other activities, which is only precarious because they have limited knowledge and experience in the new market.

The micro-entrepreneurs in developing countries trade under poor conditions in the streets and in the markets, which lowers their income because the number of hours that they spend dedicated to trading is reduced. A factor that can contribute to the reduced number of hours operating the micro-enterprise is the poor health which arises from trading under poor conditions and the activities of the micro-entrepreneurs themselves. The micro-entrepreneurs engage in activities that are not good for their health but because they have low levels of education they cannot engage in other activities.

Chapter 2 shows that the micro-entrepreneurs have low levels of education because a significant number of girls of primary school age do not attend school. The low levels of education prevent the micro-entrepreneurs to engage in a niche market and to differentiate. This means that they are afraid to lose money by venturing into new markets and they prefer to stay in the competitive and saturated market in which they are currently trading. This preference of the micro-entrepreneurs erodes their income and again limits them to low income subsistence activities.

Chapter 2 explains that micro-entrepreneurs have to cope with gender inequality which contributes negatively to the operation of the micro-enterprise. The women do not have a choice of the best location to put their stalls in the markets, because the best location is reserved for the men. The women also do not have the right to own property where they work or live, because they do not have collateral to obtain credit from the formal sector. The women are left to engage in activities that men used to participate in, but abandoned because they were unprofitable. The women engage in activities that do not take up much time and does not interfere with the domestic activities. Because of gender inequality women have to carry the burden of household responsibilities.

Micro-entrepreneurs that network take advantage of information sharing and cooperation. This should make it easier to access credit, access talented labourers and venture into new markets. However, the women micro-entrepreneurs do not network. These women prefer to trade in isolation because they do not trust each other, not even to loan together with the microfinance institutions. They prefer to participate in rotating savings and credit associations (ROSCAs) in order to access loans. This is because the ROSCAs are flexible and the informal nature of the loans satisfies the liquidity needs of the women.

The micro-entrepreneurs are prone to using ROSCAs because they experience constraints that limit their access to micro-credit from microfinance institutions (MFIs). The MFIs assume that micro-entrepreneurs lack finance which is hindering the expansion of the micro-enterprise and they supply credit to the micro-entrepreneurs based on this assumption. This assumption disadvantages the micro-entrepreneurs because the factors that hinder the growth of the micro-enterprise are beyond lack of finance as highlighted here. The inability of microfinance institutions to understand the realities of the micro-entrepreneurs and impose stringent repayment rules causes repayment difficulties. To be able to pay for the loans the micro-entrepreneurs rely on family and friends or they take up multiple-loans. These strategies adopted by the micro-entrepreneurs to overcome repayment difficulties defeats the purpose of the microfinance institutions which is to empower the women by fostering financial independence. Instead the micro-entrepreneurs drive themselves further into debt as they take up loans to repay loans.

5.2.2 Objective 2: the constraints facing micro-entrepreneurs in Luanda

The study filled the gap in the literature review by conducting a primary research through a mixed approach questionnaire. The research found that women micro-entrepreneurs in Luanda engage in subsistence activities as a last resort to survive and sustain their families. These women turn to informal sector activities, because only limited skills and capital are needed to start them. Another motivation is that the businesses are passed on from the old kin. Low levels of education, lack of employment and retrenchment also push women into micro-entrepreneur or informal trading activities. These activities include fish mongering as well as selling of greengroceries, meat, second-hand clothes and imported articles. Some of these traders run food catering services such as restaurants. These subsistence activities take place in markets and on the streets outside the markets. The markets are the localities where the distribution, stocking and supply of goods take place.

The research determined that women micro-entrepreneurs in Luanda have low levels of education as 30 percent of the micro-entrepreneurs cannot read and write and 16.9 percent never went to school. An estimated 59.2 percent of them only completed primary education, while only 21.5 percent of the respondents finished level 2 of secondary education.

The research found that although micro-entrepreneurs in Luanda have many years of experience, it is not reflected in the growth of their micro-enterprises. Some of these women have been in the informal sector for more than 11 years, but their activities still comprise of subsistence trading. This is mainly because a significant number of the micro-entrepreneurs have low levels of education and has not managed to move away from a saturated market and undifferentiated activities, because they sell similar goods at the same location and charge similar prices. The subsistence activities have little or no barriers to entry, which means that rural to urban migrants can also engage in these activities as a source of livelihood. Likewise, men can also engage in these activities and this adds to the shrinking of profits and income and hence this increases the poverty among women entrepreneurs in Luanda.

