

PLIGHTS AND PERILS OF THE RURAL INFORMAL SECTOR: A CASE STUDY OF PETTY TRADERS IN KUALA NERANG, KEDAH

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Abstract: The informal sector's involvement in mainstream economy and society has long been a widely debated and controversial topic. Despite being a viable employment option and given its significant contribution to the national economy, this sector has not received the attention and acknowledgment that it deserves. Research in this area becomes doubly challenging when emphasis shifts to the rural context. In taking up this challenge of researching the rural informal sector, this paper endeavors to explore the situation of the informal sector from a rural perspective with specific reference to rural Kuala Nerang in Kedah, Malaysia. The main research aim is to explore whether the rural informal sector in Kuala Nerang is operating in an environment of promise and potential for growth; or, in a dire situation of plights and perils that hinder opportunities for capacity building and economic development. Based on a qualitative research approach, a series of in-depth interviews and focus group discussions were undertaken with petty traders in Kuala Nerang to achieve our research aim. The key findings from this paper serve to suggest pragmatic policy implications for the development of rural informal activities in Kuala Nerang specifically and Malaysia generally.

Keywords: *Informal sector, rural development, marginalization, quality of life, Kuala Nerang*

Abstrak. Penglibatan sektor informal dalam aliran pembangunan utama ekonomi dan sosial sesebuah negara merupakan suatu topik kontroversi yang kerap diperdebatkan. Walaupun suatu opsyen pekerjaan yang baik serta sumbangannya yang signifikan kepada ekonomi nasional, sektor ini tidak menerima perhatian dan pengiktirafan yang setimpal. Kajian dalam topik ini menjadi semakin mencabar apabila tumpuan dialihkan ke konteks luar bandar. Dalam menempuhi cabaran untuk mengkaji sektor informal di luar bandar, kajian ini akan meninjau keadaan sektor informal dari perspektif luar bandar dengan merujuk kepada Kuala Nerang di Kedah, Malaysia. Matlamat utama penyelidikan adalah untuk mengkaji samada sektor informal luar bandar di Kuala Nerang sedang beroperasi dalam persekitaran yang merangsangkan pertumbuhan; ataupun, mereka berfungsi dalam situasi yang menyekat peluang bagi pembangunan kapasiti dan pembangunan ekonomi. Berdasarkan pendekatan kualitatif, temubual mendalam dan perbincangan kumpulan berfokus digunakan untuk memahami keadaan yang sebenarnya dari penjaja dan peniaga kecil-kecilan di Kuala Nerang. Dapatan kajian menyumbang terhadap implikasi polisi yang pragmatik bagi pembangunan aktiviti informal luar bandar di Kuala Nerang secara spesifik dan Malaysia secara keseluruhannya.

Kata kunci: *Sektor informal, pembangunan luar bandar, peminggiran, kualiti kehidupan, Kuala Nerang*

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INTRODUCTION

Informal sector involvement in mainstream economy has always been a controversial bone of contention (ILO, 2002, 2009, 2013). Despite being a viable avenue of employment opportunity and income generator especially to those in the lower rung of society, informal sector has never been accorded due recognition and importance as a key sector to sustain a nation's economic growth and development. In fact, to date, very little endeavors and resolutions are in sight to elevate the status of the informal sector to the likes and heights of the formal sector (Bangasser, 2000: 14). This neglect, intentional or otherwise, has exacerbated disparity and inequality at multiple levels (Bangasser, 2000: 15-17). First, informal sector is often disconnected and detached from the formal sector and perceived as a dichotomy of two separate entities. In this dichotomy, the informal sector is often viewed as being inferior to the extent of being invisible, thus, explaining the myriad of challenges and diverse forms of discrimination imposed on this sector by regulators and society at large. Second, even though early development discourses have depicted informal sector to be predominantly an "urban" phenomenon due to migration of surplus labor from rural to urban areas to seek for greener pastures (Bromley, 1998; Sethuraman, 1997; McGee & Yeung, 1977; Mazumdar, 1976; Santos, 1975), nonetheless, the presence of informal sector in rural areas should not to be overlooked. Of late, scholars and policymakers are beginning to consider and deliberate informal sector from a rural perspective (Bangasser, 2000: 18). However, there is concomitant dilemma to this proposition. Despite the informal sector experiencing similar 'symptoms' both urban and rural areas, arguably, their causes and context are dissimilar and obviously their requirements and accessibility towards viable solutions and remedies are different (Bangasser, 2000: 18). To this end, rural informal sector has largely remained as an unexplored area of research especially in the developing world.

Against this backdrop, this paper intends to explore the situation of petty traders in the rural area of Kuala Nerang, Kedah with the following research question: What are the plights and perils of rural petty traders in their quest for economic development and better quality of life? In understanding their plights and perils, this paper also explores the extent to which the rural informal sector in Kuala Nerang is capable to produce a surplus and perform accumulation which is pivotal towards determining the long-term evolution and development of this sector. As Malaysia develops, it is vital to bridge the gap between urban and rural development as well as re-instate the role of the informal sector as a catalyst for rural development. This will in turn reduce incidences of excessive rural-urban migration and curtail ancillary problems as well as promote rural informal economy as a sustainable livelihood strategy as purported in some American studies (Ratner, 2000).

