

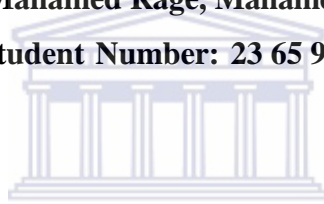


**A comparative study of the Transaction Costs of Doing Business in Formal Urban Vs
Informal Settlement Areas: A case study of Microenterprises in Joe Slovo and
Maitland, Western Cape, South Africa.**

By

Mahamed Rage, Mahamed

Student Number: 23 65 985



UNIVERSITY of the

**A MINI THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF
MASTER OF COMMERCE DEGREE IN DEVELOPMENT STUDIES
TO THE INSTITUTE FOR SOCIAL DEVELOPMENT (ISD) AND THE
FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES (EMS)
UNIVERSITY OF THE WESTERN CAPE**

Supervisor: Dr Mulugeta F. Dinbabo

November, 2014

DECLARATION

I hereby declare that this mini thesis titled: *A comparative study of the Transaction Costs of Doing Business in Formal Urban Vs Informal settlement areas: A case study of Microenterprises in Joe Slovo and Maitland, Western Cape, South Africa*, is my own work and that I have not previously submitted it at any university for a degree or examination. All sources that I have quoted have been indicated and duly acknowledged by means of referencing.

Mahamed Rage, Mahamed

Signature:

November, 2014.



ACKNOWLEDGEMENTS

First, I would like to express my sincere gratitude to my supervisor, Dr. Mulugeta Fitamo Dinbabo for his invaluable expert advice, motivation, understanding, and patience in order to complete this research project. Second, I wish to thank my former supervisor, Iris Vernekohl, for her continuous guidance and support to carry out this research project.



ABSTRACT

The main objective of this research was to measure and compare the influence of institutions (government laws, rules, regulations) on the transaction cost of establishing microenterprises in informal/township areas and suburbs. The research target area was Maitland (a suburb) and Joe Slovo (a township area). A research framework was developed using the theories of institutions and the TACE. In order to achieve the research objectives, both quantitative and qualitative research designs were used. A total research sample of 40 microenterprise owners were selected from these two areas. A random sampling technique was used to select half (twenty) microenterprise traders in Maitland and the other half (twenty) from Joe Slovo. The research also applied non-random sampling technique to select relevant government institutions that regulate microenterprises in these two areas.

The research has collected both primary and secondary data. To collect the primary data, face-to-face interviews were held with the shop owners in the two research sites and government (City) officials. A questionnaire containing both open-ended and closed-ended questions was used in collecting the primary data. The secondary data was collected using desktop (internet) search and also physically searching government archives and publications.

Descriptive statistics (frequency distributions and graphical representations) of the data were used to analyze and compare the data collected in a meaningful way. The research also used non-parametric independent samples t-test to compare the differences of the transaction costs of establishing microenterprises in Joe Slovo and in Maitland. The data collected was analyzed and compared using SPSS statistical research analysis software.

The results show, to establish a microenterprise business, microenterprise owners in both formal and informal areas need to comply with the environmental health laws. In addition to complying with the environmental health laws, microenterprises in formal areas are obliged to comply with the City zoning scheme and seek permission to establish businesses in these areas. The application process for seeking the City zoning approval is cumbersome and subjective. The results show that entrepreneurs in informal/township areas are automatically allowed by the local government to establish microenterprises in these areas and need not comply with the Zoning Scheme. The main findings of the study reveal that microenterprises in formal suburbs face higher TACs in establishing businesses in these areas when compared to those in township areas.

TABLE OF CONTENTS

DECLARATION	i
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	ivi
LIST OF FIGURES	ivii
LIST OF ABBREVIATIONS AND ACRONYMS	viii
KEYWORDS	ix
Chapter one: Introduction	1
1.1 Background information	1
1.2 Research rationale and significance	3
1.3 Problem statement, research objectives, questions and hypothesis.....	9
1.3.1 Problem statement.....	9
1.3.2 Research aim.....	10
1.3.3 Objectives	11
1.3.4 Research questions.....	11
1.3.5 Research hypothesis.....	11
1.4 Research chapters outline	12
Chapter two: Literature review	14
2.1 Chapter introduction.....	14
2.2 The TACE approach to the theory of the firm	15
2.2.1 Empirical findings to the TACE approach to the theory of the firm	19
2.3 Williamsonian TACE theory.....	21
2.3.1 Empirical findings of the Williamsonian TACE theory	22
2.4 The transaction sector.....	24
2.4.1 Empirical findings to the transaction sector.....	25
2.5 Non-market transaction costs	26
2.5.1 Empirical findings of the non-market transaction costs	27
2.6 Demand-side and supply-side transaction costs.....	30
2.7 Institutions and how they influence transaction costs	30
2.7.1 Government regulations that affect microenterprises in South Africa	33
2.8 Hypothetical research model.....	37
2.8.1 Operationalization of research variables.....	38

2.9 Chapter summary	39
Chapter three: Research design	40
3.1 Chapter introduction.....	40
3.2 Research design.....	40
3.3 Research methodology	43
3.3.1 Data collection	43
3.3.2 Data collection tools	43
3.3.3 Sampling techniques	45
3.3.4 Data analysis	46
3.4 Ethics statement.....	47
3.5 Limitations of the study.....	47
3.6 Chapter summary	48
Chapter four: Results and interpretation	49
4.1 Chapter introduction.....	49
4.2 Characteristics of the research participants	49
4.3 Transaction costs of establishing microenterprises in Maitland and Joe Slovo	51
4.4 Perception of the traders on the TACs of establishing microenterprises	54
4.4.1 Perception of the traders on the environmental health regulations.....	54
4.4.2 Perception of the traders in Maitland on the zoning regulation.....	59
4.5 Hypothesis testing	65
4.5.1 Test results for research hypothesis	68
4.6 Chapter summary	70
Chapter five: Conclusions and recommendations	72
5.1 Chapter introduction.....	72
5.2 Conclusions	72
5.3 Recommendations	73
6 REFERENCES	76
7 APPENDICES.....	86
Appendix one: Research questionnaires	86
Appendix two: Photos of shops.....	91

LIST OF TABLES

TABLE 1: COST OF DOING BUSINESS OF SELECTED COUNTRIES.....	29
TABLE 2: TYPES OF INSTITUTIONS.....	32
TABLE 3: NUMBER OF RESEARCH RESPONDENTS PER AREA.....	50
TABLE 4: LENGTH OF OPERATION OF THE BUSINESS IN THE COMMUNITY.....	50
TABLE 5: NATIONALITY OF THE RESEARCH PARTICIPANTS	51
TABLE 6: TRANSACTION COSTS INCURRED FOR THE CERTIFICATE OF ACCEPTABILITY (COA).....	52
TABLE 7: TRANSACTION COSTS FOR CONSENT USE (CU) APPLICATION	53
TABLE 8: TESTS OF NORMALITY FOR RESEARCH HYPOTHESIS	68
TABLE 9: HYPOTHESIS TESTING SUMMARY RESULTS	70



LIST OF FIGURES

FIGURE 1:HYPOTHETICAL RESEARCH MODEL	37
FIGURE 2: NUMBER OF RESEARCH RESPONDENTS WHO APPLIED FOR THE COA.....	55
FIGURE 3: TACS OF THE COA APPLICATION	56
FIGURE 4: THE LEVEL OF DIFFICULTY EXPERIENCED IN OBTAINING THE COA.....	58
FIGURE 5: NUMBER OF RESEARCH PARTICIPANTS WHO APPLIED FOR CU CERTIFICATE	59
FIGURE 6: PERCEPTION ON THE NUMBER OF DOCUMENTS REQUIRED FOR THE CU APPLICATION	60
FIGURE 7: PERCEPTION ON THE COST INCURRED FOR THE CU APPLICATION.....	61
FIGURE 8: PERCEPTION ON THE WAITING PERIOD FOR THE CU CERTIFICATE	62
FIGURE 9: THE LEVEL OF DIFFICULTY EXPERIENCED IN OBTAINING THE CU CERTIFICATE.....	63
FIGURE 10: PHOTO OF A TUCK-SHOP IN FORMAL SUBURB.....	91
FIGURE 11: PHOTO OF A SPAZA SHOP IN TOWN SHIP AREA.....	92



LIST OF ABBREVIATIONS AND ACRONYMS

ASGISA	Accelerated and Shared Growth Initiative of South Africa
CBD	Central Business District
COA	Certificate of Acceptability
CU	Consent Use
EH	Environmental Health
EHD	Environmental Health Department
EMS	Economic and Management Sciences
GDP	Gross Domestic Product
ID	Identity Document
ISD	Institute for Social Development
LUM	Land Use Management
SAPS	South African Police Service
SMMEs	Small, Medium and Micro Enterprises
TAC	Transaction cost
TACs	Transaction Costs
TACE	Transaction Cost Economics
VAT	Value Added Tax



KEYWORDS

Small, medium and micro enterprises

Microenterprises

Institutions

Transaction cost economics

Cost of doing business

Transaction costs

Township

Suburbs

Tuck-shop

Spaza shop



Chapter one: Introduction

1.1. Background information

Microenterprises are generally classified as informal business enterprises in South Africa and globally (Jaecle and Li, 2003; ILO, 2003; Mlinga and Wells, 2002; Small Business Act Amended; 2003). In South Africa, due to their informal nature, microenterprises are not necessarily registered with the government authorities, and do not qualify to pay taxes as their income is below the business income tax threshold of R150, 000 (Losby, Else, Kingslow, Edgcomb, Malm & Kao, 2002; Tereblanche, 1991). In terms of ownership structure, microenterprises are usually co-owned and managed by family members and may employ between 1-5 people (Mollentz, 2002).

Widespread types of microenterprises in the food retail sector in South Africa are Spaza or tuck-shops (Woodward, Rolfe, Ligthelm & Guimaraes, 2011). Although both spaza shop and tuck-shop terms describe/mean the same thing—informal food retail home-based businesses, there is a slight conceptual differences between them. According to Woodward et al (2011) spaza shops historically originated from and are exclusively associated with operating in townships and informal settlement neighbourhoods while tuck-shops often operate although not exclusively in non-township suburbs.

According to Mahajan (2014), townships/informal settlement areas refer to less resourced urban areas that situate on the peripheries of most cities in South Africa and have existed from the apartheid era whereby historically disadvantaged communities, of who majority of them are black Africans and some Coloured or Indian communities lived and still continue to live in the post-apartheid South Africa. On the other hand, Mahajan (2014) states that urban suburbs are more resourced areas which are situated at or close to Central Business District (CBD) areas.

Spaza shops are convenient stores that sell food (grocery) consumption goods which are usually of a limited selection or quantity of perishable and non-perishable goods, such as bread, milk, eggs, vegetables, sugar, flour, cooking oil, among others (Ligthelm, 2007). According to Van Scheers (2010) what makes spaza shops convenient (or favourable) to consumers are their close proximity to the residential areas and the longer operating hours of these businesses. These shops open as early as 6 am in the morning and remain open until past 9 pm at night throughout seven days a week (Van Scheers, 2010). Both Spaza and tuck shops usually operate from a section of residentially occupied houses such as in the front yards or in garages that are part of the residential dwellings (Woodward et al, 2011).

There is scarce information regarding the actual size of the home-based grocery retail market, however, Wills (2009, 51) states that spaza shops capture 6.2% of self-employment, and while 9.2% of those operating home-based businesses run spaza shops. In addition to this, it is estimated that there are at least 100,000 spaza and tuck shops in South Africa with a total collective turnover of above R7 billion annually. On average, it is estimated that these shops employ two to three people who have dependents of four family members whom they support them financially (Spaza news, 2011). Hence, according to the Spaza news (2011) an estimated one million people benefit from the existence and operations of these shops in their neighbourhood. This shows that spaza shops constitute an important sector of the informal retail business in South Africa.

Microenterprises play a pivotal role in the local economic development of poor/disadvantaged communities. Ligthelm (2004) states that the importance of the microenterprise retail sector as an intermediary delivery channel of goods and services to end consumers in disadvantaged or poor communities is well recognized and appreciated by manufacturers and wholesalers whom use them to sell their goods to consumers in these areas who are sometimes inaccessible.

Individuals who often own and run microenterprise are said to include poor/disadvantaged individuals, those with lower levels of education, women, minority groups, and immigrants (Deller, 2010; Perks, 2010; Vanderberg; 2006). In the South African context, it is noted that microenterprise owners, their employees and customers are seen as poor or low income people who live only from the income earned from these businesses (Tladi, Meihlbradt and Donovan, 2003). Besides the local South African microenterprise operators, considerable numbers of immigrant and refugee entrepreneurs from various parts of Africa and beyond have entered and operate microenterprise businesses in the township and formal suburbs (Charman, Petersen & Piper, 2011; Gastrow and Amit, 2012). Figures 10 and 11, in appendix two show a photo of a tuck shop and spaza shop consecutively.

1.2. Research rationale and significance

Most research on small businesses examine the business sector as a whole comprising the Small, Medium, Microenterprises (SMMEs), and so information that focuses on a sub-section business sector, particularly, the microenterprise sector is scarce. Hence, this section presents research on the impact of the SMMEs sector as a whole on economic growth, reduction of inequality, employment generation and poverty alleviation, which are some of the main measures that are used to indicate the state/situation of development/under-development of a society.

A number of cross-country empirical studies (Deller, 2010; Beck, Demirguc-Kunt and Levine, 2005; Leegwater and Shaw, 2008; Mboniyane and Ladzani, 2011) have indicated that SMMEs significantly contribute to the growth of a country's economy. The growth of the economy is among others, often measured using the Gross Domestic Product (GDP) which is an indication of how developed/under-developed a country is. GDP is defined as the total annual value of all goods and services produced within the borders of a country (Mohr and Fourie, 2004).

According to Beck et al (2005), the impact of SMMEs on economic growth can be direct and or indirect. First, *ceteris paribus*, the availability of more or increased numbers of SMMEs in an economy may directly influence the size of the GDP through their increased economic activities in terms of increased output of goods and services in the economy. Second, the availability of more SMMEs in the economy may promote competition and entrepreneurial skills development which will encourage innovation in the production of even more or efficient goods and services and in turn increases the size of the GDP (Ibid). The South African government not only recognizes and acknowledges the contribution of SMMEs to the growth of the economy, but it expects them to be the means for this growth. Olawale and Garwe (2010) state that the South African government aims for the South African economy to grow on average rate of 5% between the years of 2004 and 2014 and expects the SMMEs sector to be the engine that propels this projected growth rate.

Although South Africa is seen as relatively well resourced and a middle income country when compared to the rest of African countries, these resources are not shared equally among the people in South Africa (Bhorat and Van Der Westhuisan, 2012). South Africa is often characterized with growth without equitable redistribution of resources among its people, and is said to have one of the highest inequality (income) rates in the world (Finn, Leibbrandt & Oosthuizen; 2014; Gelb, 2004; Statistics South Africa, 2014a).

Inequality is defined as the differences/disparities in income, resources, power, opportunities, and status, which exist within and between societies (Naidoo and Wills, 2008). The Gini Coefficient measure is one the measures used to indicate inequality rates that exist in a country. “Gini coefficients are aggregate inequality measures that vary and range from zero (perfect equality) to one (perfect inequality)” (Todaro, 1985, 146). Therefore, Gini Coefficients of

countries with high inequality rates lies between 0.50 and 0.70 and those countries with low inequality rates have Gini Coefficients that lie between 0.20 and 0.35 (Todaro, 1985, 146).

The existence of inequality in South Africa is indicated by the so-called disparity that exists between the First Economy (a well developed, well resourced sector/area) and the Second Economy (Less developed, poor resourced sector/area), a term which is attributed to or coined by former president of South Africa, Thabo Mbeki (Philip, 2010). A good example of the First Economy and the Second Economy is the formal suburbs or up-market areas and the townships/informal settlement areas consecutively.