The micro-entrepreneurs in the streets and in the old markets trade in locations with poor infrastructure and conditions which expose them to health hazards and injuries that lower their productivity. The street traders are constantly harassed by the local authorities or *fiscals*. The

traders keep running up and down the streets to escape the *fiscais*. This increases the risk of them being hit by vehicles on the streets. The fish mongers risk infection when gutting the fish and the traders in the old and not yet renovated markets experience additional health risks as they are trading in markets that have no roofing and/or proper sewage systems.

The research established that a significant number of the micro-entrepreneurs are negatively affected by their lack of skills. This reduces their effectiveness to engage in activities such as tailoring and carpentry. In the case of physically demanding activities such as taxi driving, cart carrying by porters and construction, women entrepreneurs perceive that these are mainly men activities, underpinning the effect of gender disparity.

Gender inequality in Angola is present at different levels. The research showed that there are a higher percentage of boys than girls that had basic education and who could read and write. The women micro-entrepreneurs are also not involved in certain activities such as mechanics or electrical construction, which are left to men. The women micro-entrepreneurs are often in activities that are less lucrative and volatile.

The micro-entrepreneurs prefer to restock in isolation. However, a small percentage of traders hire transport together and share the costs. The fact that traders do not cooperate to restock indicates that the traders do not take advantage of working in clusters. The lack of cooperation reduces the productivity of the traders, because they lose out on the potential to network with other traders to improve the management of the micro-enterprises.

The micro-entrepreneurs in Luanda experience bureaucracy when they try to register the micro-enterprise and because of bureaucratic requirements for registration, most of the street businesses are unregistered. This is because traders are required to operate from locations with built structures and suitable conditions and the markets do not have enough space to accommodate all the street traders in Luanda.

The research found that the income of micro-entrepreneurs in Luanda is less than the public sector minimum salary. The low income in the informal sector can be attributed to influx of micro-traders who all sell the same goods, at the same place and charging similar prices.

The income from the micro-enterprises is used to finance most of the household expenditure except school fees. The micro-entrepreneurs purchase water from standpipes, mitigate for the lack of electricity by using generators and keep their children in public schools which are free.

The business-related expenditures are also the responsibility of the micro-entrepreneurs, most of whom accessed initial start-up capital from informal sources such as friends or family members. The income from the micro-enterprise is often not sufficient for restocking. Hence, the micro-entrepreneurs rely on other sources of income, such as rotating savings and credit associations (ROSCAs) for restocking. The problem with participating in ROSCAs is that micro-entrepreneurs rely on the social networks of friends and family to help pay for the contributions and continue to make the contributions even after they have received the loans. The micro-entrepreneurs also rely on *kilapi* or informal credit to buy stock. The problem with this informal source of credit is that the micro-entrepreneurs run out of money before they can make the payments.

5.2.3 Objective 3: the effect of constraints on demand for micro-credit

Most of the micro-entrepreneurs do not access credit through microfinance institutions (MFIs) specifically because of the lack of information about the conditions put forward by the MFIs. In a market of 530 000 informal sector traders the MFIs can only claim to service 14 000 of the micro-entrepreneurs. The microfinance institutions have failed to supply micro-credit to more micro-entrepreneurs, because they have to compete with informal source of credit and the micro-entrepreneurs do not trust each other to take up jointly liable group loans. The microfinance institutions in Luanda mainly provide group lending schemes adapted from the Grameen Bank. This form of lending does not prompt micro-entrepreneurs to participate in microfinance institutions.

Moreover, the micro-entrepreneurs have low levels of education and do not understand the services of the microfinance institutions, such as micro-credit. The fact that the microfinance institutions are not visible to the micro-entrepreneurs contributes to their lack of understanding. The micro-entrepreneurs have different levels of education and income. This situation creates an incentive to free riding amongst group members.

The micro-entrepreneurs have been pushed into informal sector activities out of the necessity to sustain their families. This means that the income earned from the micro-enterprise is used to pay the household and business-related expenses. This leaves little income to repay any loans with microfinance institutions. The micro-entrepreneurs understand this fact, which deters them from approaching MFIs for loans.

In addition, micro-entrepreneurs have to cope with gender inequality that puts all the domestic responsibilities on the women. This causes micro-entrepreneurs to have limited time to dedicate to the micro-enterprise. However, women that are married or live with a partner are not targeted by microfinance institutions. This means that microfinance institutions fail to understand gender inequality as a constraint for the micro-entrepreneurs and hence, provide services that are not tailored to their needs.