As an overview, this paper is divided into five sections. The first section sets up the backdrop and introduces the research question and aim of this paper. In the second section, some key and contemporary literature related to informal sector and rural development will be reviewed. A short overview of Kuala Nerang will also be provided here. Subsequently, section three briefly outlines the methodology of this study. The key findings from this research will be discussed in section four. Finally, section five concludes this paper by suggesting some pragmatic policy implications for the development of rural informal activities in Kuala Nerang specifically and Malaysia generally.

LITERATURE REVIEW

The informal sector – concept, definition and characteristics

The term 'informal sector' is akin to a chameleon where this elusive and evolving concept has taken on various branding and labeling (Bangasser, 2000: 1). The concept has its origin in Keith Hart's work of the urban informal economy in Ghana. Later in the 1970s, 'informal sector' concept was adopted and

popularized by the International Labour Office (ILO) as a generic and widely-used terminology across most development literature. Over the years, the term ‘informal sector’ has discovered a myriad of synonyms that are widely used in different contexts and societies. As neatly compiled and surmised by Amin (2002: 8) in a working paper prepared for the International Labour Office (ILO), the term ‘informal sector’ is also widely known to manifest itself as one of the following: ‘trade-service sector’, ‘informal income opportunities’, ‘unenumerated sector’, ‘intermediate sector’, ‘community of the poor’, ‘unstructured sector’, ‘family-enterprise sector’, ‘irregular sector’, ‘unorganized sector’, ‘petty commodity production’, ‘lower-circuit of urban economy’, ‘casual work’, ‘non-plan activities’, non-Westernized sector’, ‘urban subsistence sector’, ‘the informal economy’, ‘informals’, ‘people’s economy’ and last but not least ‘non-formal sector’. Apart from this taxonomy, literature in America has their own interpretations of the informal economy depicted by terms such as ‘invisible, shadow, secondary, underground, clandestine, undeclared, unreported, black, irregular, submerged, subterranean’ sector, that despite the underdog nature of this concept; it is nonetheless still an integral daily and household survival strategy for both urban and rural Americans (Ratner, 2000: 1).

Notwithstanding these different labels, there is a convergence of opinions towards an understanding that views the sector as an entity that is devoid of an official status, suffers from the absence of concrete legal status as well as a forlorn sector that is being excluded from standard economic accounting of national income and unprotected/unregulated by the state (Amin, 2002: 8; Swaminathan, 1991: 1). By contrast, the comparison between the characteristics of the formal and informal sectors (as devised by the ILO during the 1970s) is illustrated in Table 1.0 below. According to the ILO, some key attributes that characterize the informal sector are (i) small scale of production/operation; (ii) family ownership; (iii) dependence on indigenous resources; (iv) activities that are labour-intensive; (v) skills obtained outside the formal school system; and (vi) unregulated and competitive markets. On the contrary, the formal sector comprises of attributes that are a mirror effect and the total opposite of the informal sector as displayed in Table 1 below.

Table 1: Characteristics of the Formal and Informal Sector as Devised by ILO (1972)

FORMAL SECTOR	INFORMAL SECTOR
a) Difficult entry	a) Ease of entry
b) Frequent reliance on overseas resources	b) Reliance on indigenous resources
c) Corporate ownership	c) Family ownership of enterprises
d) Large-scale of operation	d) Small-scale of operation
e) Capital-intensive and often imported technology	e) Labour-intensive and adapted technology
f) Formally acquired skills often expatriate	f) Skills acquired outside the formal school system
g) Protected markets (through tariffs, quotas and trade licences)	g) Unregulated and competitive markets

(Source: Bangasser, 2000: 10)

Perhaps it is the lack of or absence of formal and legal coverage towards this sector that has caused this sector to suffer and face a myriad of recurring issues and challenges. The way this sector is unaccounted for and uncovered by legal laws has given rise to far-reaching disadvantages. For instance, informal sector employees would encounter difficulties when applying for loans to expand their businesses. To exacerbate the situation, their entitlements to skills development and other employment-related prerequisites and remuneration that are accorded to the formal sector are totally denied to those in the informal sector. As purported by ILO,

“The term ‘informal economy’ refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive cost.”

(ILO, n.d.: 25/53)

Contribution by the informal sector

Insofar statistical data pertaining to share of employment and contribution by the informal sector towards a nation’s Gross Domestic Product (GDP) is difficult to gather or estimate given the precarious nature of the sector. However, earnest attempts are forthcoming by the ILO to address this issue. Through publications like *Women and Men in the Informal Economy: A Statistical Picture* that was first published in 2002 and subsequently updated in 2013, at least the importance of the informal sector towards a nation’s economic development is recorded and illustrated. Based on a study by ILO in 2011, statistics on informal employment was compiled from 47 medium- and low-income countries/territories. The statistics reported the number of persons whose principal (or only) jobs were in non-agricultural informal employment, taking into account both inside and outside the informal sector (ILO, 2013). In Latin American countries for instance, informal employment comprised a major share of non-agricultural employment, spanning from 39.8% in Uruguay to 75.1% in the Plurinational State of Bolivia. In the case of South and East Asian countries (excluding China), informal employment assumed a lion’s share of total employment in the economy. Except for Thailand with a percentage of 42.3%, most South and East Asian countries recorded more than 60% with India being the highest (83.6%) followed by Pakistan (78.4%), Indonesia (72.5%), Philippines (70.1%), Vietnam (68.2%) and finally Sri Lanka (62.1%) (ILO, 2013: 11).

