



The Impact of Poor Corporate Governance on Informal Trading: A Case of the City of Harare, Zimbabwe

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Article History

Received: 07.10.2023

Accepted: 10.11.2023

Published: 15.11.2023

Citation

Hlabiso, F., Dambudzo, I. I. (2023). The Impact of Poor Corporate Governance on Informal Trading: A Case of the City of Harare, Zimbabwe. *Indiana Journal of Arts & Literature*, 4(11), 1-7

Abstract: From the year 2000 to date, Zimbabwe witnessed a drastic decline of private companies and institutions offering formal employment in the country. The drop in the number of companies and institutions offering formal employment to the citizens led to some citizens venturing into informal trading in order to eke a living. The City of Harare, which is the capital city of Zimbabwe, like any other metropolitan urban centre in low-income countries (LICs) saw the majority of its citizens venturing into informal trading. However, informal trade has led to some challenges, which cannot be easily addressed by corporate governance administration in the City of Harare. It is against this background that this study examined the impact of poor corporate governance on informal trading in the City of Harare, Zimbabwe. The study showed that lack of corporate governance in the administration of informal sector by the City of Harare led to several challenges that resulted from lawlessness by some informal traders in the City of Harare. The study further showed that the lawlessness witnessed in the City of Harare was due to poor corporate governance. Good corporate governance is very critical in bringing sanity to communities, towns, cities and states the world over.

Keywords: informal trading, poor corporate governance, City of Harare, formal employment, lawlessness, orderliness

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INTRODUCTION

Several millions of people throughout the world are eking out a living through informal trading. This scenario is a result of non-availability of formal employment opportunities for the ever-increasing population. In most cases this is due to closure of some formal companies and institutions due to economic meltdown. Many formal companies and institutions have in the past decades closed shop due to economic problems or challenges faced by most countries. Following the closure of some companies and institutions, several employees were laid off. The employees who were laid off from the formal companies and institutions joined the unemployed who had in some cases never been formally employed in their lifetime. Some of these were already in the informal sector and they included some graduates from secondary schools as well as tertiary institutions such as colleges and universities. Many tertiary institutions in several countries have in the past decades released large numbers of graduates who have failed to secure formal employment and ended up in the informal sector. Zimbabwe, has not been an exception to this dire employment crisis.

When venturing into the informal sector, many traders never bother to adhere to rules and regulations expected of them as entrepreneurs. As a result, there are a lot of challenges created for corporate governance in towns and cities. It is against this backdrop of lawlessness that this study examined the challenges that

were created for corporate governance by informal traders in the City of Harare. The Capital City of Zimbabwe, Harare has a population of about 1 578 000. The population exerts pressure for the few available formal companies and institutions that are unable to accommodate all working age people into formal employment in the city.

THEORETICAL FRAMEWORK

This study employed the higher order consciousness theory. This theory was found appropriate for this study because the theory resonates well with the aim of the study. The study aimed at establishing how individuals' consciousness impacted on the way they behaved or conducted themselves in their day to day activities. In this regard, the study explored how individuals' every day experiences impacted on their emotions. Individuals' daily experiences were found to have some bearing on the way they behaved or acted, either when going about their business or when trying to make a living through any means possible.

METHODOLOGY

In line with existing literature, a survey was conducted for the purposes of answering the research question. Also, in the study some documents that had a bearing on the research question were analysed with a view to link their results with what came out from the survey. The research question was: "What is the impact of poor corporate governance in the administration of

informal trading in the City of Harare?” The targeted areas covered in the study included streets of Harare, where informal trading was observed to be taking place at greater levels. The researchers also did document analysis of print and electronic media from various sources that had items on the subject of this study.

