INFORMAL TOWNSHIP BUSINESSES AND SOCIO-ECONOMIC CHALLENGES: A CASE OF SOUTH AFRICA.

By

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DECLARATION

I, Sabelo Shezi declare that:

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DEDICATION

This study is dedicated to my mother Antonia Celumusa Shezi, my life partner Zinhle Ndebele, my son Nhlalonhle Shezi, my family, my friends Mthandeni Mbuthuma and Njabulo Shezi, my colleagues at SARS and all those who supported me throughout this journey.

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ABSTRACT

Most African countries continue to face challenges that negatively impact social wellbeing and the economy of the country such as unemployment, poverty, poor educational systems, gender inequality, income inequality, and poor health care systems. South Africa is no exception to these challenges and has recently faced another challenge, namely an increase in immigration. Immigration growth in SA has, *inter alia*, contributed to informal business growth in most townships in the country.

Economic activities taking place in townships areas have an important role of ameliorating some of the existing socio-economic challenges for township residents. SA's growth potential lies in promoting economic activities taking place in township communities. This thesis discusses the rise and nature of informal businesses across SA and within the Inanda, Ntuzuma and Kwamashu (INK) townships in relation to existing socio-economic challenges and provides insight into how informal businesses may help to ameliorate the socio-economic challenges citizens face.

Using secondary data sourced from the Survey of Employers and Self-Employed for the period 2001–2017, a descriptive analysis was conducted to understand informal business activities and ownership nationally. Primary data was also collected (through a survey questionnaire) for the analysis of *local versus foreign* INK informal business ownership and activities, analysed through the descriptive analysis and multivariate econometric models (earnings regression model and probit model estimating improvement in standard of living of participants). The two econometric models were estimated on STATA software to determine how participation in INK informal business ownership and income generated may affect socio-economic conditions of participants. This study considers both aggregate information on the informal economy and micro level information through primary data collection and will therefore further the understanding of informal businesses on the ground, by permitting a level of questioning and information gathering that is not possible in the collection of aggregate data.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATION

SDGs…….. ……..Sustainable Development Goals

SA…….. South Africa

IMF……... …….International Monetary Fund

LCL……... …….Living Conditions Survey

UBPL……. …….Upper Bound Poverty Line

SMMEs…….. …….Small, Medium, and Micro Enterprises

GDP…… ……Gross Domestic Product

SESE…… ……Survey of Employers and Self Employed

INK…….. ……Inanda, Ntuzuma, and Kwamashu

NDP……. ……National Development Plan

SEDA…….. Small Enterprise Development Agency

DSBD…… …..Department of Small Business Development

VAT…… ….Value Added Tax

QLFS…….....Quarterly Labor Force Survey

QES…… …….Quarterly Employment Survey

LFS……. …….Labour Force Survey

EE……. …Employment Equity

UIF……Unemployment Insurance Fund

UKZN…….. University of KwaZulu-Natal

URP……..Urban Renewal Program

POPI…….Protection of Personal Information

ICLS…….International Conference of Labour Statisticians

VIF…….. Variance Inflation Factor

LPM……..Linear Probability Model

OLS……..Ordinary Least Squares

TREP…….. Township and Rural Entrepreneurship Programme

CIPC…… Companies and Intellectual Property Commission

IESP……. Informal Economy Support Programme

CIDB……... Construction Industry Development Board

CHAPTER 1:

INTRODUCTION

1.1 Background and Introduction

Most developing countries and African in particular countries continue to face challenges that have a hampering effect on social wellbeing and the economy of the country. Some of these challenges include, among others unemployment, poverty, poor educational systems, gender inequality, income inequality, and poor health care systems (Obeng-Odoom, 2020). Furthermore, most African countries tend to face the challenge of external dependency, whereby a country relies extensively on external donors to run some of its major economic activities.

The continuous existence of socio-economic challenges is not in line with the Sustainable Development Goals (SDGs), which were adopted by the world leaders at the United Nations (UN) General Assembly Summit in September 2015. The SDGs are bold and universal commitments by 193 UN member states to, among other things, end poverty, hunger, diseases, illiteracy, and discrimination by 2030 (Sachs et al., 2022). Despite the socio-economic challenges highlighted, several achievements that have taken place. Among these achievements is the decline in extreme poverty, which is defined in Moatsos (2021) as those living below $1.90 a day. Recent statistics indicates that about 700 million people across the world live in extreme poverty, which amounts to a significant improvement compared to 1.9 billion people who lived in poverty in 1990 (United Nations Development Programme, 2023). Furthermore, the percentage of starving people in developing countries declined by over half, from 23.3 percent to 10% percent during the period 1990-2023 (United Nations Development Programme, 2023).

Significant achievements have also occurred in terms of education over the past few decades. In 2015, the primary school enrolment rate in developing countries reached a high of 91 percent, representing an 8 percent improvement from the 83 percent primary school enrolment rate in the year 2000. Furthermore, the global literacy rate of young people between the ages of 15 to 24 increased from 83 percent in 1990 to 91 percent in 2015, with an improvement in the literacy gap between men and women in the same period (United Nations, 2015). The SDGs report also shows that gender equality and women's empowerment has improved, as a significant number of girls have attended school in the recent years relative to the number who

were in attendance 15 years ago. Other notable achievements from the SDGs report includes a reduction in child mortality, improvements in maternal health, successfully combating HIV and AIDS, malaria and other diseases, and environmental sustainability, among others.

Despite the achievements highlighted above, evidence suggests that the pace at which socio-economic challenges in Africa are being overcome is slow (African Development Bank Group, 2019). Furthermore, poor existing economic and social conditions for some UN member states, especially in Africa, provide an indication that some of these goals have not been fully achieved.

South Africa (SA) is no exception to many of the challenges highlighted above. For instance, SA faces the challenge of high and rising unemployment. Recent statistics show that SA's official unemployment rate rose from the pre-Covid level of 29.1 percent in the fourth quarter of 2019 to a higher rate of 32.9 percent in the first quarter of 2023 (Stats SA, 2023). Out of the nine provinces SA has, unemployment increased in three provinces, with the Mpumalanga province accounting for the largest increase, followed by North West and Free State in the same quarter. Of these figures, people of a younger age (aged 15 to 34) continued to be disproportionately affected by unemployment, accounting for about 46.5 percent of the total number of unemployed individuals in the first quarter of 2023 (Stats SA, 2023; Trading Economics, 2023).

Young graduate unemployment (unemployment among individuals aged between 15–24 years, who have an academic degree) was reported to be at 22.4 percent in the first quarter of 2022, up from 15.5 percent in the fourth quarter of 2021 (Stats SA, 2022). Although unemployment among young graduates may have increased by 6.9 percent, it remains relatively low compared to young individuals with lower levels of education. This highlights how education (particularly among those with academic degrees) continues to play a crucial role for young people's prospects in the South African labour market (Stats SA, 2022).

South Africa's unemployment statistics highlighted above can be associated with the recent performance of the SA economy. Evidence suggests that SA's economy has, over the past few years, not performed as expected, with recent statistics indicating that it shrank by a shocking 2.2 percent from the last quarter of 2017 to the first quarter of 2018 (Gernetzky, 2018). In the first quarter of 2019, the economy of SA continued to be under pressure, having declined by 3.2 percent (Stats SA, 2019). This occurred despite SA's economy having been projected to grow at rate of 1.2 percent in 2019, a downward adjustment from 1.4 percent (Cronje, 2019).

Furthermore, the 3.2 percent decline in SA's economy in the first quarter of 2019 was a major quarterly decline in the country's economic activity since the 2008–2009 global recession, which resulted in a contraction of 6.1 percent in SA's economic activity (Stats SA, 2019). The downward adjustment in SA's projected economic growth by various financial institutions, including the International Monetary Fund (IMF) and the South African Reserve Bank (SARB), can be considered as clear indications that the economy of the country is not doing well, placing SA's economy among the worst performing economies in the Sub-Saharan Africa region (Cronje, 2019; Stats SA, 2019). Also, SA's economy is currently recovering from the impact of the Covid-19 pandemic, with recent statistics suggesting that it contracted by 1.3 percent in the fourth quarter of 2022, and nearly offsetting the 1.8 percent expansion recorded in the third quarter of the same year.

Poverty in SA has, over the past few years, remained one of the pressing socio-economic challenges SA is faced with. The recent 2015 Poverty Trends Report indicates that about 30.4 million of those who reside in SA lives in poverty, up from 27.3 million individuals as reported in 2011 (Omarjee, 2017). Also, recent statistics indicate that more than 50 percent of SA's population lives in poverty (defined as those living under R663 per individual for each month) (Stats SA, 2022). The Living Conditions Survey (LCS)[1] also confirmed this, depicting that about 49.2 percent of SA's adult population group survived below the Upper Bound Poverty Line (UBPL) in 2020, with adult females bearing the highest burden of poverty at 52 percent compared to adult males at 46.1 percent (Stats SA, 2020). Limpopo, the Eastern Cape, KwaZulu-Natal and the North West province were noted to be the four provinces where the adult population experiences particularly highest levels of poverty, at 67.5 percent, 67.3 percent, 60.7 percent and 59.6 percent respectively. Gauteng and the Western Cape on the other hand recorded the lowest percentages of adult population living below the poverty line (Stats SA, 2020).

The UBPL is one of the measures of poverty and it refers to the food poverty line (the minimum amount of money a person requires to afford to buy the minimum needed daily energy intake) added with the average amount derived from non-food items of households whose expenditure is equal to the food poverty line (Stats SA, 2020). According to April 2020 prices, UBPL was

[1] *LCS is a household's survey programme under Stats SA that offers more information on SA's citizens living conditions, their income and their spending levels (Stats SA, 2020).*

estimated to be R1268 per person for each month, while the food poverty line was estimated at R585 per person per month (Stats SA, 2022).

Most people living in poverty in SA are found in rural areas, however, townships in SA are also characterised by the challenge of poverty (Francis and Webster, 2019; Pernegger and Godehart, 2007). There is no prescribed meaning of the word "township", however, researchers have associated it with underdeveloped places that were earmarked for 'non-whites' (i.e., Black, Coloured, and Indian people) during the apartheid era (Francis and Webster, 2019). Thus, many regard townships as being a consequence of race-based discrimination because only certain population groups (mainly Black, Coloured, and Indian people) were forced by the Land Act no 27 of 1913 and the Group Areas Act no 41 of 1950 to live separately in these areas (Strauss, 2019). In the current societal environment, townships are known to be that part of land mainly located not far from a town and where people work and live near to their workplaces.

Most countries (especially developing countries) are divided into two geographical areas, one being rural and one being urban (Lagakos, 2020). In addition to these two geographical areas is peri-urbanization, which has been the subject of research in the 21st century (Carrilho and Trindade, 2022). SA's landscape also includes townships and informal settlements, where many underdeveloped communities reside. Many of these communities include working age people who need economic opportunities (Maharaj, 2014). Almost half of SA's urban population live in townships, comprising 38% of SA's total working age population, and almost 60 percent of township residents in SA are unemployed (Schwabe, 2020). Furthermore, most people in townships live under poor living conditions where access to water, sanitation, electricity connections, public health, and education remains a challenge.

In the current economic environment, informal economic activities taking place in various parts of the world are known to have an important effect in terms of ameliorating some of the existing socio-economic challenges for people who reside in these areas. Evidence from the International Labour Organization shows that between 60 – 70 % of the global labour force is informal and the informal sector comprises of 35% of GDP in low to middle income countries (Bolarinwa and Simatele, 2023). Furthermore, recent trends in some parts of the world suggest that there is an increasing informalization of work and a growing number of informal businesses, especially during periods of high Gross Domestic Product (GDP) and economic

expansion. This has occurred in Latin American and East Asian countries, where the informal economy has shown remarkable expansion (Maharaj, 2014).

Literature suggests that in Africa, the level of informality tend to be high compared to developed countries such as USA and Canada. The informal sector accounts for about 41% of GDP in African countries and averages between 24 – 64% (Bolarinwa and Simatele, 2023). This is despite various theoretical predictions suggesting that the informal sector should decline as the economy grows. Although various definitions of informal businesses can be found in the literature, there are contradicting views on their roles. There are those who view informal businesses as undesirable because of its nature (i.e. shadow and undisclosed economic activities). Barker (2003:19), is among those who defined informal business in the context of this view and defined them as "unorganised and mostly legal but unregistered economic activities that are individually or family owned and use simple, labour-intensive technology". On the other hand, there are those who holds an alternative view and believes that informal businesses are an important source of livelihood for the poor (Bolarinwa and Simatele, 2023).

High rates of unemployment can be argued to influence expansion in participation in informal businesses in most developing countries, as individuals seek alternative means by which they can survive unemployment and generate the income needed to sustain their lives. This has been the case in SA where extensive unemployment and poverty among people residing in township/urban communities has led to an increased creation of small business activities in these areas (Maharaj, 2014). In SA, about 70 percent of individuals who initiate an informal business do so in response to the dearth of employment opportunities and having no alternative sources of income (Stats SA, 2020). Understanding the socio-economic challenges faced by SA and the role that the informal sector continues to have in various parts of the world, some researchers believe that SA's growth potential lies in promoting the economic activities (most which would be informal business activities) taking place in township communities (Scheba and Turok, 2020).

The Survey of Employers and Self Employed (SESE) undertaken in 2013 indicates that 1.5 million people were operating informal businesses, a growth of almost 40 percent from the 1.1 million reported in 2009 (Stats SA, 2013). Further growth occurred post 2017, where more than 1.8 million people (more men than women) were reported to operate informal businesses (Stats SA, 2020). Informal businesses are mainly found in township/urban areas in SA and function under poor and difficult conditions (Charman, 2016). Recent statistics on the operating

conditions of informal businesses in SA indicate that more than 28 percent were operating with no electricity, only about 10 percent had flush toilets off site, and 8 percent had no toilet facilities at all available at their businesses (Stats SA, 2021). Furthermore, informal businesses typically generate small turnover and profit margins. More than 50 percent of informal businesses generated a revenue of R1500 or below and less than 10 percent generated a net profit of more than R6000 (Stats SA, 2021).

Despite the operating conditions of informal businesses highlighted above, they are still regarded as critical to combat some of SA's existing social and economic challenges. Furthermore, informal businesses are known to have a crucial impact in employment creation, poverty alleviation, and providing the unemployed with access to income needed to sustain themselves and their families (Sultana et al, 2023). This occurs when those who are struggling to find employment and other economic opportunities in the formal sector of the economy can identify opportunities within the informal business sector and therefore source needed income to survive and improve their lives.

The ability of informal businesses to assist in improving the lives of some of the poorest and deprived population groups such as female-headed households, disabled people, and rural-based families (Sultana et al, 2023), suggests that further interrogation of informal businesses, the constraints they face and how they can succeed is necessary, as understanding these will allow for appropriate interventions to ensure that their reach can be further extended among indigent groups. This can be used to effectively influence the development of appropriate policies and support initiatives that may see the informal business sector expanding when authorities have a better understanding of the potential of informal businesses in alleviating SA's existing socio-economic conditions.

1.2 The Problem Statement

One of the problems facing SA in most township communities is the continuous existence of socio-economic challenges, including lack of employment, poverty, and restricted economic growth. Furthermore, since the end of formal segregation when SA attained its new democracy in 1994, there has been an expansion of township areas, which are now inclusive of informal settlements (Grangxabe et al., 2023). The increase in the formation of informal settlements within urban/township areas has exacerbated some of the existing socio-economic challenges faced by individuals residing in these areas because township residents are subjected to poor living conditions and are exposed to high levels of poverty and unemployment.

The literature explains that informal settlements are places where people often have limited or no security of tenure with regards to the land or houses they live in, lack basic and city infrastructure, reside in houses that do not comply with planning and building regulations, and lastly, are often located in geographically and environmentally dangerous areas (Habitat UN, 2015). The Census Report of 1996 indicates that over 1 million families in SA were living in informal settlements. This has reportedly increased to nearly 2.3 million households in the past few years (Nkoane, 2019)

The existence of poor living conditions for township and informal settlement dwellers poses a challenge to the economy of the country and to the fight against existing socio-economic challenges. Furthermore, the continuous existence of socio-economic challenges is not in line with various commitments (e.g., SDGs) that the SA government, together with many other countries are part of. This may also be concerning given the number of resources that are distributed to combating socio-economic challenges in the country.

To try and address some of the challenges highlighted above, the post-apartheid government deployed more resources towards addressing existing socio-economic challenges facing the country and implemented various socio-economic programmes to improve the wellbeing of citizens and the economy of the country. These include (but are not limited to) the Reconstruction and Development Program; Growth, Employment and Redistribution; Shared Growth Initiative of South Africa; New Growth Path; various institutions created under these programmes; and currently the National Development Plan (NDP) that is being used by the SA government as a long-term socio-economic policy (National Planning Commission, 2022).

The initiatives mentioned above were intended to advance the socio-economic conditions of citizens, and the economy of the country. This includes reducing levels of unemployment, promoting an equal society, improvement of the educational system, and economic growth, among others. Looking at the social developments that have occurred in SA, it can be said that the programmes implemented under these initiatives have had a certain influence towards advancing the conditions under which people survive in some parts of the country. It may also be argued by some researchers and analysts that part of the reason the highlighted initiatives may have not yet fully addressed the problem is poor implementation and monitoring (Bhorat et al., 2020).

South Africa faces another challenge, which is that of an increase in immigration, which accounts for about 17 percent of the country's population growth (Stats SA, 2023). Literature

notes poor socio-economic conditions in other countries (mostly in African neighbouring countries) and political instability as some of the reason's individuals are immigrating to SA (Segatti and Landau, 2011). Because of these poor socio-economic conditions in other countries, some individuals are being forced to consider alternatives, one of which includes emigrating to other countries, including SA, solely to look for favourable economic and social prospects.

South Africa is also known for its progressive and internationally praised constitution that recognises not only the rights of native citizens but also recognises rights of foreign citizens living in the country. Furthermore, the Freedom Charter expressly stipulate that "*SA belongs to all who live in it*" (Paulk, 2015). Thus, this can be considered another reason individuals immigrate to SA; for protection of their human rights while living in the country and looking for better opportunities.

According to the literature, there is no universal definition of the term "immigration". However, the United Nations (1998) provides the most cited definition which accords with the 1998 recommendations on statistics of international migration and defines it as "any person who changes his/her country of usual residence, in which the individual usually spends his/her daily period of rest". The United Nations' (1998) definition of immigration further stipulates that an individual who enters the country for only up to three months cannot be considered an immigrant but can only be referred to a visitor. Those who visit the country beyond three months are referred to as short-term immigrants for the following nine months. Only after one year of stay in a country is a person considered an immigrant in that country. According to the 2011 SA census, there were 2.2 million immigrants in SA (Stats SA, 2011). The results from the recently conducted 2022 SA census suggest that this has increased to above 2.4 million immigrants (Stats SA 2023).

The rise in immigration in SA has, among other reasons, led to an increase in informal businesses in most townships in the country as informal businesses owned by foreign nationals continue to be on the rise (Charman et al., 2013). This has occurred as many immigrants run their small businesses in township communities, which has led to an increase in competition faced by local informal business owners. Furthermore, this has raised controversial debate over the issue of scarce resources (such as jobs, educational facilities, economic opportunities, land, social services, etc.) that are now being shared with foreign-owned informal businesses. There also exists a belief by some South Africans that immigrants take their jobs or encroach on their

markets, which has partially contributed to the unsustainability of informal business activities in townships and in some instances fuelled xenophobic violence (Gao, 2022). It should be noted that the challenges posed by immigrants are not unique to SA, as other countries, particularly developing and developed, have also been susceptible to challenges associated with immigration (Nakhaie, 2018).

Despite the above-mentioned arguments, the literature highlights some notable roles of the informal business sector in SA's economy and other African countries. According to Kingdon and Knights (2001) and Blaauw (2017), SA's informal business sector's contribution to total employment appears to be smaller than some of its peer-group[2] countries. Evidence in Burger and Fourie (2015) suggests that SA's informal business sector's share of employment has been declining over the past decade, having declined from 20 percent in 2000 to 16 percent in 2015. Saunyama (2013), in a study examining the role of informal sector trade in alleviating poverty, found that informal sector trade can positively contribute towards reducing households' poverty (Saunyama, 2013). Thus, the question can be raised as to whether the increased formation of informal businesses offers potential for alleviating poverty among people residing in poor communities in SA.

The above highlighted challenges (unemployment, poverty, and restricted economic growth) and failures of the implemented initiatives[3] to fully address socio-economic problems existing in SA calls for a targeted implementation of other initiatives that will respond to these challenges. The need for another source of income for individuals living in township communities who cannot find employment in the formal economy, has driven growth in the formation of informal businesses, the majority of which are operated mainly for survival purposes (Stats SA, 2013). This current study seeks to advance knowledge by providing an understanding of the nature of informal businesses more broadly across SA and within specific township communities (where Inanda, Ntuzuma, and Kwamashu - INK townships will be used for this purpose).

Further to the above, this research intends to establish a link between informal business activity and socio-economic development; examine the disparities between foreign and local informal business owners; and to consider the capability of informal businesses to address existing

[2] *Other developing countries in Africa and outside Africa.*
[3] *Reconstruction and Development Programme; Growth, Employment and Redistribution; Shared Growth Initiative of South Africa; New Growth Path; various institutions created under these programmes; and the National Development Plan.*

socio-economic challenges in SA. The link between informal business activity and socio-economic development is important to advance the understanding of the role of informal business activity in socio-economic development and identify areas where it can be improved to have a more radical contribution towards socio-economic development of the country and its citizens.

1.3 Study Objectives and Questions

As highlighted above, evidence suggests that there has been an increase in informal businesses in the SA economy, which can partially be attributed to individuals pursuing alternative ways to minimise the effect of persistent socio-economic challenges in their lives (Van der Westhuizen, and Swart, 2015; Stats SA, 2018; Trading Economics, 2018; Maharaj, 2014; Stats SA, 2013). Considering this, the key goal of this research is to investigate the rise and nature of informal businesses across SA and within the INK communities in relation to existing socio-economic challenges facing people in these areas in SA, and to provide insight into how informal businesses may help to ameliorate existing socio-economic challenges of citizens. This overarching goal encompasses three research objectives, to be achieved by answering a series of research questions specific to each research objective.