Furthermore, according to the Statistics South Africa (2014a: 13) the latest Gini Coefficient figure calculated in 2011 stands at rates 0.65 based on expenditure per capita data (excluding taxes) and 0.69 based on per capita income data (including salaries, wages and social grants). Applying the Gini-coefficient measure explained above, the figures of 0.65 and 0.69 are considerably higher and indicate that inequality is still rife in South Africa.

It is argued that the reason why inequality is a developmental problem is that it limits the overall potential growth prospect of a society by failing all members of a society to equally benefit from the attained growth of the economy (Naidoo, 2013). Therefore, according to Oxfam (2013) with the prevalence of inequality in a country, the majority of the country's wealth will be consolidated in the hands of few often elite members of the society, and the consolidation of so much wealth in the hands of so few people is dangerously inefficient as it depresses the demand for goods and services.

According to Berry (2007) the potential impact of SMMEs on the reduction of inequality is practically proven by the evidence provided by the most economically successful developing country for the last 50 years-Taiwan, which has provided the 'laboratory' to prove that inequality reduces dramatically when the size of the SMMEs sector in the economy, grows.

Berry (2007) adds that this phenomenon is further proven by the so-called East Asian Tigers (Hong Kong, Republic of Korea, Singapore and Taiwan) who have managed to produce low inequality rates as a result of high growth of the SMMEs sector in their economies.

South Africa's National Development Plan 2030 - adopted as a developmental blueprint for the next 30 years - also explicitly recognizes the twin problems of inequality and poverty (to be discussed in the following section) that is facing the nation, and aims to eradicate both evils by the year 2030, among other strategies, by proliferating SMMEs in the economy (The National Planning Commission of the Republic of South Africa, 2011).

In South Africa, a vibrant SMMEs sector is recognized as one of the measures that can be used to reduce inequality in society (Philip, 2010; Gelb, 2004). This is so, the increased ownership and employment of these businesses by disadvantaged individuals and communities not only provides them a means and a source of income, but over time these businesses may bridge the income gap between the poor and the rich and therefore may contribute to the reduction of income inequality experienced by these individuals and communities (Gelb, 2004).

Another developmental problem that is facing South Africa is the persistent high levels of unemployment in the country. Statistics South Africa states that (2014b, 16) in the first quarter of 2014, the official unemployment rate (number of people actively looking for work as a percentage of the labour force) increased from 24.1% in the previous last quarter of 2013 to 25.2% in the first quarter of 2014, which indicates an increasing trend of unemployment in South Africa. To mitigate the unemployment problem in South Africa, microenterprises in particular are seen as a major source of employment creation for many jobless historically disadvantaged/poor communities in South Africa and around the world who could not find employment opportunities in the formal sector economy (Davies, 2001; Fadahunsi, 2012; Urban and Naidoo, 2012; Storey, 1994).

Although there has been major government gains in reducing the levels of abject poverty in South Africa, according to Statistics South Africa (2014a, 26) 45.5% of the South African population are still categorized as poor. Poverty is generally conceptualized into two broad categories: absolute and relative poverty. Absolute poverty is defined as the number of people who are unable to earn sufficient income (or resources) to satisfy basic needs (food, clothing and shelter) (Noble, Gemma, Magasela & Ratcliffe, 2007). Noble et al (2007) mentions that people who are categorized as absolutely poor are often counted as the total number of people living below a standard minimum level of income— for example, the international poverty line of living with one dollar a day.

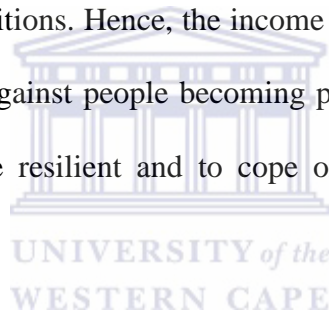
On the other hand, relative poverty is a situation whereby individuals, families and or groups in a particular population lack the resources to obtain the type(s) of food, participate in the activities and have the living conditions which are customary, or at least widely encouraged or approved in societies to which they belong to or live among them (Townsend, 1979). Several empirical studies (Agupsi, 2007; Ali, 2014; Beck, Demirguc-Kunt and Levine, 2005; Berry, Blottnitz, Cassim, Kesper, Rajaratnam & Seventer, 2002; Department of Trade and Industry, 2004; Rogerson, 1997; UNDP, 2002) have proven that SMMEs play a pivotal role in reducing poverty and deprivation levels affecting communities and individuals here in South Africa and around the world.

In South Africa the positive developmental impact of a vibrant SMMEs sector is promoted by several government economic policies and initiatives among others the Growth, Employment and Redistribution (GEAR), the Accelerated and Shared Growth Initiative of South Africa (ASGISA) and the recent establishment of the Small Business Development Department/ministry after the 2014 national elections. These government policies and institutions all aim the SMMEs sector to contribute to mitigating the development problems

that are facing South Africa (Olawale and Garwe, 2010; Department of Trade and Industry, 2008; Department of Finance, 1996; The Presidency, Republic of South Africa, 2014).

The above analysis of the developmental impact of microenterprises has shown that the existence of SMMEs or microenterprises in an economy has a far-wider multiplier-effect on the economy by contributing to the alleviation and reduction of some of the under-developments and deprivations that societies such as South Africa faces.

This research has revealed that the SMMEs sector may contribute to the growth of the economy, reduction of unemployment, poverty and inequality, especially among disadvantaged individuals and communities by providing them employment and a source of income during the current adverse economic conditions. Hence, the income earned from these businesses may serve as a cushion or prevention against people becoming poor or falling into deeper poverty levels and contributes them to be resilient and to cope or survive especially during these difficult economic times.



1.3. Problem statement, research objectives, questions and hypothesis

1.3.1. Problem Statement

Several research studies (Brink, Cant & Ligthelm, 2003; FinScope South Africa, 2010; Mboniyane and Ladzani, 2011; Phalatse, 2007; Olawale and Garwe, 2010), conducted in South Africa on the performance of the SMMEs sector indicate that the rate of failure to grow these businesses is between 60-80%, which is one of the highest SMMEs failure rates in the world. Although there is no accurate information on the exact failure rate of microenterprises, it is estimated that 50% of new spaza and tuck shops fail and are unable to stay in business longer than five years (Charman, Petersen & Piper, 2011; Van Scheers, 2010). The period of five years is the critical success or failure years of microenterprises, as often those enterprises that are able to stay in business beyond these critical five year period are successful in doing business and make returns on investment (ROI) for their owner(s)(Charman et al, 2011).

According to the Department of Trade and Industry (2008, 27), the problem faced by businesses in South Africa is further exacerbated by the reality that the majority of the SMMEs in South Africa are classified as micro and survivalist enterprises with no or limited growth potential. The poor performance of SMMEs in South Africa is further supported by a longitudinal study conducted on the performance of these studies.

The study has revealed that the trend in South Africa is that there are more closures than expansions of SMMEs businesses (Isaacs and Friedrich, 2010). The study further adds that SMMEs that have started to employ five employees hardly grow to increase their workforce up to ten employees (Isaacs and Friedrich, 2010). Furthermore, Klingelhofer (2014) argues that despite numerous South African government initiatives to resuscitate the informal microenterprises sector, they still struggle to grow and perform well.

Although microenterprises face real growth and survival challenges, little is known about these businesses. This research argues that there is a knowledge vacuum on the factors that help or hinder the establishment and growth of microenterprises in South Africa. An area of research concerning microenterprises that is scarcer in South Africa and globally is the knowledge of the transaction cost of doing business of these enterprises. Most if not all of the research studies conducted on the transaction cost of doing business only focuses on formal business enterprises with little or no research available that measures the cost of doing business of informal business enterprises.

Therefore, the rationale behind this research is that it significantly contributes to fill a research gap that exists in an important business sector that contributes to the development of poor/disadvantaged communities. Understanding the transaction costs of doing business in a formal urban vs an informal settlement areas in South Africa and how they influence (positively or negatively) the development of microenterprises is not only of academic interest but also of critical importance for government policy-makers and requires empirical testing through scientific research.

1.3.2. Research aim

The main aim of this research is to find out how far and to what extent do institutions (government laws and regulations) contribute to the establishment of microenterprises in formal and informal.

1.3.3. Research objectives

The following are the specific objectives of this research:

- To identify the different transaction costs of establishing microenterprises in Joe Slovo and Maitland.
- To determine which of the two areas (formal or informal) has higher or lower transaction costs of establishing microenterprises.

1.3.4. Research Questions

In order to achieve the above-mentioned objectives, this research aims to respond to the following specific research questions:

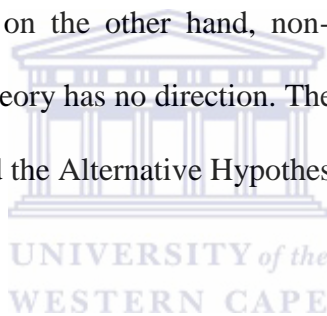
1. What are the transaction costs of establishing a microenterprise in Maitland and Joe Slovo?
2. Which of the two areas (Joe Slovo or Maitland) has less or more transaction costs in establishing a microenterprise business?
3. What is the perception of traders in Maitland and Joe Slovo on the transaction costs of establishing a microenterprise business in these areas?



1.3.5. Research hypothesis

According to Black (2011), research hypothesis is used to make inferences (or predictions) from your data/theory. Generally speaking, there are two types of hypothesis; the alternative hypothesis, denoted by H_A , and the null hypothesis, denoted by H_0 . The alternative hypothesis predicts that there is an effect present in your data or theory, while the null hypothesis predicts the opposite that there is no effect present in your data or theory (Field, 2013; Lehman and Romano, 2006).

Furthermore, Field (2013) states that hypothesis can be directional or non-directional. Directional hypothesis implies, the effect that exists in the data/theory has a direction (e.g, high/low or increased/decreased), on the other hand, non-directional hypothesis means the opposite, the effect in the data or theory has no direction. The hypotheses tested in this research are based on the following Null and the Alternative Hypotheses.



Hypothesis tested

- H_0 : There is no difference between the perception of entrepreneurs in Maitland and Joe Slovo on the non-market transaction costs of complying with the COA application.
- H_A : There is a difference between the perception of entrepreneurs in Maitland and Joe Slovo on the non-market transaction costs of complying with the COA application.

1.4. Research chapters outline

This research consists of five chapters. The contents of each of these chapters are as follows:

Chapter One (Introduction): This is the introduction chapter of this thesis. This chapter provides background information about microenterprises by discussing their nature and

classification. This chapter also presents the rationale and significance of this research and the problem statement, aim, objectives, question and hypothesis of this research.

Chapter Two (Literature review): This chapter reviews the literature of Transaction Cost Economics (TACE) and institutions. The chapter compares and analyzes the different theories of TACE and institutions. This chapter also discusses empirical findings of the TCE and institutions around the world and in South Africa. The chapter concludes by presenting a hypothetical framework that this research is based on and explains the operational definition of the research variables.

Chapter Three (Research Design): This chapter discusses the research design and methodology used to conduct this research. The chapter also explains how the research data was analyzed. The chapter also states the limitations and the ethical considerations of this research.

Chapter Four (Results and Interpretation): This chapter presents the empirical findings of this research. The chapter presents the actual non-market transaction costs that affect microenterprises in formal and informal/township areas. The chapter compares the transaction costs of establishing a business in these areas. The chapter then discusses the perception of the entrepreneurs in both research areas on the TACs of establishing a business in these areas. It then concludes by testing the different research hypothesis mentioned in the previous section.

Chapter Five (Conclusions and Recommendations): This chapter presents the final conclusion from the research findings. It then suggests suitable recommendations based on these findings.

Chapter two: Literature review

2.1. Chapter introduction

Literature review is a written document/account of what is already known (the existing knowledge of a research topic) (Machi, McEvoy, 2009; Jesson, Matheson & Lacey, 2011; Booth, Papaioannou & Sutton, 2012). The purpose of this chapter is to review the literature of transaction cost economics and institutions.

According to Wang (2003) despite voluminous research output on the concept of the TACE, there is still no single universally agreed definition of what it is. As a result, the literature on the TACE presents different definitions and conceptual understandings of this concept. By taking into consideration of these conceptual differentiations that exist in the TACE theory, the first section of this chapter has reviewed the major conceptual understandings and definitions of the TACE theory. Secondly, the chapter has presented the main empirical studies conducted on each of the TACE theoretical understandings.

Depending on the availability of information, the empirical studies sections were presented according to geographical region; global, and the African continent and local (South African) context. Finally, the chapter has concluded with a discussion of the literature of institutions and how it is closely linked to the TACE theory. This section has also presented the institutional environments that affect microenterprises in South Africa.

2.2. The TACE approach to the theory of the firm

The TCE theory belongs to the New Institutional Economics (NIE) school of thought. The NIE seek to explain the influence of institutions (rules, regulations, and norms) on economic activities and the TACs associated with these institutions (Rutherford, 2001; Williamson, 1975). In contrast to the neo-classical economics school of thought which proposes that firm costs are only in terms of production costs, the NIE claims that the total cost of firms include both production and the transaction costs (Canback, 1998; Macher and Richman, 2008).

The term transaction cost was first coined by Coase (1937) in his seminal paper of the ‘theory of the firm’. Transaction costs, as mentioned in Coase’s (1937) seminal paper refer to: “the cost of using the price mechanism” or the cost of carrying out a transaction by means of an exchange in the open market (externally) rather than carrying out the same exchange within the firm (internally). *In order to carry out a market transaction it is necessary to discover who it is that one wishes to deal with, to inform people that one wishes to deal and on what terms, to conduct negotiations leading up to a bargain, to draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on* (Coase, 1961: 15).

The transaction costs of carrying out an exchange within the firm (internally) include the cost of coordination, monitoring and motivating organization employees (Milgrom and Roberts, 1992). On the other hand, the transaction costs of carrying out/exchanging a good/service in the market (externally) is mainly specified into:

- Search and information costs: finding appropriate products and suppliers (Alchian & Demsetz, 1972; Hayek, 1945; Hirschey, 2009).

- Bargaining and decision making costs: negotiating and establishing a contract (Williamson, 1985; Coase, 1937).
- Monitoring and enforcing costs: ensuring the other party in a contract to fulfil its agreement duties (Hirschey, 2009; Bardhan, 1989; North, 1989; Milgrom, North & Weingast, 1990).

Williamson (2005) believes that the reason why TACs exist in a market setting is the implicit assumption in the Coasian TAC theory that all contracts are inherently incomplete due to the human nature of bounded rationality—a situation where humans are innately incapable to take into account all foreseeable eventualities and contingencies. Consequently, when drawing contracts, it is difficult to note and take into account every possible nature/situation in a transaction contract. Therefore, exchanging a good in the market requires coordination and gaining the cooperation of the transacting individuals/parties (Williamson, 2005). This then leads to the further classification of the market TACs into two main sub-categories: coordination and motivation costs incurred in order to achieve positive/good cooperation (Rammazotti, Frigato and Elsner, 2012).

Coordination costs are ex-ante TACs that occur before the good/service is exchanged and is related to the price determination and also the costs associated with matching the buyers and sellers by bringing them to exchange the particular good or service that is on offer (Milgrom and Roberts, 1992). This among others involves by making the buyers' and sellers' location and existence known to each other (Kasper and Streit, 1999).

On the sellers' cost portfolio, these costs include, but are not limited to the advertising, promotion and as well as marketing costs incurred by the sellers in order to attract potential customers for the business (Milgrom and Roberts, 1992). On the buyers' side, these costs

include the time as well as resources spent on searching and finding suppliers and for bargaining best prices (Milgrom and Roberts, 1992).