LITERATURE REVIEW

To understand the challenges posed by poor corporate governance in the administration of informal trading in the City of Harare, this study employed a thematic approach, where the themes for review were crafted centred on the topic of this study. Resultantly, the following themes: corporate governance, importance of corporate governance and informal trading were explored in this study. The themes illustrate the attempt by the City of Harare to bring orderliness through a semblance of corporate governance in the city. The themes are traced back to literature in the following sections.

The Concept of Corporate Governance

As a result of successes that are attributed to corporate governance, many countries throughout the world have in the recent past developed a lot of interest in the phenomenon of corporate governance. The interest on the phenomenon of corporate governance is motivated by the decline of organisational efficiency and the decline of quality of service delivery in many countries. Looking at the meaning of corporate governance, Fisher (2010) proposes that corporate governance refers to a set of processes, customs and laws by which organisations are directed, administered and controlled. This definition is supported by Kimber and Lipton (2005) who add that corporate governance embraces aspects such as gender diversity, remuneration fairness and transparency, board composition, social capital, disclosure, non-financial reporting, sustainability, firm identity, (corporate) well-being, governance risk-premium, among others.

In another study of corporate governance, Mutizwa and Marange (2006) suggest that the concept refers to regulations, practices, processes and laws by which an organisation or entity is administered and controlled. This study proposes that corporate governance, by definition, is the way or system by which any organisation, whether private or public is directed and controlled. In this study, consideration was made of the way informal trading was directed and controlled, with a view to unpack whether there were challenges or positives of realisation of the concept or system by selected participants.

Importance of Corporate Governance

Mwape (2022) avers that corporate governance stipulates responsibilities, rights and obligations among others, of all stakeholders of an organisation or institution. This is consistent with the assertion by Cooper (2007) that good corporate governance plays an essential role in the well-being of the general citizenry in

all countries worldwide. Furthermore, Aguilera and Griffiths (2014) suggest several pillars that form the basis of corporate governance and such pillars include, among others, responsibility and accountability, effectiveness and efficiency, rules of law, moral integrity, participation, and transparency. Arising from this, the study embraced all these pillars because they were considered important in the meaning of corporate governance. This study also avers that, apart from being assigned responsibilities, those involved with some organisations have to act in some responsible manner. Congruous with the proposition by Claessens and Yurtoglu (2012), this study submits that individuals involved in any operations within an organisation have to be accountable for their actions. In addition, as asserted by OECD (2015), the study posits that individuals involved in the operations of any organisation have to ensure that they do so efficiently, and in a transparent manner.

The definition of corporate governance has to embrace in it, as Bruno and Classes (2007), Chulu (2010), Cooper (2007), and Edwards (2003) submit, many pillars such as responsibility and accountability, effectiveness and efficiency, rules of law, moral integrity, participation, and transparency, among others. This study considered the said pillars in their totality and felt that they play some critical role in the success of organisations. This study suggests that corporate governance should also clearly define and allot entitlement and responsibilities to all the individuals that have a bearing on the well-being or operations of the concerned organisation. These individuals include clients, general employees, managers, board members, shareholders and any other stakeholders.

Informal Trading

Millions of people worldwide have resorted to informal trading to eke out a living. This has been due to shortages of employment opportunities that can accommodate them in the formal sector. Motala (2002) suggests that at times individuals involved in informal trading carry out their operations from the streets. This scenario is no exception to Zimbabwe. Njaya (2015) avers that, although the informal sector was fastest growing in the country and is the largest employer in Zimbabwe, lack of recognition, low levels of organisation and poor coordination; lack of infrastructure and technology, inadequate financing, lack of access to markets and inadequate assistance from the government hinders small enterprises from attaining their full potential. Relatedly, Hamadziripi (2009) opines that people who venture into informal trading usually find themselves operating flea markets. In this regard, Takaza and Chitereka (2022) say that people who do their trades in flea markets are mostly women who try their level best to fend for their families. Kerina (2021) avers that, apart from contributing to food security for families, informal trading helps in the improvement of the livelihoods of women.