5.3 Recommendations

5.3.1 Recommendations for the microfinance institutions (MFIs)

It is important that MFIs adopt a more integrated approach when offering micro-credit to the subsistence traders in Luanda. This means that microfinance institutions should provide services such as micro-credit, which micro-entrepreneurs can understand and identify with in the informal sector. Traders in Luanda experience more than financial constraints. These women traders are not aware of the micro-credit and the utility of micro-credit for the micro-enterprises. The MFIs need to collaborate with the administration of the markets to increase the access to credit for the micro-entrepreneurs. Microfinance institutions can arrange group meetings so that traders in group-lending schemes can meet and discuss their differences. In this way the traders can bond to develop trust amongst them. Moreover, the group meetings provide opportunities for the traders to network.

It is important that microfinance institutions increase the target group to include women that are married and those that cohabitate. In this way the MFIs can learn more about other constraints facing the micro-entrepreneurs apart from their financial requirements.

5.3.2 Recommendations to the government

It is important that the government initiates cooperation amongst the micro-entrepreneurs in Luanda. The micro-entrepreneurs operate their micro-enterprise in isolation, because they do not trust each other. If government can assist to foster an environment of trust amongst the micro-entrepreneurs they can cooperate and participate in the development of activities that add value, such as trading between regions of the country and the transformation of raw materials.

The micro-entrepreneurs lack the skills and education to shift away from subsistence activities. Government can assist micro-entrepreneurs to move away from subsistence activities, through skills development programs to equip the micro-entrepreneurs with the skills that can assist them to expand their businesses. The micro-entrepreneurs can also be equipped with skills that assist them to be absorbed into the formal sector of the economy. It is important that the micro-entrepreneurs are not pushed away from their traditional activities and forced to adapt to new methods of doing business which they do not understand. Because of their low levels of education and by shifting the micro-entrepreneurs away from their traditional activities into new markets, it can put them under pressure and lead to failure of their businesses.

The skills development programmes can train micro-entrepreneurs about the importance of adopting hygienic practices, recording the financial flows of the micro-enterprises and the importance of budgeting for the financial stability of their enterprises. The training of micro-entrepreneurs must reflect the realities in the informal sector.

5.3.3 Recommendations to the traders

It would benefit the micro-entrepreneurs to organise themselves in cooperatives. Since the micro-entrepreneurs participate in ROSCAs, are located in the streets and the markets they can take advantage of enterprise clusters in the informal sector. These cooperatives can facilitate business interactions with other regions and with each other. This can enhance their capacity to restock and transport their supplies more effectively. The cooperatives can also facilitate joint protection against police harassment and vigilance against criminals.

The fishmongers in Mabunda and the street traders in São Paulo should observe hygienic practises. The traders can organise a designated location for dumping rubbish that is

conveniently accessible to the waste removal companies. In this way the micro-entrepreneurs can create a trade environment that is cleaner and does not obstruct the traffic. This will also improve their health and increase their productivity.

5.4 Limitation of this research

The constraints of micro-entrepreneurs that participate in microfinance institutions (MFIs) cannot be concluded with accuracy, because during the field work in the markets and the streets none of the micro-entrepreneurs participated in microfinance institutions. To be in contact with micro-entrepreneurs that participate in MFIs, the microfinance institutions had to be contacted or approached with the permission to survey the women. This would have been a time consuming task for the researcher, because there was no guarantee that MFIs would give permission or that the micro-entrepreneurs would have agreed to participate in the survey. Hence, constraints such as levels of education, risks and injuries, living conditions and gender inequality highlighted in the research are specific to the sample chosen. These are women micro-entrepreneurs who are working alone in the markets or in the streets. This holds valuable lessons for MFIs to structure micro-credit so that it appeals to a wider spectrum of clients in the informal sector.

5.5 Suggestions for future research

Future studies should analyse the impact of rural-urban migration on economic development in Luanda and the impact of government policies in the process of migration. The rural-urban migration is stretching the resources in Luanda. Future research should investigate the government policies to stem rural-urban migration. The research should also aim to establish whether such policies would reduce labour in Luanda and slow the progress of development in the city.

Future studies should analyse the poverty of micro-entrepreneurs in Luanda using the concept of the capabilities approach as developed by Amartya Sen (1999: 87). In this way the poverty of subsistence traders is explained beyond gender inequality, health status and the level of education.