In terms of the contribution of informal economic activities to total Gross Domestic Product (GDP) or Gross Value Added (GVA), this similar study by ILO (2013) has highlighted that the share of informal sector (excluding agriculture) in non-agricultural GVA was significant. The highest contribution was charted in West Africa amounting to more than 50% of non-agricultural GVA. Similarly, India’s informal sector also contributed significantly to the national economy with a percentage of 46% (excluding agriculture) of non-agricultural GVA in 2008 (ILO, 2013: 21). Now that we have discussed the concept and contributions of the informal sector, the subsequent sections will re-visit the meaning of the informal sector and how it has evolved.

Re-visiting the meaning of the informal sector

Interestingly, a review of informal sector literature has shown key changes pertaining to how the concept has evolved to response to changes in today’s globalised and highly competitive era (Amin, 2002: 3; Sigel, 2010; ILO & WTO, 2009). Broadly, the evolution of this sector in terms of importance and functionalities can be divided into three categories as follows:

i) Dualistic nature of informal sector

Since the dawn of doing research in this area, the informal sector has taken on a rather negative, substandard and inferior notion. Such pessimistic depiction of the informal sector is due to the dualistic nature of developing societies – shaped and underscored by the overarching philosophy of the International-Dependence Revolution (Todaro & Smith, 2011: 122-124). As aforementioned, pioneering

works of the urban informal sector by Keith Hart in Ghana and later by the International Labour Office (ILO), are instrumental towards shaping this concept and purporting its dualistic nature and structure.

The connotation inadvertently depicts two extremes continuum of the labor force epitomized by dualism and disjuncture of economic structure such as ‘traditional and modern,’ ‘core and periphery,’ ‘winners and losers,’ as well as ‘peasant and capitalist sectors.’ To early scholars in informal sector, these are the dichotomous scenarios unraveling rapidly in developing economies during the fifties and sixties (Bangasser, 2000: 2; see also Sethuraman, 1976: 70-72). This scenario, in particular, is based on the understanding that development encompasses a shift from a pre-capitalist, unorganized, subsistence economy to a modern, organized and capitalist version (Swaminathan, 1991: 1). However, the dualistic nature of the informal sector has been challenged when some scholars contend that these two sectors are in fact related symbiotically.

ii) Symbiotic relationship between formal and informal sector

Indeed, not all development scholars concur that the structure of an economy must be divided into two and be perceived as separate entities, with one being superior to the other. Contrastively, a second approach that breaks away from this dualistic dichotomy is prevalent and becoming increasingly important nowadays. Social scientists are beginning to realize the importance of the informal sector and start to acknowledge the symbiotic, interdependent and complementary functions between formal and informal economies (Swaminathan, 1991: 13-15). Similarly, as highlighted by Ratner (2000: 1), “...*formal and informal economies as complementary parts of a single system,*” thus, suggesting the symbiotic relationship of these two sectors instead of viewing them as being distinct and separate.

At the same time, a growing body of literature has purported the benefits of small-scale enterprises and production systems. Increasingly, small-scale enterprises are viewed as functional, unique and much sought after in today’s globalized economy as culminated in the concept of “flexible specialization” or popularly known as post-Fordist literature. In their seminal work *The Second Industrial Divide*, Piore and Sabel (1984) recommended a solution and panacea to the economic crisis that was unfolding in industrialized nations during the seventies. Put simply, flexible specialization referred to the development of small scale and specialized system of production that displays flexibility in the production and labour processes, which is in stark contrast to the huge, rigid and large scale mass production methods manifested in Fordist-assembly line types of productions. Exemplary practices in developed economies such as Italy have proven that flexible specialization (in small-scale production) which is akin to informal methods of production have resulted in comparative advantage, competitive edge and dynamic growth (Swaminathan, 1991: 17).

In fact at the turn of the 21st century, the role and importance of the informal sector is garnering much attention and importance in mainstream economic development both in developed and developing worlds alike. More interesting to note, studies in developed nations like America have in fact initiated and given a new lease of life to informal economy, particularly in rural settings.

iii) Renaissance - a new lease of life for rural informal sector?

Increasingly, the importance and viability of informal sector in rural settings are being explored and acknowledged. American scholars, in particular, have begun to give a new lease of life to the informal economy in rural areas such as rural Pennsylvania (Slack, 2006) and even highlighted the importance of informal economy in rural community economic development (Ratner, 2000). These studies not only resuscitated and revitalized the rural informal sector, but also raised several thought-provoking questions pertaining to the ability of the rural informal economy be adopted as a sustainable livelihood strategy to provide a better and more sustainable well-being to rural Americans (Ratner, 2000: 4). Clearly, such positive presumptions that people can leverage on informal activities to survive sustainably in a rural

settings has indeed elevated the position of the informal sector. The whole notion of informal sector activities should now be re-visited by exploring the prospects and promise of this sector. Thus, it should no longer be regarded as a marginalized, sidelined and excluded sector as purported by pioneering ILO studies reviewed earlier. Instead, more efforts should be directed to explore the potentials of this sector as a viable system of sustainable production. As contended by Castells and Portes (1989: 2) (cited in Slack, 2006: 5), the informal economy is fundamental towards growth and is “...not not merely a survival strategy for the poor and destitute but a form of production method.”