1.3.1 Research Objective 1: To examine the size and composition of informal sector employment in SA.

- What is the size (in terms of number of people employed) of the informal sector employment in SA, and how it has changed over time?
- What is the composition (in terms of the type of people employed) of the informal sector employment in SA, and how it has changed over time?
- What are the characteristics (in terms of conditions under which they work in) of the informal sector employment in SA?

1.3.2 Research Objective 2: To identify the characteristics of local versus foreign informal business owners and informal businesses in the Inanda, Ntuzuma and Kwamashu (INK) townships.

- What are the characteristics of local versus foreign informal business owners in the INK townships?

- What characterises local versus foreign informal businesses owned within the INK townships and conditions under which they operate?

1.3.3 Research Objective 3: To compare the characteristics of local versus foreign-owned informal businesses (and their owners) and explore whether and how informal business ownership has impacted the socio-economic conditions of informal business owners within the INK area.

- Is there any existing difference between informal businesses owned by foreign and local nationals within the INK area?
- How has informal business ownership impacted socio-economic conditions of informal business owners in the INK area?
- What are the influential factors of INK informal sector earnings and the determinants of improvement in standard of living of participants?

1.4 Significance of the Study

Coming into democracy in 1994, the SA government implemented several initiatives, among which included policies and institutions to try and combat socio-economic challenges facing the country. However, 29 years into democracy, the country is still exposed to some socio-economic challenges such as lack of employment, poverty, and poor economic growth. As indicated from the introduction, the SA government is currently using the NDP policy as the long-term socio-economic road map; notable from the NDP is its commitment to reducing income poverty by 2030 through ensuring that no one survives with a monthly income of less than R585 per person per month (Stats SA, 2022). The NDP recognises the role of small businesses in overcoming some of the existing socio-economic challenges. Furthermore, it is under the NDP that small businesses are considered the future of business as well the economy of the country. As of 2017, small businesses accounted for about 40 percent of all businesses in SA, and it is anticipated that going forward, 90 percent of all new jobs will come from small businesses (Mhlongo and Daya, 2023; Smit, 2017).

The potential of small businesses, in addressing some of the existing socio-economic challenges in SA, necessitated the establishment of the Small Enterprise Development Agency (SEDA) in 2004, which is mandated to develop, support, and promote small businesses in the country and ensure that they grow and become sustainable (SEDA, 2019). Ten years later, the government of SA furthered its commitment to promoting small businesses by establishing the

Department of Small Business Development (DSBD) in 2014, where SEDA became an agency under this department (DSBD, 2019). The DSBD was tasked with the responsibility of addressing the lack of support to small businesses and co-operatives.

It is to be noted that there are other institutions, policies and initiatives implemented to support and promote small businesses as one of the mechanisms to address some of the existing socio-economic challenges in the country. Despite all these initiatives, small businesses continue to face several challenges that are restricting their potential to address socio-economic challenges (Mhlongo and Daya, 2023). This is evidenced by the persistence of socio-economic challenges (among other reasons), suggesting that increases in investments directed towards initiatives for supporting small businesses may not have yet produced the desired impact. Furthermore, it may suggest a gap between policy/institutional initiatives and expected outcomes.

Considering this, the significance of this current research is that because it considers both aggregate information on the informal economy (through interrogating national level information) as well as the nature of informal businesses, the challenges they face, the strategies that they may use to overcome them, and their contribution to the livelihoods of those who own/work in them at a micro level, a much more nuanced picture of how informal businesses can contribute to the enhancement of individual and community well-being can be obtained.

In addition, the primary data collection aspect of the research will further the understanding of informal businesses on the ground, by permitting a level of questioning and information gathering that is not possible in the collection of aggregate data. This will provide a highly nuanced understanding of the drivers and challenges of informal businesses within communities. For example, one of the analyses done in this study identifies influential/drivers of turnover generated by informal businesses from which they can source personal income that they can thereafter use to improve their standard of living. This information may be beneficial to informal business owners, who may use it to organize and deploy relevant resources that will allow for the realization of a successful and growing informal business sector.

Many of the informal businesses operating in various sectors of the informal business sector have the potential to grow to comparable levels of more advanced formal sectors of the economy, especially for those operating in the retail sector, which tends to dominate in SA's township informal business sector (FNB report, 2018). Informal businesses' capability to generate significant levels of growth and sustainability can (if supported and capacitated) form

part of the solution to some of SA's existing socio-economic challenges. Thus, this study will advance an understanding of this capability and ultimately contribute towards an impactful informal business sector within SA's economy.

Despite the potential of the informal business sector highlighted above, some researchers believe that informal businesses have historically been ignored by government and other relevant role players in the economy (Kgaphola et al., 2019; Talom and Tengeh, 2020; Van Scheers, 2011; Mukwarami et al., 2018). Some of the areas in which they have been ignored include development of policies with clear plans and initiatives providing a direction on how to grow and sustain informal businesses, and necessary resources available for support. As a result, this has left informal businesses exposed to various challenges that are limiting their potential.

Considering the challenges highlighted above, initiatives that may be implemented to ensure a successful informal business sector that will contribute towards addressing socio-economic challenges – which may include promoting small business activities in rural and township communities – are suggested towards the end of this study. This is done by examining the nature of small informal businesses in SA, including those operating in township communities (specifically the INK area), understanding the challenges they face, and their role in addressing some of the existing socio-economic challenges. This further includes determining how the small informal business environment has changed over the years (period from 2001 to 2017) and suggesting ways on how they can be furthered and capacitated to have a meaningful and recognisable effect in SA's socio-economic environment.

The 2022 Census report has revealed that there has been an increase in immigration, which is believed to be partly due to poor social and economic conditions in neighbouring countries in Africa as well as other countries outside of Africa (Stats SA, 2023; Crush and Peberdy, 2018). This has led to a rise in small informal business activities by foreign individuals in most township communities in the country. Competition faced by local business owners has contributed to controversial debates and comments, as some local business owners believe that the increase in informal business activities by foreign nationals has contributed to the demise of informal business activities of locals. Considering this, this study contributes to the literature by advancing this debate through engaging with foreign and domestic informal business owners and furthering an understanding of the existing gap among them through a comparative

analysis. Ways in which both ownership cohorts can work together for the benefit of the entire sector are suggested.

This study is expected to benefit various government institutions, including but not limited to eThekwini Municipality, the DSBD, small informal businesses in the INK area, the INK community, and the Department of the presidency (National Planning Commission) through contributing to the literature on informal business sector development, which is in accordance with some of the mandates of some of these highlighted institutions. The findings of this study and its recommendations will influence improvement of initiatives implemented under these highlighted institutions and contribute towards an improvement of initiatives that will respond to current and future challenges faced by informal businesses through recommendations that will be highlighted later in this study.

1.5 Research Scope

The key goal of this research is to investigate the rise of informal businesses in township communities in relation to existing socio-economic challenges facing people in these areas in SA and to provide insight into the role of informal businesses in alleviating some existing socio-economic problems. The study focusses on informal businesses, and for the purposes of this research, an informal business is regarded as an unorganised legal but unregistered[4] business owned by family or an individual and which utilizes labour-intensive technology. Registered[5] businesses are not a part of this study.

1.6 Structure of the Study

Chapter 2 provides a comprehensive literature review on informal sector businesses and their contribution towards improving socio-economic conditions of people. Chapter 3 presents an understanding of the size, composition, characteristics, and trends in informal sector employment in SA over the period 2001–2017. This involves presenting and analysing national data and information collected from the Survey of Employers and Self Employed (SESE). Chapter 4 discusses primary data collection.

In Chapter 5, an analysis of informal business ownership is reduced to the specific area/township, whereby the characteristics of informal business owners and informal

[4] *Unregistered businesses are for the purposes of this study non-VAT registered businesses (Stats SA, 2017).*
[5] *Registered businesses are for the purposes of this study VAT registered businesses (Stats SA, 2017).*

businesses within the INK area are examined. Furthermore, the analysis in Chapter 5 provides an understanding of how informal business ownership can help in improving the lives of individuals participating in this sector, including that of INK township dwellers. A determination of whether there are any existing differences between informal sector business ownership by foreigners and local citizens is discussed in Chapter 5. Chapter 6 presents an analysis of influential factors of informal sector earnings and improvement of the standard of living of INK informal business participants. Lastly, Chapter 7 concludes and summarizes the findings of the study as well as other important aspects. Based on the findings of this study, Chapter 7 also present recommendations as well as other initiatives that can assist in improving SA's informal business sector for it to become effective in sustaining and advancing the livelihoods of people residing in rural, urban, and poor communities.

CHAPTER 2:

REVIEW OF LITERATURE ON INFORMAL SECTOR BUSINESSES AND THE SOCIO-ECONOMIC ENVIRONMENT

2.1 Introduction

Most economies in the global economic environment are made up of contributions of both formal and informal business activities, which, according to Rahman (1992), can be distinguished in terms of education, income, and wealth levels of workers. For example, when compared to the formal business sector, the informal business sector is known to be the portion of the economy that is not taxed, not regulated, individuals work under precarious conditions, and to a certain extent are not acknowledged by government (Becker, 2004; Hossain, Islam and Siddique, 2005). Part of the reason it is not taxed is because revenue generated by most informal businesses does not meet the income tax threshold (Maharaj, 2014). In terms of education, the informal business sector tends to be dominated by individuals with limited education compared to individuals participating in the formal business sector (Kolm and Larsen, 2016). While education may be a requirement for formal sector jobs (i.e., matric, or academic degree), in the informal business sector, individuals with no matric or any formal education participate in this sector, and hence the informal business sector tends to fall behind in terms of education compared to the formal business sector.

Despite the disparities between the informal and formal business sectors noted above, the informal business sector play an important role in advancing the national economies of most developing countries, with employment being one of these roles. Employment in the informal business sector can be classified into two categories, namely self-employment and wage employment (Hossain et al., 2015). Self-employed workers may further be disaggregated into own account workers (workers working for themselves without employing others) and those that employ others. Wage workers, on the other hand, are those individuals that provide employment services to informal businesses, and employers are those individuals that own and operate informal businesses (Hossain et al., 2015).

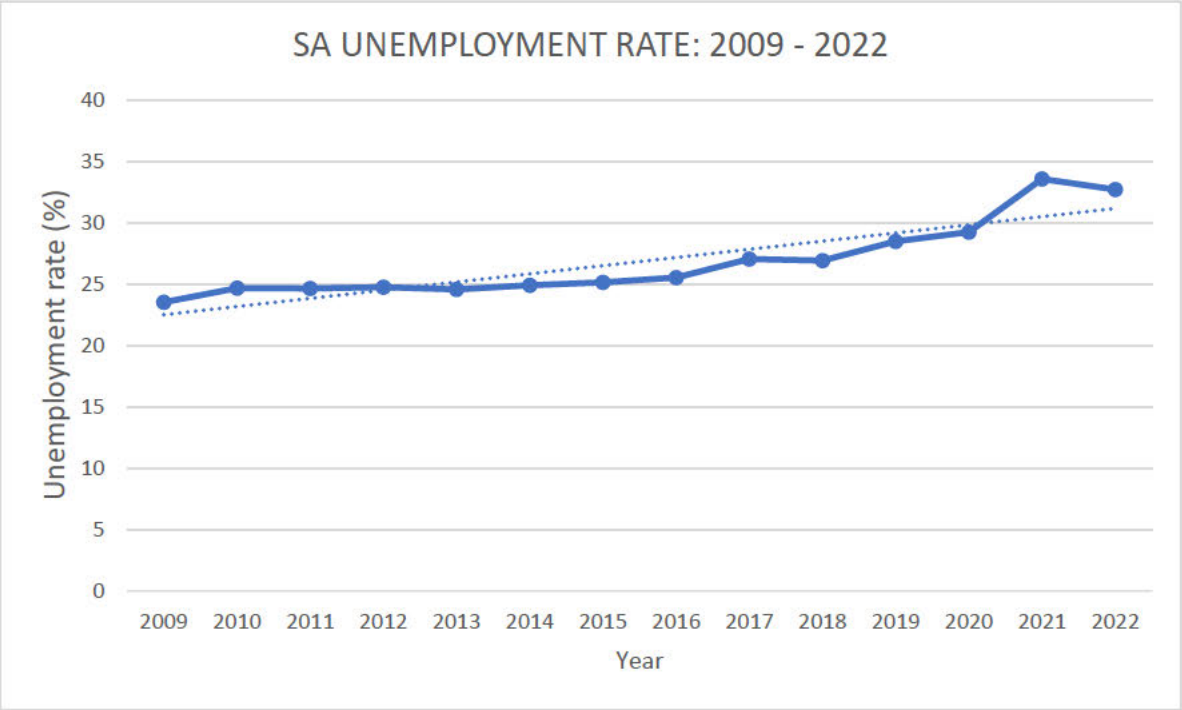
Further to the above, the informal business sector is also praised for its ability to facilitate those who cannot access jobs in the formal job market to source income through participating in this sector, thus enabling them to sustain their lives as well as that of their families (Bashe, 2013). However, the continued existence of socio-economic challenges such as poverty and lack of

resources in most developing countries, including in SA, poses a threat to the potential of informal businesses to contribute to economic development (Stats SA, 2019; Cronje, 2019; Genetzky, 2018; Ormajee, 2017; Godehart, 2007). This has been the case in most African countries where, for instance, poverty and unemployment have consistently increased over time. The implication of the continued existence of socio-economic challenges is that they may reduce individuals' buying power, thus creating a non-conducive environment for small informal businesses to succeed and be sustainable.

A look at SA's annual official unemployment rate[6] over a decade ago in Figure 2.1 below indicates that overall, it increased from 23.5 percent in 2009 to 32.7 percent in 2022. The general trend line suggests that on average, SA's unemployment consistently increased, evident from the upward sloping trend line. Although between 2012–2013, 2017–2018 and 2021–2022 the diagram shows that there was a slight decline, this appears to have been not so significant.

[6] *More recent unemployment statistics were highlighted and discussed in the introductory chapter 1 above, with the most recent one being that of 32.9 percent in the first quarter of 2023 (Stats SA, 2023).*

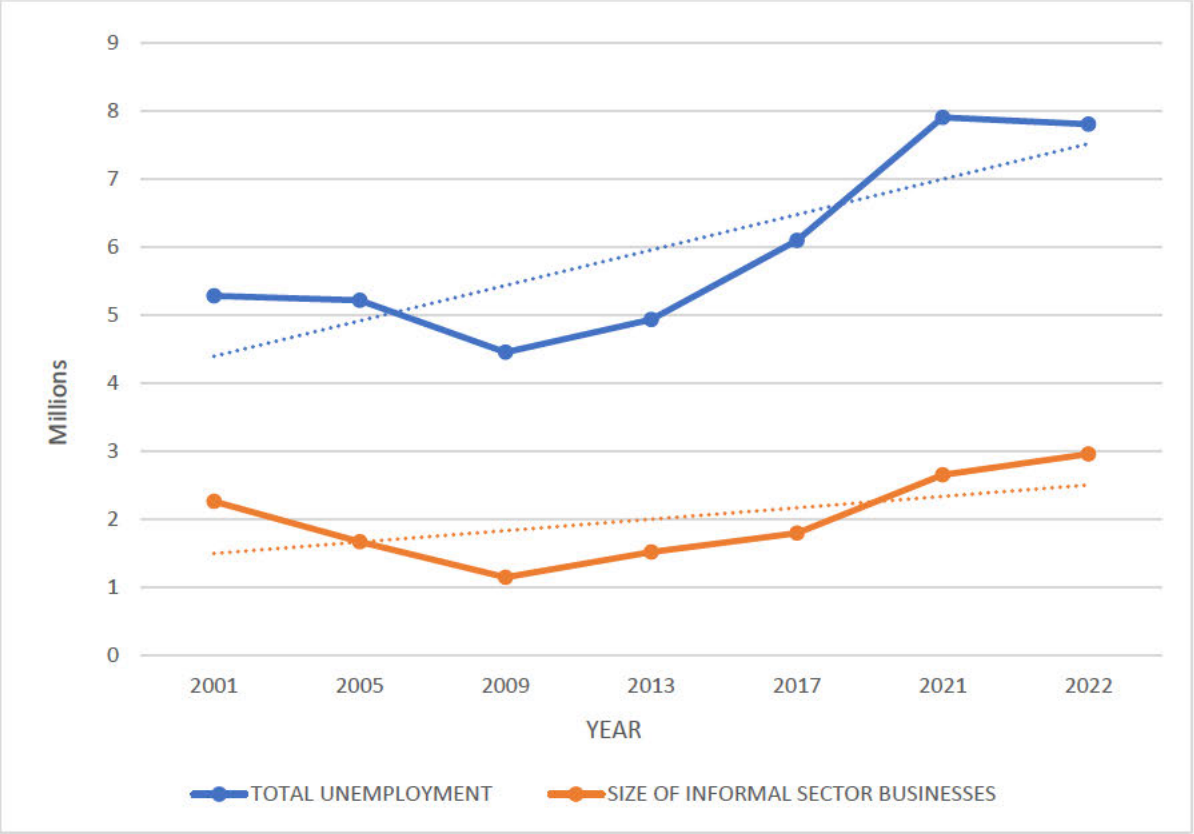
Figure 2.1: SA Unemployment Since 2009



***Source**: Own compilation utilizing data from the Stats SA (2009–2022).*

It is anticipated that as unemployment rises, the informal business sector is also likely to rise when it absorbs individuals who are unable to secure employment in the formal sector (Burger and Fourie, 2019). Thus, to determine if changes in the size of the informal business sector in SA follows changes in the national levels of unemployment, a graphical depiction of trends in the size of the informal business sector and the total number of unemployed people (using the official definition of unemployment) are shown in Figure 2.2 below, wherein the y-axis shows both number of people who are unemployed and those running informal businesses (millions) while the x-axis is time (years).

Figure 2.2: Relationship between Total Number of Unemployed and the Size of Informal Sector Businesses in SA, for the Period 2001–2022[7]



Source: *Own compilation utilizing data from the Stats SA (2001–2022).*

Figure 2.2 above indicates that between 2001–2022, the total number of unemployed individuals increased from a little over 5 million people to almost 8 million people, while people running informal sector businesses increased from a little over 2 million people to about 3 million people. This is further confirmed by the general trend lines, which are both upward sloping for total unemployment and the size of informal sector businesses. Figure 2.2 shows that during the period 2001–2022, total unemployment and the size of the informal business sector tended to move in a similar direction as they followed each other.

Possible reasons for the two graphs moving in the same direction in Figure 2.2 above could be argued to be that when individuals find employment in the formal business sector, they may quickly resolve to pause or abandon their participation in the informal business sector, causing the size of informal sector businesses to decline while employment increases[8]. When people

[7] *While Figure 2.1 covers the period 2009–2022, Figure 2.2 was made to cover the period 2001–2022 to show changes that have occurred since 2001 in the size of SA's informal sector businesses. Data on the size of informal sector businesses and unemployment was sourced from Stats SA.*
[8] *Employment statistics in SA include those who work in the informal sector.*

become unemployed (for various reasons, e.g., retrenchment), they may consider opening informal businesses, causing the size of the informal business sector to rise as their employment in the informal business sector also rises. Because the formal business sector tends to be skills intensive, individuals who lack skills that are needed in the formal business sector and therefore fail to find jobs in the formal business sector may turn to the informal business sector and look for opportunities available within it (Burger and Fourie, 2019). Therefore, the informal business sector remains an alternative for those who cannot be absorbed in the formal business sector.

Some researchers have outlines how unemployment may not always result in an expansion of the informal business sector (Burger and Fourie, 2019; Kingdon and Knight, 2004). Kingdon and Knight (2004) associate this with the unemployed individuals preferring leisure instead of participating in the informal business sector, especially if they can afford leisure, thus suggesting voluntary unemployment. Unemployed individuals may also be deterred by certain barriers to entry from entering the informal business sector, which can involuntary unemployment. Unemployment, among other factors, is further interrogated later in this study in an analysis of the factors driving informal business activities in SA, both nationally and locally (looking specifically in the INK area).

Considering the above, this chapter provides an understanding of the informal business sector though a comprehensive literature review on entrepreneurship and its contribution towards the formation of small informal businesses. The first section reviews theoretical literature on entrepreneurship and the informal business sector as well as their contribution to the socio-economic environment. In the second section, a review of empirical literature on the informal business sector is presented, focussing mainly on factors motivating the formation of informal businesses, their contribution to alleviating socio-economic challenges, and lastly the role of immigration in informal sector business activity. Lastly, the final section provides an overview of the informal business sector in SA and within the eThekwini municipality.

