



Economic Briefing To the Penang State Government

The Performance of the Informal Sector In Penang

Introduction

According to the International Labour Organisation's (ILO) definition, the informal sector is highly heterogeneous, encompassing production units of different features and in a wide range of economic activities, as well as people (i.e. workers, producers, employers) working or producing under many different types of employment relations and production arrangements. As a result of the heterogeneity of the informal sector, and its multiple dimensions, conceptual and statistical definitions of this sector are not as clear-cut as one might expect.

The resolution concerning statistics of employment in the informal sector, adopted by the Fifteenth International Conference of Labour Statisticians (ICLS) in January 1993, conceived the informal sector as consisting of production units that "typically operate at a low level of organization, with little or no division between labour and capital, and on a small scale. Labour relations are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees." For statistical purposes, the Resolution defines the informal sector as "a group of production units, which, according to the definitions and classifications provided in the United Nations System of National Accounts (Rev.4), form part of the household sector as household enterprises or, equivalently, as unincorporated enterprises owned by households" Within the household sector, the informal sector comprises (i) "informal own-account enterprise" that is owned and operated by own-account workers, either alone or in partnership with members of the same or other households, which may employ contributing family workers and employees on an occasional basis, but do not employ employees on a continuing basis; and (ii) "enterprises of informal employers" that are owned and operated by employers, alone or in partnership with members of the same or other households, which employ one or more employees on a continuous basis. (source: ILO)

For the purpose of this paper, the informal sector in Penang refers to hawking and petty trading, which also include street vendors and peddlers. Although the informal sector generated very little external earnings (source: PSDP 1991-2000), they are a permanent feature in urban Penang and the authorities as well as the community have acknowledged the important role played by hawkers and petty traders in the socio-economic setting of urban Penang. Moreover, there are also studies, which reveal that roughly a third of the gross domestic product (GDP) of emerging markets is produced informally (source: ILO).

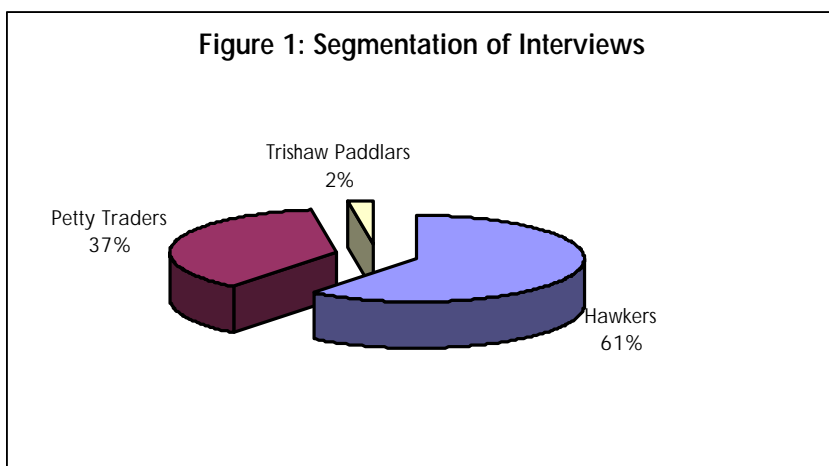
The informal sector provides employment opportunities for a sizable group of people who are not able, or choose not, to join the formal workforce. An ILO study indicates that employment in the informal sector accounts for 17 to 84 percent of urban labour force in developing countries. Although different types of activities in the informal sector require skills, no



formal education or training is required. Most skills are acquired through on-the-job training, at home or as helpers to other hawkers and petty traders. In view of the acknowledged importance of the informal sector in Penang and its obvious proliferation over the past few years, possibly as a response to more difficult economic times, a quick survey was conducted to gain a clearer picture of the current situation.

Findings From the Survey Of The Informal Sector

The team from SERI carried out the survey over a period of 2 months. It was a random survey and interviews were conducted with hawkers, petty traders and trishaw paddlers in several areas on Penang Island. Only one interview was conducted on Mainland Penang. At the end of the 2-month period, a total of 127 responses were collected and compiled. The breakdown by segment is shown in Figure 1.



The survey on hawkers and petty traders was mainly conducted in the areas around George Town, Air Itam and Bayan Baru. As the population of trishaws in Penang is gradually diminishing, interviews with willing trishaw paddlers are getting more difficult. The survey on trishaw paddlers only covered 3 trishaw paddlers who were willing to be interviewed. Table 1 shows the locations where the respondents are carrying out their businesses.