Albeit a phenomenon that originated from developing countries in the fifties and sixties (Amin, 2002: 1; Swaminathan, 1991), the pervasiveness of economic globalization has influenced and reshaped the dynamism and prevalence of informal sector as they are no longer confined to the developing world. Informal sector activities are thriving and gaining popularity in developed nations as well, especially in rural areas as illustrated by the aforementioned case studies conducted in the United States (Slack, 2006; Ratner, 2000). Contrary to the bleak scenario in the developing world, more optimistic findings are found in these developed country scenarios that now uplifts the informal sector's role to be a buffer occupation for those who are abruptly displaced from formalized work, thus, championing rural informal economy as a viable and sustainable livelihood strategy. On this score, the prevailing importance of rural informal sector in developed nations has given a new lease of life to this sector *vis-à-vis* the formal sector, and also, revisits the future role of the rural informal sector in the developing world.

Rural informal sector in Malaysia

In the Malaysian context specifically, the definition of informal sector is as follows:

“Informal sector is defined to include the (a) unprotected regular and casual employment (i.e. workers in the establishments who do not participate in the social security system or what is known as the Employees Provident Fund) and (b) self-employed including unpaid family labour.” (ILO, 1992b, p.2) (cited in Amin, 2002: 10).

As a research topic that is still neglected and largely unexplored in Malaysia (Wan Ahmad, Rahman & Ismail, 2011: 222), hence, this paper aims to explore the situation of the rural informal sector in a developing world setting with reference to Kuala Nerang as a case study. On the Malaysian front, the study of informal sector from a development perspective has to be understood *vis-à-vis* the nation's origins, historical legacy, institutional framework and social structure (Todaro & Smith, 2011: 8-9).. As a former British colony, the aftermath of colonization and imperialism has left an indelible imprint on the Malaysian political and socio-economic scene till today. As a result of the ‘break and rule’ policy imposed by the British during the colonial era, the Malaysian society was segregated to live and work in urban and rural areas based on the types of their respective occupations. In the past, the Malay community predominantly confined themselves in rural areas and was engaged in agricultural and fishery activities for survival. Similarly, the Indians were also located in rural settings with most of them working and living in rubber estates and plantations in the outskirts of Malaysia. On the contrary, their Chinese counterparts who were more enterprising preferred to locate in urban areas with better opportunities for commerce and entrepreneurship. Obviously, such identification of ethnic groups with economic function had, directly and indirectly, created further socio-economic imbalances and spatial inequalities amongst urban and rural Malaysians at that time. As a result, the 13 May 1969 racial riot was a turning point in Malaysian history. In 1970 for example, incidence of poverty was particularly high (58.7) in the rural areas of Malaysia as compared to urban areas (21.3). Even at the turn of the millennium in 2002 where spatial inequality between urban and rural areas had reduced; but poverty was still prevalent between Malaysian urban centers (2.3) and rural areas (13.5). The latest figures from

Economic Planning Unit (EPU) in 2012 still revealed some signs of urban-rural spatial inequality with greater incidence of poverty in rural areas (3.4) compared to urban centers (1.0).

To address the above inequalities, earnest efforts were undertaken by the government through the New Economic Policy (NEP) to address these socio-economic imbalances and to narrow the gaps of disparity and inequality between rich and poor Malaysians in urban and rural areas. The need for restructuring was pivotal at a time where socio-economic disparity and inequality in terms of employment opportunities and income levels were in existent and vast amongst the different ethnic groups of Malay, Chinese, Indians and other minority groups that made up a multi-ethnic and pluralistic Malaysia. For instance, statistical data from Malaysia's Economic Planning Unit has mapped out the pattern and incidence of poverty by ethnicity, strata and state in Malaysia from 1970-2012. In 1970, incidence of poverty was rather high amongst Bumiputeras (64.8) and Indians (39.2) whilst the Chinese recorded 26.0. Though data in 2012 reported a drastic reduction of incidence of poverty to 2.2 (Bumiputera), 1.8 (Indians) and Chinese (0.3),² however, these are largely broad quantitative figures that ought to be interpreted with caution and cannot be simply generalized across the board.

Broadly, the NEP was a two-pronged strategy. The first strategy was to reduce absolute poverty amongst Malaysians by raising income levels and providing greater employment opportunities. The second strategy was to restructure the Malaysian society and address the socio-economic imbalances in order to reduce and eliminate the identification of ethnic groups with economic function. Subsequently, the Vision 2020 (1991-2020) was outlined to guide Malaysia to be a developed country status by 2020. The Vision 2020 comprises of three phases beginning with the National Development Policy (1991-2000), National Vision Policy (2001-2010) and currently the New Economic Model (2011-2020). In the current 10th Malaysia Plan (2011-2015), it aims to steer Malaysia from an upper middle income nation towards becoming a high-income nation underscored by the tenets of inclusiveness and sustainability.