On the other hand, motivation costs are ex-post TACs and arise after a good/service has been exchanged and is classified into two types: Information incompleteness and or asymmetries and imperfect commitment (Picot, Reichwal & Wigand, 2008)). Asymmetric information simply refers to a situation where a person(s) know(s) more or better information than another person(s) (Furubotn & Rudolf, 1998).

Hence, according to Furubotn & Rudolf (1998) asymmetric information may result either of the transacting parties that is more or well informed to resort to dishonesty and cheat the other less informed party. For example, the potential car buyer at the time of purchasing may not know the exact condition of the car that he/she wants to buy, but the seller knows the condition of the car. In this situation, the buyer has to simply belief/accepts the words of the seller about its economy and reliability and whether this is actually the truth or not.

Therefore, Milgrom and Roberts (1992) claim that in circumstances of information asymmetries, mutually beneficial transactions may not occur and both parties may resort to costly ways to protect against each other's opportunistic behaviour. On the other hand, incomplete information refers to when either of the transacting parties lack complete information regarding the good/product being exchanged. Incomplete information problem may result either of the parties to make a misjudgement and make incorrect decision about a transaction and thus incur unnecessary cost (Milgrom and Roberts, 1992).

The second type of motivation cost emanates from the problem of imperfect commitment, which refers to the inability of parties to bind them to follow through on the threats and promises that they would like to make but which, having made they would like to renounce later (Milgrom and Roberts, 1992: 30). An example of this is a certain businessman who is

thinking to set up a large investment of establishing a sugar mill factory at a sugar cane farm (land) that the investor doesn't own and wishes to rent (Milgrom and Roberts, 1992). The problem is that establishing this sugar mill factory involves high and large fixed cost which, if invested becomes a sunk cost (unrecoverable cost).

Once the mill is setup, problem of imperfect commitment may arise because the farmer (owner of the land being rented) knows that it's difficult for the businessman to easily remove the sugar mill factory again and can thus resort to opportunistic behaviour of not respecting his contractual commitments of providing the businessman the use of the land and its produce at the stipulated price (Milgrom and Roberts, 1992). As a result, the farmer may raise the price of the sugar cane to the detriment of the businessman. This may lead to the so-called 'hold-up' problem whereby the farmer holds-up (under supplies or charges exorbitant prices) the supply of the sugarcane for the sugar mill (Milgrom and Roberts, 1992). Therefore, achieving such commitment may be difficult, and the investment may not be made or costly measures might be needed to put in place to make sure that the farmer fulfils his commitment.

Azfar (2002) notes that the broader lesson gained from the sugar mill example explained above is that in developing countries where the means to minimize the above hold-up problem through efficient and effective legal procedures and systems are minimal and or are non-existent at all, or judicial delays have made access to the justice system more impractical, the hold-up problem is more prevalent which may result less investments to be undertaken in such countries.

By analyzing the literature of the transaction cost approach to the theory of the firm, one apparent major theoretical gap is that it concentrates much on the market TACs (external) with no or little attention devoted on the transaction costs of providing or exchanging the good/service within the organization(internally). This view is also held by Milgrom and

Roberts (1988) who state that this theory asserts that any firm could utilize a mix of fixed amount of managerial and or entrepreneurial talent and this could offset the TACs associated with providing the good/service internally. After having discussed the theoretical underpinnings of the TCE approach to the theory of the firm, the next section presents a summary of the main empirical findings that relate to TACE theory of the firm.

2.2.1. Empirical findings of the TACE approach to theory of the firm

This section briefly discusses the empirical findings of the TACE theory of the firm. According to Wang (2003) empirical studies of the TACE theory of the firm mainly measure the economic values of resources used in finding appropriate trading partners and executing trading contracts. In other words, it measures the economic value of exchanging a good/service externally in the market.

McCann and Ester (1999) have measured the transaction costs associated with four different policies to reduce agricultural phosphorous pollution in the Minnesota River. The authors operationalized transaction costs as: *information collection and analysis costs, enactment of enabling legislation including lobbying costs, design and implementation of policy and support and administration of on-going programmes costs, monitoring/detection, and persecution/inducement costs* (McCann and Ester, 1999; 404). The study directly measured the amount of labour input required in executing the different policies, which then were translated into monetary costs. The main findings of the study reveal that the tax on fertilizers has the lowest transaction cost and the expansion of a permanent conservation easement program has the highest transaction cost (McCann and Ester, 1999: 204).

Benham and Benham (2001) have carried out a comparative cross country study to measure the cost of exchange of goods and services. The authors have operationalized the cost of exchange as the opportunity cost of the resources used which include money, time and goods used or

forgone by an individual with certain characteristics to exchange/obtain a good/service using a form of exchange governed by the institutional setting that the exchange took place.

The main findings of this study reveal that there are great variations of the cost of exchange across countries and the so-called law of one price usually does not apply. The law of one price is a fundamental mainstream economics assumption which states that in a competitive market setting, all the individuals face the same price (Benham and Benham, 2001). For example, the authors explain that the actual price of installing a telephone for a period of two weeks range from \$130 in Malaysia to \$6000 in Argentina (Benham and Benham 2001). This study confirms that TACs matter and that there are transaction costs involved in any exchange of goods and services.

On the African continental level, Gabre-Madhin (2001) has studied the TACs that traders face in the Ethiopian grain market. The study has measured the TACs of searching for trading partners and the role that market brokers play in minimizing these TACs. The study has operationalized the TACs as the opportunity cost of labour time used in searching for trading partners and of holding working capital during this search (Gabre-Madhin, 2001). The opportunity cost of holding working capital during the search for trading partners measures the TACs of a trader to tie up working capital in grain stocks while waiting for a transaction to be executed (Gabre-Madhin, 2001).

The main finding of the study is that traders minimize their TACs by using brokers who enable them to exchange their goods among each other (Gabre-Madhin, 2001). Furthermore, the study has revealed that TACs faced by the grain traders account for 19% of the total costs that they incur in the market (ibid). The next section discusses another conceptualization of the TACE theory.

2.3. Williamsonian TACE theory

This section reviews the literature of the Williamsonian TACE theory. The Williamsonian TACE is one of the main conceptual variations of TACE theories as presented in several important researches (Williamson 1975, 1985, 1996, 1998, 2000). Although the Williamsonian and the theory of the firm TACE discussed above, have different conceptual variables, but both concepts are closely related as the latter (Williamsonian TACE) is based on and is an extension of the former (Coasian or the TACE approach to the theory of the firm).

The Williamsonian TACE regards firms as avoiders of negative transaction costs by using different cost-effective forms of governance structures (Kathleen, 1991; Wang, 2003). These governance structures are differentiated into markets, hierarchal/vertical and hybrids (Hirschey, 2009; Klein, 2005). Market governance structures refer to transactions carried out through the market system governed by the mechanisms of demand and supply (Klein, 2005). According to Klein (2005) hierarchal/vertical governance structures refer to carrying out the transaction internally by owning the input and factors of production (FOPs) such as land, capital, labour, technology, material, entrepreneurial.

Hybrid types of governance structure include short/long term contracting, franchises, networks and alliances, etc. (Klein, 2005). The Williamsonian TACE does not measure the absolute values of the transaction costs, but the relative ranking of the transaction costs resulted by the different economic organizations and contractual agreements (Wang, 2003).

Williamson (1985) argues that there are two human and three environmental factors that lead to transaction costs to arise. The two human factors are (1) bounded rationality (human mind is limited to, process all transactions) and (2) opportunism (humans will act in a way to maximize their self-interest). The first environmental factor is uncertainty (humans cannot predict the environment due to bounded rationality that is inherent in the human nature). The second

environmental factor is small number of traders, which means if there are only small numbers of traders in the market it is difficult to discipline each other through withdrawing transactions since there are no alternative traders in the market. The third environmental factor is asset specificity, which is the value of an asset that may be attached to a particular transaction that it supports. The party who has invested in the asset will incur a loss if the party who has not invested withdraws from the transaction. The possibility (threat) of this party acting opportunistically leads to the so-called “hold-up” problem mentioned in the previous section (Williamson, 1985).

In addition to this, Dietrich (1994) states that there are three dimensions of transaction costs that affect the type of governance structure (market, vertical, or hybrid) chosen for a particular transaction. These dimensions are (1) asset specificity, which is assets that don't have next best alternative usage or are so-called sunk costs, mentioned previously (2) uncertainty, and (3) frequency (frequency occurrence of transactions). The next section discusses the empirical findings pertaining to the Williamsonian TACE theory.

2.3.1. Empirical findings of the Williamsonian TACE theory

Wang (2003) states in order to measure the TACs affecting firms, Williamsonian TACE uses indirect measures/proxies such as uncertainty, asset specificity, opportunism, transaction frequency, which are assumed to influence (or affect) the transaction cost of firms. The governance structures explained in the above section are used as the dependent variable and are expressed in discrete variables (markets, hierarchical and or hybrid), and the proxies (uncertainty, asset specificity, opportunism, etc) described above are regarded as the independent variables.

Therefore, a statistically significant outcome between these proxies and the type of organizational governance structures chosen by the firm under consideration is a sufficient indication why firms resort to different governance structures in order to minimize their TACs (Macher & Richman, 2008; Wang, 2003). According to Wang (2003) the majority of empirical evidence of the NIE comes from the Williamsonian TACE. Macher and Richman (2008) claim that most empirical research carried out on the Williamsonian TCE focuses on two broad areas: vertical integration and long-term contracting.

Monteverde and Teece (1982) have studied 133 motor vehicle production components used by Ford and General Motors and found out that components requiring more engineering skills are more likely to be produced internally (vertical integration), thereby empirically supporting Williamsonian TACE. On the other hand, Masten (1984) has assessed a huge aerospace project using asset specificity and complexity as explanatory variables. The main finding of this study is that the combination of asset specificity and complexity are good predictors of which inputs are produced vertically or not.

The bulk of the empirical studies conducted globally on the contracting governance structure have revealed that firms resort to contracting as one of the three governance options under conditions of specificity, uncertainty and low frequency (interaction) thereby providing an empirical evidence for the Williamsonian TACE (Masten and Saussier, 2000; Lafontaine and Slade, 2010).

In the South African context, Vermeulen, Kirsten and Sartorius (2008) have assessed the contracting arrangements in agribusiness procurements in South Africa. The core findings of the study are that agricultural companies in South Africa are moving away from procuring their agricultural raw materials through the open market sources to using contractual arrangements instead (Vermeulen, Kirsten and Sartorius, 2008, 198). Furthermore, the study reveals that

78.5% of the total quantity of fruit and vegetables procured from agribusiness companies is sourced through contracting arrangements (Vermeulen, Kirsten and Sartorius, 2008, 198). This study sheds a further light that more companies are resorting to hybrid (contractual) governance structure instead of using markets, hierarchal/vertical structures. The next section discusses the transaction sector.

2.4. The transaction sector

As the title suggests, the transaction sector is a macro-level empirical research that attempts to aggregate the size of the transaction sector in the economy. Wallis and North (1986) have introduced the transaction sector as one of the methods to conceptualize the TACE theory by dividing the whole economy into two: the transformation (production) sector and the transaction sector. According to Wallis and North (1986), the transformation sectors are those firms that are mainly involved in physically transforming products through the production processes of input, processing and output. On the other hand, the transaction sectors are those businesses that are primarily involved in making exchanges of goods and services in the market.

Examples of such firms include financial companies, insurances, and real-state companies, wholesale and retail businesses, excluding transportation businesses (Wallis and North, 1986). Therefore, according to Wallis and North (1986) the transaction sector is determined by measuring the FOPs (land, labour, capital, entrepreneurship, and skills, etc.) that are used by firms to exchange the goods and services in the economy.

Davis (1986) argues that a major shortcoming of the transaction sector theory is that it is difficult to draw the line and decide which firms fit into either the transformation or transaction sector as most firms are involved to some extent or the other in both production and transaction activities. This then creates a serious flaw in operationalizing the transaction sector into

meaningful way to conduct an empirical study. The next section briefly presents the empirical findings of the transaction sector theory.

2.4.1. Empirical findings of the transaction sector

Wallis and North (1986) have measured the size of the transaction sector in the USA between the years of 1870-1970. The main finding of this study is that when the economic growth has increased, the size of the transaction sector of the USA economy has increased from 25% in 1870 to 45% in 1970, suggesting a positive correlation between the transaction sector and the size of the economy. Similar positive correlation trends between the size of the economy and the transaction sector was confirmed in subsequent empirical studies. For example, the size of the transaction sector in the Australian economy has increased from 32% in 1911 to 59% in 1991 (Dollery and Leong, 1998, 223).

Polski (2000) has conducted a study which has measured the transaction sector on a micro level by focusing on the American commercial banks, which were one of the industries that belong to the transaction sector as mentioned in North and Wallis (1986) classification. The study measured the TAC affecting the commercial banks in the USA between the years 1934-1998. The main outcomes of the study reveal that the total transaction costs facing the American commercial banks have increased from 69% of total income in 1934 to 77% in 1998 (Polski, 1998, 4). The common findings of all the above cited transaction sector empirical studies are, as the economy grows, so too does the transaction sector grow and vice-versa.

2.5. Non-market transaction costs

Non-market TACE theory was pioneered by De Soto (1989) as one of the ways to conceptualize the TACE theory. Non-market transaction costs are the costs that are not related to buying and selling of goods and services. These costs are determined by the institutions (government laws and regulations) that govern businesses and their transactions and may include, but are not limited to the costs associated with the number of procedures needed to follow for business registrations, the waiting period for business licenses, the red-tape barriers to businesses and as well as the bribery paid to officials to legitimize business deals (Allen, 1999; De Soto, 1989; Dagnino, Maria and Farina, 1999).

Wang (2003) argues that the previous conceptualizations of the TACE theory, i.e., the Coasian and Williamsonian TACE and the transaction sector were exclusively focused on the TACs associated with the markets (market TACs), but that did not give the complete picture of the TACs facing firms. Non-market TACs are particularly important because they capture the missing part of the TACs facing firms which is the non-market determined costs that affect firms. Hence, the total TACs that affect firms are both market and non-market TACs.

According to Wang (2003) an important part of the non-market TACs is the cost of starting/establishing a business (cost of entry) which differs from the entry barrier costs such as monopoly, large capital investment, etc., that are emphasized in traditional economic literature. The costs of entry dealt in non-market TACs is the cumbersome institutional (government laws and regulations) costs, such as, for example, registration and business licensing rules that prevent and hinder businesses to setup and establish themselves (Wang, 2003). The next section presents a summary of the main empirical studies of the non-market TACE theory.

2.5.1. Empirical findings of the non-market transaction costs

Djankov, la Porta, Lopez-de-Silanes, and Shleifer (2002) have conducted a comparative cross country study of the non-market TAC of entry covering 85 countries world-wide. The study has operationalized non-market TAC as the number of procedures, the official time, and the official cost that a start-up business faces before it can begin operating legally.

The study has revealed that countries impose different non-market TAC on businesses. For example, an entrepreneur in Mozambique requires 19 procedures, pay USD\$ 256 and wait for 149 business days to get legal permission to start a business. On the other hand, an entrepreneur in Italy needs to follow 16 different procedures, pay USD \$ 3946 and wait for 62 business days to obtain permission to start a business. In contrast to this, in Canada, one requires to complete only two procedures, pay USD\$ 280 and wait for two working days to get approval to start a business (Djankov et al, 2002, 1).

In sum, the study has indicated that the official legal TAC of entry is very high in most countries with some country variations, however, countries with higher corruption and poor governance systems tend to have heavier TAC entry regulations, while, countries with good governance and democratic systems have lighter TAC entry regulations (Djankov et al, 2002, 1).