Table 1: Locations Where The Respondents Are Carrying Out Their Businesses

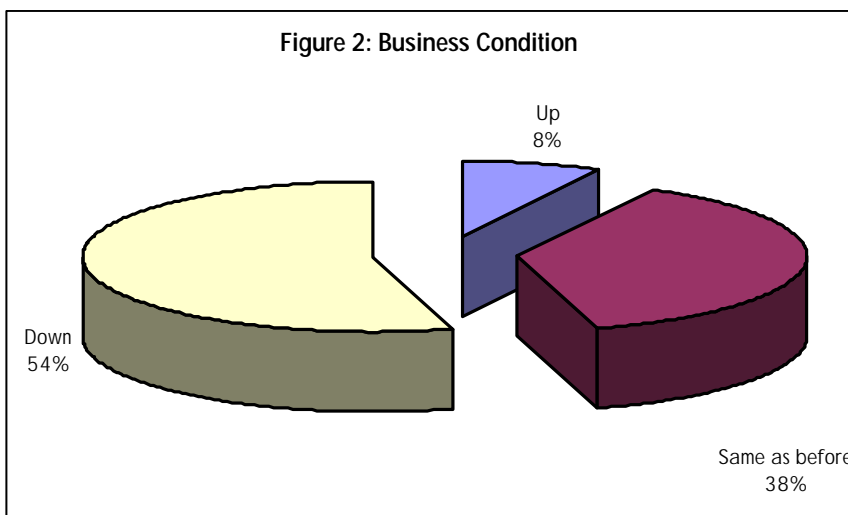
	Hawkers	Petty Traders	Trishaw Paddlers
Pulau Tikus & vicinity	13	4	
Sungai Dua/Lip Sin Garden	9	8	
Perak Rd/Jelutong/Batu Lanchang	7	5	
Air Itam/Farlim	8	10	2
Georgetown/Burma Rd/Prangin/Chowrasta	4	8	1
Bayan Baru	20	2	
Bayan Lepas	3	3	
Green Lane/Gelugor	7	1	
Balik Pulau/Relau	2		
Gurney	2		
Bagan Ajam	1		
Lorong Kulit		2	
Itinerant (Travel from one place to the other)	1	4	
Total	77	47	3



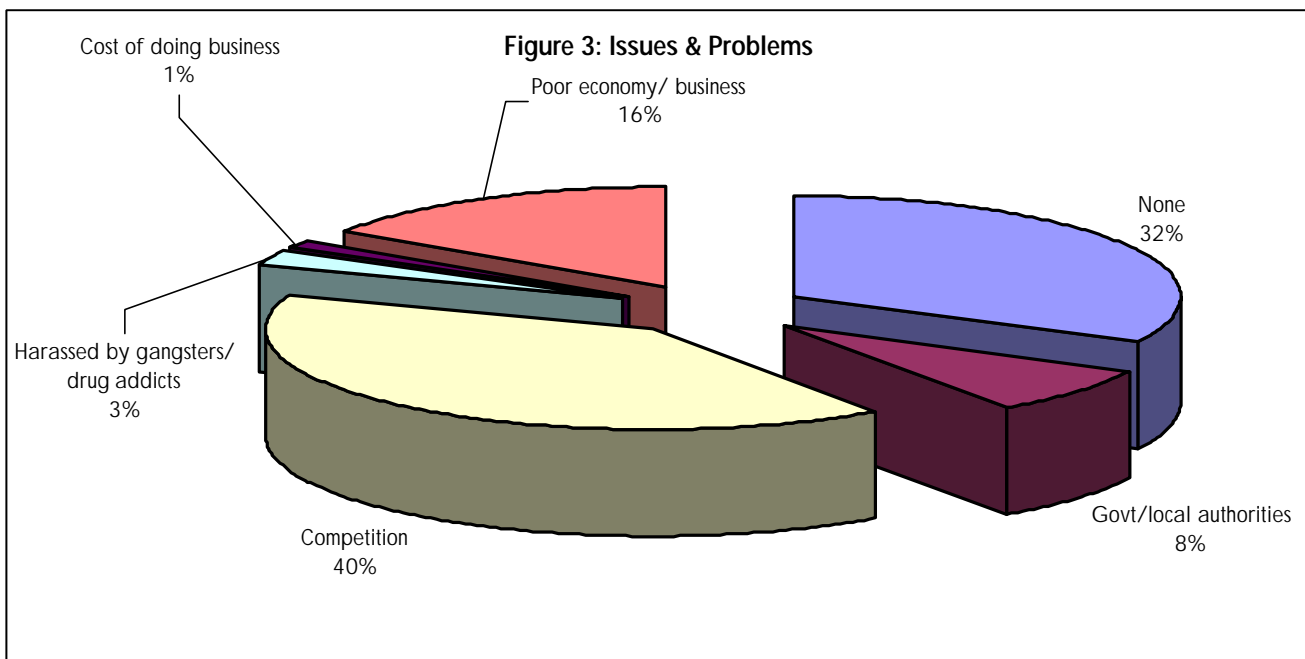
Current Trends

Hawking

In general, majority of the hawkers interviewed (54 percent) indicated that business had slowed down since the economic crisis of 2001. However, the situation had worsened with the recent SARS (Severe Acute Respiratory Syndrome) outbreak. A small percentage of 8 percent of the respondents indicated that their business has improved or recorded growth. This could mainly be due to actions taken by the respondents themselves to improve their business. About 38 percent of the respondents indicated no change in their business situation (Figure 2).



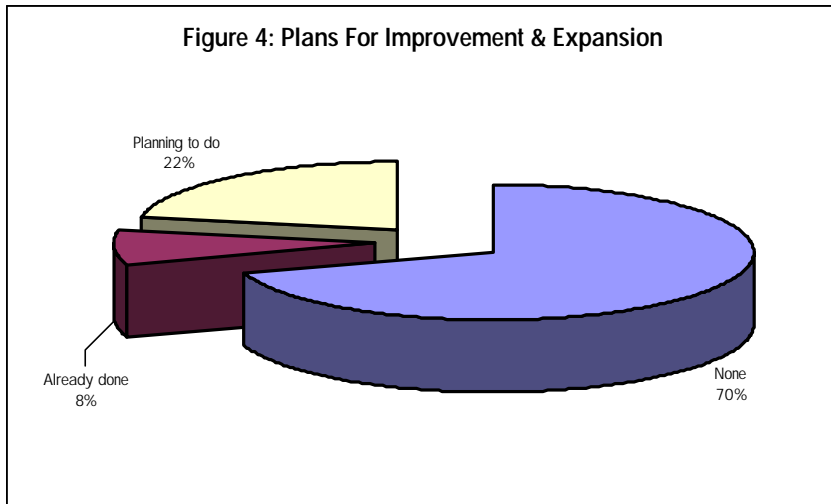
About 32 percent of the respondents indicated that they do not face any issue or problem. The remaining 68 percent of the respondents face various issues, which include competition (40 percent); poor business due to the current economic situation (16 percent); difficulty in obtaining licenses from the local authorities (8 percent); harassment from gangsters and drug addicts (3 percent) and high cost of doing business (1 percent) as a result of high rentals (Figure 3).