Incidentally, 'inclusivity' and 'sustainability' are overarching development principles that are intrinsic milestones to be achieved in rural development (Todaro & Smith, 2012). Amongst the main objectives is to stimulate and spur development in rural areas and bridge the socio-economic disparity between urban and rural areas.³ Efforts should also go towards closing the gap between formal and informal sectors in both urban and rural areas. As a multi-ethnic society with former colonial ties, the social structure in pluralistic Malaysia has unequivocally influenced and shaped the social relations and phenomena of poverty and inequality amongst Malaysians between urban and rural areas and the types of economic activities they engage in, be it formal or informal activities. Even though informal sector activities can be found in both urban and rural settings, but it is widely believed that informal sector activities in urban areas tend to outperform their rural counterparts (Bangasser, 2000: 41). This, in turn, accentuates and perpetuates an already chronic situation of inequality, discrimination and marginalization by those in the rural informal sector (Bangasser, 2000: 41). In Malaysia generally, although the formal sector is seen to co-exist alongside the informal sector; but the latter is deprived of the benefits and privileges enjoyed by the former.

In this case study, it would be interesting and noteworthy to explore whether the rural informal sector in Kuala Nerang is operating in an environment of promise and potential for growth or in a dire situation of

² Statistics obtained from the official website of Economic Planning Unit, Malaysia. (Source: <http://www.epu.gov.my/household-income-poverty?jsessionid=46B62086D4281ECB3472BA78CC19B900>) (Date retrieved: 5 June 2014).

³ Official website of Economic Planning Unit, Malaysia – Rural Development. (Source: <http://www.epu.gov.my/en/pembangunan-luar-bandar>) (Date retrieved: 20 May 2014).

plights and perils that hinder opportunities for development. Before we discuss the methodology, the next section will briefly profile the study site – Kuala Nerang, Kedah.

Kuala Nerang, Kedah: A Brief Profile

Kuala Nerang is a small rural town in Kedah Darul Aman, a state located in the northern region of Peninsular Malaysia under the administration of Padang Terap District Council. Kuala Nerang is situated 25 km north of Alor Star which is the state capital of Kedah Darul Aman. Padang Terap covers an area of 135684.41 ha which is equivalent to 330799 acres or 1356.84 sq km⁴ and is the third largest district in Kedah behind Baling and Sik. Refer to Diagram 1 below to view the location of Kuala Nerang in the state of Kedah.



Diagram 1: Location of Kuala Nerang in Kedah

(Source: <http://knerangkedah.blogspot.my/p/peta.html>, Accessed on 1 April 2016)

⁴ Official website of Padang Terap District Council. (Source: <http://www.mdptk.gov.my/latar-belakang-padang-terap>) (Retrieved on 15 July 2014).

As of 2010, Padang Terap has a population of 61,970 with the highest composition of ethnicity being Malay (90%). Kuala Nerang itself has a population size of 6,761.⁵ Despite being the district capital of Padang Terap, Kuala Nerang is still vastly underdeveloped defined by predominantly rural characteristics in terms of its land use, physical development, economic activities, infrastructure and other amenities. Amongst Kuala Nerang's rural attributes include vast open spaces that are still largely agriculture; the absence of commercial conglomerates/international/national franchise businesses as well as no visible signs of the presence of multi-national corporations in this rural town. The main economic activity is still in the first sector, namely, agriculture, animal husbandry and fishery. Apparently, almost 70% of the local populace in Kuala Nerang is engaged in petty trading and small-scale businesses where they trade and promote the local products there. Some of the common petty businesses found in Kuala Nerang are the *Pasar Nat* (Morning Market), *Pasar Pagi* (Morning Market) and also some stalls that are engaged in food businesses and other petty retail activities such as boutique, grocery shops, eateries and such. Before the findings from this study are discussed, the next section will briefly outline how this study was undertaken in Kuala Nerang.

METHODOLOGY

This study engaged a qualitative method to obtain data. Principally, a case study approach was engaged to explore and understand the plights and perils of petty traders in Kuala Nerang, Kedah towards better quality of life and economic development. Basically, the case study is a popular qualitative research approach in the social sciences. By using case study, researchers were able to understand the case in-depth in its natural setting amongst the petty traders in Kuala Nerang. Simultaneously, the complexity of the case and also its context are also acknowledged. Application of case study will enable a holistic focus that strives to preserve and make sense of the completeness and intactness of the whole case (Punch, 2005: 144). The fieldwork was carried out twice a month for a duration of three (3) months starting from February until April, 2013. The study site was in Kuala Nerang, Kedah. This is a joint community-academia research project between *Universiti Sains Malaysia* (USM) and The Malay Petty Traders Association of Kuala Nerang (*Persatuan Peniaga dan Penjaja Kecil Melayu Kedah, Cawangan Kuala Nerang*). At present, the association has 112 registered members who are active petty traders operating in the rural town of Kuala Nerang.

Funded by the former Ministry of Higher Education (now part of the Ministry of Education), this project has the principal aim to establish a sustainable relationship between community and academia by ways of knowledge transfer. It is hoped that with the knowledge and skills transferred from the academics to the community, it will assist the community towards enhancing their skills development and capacity building. In this project specifically, academics from USM have organized various workshops related to financial literacy (i.e. basic accounting) and also short seminars regarding the importance of skills development and continuous learning with the aim to upgrade the skills and enhance the capabilities of these petty traders. Whilst undertaking all these, the USM academics realized that it is also important to find out the plights and perils of these petty traders which led to the formulation of the research question of this paper: What are the plights and perils of rural petty traders in their quest for economic development and better quality of life?