An annually published non-market TAC empirical study is the World Bank's Cost of Doing Business. The Doing Business project is an objective measurement of business regulations of some 189 countries across the world (World Bank, 2014). The Cost of Doing Business collects business regulations data from formal business entities that operate in the participating countries and compares this data to determine the countries that have higher or lower transaction cost of doing business and are business friendly or not.

The Doing Business study operationalizes business regulations as procedures required to follow in dealing with government business rules and regulations, the costs incurred to comply with them and the period it takes to obtain approval for an application submitted to a government authority (World Bank, 2004).

Table 1, below compares the cost of doing business of selected seven countries from different geographical and economic systems. Column one of the table lists the six countries selected. These countries are: (1) Afghanistan, a South Asian fragile (post-conflict) country, (2) Canada, a North American, developed world country, (3) Ethiopia, a Sub-Saharan African country, (4) Germany, a leading member country of the Organization for Economic Cooperation and Development (OECD), (5) Haiti, A developing Latin-American and Caribbean country, and (6) South Africa, the powerhouse of the African economy and a Sub-Saharan African country. Each of the rows of the table show the data for each of the countries listed above.

The table shows the data for the ease of doing business rank, and the period it takes and the cost incurred to register property rights and start a business in the different countries. Similar to previous studies, the table shows that countries with good governance and sound economic systems tend to have lower TACs of doing business as compared to those poor/developing countries with poor governance systems.

Table 1: Cost of doing business of selected countries

Countries	Ease of doing business rank (out of 189 countries)	Registering Property Rights (Number of days it takes)	Costs of registering a business (in % of property values)	Starting a business (number of days it takes)	Cost of starting a business (in % of income per capita)
Afghanistan (South Asian)	183 rank	250 days	5%	7 days	15.1%
Canada (North American)	16 rank	16.5 days	3.3%	5 days	0.4%
Ethiopia (Sub-Saharan Africa)	132 rank	15 days	89.3%	41 days	2.1%
Germany (OECD)	14 rank	40 days	6.1%	14.5 days	8.1%
Haiti (Latin America and the Carribean)	180 rank	312 days	7.1%	97 days	246.7
South Africa (Sub-Saharan)	43 rank	23 days	6.2%	19 days	0.3%

Africa)					
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Source: Table developed using data from the World Bank’s Doing Business 2015 report, 2014.

In measuring the impact of government regulations on microenterprise informal business, this research uses the World Bank’s (2014) Cost of Doing Business methodology but adapts it to the local South African informal sector context.

2.6. Demand-side and Supply-side TACs

Transaction costs that were discussed above are classified into two main parts: demand-side and supply-side transaction costs. Demand-side transaction costs are the costs borne by the business customers and suppliers and supply-side transaction costs are the costs incurred by businesses which include both the market and non-market TAC that were explained above (Salamon and Toepler, 2000; Wallis and North, 1986). This research focuses on supply-side non-market TAC of microenterprises.

2.7. Institutions and how they influence transaction costs

Institutions narrowly defined are the rules and regulations that constrain behaviour of individuals and businesses and in so doing, institutions influence transaction costs of doing business (thereby allowing for both a negative and a positive influence of institutions on TACs) (Stam and Notboom, 2010).

Institutions are classified into their degree of formality (or informality) and their type of origin (external and internal) and their enforcements. In terms of their degree of formality, institutions are classified as formal when they are written rules and regulations and are enforced by formal authority (Ahrens, 2002; Wiggins and Davis, 2006). Example of this kind of formal institution

is the state (or government) rules and laws which are written down and enforced by the state organs.

Institutions are classified as informal when they have unwritten codes of conduct and behaviour that often support formally established rules (Kasper and Streit, 1999). These informal institutions are classified into type one (conventions), type two (ethical or internalised rules) and type three (local customs) and are often enforced through informal mechanisms of social behaviour and pressure (Kasper and Streit, 1999).

Institutions are categorized as external institutions when they exist as a result of political dispensation or common understanding of a society and are enforced on a society by a higher authority such as the state (Furubotn & Richter, 1998). External institutions are classified as type 5, and include government constitution, laws and regulations (Ahrens, 2002).

On the other hand, institutions are classified as internal when they exist within and among a group of people due to shared understanding and experience and group norms and are enforced privately by the members of this group (Furubotn & Richter, 1998). Internal private institutions are classified as type 4, and are indicated by formal private rules (Ahrens, 2002).

Hare and Davis, (2006) and Kasper and Streit, (1999) argue that institutions have an impact on market transaction costs by regulating the motivation costs or problems of doing business of businesses that was discussed previously. These regulations and rules may allow or constrain certain actions (opportunistic ones) and thus provide a signal and a direction to both individuals and businesses on which actions are allowed or not and which ones are expected from them.

Therefore, according to Kasper and Sterit (1999) if institutions are properly enforced, they reduce uncertainty about interacting people’s behaviour and conduct. They do so by helping interacting parties to form expectations about each other’s behaviour thereby facilitating smooth coordination and cooperation among them. Furthermore, Hare and Davis (2006) state that institutions have an impact on non-market transaction costs by easing or complicating the regulations that govern businesses-in terms of reducing (or increasing) the number of procedures needed to follow for business registrations, the waiting period for business licenses, the red-tape barriers to businesses. Table two, below succinctly illustrates the above classifications of institutions.

Table 2 Types of institutions

Type of Rule	Type of Enforcement	Type of institutions
Convention Ethical/internalized rules Local customs/social norms	Self enforcing via self commitment of the actors Via informal societal control	Type 1—internal Type 2—internal Type 3—internal
Formal Private Rules	Organized private enforcement	Type 4—internal
Constitution, Laws Regulations	Organized enforcement by the state	Type 5—external rules

Source: Ahrens, 2002; 52

The next section discusses South African government regulations that influence microenterprises in South Africa.

2.7.1. Government regulations that affect microenterprises in South Africa

This section discusses government regulations that specifically affect the establishment of microenterprises in township and non-township areas. In South Africa, there are two main pieces of laws: health regulations and the zoning regulations, that influence the establishment and operations of food retail microenterprises in South Africa (City of Cape Town, 2012; City Health, 2014). According to the City Health (2014) health regulations determine the general hygienic and health requirements that entrepreneurs need to comply with, in establishing and operating microenterprises. Entrepreneurs who operate microenterprises in both formal and informal areas are expected to comply with the following two health regulations:

- Section 35, read with section 40, of Health Act, 1972 (Act number 63 or 52 of 1972)
- Environmental Health By-Law no.13333 of 2003

Section 35, read with section 40, of Health Act, 1972 (Act number 63 or 52 of 1972) regulates the selling and handling of food products in business premises. According to the City Health (2014) the act stipulates the following main requirements for businesses that sell or deal with food products: the area where the shop operates in or the business property has to be hygienically clean and free from insects (flies, mosquitoes, etc.) and the business premises are supposed to have sanitary (toilets) and hand washing facilities which are in good and clean and working conditions.

The legislation also stipulates that businesses must have clean and well ventilated storage facilities for food products. Furthermore, businesses are also required to have refuse containers that are liquid proof with closing lids and the rooms in the business where food is sold should not be in close proximity with things that may contaminate the food such as gasses, perfumes, dusts, etc.

In order to uphold the hygiene of food products sold in the shop, the legislation requires that all the equipments and facilities (tables, machinery, etc.) used for the preparation and handling of the food products should be clean and well maintained. In addition to this, canned foods containers should be clean, free from rusts and should not have bulges. With regard to food products, the legislation dictates that repackaged foods should be packed in clean packages or containers that will keep them clean and free from germs and that these packaged foods should not have any contact with a base or floor at all. Lastly, persons handling or working in the food premises are required to be at all times clean and have suitable clean clothes.

The Environmental Health By-Law no.13333 of 2003 regulates the prevention of food caused health hazards. According to this By-Law, no person or business that deals with or sells food products should sell, handle or store food products in such a way that it may cause health hazard for the surrounding environment including the neighbours (City Health, 2014).

In order for microenterprises to comply with the two regulations explained above, the EHD requires them to apply for a Certificate of Acceptability (COA) from their offices. A COA is not a business licence per se, but a certificate that indicates that the business meets with the requirements of the Environmental Health Department as explained above. However, there is confusion among the shop owners and some government officials that microenterprises need a business licence, which is not the case. Business licences are governed by separate law which only applies to businesses that prepare foods for consumption, such as restaurants, takeaways, bakeries etc (Personal Communication, Bianca, City Official, 2014). Once, an applicant submits a COA application, the EHD sends health inspectors to examine whether the business meets with the health requirements mentioned above. The government department that concerns and deals with the health regulations is the City of Cape Town's Environmental

Health Department (EHD). The transaction costs of incurred for the COA application will be dealt with in the results chapter four of this research.

The zoning regulations concern the use of land for different purposes as determined by the local government authorities. The zoning scheme is governed by the Land Use Planning Ordinance, 1985 (Ordinance 15 of 1985). According to the City of Cape Town (2012) the zoning regulations provide these two general zoning schemes for land use that are applicable to microenterprises.

- Single Residential (Zone One): conventional housing and
- Single Residential (Zone Two): incremental housing.

The zoning regulation stipulates the primary, additional and consent use rights for the land situated in each of the two zoning options listed here above. Primary use rights are the main usage that is approved for properties. Additional use rights are the additional use rights that are permitted for the land by the council. Consent use right is a right that is available to a particular zone, but one needs to seek the approval of the City Council to obtain this right and exercise it (City of Cape Town, 2012).

According to the City of Cape Town (2012) Single Residential Zone One refers to residential houses consisting single family dwellings that are situated in low to medium density formal suburbs or communities with a safe or pleasant environment. Maitland, the research site, would be an appropriate example of Zone One. Besides the primary usage rights, properties situated in Zone One are permitted only limited and stricter land use for purposes other than that which was approved for it.

Land situated in Zone One has primary use of residential housing, private road and additional use rights such as home-based occupation, bed and breakfast, child care facilities, etc, but

subject to terms and conditions. Furthermore, Zone One has consent use of worship house, house shop, guest house (City of Cape Town, 2012). Therefore, operating a business or house shop in Zone One is not automatic, but one needs to submit Consent Use (CU) application to the City Council to run a house shop in this area. The transaction costs of the CU application will be dealt with in the results chapter four of this research.

In contrast, Zone Two concerns land use situated in informal or township areas with limited socio-economic and infrastructural facilities. The primary use for Zone Two is residential housing, second housing, utility service, private road and urban agriculture. Additional use for Zone Two is house shop, informal business, bed and breakfast, etc, but subject to terms and conditions. Consent use for Zone Two are boarding houses, group of houses, place of worship, place of assembly, etc (City of Cape Town, 2012). Hence, operating a business is automatically allowed in Zone Two in order to encourage more economic activities and develop the socio-economic conditions of the communities in these areas.

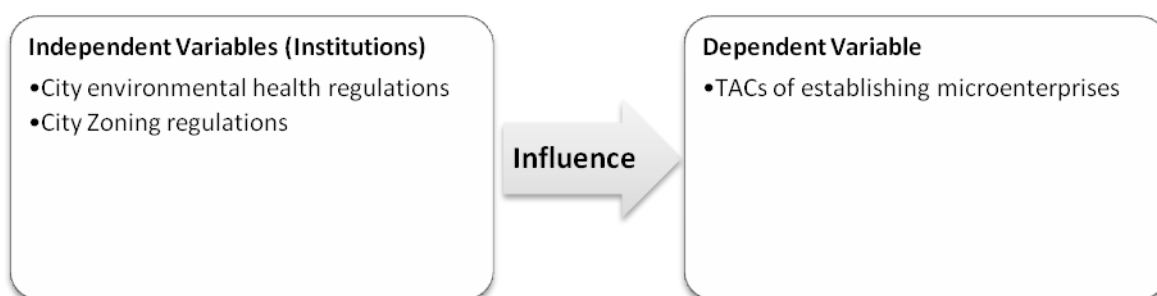
Although, properties situated in Zone Two are permitted to run house shops from their residential houses, but there are additional conditions attached to this approval. According to the City of Cape Town (2012) the size of the shop shall not exceed 40 m² or 40% of the total floor space of the dwelling, whichever is the lesser area. In addition to the house shop, the property shall contain a dwelling which shall be occupied by the proprietor of the house shop and the area used for a house shop may not be open directly onto a bedroom or toilet, and no goods which will be sold from the house shop may be stored in a bedroom or toilet. In terms of operating hours, the house shops are not allowed to operate outside the hours of 07:00 to 21:00 on Mondays to Saturdays and 08:00 to 13:00 on public holidays or Sundays. However, according to the shop owners in Joe Slovo, the operating period limitations condition is impractical to implement as business customers require the shops to be open longer hours and

all the days of the week. The traders further add, even if this condition is enforced it will negatively affect their business performance. Zone Two land use scheme also requires that no more than three persons are allowed to engage in the house business and only one un-illuminated advertising sign is permitted to be displayed outside the house shop. In addition, the sale or storage of intoxicants (alcohol), gas, fireworks and other undesirable goods are not allowed in the house shop.

2.8. Hypothetical research model

In order to study the transaction cost of establishing microenterprises in informal/township areas and suburbs, the following hypothetical model/framework has been developed from the above reviewed literature. This framework is based on the hypothesis that institutions determine supply-side non-market transaction costs and these costs in turn have a negative or positive impact (or influence) on the establishment of microenterprises in informal/township areas and suburbs. Figure1, below graphically illustrates the linkage between institutions, transaction costs and microenterprise establishment. This framework is the building block of this research.

Figure 1: Hypothetical research model



Source: Own compilation from the above reviewed literature.

2.8.1. Operationalization of research variables

This section presents the variables that were measured and how they were operationalized. According to Babbie and Mouton (2002), operationalization of variables refers to defining variables in understandable real-world language in order to make it easy to collect the field work data.

As a result of the limited scope and space of this mini-thesis and its comparative nature, this research only measured non-market transaction costs of establishing a business. This research measures both the actual non-market TACs determined by local government authorities and the perception of the traders on the difficulties they face in complying with these TACs. In order to operationalize the non-market TACs of establishing a business, this research has used the legal requirements by government to establish or operate these businesses.

These requirements are the certificate of acceptability (COA), and the Consent Use (CU) certificate. As stated previously in this chapter, the COA allows the business the right to trade in the vicinity and sell the products specified in the application and the CU is an application submitted to the council to seek approval to use a land for a purpose/activity which is different than it was originally approved for by government.

The non-market TACs of obtaining a certificate of acceptability to trade is further operationally defined as:

- Number of documents submitted in applying for the license (certificate of acceptability) to operate a business.
- The cost incurred to acquire a COA to operate a business.
- The period it takes (in days/months/year) to get COA.

The non-market TACs of submitting consent use application is also operationally defined as:

- Number of documents submitted in applying for a consent use application for a business.
- The cost incurred to submit a consent use application for a business.
- The period it takes (in days/months/year) to acquire a consent use application for a business.

2.9. Chapter summary

This chapter has discussed in detail the different TACE theories such as the theory of the firm, the Williamsonian TACE, the transaction sector, the non-market TACE, the demand and supply-side TACE. The chapter has reviewed the conceptual understanding of each of these theories and presented brief empirical findings of each of these TACE theories. It was mentioned in this chapter that the theories of the firm (Coasian TCE), the Williamsonian TACE and the transaction sector explain the market TACs affecting businesses, while non-market TACs explain the costs imposed by institutions (government laws and regulations). The chapter has also discussed the theory of institutions and how it is closely related to the TACE. This research has revealed that institutions determine or influence the market and non-market TACs. The chapter has concluded with a brief theoretical and conceptual that was developed from the reviewed literature. The next chapter discusses the research design and methodological steps used by this research to obtain both the quantitative and the qualitative data.