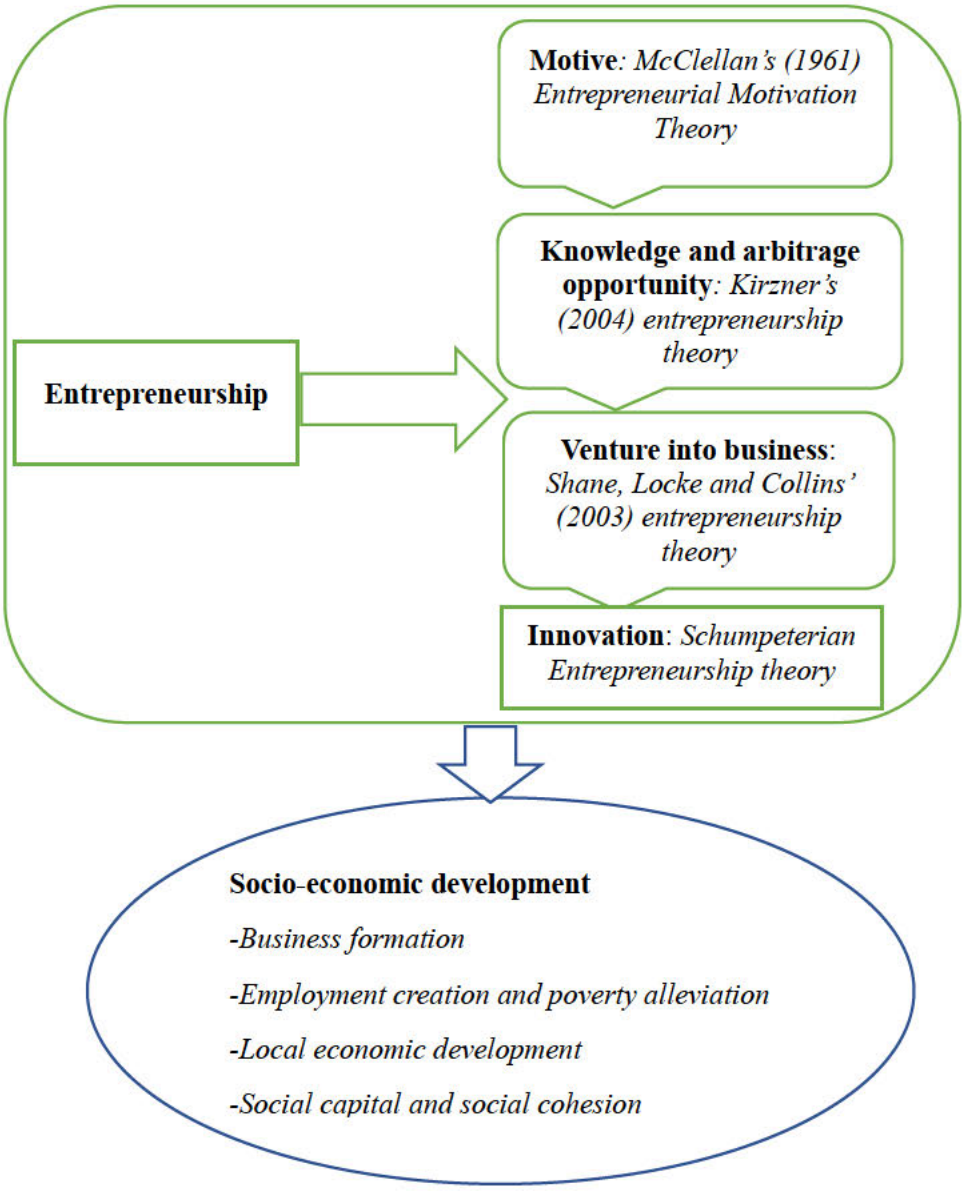
2.2 Theoretical Literature

2.2.1 Understanding Entrepreneurship

This study makes use of entrepreneurship theory to explain the rise of small businesses in the informal sector. One of the interventions that is being increasingly implemented in the current economic environment is the promotion of entrepreneurship, which, according to Howard (1995), can afford individuals an opportunity to be productive, source income, and improve

their social conditions, thus leading to a certain contribution towards the national economies of several developing countries in Africa and outside of Africa. This has also been the case in SA, where there has been a general rise in informal business ownership, which may be argued to be in response to existing socio-economic challenges, as people are considering small business ownership, mainly in the informal business sector as an alternative (Stats SA, 2020). Using some of the entrepreneurial theories in the global context, Figure 2.3 below shows how entrepreneurship may arise, which in the case of SA, also includes the political, social, and physical environment that may affect socio-economic development.

Figure 2.3: Developing an Understanding of Entrepreneurship within the Informal Business Sector and its Contribution to Socio-Economic Development



***Source**: Own compilation using sources highlighted in the diagram.*

Figure 2.3 indicates that entrepreneurial processes originate mainly from a motive or a desire to become an entrepreneur. McClellan's (1961) entrepreneurial motivation theory is centred around three aspects, namely the need for achievement, the need for power, and the need for affiliation, which may motivate the person developing an interest in entrepreneurship. The need for achievement is described as a deep-seated desire to accomplish great things (McClellan 1961). It is because of this desire that entrepreneurial tendencies that can be generated into a new business idea may develop within individuals with imagination and innovative thinking

The need for power, on the other hand, is the desire to have control over something or people (McClellan, 1961). Owning the business may enable the person to exert control over it and employees within the business. It may also allow the owner to have some control over their own livelihood. According to McClellan (1961), individuals with a need for power generally attribute value to status, reputation and recognition, and adore competition and winning. Therefore, a link can be drawn between need for power and entrepreneurship, whereby individuals are motivated to start their own businesses to have control over something of their own rather than working for another person or company.

Lastly, the need for affiliation is also associated with entrepreneurship whereby individuals who desire to be part of a group work together under a mutual understanding of achieving a certain common goal (McClellan, 1961). Unlike the need for power, the need for affiliation is found to be common among individuals with little or no desire to be in power. These individuals may be motivated to form a business as a group or as partners rather than sole ownership, thus giving rise to entrepreneurship. An example would be a cooperative whereby individuals with entrepreneurial capabilities come together and form a business with a common objective to achieve their common goals. According to McClellan (1961), these are entrepreneurs who value cooperation over competition. The empirical literature presented in section 2.3 below suggests other factors that may also encourage entrepreneurship, looking specifically at the informal business sector.

Once the entrepreneurial motive has been developed, Figure 2.3 shows that the next process in the formation of entrepreneurship is to identify an opportunity or a gap in the market. Kirzner (2004) associate entrepreneurship with alertness to arbitrage opportunities, where individuals use knowledge (potentially sourced from education, previous experiences, and market research) to identify profitable prospects. Thus, an entrepreneur can be argued to be someone

with an ability to identify profitable opportunities. Knowledge and experience are pivotal, because individuals with entrepreneurial capabilities use these to identify unexploited opportunities in the market and establish a system or idea to take advantage of such unexploited prospects. This may result in the formation of new goods/services and therefore contribute towards advancing the national economy. Some researchers believe that knowledge, experience and understanding the needs of individuals residing in local communities may result in the recognition of an opportunity, thus motivating for the creation of small informal businesses in local communities, to ensure that these needs are catered for (Njiro, Mazwai and Urban, 2010; Parwez, 2017).

After identifying the opportunity, Figure 2.3 indicates that the next process in the formation of entrepreneurship is whereby individuals venture into business ownership, thus resulting in entrepreneurship. Shane, Locke and Collin (2003) associate entrepreneurship with self-employment, whereby individuals either work for themselves or employ others. A self-employed individual may venture into business for many reasons, including the need for achievement, maintaining a locus of control, passion, willingness and desire to be independent, and the need to survive in the absence of alternative opportunities.

As individuals venture into business ownership, this may result in innovation, with new goods and services, as well as new ways of doing business, being introduced into the market. Schumpeter (1943) is among the researchers who has explained the role of entrepreneurship in economic development, and strongly associates it with innovation. Thus, an entrepreneur can be regarded as an 'engine of change', improving efficiency through discovering new goods and services, cultivating efficient production techniques, and identifying new markets. Similarly, McCaffrey (2009) regards entrepreneurs as the spearhead behind economic transformation under the capitalist system as they organise the required means of production. Innovation is therefore crucial for entrepreneurs' creative abilities. Innovative business ideas are critical for driving the development of the national economy through their contribution towards employment creation and enabling the poor to source income, thus contributing to socio-economic development as suggested in Figure 2.3. Based on the discussion above, it can be said that entrepreneurial motivation happens in a particular context, which can in turn impact the entrepreneurial process.

2.2.2 Theory on the Informal Business Sector in the Socio-Economic Environment

The term 'informal business sector' has been widely used to refer to businesses that operate within the informal sector, but a comprehensively agreed definition of the informal business sector is still to be established. Despite this, some scholars have provided some guidance on how the informal business sector can be defined. According to Hart (1973), the informal business sector can be associated with small scale business activities and all forms of economic activities that are excluded from the country's national statistics. Hart (1973) expanded this definition to also include business activities that do not meet government's laws and regulations (i.e., illegal business activities). Hart's (1973) definition of the informal business sector is consistent with contracting views about the informal sector introduced earlier in the introductory Chapter 1. It can be said therefore, that Hart (1973) is among the scholars who hold a negative view about the informal business sector (i.e. that if it is not monitored it can be self-reinforcing, resulting in increased inefficiencies coupled with low productivity that may cause reduction in economic growth).

Gerxhani (2004) and Collin (2007), on the other hand, both believe that the informal business sector can be defined in terms of its characteristics and the context under which the study is conducted. There appears to be consensus about some of the characteristics of the informal business sector, which have been noted in other studies, to include family ownership, ease of entry, labour intensive, and tendency to operate in unregulated but generally competitive markets, among others (Botha, 2006; Meyers, 2009). Over the past few years, the definition has since been expanded to also incorporate the size of the business in terms of ownership, employees, capital base, and average income (Mboma, 2008; Meyers, 2009).

Chen (2007) provides an alternative approach to consider when defining the informal business sector, which is to differentiate it according to the traditional and modern view. Unlike the traditional view, the modern view recognises the role of the informal business sector in the economy and considers it to be important in economic development. Table 2.1 below compares the traditional view of the informal business sector, in relation to the modern view. However, definitions from some scholars, including Mboma (2008) and Meyers (2009), suggest that the informal business sector has moved away from the traditional view to a much more modern view, which recognises the sector's stability within the economy as well as its contribution to employment, growth of the economy and in turn, poverty alleviation.

Table 2.1: Modern and Traditional View of the Informal Business Sector within the Economy

Traditional View	Modern View
The informal sector is the traditional economy that will wither away and die with modern, industrial growth.	The informal economy is 'here to stay' and expanding with modern, industrial growth.
It is only marginally productive.	It is a major provider of employment, goods, and services for lower-income groups. It contributes a significant share of GDP.
It exists separately from the formal economy.	It is linked to the formal economy—it produces for, trades with, distributes for and provides services to the formal economy.
It represents a reserve pool of surplus labour.	Much of the recent rise in informal employment is due to the decline in formal employment or to the informalization of previously formal employment relationships.
It is comprised mostly of street traders and very small-scale producers.	It is made up of a wide range of informal occupations—both 'resilient old forms' such as casual day labour in construction and agriculture as well as 'emerging new ones' such as temporary and part-time jobs plus homework for high tech industries.
Most of those in the sector are entrepreneurs who run illegal and unregistered enterprises to avoid regulation and taxation.	It is made up of non-standard wage workers as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are amenable to, and would welcome, efforts to reduce barriers to registration and related transaction costs and to increase benefits from regulation; and most informal wage workers would welcome more stable jobs and workers' rights.
Work in the informal economy is comprised mostly of survival activities and thus is not a subject for economic policy.	Informal enterprises include not only survival activities but also stable enterprises and dynamic growing businesses, and informal employment includes not only self-employment but also wage employment. All forms of informal employment are affected by most (if not all) economic policies.

Source: Chen (2007).

Notable from Table 2.1 above is that the modern view regards the informal business sector as a crucial component within the economy, with large potential growth that may directly and/or indirectly contribute to economic growth. Yu and Ohnsorge (2019) and de Soto (1989, 2000) are among the scholars who have argued on the basis of the modern view that the informal business sector generates a pool of entrepreneurs who can contribute to economic growth, particularly if the business environment is free from too much government regulations. It can be argued that the potential contribution of the informal business sector on the economy outlined in the modern view have led to entrepreneurial activities in the informal business

sector being largely recognised by some researchers as contributing towards remedying some of the existing socio-economic challenges, particularly when those who are unable to find employment in the formal business sector are able to source employment and have the necessary income to survive (Bolarinwa and Simatele, 2023 and Beckouche, Hausman, Tyson and Zahidi, 2013).

Three theoretical approaches dominate in the advancement of the understanding of the cause and role of the informal business sector within the context of socio-economic development (Bolarinwa and Simatele, 2023 and Becker, 2004). They include the Dualistic, the Structural, and the Legalist approach (Becker, 2004). These theoretical approaches are discussed in this section, looking specifically at the informal business sector's existence, the nature of work within the sector, the informal sector's relation to the formal business sector, and how it relates to social development.

Looking at the *existence of the informal business sector*, Boeke (1953), Lewis (1954) and Hart (1973) are among the theorists who conform to the **Dualistic approach**, which is based on the view that the economy is divided into two, namely the imperial higher capitalist and the native economies or the formal and informal sectors as commonly known. Despite some scholars such as Hart (1973) holding a negative view about the informal business sector under the dualistic theoretical approach, the informal business sector is continuously recognised as being important in enabling the poor and individuals who cannot find jobs in the formal business sector of the economy (for various reasons that were earlier noted) to source income (Bolarinwa and Simatele, 2023 and Reimer, 2003). Gorden (1982) asserts that growth of the informal business sector results from the shortage of employment opportunities created in the formal economy to absorb surplus labour. Low levels of economic advancement and/or rapid population growth are part of what can be highlighted as the cause (Ntlhola, 2010).

In comparison with the formal business sector, the informal business sector tends to be less concentrated in key industrial sectors (i.e., mining, transport, energy, manufacturing, tourism, and agriculture) and may not capture hastily growing markets and innovative technological advances (Mamphiswana, 2022). As a result, this has created a technological advancement gap between the formal business sector and the informal business sector, which continues to exist (Mamphiswana, 2022). A lack of resources and lucrative investments required to venture into some of the aforementioned industries may be highlighted as one of the reasons there is lack

of technological advancement in the informal business sector, thus limiting informal businesses from participating in these key industries.

In terms of the *nature of work performed* within the informal business sector, the **Structural theoretical approach** explains the informal sector as comprising individuals involved in the production of goods or services primarily for generating employment and income to sustain their lives (Jose, 2008). Although working in the informal business sector may be a choice for some, it may not necessary be a choice for others, but may be more of a means to survive (Jose, 2008). This may lead to individuals accepting work that has poor working conditions. According to Davies (2002), the development of the informal business sector within an economy can also be because of many structural changes that may occur over time, such as new immigrant labour, particularly in African countries.

Because of the conditions highlighted above, some employers in the informal business sector are prepared to reduce input and labour costs, thus leading to poor wages and salaries (Ntlhola, 2010). Among those who support this argument are Castells and Portes (1989), who also believe that the informal business sector may be regarded as a subordinated economic unit with workers who normally accept employment for lower pay. This mostly occurs as and when workers are retrenched by formal businesses, as they may resort to looking for employment opportunities in the informal business sector and be willing to accept lower wages to survive.

The informal business sector is also explained under the **Legalist theoretical approach** by distinguishing it from the formal business sector in terms of the technologies utilised and *whether the business complies with regulations*. According to De Soto (2000), the informal business sector largely comprises of small business innovators that often utilise informal labour. This is largely due to institutional barriers such credit rationing and lack of property rights, which result in participants choosing to stay in the informal business sector to avoid going through a formal registration process, thus saving time and expenses (de Soto, 1989, 2000; Portes and Benton (1989). It can be argued based on the legalist theoretical approach that for as long as administration regulation is cumbersome and costly micro entrepreneurs will continue to function informally (de Soto, 2000. Therefore, the decision to start and continue to operate informally may also be largely influenced by the legal environment.

Pratap and Quintin (2006) found that poor enforcement of laws, corruption by government officials, inefficient registration procedures, weak protection of property rights and failure of the legal system are crucial factors explaining the gap in the size (in terms percentage of GDP)

of the informal business sector in nations with comparable levels of economic development. This has led to some scholars establishing a link between high tax rates, tax evasion and size of the informal sector. Ntlhola (2010) is among the scholars who are of the view that Tax burden is another factor contributing towards individuals operating in the informal business sector than formal business sector due to costs associated with complying rather than the financial obligation itself, thus resulting in some businesses functioning informally to evade paying tax.

Although Chen (2007) provided the basis upon which to understand the informal business sector, is it encouraging that scholars have tended to move away from the traditional of the informal businesses sector to a modern view that recognises its relevance in the economy as well its contribution to socio-economic development. Empirical literature discussed in the following section is centred around the modern view of the informal business sector as it highlight some of its contributions in socio-economic development.

2.3. Review of Empirical Literature on Informal Sector Businesses

2.3.1 Motives of the Informal Business Sector

As highlighted in McClellan's (1961) entrepreneurial theory discussed above, several motives may encourage individuals to start informal businesses, and they can be broadly grouped into pull (business opportunity) and push (business necessity) motives (Botha, 2006; Islam and Gazipur, 2012). Pull factors are typically positive influences that encourage an individual to start researching or implementing a business opportunity (Setiawan, 2023; Dolinger, 1999). Conversely, push motives are adverse actions that may motivate an individual to establish a business when, for example, work in their profession is lost or has become less attractive. Limited or alternative career choices (resulting *inter alia* from limited employment opportunities, retrenchments, or dismissals at work) could force individuals to consider starting a business to generate income to sustain themselves and their families (Meyers, 2009).

Although several researchers have presented their work on entrepreneurial motivations, what is notable is that they have been consistent over time to group them into pull and push type of motivation (Setiawan Sanusi, 2023; McClellan, 1961). Setiawan (2023) provided an element of gender comparison on entrepreneurial motivations and argued that women's entrepreneurial motivation tends to be like that of their male counterpart, in that both can be motivated by either a necessity or an opportunity. However, it is important to highlight that the reason behind women choosing to participate in entrepreneurship tend to be somewhat distinct. This is

because of the traditional view about certain roles that women are expected to fulfil (i.e., providing for the family and child nurturing roles (Setiawan, 2023). Some of the push and pull motives associated with informal business activities are discussed below.

2.3.1.1 Self Employment

A person may decide to own his/her business (and become self-employed) to take advantage of the freedom and control that it may provide, as opposed to working and reporting to someone else when working for another business (Botha, 2006). However, it is important that individuals who start their own businesses exercise this benefit with caution and should allow it to be a motivation rather than a distraction (i.e., when they lose focus and discipline).

Lee-Gossellin and Grise (1990), in their study done in Quebec, Canada, found that among the reasons people participate in business ownership is to advance their personal growth, enabling them to respond to their economic and social desires. Lee-Gosselin and Grise (1990) used a survey questionnaire on 400 entrepreneurs to source data, which was analyzed through use of a descriptive analysis procedure. In addition, those who enjoy spending time with their families often find self-employment more attractive than working for another business, where more regularised working hours may limit the person's time to spend with his/her family (Fatoki, 2014). The freedom and control that self-employment may provide is recognised in other studies as one of the aspects encouraging people to venture into business ownership (Orhan, 1999; Demartino and Barbato, 2003; and Wasilczuk and Zieba, 2008). These studies also found that individuals participate in business ownership as a way of balancing their career and family life.

Self-employment is not without challenges as it may require the person to spend more time taking care of business affairs to avoid business failure, which may limit family time. In addition, if a business fails, the owner of the business must take responsibility for the failure and account to his/her employees and family. This may cause emotional, financial, and psychological distress on the owner, which may end up negatively effecting his/her health.

2.3.1.2 Challenge

The desire for a more challenging activity may motivate a person to start a business and become self-employed. Individuals' preferences and appetite for risk to take on challenges are unique and usually vary over time. As individuals' preferences change with time, so too may their desire to engage in more challenging activities. The desire for a more challenging activity has

been associated with encouraging more individuals to participate in business ownership, mainly in the informal business sector where the challenges are likely to be quite different from the formal business sector. This has been noted in Moore (1997) in a study done in 12 research sites, namely Boston, New York, Philadephia, Atlanta, Winston-Salem, Orlando, Charleston, New Orleans, Chicago, Cincinnati, Dallas and San Francisco. In this study, data was collected from 129 informal business owners and was analyzed through the use of correlation matrices to examine the drivers of business start-ups together with their successes.

Moore (1997) found that most individuals in the 12 research sites who participated in the study left their jobs mainly to look for more challenging activities, with the desire to run a business defined as the primary challenge. It should be noted however, that Moore's (1997) findings are based on a study done in the United States, where contextual factors influencing the existence and growth of the informal business sector may be quite different as compared to SA.

2.3.1.3 Monetary Benefit

Prospective monetary benefit is considered as another motive for venturing into business ownership, as it could potentially allow individuals to access more money in the form of personal income that may be sourced from business turnover as opposed to depending on a salary, which may be limited and remain stagnant for longer periods (Bradley and Boles, 2003). This occurs as running a business may enable individuals to have unconstrained capability to apply their knowledge and skills and translate these into profitable business ideas. Bradley and Boles (2003) associate the unconstrained capability of individuals to translate knowledge and skills into successful businesses with informal business owners, who, despite the conditions they normally operate under, may still maintain their solid confidence that the business will be successful and generate the desired income. Zogli et al. (2019), in a study based on data collected from 344 respondents in two slum economies in Ghana and analyzed using OLS regression analysis, found that the desire for higher income strongly motivated participants to start their informal businesses, although many other factors determine the level of income earned.

What can be highlighted in respect of the developing countries in Africa is that certain population groups (i.e., women, disabled individuals, and youth) are still faced with the challenge of inadequate opportunities for professional development, such as promotion, learning and skills development, and progress within the corporate environment (Mallon and Cohen, 2001). As a result, lack of opportunities for professional development may make them

feel as if they are being less utilized within the formal corporate environment and cause them to consider other opportunities elsewhere, with entrepreneurship in the informal business sector becoming an easy alternative that may substitute stagnant progress in the corporate environment. Thus, the lack of opportunities for professional development within formal corporate businesses has been noted by some researchers to be among the reasons there has been a rise in formation of small informal businesses in developing African countries (Etim and Daramola, 2020; Boles, 2003).

2.3.1.4 Lack of Employment and Survival Needs

A lack of employment opportunities is also identified in literature to be another motive that may push individuals into business ownership, to address their unemployment challenge (Meyers, 2009). This happens as most unemployed individuals pursue other ways of making income to deal with poverty, with engaging in small business ownership being considered the most appropriate. Verheul et al. (2004), in a study examining male and female business ownership in 29 countries including Brazil, SA, Mexico, India, United States, Norway, and Canada, established that unemployment among individuals living in poor communities has pushed them into initiating small businesses, with wholesale trade, small industrial activities, and hand craft activities being the most common ones.

Maksimov et al. (2017), in a study conducted using data collected from a sample of 1273 SMMEs from seven least developed countries in Africa, Asia and the Middle East, found that small business activities play an imperative role in the lives of poor individuals, who tend to rely more on government grants to live. Through participating in small businesses, poor individuals can source the income needed to survive, thus allowing them to alleviate their reliance on government grants and reduce the burden on the government. In Maksimov et al. (2017), data collected was analyzed using the mediated model. Job insecurity, uncertainty in the corporate environment for various number of reasons, and contract employment, which is more precarious, are also noted in Botha (2006) to be pushing some individuals into resorting to small business ownership by utilising available opportunities (Botha, 2006).

