# Informal Settlements as Economic Spaces: Examining Their Role in Sustaining Micro-Enterprises and Contributing to Local Economic Development in the National Capital District, Papua New Guinea

**Lazie Zuka**
IBS University, Port Moresby, Papua New Guinea

## Abstract

Urbanization in developing countries has outpaced the capacity of governments to provide adequate housing and employment, resulting in the rapid expansion of informal settlements that host a large share of urban micro-enterprises. While informal settlements are frequently characterised in policy discourse through a deficit lens of poverty, insecure tenure, and inadequate infrastructure, a growing body of literature recognises them as productive economic spaces. This study examined the role of informal settlements in the National Capital District (NCD) of Papua New Guinea as economic spaces, focusing on how micro-enterprises sustain household livelihoods and contribute to local economic development. Guided by the Sustainable Livelihood Framework and De Soto's Theory of the Informal Economy, the study adopted a concurrent mixed-methods design. A structured questionnaire was administered to 100 purposively and stratified sampled micro-enterprise owners across selected settlements, of which 85 were returned (85% response rate), and semi-structured interviews were conducted with a purposively selected subsample. Descriptive statistics, Pearson correlation, multiple regression, and thematic analysis were used to analyse the data. The findings indicate that retail trade, food vending, and transport services dominate the settlement enterprise landscape, that businesses are financed predominantly from personal savings and family support, and that micro-enterprises are the principal source of household income, food security, education, and healthcare expenditure for operators. Business size and initial capital were found to be statistically significant positive predictors of household livelihood outcomes, whereas years of operation and number of employees were not consistently associated with improved outcomes. Inadequate government support, insecure land tenure, and limited access to finance were identified as the most severe constraints on enterprise growth. The study concludes that settlement-based micro-enterprises make a substantial, and currently under recognised, contribution to household welfare and local economic development in the NCD and recommends that urban development policy formally integrate settlement enterprises through improved access to finance, tenure security, infrastructure investment, and simplified business registration.

## Keywords

Informal settlements, micro-enterprises, local economic development, household livelihoods, informal economy, Papua New Guinea.