The trend of informal trading was used to be found in developing and underdeveloped countries only; however, it is now being witnessed in developed countries. Kanchana et al. (2013) suggest that the development of the informal sector is mainly concentrated in the cities of either underdeveloped, developing and developed countries. However, informal trading in developed countries appears to be done in a way that is different from the way it is carried out in underdeveloped and developing countries. In developed countries, informal trading is mostly done in some systematic way. This is different from the way it is done in underdeveloped and developing countries where it is done in some haphazard manner. According to Chibisa and Sigauke (2008), the concept of informal trading in Africa started in the early 1970s. Similarly, Chazireni and Chagonda (2010) are of the view that the concept of informal trading has over the years up to date attributed to individuals and people who are outside full time, stable and protected employment. To this end, Nyanga (2013) opines that, those who venture into informal trading tend to be innovative in order for them to realise their goals or objectives. However, according to Coletto (2010), the informal sector in developed countries has often taken the meaning of “parallel”, “underground”, or “illegal” economy. Similarly, Gombarume and Mavhundutse (2014) attest that the informal sector has grown worldwide and emerged in new forms and unexpected places.

RESULTS AND DISCUSSION

This study established that poor corporate governance within the City of Harare has exacerbated the situation for informal traders who, instead of getting some joy from their activities, have found themselves in more trouble than they anticipated. Apart from affecting those involved in informal trading, the situation was also observed to have some effects on people who had nothing to do with informal trading taking place. Poor corporate governance led to corruption, lack of accountability, fraud and negligence by city council officials. Also, poor corporate governance within the city has led to non-adherence to the city by-laws by informal traders.

Non-adherence to city by-laws by informal traders

Informal traders were operating from any place they wished to operate or sell their goods. They did so without considering the rights of other citizens. To this end, informal traders were operating from pavements which were supposed to be used by pedestrians going about their businesses. The informal traders blocked the way for pedestrians and, as a result, the pedestrians had to navigate their way through the various goods on display on the pavements. In some cases, pedestrians could be observed jumping over wares that the traders would be selling. In so doing, the pedestrians would take longer than usual to reach their destinations. The informal traders operating on the city pavements were

not registered and no one knew who gave them permission to operate. It was only the informal traders themselves who knew the ones operating next to them. All this was attributed to poor corporate governance within the local authority, whose officials failed to adhere to good corporate governance.

Enforcement of city by-laws

The study established that no one appeared to be bothered to ensure that the city by-laws were adhered to. As a result, the informal traders did as they wished. They did so because they knew that no one would come after them. In some cases, City of Harare officials appeared as though they were trying to bring sanity to the central business district (CBD) by chasing away the informal traders blocking the city pavements. However, after the cat and mouse runs around the CBD, they allegedly asked for bribes from the informal traders and allowed them to continue operating after receiving some bribes. This alleged corruption was confirmed by Crime Reporter (2020), who reported that several Harare City Council officials were arrested on corruption allegations. Corruption allegations were also confirmed by Mutsvairo (2022) who indicated that some City Council officials were brought to court facing corruption allegations. The problem of corruption within the Harare City Council appeared to be a very serious one and this was confirmed as highlighted above. In addition, more cases were reported (Crime Reporter, 2020, Crime Reporter, 2023, Herald Reporter, 2023, Crime Reporter, 2023) and brought to the courts of law. According to Ncube (2023), government has made a call to embrace e-systems to curb corruption in all sectors including Harare City Council after realising that corruption had become a serious challenge in the country.