Majority (70 percent) of the respondents do not have any plans to improve or expand their business despite the slowdown. However, the remaining 30 percent have either taken measures or are planning to take actions to improve or expand their business. The proposed plans of 22 percent of the respondents include the following:



open new outlets; relocate to another site; maintain the quality of products and services; and offer a wider variety of food. On the other hand, the respondents (8 percent) who have already taken steps to improve their business have started other side-businesses; swarmed the market with more stalls and more variety of food; and shifted to new locations with a bigger customer base (Figure 4).

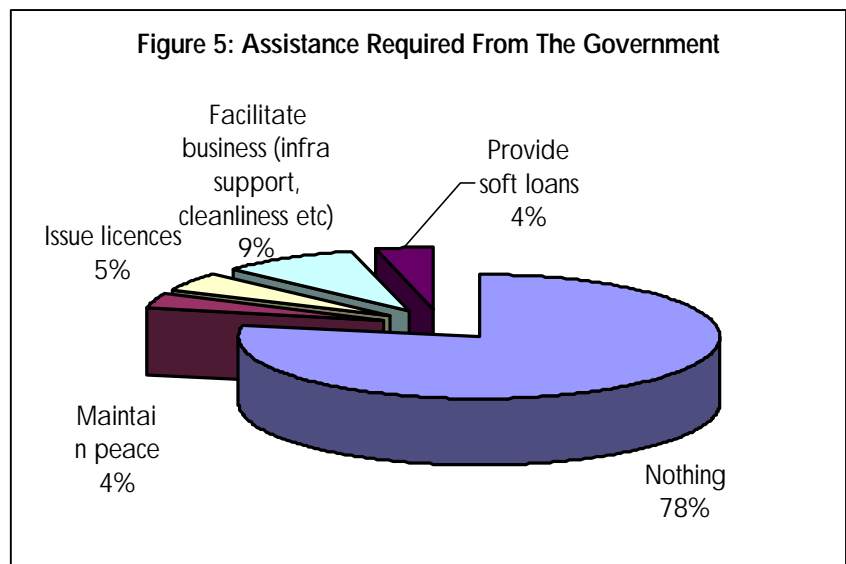


In general, the hawkers do not look towards any assistance from the government, as indicated in Figure 5. They are quite independent of earning their living without much support from either the government or the financial institutions. However, 22 percent of the respondents indicated that they would like to receive some kind of assistance from the government. About 9 percent of the respondents hope that the government could facilitate them in operating their business. These include better infrastructure facilities, cleaner environment for their business as well as lower cost of doing business. As for the hawkers that face difficulties in obtaining licenses from

the local authorities, they hope that the government, through the local authorities would expedite the issuance of licenses to them, thus legalizing their business operations. About 4 percent of the respondents indicated that they would appreciate assistance from the government in maintaining peace, such as preventing harassment from gangsters and drug addicts. Another 4 percent are hopeful that the government would include the informal sector, in addition to the small- and medium- enterprises (SMEs), in the provision of soft loans and financial assistance.

Pulau Tikus & Its Vicinity

The hawkers interviewed at Pulau Tikus and its vicinity are those who are selling won ton mee, nasi lemak, hokkien mee, nasi Melayu, Chinese economy rice, curry mee, bread, drinks and beverages as well as desserts like pisang goreng and bubur chacha. None of the respondents are newcomers to their business. The average number of years these 13 hawkers have been in business is 14 years, the longest being 40 years while the shortest is 1 year. Some of them actually took over the business from their fathers while some started hawking as a part-time job before going full-time. About 46 percent of the respondents indicated that their business had dropped since the economic crisis of 2001 while another 46 percent indicated no change. Only 8 percent of the respondents indicated that the business has improved.



Bayan Baru

The respondents are engaged in the business of selling tomyam seafood, nasi briyani, mee/bihun jawa, mee/bihun goreng, fried koay teow, fried rice, chicken rice, nasi lemak, laksa, western food, burger, drinks & beverages as well as desserts like rojak. As in Pulau Tikus, the hawkers are also not newcomers to their business. The average number of years these 20 hawkers have been in business is 5 years, the longest being 6 years while the shortest is 2 years. Fifty percent of the hawkers indicated that their business had dropped while the other 50 percent indicated no change. Those that indicated poor business cited stiff competition as the main reason.

Sungai Dua/Lip Sin Garden

The hawkers interviewed are involved in selling Chinese pancake, laksa, economy rice, fish head bee hoon soup, roti jala, western food, burgers as well as bread & buns. Some of the hawkers have been in their business for more than 10 years while most of them have been in the business for only 2 to 3 years. Three of them have only been in business for less than a year. For the hawkers who have only been in the business for less than a year, they took up hawking as an activity to earn additional income. More than 55 percent of the respondents indicated poor business, with a drop of 30-50 percent. Only 11 percent of the respondents indicated better business, mainly because steps have been taken to improve earnings by having side-businesses. The remaining 33 percent indicated no change in business. Despite the poor business, the respondents that indicated drop in business did not seem to think that the market is too crowded but blamed it mainly on the economic slowdown. Observations show that the hawkers who operate mainly in the morning or night tend to fare better than those who operate throughout the day.