Chapter three: Research design

3.1. Chapter introduction

Researchers often confuse the concepts of ‘research design’ and ‘research methodology’, but Babbie and Mouton (2002) argue that both concepts are distinctive. A research design is a road-map or blueprint that outlines how one intends conducting a research project while a research methodology provides the processes (steps) used to get to the blueprint (Kumar, 2005; Babbie and Mouton, 2002). A simple example that clarifies the difference between the two concepts is that of a building construction project, the architectural design/plan (or blueprint) equals to the research design in a research project, while the construction process (the types of construction tools used, how the tools will be used and who will do the construction) equals to the research methodology in a research project.

This chapter presents the research design and methodology applied in this study. The chapter is organized as follows: section one discusses the research design applied in this study, and section two presents the specific methodologies used to source the data for this research.

3.2. Research design

In the social sciences literature, there are three major types of research designs used in conducting a research: qualitative, quantitative, and mixed designs (Creswell, 2009; Kumar, 2005). According to Bhattacharjee (2012) quantitative research designs often use quantifiable numbers/measurements to produce objective information about the study subject while qualitative research designs use subjective methods of enquiry which involve value judgement questions in order to gain a deeper understanding of a research subject. On the other hand, mixed designs simultaneously use a combination of both quantitative and qualitative research designs in order to attain a stronger design for a study (Creswell and Plano Clark, 2007)

Furthermore, research designs are classified into five main sub-categories: (1) Cross-sectional designs, (2) experimental designs, (3) longitudinal designs, (4) case-study designs and (5) comparative designs (Burhan, Gilland Lutz, Grant and Layton-Henry, 2008). Cross-sectional study or commonly known as one-shot study is used to find out the prevalence of a condition in a research target/population at a particular point in time (Bryman, 2012). Cross-sectional studies are useful in providing an overall 'picture' of the condition of the research target at the time of the study (Bryman, 2012). Cross-sectional designs can either be quantitative or qualitative or a mixed-design (ibid).

According to Shadish, Cook & Campbell (2002) experimental designs seek to determine a cause-and effect in a research. They manipulate (by assigning an intervention to) the independent variable to determine whether it has an influence (or impact) on the dependent variable. There are three key features of a typical experimental design: pre-post test design (collecting data before and after an intervention), treatment group (participants who take part in an intervention) and a control group (participants who do not take part in an intervention), and random assignment of the study participants (Shadish et al, 2002). Experimental designs are inherently quantitative in design (Shadish et al, 2002).

Longitudinal studies (or sometimes known as time-series designs) measure the changes in the target population repeatedly over a period time to establish a possible trend in a research target (Burhan, Gilland Lutz, Grant & Layton-Henry, 2008; Kumar, 2005). Longitudinal designs are typically applied in quantitative research designs such as surveys (Kumar, 2005).

Case-study designs focus on a single research target (individual, group, community, event, institution, etc) and study it in depth to achieve the objectives of the particular case-study research (Bryman, 2012).

Although both quantitative and qualitative research designs can be applied in a case-study, Burhan, Gilland Lutz, Grant & Layton-Henry (2008) argue that most case-studies tend to be more suitable for qualitative designs rather than quantitative as it is supposed to generate more in depth information about the study group. Comparative designs seek to study two comparable events, phenomena, groups or individuals to establish the difference and the similarities between them (Bryman, 2012; Burhan, Gilland Lutz, Grant & Layton-Henry, 2008). Comparative designs can either be qualitative, quantitative or a mixed-design.

This research is cross-sectional, and has applied mixed research designs (both quantitative and qualitative). The research has also used a comparative case-study. The quantitative design involved measuring objectively the perception of microenterprise owners on the transaction costs of establishing microenterprises in the study area. The qualitative research design was used as a combination with the quantitative design to shed more light on the perception of entrepreneurs on the cost of establishing business in the two research areas (Joe Slovo and Maitland). The comparative design was used in order to compare the transaction costs of establishing microenterprises in formal and informal areas. A case-study was used to study microenterprises operating in Joe Slovo (which is a township area) and those that are in Maitland (a non-township suburb).

3.3. Research methodology

Generally speaking, a research methodology includes but it is not limited to the type of data collected (primary/secondary data), description of the research target and how they were selected (sampling techniques), explanation of how the research data was collected from the research participants (data collection tools used), and how the data collected was analyzed (data analyses) (Kumar, 2005 and Babbie and Mouton, 2002).

3.3.1. Data collection

According to Kumar (2005), data collected is classified into two: primary and secondary data. Primary data collection refers to collecting first-hand (for the first time) data from primary sources. On the other hand, secondary data refers to collecting/using already available data from secondary sources, such as research that has been done already (Kumar, 2005). This research collects both primary and secondary data.

The research target is microenterprise owners and relevant government officials and departments. The first source of the primary data was collected from microenterprise owners in the two research sites (Maitland and Joe Slovo). The primary data collected from microenterprise owners measures the perception of these owners on the impact of non-market TACs on their businesses. The second source of the primary data was obtained from the relevant local government institutions and officials. The secondary data used in this research was sourced by conducting document search of regulations and the TACs that affect microenterprises in South Africa and in the Western Cape.

3.3.2. Data collection tools

In order to collect the primary data, interviews were held with the research target (microenterprise owners and government officials) mentioned in the previous section. According to Hesse-Biber and Leavy (2011), interviews are differentiated into un-structured, structured and a semi- structured interviews. Unstructured interviews are a qualitative method of enquiry in which the researcher prepares beforehand a set of open-ended (or checklist questions) that may prompt the discussions with an interviewee (Hesse-Biber and Leavy, 2011). The unstructured interview is relatively more flexible and may be adjusted to the circumstances that may prevail in each interview session as follow-up questions can be added to the interview guide as needed during the actual interview session (ibid).

The structured interview is used to collect quantitative data and it is used when a researcher prepares a rigid interview question/options that do not give the interviewee a chance to elaborate more on the subject (Kumar, 2005). A semi-structured interview combines both the un-structured and structured interview methods. While conducting a semi-structured interview, the researcher prepares structured questions and combines them with unstructured questions to gain a deep understanding of the research subject/phenomena (Babbie and Mouton, 2002).

This research has used a combination of both unstructured and structured interviews. The interview data were collected using questionnaires containing both open-ended and closed-ended questions. The questionnaires were self-administered by the researcher and the information was filled by the researcher in direct face to face contact with the research target. The questionnaire titled 'a) questionnaire for shop-owners' shown in appendix one, was used to collect information from the shop owners. The questionnaire titled 'b) questionnaire for local municipality' presented in appendix one was used to collect information from the local municipality officials.

In order to collect the secondary data, a desktop (internet) and physical government archive search was carried out. The following key sentences and or terms were used during the desktop search: *microenterprises and regulations, informal sector government regulations, business regulations, cost of doing business of microenterprises, tuck-shops, Spaza-shops, microenterprise, government regulations in South Africa, and microenterprise government regulations in the Western Cape.*

3.3.3. Sampling techniques

According to Cresswell (2009) sampling refers to a method of drawing a sample (subset) from a study population. Due to the limitations of time and resources (financial and manpower, etc.), it is always difficult to collect data from an entire population, hence, researchers select a sample from a population that they are interested to study. Sampling is generally classified into random (probability) and no-random (non-probability) sampling techniques (Kumar, 2005). According to Babbie and Mouton (2002) random sampling is when each element in the population has an equal and independent chance of selection, while non-random sampling refers to when each element in the population is chosen in non-random fashion based on personal considerations/decisions by the researcher.

This research has applied simple random sampling (SRS) technique to select a sample of 40 microenterprise businesses from the microenterprises operating in the Western Cape. The Simple random sampling technique has similar meaning to the random sampling technique explained above. It is when a researcher establishes a sample size and then proceeds to randomly select units within in this sample until the sample size has been reached (Kumar, 2005). The total sample size of this research is 40. By using SRS technique, this research has selected 20 of this sample size from respondents from the owners of microenterprises situated in an urban suburb; this area is Maitland which is a district situated in Cape Town, Western Cape. The research has also chosen the other 20 sample size from microenterprise owners from a township or informal settlement area; this area is Joe Slovo settlement which is one of the townships in Cape Town, Western Cape.

In order to collect data from government employees and officials, this research has used non-random sampling techniques. The specific non-random sampling technique that was applied is judgemental (purposive) sampling techniques. Purposive sampling is used based on the

judgement of the researcher as to who can provide the best information to collect data for the research (Creswell, 2009). Applying judgemental sampling techniques, the researcher has visited City council government institutions that are based in or serve the microenterprises that operate in the two research locations (Joe Slovo and Maitland).

3.3.4. Data analysis

In order to analyze and compare the quantitative data collected in a meaningful way, this research has applied both descriptive and inferential statistics. The descriptive statistics that were used are frequency distributions. The inferential statistics involved comparing the differences of the means of the research participants from the two research areas. To compare the means of the two research groups, non-parametric independent samples t-test was conducted. The meaning of the non-parametric tests are explained in detail in the next results chapter three under the hypothesis testing section, however, briefly, for now, it is important to note that non-parametric tests are used for smaller samples usually less than 30 sample. The data collected in this research was analyzed and compared using SPSS statistical research analysis software packages. The quantitative data were presented using tables and figures (bar charts and histograms).

In order to analyze the qualitative data, first, the collected data were organized or categorized into different sections/themes. During the field work period, a separate title for each of the data collected was created and the collected data was recorded under these titles. The notes made during the interview session(s) were recorded in these titles and studied several times to understand and make sense of them. While reading the interview notes, the sentences and words that describe different concepts/activities were coded manually by putting on identifiers (such as letters, pictures or numbers or simply highlighting them on colour marker) and were grouped together. In addition to this, connections and relationships between the different coded

data were also noted and identified. In order to explain the meaning and trends in the quantitative data, the analyzed qualitative information was presented simultaneously with the quantitative data.

3.4. Ethics statement

This research has followed strict ethical guidelines in line with the requirements of the faculty of Economic and Management Science's (EMS's) and the Institute for Social Development's (ISD's) ethical guidelines throughout this research process. This research was only conducted after the abstract has been approved by the EMS, the University of the Western Cape's Senate and the ISD's Committee. Furthermore, the necessary consent and permission were sought from all the research participants. The information collected from the research participants were handled in a sensitive and strictly anonymous way. The researcher has conveyed to the research participants that the study was not intended to do any harm whatsoever or endanger the lives or property of the research participants at anytime during or after this research.

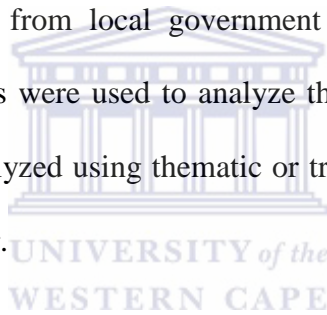
3.5. Limitations of the study

The main limitation of this research is that it only focuses on the supply-side transaction costs (the costs that face micro-enterprises) and only measures the non-market transaction costs of establishing a business and the perception of business owners on these costs. As a result of the limited scope and space of this mini-thesis, it was not possible for this research to measure market transaction costs. Another limitation of this research is that it doesn't study the formal business enterprises and only focuses microenterprises which are informal businesses as indicated in the introductory section; hence, the findings of this study may not be used to generalize the impact of transaction costs on the entire business sector which include formal businesses.

3.6. Chapter summary

This chapter has outlined the research design and methodology applied in this study. This research has applied a mixed design of both quantitative and qualitative research methods. This research has collected both primary and secondary data was collected. The primary data was collected by interviewing microenterprise owners and government officials. The secondary data was collected by studying government documents and publications.

The research has used random sampling techniques to select a total sample of 40 research participants of which twenty of them were selected from Maitland and the other twenty were chosen from Joe Slovo. The research has also used non-random (judgemental) sampling techniques to collect information from local government officials and institutions. Both descriptive and inferential statistics were used to analyze the quantitative data collected. The qualitative data collected were analyzed using thematic or trends in the data. The next chapter presents the findings of this chapter.



Chapter four: Results and interpretation

4.1. Chapter introduction

This chapter presents the field work findings of this research. The information presented in this chapter was gathered using the steps discussed in the previous chapter three (the research design) of this thesis. The purpose of this chapter is to discuss the relevant TACs that influence the establishment of microenterprises in the formal and informal (township) urban areas. The other purpose of this chapter is to examine the perception of the microenterprise operators/owners on the transaction costs of establishing a microenterprise business in these two areas.

This chapter is organized as follows: the first section presents the distribution of the research respondent's characteristics. The second section presents the actual transaction costs of establishing microenterprises in the informal/township and non-township areas. The third section discusses the perception of entrepreneurs on the transaction costs of establishing microenterprises in these two areas. The fourth section tests the research hypothesis stated in the introduction chapter one. Finally, a chapter conclusion is provided.

4.2. Characteristics of the research participants

This section presents the distributions of the research respondents' characteristics. The distributions presented in this section include the number of respondents per area, length of operation of the business in the community, and nationality of the shop owner(s). Table 3, shows the frequency distribution of the research participants per area. This table shows that the total respondents of this research are 40 shopkeepers. 20 of these respondents reside in Joe Slovo while the other 20 are from Maitland.

Table 3: Number of research respondents per area

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Joe Slovo	20	50.0	50.0	50.0
	Maitland	20	50.0	50.0	100.0
	Total	40	100.0	100.0	

Source: Table generated from field work data, 2014

Table 4 presents the duration of business operation of the research respondents in the two communities at the time of the research. The table shows that 12 (or 30%) of the traders operated their business in the community less than a year. The table also shows that 19 (or 47.5%) of the traders operated their businesses in the community between one two five years, while only 9 (or 22.5%) of the traders stated that they were operating their shop in the community for over five years. Hence, the trend in the table is that majority of the respondents were operating their businesses in both communities less than five years.

Table 4: Length of operation of business in the community

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than a year	12	30.0	30.0	30.0
	Between one to five years	19	47.5	47.5	77.5
	Over five years	9	22.5	22.5	100.0
	Total	40	100.0	100.0	

Source: Table generated from field work data, 2014

Table 5, shows the nationality of the research respondents. This table shows that half, 20 (or 50%) of the research respondents were foreigners while the other half, 20 (or 50%) were local people (South African citizens).

Table 5: Nationality of the research participants

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Foreign Owned	20	50.0	50.0	50.0
Local (South African citizen) owned	20	50.0	50.0	100.0
Total	40	100.0	100.0	

Source: Table generated from field work data, 2014

The next section discusses the actual TACs that influence the establishment and formalization of microenterprises in the urban suburbs and informal/township areas.

4.3. Transaction costs of establishing microenterprises in Maitland and Joe Slovo

This section discusses the transaction costs of establishing microenterprises in the township areas and in urban suburbs. As explained in the literature review chapter two, entrepreneurs who wish to establish microenterprises in either township and or non-township areas have to comply with the Environmental Health (EH) regulations. In order to comply with the EH, microenterprises are required to submit a COA application to the City EHD.

This research has also explained previously in the literature review chapter two, entrepreneurs who aim to establish microenterprises in non-township areas (Zone One) are obliged to comply with the Zoning Scheme regulations, and submit CU application to the City Land Use Management (LUM) section/department. However, microenterprises in Zone Two (township areas) are not required to comply with zoning regulation and submit consent use application.

Table 6, shows the transaction costs of submitting COA to the EHD. The table shows the number of supporting documents required to submit the COA application, the cost incurred to submit the application and the period it takes for the application to be approved. In terms of documentations, applicants are required to submit completed and signed COA application form obtained from the EHD and a copy of their identity documents. The application cost is free of

charge. The application may take a period of between 1-12 months, depending on each application (S. Siyabonga, Personal communication, August 4, 2014).