Drug menace in the city

Some informal traders were promoting the sale of illicit drugs in the City. The traders took advantage of the haphazard operations in the informal sector in Harare. The sale and distribution of illicit drugs in Harare reportedly caused the government some headache. Jaravaza (2023) says that drug lords were exploiting car washers, vendors and street kids in their illicit drug activities. In the same vein, some concerned citizens raised concern over the increase in drug cases in Harare as reported by Murwira (2023). Relatedly, government officials also concerned by drug challenges put in place measures aimed at ending the problems. This was confirmed by several interventions that government put in place with a view to end the challenges. According to Chigwere (2023), the Medicines Controls Authority of Zimbabwe seized large quantities of illicit drugs from several dealers in the City of Harare. Relatedly, Tshili (2023) says that government declared that drug and substance abuse have become a national threat. According to Madzimure (2023), the government of Zimbabwe has, as a result, declared war on illicit drug dealers with the intention to end the vice in Harare and

other parts of the country. Due to the drug menace in Harare, some individuals had become drug addicts. According to Lupande (2023), the government pursued various efforts that were aimed at the rehabilitation of drug addicts in the City of Harare and other cities and towns in the country. Were it that there was good corporate governance in the City of Harare, such cases would have been avoided.



Figure 1: Informal traders could be a source of drugs in the streets

Failure by Harare City Council to fulfil its mandate

Poor corporate governance within the Harare City Council has seen the local authority failing to fulfil its mandate, which include the rehabilitation of roads and the provision of other essential services within the City, among others. Some of the roads in question fell into bad state due to operations by some informal traders who disregarded city by-laws pertaining to their use. The rehabilitation of roads in Harare is the responsibility of the City Council, but due to poor corporate governance, it has not been able to do so. The failure by the City Council to rehabilitate its roads led to central government to intervene after noting that the situation was getting out of hand. The intervention by central government was done through the emergence rehabilitation program. According to Chigwere (2023), central government intervened and rehabilitated some roads in the City of Harare after realising that its City Council was failing to do so due to corruption and several other issues that had nothing to do with the central government. Relatedly, Razemba (2023) says that central government had completed the rehabilitation of some of the roads by the end of October 2023. Some of the roads that the central government rehabilitated got into some bad state due to activities of informal traders whose operations had some negative impact on the roads.



Figure 2: Informal traders and potholes in the streets of Harare showing failure to provide quality service *Garbage problem*

In this study, informal traders were observed operating from areas where they discarded garbage and waste in any nearby open spaces. The informal traders disregarded their health and that of other citizens who had nothing to do with their operations. Due to poor corporate governance within the Harare City Council, the local authority never bothered to remove garbage from areas where the informal traders and other traders were operating. After noting that the local authority was failing to collect garbage in the city, central government had to intervene through initiating a number of measures in an effort to bring cleanliness to the city. The intervention measures included a Presidential declaration of a clean-up day in the whole country. In this regard, the President of Zimbabwe declared the first Friday of every month as a clean-up day where all Zimbabweans, including the Harare residents, were expected to do some cleaning of their premises from 0800 hours to 1000 hours. Pursuant to the declaration by the President, Zimbabweans began taking heed of the call. To this end, the Herald Reporter (2023) highlighted a clean-up campaign that took place at Greenwood Park, in Harare on 6 October 2023. The reported clean-up campaign day was one of the many national clean-up events that took place from the time the campaign was declared by the President.

Blockage of entrances to formal traders

Informal traders observed in this study were doing their businesses in front of entrances of formal traders blocking entrances to such businesses. In so doing, the informal traders who sold products like the ones being sold in the formal businesses at very cheaper prices forced customers to buy from them instead of buying from the formal businesses.



Figure 3: Informal traders blocking pedestrian pavements and streets in the city centre in Harare

The actions by the informal traders led to lower business to formal traders who are registered and expected to pay taxes and other utilities such as rentals, electricity and water, among others. Some of the formal traders ended up failing to break even due to actions by the informal traders who do not pay taxes to the city council or the national treasury. The informal traders are renowned for not paying taxes, neither do they pay for any utilities such as water or electricity, among others.

Devaluation of properties

Due to operations by informal traders who operate in front of entrances of formal traders, the value of properties of formal traders could depreciate. This would impact heavily on businesses of formal traders in the City of Harare. Some business people were reportedly moving away from the central business district as they were afraid of the devaluation of their properties.