Air Itam/Farlim

The hawkers are mainly engaged in the business of selling koay teow th'ng, laksa, hokkien mee, chee cheong fun, mee jawa and desserts like fruits and kuih. While about 75 percent of the respondents have been in their business for between 10 and 20 years, the remaining 25 percent are newcomers. They took up hawking as a career after they were retrenched from their factory jobs. Fifty percent of the respondents indicated a drop in business of 40 – 50 percent while 25 percent indicated good business as a result of competitive pricing. The remaining 25 percent indicated no change although business would have been much better during festive seasons. Competition was given as the main reason for poor business. Other issues encountered by the hawkers at Air Itam/Farlim include difficulty in obtaining licenses as well as harassment from drug addicts.

Perak Road/Jelutong

The interviews covered hawkers who are selling curry mee, hokkien mee, laksa, economy rice, nasi/mee/bihun goreng/soup, tomyam, chapati as well as drinks and beverages. The hawkers have been in the business for more than 10 years except for one who has been frequently changing the line of business and location in order to tap a bigger customer base. More than 55 percent of the respondents indicated that their business had dropped by an average of 35 percent. Overcrowding of the market and competition were the main reasons for the drop in business.

Green Lane/Gelugor

The interviews covered hawkers who are selling char koay teow, laksa, won tan mee, satay, chicken rice and soya bean milk. The average number of years these 7 hawkers have been in business is 17 years, the longest being 25 years, and the shortest is 6 years. About 55 percent of the respondents indicated a drop of almost 60 percent in business since the onset of the 2001 crisis. Overcrowding and competition are the main reasons while there were also cases of harassment by the local authorities because of the lack of business licenses. There were also occasional harassment from gangsters and drug addicts.



Other Areas

The other areas covered in this survey include George Town/Burmah Road, Balik Pulau/Relau, Bayan Lepas, Gurney Drive, Bagan Ajam. Itinerant hawkers are also covered under this section. The hawkers are involved in selling fried noodles, lor mee, tou foo fa, curry mee, laksa, tomyam seafood as well as burgers. The hawkers in these areas are not newcomers to the business. Most of them have been operating for more than 10 years, the longest being 20 years while the shortest is 3 years. Hawkers in George Town/Burmah Road reported no change in business while hawkers at Bayan Lepas reported a drop of 30 – 50 percent in business. While hawkers at Gurney Drive reported a drop of 30 – 50 percent, hawkers at Balik Pulau/Relau reported a drop of 40 – 50 percent. Hawkers at Gurney Drive cited competition as the main reason for poor business but hawkers at the sub-urban and rural areas blamed it on the poor economy and lack of purchasing power among the residents. Most of the respondents do not have plans for expansion except for a few who indicated that they would expand the variety of products/food.

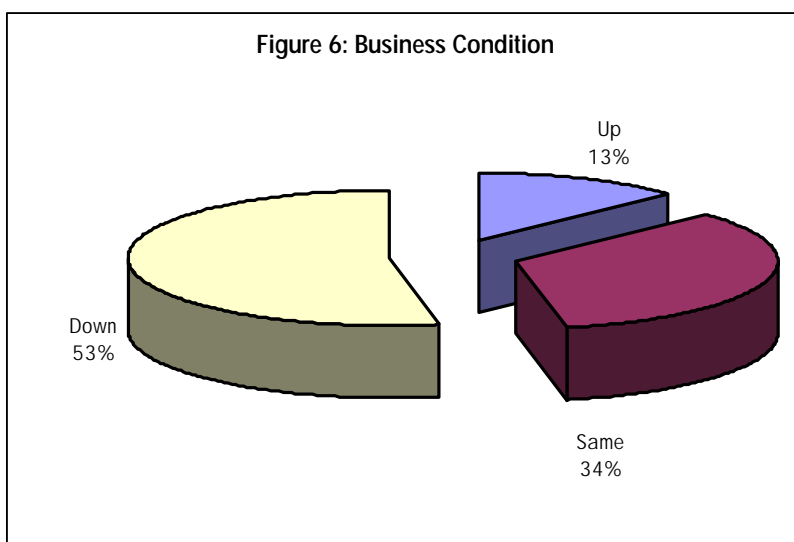
Concluding Remarks

Business in general has dropped although certain areas encountered greater impacts from the economic crisis than others. The hawkers at locations with a mixed of commercial activities and dwellings tend to encounter stiffer competition and an overcrowding of the market. On the other hand, hawkers at purely residential areas are facing a slowdown mainly because of shrinking demands. The residents are taking cost cutting measures to reduce expenses on non-necessities to overcome wage and/or job cuts.