Future research should analyse the outreach of MFIs in Luanda using the framework for outreach developed by Mark Schreiner (2002). Future studies should also analyse government regulations

of MFIs in Angola or the prospect of future government regulations. These regulations should focus on the distribution of micro-credit to prevent multiple-loan taking, the form of lending, in a group or individual lending and the strategies of the MFIs to increase their outreach.



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APPENDIX 1

MICRO-ENTREPRENEURS IN LUANDA: CHARACTERISTICS AND ACTIVITIES QUESTIONNAIRE

Informed Consent to Participate

Helena Preciosa Fernandes Gaspar, is currently undertaking a Masters in Development and Policy Issues at the University of Johannesburg. This survey is necessary for her successful completion of the minor-dissertation which forms part of the master's degree programme. The purpose of this visit is to learn more about the women traders in Luanda. This is in terms of their characteristics, occupational health and gender related issues, their networking practices and their financial strategies. The information will be used to determine factors that hamper the success of their enterprises and limit them to low income informal sector activities. The questions will be conducted on a personal basis, because of the difficulties involved in reaching these women any other way. The survey will take about 10 minutes of your time and it is confidential and in line with all the ethical requirements of the University.

Note that:

- You are under no obligation to participate in the study. If you feel that you do not want to be part of the study you are free to withdraw at any time.
- The information that is obtained from you will be kept confidential at all times and not be referred to individually,
- The information obtained from you will in no way be used to inform others about your practices. No harm to you or your family can or will arise from this information,
- No monetary compensation is offered for your participation,

Respondent's response:

- I have heard the proposed activities of the project. The activities are clear to me,

- I was provided the opportunity and the time to think about the issue and ask questions,
- I have not been pressurised to participate in any way,
- I understand that participation in this research project is completely voluntary,
- I understand that I will not receive any monetary compensation for my participation,
- I understand that I may withdraw from it at any time without supplying reasons,
- I confirm that I may speak on behalf of my family,
- I consent to supply our personal details. I understand that while it will be involved in the analysis of the results of all the participants, it will not be used in any way to breach confidentiality,
- I understand that this research project has been approved by the relevant Department of the University of Johannesburg,
- I am fully aware that the results of these projects will be used for scientific purposes and may be published. I agree to this, provided my privacy is guaranteed,
- I hereby consent to participate in this project.

Name of the respondent _____

Statement by Interviewer

I have provided verbal information regarding this research project. I agree to answer any questions from the respondent concerning the project as best as I can. I will adhere to the approved research protocol.

Name of Interviewer _____

Signature _____

Place _____

Date _____

Section A

The aim of this section is to determine the demographic characteristics of the micro-entrepreneurs.

1.1 Where is your business located? Please indicate all is applicable sections

Market	
On the street	
Home-based work	
Other please specify	

1.2 Which type of activity do you engage in? Please mark all that is applicable

Buying and reselling physical goods i.e. clothing, shoes, pots, charcoal, hang-bangs	
Carpentry	
Mobile phone rental, telephone bureau, internet café	
Shoe repair/cobbler	
Photocopies or printing	
Exchange of foreign currency (<i>kinguilas</i>)	
Ambulant urban traders walking around selling things in the market and the neighbourhood (<i>zungueiros</i>)	
Cooking in the market or the streets	
Selling vegetable in the market	
Selling fish or related products	
Hair braiding	
Rental of stalls	
Rental of warehouses	
Restaurants	
Bakeries	
Photo studios	
Other please specify	

1.3 How many years have you been in this business? Mark one with X where applicable

Less than a year	
3 years	
4 years	
5 years and longer	

1.4 How old are you?

--

1.5 Marital status? Please mark all that is applicable

Married	
Living together	
Widowed	
Divorced	
Other please specify	

1.6 How many children do you have?

1.7 Can you read or write?

Yes	No
-----	----

1.8 What is your highest level of education? Please mark one which is applicable

None	
Primary school	
Secondary school	
Tertiary school	

1.9 Do you stay in,

Rental property	
Own property	
Wendy house	
Other please specify	

1.10 Apart from your children and yourself how many family members do you live with?

Section B

In this section occupational safety and security issues and concerns of the micro-entrepreneurs are assessed.