Whether the person has employment or not, the need for survival exists. Scott (1986), in a study conducted at the state of Georgia, investigated reasons as to why more women are venturing into business ownership; data was collected using a survey questionnaire with 291 female business owners and analyzed using a qualitative analysis method. Scott (1986) found survival needs to be another motive that may push individuals into informal business ownership, mostly

when there is a lack of employment. Similarly, Fatoki (2014), in a study investigating factors motivating young South Africans to become business owners, found survival needs and their desire to make it in life to be among the factors motivating them to engage in business ownership. This was further strongly attributed to their high levels of unemployment and thus they considered business ownership as an alternative to meet their survival needs. Fatoki (2014) collected data using self-administered questionnaires in a survey and data was analyzed using descriptive statistical analysis. Therefore, unemployment as a motive that push individuals to participate in informal business ownership is mostly related other motives and there has been consistency among scholars to link it into other motives (i.e., survival need) (Etim and Daramola, 2020.

2.3.1.5 Social Motive

Reynolds (1991), in his study looking at the concepts and contributions of entrepreneurship based on a review of the literature, identifies the social motive as one of the drivers of business formation, and breaks the social motive into four contexts, namely, the social networks, life course, ethnic identification and, lastly, the environmental context. The social network context is centred mainly on the advancement of social relationships and bonds that promote trust as opposed to opportunism (Simpeh, 2011). This occurs when, rather than being driven by profit only, individuals are motivated to engage in business ownership mainly to build social relationships and benefit the community/society. Maintaining good relationships with society may help the business owner as well as the business itself to be successful as this may promote understanding of the people's needs and facilitate the business to successfully meet those needs. Understanding of the concept of social networks in the informal business environment is further developed in Section 2.3.2.4 below, looking at how social capital and social cohesion can advance local economic development.

The next social context identified in Reynolds (1991) is life course, which is based on the entrepreneur's ability to analyze life situations and characteristics that may inform the formation of the business (Simpeh, 2011). Life experiences are believed to play a crucial role in this, as they may motivate an individual to pursue what he/she may regard as a greater thing in life, such as starting a small business and growing it into a competitive business.

Unlike social networks and life course context, ethnic context is about the individuals' social background that can have an influence on them becoming business owners (Simpeh, 2011). To a certain extent, a person's social background may determine how far he/she can go in life. For

example, the disadvantaged backgrounds of the marginalised individuals may motivate them to overcome any obstacle they face and aim for success (Reynolds, 1991). Some informal businesses have come into existence because of this. Thus, life challenges associated with ongoing socio-economic challenges are argued to be one of the factors that may motivate small business activities, especially in the informal business sector (Verheul et al., 2004).

Lastly, the environmental context explains how environmental factors may influence the formation and survival of the business (Reynolds, 1991). Environmental factors include, but are not limited to, the political system, government legislation, consumers, employees, and the community (Williams, 2017). For example, because the informal business sector tends to be less regulated, individuals may be encouraged to start small informal businesses to avoid going through the regulation process that normally occurs in the formal business sector (Chen, 2012; Dube et al., 2013; Skinner, 2018). Given that in SA, government is elected through a political system, the political system may have an indirect influence on the formation of informal business because it is politicians in the parliament of SA who need to pass laws and regulations that are favourable for the development and sustainability of the informal business sector. It is important, therefore, that environmental factors are considered when forming a new business venture as they may influence the business both prior and post its formation.

Clearly there are several reasons individuals are drawn into participating in informal businesses and these may differ from country to country and depending on an individual's situation. Furthermore, it is necessary to examine the rise in the formation of informal businesses in SA together with the motives behind this increase. This may help in identifying potential policy and initiatives that will consider these motives, provide relevant support to the informal businesses, and encourage them to consider formalisation of their business activities. Considering this, this study provides an understanding of the nature of informal business activities in SA, including understanding the motives behind their formation, using two sets of analyses, namely primary and secondary data analysis.

2.3.2 Informal Sector Businesses and the Socio-Economic Environment

Debates over the contribution of small informal businesses in the socio-economic environment have, over the years, gained more interest in various countries, particularly in developing countries, which are more vulnerable to many socio-economic challenges and where informal business ownership is receiving more popularity. Figure 2.3 above demonstrates how entrepreneurship in general (including in the informal business sector) may lead to socio-

economic advancement through business formation, thus creating employment, alleviating poverty, improving the local economy, and driving social cohesion, among others. This section unpacks how the informal business sector may contribute to these socio-economic development aspects and presents some empirical literature from the past few years to support this.

2.3.2.1 Business Formation

Informal businesses are commended for contributing to increasing the number of new businesses created, particularly in developing countries (Mbaye, 2019; Sheeham and Riosmena, 2013). These are businesses that mostly start as small businesses and have the potential to grow to have a recognisable impact on the national economy through use of available support mechanisms. Thus, the formation of new informal businesses has the potential of increasing the size of the informal business sector, which may contribute to the national economy. It is the potential that informal businesses may have on growing the national economy that, among other reasons, has motivated many countries to undertake initiatives aimed at promoting small businesses. This is supported by some researchers and other policy makers, who believes that implementing support mechanisms aimed at promoting small businesses may result in some contribution to economic growth (Mbaye, 2019; Amit, Klapper and Guillen, 2010).

Godfrey (2008) believes that the increase in the creation of new businesses benefits consumers in the form of growing consumer choice and possibly facilitating the availability of goods and services at lower or reasonable prices. The increase in informal businesses selling fruits and vegetables in townships communities can be used as an example to highlight the importance of an increase in businesses in growing consumer choice (Jetter and Cassady, 2010). In nearly every corner of the streets in township communities, one is likely to find a business or an individual selling fruits and vegetables, thus allowing consumers to have a wider choice in terms of the business they may purchase from. Such competition encourages businesses to price their goods and services competitively. As they price their goods/services competitively, the law of demand suggests that the demand is likely increase and ultimately improve business turnover (Obigbemi, 2010 and Heakal, 2015).

A study looking at consumer perception towards the informal and formal businesses selling fruits and vegetables in SA found that informal businesses are gaining popularity in township communities due to the slow pace at which most formal sector businesses enter the township communities (Marumo and Mabuza, 2018). The popularity of informal businesses in townships

was strongly associated with the nature of most formal business activities (which, in most cases, are large corporate businesses, e.g., supermarkets) that tend to be unsuited for the consumption strategies of poor households in township communities. Furthermore, the informal fruits and vegetable markets are also praised for their role in improving food security in township communities (Marumo and Mabuza, 2018). It is to be highlighted, however, that formal businesses have, over recent years, responded by establishing shops/shopping centres in townships (i.e., Shoprite, Checkers and Pick n Pay) using a business concept that is different to that of urban areas and with the intention of reducing costs of buying to consumers (i.e., buying near to where they live as opposed to travelling to towns for shopping). Thus, informal businesses are now competing with larger formal corporate businesses in township communities.

The participation of both formal and informal businesses in township communities can be considered crucial given the current economic challenges facing SA, such as unemployment, as they can generate alternative economic opportunities in township communities. The competition brought by formal sector businesses to township communities does, however, necessitate the development of initiatives that will target and hasten the support for informal businesses and capacitate them to compete with larger formal businesses.

2.3.2.2 Job Creation

An increase in the number of new businesses established is believed to have some contribution towards job creation in various economies of developing countries. The informal business sector across various economies is specifically commended for its contribution towards providing employment to those with limited or no qualifications, who find it hard to secure employment in the formal economy (Kristos, 2014). Aremu (2014) further argues that where the formal business sector is unable to sustain employment for various reasons in the global economic environment, the informal business sector has become pivotal for job creation.

The role of the informal business sector in providing employment to those who cannot access it from the formal business sector is important not only to the informal business sector but also to the formal business sector as it can also benefit or add value to this sector. One of the ways through which this happens is when income generated by individuals participating in the informal business sector is also spent on goods and services offered by formal businesses, thus boosting economic activities of this sector.

It can also be added that the informal business sector serves to relieve the formal business sector of the pressure of having to accommodate the increase in the labour force of the country. Considering this, Heistein (2015) believes that it is crucial for government, as well as other relevant stakeholders, to support informal business activities instead of focussing only on the formal business sector because the informal business sector has the potential to assist in reducing the burden of unemployment.

While the informal business sector may be commended for its role in employment creation as well as facilitating income generation for its participants, in the case of SA, government may regard informal business participation as an opportunity cost to tax revenue, mainly because the majority of participants are not registered to pay Value Added Tax (VAT) (Heistein, 2015). Also, given that the majority of informal sector businesses are not registered and may be operating without permits, it may be difficult for government to have the necessary and accurate records of their economic activities. Government's failure to have records and data for informal businesses may make it difficult to develop relevant initiatives for the development of the informal business sector. One of the ways through which this can be addressed is for more research to be conducted on informal business activities that will facilitate and recommend implementation of support initiatives for informal business. This study is also conducted to contribute in this manner by providing an understanding of informal businesses both nationally and locally in township communities and the challenges they face, and therefore suggest initiatives that will ensure their growth, sustainability, and contribution to socio-economic development.

Recent studies have looked at the role of small informal businesses in employment creation in some developing countries in Africa. Among those include Njaya (2015), who, in a study done in Zimbabwe, found that small businesses in the SMME sector accounted for about 60 percent of the country's national GDP, while they accounted for about 50 percent of employment creation. Similarly, Aremu (2014) found that the informal business sector in Nigeria provides employment to more than 48 million people, generally benefiting mainly those awaiting employment in the formal economy. Rogan and Skinner (2017), in a study looking at the nature of SA's informal business sector using Quarterly Labour Force Survey QLFS data, found the informal business sector's contribution to SA's GDP to be ranging between 7 and 12 percent. Lastly, Kongolo (2010) found that small businesses, mainly in the SMME sector, have accounted for about 51 percent and 57 percent to SA's GDP. The literature also notes that small businesses in the SMME sector have made a major contribution to job creation in rural

communities, which, over the years, have been experiencing a rise in their labor force (Hessels et al., 2008).

2.3.2.3 Poverty Alleviation

Many developing economies are faced with the challenge of improving the quality of life, where all citizens have access to better education, high nutritional and health standards, less poverty, a cleaner environment, equal opportunities to all population groups, and freedom for all people. The challenge of poverty is common among poor households, who normally participate in economic activities through either being self-employed or being an employee in the informal business sector (Attia, 2009).

Hazell and Haddad (2012:12) define poverty as "the inability of people to meet their basic needs measured by either lack of income, which limits access to food and education, health, housing, water and sanitation services or by the failure to achieve desired outcomes, such as high diet rich in micronutrients, health status, educational attainment and the quality of health, water and sanitation services received". Poverty alleviation on the other hand is defined by the Canadian International Development Agency (2008:1) as "a sustained reduction in the number of the poor and the extent of their deprivation by improving their socio-economic and environmental conditions as well as their access to decision making".

In SA, poverty is also among the key challenges the government is fighting. One of the ways this is done is through providing people with entrepreneurial opportunities and support initiatives, such as providing them with business training, skills, and funding. This is believed to play a pivotal role in allowing individuals, particularly in poor communities, with a greater opportunity to involve themselves in business ownership (e.g., informal business ownership), thereafter, enabling them to deal with poverty using the income generated (HSRC, 2005).

Hussain, Bhuivan and Bakar (2014), in their study examining the relationship between entrepreneurship development and poverty alleviation, based on a general search of empirical literature in various online data bases, namely Google Scholar, Springer Link, Wiley, Science Direct, JStar, and EBSCO Host, found a positive relationship between the rise in the formation of small businesses in the informal business sector and poverty alleviation in various developing countries, including SA. Similarly, Misango and Ongiti (2013), in their study looking at the economic contribution of small businesses in addressing poverty in Kenya, which was based on data sourced from survey questionnaires distributed to 664 entrepreneurs and analyzed using quantitative and qualitative research methods, also found that rural people's

participation in small businesses can contribute towards alleviating their levels of poverty. Thus, their participation in small businesses allowed them to source needed income to survive and they were able to improve not only their lives, but that of their close family members too.

2.3.2.4 Local Economic Development and Social Cohesion

The literature notes that informal businesses play a vital role in driving local economic development that may in turn contribute to the national economy. Curties (2003) argues that economic sustainability can be better ensured by establishing productive and growing local or regional economic activities within communities. Local economic development is defined by OECD (2013) as "a cross cutting and integrated activity where physical development of a place is linked to public service, place management, including wider drivers of development such as employment, skills, investment, enterprise, innovation, quality of life and positions". The formation of informal businesses, together with local economic development, can be considered important in driving some of the indicators of development notable in this definition (e.g., employment and improving quality of life).

There are many factors that drive economic development. However, in terms of the informal business sector, the supply-demand type system may be argued to attract local economic development, whereby goods and services produced locally are sold not only locally, but may also be sold nationally and abroad, thereby attracting foreign revenue (Ruzek, 2014). Local farmers markets may produce fruit and vegetables that can be sold to large supermarkets within and outside the country, for example. Clearly, the informal business sector has the potential to grow not only the local economy but may also contribute to the national economy.

Further to the above, eco-localism[9] may also contribute towards bringing about healthy local economies and drive needed change to many developing economies. This entails moving away from the idea of local economic activities being survivalist. The focus should rather be on driving the local economic activities (including that of informal businesses) of cities and rural communities to a more sustainable future.

Rusek (2014) notes that the informal business sector possesses a unique characteristic within the local economic development sphere, which is that of personalisation. This occurs as most informal businesses' operations are positioned to deal directly with a specific group of

[9] *Eco-localism stresses the importance of local economies or local economic activities taking place within the local community and is mainly intended to bring about a healthy and more developed economy within local areas (Curtis, 2003).*

individuals or community. As a result, the local community becomes strongly attached to the business and tends to play an important role in the continuity as well as success of the business (Peprah et al., 2019). This relationship rarely occurs between large formal businesses and the local community due to the local community representing only a small fraction of large businesses' customers (Robinson et al., 2010). Curtis (2003) considers this relation crucial in eco-localism as it tends to encourage those who value locally made goods to provide needed support to local economies, thus driving local economic development. How the informal business sector operates closer to the community and the community becoming strongly attached to the business may also be argued to advance social cohesion.

Janmaart (2011:6) defines social cohesion as the glue that keeps society together, and further explains it as the property that prevents society from falling apart. Social cohesion is considered central to the functioning and sustainability of informal businesses (Janmart, 2011:6). For example, manufacturing goods in most countries are made using resources obtained from other countries, primarily from developing countries (Sampath, 2014). This highlights how individuals and various nations may indirectly depend on one another for the sustainability of the lives of citizens.

The role of social cohesion in advancing the informal business sector can be related to the increase in informal businesses owned by foreign nationals in most communities in SA (Mlambo, 2020). This may be because of relationships that are built by both foreign and domestic citizens, allowing them to share space and the environment for the operation of their informal businesses. Thus, social cohesion may have given rise to understanding of their respective backgrounds, ensured a society that is united, and led to creating opportunities for informal business formation. However, this relationship is at risk given the current belief by some South African citizens that foreign nationals are limiting their economic participation (Chaskalson, 2017).

2.3.3 Immigration and the Informal Business Sector

Immigrants in most countries tend to be highly entrepreneurial. For instance, Fairlie and Lofstrom (2015) suggest that business ownership is higher among foreign nationals in most developed countries such as the United States, United Kingdom, Canada, and Australia. On the other hand, many developing countries are exposed to several unfavourable economic and social conditions. Thus, as an economy goes through continuous years of economic downfall, some citizens are forced to consider alternatives, such as immigrating to other countries solely

to look for other favourable economic and social prospects (Engler et al., 2020). It is to be noted, however, that in case of SA, this has also been possibly facilitated by regulations that may have posed some challenges for businesses, who, as a result, have favoured the employment of foreign nationals instead of local citizen (Gao, 2022).

This has been the case in most developing countries (including SA) where over the years, there has been a rise in businesses owned by foreign nationals at community level (Chikanda, Crush and Skinner, 2015). Immigrants (and particularly illegal immigrants) may have fewer options in terms of employment open to them in their host countries due to various regulations that may limit them in accessing employment (i.e., work permits that may be a requirement and scarce skills that may be required from them). Barriers like these may create the necessity for them to operate in the informal business sector and may have also led to an increase in their participation in this sector. Furthermore, economic opportunities available in most developed and developing countries may encourage citizens from less developed countries to immigrate to these countries and take advantage of such opportunities, resulting in the formation of informal businesses (Charman et al, 2013).

The continuous increase in informal businesses owned by foreign nationals in SA may also be attributed to unidentified market gaps or unexploited resources available in the country (Mlambo, 2020). This has been the case with retail Spaza shops in local communities. A study examining the rapidly changing Spaza shop sector in SA established that most Spaza shops operated by foreign nationals were positioned to compete directly with more established South African businesses (Charman et al., 2013). Charman et al. (2013) also found foreign-owned (compared to those owned by South Africans) Spaza shops' goods to be less expensive, better stocked and preferred by the public.

What appeared to be unique with foreign-owned shops is that they used the idea of social networking as a resource that in turn assisted them with accessing cheap labour and group purchasing, thus taking advantage of discounts and operational economies of scale (Kunene et al., 2019). These unexploited opportunities may have, among other reasons, resulted in a rise in the formation of Spaza shops owned by foreign nationals in most South African communities. Furthermore, this may have placed foreign-owned Spaza shops in an advantageous position to become more successful compared to South African-owned Spaza shops.

Other researchers have examined theories that can be associated with identifying opportunities that may result in informal business participation. Webb et al. (2012) associate the process of opportunity discovery that informs participation in the informal business sector with the institutional theory. The institutional environment may have forced some immigrants to operate informal businesses (i.e., government policies preferring employment of locals instead of foreigners, resulting in foreigners unable to be hired in the formal sector). This can be associated with laws and formal institutions that regulate immigration. Having to adhere to these laws may be cumbersome and may sometimes not be possible, thus leaving foreign nationals with limited choices, other than participating in the informal business sector which tends to be less regulated (Webb et al., 2013).

Evidence from previous research shows that stringent requirements from most financial institutions tends to limit access to finance for some individuals (particularly for foreign nationals) willing to source funding for investing in and establishing formal businesses (Gerxhani, 2004; Mboma, 2008). As a result, individuals may choose to participate in the informal business sector, which may not require large amounts of start-up capital, thus encouraging growth of the informal sector.

Added to the above, informal institutions such as societal norms, values, and beliefs define socially acceptable behaviour. For example, the increase in competition faced by South African-owned businesses from foreign-owned businesses has raised controversial comments and debates over the issue of scarce resources (i.e., social services, land, and other economic resources) that are now being shared with businesses owned by foreign nationals (Gordon, 2022). One of the existing notions, as well as unconfirmed beliefs on this issue by many South Africans, is that immigrants are taking their jobs and are contributing towards the death of some informal sector business activities in local communities (Gordon, 2022; Chiloane-Tsoka and Mmako, 2014).

This study seeks to contribute to literature on the informal business trade by advancing this debate through establishing what may be the difference between foreign and South African-owned informal businesses, including how the continuous rise in informal business activities may have impacted some of the existing socio-economic challenges that all citizens (irrespective of nationality) are subjected to. Given that a component of this study examines township informal business ownership and activities in the INK area, under eThekwini

municipality, the next section provides an overview of the informal business sector within eThekwini municipality.

2.4 An Overview of the Informal Business Sector in SA and within eThekwini Municipality

This study examines the rise of informal businesses in the context of existing socio-economic challenges both nationally (where the informal business sector is examined at a broad level) and locally (where the discussion is reduced to a specific township/area within the eThekwini municipality). Considering this, this section provides a brief definition of the informal business sector and a brief overview of it, both nationally and locally within the eThekwini municipality.

Just like in the formal business sector, the informal business sector in almost all economies of different countries can be considered to have two components of workers, namely:

- Self-employed workers, consisting of employers and own account workers.
- Workers working for the self-employed and/or assisting in the operation of a business that is owned by another person.

(Muller, 2003).

In terms of an SA perspective, the definition of the informal business sector also considers employment conditions. According to Stats SA (2017), employment within the country's informal business sector comprises mainly individuals working under perilous conditions, regardless of whether the business they work for is in the formal or informal sector. Thus, informal employment is considered to consist of:

- People working in the informal sector and
- Those working in the formal sector together with those working in private households who are not eligible for basic benefits (e.g., pension and medical aid contributions among others) from the employer and there is no contract of employment.

(Stats SA, 2022).

A healthy economy requires small businesses to grow and be sustainable. The success of small businesses is believed to benefit the country and may also contribute to national prosperity (Dhanah, 2017). The informal business sector's contribution to GDP can be gauged as a percentage of GDP. Recent research suggests that SA's informal business sector is estimated to contribute about 6 percent to the country's GDP and comprises of about 17 percent of SA's total employment (Stats SA, 2022; Matema and Kariuki, 2022). In terms of how many people

SA's informal business sector employs, as of 2020, over 2 500 000[10] South Africans were employed in this sector, representing about 20 percent of total employment in the country (Stats SA, 2020; Matema and Kariuki, 2022).

In terms of gender, evidence suggests that since 2001, there has been a declining number of women participating in the country's informal businesses sector. For example, in 2001 about 1 370 000 (60.7 percent) women were documented to be participating in the country's informal business sector and this declined to 725 000 (40.4%) in 2017 (Stats SA, 2017). Historically, women were among the most deprived population groups in terms of various socio-economic opportunities. When SA attained democracy in SA, more resources and initiatives were been directed towards empowering women and other previously disadvantaged groups (McCallum, 2005; Ponte et. al, 2007; Marcateli, 2015; Count, 2020). This has seen more women becoming the prime candidates for jobs, especially in large formal firms/organizations wanting to meet Employment Equity (EE) targets. This, among other things, may be attributable to the declines in women's participation on the informal business sector as they take opportunities available in the forma business sector.