⁵ Official website of Department of Statistics Malaysia. (Source: http://www.statistics.gov.my/portal/download_Population/files/population/04Jadual_PBT_negeri/PBT_Kedah.pdf)(Page 35) (Retrieved on 16 July 2014).

To answer this pertinent research question, several sessions of in-depth interviews and focus group discussions were undertaken with selected petty traders based on their availability and willingness to be interviewed. An interview protocol with open-ended questions was designed and used to interview the petty traders. Besides asking them some personal particulars, the open-ended questions in the interview protocol were framed to tease out the prospects of their businesses as well as the types of issues, problems and challenges faced by the petty traders whilst trading in Kuala Nerang. The traders were asked whether they faced any personal, business, administrative, legal or any other problems/issues that hindered the operation and growth of their businesses. Each individual in-depth interview and focus group discussion took approximately an hour to complete. These interviews and discussions were conducted on Fridays for over a period of two months. Additionally, the researchers also visited the petty traders when they were operating their businesses. During these site visits, the researchers managed to observe visually and kept a journal record of the daily activities conducted by the petty traders. All the data collected were analyzed using content analysis.

FINDINGS AND DISCUSSION

From the interviews and focus group discussions, it is discovered that the petty traders do encounter several plights and perils. Singularly or collectively, these plights and perils can be viewed as constraints that impede growth and development by the informal sector in rural Kuala Nerang.

a) Absence of skills development courses for petty traders

Realizing that continuous education and skills upgrading are instrumental towards their growth, the petty traders lamented that currently there is a dearth of skills development courses made available to them. For instance, when the USM team initiated workshops that taught them correct techniques to prepare a Business Proposal, the response was very positive and forthcoming. In fact, the President of the Petty Traders Association quoted the following:

“This is the type of course that we have been waiting for all this while! We need extra capital for our businesses but we do not know how to prepare a Business Proposal which is a vital and prerequisite document required by the bank. We sincerely thank USM for having this workshop to teach our members the correct methods to prepare a proper Business Proposal. Insofar, we have never had anyone or any workshops that taught us how to prepare a Business Proposal.”

(President of Petty Traders Association, 24th May 2013)

Clearly, in this case, the petty traders in Kuala Nerang are being dictated, regulated and somewhat coerced by formal channels such as the Local Authority or banking institutions where these traders are required to produce valid documentations (i.e. licence, proper accounting, Business Proposal) before they can apply for any forms of loan. Here, the absence of legal documentations (i.e. monthly salary slips, job appointment letters, Registration of Business certificates) have in one way or another hindered growth for this sector. Arguably, these informal employees are caught and trapped in the web of legalities and quandaries that are imposed by the formal sector, which by itself is a form of discrimination and injustice that hinders the petty traders from all efforts to expand their businesses.

b) Difficulties for those above 40 years of age to obtain education

Another plight pertaining to skills development is related to the difficulties for those above 40 years of age to obtain education. This plight was highlighted during one of the workshops by several senior petty traders. Although they understand and see the importance of lifelong learning and the dire need to continuously upgrade their skills, but, they are encountered with many different challenges that hinder

them from pursuing further education. Based on a small sample of 25 respondents surveyed for this study as shown in Table 2 below, it was found that none of them had a University degree. Only a tiny percentage have Diploma (4%, n=1) and College (4%, n=1) certificates. Majority of them (88%) only completed secondary education with 8% (n=2) holding a *Sijil Tinggi Pelajaran Malaysia (STPM)* certificate followed by 40% (n=1) with a Form 5 *Sijil Pelajaran Malaysia (SPM)* education and another 40% (n=10) with Form 3 *Sijil Rendah Pelajaran (SRP)* qualification respectively. One of the respondents surveyed did not receive any education before.

Table 2: Age of the respondents

AGE	PERCENTAGE (%)
31 – 40 years old	16% (n = 4)
41 – 50 years old	48% (n =12)
51 – 60 years old	28% (n = 7)
61 – 70 years old	8% (n = 2)
Total	100% (n = 25)

(Source: Fieldwork data, February - April, 2013)

Besides this challenge, many of the petty traders also lamented that they were not aware of the types of information that they need in order to assist them in expanding their businesses. They were uncertain what types of information were made available to them and they admitted that they did not know where to get such information to help them with the growth of their businesses.

c) Lack of funds and incomplete documentations

During a closed door meeting in April 2014 with the Padang Terap Local Authority in the presence of the petty traders as well as several government agencies and banking institutions, it was discovered that funding was a critical issue amongst petty traders. Even though the Federal Government has allotted funds to rural areas like Kuala Nerang, but in reality, it is disheartening to discover that for those petty traders who have had their loans approved with government banking institutions like Agro Bank, no money has been disbursed to them (as yet) with lame excuses from the bank stating that insufficient funds were allocated to Kuala Nerang. It can be considered as an anomaly where the bank has in fact approved the loan to some of these petty traders, but, due to insufficient allocation of funds from the Federal Government to rural Kuala Nerang, these rural petty traders have to bear the brunt of the problem and continue to operate with a shortage of financial capital to expand their businesses. Inability to expand their businesses will affect their ability to create surplus for wealth accumulation.