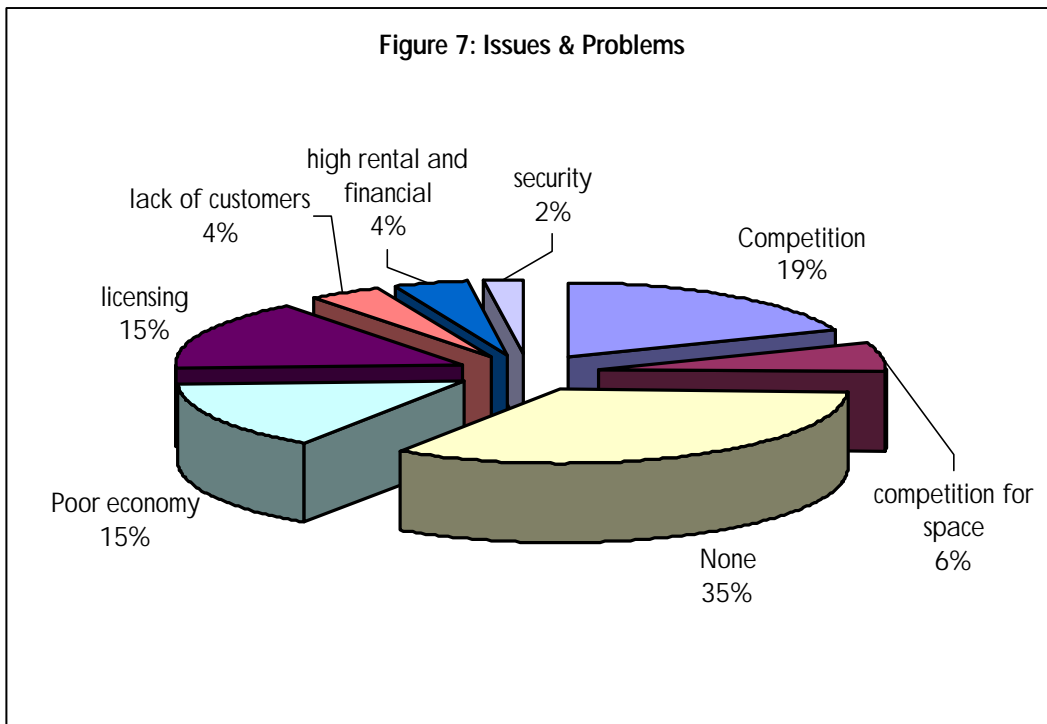
Most of the hawkers interviewed in the survey are not newcomers to the business. Very few newcomers were represented in this survey although it was based on random sampling. Most of the newcomers tend not to remain long in the business and change their line of business or location because of lack of experience and customers and/or because they found new jobs after being in the business for a while.

Petty Trading

In general, majority of the petty traders interviewed (53 percent) indicated that business had slowed down since the economic crisis of 2001. A relatively small percentage of 13 percent of the respondents indicated that their business has improved or recorded growth. Unlike the situation with the hawkers, some petty traders reported growth because people are avoiding hawker food and resorting to cooking their own meals. About 34 percent of the respondents indicated no change in their business situation (Figure 6).

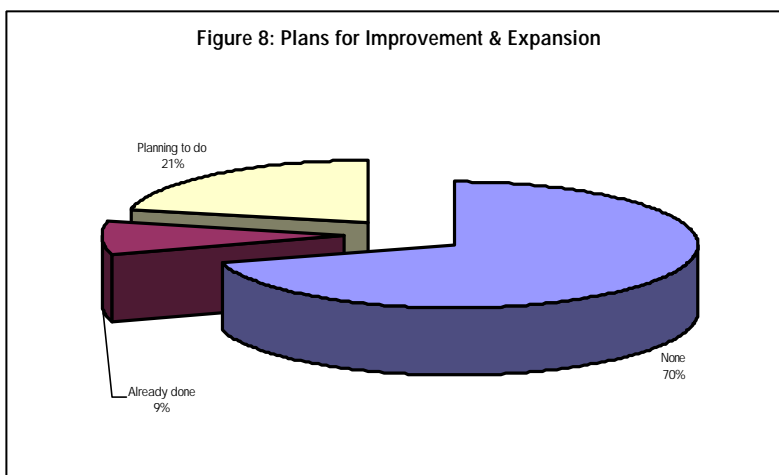


About 35 percent of the respondents indicated that they do not face any issue or problem. The remaining 65 percent of the respondents face various issues, which include competition (19 percent) from either the supermarkets or other petty traders; competition for space to sell their wares (6 percent); poor business due to the current economic situation (15 percent); difficulty in obtaining licenses from the local authorities (15 percent); harassment from gangsters and drug addicts (2 percent); high cost of doing business as a result of high rentals and financial issues (4 percent) and lack of customers (4 percent) as a result of relocation of residents to



new townships (Figure 7).

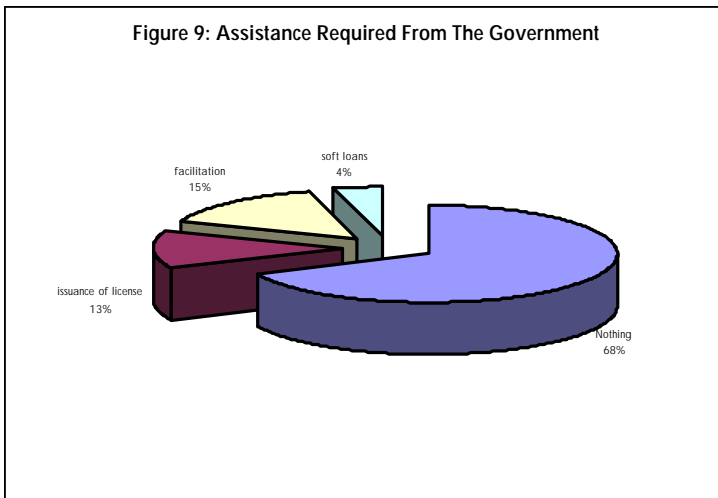
Majority (70 percent) of the respondents do not have any plans to improve or expand their business despite the slowdown. However, the remaining 30 percent have either taken measures or are planning to take actions to improve or expand their business. The proposed plans of 21 percent of the respondents include the following; conduct their business at a better location with a bigger customer base; relocate to another site; increase the variety of products; and operate their business from a proper and permanent shop rather than from the existing facility. On the other hand, the respondents (9 percent) who have already taken steps to improve their business have started other side-businesses; expanded to a bigger area, shifted to a better location with larger customer base as well as change to another type of business which is more viable (Figure 8).