In terms of industrial concentration, SA's informal business sector tends to be concentrated among industries such as retail trade, construction, social services, transport, and manufacturing (Stats SA, 2019). It is also important to note the types of business activities SA's informal business sector activities tend to be concentrated in, which are spaza shops, liquor retailing, recycling, house shop, street trading, takeaways, agricultural activities, home maintenance services, micro-manufacturing, business services, hair care, religious services, health services, telephone services, Edu-care, appliance repair, tailoring and cabling, car wash, entertainment services, personal activities, specialist shops, shisa nyama, and restaurants (Stats SA, 2019).

While the informal business sector is regarded as important for the country's national economy, it is also considered equally important for the local economy. In the eThekwini municipality, the informal business sector contributes towards creating informal jobs and sustaining the livelihoods of individuals working in this sector. However, just like nationally, measuring activities of the informal business sector as well as its contribution to the economy remains a challenge for most local municipalities, and eThekwini municipality is without exception

[10] *This figure comprises those working as informal business owners (i.e., own account workers) and those employed within informal businesses.*

(Bonnet et al., 2019.). Nonetheless, evidence suggests that informal business sector employment in eThekwini municipality was composed of 288 000 people in 2021, constituting about 48 percent of the 600 000 people employed in the informal sector in the province of KwaZulu-Natal in 2021 and comprising 16 percent and 18 percent of total employment provincially and locally, respectively (eThekwini Municipality, 2021).

Further to the above, evidence suggests that informal sector employment in eThekwini is concentrated among industries, including trade, with 142 000 individuals, followed by construction, with 39 426 individuals, community services, with 32 849 individuals, transport, with 31 925 individuals, manufacturing with 24 843 individuals, and finance with 16 957 individuals (eThekwini Municipality, 2021). Thus, the informal business sector in eThekwini is not just about street trading but it also includes other economic activities.

Informal business activities taking place under the industries highlighted above are believed to drive a culture of innovation and inventiveness within the local community, thus allowing for an environment where individuals can be economically active despite the lack of opportunities in the formal economy/sector. Nonetheless, informal street trading is also popular in eThekwini and can be argued to be the face of the city's informal business activities given that most of it tends to occur within the central business district and other surrounding areas (Ramsuraj, 2020; Mkhize et al., 2013).

A brief look at eThekwini's informal street trading reveals that there are about 42 700 registered informal street traders in the city, who, on average, earned between R450 and R950 per week, resulting in total income generated by informal street traders in eThekwini estimated to be about R1.43 billion per annum (eThekwini Municipality, 2021). It can be noted from this that despite its informality, street trading is important as it generates income that is further injected into the formal economy, thus benefiting the entire national economy. Furthermore, on average, the informal street trading in eThekwini employs between one to four individuals who each works about 12 hours a day. Gender representation in informal street trading suggests that 60 percent are females while 40 percent are males, and around 90 percent reside in Durban while the other 10 percent lives in surrounding areas.

EThekwini Municipality provides several support mechanisms to informal businesses in eThekwini that are aimed at ensuring their growth and sustainability. They include:

- Training and skills development including ‘Isiqalo’ (basic business skills) and on-site sector skills training (e.g., ‘cut make and trim’, machinist training; product design; factory layout).
- Product/service and production: e.g., refinement, re-development, differentiation, improved manufacturing methods.
- Accessing finance for working capital or capital acquisitions.
- Markets and selling, e.g., identifying, and accessing new markets, establishing new business collaborations, among others.

(eThekwini Municipality, 2022).

In addition to the above, the eThekwini Municipality has over the past few years made its services available to the people in communities where they live (i.e., Sizakala centres are continuously built in various townships across eThekwini, including the offices of the Small Business Support Unit). The eThekwini Municipality small business related services have assisted in disseminating information on the above highlighted support initiatives, that are now accessible in various offices of eThekwini Municipality’s Small Business Support Unit in communities where informal business participants live.

2.5 Concluding Remarks

This chapter has presented a review of the theoretical literature on the informal business sector environment together with its role in socio-economic development. The theoretical literature discussed in this chapter suggests that entrepreneurial ability existing among individuals who pursue business ownership may be pivotal in driving the formation of small informal businesses and furthering their growth. Noted from the discussion were the various theories explaining the concept of entrepreneurship within the small informal business sector. The entrepreneurial theories discussed seem to be in consensus that entrepreneurship allows individuals an opportunity to be economically active despite the continuous existence of socio-economic challenges (such as unemployment, lack of opportunities in the formal business sector and poverty, among others) which tend to force them out of the formal economy.

Further to the above, the empirical literature presented in this chapter also indicates that there are many factors motivating participation in entrepreneurial activities in the small informal business sector. An interesting observation made is that most informal business sector activities tend to be located or based within local communities, which may drive local economic development (Shounyane, 2021). As a result, the concept of eco-localism was defined and is

strongly associated with local business' success, owing to the relationship that develops between the business and people within the community (Curtis, 2003). This relationship was further articulated under the discussion of social cohesion, which is key to advancing unity between the community and businesses that operates within the community. Unity between the community and businesses is believed to potentially create a conducive environment for local economic development. Notably in the SA context, the relationship that develops between the community and businesses could be at risk given continuing tensions between foreign and local citizens over beliefs by some SA local citizens that foreign nationals are taking their jobs and limiting their participation within the informal business sector.

Although the continued existence of socio-economic challenges may be argued to be restricting individuals from participating in the formal business sector, the empirical literature, together with the discussion presented in this chapter, suggests that informal business activities that emerge as a result may in turn have some meaningful contribution towards the national economy in various ways. For example, informal business activities can become an alternative to those who cannot find jobs in the formal business sector and those interested in business ownership but are struggling with registration, thus allowing them to source income that may assist in alleviating their exposure to poverty.

Another interesting observation made in relation to the above is that the informal business sector can be considered crucial for the formal business sector given that income generated within the informal business sector may in turn be further injected into the formal business sector, thus benefiting the national economy, and contributing to the fiscus of the country. Therefore, it is important that necessary and relevant support is offered to informal businesses to capacitate them to grow, be sustainable and continue to contribute to the country's socio-economic environment.

Lastly, this chapter provided a brief outlook on SA's informal business sector nationally and locally, specifically in the eThekwini municipality. It revealed various reasons why individuals are drawn into participating in the informal business sector and the potential it may have in alleviating some of the existing socio-economic challenges. Furthermore, this chapter demonstrated that is it necessary to examine and unpack the rise in the formation of informal businesses, and understand the challenges they face in view of suggesting possible initiatives that may alleviate some of their challenges. This is expanded on Chapter 3 below, which looks at the state of SA's informal business sector employment through examining the size,

composition, and characteristics of the informal business sector employment in the country, including how it has transformed over the years. The discussion on local/township informal business activities is expanded in Chapter 5.

CHAPTER 3:

EXAMINING SIZE, COMPOSITION, CHARACTERISTICS AND TRENDS OF INFORMAL SECTOR BUSINESS OWNERSHIP AND EMPLOYMENT IN SA

3.1 Introduction

When SA attained democracy in 1994, there became a greater need for the country's economy to be re-unified into world markets and be part of the global economy (Stats SA, 2005). While there was this greater need, however, the country also needed to position itself in a manner that would allow it to realise the high expectations from its people and ensure a smooth transition to a highly democratic country. This transition was and is still necessary, to advance the economy of the country. Thus, various initiatives have been implemented since 1994 to achieve economic growth, competitiveness, employment creation, income generation and redistribution (Stats SA, 2005). These initiatives include stimulating and supporting business activities in the country, both small and large. This has led to the growth and development of small businesses, mainly in the informal business sector, being recognised by various interest groups and policy makers as being crucial to remedying SA's current challenge of unemployment (Maharaj, 2014; CNBC Africa, 2014; Stats, 2017).

The informal business sector is considered to make an important contribution to employment in most developing countries in Africa. Given the unemployment challenge facing many countries in Africa, a growing number of individuals participate in the informal business sector to try and remedy their unemployment challenge (Maharaj, 2014). This is also the case in SA. The discussion in Chapter 1 and the literature review of Chapter 2 suggested that the current existing socio-economic challenges in SA may have led to an increase in informal business activities, thus giving rise to informal sector employment (Stats SA, 2013). This was demonstrated in Figure 2.2 above, where it was shown how total unemployment and the size of informal sector employment tend to move towards the same direction, whereby informal sector employment appears to be increasing when unemployment increases, and it appears to be decreasing when unemployment decreases.

The positive relationship between total unemployment and employment in the informal business sector suggests that there is much to be known about the state of informal sector employment in SA and how it has changed over the past few years (World Bank, 2017; Stats

SA, 2017). It further suggests that while there are many socio-economic challenges existing in SA, unemployment contributes to individuals being pushed to the informal business sector. Considering this, the current chapter interrogates the nature of informal business sector employment in SA and evaluates how it has changed over time. This is done by examining the size, composition, characteristics, and trends in SA's informal sector employment.

Determining the size of informal sector employment entails making use of data and information collected from previously conducted SESEs to determine and analyze the number of individuals participating in the country's informal sector employment and establish the share of informal sector employment in total employment in SA. This is deemed necessary to identify if individuals are increasingly relying on creating their own employment, given the current state of the country's socio-economic challenges (Maharaj, 2014; Omarjee, 2017; Smit, 2019).

Determining the composition, on the other hand, entails establishing and examining types of individuals employed and participating in SA's informal business sector – i.e., exploring characteristics related to age, marital status, education, race, and gender, among others. An analysis of this kind is considered necessary to paint a clear picture of who the individuals are that mainly participate in SA's informal business sector.

This chapter also examines the characteristics of SA's informal business sector, looking specifically at the existing conditions and the environment under which informal sector businesses operate. This includes but is not limited to an analysis of whether informal businesses are subjected to any form of registration or business association, the premises they operate in, the payment of taxes, and whether they keep business records or not.

3.2 Data Sources

This chapter uses secondary data on informal sector employment collected nationally by Stats SA in the SESEs. The SESE is a household-based sample survey conducted every four years and it collects information on informal businesses (defined as non-registered businesses) across SA (Stats SA, 2013). The sample for analysis in this chapter covers the period 2001–2017. This sample for analysis was chosen on the basis that SESE data is available from 2001, with the latest SESE, at the time when data was collected, having been conducted in 2017, thus allowing the researcher to uncover developments that occurred in SA's informal business sector during this period. The latest SESE was conducted in 2021, however, the results and data are yet to be released.

Although much is already known about the characteristics of informal sector work and informal workers nationally, given that this study makes use of most recently available data from the 2017 SESE, the findings are anticipated to contribute to the body of knowledge by complimenting the information already in existence. This analysis further sets the scene for the component of the study which uses primary data by providing a recent snapshot into the exact nature of the informal economy in SA. Primary data on the informal business sector is analyzed and further discussed in Chapter 5.

For many countries, estimates of employment are generated from two sources, namely the household survey and survey conducted at business premises (Stats SA, 2021). In the context of SA, employment surveys conducted at registered businesses result in employment estimates that only relate to registered businesses (formal businesses), thus, leaving out unregistered businesses (informal businesses). The impact of this is that although the Quarterly Employment Survey (QES)[11] may provide indications of employment estimates, they may not be a true reflection of employment estimates in the country as they only incorporate employment in the VAT based[12] entities or what can also be known as formal businesses (Stats SA, 2018).

Employment estimates for the non-VAT based entities in the informal business sector are also important and were previously generated from the Labour Force Survey (LFS)[13] in SA, which specifically measured the labour market that did not form part of the QES (Stats SA, 2021). In 2005, the LFS was significantly redesigned, which led to changes in the survey method, the survey questionnaire, the frequency of data collection and release, the capturing of survey data, and processing systems (Stats SA, 2023). The QLFS is the redesigned labour market survey. The QLFS is a household-based sample survey that is conducted quarterly by Stats SA and

[11] Stats SA (2018) explains QES as an entity-based sample survey done quarterly by Stats SA. It covers private non-agricultural businesses in the category of factories, firms, offices, and stores among others. Not only does it cover private firms, but it also covers national, provincial, and local government entities. These are entities in industries such as mining and quarrying; manufacturing; electricity, water supply and gas; construction; wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods, and hotels and restaurants; transport, storage, communication; financial intermediation, insurance, real estate, business services; and community, social and personal services (Stats SA, 2018).

[12] VAT based entities can be defined as businesses registered for VAT, while non-VAT based entities can be those entities that are not registered for VAT.

[13] LFS on the other hand is defined as the household-based sample survey done by Stats SA; it gathers data on the labour market activities for the economically active population group, namely those aged between 15 to 64 years (Stats SA, 2019).

collects information and data on labour market activities of individuals who are 15 years and above, and who are residing in SA (Stats SA, 2023).

According to Stats SA (2017), to date there is no sampling frame on which to base weights and raise factors for unregistered businesses in SA. The household-based LFS is used to identify non-VAT registered businesses. Owing to this, SESE is a tool used to identify and provide more information about businesses operating in the informal environment in SA. It is a household-based survey comprising of two stages; the first stage involves finding individuals who are engaged in running an informal business (Stats SA, 2013). The second stage consists of a follow-up stage whereby those found to be involved in running informal businesses are thereafter interviewed to ascertain the nature of their businesses, with the inclusion criteria centred mainly on whether the business is registered for VAT or not (Stats SA, 2013). Thus, SESE includes individuals involved in the running of businesses that are not registered for VAT, which, for the purposes of this study, are defined as informal businesses. Also, unlike the QLFS, the SESEs were used in this study to source data because they collect more detailed information; this is used in this study to analyze and discuss SA's informal business activities over time.

Data available on the SESE is not without its own shortcomings. The most notable one is that some SESE estimates are adjusted to reflect new population benchmarks, while others may not reflect the new population benchmarks at that point in time depending on the census (Stats SA, 2017). The population census in SA is conducted after a period of 10 years, while the SESE is only conducted after a period of four years, thus, different SESEs are likely to reflect different population dynamics. For example, looking at the 2009 and 2005 SESEs, the 2009 SESE estimates that were previously published have now been revised to reflect new population benchmarks obtained from the 2011 population census, while the 2005 SESE estimates have not been adjusted to reflect the new population benchmarks, but they rather reflect the population benchmarks from the census conducted in 2001 (Stats SA, 2005, 2017). This was to avoid overstating the 2005 SESE estimates in relation to actual population size in 2005. Therefore, it is necessary to exercise thoughtfulness when interpreting trends based absolute values of different SESE results (e.g., 2001–2017). Trends based proportion values are considered more reliable in remedying this data limitation.

To reduce the implication of the above highlighted SESE shortcoming, this study focusses on calculation and interpretation of proportion rather than absolute figures of size, composition,

characteristics, and trends of informal business sector employment and ownership in SA. Despite the shortcomings highlighted above, data as well as information from the SESE are still considered relevant in fulfilling its objective of providing more information on the nature of businesses operating in the informal sector business environment in SA. Other objectives of SESE highlighted in Stats SA (2001–2017) SESE reports are:

- To establish the contribution made by non-VAT registered businesses towards economic growth in SA.
- To collect reliable data concerning individuals operating non-VAT registered businesses in SA.
- To identify the non-income tax paying and income tax paying businesses within the non-VAT paying businesses.
- To provide comprehensive statistical information about informal sector businesses, at national and provincial levels.

The following section briefly highlights the research methods used in this chapter and what the chapter intends to determine.

3.3 Research Methods

In examining the size, composition, characteristics, and changes that occurred in informal sector employment during the period 2001–2017, this chapter makes use of the descriptive statistical analysis approach to determine if on average:

- The size of informal sector employment in SA has changed over time.
- The composition of informal sector employment in SA has changed over time.
- The characteristics of informal sector employment in SA have changed over time.

SESE data is used to define/measure employment in the informal sector as self-employed individuals running informal businesses that are not registered for VAT and may employ wage workers. Informal sector employment excludes domestic workers. The remainder of the chapter presents and discusses the results.

3.4 The Size of SA's Informal Business Sector Employment for the period 2001–2017

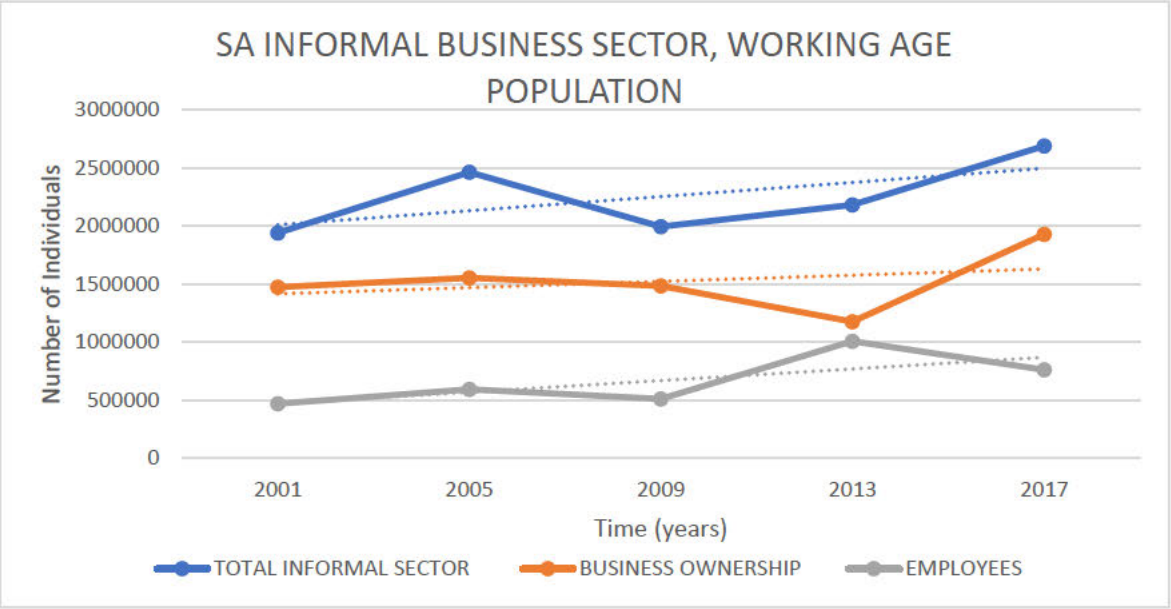
Evidence from the literature suggests that there is a continuous rise in the number of individuals participating in informal businesses in many countries, especially in developing countries (Maharaj, 2014). In SA, the increase in the formation of new businesses in the informal business sector is considered the largest contributor to employment, allowing individuals an

opportunity to be economically active (Sheehan and Riosmena, 2013; Amit, Klapper and Guillen, 2010; Godfrey, 2008). Furthermore, socio-economic challenges such as unemployment, poverty, and a lack of opportunities in the formal economy serve as a motive for individuals to participate in informal business activities, hence the increase in the formation of informal businesses in the country.

The informal business sector is known for providing livelihoods to most vulnerable individuals, including the urban poor, female heads of households, the disabled and rural families (Stats SA, 2017). Thus, participating in the informal business sector can be associated with affording these groups of individuals an opportunity to survive periods of economic downfall when formal economy jobs are in short supply and when social security systems are insufficient. Another reason associated with the increase in informal sector businesses in SA and elsewhere is that the informal business sector is relatively easy to access and participate in compared to the formal business sector. Unlike the informal sector, the formal sector may require extensive registration requirements and large amounts of start-up capital, including other necessary resources, depending on the chosen business activity (De Soto, 2000; Pratap and Quintin, 2006).

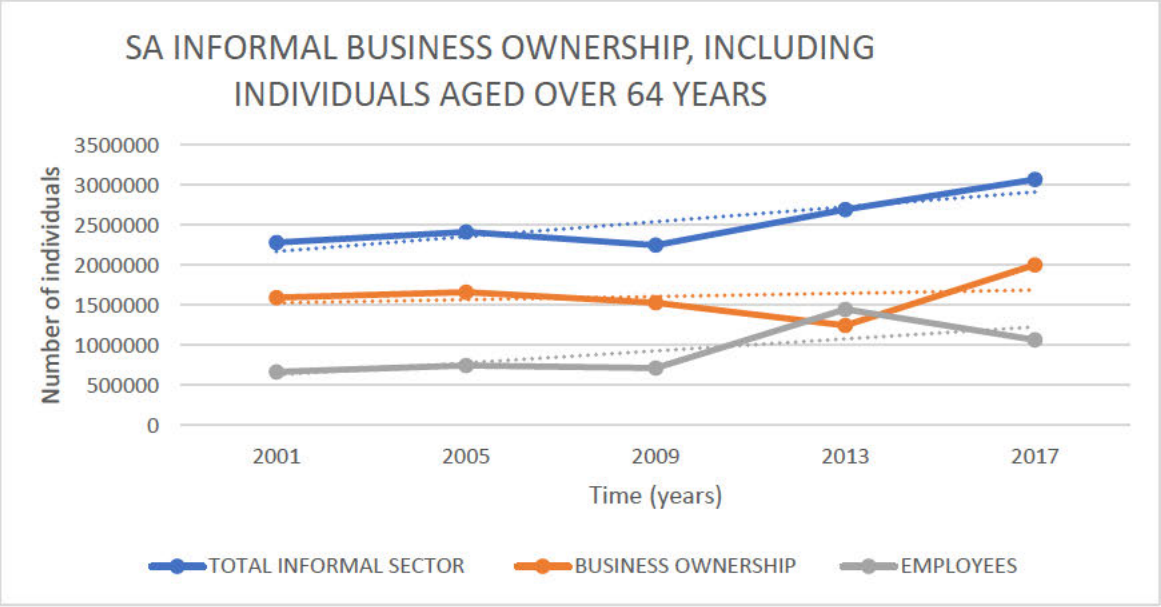
Considering the above, trends in the total number of individuals working and operating businesses in the informal sector in SA over the period covered in this study (2001–2017) are shown in Figures 3.1 and 3.2 below, while Tables 3.1 and 3.2 extend the analysis by calculating absolute and proportional change for each year, as well as informal sector employment and business ownership as a share of total employment.

Figure 3.1 SA's Informal Business Sector Comprising only the Working Age Population



Source: *Own compilation using SESE data from Stats SA (2001–2017).*

Figure 3.2: SA's Informal Business Sector, Including Aged over 64 Years.