More rampant and critical are incidences of incomplete documentations during the loan application process. When these petty traders attempted to apply for loans with the banks, the success rate for loan approval was extremely low. As elucidated in the literature review in Section 2.0, the informal sector is an unorganized and unregulated sector whereby informal employees are without proper and legalized documentations such as salary slips, Employee’s Provident Fund, insurance coverage, medical coverage and such. The inability to provide such pertinent documents acts as a major deterrent that caused most of their loans to be rejected.

d) Marginalization and discrimination – a reality

Though most of Malaysia’s broad developmental blueprints advocate for intensification of development in rural areas in order to bridge and narrow existing urban and rural disparity, however, this study shows that the rural informal sector, in this case Kuala Nerang’s petty traders, are being marginalized and sidelined. More detrimental to note, the level of marginalization and discrimination occurs at two intrinsically connected levels. First, congruent to ILO literature, this study shows that informal petty

traders in rural Kuala Nerang are being viewed and treated as a separate entity from their formalized counterparts. Through interviews and informal discussions with the respondents, many depicted themselves as the “lonely voice in the wilderness” where they fail to garner support and attention from the authorities (i.e. Local Authority, State or even Federal). During one of the workshops, one of the respondents even yelled out and said, “*Kami seolah-olah dianaktirikan!*” (in Malay Language) which literally translates to mean “*We have been sidelined and are treated like ‘step-children’*” by formal institutions such as the Local Authority, banks, government agencies and such.

To compound this, marginalization and discrimination against these traders are exacerbated by the fact that they are spatially excluded, isolated and disintegrated from mainstream development and other nodes of development which are mostly located in and within urban centers. Unmistakably, the prevalent underdevelopment in Kuala Nerang is shaped by aforementioned social and regional imbalances that have existed and perpetuated since the British colonial era. During one of the group discussions, the respondents were not afraid to openly voice their discontentment with current Government initiatives. According to them, the current macro-level development policies have failed to trickle down and positively impact them. According to one of the traders:

“Despite the Government’s efforts to boost and promote small and medium-sized enterprises, we have not gained anything from such policy initiatives. Even though Kedah is located within the Northern Corridor Economic Region (NCER), I do not see any plans, programmes or initiatives that are channeled specifically to petty traders and entrepreneurs like us. These are such grand plans but we get nothing. We are excluded from the entire development process!”

e) Absence of welfare benefits and legal protection

As described in Table 1 above, one of the main characteristic that can be considered as a disadvantage is the absence of regulation and social protection towards the informal sector. In turn, this has resulted in deprivation of welfare benefits and their claims towards social protection which are fundamental towards their overall well-being and career development. Gauging from their facial expressions, body language and vocal display of sentiments, many of the respondents interviewed were frustrated, resentful and demoralized by the treatment they had received from the Government so far.

With great exasperation, one of the respondents compared their predicament to the fate of others like those indulged in fisheries and agriculture. In thick Kedahan accent, the respondent lamented in Malay: “*Nasib nelayan dan petani terjaga tetapi peniaga kecil tidak terjaga.*” He argued that the fate of fishermen and farmers in Malaysia are more secured and well taken care of by the Government if compared to the fate of petty traders like him. He opined that the fate of petty traders is uncertain. According to him, their welfare is neglected and largely ignored given that to date there is no formalized body or agency to regulate and protect them. In Malaysia, however, there are government bodies and agencies under the jurisdiction of the Ministry of Agriculture and Agro-Based Industry to oversee the activities and affairs of farmers. Similarly, there is the Fisheries Development Authority of Malaysia (*Lembaga Kemajuan Ikan Malaysia*) (or more popularly known by its Malay acronym ‘LKIM’) that oversees the fishery sector and activities of fishermen. Though some quarters might argue that certain activities by the petty traders could be categorized as either agriculture or fishery, but, the petty traders were quick to refute and defend their stand by claiming that they do not fall into either one of these categories. Rather, a separate agency or body should be established to strictly attend to their needs, demands and serve as the platform and conduit between the government and them (petty traders) to ensure their growth and development.

f) Licensing dilemma

To date, there are still petty traders in Kuala Nerang that operate without a license. This issue can be perceived as a dilemma. From the interviews and discussions, it is apparent that there are some petty traders that intentionally do not apply for a valid license despite knowing that they will face the risk of being harassed by the Local Authority or have their goods seized and confiscated. According to this category of traders, they do not see the need to obtain a license. They are unable to fathom the benefits and advantages of obtaining a license. According to one trader, he uttered: "*Walaupun dengan adanya lesen, Majlis tak beri apa-apa pun.*" He quipped that even with a valid license, the petty traders do not obtain any benefits from the local authority, thus, why bother to get a license then.

For those with valid licenses, their fate is not any better either. Some have expressed disappointment and vented their frustration by saying that a license is not a guarantee to any benefits. It is not a guarantee for basic demands such as a simple request for a proper site or location for them to set up their stalls to do business. As a result, many licensed traders have resorted to erect their stalls at prohibited locations such as under the tree or at the corner of the road. Such prohibitive and illegal ways to set up their stalls have posed traffic hazards and danger to the petty traders themselves as well as the local community there.