Table 6: Transaction costs incurred for Certificate of Acceptability

Supporting documents required for the application	Application cost	Period
1. Completed and signed application form	No fee required	1-12 months
2. Copy of identity document		

Source: Table generated from field work data, 2014

Table 7, below shows the TACs of complying with the CU application for businesses in Zone one (urban suburbs). The table shows the documentations required for the application, the costs incurred and the duration of the CU application. The documentations that are required in support for the CU application are as follows: applicants are required to submit completed and signed application form obtained from the LUM section of the City and a copy of their ID. Applicants also need to submit proof of payment (receipt) for a notification /advertising fee for the abutting neighbour procedure. According to the City of Cape Town (2012) abutting neighbour procedure is a public consultation process whereby notifications are sent to the surrounding neighbours where the shop will be established regarding the development of the business in their neighbour. The surrounding neighbours are then asked to submit their opinion and approval for the business to be established in the community to the City.

In addition to this, advertisements are carried out in the news outlets/media in the community about the proposed shop development in the community. However, as the majority of the shop owners explained, this process is very subjective, and the whole CU application may be in jeopardy, declined or prolonged by City, if one or more of the neighbours disapprove the shop development in the neighbourhood without any valid reason(s).

If the applicant is not the owner of the property, he/she needs to submit a power of attorney document authorizing him/her to carry out the application on behalf of the property owner. Applicants also need to accompany a motivation letter with the CU application. Motivation letter should include a plan/sketch of the area in the house where the shop will be erected, the goods that will be sold in the shop, parking spaces for the shop, operating hours of the shop and the properties used in the shop (S. Siyabonga, Personal communication, August 4, 2014). Applicants also need to submit a copy of the title deed of the house.

The CU application costs consist of two parts; the submission fee for CU application and the abutting neighbour/advertising process cost. The 2014/2015 financial year application cost is R 289 VAT inclusive. The advertising cost for the abutting neighbour process is R 490 for 6-10 notification letters and R 1083 for 11-25 letters served to surrounding neighbours. Although there is no definite period for the application period, depending on each application case, it takes between 2-18 months for application to be approved (S. Siyabonga, Personal communication, August 4, 2014).

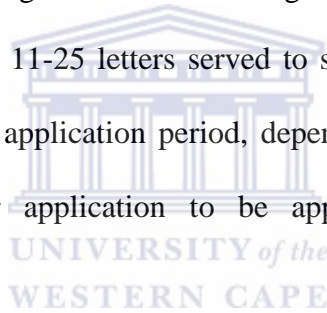


Table 7: Transaction costs for Consent Use application

Supporting documents required for the application	Cost	Period
<ol style="list-style-type: none"> 1. Completed and signed application form 2. Copy of identity document 3. Proof of payment (receipt) for notification /advertising fee for the abutting neighbour procedure. 4. Power of attorney 	<p>Application cost: R 289 inclusive of VAT</p> <p>Advertisement or serving of notice cost: 6-10 letters for R 490.</p> <p>11-25 letters for R 1083</p>	<p>2-18 months, depending on each application</p>

5. Motivation letter		
6. Copy of title deed		

Source: Table generated from field work data, 2014

The above analyses of TACs affecting businesses in the township and non-township areas reveal both areas have different TACs facing microenterprises in these areas. The information presented above shows that traders who intend to start businesses in Zone One (formal) areas face more and stricter TACs of establishing a business when compared to traders in Zone Two. This is because; traders in Zone One area have to incur COA and the CU TACs while those in Zone Two areas are automatically permitted to start microenterprises and only need to comply with the COA application. The next section analyzes the perception of the traders in the two areas on the TACs of establishing microenterprises in the two research areas.

4.4. Perception of the traders on the TACs of establishing microenterprises

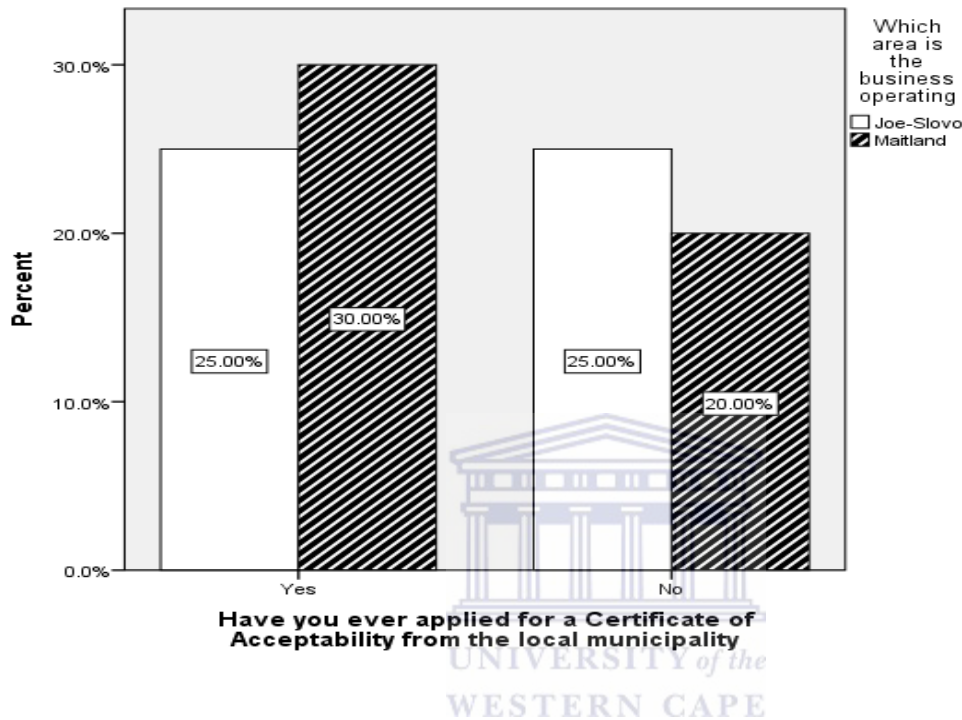
This section measures the perception of the traders in Joe Slovo and in Maitland on the TACs of establishing microenterprises in these areas. The first part of this section compares the perception of the traders in Maitland and in Joe Slovo in complying with the COA while the second part measures the perception of the traders in Maitland only in complying with the CU application.

4.4.1. Perception of the traders on the environmental health regulations

Figure 2, 3, and 4 below measure the perception of the respondents from Maitland and Joe Slovo in complying with the COA. All the three figures have the following attributes: the bars in the figure are labelled according to the research area that the research participants come from: Maitland and Joe Slovo. The white bar indicates response choices for respondents in Joe Slovo and the black and white striped bar shows response options for research participants

from Maitland. The y-axis of the graph measures the percentage values of the response options and the x-axis measures the response question/statement options posed to the research participants.

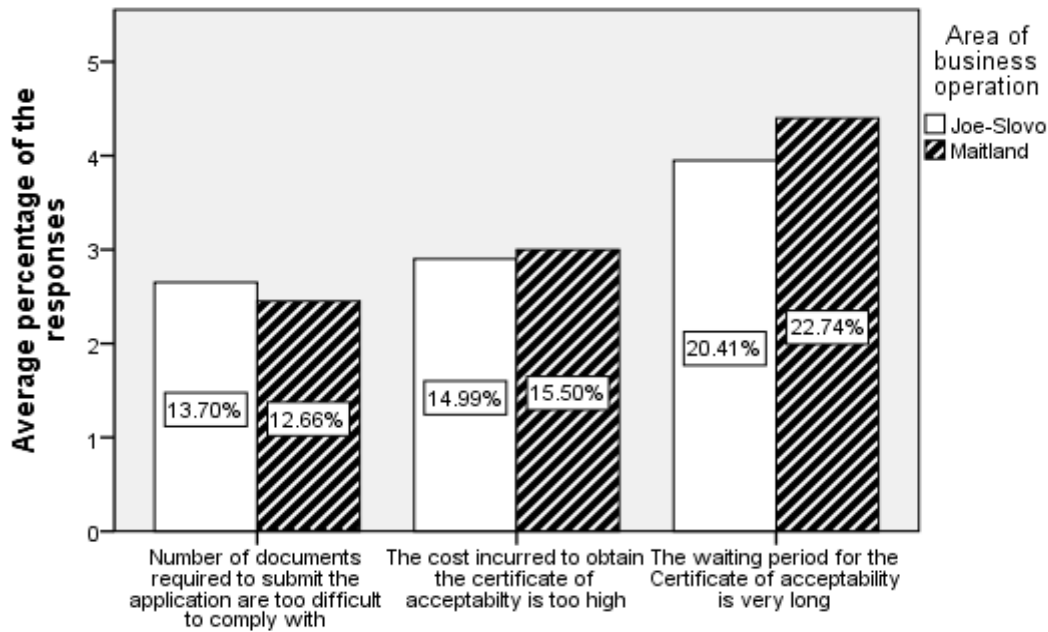
Figure 2: Number of research respondents who applied for the COA



Source: Figure generated from field work data, 2014.

Figure 2, measures the application status of the research participants from the two research areas: the values are calculated out of a 100%, and divided into half (50%) for each of the research area. Starting with Maitland, the graph shows that more respondents, 30% of them in Maitland have indicated that they have applied for a COA, as compared to only 27.50% of the respondents in Joe Slovo. In contrast, 20% of the respondents in Maitland indicated that they have not applied for a COA, as compared to 22.50% of the respondents in Joe Slovo. Hence, the graph shows that more respondents in Maitland have indicated that they have applied for a COA as compared to Joe Slovo.

Figure 3: TACs of the COA application

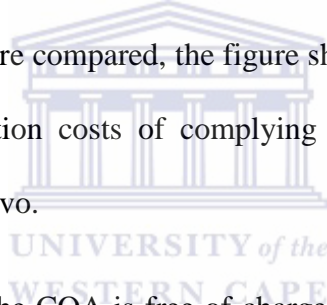


Source: Figure generated from field work data, 2014

Figure 3, measures the perception of the respondents in Joe Slovo and in Maitland on the TACs of complying with the COA. Respondents were asked to comment on the statements shown in the x-axis of the graph regarding their perception of the number of documentations required, the cost incurred and the waiting period for the COA application. To respond to these statements, research participants were given a scaled response option of 1-5 (1=strongly disagree, 2= disagree, 3=neither agree nor disagree, 4= agree, and 5= strongly agree). In order, to optimize the space, an index of the responses for all the research participants was calculated by averaging each of the research participant's response options and then converting the value to a percentage.

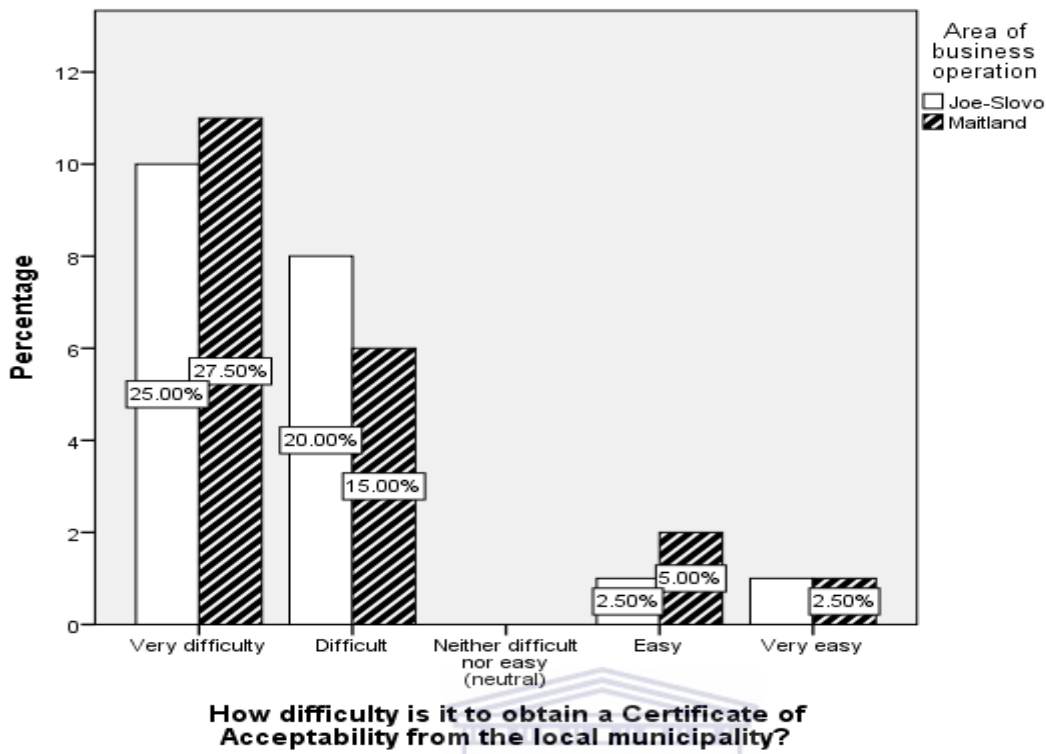
As calculated in the index, the figure shows that the waiting period for the application has higher score responses, followed by the cost incurred to obtain the document and the number of documentations required to submit the application. Starting with the right-side bar which shows the waiting period response option, the majority of the respondents, 27.74% from Maitland and 20.40% from Joe Slovo have indicated that the waiting period for the application is very long. The second two bars from the right shows that 15.50% of the research participants in Maitland and 15% in Joe Slovo indicated that the cost incurred to obtain the COA certificate is high.

The last two bars show that 12.66% of the participants in Maitland and 13.70% in Joe Slovo have indicated that the numbers of documents required for COA application are too difficult to comply with. When the two areas are compared, the figure shows that more people in Maitland feel that there are higher transaction costs of complying with the COA application when compared to respondents in Joe Slovo.



As stated in the previous section, the COA is free of charge; however, the reason for the high cost incurred to obtain the COA certificate as shown in the figure three above is that the majority of the foreign microenterprise owners in both areas perceived that they face institutional discriminations at the EHD when they submit the COA application; they explain that if they lodge the application themselves, their application takes longer or may not be approved at all. As a result of this, they resort to pay up to R2000 to agents and attorneys to lodge, facilitate and follow up the application for the COA certificate on their behalf.

Figure 4: The level of difficulty experienced in obtaining the COA



Source: Figure generated from field work data, 2014

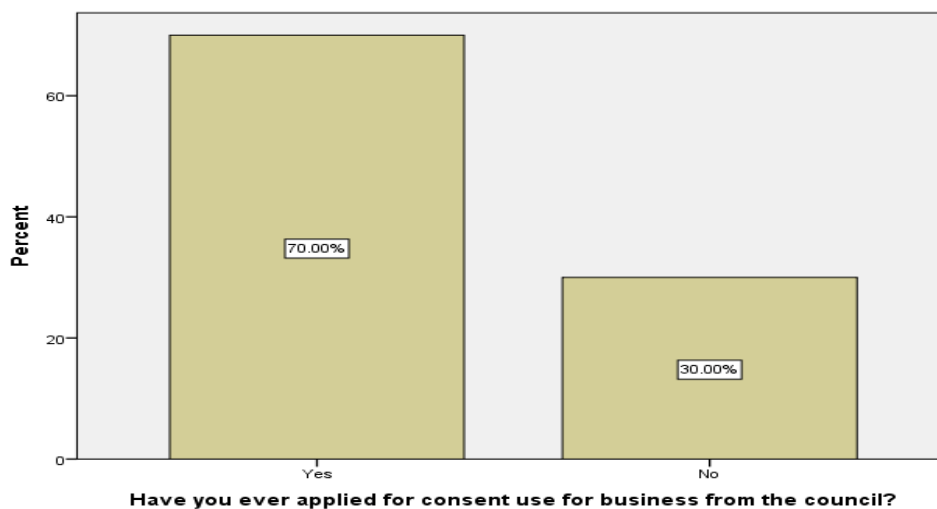
Figure 4, measures the perception of both respondents in Maitland and Joe Slovo on the level of difficulty in obtaining the COA certificate. Respondents were asked how difficult they feel to obtain the COA document from the EHD and were given scaled response options of 1-5 (1=very difficulty, 2= difficulty, 3= neither difficulty nor easy, 4=easy, 5=very easy) as indicated in the x-axis of the figure. Starting from the left-side bars, the figure shows that more respondents from Maitland, 27.50% of them have stated that it is very difficult to obtain the COA certificate as compared to a slightly lesser respondents, 25% of them from Joe Slovo. In addition to this, a similar trend of difficulty in obtaining the COA document is indicated in the second bar from the left, where 15% of the respondents from Maitland, stated that it is difficult to obtain a COA certificate as compared to 20% of them from Joe Slovo.