2.1 Have you ever sustained any injuries in your occupation?

Yes	No
-----	----

2.2 If **Yes**, what types of injuries have you sustained in your occupation?

Burns	
Cuts	
fractures, sprains	
injuries to the eye/teeth	
Others please specify	

2.3 Have you visited any health facilities regarding occupational injuries?

Yes	No
-----	----

2.4 If your answer to question 2.3 is **Yes**, what health facility have you visited?

Hospitals	
Clinics	
Others please specify	

2.5 If your answer to question 2.3 is **No** why did you not report your occupational injury?

No hospitals or clinics nearby	
No money to pay for medical services	
Poor services at the health centres	
I have to be in business at the same time	
Other please specify	

Section C

This section of the questionnaire aims to determine whether aside from education, what other gender related issues limit women to trade activities in the informal sector.

3.1 Why have you decided to engage in this particular business?

It does not require a substantial amount of start-up capital	
It is not physically and mentally challenging	
Does not require a specific skill	
Does not need to be registered	
Other please specify	

3.2 Why have you decided not to engage in other business such as these listed below?

Career	a)	b)	c)	d)	e)
Taxi driver	it is men's work	difficult to register/access	lack of finance	traditional customs does not allow it	lack of skills
Cart carriers (<i>raboteiros</i>)	it is men's work	difficult to register/access	lack of finance	traditional customs does not allow it	lack of skills
Construction	it is men's work	difficult to register/access	lack of finance	traditional customs does not allow it	lack of skills

Tailor	it is men's work	difficult to register/access	lack of finance	traditional customs does not allow it	lack of skills
Hairdresser	it is men's work	difficult to register/access	lack of finance	traditional customs does not allow it	lack of skills
Carpentry	it is men's work	difficult to register/access	lack of finance	traditional customs does not allow it	lack of skills
Retail agents	it is men's work	difficult to register/access	lack of finance	traditional customs does not allow it	lack of skills

Section D

The aim of this section is to explore how women micro-entrepreneurs work together to sustain their micro-enterprises.

4.1 Where did you get start-up capital for your business?

From your husband or other family members or friends	
Savings	
Bank loans	
Micro-credit	
Retirement benefits	
Other please specify	

4.2 Are you part of a self-support or cooperatives?

Yes No

Other please specify	
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4.3 If Yes, which self-support group(s) or organisation(s) are you part of? Please mark with X where appropriate

Rotating savings and credit associations (ROSCAs)	
Microfinance institutions	
Workers union	
Other please specify	

4.4 State how you have benefitted from this self-support group?

Received a loan or grant	
Protection against police harassment	
Collectively we provide vigilance against criminals	
We aid each other to source goods from the suppliers	
Received business management training	
Received training on appropriate nutrition for the family	
Received training on family planning	
Other please specify	

4.5 How do you obtain your merchandise?

Directly from the supplier	
From a retailer	
From a larger markets (<i>Roque Santeiro</i>)	
From a family member who owns a distribution store	
Members from the self-support group	
Other please specify	

4.6 Why do you obtain your merchandise from this particular place(s)? Mark applicable blocks

Because it is cheaper	
Closer to home	
Closer to the place of trade	
Obtain on credit through the support group	
Other please specify	

4.7 Which mode of transport do you use to obtain your merchandise? Mark with X where appropriate

Private car hire	
Hire transport in a group	
Public transport (Taxis)	
walk	
Pay hand cart/potters' drivers	
Other please specify	

Section E

The aim of this section is to analyse the levels of income earned and expenditure by the micro-entrepreneurs in Luanda

5.1 Income sources

Please specify from which sources you earned an income and how much was earned from each source, on average per state grants or pensions	Amount received a month in Kwanza
Buying and reselling physical goods i.e. clothing, shoes, pots, charcoal, hang-bangs	
Carpentry	
Mobile phone rental, telephone bureau, internet café	
Shoe repair/cobbler	
Photocopies or printing	
Exchange of foreign currency (<i>kinguilas</i>)	
Ambulant traders this is walking around selling things in the market and the neighbourhood (<i>zungueiras</i>)	
Cooking in the market or the streets	
Selling vegetable in the market	
Selling fish	
Hair braiding	
Rental of stalls	
Rental of warehouses	
Restaurants	
Bakeries	
Photo studios	
Other sources not listed above	
Estimated total income	

5.2 On average, how much Kwanza do you spend a month on each of the following items? Enter 0 if none.

Food	
Electricity	
Water	
School	
Restocking	
Saving	
Share amongst the women in the rotating savings and credit associations (ROSCAs)	
Loan repayment to the bank	
Loan repayment to the microfinance institution	
Airtime	
Others please specify	

Thank you for your participation