Based on the findings from this study, it is clear that existing policies by the Government's Ministry of Rural and Regional Development manifested through various forms of initiatives/programs (i.e. Gerakan Desa Wawasan, Amanah Ikhtiar Malaysia, etc.) fail to trickle down to reach the target audience, who are the petty traders of Kuala Nerang. Clearly, a situation where a dearth of education/training programs is happening where it is further exacerbated by limited funding opportunities which in turn hampers the growth of these petty traders. To enable them to stand on their two feet, Government policies should focus on educating and ensuring that the petty traders have the right skill sets to survive. Policies should also be in place to advocate and champion for the rights of the petty traders who are currently unregulated and unprotected by the law or any forms of social welfare benefits.

IMPLICATIONS AND CONCLUSIONS

The inequality between formal and informal sectors as well as the socio-economic disparity experienced between urban centers and rural areas has become a truism. More so, for Malaysia as a former British colony striving to balance the socio-economic disparity and spatial inequality created and left behind by unjust colonial policies. Even though efforts are underway by the Malaysian Government to restructure society and redistribute wealth amongst Malaysians, this study clearly illustrated that the rural informal sector, in this case petty traders in Kuala Nerang, is still faced with multiple issues and challenges. First, as anticipated and predicted from the literature review section, the fate of those in the informal sector are perpetually exposed to the precariousness and disadvantages attached to the sector. This study is not any different. All the plights and perils highlighted in this study do indicate that the petty traders in Kuala Nerang are indeed marginalised, sidelined and can even be labeled as a social underclass. The informal sector as we know, are the least protected in terms of labour rights, welfare benefits and other related social protection. Evidently, the vicious cycle of poverty is at play in rural Kuala Nerang. Lack of adequate education translates into lack of employment and career advancement opportunities, which make its extremely challenging to break away from the vicious cycle of poverty for generations to come. Second, their location in rural areas makes them spatially vulnerable to disinvestment and underdevelopment. Given the biasness towards urbanization and urban development, rural pockets like Kuala Nerang are forced to face the downsides and vagaries of not enjoying actual development trickling down and reaching out to rural citizenry like them.

To address the above, Malaysian Master Plans and blueprints should be formulated to integrate urban and rural planning socially and economically. In this regard, no doubt, the Malaysian Government has

endeavoured to address issues in rural areas through the myriad of development plans such as the nation's 5-year plans. More recently in 2009, the Government introduced the Government Transformation Programme (GTP) that has six (6) National Key Results Areas (NKRAs) to improve the socio-economic situation of Malaysians. One of the NKRAs is to improve rural basic infrastructure. Effort towards this goal is placed under the portfolio of the Ministry of Rural and Regional Development. Thus, to ensure that this broad objective trickles down to the right target audience like those in rural Kuala Nerang, the Government should be more committed towards creating enabling environments and conditions in the rural setting for the informal sector to create surplus and accumulate wealth. This is also in line with the aspirations in the 11th Malaysia Plan (2016-2020) to uplift those in the bottom 40% of the household income group or better known as B40 to a higher income level so that they can enjoy a better socio-economic situation. According to the 11th Malaysia Plan, B40 are those with a household income below RM3,860 with a mean monthly household income of RM2,537 (2014)(Malaysia, 2015: 3-1). In turn, this will be a viable solution to curb excess rural-urban migration and control the irreversible phenomenon of brain drain to city centers and further afield. Capacity building amongst petty traders is of utmost importance and should be forged and fostered whereby a strategic partnership and network should be established between the Local Authority, State Government and Federal Government. In keeping with principles of sustainable development, a bottom-up, needs-based approach that advocates community participation to tease out and understand the local needs/demands of the people and later empower them to collectively develop their community is a viable strategy and the global way forward. Such an approach has been advocated by local scholars (Ngah, 2003) for more than a decade through initiatives such as the 'Rural Action Plan' (*Pelan Tindakan Desa*). Thus, more concerted efforts by all stakeholders should go towards this direction ensure development in rural areas can be carried out in a sustainable fashion.

Nonetheless, this study acknowledges several inevitable constraints. Due to the limitations of manpower, distance and time, this study was unable to survey a larger sample size than desired and the quantitative aspect of this study warrants further consolidation. Insofar, the researchers only managed to study one rural village (i.e. Kuala Nerang). For future research, it is recommended to undertake a comparative study of more rural villages in order to get a more comprehensive and holistic picture. More critically, there is urgent need for more research on informal sector/economy in Malaysia, especially in the rural context, given that international studies like those conducted by ILO in 2002 and 2011 had excluded Malaysia, but included other South and East Asian countries (i.e. China, India, Indonesia, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam) in their quest to compile and corroborate statistics for the informal sector within the region.

Last but not least, the rural informal sector in Malaysia should not be a social underclass anymore especially in a time when the nation is escalating towards becoming a high-income, developed economy. After exploring and understanding the plights and perils of petty traders in rural Kuala Nerang, it is now time to respond, react and engage favorably with the petty traders to reinstate and elevate their roles and functionalities in mainstream society/economy. As purported by some American literature (Slack, 2000; Ratner, 2006), rural informal sector should be advocated and promoted as a sustainable livelihood strategy to provide employment to people from all strata of society, raise the income levels of the masses, create surplus to enable wealth accumulation and ultimately improve the general well-being and quality of life of rural people. The role and position of the rural informal sector ought to be elevated and recognized as assuming a complementary and supplementary role towards their counterparts in the formal sector as Malaysia develops to become a truly developed and inclusive nation.

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