Source: *Own compilation using SESE data from Stats SA (2001–2017).*

The general trend lines in Figures 3.1 and 3.2 above suggest that SA's total informal sector employment was increasing between 2001 and 2017 for both the individuals of the working age population and those who are over the working age. The shallow upward slope of the trend lines in both diagrams may at face value suggest that there was a steady expansion in SA's total

informal sector employment between 2001 and 2017 (however, this remain to be seen in the results in Tables 3.1 and 3.2 below). After relaxing the working age restriction, the trend lines in Figure 3.2 become slightly steeper, thus suggesting that there is some participation in the informal business sector by individuals who are over the working age. Figures 3.1 and 3.2 show that in 2013, informal business ownership decreased, while employees of informal businesses increased. This can be associated with the impact of the global recession which negatively affected the economy and resulted in businesses (including informal businesses) closing (Etim and Daramola, 2020). However, because of rising unemployment during this period, some individuals resorted to looking for employment in the informal business sector, thus increasing the number of individuals working in informal businesses (Charman et al., 2022).

Further to the graphical overview above, Table 3.1 below provides statistical results of SA's informal business sector employment and is divided into two parts, namely SA's total size of informal business sector employment for the working age, and for those who have exited the working age. This division is mainly in line with the definition of the working age population as defined in various literature as men and women aged between 15 and 64, from which employment is calculated (Barker, 2007; Hussmann, 2007; Kuhn et al., 2018). Thus, the total size of SA's informal business sector employment in the upper part of Table 3.1 is also restricted to include individuals of the working age population.

Table 3.1: Total size of SA's Informal Business Sector Employment (Informal Business Owners and Employees), for the Working Age Population, while lower part of this table includes those over 64 years.

	2001	2005	2009	2013	2017
Total size of SA's Informal Business Sector Employment (Informal Business Owners and Employees), for the Working Age Population					
Total size of informal sector employment	**1 940 (36)**	**2 144 (45)**	**1 993 (38)**	**2 182 (42)**	**2 689 (30)**
-Informal businesses ownership	1 472 (24)	1 552 (27)	1 483 (25)	1 175 (20)	1 928 (35)
-Employees	468 (12)	592 (18)	510 (16)	1 007 (19)	761 (16)
Change in total size	0	204	-151	189	507
Percentage change in total size of informal sector employment (Year on Year) ***(%)***	0	*10.52*	*-0.04*	*9.48*	*23.24*
Total size of SA's Informal Business Sector Employment (informal business owners and employees), with the Inclusion of individuals over 64 years of age					
Total size of informal sector employment	**2 283 (44)**	**2 413 (46)**	**2 249 (41)**	**2 696 (31)**	**3 070 (35)**
-Informal business ownership	*1 595* (32)	*1 658* (34)	*1 532* (33)	*1 247* (30)	*2 004* (40)
Change in informal business ownership because of >64 years participation	*123*	*106*	*49*	*72*	*76*
-Employees	*688* (14)	*748* (17)	*717* (15)	*1 449* (32)	*1 066* (38)
Change in employees because of > 64 years participation	*220*	*156*	*207*	*442*	*305*
Change in total size		**130**	**-164**	**447**	**374**
Percentage change in total size of informal sector employment ***(Year on Year) (%)***		***5.69***	***-6.80***	***19.89***	***13.87***
Total size of individuals over 64 years of age (owners and workers)	***343***	***269***	***256***	***514***	***381***

Source*: Stats SA (2001–2017). Note: Counts are in thousands. Percentages were calculated manually. Total size of SA informal business sector employment is inclusive of individuals who are owning informal businesses and wage workers. Figures are inclusive of individuals who are aged between 15 and 64, who form part of the working age population. Shaded figures show the difference (between the upper part and lower part of the table) of informal business owners and employees who are over 64 to those who are aged between 15–64 years.*

In the lower part of Table 3.1, it was considered necessary to also show SA's total size of informal sector employment, including individuals over 64 years, and therefore expand the analysis beyond the working age population. This relaxation is mainly to determine the size of informal business activities taking place among those who are over 64 years, and therefore assess the effect of relaxing the working age restriction on the total size of informal sector employment.

The results in the upper part of Table 3.1 above indicate that SA's total informal sector employment (for the working age group), on average, comprised over 50 percent of informal sector business owners. Between 2001 and 2017, SA's total informal sector employment increased from 1 940 000 individuals to 2 689 000 individuals (an increase of about 749 000 or 39 percent), of which between 1 175 000–1 928 000 individuals were mainly informal business owners. A further look at the results shows that SA's total informal sector employment between 2001 and 2017 consistently increased from one year to another, except between 2005 and 2009, where it declined by about 7.04 percent and thereafter continued to increase, especially between 2013 and 2017, where it increased by 23.24 percent.

The decline in SA's total informal sector employment between 2005 and 2009 can, among other things, be associated with SA's hosting of the FIFA world cup in 2010, which resulted individuals participating in the informal business sector taking employment opportunities in more established formal sectors of the economy as more investment was channelled to the building of infrastructure (Bohlmann and Van Heerden, 2008). Looking at informal sector business ownership and employees (for the working age group) working in the informal business sector separately, suggests that the former grew by 31 percent over the period, while the latter grew by more than 62 percent (but noting that informal sector business ownership is approximately 2-3 times 'larger' in comparison to employees in the informal sector).

Between 2009 and 2013, SA's informal sector business ownership declined by 308 000 individuals while employees working in these businesses increased by 497 000 individuals (for the working age group), thus resulting in an increase in total informal sector employment. It is to be remembered that post-2009, most economies, including that of SA, were still recovering from the global recession. The global recession had a devastating impact on the economy and the livelihoods of households in general (Islam and Verick, 2010). This is the period which saw a rise in levels of unemployment accompanied by poverty, especially among those who were heavily dependent on employment to survive. It can be said therefore that although there was declining informal business ownership, the results in Table 3.1 above suggest that there was a considerably large number of individuals who resorted to looking for employment in the informal business sector. This may be associated with, among other things, the impact of the global recession, which may have limited employment in the formal business sector.

It would not be surprising if the overall size of the informal sector grew in the wake of the global recession, given a likely positive relationship between rising unemployment and

informal sector growth (Etim and Daramola, 2020). The results in Table 3.1 above showing a rise in SA's total informal sector employment during a period of rising unemployment post the global recession, can be considered a confirmation of this relationship. In addition, these results are in consensus with studies conducted in various countries such as Hossain et al. (2015), Beckouche, Hausman, Tyson and Zahidi (2013), Charman et al. (2013), and Gorden (1982), who also found that informal sector employment is most likely to increase with unemployment. These results, it may be argued, are consistent with some literature in the SA context. For example, Adams and Yu (2022) explain how unemployment is so intractable in SA and has become a challenge affecting about a third of the country's workforce.

Despite the results indicating that SA's informal sector has grown over time and has become an important contributor in respect of overall employment growth, it has been documented that size of the informal sector in SA remains small especially when compared to other countries with comparable income levels, which tend to have a relatively higher size of informal sector (Cichello and Rogan, 2017). Barriers to entry, such as poor access and high cost, high crime rates, and inflated reservation wages for employees may have dampened informal sector employment growth in SA (Burger and Fourie, 2004; Cichello and Rogan, 2017; Etim and Daramola, 2020; Pillay, Rogan and Broembsen, 2018; Burger and Fourie, 2019).

Looking at the implication of relaxing the working age restriction, the results in the lower part of Table 3.1 indicate that this restriction resulted in an increase in the number of individuals owning informal businesses by a range of about 49 000 to 123 000 individuals between 2001–2017, and therefore increasing total employees by between 156 000 to 442 000 individuals during the same period. Overall, relaxing the working age restriction resulted in an increase in the total size of SA's informal business sector employment, ranging between 256 000 to 514 000 individuals. These results are consistent with those reported earlier in Figures 3.1 and 3.2 and suggest how SA's total informal business sector employment is also comprised of individuals over 64 years.

Furthermore, the results continue to support earlier indications of a significant jump is SA's informal sector employment post-2009 as shown in Table 3.1 above. The global recession occurring around this period brought a great deal of uncertainty and unprecedented circumstances. As a result, individuals over 64 years of age may have considered moving out of the formal business sector through retirement and cashing in on their retirement investment, and thereafter considered participating in the informal business sector to sustain their

livelihoods beyond their retirement investment income. Contrary to this, it is also possible that some of these individuals were always in the informal sector, as individuals who are informal business owners can exercise their utility in determining when they retire rather than having an employer to decide for them. On the other hand, employees in the informal business sector would not have the same restrictions on working beyond retirement that an employee working in the formal sector would have, hence the results show that there is a considerable number who work beyond retirement age.

To get a sense of how SA's informal sector employment and informal business ownership compares to total employment, Table 3.2 below shows informal sector employment and informal business ownership as a share of total employment.

Table 3.2: Share of SA's Total Informal Business Sector Employment[14] and Share of Informal Sector Business Ownership on Total Employment, for the Working Age Population.

	2001	**2005**	**2009**	**2013**	**2017**
Total informal sector employment (Number)	*1 940*	*2 144*	*1 993*	*2 182*	*2 689*
Total Informal business ownership	*1 472*	*1 552*	*1 483*	*1 175*	*1 928*
Total employment (Number)	*11 804*	*12 757*	*14 625*	*15 210*	*16 373*
Total informal sector employment as a share of total employment *(%)*	**16.45**	**16.81**	**13.63**	**14.34**	**16.43**
Informal sector business ownership as a share of total employment *(%)*	**12.47**	**12.17**	**10.14**	**7.73**	**11.77**

***Source**: Stats SA (2001–2017), SESE (2001–2017). Note: Total informal sector employment and total informal business ownership are as reported in Table 3.1 above. Counts are in thousands. Percentages were calculated manually. Total size of informal sector employment is inclusive of individuals who are owning informal businesses and wage workers. Figures are inclusive of individuals aged between 15 and 64, falling within the working age population.*

The results in Table 3.2 confirm that the growth of SA's informal sector employment may have been limited during the period 2001–2017 in relation to total employment in the country. This is evident from the results in Table 3.2, which suggest that the overall growth in informal sector employment only accounts for around 15.53 percent of the employment growth in SA between 2001 and 2017, while informal sector business growth accounts for 9.98 percent of the growth in total employment. Although SA's informal business ownership was steadily increasing, total employment consistently increased throughout the entire period, limiting the share of informal sector employment to total employment. The increase in informal sector employment as a share

[14] *Calculated as informal sector employment as a percentage of total employment. Data for informal sector employment and total employment was sourced from Stats SA (SESE 2001–2017). Share of informal sector employment was calculated to determine the relationship between employment in the informal sector to total employment in South Africa and determine the share of the informal.*

of total employment and informal sector business ownership as a share of total employment post-2009 can also be associated with the effect of the global recession, which may have led to an increase in informal sector participation (through ownership and employment), hence the increase in their share of total employment.

In addition, the results in Tables 3.1 and 3.2 show that during the period when total informal sector employment was declining, the share of informal sector employment as a proportion of total employment also declined, while during the period when total informal sector employment was increasing, the share of informal sector employment as a proportion of total employment also increased. This may be an indication that SA's informal business sector can also be accountable to some extent for changes in the country's total employment. This can be argued to be expected given that the nature of work and businesses in the informal sector tends to be precarious (Mabilo, 2018). Thus, the informal sector is likely to be very responsive to specific economic events; hence the variability in the 'trend' in informal sector employment over the years as shown by the results above. Similarly, low-paid formal sector jobs are also likely to be 'more responsive' to specific economic events (i.e., Covid-19 pandemic, periods of recession). Therefore, it is this precariousness which contributes to the variability in the numbers (Mabilo, 2018).

Given that the data analyzed above suggests that the SA's informal sector employment tends to be variable and responsive to certain economic events, the following section considers the specific types of individuals who form part of this through determining the composition of SA's informal sector business ownership. Frequency totals in tables presented and discussed in the remainder of this chapter sum up to *Informal business ownership* in the lower part of Table 3.1, which is inclusive of informal business owners (over 64 years of age) participating in the informal business sector.

3.5 The Composition of SA's Informal Business Sector Ownership for the Period 2001–2017

Section 3.4 above shows the size of SA's informal business sector employment for both the working age group and non- working age group. However, with regards to informal business sector participation, it often occurs that some individuals retire from their work and form small informal businesses to sustain their livelihood beyond retirement. Therefore, to accommodate for this, in the remainder of this chapter, the age restriction is lifted, and the analysis includes informal businesses run by individuals who are above the working age. To get some sense of

age distribution of SA's informal sector business ownership, Table 3.3 below provides an analysis of age composition.

Table 3.3: Age Proportion of SA's Informal Businesses Sector Ownership by Age Groups.

	2001	**2005**	**2009**	**2013**	**2017**
	Years *(Standard Error)*				
Mean Age	43.58 *(0.56)*	43.68 *(0.54)*	42.50 *(0.27)*	43.32 *(0.27)*	43.63 *(0.31)*
	Frequency % & *(Standard Error)*				
15 – 24 Years	**116** *(2.0)* 7.27 *(0.45)*	**106** *(2.0)* 6.40 *(0.43)*	**89** *(2.0)* 5.81 *(0.54)*	**57** *(0.9)* 4.47 *(0.48)*	**106** *(2.0)* 5.27 *(0.54)*
25 – 34 Years	**387** *(6.0)* 24.26 *(1.12)*	**330** *(6.0)* 19.90 *(0.71)*	**314** *(5.0)* 20.50 *(0.93)*	**263** *(4.0)* 21.09 *(0.92)*	**406** *(7.0)* 20.26 *(0.93)*
35 – 44 Years	**401** *(7.0)* 25.14 *(0.73)*	**446** *(8.0)* 26.90 *(0.78)*	**452** *(8.0)* 29.50 *(1.04)*	**319** *(5.0)* 25.58 *(0.99)*	**588** *(11.0)* 29.34 *(1.04)*
45 – 54 Years	**314** *(5.0)* 19.69 *(0.71)*	**384** *(7.0)* 23.16 *(0.74)*	**382** *(6.0)* 24.93 *(0.99)*	**313** *(5.0)* 25.10 *(0.98)*	**497** *(9.0)* 24.80 *(0.99)*
55 – 64 Years	**254** *(3.0)* 11.16 *(0.44)*	**286** *(3.0)* 11.64 *(0.57)*	**246** *(3.0)* 12.08 *(0.75)*	**223** *(3.0)* 13.63 *(0.78)*	**240** *(4.0)* 11.98 *(0.75)*
65 & older	**123** *(1.0)* 7.71 *(0.35)*	**106** *(2.0)* 12.00 *(0.41)*	**49** *(1.0)* 7.18 *(0.45)*	**72** *(0.9)* 10.03 *(0.46)*	**167** *(1.0)* 8.33 *(0.44)*
Total %	**100**	**100**	**100**	**100**	**100**
Total informal sector business ownership including of those aged over 64 years	**1595**	**1658**	**1532**	**1247**	**2004**

***Source**: Stats SA, SESE (2001–2017).*

According to the results presented in Table 3.3, the proportion of individuals running informal businesses increased with age and peaked at individuals aged between 35–44 years. On average, an informal business owner in SA during the period 2001–2017 was aged around 43 years, with most of SA's informal business sector ownership concentrated among those aged between 25 and 54 years. On the other hand, SA's informal sector business ownership is low among those aged between 15 and 24 years, having decreased by 10 000 individuals between 2001 and 2017. In contrast, it has risen over time among the older age cohorts, particularly

those aged 25–44 and 45–54 years, who increased by 206 000 and 183 000 individuals, respectively.

The results confirm that there are individuals of retirement age who own informal businesses, although their proportion is low relative to individuals in other age groups. For example, Table 3.3 indicates that between 2001 and 2017, the total number of individuals aged older than 64 years owning informal businesses ranged between 49 000 and 167 000 (on average comprising 9.05 percent of informal sector business owners). This is not surprising considering that SA's informal sector business ownership peaks among individuals as young as age 44.

Also, notable from the results is the higher proportion of those who are about to exit the working age (averaging around 12.10 percent) compared to those who are at the early working age (averaging around 5.86 percent). Although these two age groups may be extremely different, there may be some reasons behind this. It is to be noted that younger individuals may still be too young, attached to their families, and lack experience and/or financial means to start their own informal businesses. Also, they may be busy with other things (i.e., education) and still under family support, hence there may be less necessity for them to participate in informal sector business ownership compared to individuals of older ages.

Another point to note is that young individuals may be fresh from the education system and possess a strong desire to work or start businesses within the formal business sector, as opposed to the informal business sector. For individuals of an older age, on the other hand, there may be many of them who are out of the formal working system for reasons other than age (i.e., retrenchment, voluntary retirement, and dismissal form work), who, as a result, may have been pushed into informal business ownership. Furthermore, older individuals may be required to be the carers of younger individuals (where participating in informal sector business ownership may be considered an option), hence their higher proportion relative to younger individuals.

Although the youngest workers (those aged 15-24) comprise the smallest percentage of informal business owners, when combined also with those aged 25-35 years (the youth, i.e., those aged 15-35 years), they consistently comprise more than 25 percent, or 1 in every 4 informal sector business owner in SA. Given SA's high youth unemployment rate (reportedly around 55.2 percent in 2019 (Stats SA, 2019)), it is not surprising that some youth seek out work and business opportunities in the informal sector. As a result of unemployment from the formal sector, they may have been attracted to participate in the informal business sector.

After analysing SA's informal sector business ownership in terms of age, the next consideration was an analysis in terms of gender. Gender inequality in the context of socio-economic participation continues to be a controversial topic in the global community. Recent statistics have indicated that in 2022, the world population reached 8 billion and is almost equally divided across the two gender groups (United Nations, 2022). However, women are continuously perceived to be having fewer social and economic opportunities than men (World Economic Forum, 2022). As a result, women continued to have limited participation in most economic activities in the global economy, thus resulting to their potential in the economy not being fully actualised (World Economic Forum, 2022; Marcateli, 2015).

Considering the above, Table 3.4 below provides some insight into the gender composition of SA's informal sector business ownership. The results indicate that informal sector business ownership has been historically composed mostly of men, however, over time, women's presence in this sector has risen to an extent that there is roughly parity between the two gender groups in respect of their proportionate involvement. Looking at the end points, men's participation in informal sector business ownership grew by just 4.72 percent from 2001–2017, while women's participation grew by 58.45 percent (albeit from a lower base as compared to men).

Table 3.4: Gender Composition of Informal Sector Business Ownership in SA.

	2001	**2005**	**2009**	**2013**	**2017**
			Male		
Frequency - 000	*974*	*921*	*755*	*556*	*1 020*
	(19)	*(19)*	*(16)*	*(13)*	*(20)*
Proportion (%)	*61,1*	*55,5*	*49,3*	*44,6*	*50.9*
	(0.6)	*(0.8)*	*(1.1)*	*(1.1)*	*(1.2)*
			Female		
Frequency - 000	*621*	*737*	*777*	*691*	*984*
	(13)	*(15)*	*(17)*	*(17)*	*(2)*
Proportion (%)	*38.9*	*44.5*	*50.7*	*55.4*	*49.1*
	(0.6)	*(0.5)*	*(1.13)*	*(1.1)*	*(1.2)*
Total %	***100***	***100***	***100***	***100***	***100***
Total informal sector business ownership including of those aged over 64 years (000)	***1595***	***1658***	***1532***	***1247***	***2004***

Source*: Stats SA, SESE (2001–2017). Note: Sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 1 decimal places. Numbers in parenthesis are standard errors.*

Gender inequality in economic participation has remained one of SA's pressing socio-economic challenges (Bekhouche et al., 2013; Stats SA, 2014; Omarjee, 2017; Akala, 2018; Dryding, 2019). One of the contributing factors to this is that more women than men are likely

to be disadvantaged in terms of economic opportunities and tend to be more exposed to various socio-economic challenges, including poverty, income inequality, and high levels of unemployment; hence the results suggest that their participation in informal sector business ownership may have been limited in the historical years (i.e., particularly between 2001 and 2005) (Bekhouche et al., 2013; Stats SA, 2014). Although empirical literature on entrepreneurial motivation suggests both men and women's entrepreneurial motivation tend to be similar, Setiawan (2023) argues that women's reasons for engaging in entrepreneurial activities tend to be somewhat distinct because of expectation about certain roles that they need to perform. This can be highlighted as some of the reasons women's participation in SA's informal business ownership has been limited overtime and started to pick up only in the recent years.

In a move to address this, since 1994, the SA government adopted various legislation[15] intended to promote equality among men and women. These include the implementation of Acts and transformation initiatives (i.e., encouraging both private and public institutions to ensure gender transformation) tasked with the responsibility of redressing gender related imbalances of the past by driving resources towards empowering women of SA (Marcateli, 2015). Furthermore, the SA government has increasingly promoted the participation of women in entrepreneurial activities in various sectors of the economy, with the small informal business sector especially, in the cooperative environment, emerging to be core in ensuring that women also participate in the country's various economic activities (Magidimisha and Gordon, 2015). This, among other reasons, may have driven SA's informal sector business ownership to be more gender equal in recent years, as suggested by the results in Table 3.4 above.

In terms of variability within the years, the results indicate that between 2001 and 2005, more men than women were participating in SA's informal sector business ownership, with a proportion of 61.1 percent in 2001 which declined to 55.5 percent in 2005. However, this started to change between 2009 and 2013, where more women than men were participating in SA's informal sector business ownership. Again in 2017, there were more men than women who were owning informal businesses, thus suggesting that over time, during the period 2001–2017, men and women's participation in informal sector business ownership was inconsistent and the higher participation of each gender group tended to vary throughout this period. On

[15] *Such as Commission on Gender Equality Act no. 39 of 1996 and Employment Equity Act no. 55 of 1998.*

average, women's participation in informal sector business ownership appears to have increased more rapidly than that of men.

It is notable that the rise in participation of women in informal sector businesses reported above is not inconsistent with the general increase in women's labour market participation, which was documented in the late 1990s and into the 2000s, and that previous research (Casale, 2004; Elder et. al, 2010) provides various explanations for. Furthermore, this body of work has also noted that where women did gain employment, it was mostly in the informal economy. The increase in women's participation in the labour market was due to a rise in unemployment, but women were able to find employment in the informal sector, particularly self-employment in the informal sector. Despite what the reason may be, the informal business sector remains important for allowing women (as the previously disadvantaged group), especially those in rural communities, with an opportunity to be economically active.