As in the case of the hawkers, majority of the petty traders (68 percent) do not look towards any assistance from the government, as indicated in Figure 9. In fact, some indicated that it would be better for them if the government authorities leave them alone. However, 32 percent of the respondents indicated that they would like to receive some kind of assistance from the government. About 15 percent of the respondents hope that the government could facilitate them in operating their business. These include the provision of better and cheaper shoplots and areas for conducting their business as well as better infrastructure facilities including car parks. The petty traders that were constantly being summoned by the authorities for con-



Figure 9: Assistance Required From The Government



ducting their business without licenses would like the authorities to expedite the issuance of licenses to them. Another 4 percent are hopeful that the government would provide soft loans.

Pulau Tikus & Vicinity

The petty traders interviewed at Pulau Tikus and its vicinity are those who are selling groceries, Chinese medication, newspapers & magazines as well as flowers. All the respondents have been operating their business for years. The average number of years these 4 petty traders have been in business is 24 years, the longest being 40 years while the shortest is 6 years. Most of these petty traders operate their

business in the morning. Seventy-five (75) percent of the respondents indicated a drop of 10 – 20 percent in business since the onset of the 2001 economic crisis. The remaining 25 percent of the respondents reported no change in business.

Air Itam/Farlim

The petty traders are mainly engaged in the business of selling uncooked food stuff like fish ball, bean sprout, tofu and noodles, as well as accessories like bags, wallets, hair pins and stationeries. Almost all the traders have been operating their business for more than 10 years. The longest being 60 years and the shortest being 8 years. Some of them inherited their business from their forefathers. Half of the respondents indicated no change in their business while the other half indicated a drop of 25 – 40 percent in business. The respondents who reported a drop in business indicated that the field is too crowded, thus creating more competition for them. Thirty (30) percent of the respondents faced the issue of licensing and were hopeful that the local authorities would look into their problems. As a measure to improve their business, about 30 percent of the respondents indicated that they are looking for a better location as well as to increase the range of their products.

Sungai Dua/Lip Sin Garden

The petty traders interviewed are involved in selling eggs, biscuits, fruits, VCD (video compact disc), women apparel, toys, watches and handpone accessories. Almost all the traders have been operating their business for more than 3 years except for one who started his business 2 months ago as a means to earn additional income aside from his full-time job. Only 25 percent of the respondents indicated a slowdown in business. This is mainly because they are selling products that are non-necessities to the average households. About 37.5 percent of the respondents indicated better business, which is actually a result of the actions taken by them at the start of the crisis. Some had relocated their operations to a better location. Another 37.5 percent indicated no change in business. Poor economic situation and feelings of resentment from fellow traders were the main issues encountered by the traders.

George Town/Burmah Road/Prangin Road/Chowrasta Market

The petty traders are mainly engaged in selling uncooked food stuff like fish ball, bean sprout, tofu, beef, vegetables, dried food and fish as well as apparel. The traders have been operating their business at the location for more than 10 years. About 63 percent of the traders indicated a drop of 10 – 40 percent in business as a result of poor economic situation, competition and drop in demand due to the residents shifting out to new townships. It was noted that business would improve significantly during festive seasons. Despite the slowdown, most of the traders do not have plans to improve their business.

Perak Road/Jelutong

The interviews covered petty traders who are selling coconut & coconut milk, bread & biscuits, apparel, shoes as well as VCD. Eighty (80) percent of the hawkers have been in the business for more than 10 years except for one who took up the business just over a year ago. This particular trader left school and had no relevant skills and was not interested in pursuing his studies. Almost all (80 percent) of the traders interviewed indicated that their business had dropped by 40 - 60 percent since the onset of the 2001 economic crisis. This is attributed to competition and overcrowding of the market. However, the respondents do not have any plans to improve their business.

Itinerant Petty Traders

The itinerant petty traders travel from one market/site to another according to their schedule. Most of these traders sell their wares at Pulau Tikus, Sungai Ara, Lip Sin Garden, Taman Permai, Relau as well as Farlim. These traders mainly sell toys, biscuits and candies as well as household utensils like knives, clocks, etc. and apparel. Most of them have been operating their business for many years. Business in general had dropped but some of the respondents indicated that business at certain sites tend to be better than others, depending on the ethnicity of the population of the sites.

Other Areas

The other areas include Bayan Baru, Green Lane/Glugor, Balik Pulau and Lorong Kulit. The petty traders are involved in selling cigarettes, candies, VCD, household appliances as well as new & used shoes. The traders at Lorong Kulit comprise those who are trading as a means of getting additional income. These traders have permanent jobs and they indicated that there is no change in their business. However, it is rather difficult to get a place to sell their wares at Lorong Kulit as every trader is competing for the best spot. There are mixed responses from traders at Green Lane/Glugor and Bayan Lepas. Some indicated no change in business while some indicated of drop of 50 – 60 percent. In addition, they also face harassment from gangsters as well as authorities because most of them do not possess legal licenses to conduct their business. The respondents at Relau reported drop of 50 percent in business.