Diseases caused by unhealthy food items

The researchers established that informal traders who operate on pavements did so without considering health issues. This was evident as they displayed their wares directly on the ground or pavements. To make matters worse, some informal traders sold food items which were supposed to be sold under very strict hygienic conditions. Because the informal traders were insensitive to hygienic conditions when conducting their businesses, they could lead to the spread of diseases in the City of Harare. The situation was compounded the failure of the local authority to provide clean water to residents in the city. Zinyuke (2023) confirms and laments the failure by Harare City Council to meet its obligation of providing water to the residents of the city.



Figure 4: Informal traders selling foodstuffs along pavements the City of Harare *Movement of vehicles and its challenges*

During this research, the researchers noted that some informal traders conducted their businesses from roadsides where they blocked the smooth flow of traffic. In some cases, motorists found it difficult to manoeuvre or navigate roads that were occupied by informal traders. The actions by the informal traders led to delays for motorists who ended up in unnecessary congestions. The delays caused to motorists had in some cases ripple effects inconveniencing those who were in a hurry to some critical places like hospitals. Ambulances were not spared of this challenge if they used roads that were used by informal traders for their operations. Also affected were those offering essential services such as firefighting. Many a times fire fighters found themselves taking longer than necessary to navigate roads being used by informal traders.



Figure 5: Informal traders selling their wares on the road in Harare *Blockage of water drains*

Because informal traders operate from areas without the necessary facilities, they did not throw their waste in designated areas or places. They just discarded their waste all over open spaces within their proximity and without considering the effects of their actions. In some cases, the informal traders threw their waste into water drainage systems thereby blocking the smooth floor of rainy water. During the rainy seasons, a number

of properties were damaged by water which would have failed to find its way through drainage systems that would have been blocked by waste discarded by informal traders. The blockage of the drainage systems also had some effects on traffic movement during the rainy seasons. This is because most roads where drainage systems would have been blocked become impassable during the rains.

Non-availability of ablution facilities

During the research, it was observed that informal traders operated from areas without any ablution facilities. This was because the places they operated from were not meant for their operations. Because the informal traders operated from open places without any ablution facilities, the waste they discarded usually spoiled the food items they sold. The participants felt that this could lead to the spread of diseases in the City of Harare.

Criminal activities

The illegal actions by informal traders led to an increase in criminal activities in the City of Harare. This is because of the congestion in the streets that enabled criminals to take advantage of the situation and engage in their illicit activities. Criminals reportedly knew that it was difficult for anyone to easily notice their activities in congested streets. Also, the criminals knew that, due to congestion, they could easily disappear in the event that they were suspected of any illegal activity.

CONCLUSION

Poor corporate governance in the Harare City Council is impacting negatively on the lives of citizens who deserve quality services. The situation in the City of Harare is compounded by corruption as council officials who, instead of offering service delivery to the people, try any means necessary to enrich themselves. This is confirmed by the large number of corrupt cases that have been brought before the courts and the sorry state that was also observed to be prevailing on the ground.

RECOMMENDATIONS

Based on the results of this study, it is recommended that government take stern measures on all those involved in corrupt activities in the City of Harare. Government may have to consider setting up a committee to run the affairs of the City of Harare, instead of the current situation where the City is run by councillors who appear to be running for office to enrich themselves as evidenced by the high number of corrupt cases that are brought before the courts. Furthermore, it is recommended that central government considers building proper markets with all necessary facilities such as ablution, water and garbage collection points and allocate stalls to informal traders at such markets. Following the allocation of stalls to informal traders' government may then make it a no-go area in all undesignated points to any informal trader. Also,

government should introduce systems at the proper markets that force and ensure that every informal trader pays taxes and levies that will be used to maintain the existing market places as well as building new ones to cater for the ever-increasing number of informal traders.

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