Previous research has revealed that many informal business activities occur in rural and township areas where poverty and unemployment is often high (Pernegger and Godehart, 2007; Maharaj, 2014). The results in Table 3.5 below show that Western Cape, Eastern Cape, Gauteng, Mpumalanga, and Limpopo are the only five provinces that had higher shares of informal sector business ownership in 2017 relative to that of 2001. Northern Cape, KwaZulu-Natal, Free State and Northwest had lower informal business ownership in 2017 relative to 2001, although there were some increases in some years.

Table 3.5: Provincial Distribution of SA's Informal Sector Business Ownership.

	2001	**2005**	**2009**	**2013**	**2017**
	% (Standard Error)				
Western Cape	4.4	4.7	4.7	5.8	5.0
	(0.2)	(0.4)	(0.5)	(0.5)	(0.5)
Eastern Cape	9.4	11.9	11.2	10.7	11.6
	(0.4)	(0.6)	(0.7)	(0.7)	*(0.8)*
Northern Cape	2.2	2.0	1.9	2.4	1.1
	(0.2)	(0.2)	(0.3)	*(0.3)*	(0.3)
Free State	7.5	7.3	9.0	7.2	7.1
	(0.3)	(0.5)	(0.7)	*(0.6)*	(0.6)
KwaZulu-Natal	23.0	30.6	18.7	18.4	13.6
	(0.6)	(0.8)	(0.9)	*(0.9)*	(0.8)
North West	11.0	7.7	8.0	5.5	6.3
	(0.4)	(0.5)	(0.6)	*(0.5)*	*(0.6)*
Gauteng	16.1	12.6	14.5	15.1	19.4
	(0.5)	(0.6)	(0.8)	*(0.8)*	(1.0)
Mpumalanga	11.8	9.1	15.6	15.2	14.1
	(0.4)	(0.5)	(0.8)	*(0.8)*	*(0.9)*
Limpopo	13.9	14.2	16.5	19.8	22.0
	(0.5)	(0.6)	(0.8)	*(0.9)*	*(1.0)*
	100	**100**	**100**	**100**	**100**

***Source**: Stats SA, SESE (2001–2017). Note: Sample is restricted to informal business owners aged 15 years and above. Figures are rounded off to 1 decimal place.*

In Gauteng, the results indicate that the share of informal sector business ownership increased by 3.3 percent between 2001 and 2017. This can be regarded as unsurprising given that Gauteng remains the key economic hub for SA, with opportunities for entrepreneurship and the growth of markets potentially higher than elsewhere in the country (Littlewood and Holt, 2018). On the other hand, Western Cape, Free State, North West, and Northern Cape informal sector business ownership were below 10 percent almost the entire period. This is an indication that there are not many informal business activities taking place within communities in these four provinces.

KwaZulu-Natal, Limpopo and Mpumalanga, on the other hand, consistently had high informal business ownership (on average higher than 10 percent) over the period under consideration, except for Mpumalanga in 2005 which was just under 10 percent. It is also notable from the results that, in terms of proportional changes from 2001 to 2017, KwaZulu-Natal's informal sector business ownership appears to have decreased a great deal relative to that of other provinces, while Limpopo's informal sector business ownership increased, followed by that of Gauteng and Mpumalanga. It should be noted that, as discussed earlier in Chapter 1, these provinces are also among the most rural and impoverished (also highly populated) in South Africa (Stats SA, 2015). Given this, individuals in communities within these provinces may

have continuously considered participating in the informal sector business ownership to try and overcome some of their existing socio-economic challenges. Although KwaZulu-Natal's informal business sector ownership decreased, it still had a larger share relative to some other provinces, which can also be associated with it being one of the rural impoverished provinces, hence informal business ownership is largely dominant when compared to other provinces. This is a confirmation of what is suggested in the literature, that SA's informal business sector is survivalist and irregular, characterised by poor working conditions, low pay, and no benefits (Muller, 2003; Casale, 2003).

In terms of racial composition, Table 3.6 below shows that SA's informal sector business ownership during the period 2001–2017 was concentrated mostly among Blacks/Africans, whom were consistently over 1 000 000 individuals, while each of the other population groups were just below 100 000. It is also notable that Black/Africans' share of SA's informal sector business ownership between 2001 and 2017 increased greatly, by nearly 30 percent. It is not surprising that Blacks/Africans dominate SA's informal sector business ownership as they have the largest population share in comparison to the other population groups. There was extremely low informal business ownership by Indians/Asians, and this declined by 17 percent between 2001 and 2017. Similarly, Coloured's share was relatively low and mostly declined by about 20 percent. White's share on the other hand increased by just more than 10 percent. This may be associated with employment equity requirements which tends to make it more difficult for Whites to obtain formal sector jobs and may therefore consider opportunities in the informal business sector (Mayer et al., 2019).

Table 3.6: Racial Composition of SA's Informal Sector Business Ownership and Gender Proportion within each Racial Group.

	2001	**2005**	**2009**	**2013**	**2017**
			(Standard Error)		
Black / Africans - 000	**1 442**	**1 478**	**1 406**	**1 132**	**1 863**
	(29.0)	*(31.0)*	*(30.09)*	*(26.0)*	*(36.0)*
***-Male* - %**	36.51	37.96	44.00	48.18	49.58
	(0.66)	*(0.87)*	*(1.17)*	*(1.16)*	*(1.27)*
***-Female* - %**	63.49	62.04	56.00	51.82	50.42
	(0.66)	*(0.87)*	*(1.17)*	*(1.16)*	*(1.27)*
Coloureds - 000	**66**	**102**	**54**	**45**	**53**
	(1.31)	*(1.34)*	*(1.13)*	*(0.90)*	*(1.39)*
***-Male* - %**	46.01	59.40	56.52	50.00	59.10
	(3.22)	*(4.27)*	*(6.01)*	*(5.85)*	*(7.50)*
***-Female* - %**	53.94	40.60	43.48	50.00	40.91
	(3.22)	*(4.27)*	*(6.01)*	*(5.85)*	*(7.50)*
Indians / Asians - 000	**30**	**25**	**15**	18	**25**
	(0.60)	*(0.30)*	*(0.22)*	*(0.27)*	*(050)*
***-Male* - %**	64.55	76.67	63.16	83.33	76.19
	(4.58)	*(7.85)*	*(11.36)*	*(6.92)*	*(9.52)*
***-Female* - %**	35.45	23.33	36.84	(16.67)	23.81
	(4.58)	*(7.85)*	*(11.36)*	*(6.92)*	*(9.52)*
Whites - 000	**57**	**53**	**57**	**52**	**63**
	(1.14)	*(0.03)*	*(1.43)*	*(0.04)*	*(1.83)*
***-Male* - %**	61.19	57.41	65.28	59.52	48.08
	(3.45)	*(4.78)*	*(5.65)*	*(5.39)*	*(6.10)*
***-Female* - %**	38.81	42.59	34.72	40.48	51.92
	(3.45)	(4.78)	(5.65)	(5.39)	*(6.10)*
Total informal sector business ownership including of those aged over 64 years	**1 595**	**1 658**	**1 532**	**1 247**	**2 004**

***Source**: Stats SA, SESE (2001–2017). Sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places.*

Looking at the gender distribution for each racial group, Table 3.6 reveals that Black/African females' participation relative to Black/African males was proportionally high in SA's informal sector business ownership, while Indian/Asian, Coloured and White males were proportionally high relative to their female counterparts. Blacks in comparison to other racial groups in SA are known to be living in rural, urban, and poor communities (Gradin, 2013). As a result, high participation of Blacks/Africans relative to other racial groups as well as high participation of Black/African females relative Black/African males confirms the result in Table 3.5 above which suggested that SA's informal sector business ownership has, over recent years, become composed mostly of women; in addition, most are Black/African women who may be residing mainly in rural, urban, and poor communities.

Although Black/African women in relation to their male counterparts may be proportionally high in SA's informal sector business ownership, the results suggest that their proportion has

been declining over time. For example, in 2001, a high of 63.49 percent Black/African females to Black/African males were owning informal business, compared to a low of 50.42 percent in 2017, an almost equal gender proportion. Historically, Black/African women were among the most deprived population groups in terms of various socio-economic opportunities. However, since attainment of democracy in SA, more resources and initiatives have been directed towards empowering Black/African women (as well as other previously disadvantaged groups) (McCallum, 2005; Ponte et. al, 2007; Marcateli, 2015; Count, 2020). This has seen more Black women becoming the prime candidates for jobs, especially in firms wanting to meet Employment Equity (EE) targets. Thus, Black/African females' declining proportion in informal sector business ownership compared to that of their male counterparts can be attributable to some extent to an increased availability of opportunities for them in more established sectors of the economy, which may result in them engaging less in the informal business sector in the recent years.

Although the participation of Coloureds, Indians and Whites in SA's informal sector business ownership was relatively low compared to that of Black/Africans, their respective gender distribution suggests that males were proportionally high during the period 2001–2017, although for White males it was extremely reduced in 2017. This again can be attributable to SA's historical background, which tended to offer males of these racial groups more opportunities for economic participation and restricted women's economic participation. Coloureds, Indians and Whites' low participation (irrespective of gender) in the country's informal sector business ownership can similarly be related to the country's historical background, which tended to offer them more opportunities in the mainstream economy; hence they may have not been pushed or even considered opportunities in the informal business sector compared to Blacks/Africans (Iheduru, 2004; Lloyd, 2018).

Having discussed the racial composition of SA's informal sector business ownership above, the following is an analysis of the educational composition of SA's informal sector business owners. Education may be argued to have a certain role in a person's choice of economic participation, such that the international development community and most governments in developing nations have, over the years, made education one of their main policies for development, and have increased budgets directed towards education (United Nations, 2014).

In the case of SA, the importance of education is also notable in the Republic's Constitution (*Act 108 of 1996*) where it is clearly outlined to be one of the fundamental rights that need to

be protected and advanced. In terms of the educational levels possessed by individuals who are participating in the country's informal sector business ownership, Table 3.7 below provides an indication that SA's informal sector business ownership is mostly concentrated among individuals with a high school level of education (Grade 8/Standard 6 to Grade 11/Standard 9 or incomplete matric). This is evident from the consistently higher proportion of those with secondary education when compared to those with other levels of education. Second to those with a high school level of education were those with primary education, followed by those with matric, no schooling, and those with tertiary education.

Table 3.7: Educational Levels of SA's Informal Sector Business Owners

	2001	**2005**	**2009**	**2013**	**2017**
			Tertiary Education		
Frequency - 000	85	83	64	57	91
	(2)	*(2)*	*(1)*	*(1)*	*(2)*
Proportion - %	5.32	5.0	4.17	4.58	4.52
	(0.20)	*(0.18)*	*(0.11)*	*(0.16)*	*(0.12)*
			Matric		
Frequency - 000	202	248	257	230	450
	(4)	*(5)*	*(5)*	*(6)*	*(23)*
Proportion - %	12.68	14.88	16.80	18.46	19.05
	(0.88)	(0.99)	(1.02)	(1.13)	(1.12)
			Incomplete Secondary/ High School Education		
Frequency - 000	512	581	565	484	836
	(10)	*(2)*	*(12)*	*(12)*	*(17)*
Proportion - %	32.09	34.90	36.91	38.85	41.74
	(1.01)	*(1.04)*	*(1.11)*	*(1.02)*	*(1.10)*
			Primary Education		
Frequency - 000	549	495	403	307	425
	(11)	*(10)*	*(9)*	*(7)*	*(8)*
Proportion - %	34.41	29.71	26.28	24.56	21.23
	(0.78)	*(0.99)*	*(0.94)*	*(0.78)*	*(0.89)*
			No Schooling		
Frequency - 000	247	251	243	169	202
	(5)	*(5)*	*(5)*	*(4)*	*(5)*
Proportion - %	15.50	15.16	15.83	13.55	13.46
	(0.86)	*(0.56)*	*(0.88)*	*(0.67)*	*(0.76)*
Total	**100**	**100**	**100**	**100**	**100**

***Source**: Stats SA, SESE (2001–2017). Note: sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places. Figures in parenthesis are standard errors.*

Also, notable from the results in Table 3.7 is the decline in the number and proportion of those with primary education and no education at all, while there was an increase in the number and proportion of those with secondary education up to matric. This may be an indication that SA's informal sector business ownership has, in recent years, moved away from individuals with no

schooling at all and limited education to those with some form of education above primary education, including obtaining a matric certificate. Higher levels of formal schooling, including the associated numeracy and literacy skills that high school education develops, may likely be required for the success of informal sector businesses. Thus, it is possible that informal sector businesses where the owners did not have these skills were less successful, or that over time individuals attained the necessary education that resulted in an improvement in levels of education of participants in the sector.

Unlike in formal sector employment, where matric may be a requirement for employment and therefore there is likely to be a high proportion of those with matric, in informal sector employment (mainly informal business ownership), the proportion of individuals with matric was lower than those with incomplete education, as matric is not a requirement for participation in this sector. In addition to matric not being a requirement in the informal sector, it has also increasingly become the minimum requirement to secure formal sector jobs. As a result, individuals who completed matric (but not completed tertiary education) who fail to access formal sector jobs may be considering participating in the informal business sector; hence the results indicate the number of informal sector business owners with a completed matric (but not a completed tertiary education) has increased by 122 percent. Similarly, those who have not finished high school have also experienced a significant growth in informal sector business ownership of more than 60 percent.

There was a low proportion of informal sector business owners with tertiary education, which was also declining since 2001, except between 2013 and 2017. This may be partly due to tertiary education being highly associated with formal sector employment, as it tends to make individuals more employable in this sector, while budding entrepreneurs are motivated to venture into avenues, in respect of finance, that could move their businesses straight into the formal sector. Considering this, it is clear that ‘cutting edge’ entrepreneurial activity/ innovation may not necessarily be the forte of informal sector business in SA. It is for this reason, among others, that individuals with a completed tertiary education who are involved in informal sector business ownership has increased only negligibly between 2013 and 2017.

While there was a high number of individuals with secondary education, those with primary education only and no schooling at all were on the decline. For example, the number of those with no schooling and primary education combined declined by over 21 percent between 2001 and 2017, while those with secondary education and matric combined increased significantly

by over 80 percent. This can be argued to be because of the informal business sector becoming an option for individuals with higher levels of education in the recent years than in the early 2000s, signalling challenges of obtaining formal sector employment. It can also be argued that this could be because of a rise in SA's educational attainment over the recent years, in line with governmental efforts to make education accessible to more individuals.

Marital status forms part of the demographic representation of a population and can be used to understand or differentiate individuals within a population (Jonck and Nwosu, 2022). It was therefore necessary to analyze and discuss the marital composition of SA's informal sector business owners and understand their composition in terms of marital status of individuals. Table 3.8 shows proportional marital composition of informal sector business ownership for the period 2001–2017. In nearly all the years, the results suggest that 4 in every 10 informal sector business owners are married, while around 3 in every 10 informal sector business owners were never married. Also, in these categories, males constitute a higher proportion (i.e., a higher proportion of married or never married men are informal sector business owners as compared to women). In contrast, there is a smaller proportion (around 10 percent combined) of informal sector business owners who are divorced or widowed. Despite their low proportion, women of the divorced or widowed cohorts were of a higher proportion compared to their male counterparts, thus suggesting that more women than men consider the opportunities available within the informal business sector after divorce or the death of husband.

Table 3.8: Marital Composition of SA's Informal Sector Business Ownership and Gender Proportion within each Marital Group

	2001	**2005**	**2009**	**2013**	**2017**
	% *(Standard Error)*				
Married	**45.65**	**44.95**	**41.82**	**39.59**	**38.48**
	(1.15)	*(1.13)*	*(1.11)*	*(1.09)*	*(1.20)*
-Male	52.94	54.50	52.64	51.00	55.64
	(1.44)	*(1.66)*	*(1.75)*	*(1.76)*	*(1.96)*
-Female	47.06	45.50	47.36	49.00	44.36
	(1.44)	(1.66)	*(1.75)*	*(1.76)*	*(1.96)*
Living together like husband and wife	**11.89**	**10.20**	**10.39**	**10.44**	**12.85**
	(0.70)	*(0.67)*	*(0.69)*	*(0.68)*	*(0.82)*
-Male	64.89	59.13	57.43	63.68	58.69
	(3.37)	*(3.35)*	*(3.49)*	*(3.31)*	*(3.38)*
-Female	35.11	40.87	42.57	36.32	41.31
	(3.37)	*(3.35)*	*(3.49)*	*(3.31)*	*(3.38)*
Widow/Widower	**9.20**	**9.38**	**10.08**	**9.50**	**9.95**
	(0.55)	*(0.66)*	*(0.68)*	*(0.65)*	*(0.74)*
-Male	12.01	13.20	13.78	16.06	15.76
	(2.20)	*(2.35)*	*(2.47)*	*(2.65)*	*(2.85)*
-Female	87.99	86.80	86.22	83.94	84.24
	(2.20)	*(2.35)*	*(2.47)*	*(2.65)*	*(2.85)*
Divorced or separated	**2.89**	**3.60**	**4.63**	**6.11**	**3.92**
	(0.35)	*(0.47)*	*(0.48)*	*(0.53)*	*(0.48)*
-Male	21.39	24.40	28.89	38.71	41.54
	(4.23)	*(4.15)*	*(4.80)*	*(4.39)*	*(6.16)*
-Female	78.61	75.60	71.11	61.29	58.46
	(4.23)	*(4.15)*	*(4.80)*	*(4.39)*	*(6.16)*
Never married	**30.37**	**31.87**	**33.08**	**34.37**	**34.80**
	(0.78)	*(0.89)*	*(1.07)*	*(1.05)*	*(1.17)*
-Male	39.20	42.67	44.48	53.87	53.90
	((1.68)	*(1.76*	*(1.96)*	*(1.89)*	*(2.01)*
-Female	60.80	57.33	55.52	46.13	46.10
	(1.68)	*(1.76)*	*(1.96)*	*(1.89)*	*(2.01)*
Total	**100**	**100**	**100**	**100**	**100**

Source*: Stats SA, SESE (2001–2017). Sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to2 decimal places.*

The results in Table 3.8 above are arguably in consensus with the literature discussed in Chapter 2, which indicated that those who value spending time with family may find running an informal business an alternative as business activities can be conveniently run at home (Orhan, 1999; Demartino and Barbato, 2003; Wasilczuk and Zieba, 2008; Fatoki, 2014). This offers these individuals an opportunity to combine career life with family life. According to Jackson (2015), married individuals in general tend to be more family-oriented and they value spending time with family. It is therefore not surprising that in SA they dominate in terms of participating in the country's informal sector business ownership.

Married individuals' higher participation in SA informal sector business ownership can be regarded as a *push factor*, particularly for those among them with families, who then need ways to support their families in the face of limited formal sector opportunities and challenges of accessing formal sector employment. For the second highest proportion, the 'never married' informal business owners, their participation may be attributable, among other reasons, to their failure to access jobs in the formal economy; and lacking a partner who may support them, as it may be the case with married partners, they therefore consider participating in informal business ownership (Jackson, 2015). Additionally, the 'never married' cohort may be more willing to take the risk of starting informal sector businesses.

In terms of the gender proportion within each marital group, married males, and males of the marital group 'living together like husband and wife' were proportionally high in SA's informal sector business ownership relative to females of the same marital groups. Conversely, the proportion of divorced females, widows and never married females were larger compared to that of their male counterparts. Although the shares of divorced and widowed individuals are quite small, the figures show that within these cohorts, it is mostly women who work in informal businesses, suggesting that informal sector business ownership may be taken up out of necessity to support the self/family following the death of a partner or a divorce.

Having discussed the demographic characteristics above, the last consideration before moving to the next section is to look at the factors which can elucidate why individuals own businesses in the informal sector. One of the advantages of using SESE is that not only does it allow the researcher to look at the characteristics of informal sector business owners, but also to explore in greater detail the reasons why these individuals have taken up this work.

Some of the factors that relate to individuals owning informal business were noted in literature presented in Chapter 2, mainly for the global context (Meyers, 2009). In the SA context, Table 3.9 below shows the proportion (based on total frequencies shown in the table) of some of the factors contributing towards informal sector business ownership in SA, where participants were allowed to select one most relevant factor from the list. The results appear to be in consensus with the literature as discussed in Chapter 2, with the results showing that the majority of SA's informal sector business owners are mostly driven into informal sector business ownership because of unemployment. For example, the proportion of individuals who highlighted unemployment as the reason they chose to participate in SA's informal sector business

ownership were consistently over 50 percent throughout the entire period 2001–2017, reaching a high of 67 percent in 2009.

Table 3.9: Motivational Composition of SA's Informal Sector Business Ownership.