The figure also shows fewer respondents, 2, 50% from Joe Slovo and 5% from Maitland have stated that it is easy to obtain the COA certificate and only 2.50% respondents from both areas have stated that it is very easy to obtain the COA certificate. In sum, the figure shows that most of the respondents in Maitland and Joe Slovo perceive that the COA certificate is too difficult to obtain. But, when the two areas are compared, more respondents in Maitland feel that it is very difficult to obtain COA certificate.

4.4.2. The perception of the traders in Maitland on the zoning regulation

As it was stated previously in this chapter, the CU regulation only applies to the traders in Zone One (Maitland) and not in Zone Two (Joe Slovo). This section measures the perception of the traders in Maitland in obtaining the CU approval. Figures 5, 6, 7, 8 and 9 show the results of the perception of the entrepreneurs in Maitland on the transaction cost of complying with the Consent Use (CU) regulation. These figures are labeled as follows: the y-axis of the figure shows the percentage response values of all of the participants, and the x-axis indicates the response options and statements posed to the research participants.

Figure 5: Number of research participants who applied for CU certificate

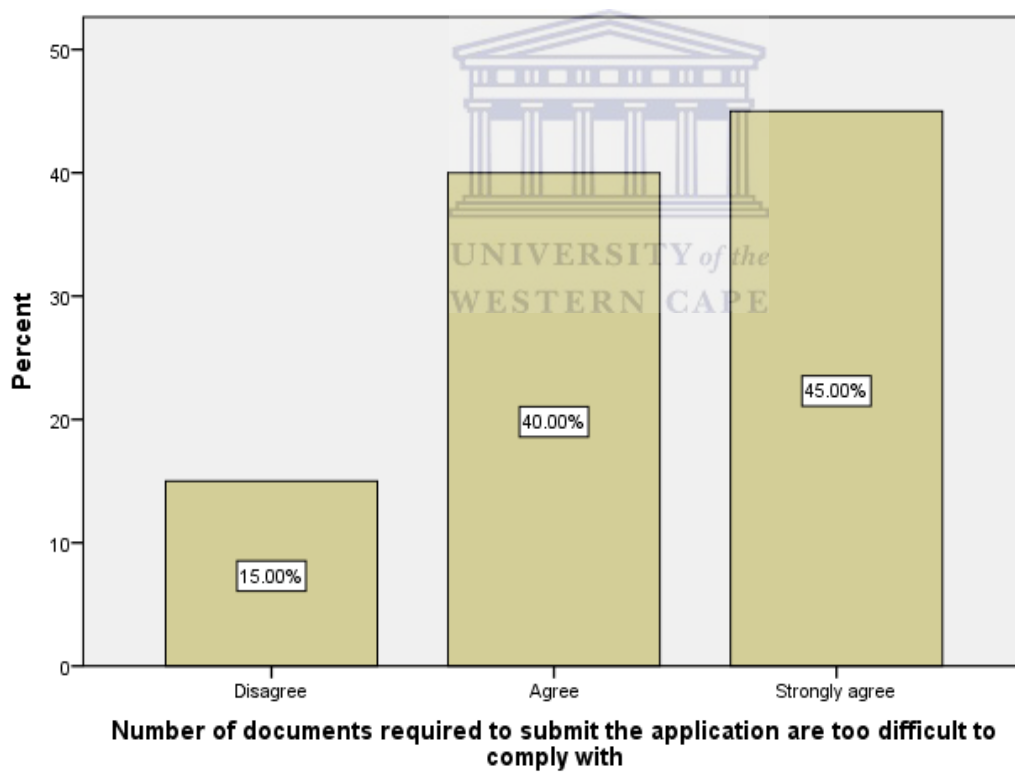


Source: Figure generated from field work data, 2014

Figure 5, presents the application status for the CU of the participants from Maitland. The figure shows that 70% of the research participants indicated that they have applied for a CU while the remaining 30% stated that they haven't.

For the remaining figures 6, 7, 8 and 9, the research participants were provided with a scale of 1-5(1=strongly disagree, 2= disagree, 3=neither agree nor disagree, 4= agree, and 5= strongly agree) response option to respond to the statements listed in the x-axis of the figures. The results shown in the figure are presented below.

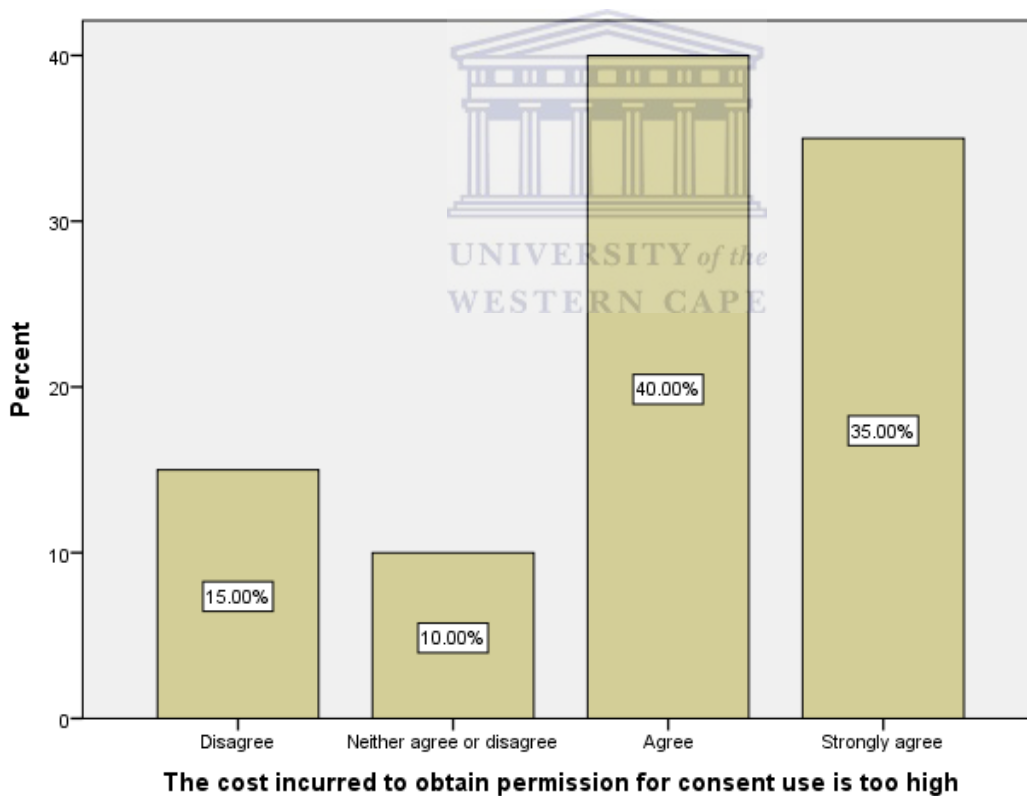
Figure 6: Perception on the number of documents required for the CU application



Source: Figure generated from field work data, 2014.

Figure 6, shows the results for the perception of the research respondents on the number of documents required for the CU application. The figure shows that the majority of the respondents, 45% of them strongly agreed with that the number of documents for the CU application is difficult to comply with. This is followed by 40% of the respondents who have agreed to the statement. Few respondents (15% of them) disagreed with that it is difficult to comply with the documentations required for the CU application. None of the respondents have chosen the other scaled options of strongly disagree (1) and neither agree or disagree (3) mentioned above.

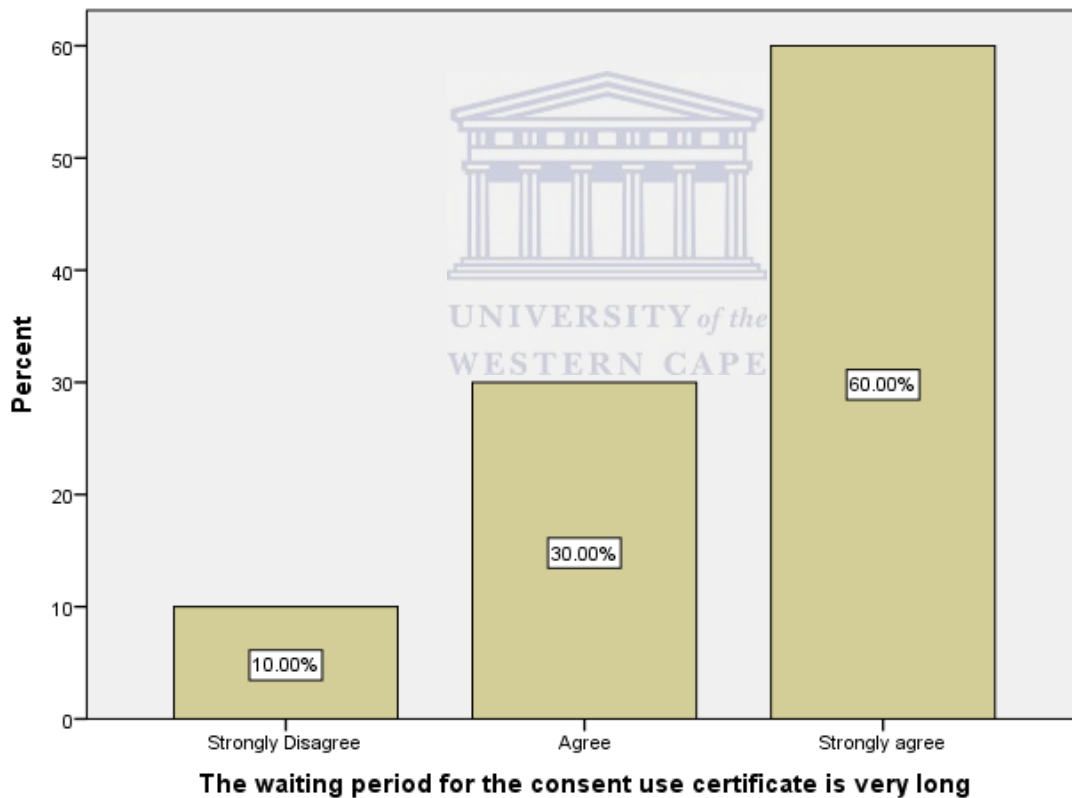
Figure 7: Perception on the cost incurred for the CU application



Source: Figure generated from field work data, 2014

Figure 7, above reveals the perception of the research participants on the cost incurred to submit the CU application and obtain the certificate. The research participants' response options are as follows: 35% of them strongly agreed that the cost incurred to obtain the CU certificate is too high, while only 40% of them agreed so. The remaining respondents, 10% neither agree nor disagree and 5% disagree that the cost for CU is too high. Hence, the figure shows that the majority of the respondents either strongly agreed or agreed with that the cost for obtaining the CU certificate is too high.

Figure 8: Perception on the waiting period for the CU certificate



Source: Figure generated from field work data, 2014

Figure 8, presents the results for the perception of the traders on the waiting period for the CU application. The figure shows that 60% of the respondents strongly agreed with and 30% of them agreed with that the waiting period for the CU certificate is too long. The figure shows that fewer 10% of the remaining respondents strongly disagreed with that the waiting period for the CU certificate is too long. The trend shown in the figure is that the majority of the respondents feel that the application period for the CU is very long.

Figure 9: The level of difficulty experienced in obtaining the CU certificate



Source: Figure generated from field work data, 2014

Figure 9, above measures the perceived level of difficulty of the respondents in obtaining the CU certificate. The respondents were given to choose response options of: very difficulty, difficulty, neither difficulty nor easy, easy, and very easy. Their responses are as follows: very difficulty (55%), difficult (40%), and easy (5%). The figure shows that the majority of the respondents perceive that it is very difficult to obtain the CU certificate from the local council.

The research participants in Maitland has revealed that while they wait for the outcome of the CU application which sometimes takes up to 24 months, they in the meantime start operating their businesses without the CU approval. The respondents stated that they face harassments from the law enforcement agency (City Police) who continuously serve them with eviction notices to close down their businesses and summons to appear local magistrate courts for not complying with the City Zoning Scheme.

The traders have mentioned that they pay court fines amounting up to R5000 and incur additional legal costs of up to R5000 to deal with preventing the eviction notices and continue operating. A trader in Maitland has stated that: *Since, I opened my business end of last year, the law enforcement agencies (City Police) have served me with three notices to close down my business and attend court cases, during this period I have incurred a cost of R 15000 which include legal fees and court fines (Trader in Maitland).*

Another trader stated if the eviction application by the law enforcement is granted by the court, the shop is closed down by the law enforcement agency and the traders are forced to close down their business and remove their stocks which consist of perishable non-perishable goods (eggs, milk, fruits and vegetables, etc) from the premises.

While waiting for the approval of the CU application, the traders store their stock at home. In this case they lose business stock as the stock gets bad and or overtime expires. Due to the long closure period of the shop, the traders also stated that they lose business customers. The next section tests the research hypothesis.

4.5. Hypothesis testing

According to Field (2013), the procedure for hypothesis testing follows two main logics: first, it is assumed that there is no effect in our sample data (or our null hypothesis is true). Second, a statistical model is fit to our data that stands for the alternative hypothesis and determines how well this test fits our data or the value of the test statistic (the difference between what is explained divided by what is not explained by our model).

Utts and Heckard (2006) mention that in order to determine the test statistic value of our model, the probability (denoted by P-value) of getting our model if the null hypothesis were to be true is calculated. Therefore, if this P-value is very small ($p < .05$ less than the usually used criterion of .05), then the results of the test is statistically significant (meaning, the effect is important or that it is unlikely that the observed differences between the groups could have occurred by chance alone).

In this case, the research concludes that our model fits the data well and the null hypothesis is rejected and the alternative hypothesis is retained or accepted. But, if the p-value results show the opposite ($p > .05$ greater than the .05 criterion), the test is not significant (meaning, the effect is not important or the differences could have occurred by chance), and the research retains the null hypothesis and rejects the alternative hypothesis (Utts and Heckard, 2006).

However, before testing the research hypothesis, one needs to decide which test is more appropriate for the hypothesis testing as there are different tests that apply and result different outcomes. In order to reach this decision, it has to be determined if the data collected meets the assumption of normal distribution (i.e, how representative is our sample of the research population) (Field, 2013).

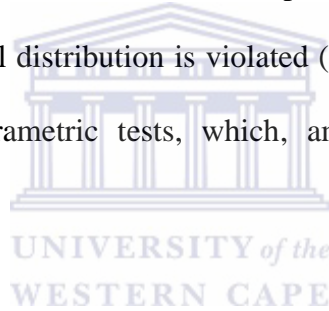
The normal distribution assumption is explained by the central limit theorem, which means as the samples from the population increase (usually defined as greater than 30), the sampling distribution (frequency distribution of sample means) has a normal distribution with a mean equal to the population mean and in large samples, the sampling distribution of the means will be normal (Field, 2013). In a normal distribution situation, most value of the sample fall near or are closer to the average or accepted norms and observations in the population, or put differently, our sample is a good representative of the population.