Concluding Remarks

Business in general has dropped since the onset of the crisis. Majority of the petty traders at older townships like Pulau Tikus, Perak Road/Jelutong, George Town seemed to experience downturn compared with those at newer townships like Air Itam/Farlim and Sungai Dua/Lip Sin Garden. The older townships could be further classified into the more affluent society and the poorer one. Although 75 percent of the petty traders at Pulau Tikus indicated a drop in business, it was a 10 – 20 percent drop compared to a more significant drop of 40 – 60 percent at Perak Road/Jelutong. Likewise, the community at George Town, which is considered less affluent than Pulau Tikus but better-off than Perak Road/Jelutong reported a drop of 10 – 40 percent in business.

Many of the petty traders interviewed took up the business as a means of earning an extra income. Many of them also hold permanent jobs or have other businesses. The ethnicity of the population at the different locations is also indicative of the purchasing pattern, as reported by the itinerant petty traders. This could also indicate the purchasing power as well as preference of the residents of the various locations.

Trishaw Services.

The survey only covered three interviews with trishaw paddlers. Two of the respondents operate at Air Itam while the other operates in George Town. One of the trishaw paddlers has been in the business for more than 30 years while the other two have been in the business for 28 and 18 years respectively. Generally, the trishaw paddlers complained of poor business, particularly after the onset of SARS while one indicated no change in business.



The downturn is attributed to several factors such as (i) passengers are opting for faster and modern transportation; (ii) fewer tourists are visiting Penang because of the SARS outbreak as well as competition as a result of the limited market size. Although the respondents do not have any plans for improvement, they are hopeful that the government would be able to help them through tourism promotion activities.

Government & Local Authorities: Rules and Regulations

In 2002, the Majlis Perbandaran Pulau Pinang (MPPP) issued a total of 2,245 licenses to 'mobile' hawkers and petty traders but has ceased doing so except for hawkers and traders at night markets (pasar malam). On the other hand, MPPP will issue licenses on a case-by-case basis to hawkers and traders at complexes/markets depending on the availability of space. In short, MPPP issues licenses to hawkers and petty traders at food complexes, markets as well as those that are selling at temporary sites like the 'pasar malam'. Hawkers and petty traders who conduct their businesses at 'pasar malam' fall under two categories, namely those under the management of MPPP near La Salle School, as well as at Macallum Street and Terengganu Road. On the other hand, third-party promoters who are responsible for the overall application of licenses sponsor the other category of hawkers and petty traders. This category of hawkers and petty traders conduct their businesses at areas like Sungai Ara, Sungai Nibong and Bayan Baru.

The Majlis Perbandaran Seberang Perai (MPSP) approved a total of 232 licenses in 2002. MPSP used to issue licenses to hawkers and petty traders who are selling by the roadside but has already phased out this practice.

Both the councils have a similar system for licensing, namely they have a committee to process and approve the applications. The distinction between MPPP and MPSP is that MPPP conducts interviews with individual applicants and the requirements include proximity to the business location (based on their home addresses); experience in the business; type of business because quotas have been set for the type of products to be sold at the markets as well as references, for example ex-servicemen and the socially disadvantaged groups will be given priorities. On the other hand, MPSP does not conduct interviews but their officers go down to the field to check on the applicants.

Issues & Challenges

High business costs is a major reason why entrepreneurs of modest means undertake low-income and low-growth activities in the informal sector to survive. As cost is the key barrier to doing business in the formal economy, entrepreneurs who want to become and remain in the formal sector will have to spend time and money on obtaining a business license; acquiring land titles or leases; hiring employees; complying with government laws and regulations such as audited accounts and taxes; obtaining credit to start-up and expand; linking up and maintaining utilities services (such as electricity and telephones); as well as enforcing contracts (source: CIPE).

However, the cost of doing business in the informal sector has also escalated over the years. Sometimes, it could turn out to be more costly doing business in the informal sector. Rental of space has increased significantly. For example, a hawker selling bread and buns had his rental increased from a mere RM 300 per month for a space measuring 15 x 7 ft at a hawker complex 2 ½ years ago to RM 900 today. High rentals and investments, especially in equipment and working capital resulted in financial burdens for the hawkers and petty traders. This is especially so when bank loans are hard to obtain mainly because the hawkers and petty traders lack collaterals and they have to come up with the seed capital.

Some of the hawkers and petty traders have to compete for space at certain locations. For example, Lorong Kulit and some morning markets. The spaces are allotted according to a first-come-first-serve basis or sometimes it is based on the 'survival of the fittest'. The stronger and more aggressive hawkers and petty traders will get the better spots while the weaker ones are left with spots that attract less customers.

On the whole, it is fair to say that 20 to 40 percent of hawkers in most towns and cities do not have licenses to

trade. The number of illegal hawkers increases during festive months and when there is an economic downturn (source: Goh Ban Lee, 2002). It is certain that with the current global economic crisis, the number of illegal hawkers and petty traders have increased significantly. However, many of the existing hawkers and petty traders are keen on obtaining the licenses, thus reducing or eliminating harassment from the local authorities. Unfortunately, the approval process is rather lengthy and time consuming. There are also incidences when the hawkers/petty traders failed to obtain license but do not know the reason for their applications being rejected. Furthermore, the local authorities are not issuing as many licenses as they should. In short, the demand for licenses far exceeds the supply.