By the mere application of the central limit theorem, this research can conclude that our research participants sample from each of the research areas (20 from Joe-Solovo and 20 from Maitland) is not normally distributed, because, the sample from each area is less than 30. However, to be certain, this research has carried out a statistical test to determine whether our sample is normally distributed or not.

The data for the research hypothesis stated in the introductory chapter one was tested to determine whether they met the normality assumption or not. To test the normality of each of the data sets, this research applies the Kolmogorov-Smirnov and the Shapiro-Wilk tests. According to Black (2011), the Kolmogorov-Smirnov (K-S) and the Shapiro-Wilk (S-W) tests compare the data scores in the sample to other hypothetical normally distributed scores with the similar means and standard deviation scores.

The result from the K-S and S-W is interpreted as follows: If the test is significant ($p < .05$), it means that the data from our sample is not normally distributed, and if the test outcome is the opposite, not significant ($p > .05$), it means that our sample is normally distributed (Field, 2013). The data for each of the hypothesis will be tested for normality and then the hypothesis testing will be conducted.

The reason why it is important to find out if the assumption of the normal distribution is violated or not is to decide which statistical tests to use for the hypothesis testing, because different statistical tests apply to test the significance of the sample data if the sample is normally distributed or not (Field, 2013). If the sample data is not normally distributed, we use non-parametric tests. Non-parametric (or so-called assumption free) test is a statistical test used when the assumption of the normal distribution is violated (Field, 2013). If the sample data is normally distributed, we use parametric tests, which, among others assume the normal distribution assumption.



4.5.1. Test results for research hypothesis

Before testing the hypothesis, the normality test mentioned above was carried out. Table 8, below shows this result. The table shows that the significance values for both the Kolmogorov-Smirnov and the Shapiro Wilk tests indicated in the third column titled: Sig, are all below the critical value of .05, which means that the test is significant. This implies that our data set is not normally distributed.

Table 8: Tests of normality for research hypothesis

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Number of documents required to submit the application are too difficult to comply with	.190	40	.001	.902	40	.002
The cost incurred to obtain the certificate of acceptability is too high	.286	40	.000	.851	40	.000
The waiting period for the Certificate of acceptability is very long	.292	40	.000	.725	40	.000
How difficult is it to obtain a Certificate of Acceptability from the local municipality?	.295	40	.000	.685	40	.000
a. Lilliefors Significance Correction						

Source: Table generated from field work data, 2014

The next section presents the results for the research hypothesis testing.

As stated in the introduction chapter one, the research hypothesis tests the difference between the perceptions of business owners in Joe Slovo and in Maitland on the non-market TACs of complying with the COA application. The null hypothesis stated that there is no difference between the perceptions of the traders in the two areas while the alternative hypothesis stated there is a difference. Since our sample data for the COA hypothesis failed to meet our normality test, we use non-parametric tests.

Given that the data for the hypothesis compares two independent groups (Maitland and Joe Slovo), we use independent sampling t-test, which basically tests the means of two data samples. The specific type of independent sampling t-test that this research uses is the Man Whitney U-test. According to Black (2011), the Man Whitney U-test is a non-parametric test that tests the differences existing between two independent samples.

Table 9, shows the summary results for the four variables that measure the COA, which are: the number of documents required for the application, the cost incurred, the waiting period and the level of difficulty experienced in obtaining the document. The significance testing results shown in the fourth columns, of table 9, indicate that our test is not significant (as our p-values are all greater than the critical value of .05). Hence, we retain the null hypothesis. This means that there is no difference between the perceptions of business traders in Maitland and in Joe Slovo on the non-market transaction costs of complying with the Certificate of Acceptability.

Table 9: Hypothesis testing summary results

Number of variables testes	Null hypothesis results	Test applied	Sig. results	Decision
1	The distribution of the number of documents required for the COA application is the same across the two areas	Independent Samples Mann-Whitney U Test	.659*	Retain the null hypothesis
2	The distribution of the cost incurred for to submit the COA application is the same across the two areas	Independent Samples Mann-Whitney U Test	.862*	Retain the null hypothesis
3	The distribution of the waiting period to obtain the COA certificate is the same across the two areas	Independent Samples Mann-Whitney U Test	.301*	Retain the null hypothesis
4	The distribution of the level of difficulty experienced to obtain the COA certificate is the same across the two areas	Independent Samples Mann-Whitney U Test	.904*	Retain the null hypothesis
Asymptotic significance is displayed. * Statistically significant at 5% level.				

Source: Table generated from field work data, 2014

4.6. Chapter summary

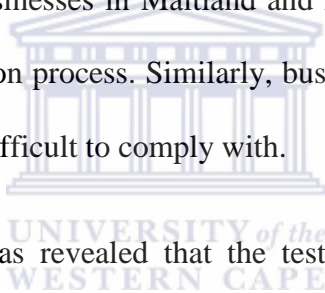
This chapter has presented the research findings of the TACs of establishing microenterprises business in formal suburbs and inform/township areas. In presenting these findings, this chapter has discussed the actual TACs of establishing businesses as determined by the City of Cape Town. The research has also presented the perception of the traders in the two areas in complying with the TACs of establishing a business in these areas. The research has explained that in order to establish or operate a business, both traders in Maitland and in Joe Slovo are

required to comply with the City of Cape Town's environmental health requirements and the Zoning Scheme regulations.

To comply with the environmental health requirements, businesses in both areas need to submit A COA application to the EHD of the City. The research has discussed that according to the City Zoning Scheme regulations traders in Joe Slovo are automatically allowed to run a business from their residential homes, but subject to some conditions. However, the traders in Maitland do not enjoy this privilege and are required to submit a Consent Use (CU) application to the Land Use Management section of the City.

The application process for the CU is subjective, rigid and strict. The analysis of the perception of the traders has revealed that businesses in Maitland and in Joe Slovo face higher TACs in complying with the COA application process. Similarly, business owners in Maitland feel that the CU application process is too difficult to comply with.

They hypothesis testing section has revealed that the test for the differences between the perceptions of the traders in the two areas in complying with the COA application is not significant, meaning that there is no difference between the perception of the traders in the two areas with regard to the COA application.



Chapter five: Conclusions and Recommendations

5.1. Chapter introduction

This is the final chapter of this research and it presents the recommendations and conclusions of this research. The first section of this chapter provides concluding remarks for this research. The second section proposes suitable recommendations to mitigate the problems cited in the results chapter five of this research.

5.2. Conclusions

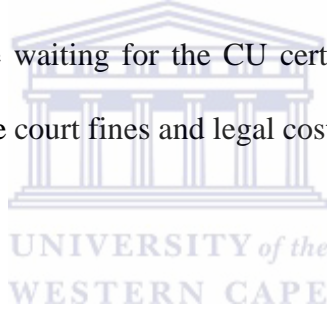
This research has dealt with the non-market transaction costs of establishing a business in the township and no-township areas. The two objectives of this study as mentioned in the introductory chapter one of this research were to determine the TACs of establishing a business in Joe Slovo and in Maitland and which of these areas have higher or lower TACs of establishing a microenterprise business. This research has achieved these two objectives.

Starting with the first one, the research has revealed that in order to establish or continue operating microenterprises in Joe Slovo and in Maitland, business owners have to comply with the environmental health regulations which stipulate that microenterprise businesses need to have a Certificate of Acceptability to trade. The environmental health regulations govern the general hygienic requirements of doing business which among others require, the shop products to be in a good acceptable health standard, the shop interior need to be clean and any machineries used in the shop need to in a good acceptable hygienic state.

The zoning regulations govern the use of land for different purposes, mainly for business or residential or a combination of them. The zoning regulations permits township/informal residents to start/operate businesses from their residential homes with conditions attached to this. In contrast, the zoning regulations do not allow the non-township residents (CBD or urban

suburbs) to operate businesses in their residential areas. If the residents in CBD areas wish to operate a business, they are required to submit a Consent Use (CU) application to the local government concerning authority.

As for the second objective, the research has indicated that businesses in Maitland face higher transaction costs in establishing a business in this area. The analysis of the perception of the traders in both areas on the COA application has revealed that in general business owners in both areas feel that the application process is very difficult. A common trend in this analysis is that the traders in both areas wait for too long to obtain the COA. When analysing the perception of the business owners in Maitland in securing the CU certificate, this research has revealed that the research participants face difficulties in obtaining the CU certificate. The respondents have stated that while waiting for the CU certificate application approved, they incur additional costs which include court fines and legal costs in order to continue trading.



5.3. Recommendations

This section presents suitable recommendations to mitigate the non-market transaction cost challenges that were explained in the previous results chapter five, that entrepreneurs face in establishing microenterprises in the informal/township areas and urban suburbs.

This research has found out that microenterprises in both research areas face alarming problems in complying with the prescribed health regulations for starting and operating microenterprises. Some of the problems cited include the traders perceiving real difficulty in obtaining the COA certificate due to the length application periods and the complicated application process. In order to solve these problems, this research suggests the following: first, it is recommended that the City Environmental Health Department (EHD) engage with the traders in both areas by educating them the importance of safeguarding the hygiene of their environment including their shops. Such education initiative needs to be face-to-face meetings

with the traders through business environmental health seminars or presentations. In addition to this, this research recommends that the EHD prepares and distributes to the traders, business environmental health brochures written in the local and foreign languages spoken most in the particular area. The contents of such educational messages should explain to the traders the specific requirements for the COA applications and what they are required in order for the application to be approved. The brochures should also mention and stress to the traders the reason for the COA is for their own benefit and solely to keep their shops clean and hygienic.

Second, in order to deal with lengthy application processes and backlogs, this research recommends that the EHD carefully assesses the merits of each application and expedites these applications. Furthermore, the research recommends that additional EH trained officials can be deployed in order to deal with any pending applications. Should the applications are not successful, the traders should be informed the reasons for this and given a second chance to rectify any shortcomings and reapply again.

This research has found out that the traders in the urban suburbs are unfairly disadvantaged by the Zoning Scheme regulations. Although different socioeconomic realities exist in the township and CBD areas, but this doesn't necessarily translate to or manifest at the individual level. In most circumstances, individuals who wish to start microenterprises in both township and non-township areas may have similar economic and social challenges of unemployment, poverty and lack of proper housing and are motivated to establish these businesses in order to uplift their standard of living. Hence, this research recommends the City council to reassess the zoning scheme for urban suburbs and permit these residents to establish a business without the need to submit A CU application.

Furthermore, as it has been revealed in the results chapter, traders in Maitland feel that obtaining the CU permission is quite difficult. Therefore, it is recommended the City to simplify the CU application by among others scrapping or facing out documentations that unnecessarily complicate or prolong the application process such as the abutting neighbour. In addition to this, this research recommends that the City needs to investigate the reason(s) why most of the CU application delay or take long and try to solve the problems that concern them. In order to make the application process more efficient and quicker, it is recommended that the City deploys or uses more additional staff focused to expediting the CU applications.



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7. APPENDICES

7.1. Appendix one: Research questionnaires

A) Questionnaire for Shop-Owners: Perception of shop owners on the non-market transaction costs of doing business

Research Topic: *A comparative study of the Transaction Costs of Doing Business in Formal Urban Vs Informal settlement areas: A case study of Microenterprises in Joe Slovo and Maitland, Western Cape, South Africa.*

My name is Mahamed Rage; I am a Masters student at the University of Western Cape in South Africa. I am conducting a study to compare the transaction costs (the costs determined by government laws and regulations) of doing business in formal Vs informal settlement areas. In view of this, I am inviting you to fill in this questionnaire. All information collected in this questionnaire is anonymous and confidential. The information that you provide will be used solely for research purposes. The information collected is aimed to inform policy on how government imposed laws and regulations and rules influence the transaction costs of microenterprises and how these costs determine the starting up and operation and growth of these enterprises. The study is aimed to contribute to a more enabling environment for microenterprises businesses. I will ask you the questions and fill the questionnaire; it will take about 20 minutes to fill it. Your participation and input will be highly appreciated.

SECTION A: Questions for business profile (Please tick the appropriate box)

1. Area:

Joe Slovo (1)	Maitland (2)
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2. What is the nationality of shop owner(s)?

Foreign Owned (1)	Local owned (South African) (2)
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3 How long is the shop operating (open)?

Less than a year (1)	Between one to five years (2)	Over five years (3)
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Section B: Question for non-market TAC of starting a business

4 Have you ever applied for certificate of acceptability to trade from the City environmental health (COA)?

Yes (1)	No (2)
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5 Perception of business owners in fulfilling the requirements of COA

Statements	Strongly Disagree (1)	Disagree (2)	Neither agree or disagree (3)	Agree (4)	Strongly Agree (5)
The number of					

documents required to submit in support of the application are too difficult to comply with					
The waiting period for certificate is quite long					
The cost incurred to obtain the licence is too high					

- 6 What is your perception of how difficult it is to obtain certificate of acceptability to trade for the business from the City environmental health?
- (1) Very difficulty
 - (2) Difficult
 - (3) Neither difficult nor easy (neutral)
 - (4) Easy
 - (5) Very easy

7 Is there any further information that you will tell me about the certificate of acceptability

8 Have you ever applied for **Consent Use (CU)** for business from the local government **(for business in formal residential areas only)**?

Yes (1)	No (2)
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9 Perception of fulfilling the requirements for the rezoning application					
Statements	Strongly Disagree (1)	Disagree (2)	Neither agree or disagree (3)	Agree (4)	Strongly Agree (5)
The number of documents required to submit in support of the application are too difficult to comply with					
The waiting period for certificate is quite long					
The cost incurred to obtain the licence is too high					



10 Overall, how difficult is it to obtain CU certificate from the local municipality?

- (1) Very difficulty
- (2) Difficult
- (3) Neither difficult nor easy (neutral)
- (4) Easy
- (5) Very easy

11 Is there any further information that you will tell me about the **consent use certificate application**

B) Questionnaire for City council officials

Research Topic: *A comparative study of the Transaction Costs of Doing Business in Formal Urban Vs Informal settlement areas: A case study of Microenterprises (Spaza shops and tuck-shops) in Joe Slovo and Maitland, Western Cape, South Africa.*

My name is Mahamed Rage, I am a Masters student at the University of Western Cape in South Africa. I am conducting a study to compare the transaction costs (the costs determined government by laws and regulations) of doing business in formal Vs informal settlement areas. In view of this, I am inviting you to fill in this questionnaire. All information collected in this questionnaire is anonymous and confidential. The information that you provide will be used solely for research purposes. The information collected is aimed to inform policy on how government imposed laws and regulations and rules influence the transaction costs of microenterprises and how these costs determine the starting up and operation and growth of these enterprises. The study is aimed to contribute to a more enabling environment for microenterprises businesses. I will ask you the questions and fill the questionnaire; it will take about 20 minutes to fill it. Your participation and input will be highly appreciated.

SECTION A: Questions for business profile (Please tick/fill information in the appropriate box)

1. Area:

Joe Slovo (1)	Maitland (2)
---------------	--------------

Section A: Question for non-market TAC of starting a business

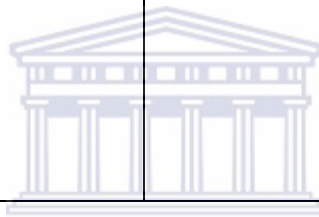
2 TACs of getting certificate of acceptability to trade for the business

Transaction	Number of documents required to submit	Waiting period(number of days/months/years)	How much does it cost in ZAR to acquire
getting certificate of acceptability to trade(business licence)			

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3 TACs of complying with the CU rezoning scheme Application

Transaction	Number of documents required to submit	Waiting period(number of days/months/years)	How much does it cost in ZAR to acquire
TACs of rezoning the premises for business			



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7.2. Appendix two: Photos of shops

Table 10: Photo of a tuck-shop in formal suburb



Source: Figure taken by researcher during field work.

Table 11: Photo of a spaza shop in township area



Source: Figure taken by researcher during field work.

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