In addition to harassment from the local authorities for operating without licenses, the hawkers and petty traders are also being harassed by gangsters and drug addicts, who seek 'protection money'. There are cases where the hawkers and petty traders were beaten up or their customers were chased away by the gangsters and drug addicts when they refused to pay the 'protection money'.

The development of new townships and commercial areas has created a hollowing effect to the older parts of George Town and Penang. Residents in the older parts of George Town have shifted to newer development areas, thus reducing the number of customers in the older areas. This resulted in a situation of oversupply of hawkers and petty traders in older parts of George Town and Penang. As such, in cases of economic downturn or other catastrophe like the recent SARS outbreak, informal businesses in these areas suffer a greater impact compared with the newer development areas.

The oversupply situation has also resulted in intense competition among the hawkers and petty traders. This normally happens during an economic slowdown or crisis. Retrenched workers as well as graduates and school leavers who are unable to get employment normally opt for the informal sector to earn their daily bread. As competition becomes more intense, the returns will drop as in the case when there are more people to share the cake, each person will get a smaller piece.

The current economic crisis also contributed to the slowdown. The current crisis has resulted in job and salary cuts, which subsequently resulted in lower purchasing power. On the other hand, those people who lost their jobs have to find other means to earn a living. The scarcity of employment in the formal sector does not generate enough jobs for the laid-off workers as well as the fresh graduates and school leavers. Coupled with the lack of relevant skills and experiences, this unemployed group has to resort to the informal sector for a living, thus creating a situation of a surplus of supply to cater to the limited demand.

Competition also leads to jealousy. Rival hawkers and petty traders will explore all the measures to eliminate the more successful traders. This is evidenced in the case where a successful trader was pressured to move out from her original location by the owner of the premises, who had increased the rental to an exorbitant sum.

Remedies For The Future

The government could assist the hawkers/traders in enhancing their business. However, the hawkers and petty traders themselves also have an important role to play in enhancing their own businesses. On the part of the government, several measures could be taken to facilitate the hawkers and petty traders in conducting their businesses. These include:

- ◇ Legalizing the operations of the hawkers and petty traders through the issuance of licenses. Proper guidelines need to be drawn out and if for certain reasons licenses could not be approved for a certain kind of business or at a certain location, alternatives should be given. Local government officials responsible for licensing should be able to provide guidance and advice to the hawkers and traders instead of just turning them away.
- ◇ Providing financial assistance in the form of soft loans would be a means to alleviate the financial burdens of the hawkers and petty traders. The soft loans should be given to deserving hawkers and petty traders regardless of the type of trade, qualification or background. The criteria for the soft loans could include legal status



(license); nature of business; description of business to be financed including existing and proposed types of services and products, capacities, labour, and raw materials; estimated cost including land/building/rental, equipment and working capital as well as a review of the market including an assessment of current and future demands, prices and competition.

The hawkers and petty traders have to look into price, quality and delivery of their services and products as the determining factors of their sustainability and competitiveness.

- ◇ Prices have to be adjusted according to the market demands. Inflation rates for food and other items in Malaysia have generally grown 1 percent (as at April 2003) from 2002 (derived from BNM's CPI for food and total products). As such, price hike by the hawkers and petty traders should not be too excessive to the point that they discourage the consumers from buying. As demand is persistently growing slower than supply, a situation of excess capacity will prevail, thus resulting in falling prices. However, if inflation is stable and businesses set prices and wages accordingly, the deflation risks are diminished. Although consumers in general would prefer a situation of deflation, deflation is worrisome, especially if it is a result of declining demand. It will be difficult to boost the economy because deflation creates more debts. A classic example of the threat of deflation is during the Great Depression when prices dropped 24 percent between 1929 and 1933, bankruptcies increased, banks failed and unemployment hit a high rate of 25 percent.
- ◇ As excessive price falls could create a situation of deflation, hawkers and petty traders have to emphasize quality and reliability of their products and services. Acceptable and high quality and delivery of products and services would help the hawkers and petty traders to sustain the prices. In order to ensure quality and delivery of their products and services, the traders have to ensure good hygiene as well as good public relations. The motto "The Customer is Always Right" should be adopted and put into practice.
- ◇ Acceptable pricing as well as quality delivery of products and services might not guarantee growths in business. The hawkers and petty traders also need to constantly update themselves on the latest tastes and trends. As such, the hawkers and petty traders need to expand their products and services to cover a variety of customers' needs and demands. For example, the traditional Chinese pancake has groundnuts and sugar topping. Today, one can get Chinese pancakes with cheese, sausage, sardine or even tuna toppings. In addition, if the existing location does not cover a wide customer base, then the hawkers and petty traders have to explore new areas or even new products and services in order to tap into a wider customer base. In short, the hawkers and petty traders must be innovative enough to explore new markets in order to expand their business.
- ◇ Although it is necessary to shift to locations with a wider customer base, it is also important to build a reputation for oneself. The saying "A rolling stone gathers no moss" is absolutely true, especially when a hawker or petty trader frequently moves from one location to another, he/she will fail to develop regular customers who will patronize his/her stall. Consistency of business hours is also very important, as customers will be discouraged if the stalls are frequently closed when there is a need for them to purchase something.

While the government could assist to facilitate the informal sector through the issuance of licenses and the provision of soft loans, it would not be able to change the business climate for the informal sector if the players in the sector themselves are unwilling to adopt mitigation measures to improve themselves. **§ Anna Ong. (Interviews conducted by: Khor Hung Teik, Anna Ong, Terence Too, Baharulnizam Baharom and Lim Peng Keong.)**

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