	2001	**2005**	**2009**	**2013**	**2017**
Total frequencies	***1595***	***1658***	***1532***	***1247***	***2004***
	% *(Standard Error)*				
Inherited/family tradition	4.33 *(0.27)*	3.11 *(0.30)*	5.71 *(0.53)*	4.19 *(0.44)*	3.86 *(0.47)*
Unemployed	57.86 *(0.65)*	65.18 *(0.82)*	67.49 *(1.06)*	60.66 *(1.08)*	51.87 *(1.23)*
Had no alternative source of income	2.01 *(0.59)*	3.83 *(0.60)*	3.76 *(0.61)*	8.91 *(0.63)*	9.11 *(0.70)*
Retrenched	3.68 *(0.25)*	5.37 *(0.33)*	4.84 *(0.43)*	2.90 *(0.37)*	3.26 *(0.44)*
Inadequate source of income from other sources	15.33 *(0.47)*	9.28 *(0.39)*	5.25 *(0.49)*	4.04 *(0.44)*	1.99 *(0.34)*
I like the activity	5.28 *(0.29)*	4.42 *(0.50)*	7.61 *(0.51)*	4.63 *(0.47)*	4.22 *(0.49)*
I have the skills for the business	4.97 *(0.28)*	0.24 *(0.35)*	0.21 *(0.61)*	6.55 *(0.55)*	6.88 *(0.58)*
I have equipment for this business	0.86 *(0.12)*	3.35 *(0.01)*	1.39 *(0.10)*	0.19 *(0.01)*	0.24 *(0.09)*
Activity brings high income	0.83 *(0.22)*	1.57 *(0.31)*	0.51 *(0.27)*	1.13 *(0.23)*	0.30 *(0.13)*
Small investment needed	2.35 *(0.20)*	1.00 *(0.21)*	1.95 *(0.16)*	0.49 *(0.16)*	0.06 *(0.01)*
Unhappy with previous work	0.96 *(0.13)*	2.34 *(0.17)*	1.29 *(0.31)*	1.03 *(0.22)*	1.15 *(0.73)*
Other	1.54 *(0.15)*	0.76 *(0.26)*	0.35 *(0.26)*	5.28 *(0.36)*	17.63 *(1.77)*
Total	**100**	**100**	**100**	**100**	**100**

***Source**: Stats SA, SESE (2001 – 2017). Note: sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places. Percentages presented in the table are a share of total frequencies.*

Furthermore, the results in Table 3.9 are an indication of how unemployment is a concern in SA, which has led to most individuals being pushed into informal sector business ownership as an alternative, to source needed income to survive through their daily lives (Verheul et al., 2004)). This is further supported by the proportion of individuals who highlighted that they participate in SA's informal sector business ownership because they have no other alternative source of income, are retrenched, and have an inadequate source of income, which are all closely related to unemployment. For example, the percentage of individuals reporting that they had no alternative source of income increased by 7 percentage points from 2001–2017. It is necessary to point out that it may be difficult to disentangle the 'unemployed' from those who report 'they had no alternative source of income', except, perhaps, that the former may

have access to some form of UIF or other benefit, while the latter may quite literally have no other support system or access to income. These were classified into push factors of informal business activities in the literature discussed in Chapter 2.

Table 3.9 also shows some of the pull factors of SA's informal sector business ownership as discussed in literature presented in Chapter 2, among which included factors such as *I like the activity, activity brings high income, I have the skills for business, I have equipment for the business and small investment needed.* These factors can be described as motivations and are likely to contribute to the business being successful over time. Therefore, not only does it seem that this work is not first prize, but also that the businesses may lack some of these motivations in their owners which could make them successful over time. Overall, the proportion of individuals who are driven into SA's informal sector business ownership because of pull factors were lower compared to those who were driven by push factors. Therefore, the majority of individuals participating in SA's informal sector business ownership do so largely out of necessity to survive than out of the opportunity to bring large amounts of income/profits as is likely to be expected in large businesses operating in the formal economy.

3.6 The Characteristics of SA's Informal Sector Business Ownership

The previous section focussed mainly on individual characteristics of SA's informal sector business owners. In this section, the discussion is expanded to include informal business characteristics, looking specifically at the nature of businesses and conditions under which they operate. Several conditions under which informal businesses in most countries including SA operate are noted in Charma (2016) and Stats SA (2013, 2017). According to these researchers, these are conditions that tend to be unfavourable, and to a certain extent, may limit business success and growth.

Furthermore, according to the literature examined in Chapter 2, most informal business activities in SA occur in township, urban and rural areas (Pernegger and Godehart, 2007; Maharaj, 2014). These are places with many individuals exposed to multiple socio-economic challenges such as poverty, unemployment, crime, and poor sanitation facilities (Maharaj, 2014). Over and above these socio-economic challenges, informal businesses in township, urban and rural areas also operate in premises where there may be no electricity and lack proper sanitation facilities. These conditions are among some of the challenges believed to have a negative influence on the operation of informal businesses in the country and may limit the income they generate.

To identify and examine the characteristics of the SA informal business sector for the period 2001–2017, Table 3.10 below first looks at how organized SA's informal businesses are in terms of licensing and belonging to any association/structure. The results show that most of SA's informal businesses are operating without a license, with about 8-9 in every 10 informal businesses being unlicensed. There is an extremely low proportion of those who were licensed, consistently below 12 percent throughout this entire period. In addition to this, the results show that the majority of SA's informal businesses were not belonging to an association or business organisation, although this has since been reduced from 97.88 to 77.46 percent from 2001–2017. Despite an increase of about 20.42 in the proportion of those belonging to a business association from 2.12 percent during the same period, they are still considered low if compared to their counterpart group. The increase in the proportion of those belonging to a business association can be associated with the challenges faced by informal business owners as earlier indicated, which may have made them organise themselves and form structures that will represent them in engaging authorities and relevant stakeholders on matters of developing the sector.

Table 3.10: SA's Informal Business' Licencing and Belonging to a Business Association

	2001	**2005**	**2009**	**2013**	**2017**
	% *(Standard Error)*				
Licensed	7.18 *(0.20)*	10.26 *(0.53)*	11.27 *(0.71)*	11.47 *(0.71)*	8.56 *(0.69)*
Unlicensed	92.82 *(0.20)*	89.74 *(0.53)*	88.73 *(0.71)*	88.53 *(0.71)*	91.44 *(0.69)*
Total	**100**	**100**	**100**	**100**	**100**
Belonging to a business association	2.12 *(0.20)*	2.05 *(0.24)*	2.37 *(0.34)*	21.03 *(2.67)*	22.54 *(3.52)*
Not belonging to a business association	97.88 *(0.20)*	97.95 *(0.47)*	97.63 *(0.65)*	78.97 *(2.67)*	77.46 *(3.52)*
Total	**100**	**100**	**100**	**100**	**100**

***Source**: Stats SA, SESE (2001–2017). Note: Sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places.*

The results in Table 3.10 above may arguably suggest that SA's informal business sector may not only be disorganised but may also be characterised by businesses that are engaged in trade activities that may be illegal or not permitted by laws and regulations in the form of a license or permit. Furthermore, this may be one of the factors creating unfavourable conditions under which informal businesses operate when compared to the formal business sector, which is known to be largely regulated and more organised (Skinner, 2018; Salinas et al., 2019). The overarching concern over businesses being largely unregulated is that it then leads to other

issues – i.e., non-compliance with basic standards, hygiene sanitation, unsafe work environments and poor pay for employees, among others (Chen, 2012; Dube et al., 2013; Skinner, 2018). Furthermore, it may also contribute to the businesses being unable to expand/grow, as unregistered businesses may struggle to source finance that may allow them to expand to other business opportunities.

According to Fourie (2018), SA's informal business sector's trade in unorganised and non-permitted activities has in the past years contributed largely to the sector receiving less policy attention. However, this is believed to be changing in the current SA economic environment as more and more policies that recognise the role of the informal business sector within the current and future economic development are implemented by the government. For example, the NDP encourages the support of small businesses in general, where, with regards to the informal business sector, it projects that it will create 90 percent of new jobs by 2030 (Collaborator and Hassen, 2018).

The implications of the results in Table 3.10 above concerning SA's informal businesses largely operating in unlicensed activities may be also suggested by Table 3.11 below, which indicates that most of these businesses are unlikely to pay income taxes as a result. Over 9 in every 10 SA informal businesses between 2001 and 2017 were not paying income tax. This, it can be argued, is to be expected considering the nature of most informal businesses not only in SA, but across many other countries, especially in developing countries, which tend to be small in terms of size of business operations (Maharaj, 2014). As a result, most of these businesses may be generating turnover which is below the income tax threshold[16] and therefore not be required to pay income taxes (SARS, 2020).

Table 3.11: SA's Informal Sector Business Owner's Payment of Income Tax.

	2001	**2005**	**2009**	**2013**	**2017**
	% *(Standard Error)*				
Pay income tax	2.18 *(0.21)*	2.61 *(0.27)*	6.53 *(0.56)*	7.43 *(0.58)*	4.22 *(0.94)*
Doesn't pay income tax	97.82 *(0.25)*	97.39 *(0.29)*	93.57 *(0.56)*	92.57 *(0.58)*	95.78 *(0.94)*
Total	**100**	**100**	**100**	**100**	**100**

***Source**: Stats SA, SESE (2001–2017). Note: sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places.*

[16] *The income level at which businesses are required to pay income tax.*

The business may also be required to pay turnover tax, provided it meets the necessary requirements. Turnover tax is paid by micro businesses with an annual turnover of R1000 000 or less. Because SA's informal businesses tends to be small in terms of size of their operation, they may not meet the turnover threshold indicated below. Turnover tax is calculated by applying tax rates to annual turnover of micro businesses as shown in Table 3.12.

Table 3.12: Calculation of Turnover Tax

Annual Turnover (R)	Rate of Tax (R)
0 – 335 000	0%
335 000 – 500 000	1% of each R1 above 335 000
500 001 – 750 000	1 650 + 2% of amount above 500 000
750 001 and above	6 650 + 3% of the amount above 750 000

***Source**: SARS (2022).*

However, given that the majority of SA informal businesses operate in unlicensed activities, most of them are unlikely to be registered. They may also be generating turnover below the minimum threshold for payment of turnover tax, which would then exclude them from the group of businesses that are required by law to pay tax. Tax obligation may fall on the owner's personal capacity provided all the necessary requirements are met.

Table 3.13 below presents the longevity of SA informal businesses for the period 2001– 2017 to identify the sustainability of businesses within the informal business sector. The results indicates that most informal businesses in SA have been in operation for over 10 years, as evidenced by their proportion which was consistently more than 70 percent throughout the entire period 2001–2017.

Table 3.13: Longevity of SA's Informal Businesses and Gender Distribution.

	2001	2005	2009	2013	2017
	% *(Standard Error)*				
Businesses operated for 1 year & less	**1.94**	**1.28**	**2.21**	**3.40**	**2.53**
	(0.18)	*(0.25)*	*(0.42)*	(0.40)	*(0.44)*
-Male	30.82	32.43	38.46	44.93	46.43
	(7.45)	*(7.80)*	*(7.89)*	(6.03)	*(7.88)*
-Female	69.68	67.57	61.54	55.07	53.66
	(7.45)	*(7.80)*	*(7.89)*	(6.03)	*(7.88)*
Businesses operated for 2-4 years	**13.08**	**8.83**	**9.47**	**10.00**	**7.66**
	(0.25)	*(0.27)*	*(0.40)*	*(0.44)*	*(0.36)*
-Male	35.56	37.38	50.00	50.00	41.38
	(6.28)	*(6.70)*	*(6.87)*	*(6.74)*	*(9.31)*
-Female	64.44	62.62	50.00	50.00	58.62
	(6.28)	*(6.70)*	*(6.87)*	*(6.07)*	*(9.31)*
Businesses operated for 5-9 years	**14.23**	**12.75**	**16.04**	**15.65**	**14.41**
	(0.22)	*(0.24)*	*(0.35)*	(0.34)	*(0.32)*
-Male	39.10	40.00	43.86	42.31	50.70
	(4.78)	*(5.69)*	*(6.63)*	(6.92)	*(5.98)*
-Female	60.90	60.00	56.14	57.69	49.40
	(4.78)	*(5.69)*	*(6.63)*	(6.92)	*(5.98)*
Businesses operated for 10 years and above	**70.81**	**77.13**	**72.27**	**70.98**	**71.53**
	(0.62)	*(0.77)*	*(1.05)*	*(1.05)*	*(1.16)*
-Male	37.15	39.38	45.39	49.56	53.00
	(0.88)	*(0.99)*	*(1.36)*	*(1.36)*	*(1.51)*
-Female	62.85	60.62	54.61	50.44	47.00
	(0.88)	*(0.99)*	*(1.36)*	*(1.36)*	*(1.51)*

***Source**: Stats SA, SESE (2001–2017). Note: Sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places.*

Kirzner (2004), in his entrepreneurial theory discussed in Chapter 2 of this study, provided a link between an increase in years of business operation and how that is likely to increase the size of the business and possibly number of workers the business employs. Kirzner (2004) argued this based on the knowledge and experience that come with more years of operation. Informal businesses are understood to operate under a similar approach, whereby both knowledge and experience are over time believed to be key in understanding the needs of individuals residing in local communities where the informal businesses operate. Thus, this can be expected to result in an increase in informal business ownership by everyone, to cater for needs identified, although in the case of SA, other factors may have limited this increase.

Looking at the gender distribution for each period of operation, it appears that businesses owned by females (relative to males) were proportionally high in almost all years of operation shown in Table 3.13 above, although this appears to have changed in the recent years, where gender disparity was reduced especially at longer years of operation. Although the results, earlier in Table 3.4 suggested higher growth of women's participation in SA's informal

business sector between 2001 and 2017, the results in Table 3.13 suggest that the longevity of their businesses has reduced over time. For example, in 2017, female-owned informal businesses operated for 5 years and more were almost equal to that of males. This may be an indication that female-owned informal businesses have become less sustainable, while those owned by men may have improved in terms of sustainability in the years towards 2017.

The reduction in the sustainability of informal businesses owned by females relative to those owned by men can, among other things, be associated with remedial initiatives implemented since 1994, aimed at empowering women. These may have enabled more women to access opportunities in more advanced formal sectors of the economy and may have abandoned/paused their participation in the informal business sector. It is also possible that the reduction in the sustainability of informal businesses owned by females relative to those owned by males is because their businesses have graduated to the formal business sector.

Business performance may affect the business's potential to employ more people. Businesses that have been in operation for a longer period and have also been growing over time may be expected to employ more people compared to those that have been in operation for a shorter period. Considering this, duration can be considered to have some indirect influence on whether the business employs other people or not. To examine this in the context of SA informal businesses, the results in Table 3.l4 below provide an indication that during the period 2001–2017, the majority of SA informal businesses were not employing other people.

Table 3.14: SA's Informal Businesses Employing Other People

	2001	**2005**	**2009**	**2013**	**2017**
	000**,** *(Standard Error)*				
Businesses employ others	235 *(5)*	196 *(4)*	270 *(6)*	271 *(7)*	369 *(7)*
Doesn't employ others	1 359 *(27)*	1 469 *(30)*	1 262 *(27)*	976 *(23)*	1 635 *(33)*

***Source**: Stats SA, SESE (2001–2017). Note: Sample is restricted to informal business owners aged 15 years and above. Counts are rounded off to nearest thousand. Standard errors are rounded off to 2 decimal places.*

Over 1 000 000 informal businesses were not employing other people, except in 2013 where they were just below 1 000 000. This can be considered high given that in Table 3.13 above, these were mostly businesses that had been in operation for over a decade. Furthermore, it appears to be contrary to Kirzner's (2004) assertion that the size (in the context of the number of individuals the business employs) of the business should increase over time, where an increase in the number of employees is reflected as another way of increasing the size of the

business. This can be considered unsurprising given that the SA informal business sector tends to be more survivalist and not necessarily innovative (Chikanda, Crush and Skinner, 2015). Informal business owners may be more concerned about sustaining their livelihoods than pursuing initiatives that can grow the business.

Another possible way of examining whether the size of SA's informal businesses was growing during the period 2001–2017, is by looking at the number of businesses each informal business owner was owning. The results in Table 3.15 below suggest that the majority of SA informal business owners operated only one business throughout the entire period. A few (less than 3 percent) were operating more than one business. This may come as no surprise given the results in Tables 3.13 (duration) and 3.14 (employment of others) above. All together, these results can be considered an indication that SA's informal business sector is characterised by businesses that have been in operation for over a decade, and for most of these businesses, the owner concentrated on one business rather than expanding to other businesses; hence, most of them were not employing other people and tended to be owner-operated.

Table 3.15: Proportion of SA's Informal Sector Business Owners Owning More than One Business

	2001	**2005**	**2009**	**2013**	**2017**
			% (Standard Error)		
One business	97.69 *(0.20)*	99.91 *(0.05)*	97.34 *(0.36)*	98.28 *(0.29)*	97.89 *(0.35)*
Two businesses	2.14 *(0.19)*	0.09 *(0.05)*	1.54 *(0.28)*	1.72 *(0.29)*	1.87 *(0.33)*
Other	0.17 *(0.05)*	0	1.08 *(0.23)*	0	0.24 *(0.12)*
Total	**100**	**100**	**100**	**100**	**100**

***Source**: Stats SA, SESE (2001 – 2017). Note: Sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places.*

Having looked at characteristics of SA's informal sector business ownership, such as longevity, employment of others, and the number of businesses owned by each owner, the next analysis examines the types of locations where SA's informal business activities tend to take place. This is shown in Table 3.16 below, which indicates that SA's informal business activities take place in various types of locations (i.e., from home where the owner of the business resides, to streets, taxi ranks, and any other location deemed relevant). Out of the indicated locations, the most utilised location was 'at the owner's dwelling with or without the business having its own space'. This may be argued to be due to the nature of most of SA's informal business activities,

which Charmain (2016) and Stats SA (2017) characterise as being less cumbersome, hence may be easily operated at home.

Table 3.16: SA's Informal Sector Business Operational Location

	2001	2005	2009	2013	2017
Location of SA informal sector business activities - %, *(Standard Error)*					
Within the owner's dwellings – with its own space	24.62 *(0.56)*	18.62 *(0.67)*	2.08 *(0.92)*	23.58 *(0.94)*	21.23 *(1.00)*
Within the owner's dwellings – without its own space	35.87 *(0.63)*	32.47 *(0.81)*	28.76 *(1.03)*	23.73 *(0.94)*	19.42 *(0.97)*
In a structure attached to owner's dwelling/s or on the same plot	6.05 *(0.31)*	9.49 *(0.50)*	5.92 *(0.54)*	4.78 *(0.47)*	5.00 (0.54)
Within another person's dwellings	1.42 *(0.15)*	1.72 *(0.22)*	1.95 *(0.31)*	2.26 *(0.33)*	3.50 *(0.45)*
In a non-residential building	2.96 *(0.22)*	3.38 *(0.31)*	3.60 *(0.42)*	4.33 *(0.45)*	4.34 *(0.50)*
From a taxi rank / bus station / train station	2.91 *(0.22)*	3.20 *(0.30)*	4.78 *(0.48)*	4.63 *(0.47)*	4.40 *(0.50)*
On a footpath, street or open space	7.20 *(0.34)*	9.46 *(0.50)*	10.13 *(0.68)*	7.83 *(0.60)*	10.86 *(0.76)*
At a market	0.75 *(0.11)*	0.86 *(0.16)*	2.26 *(0.34)*	1.62 *(0.28)*	1.21 *(0.27)*
Other	18.21 *(0.79)*	20.78 *(0.89)*	21.81 *(0.81)*	2.12 *(0.31)*	30.03 *(0.34*
Total	**100**	**100**	**100**	**100**	**100**
Proportion of payment/non-payment for the above locations - %, *(Standard Error)*					
Pay for the location	6.99 *(0.33)*	6.55 *(0.43)*	8.28 *(0.63)*	12.10 *(0.83)*	16.35 *(1.18)*
Does not pay for the location	93.01 *(0.55)*	93.45 *(0.73)*	91.72 *(1.03)*	87.90 *(0.83)*	83.65 *(1.18)*
Total	**100**	**100**	**100**	**100**	**100**

***Source**: Stats SA, SESE (2001–2017). Note: sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places.*

However, this may be changing considering the results in Table 3.16, which show a surge (in 2017 compared to 2001) in the proportion of SA's informal business activities taking place at a location separate to the home of the owner, such as non-residential buildings, ranks, bus station, train station and street/open spaces and "other" locations which were also on the rise. This suggests that SA's informal business activities may be slowly moving away from being operated at the owner's dwelling to other locations suitable for operating the business, including the business having its own premises separate from that of the owner.

In terms of paying for the location utilised, the lower part of Table 3.16 indicates that over 8 in every 10 informal businesses in SA are operated from a location where rent is not paid. Given this, rental payment cannot be used as the reason for operating the business at home (where the

business is less likely to be billed for use of owner's premises) if the majority of SA's informal businesses are operated in other premises than at home and are not paying for utilizing these premises. Other reasons may be motivating individuals to operate their informal businesses at home, such as the business not requiring a lot of space or the business suitable for being operated at the home of the owner next to its customers.

However, it may also not be surprising that the majority of SA's informal businesses do not pay for the location where they operate, if earlier findings in Table 3.10 above (regarding SA's informal businesses being less organised in terms of having operating licenses and belonging to any formal associations) are considered. For example, it may be argued that if informal business owners are unable to comply and meet registration requirements, securing proper and formal premises may be a challenge, as registration, licensing or any other formality may be a prerequisite.

The industrial concentration of SA's informal business sector is shown in Table 3.17 below, which shows that it is mainly dominated by industries such as wholesale and retail trade, community and social services, manufacturing, and construction. Notable from the results is the decrease in dominance of wholesale and retail trade by 17.04 percentage points between 2001 and 2017. These results can be considered a confirmation of findings in Good Governance Africa (2017) and Chikanda, Crush and Skinner (2015), that SA's wholesale and retail trade activities mainly in the informal business sector have been experiencing a decline in participation over the years. Notable reasons associated with this decline include lack of efforts to engage or support retail informal businesses in communities through appropriate and effective policy efforts, despite their important role in food security and local employment.

Table 3.17: Industrial Concentration of SA's Informal Sector Businesses

	2001	2005	2009	2013	2017
	%, *(Standard Error)*				
Agriculture	2.00 *(0.18)*	1.17 *(0.13)*	1.13 *(0.24)*	1.23 *(0.24)*	2,17 *(0.36)*
Manufacturing	9.10 *(0.34)*	12.1 *(0.80)*	10.60 *(0.74)*	8.32 *(0.61)*	7.96 *(0.67)*
Construction	2.90 *(0.22)*	5.8 *(0.44)*	9.00 *(0.65)*	10.34 *(0.68)*	10.80 *(0.76)*
Wholesale and retail trade	70.96 *(0.59)*	64.1 *(0.89)*	57.46 *(1.12)*	56.72 *(1.10)*	53.92 *(1.22)*
Transport, storage, and communication	3.15 *(0.23)*	4.4 *(0.38)*	4.06 *(0.45)*	5.81 *(0.51)*	4.95 *(0.53)*
Finance intermediation and insurance	6.00 *(0.31)*	3.5 *(0.65)*	2.88 *(0.38)*	6.75 *(0.56)*	6.63 *(0.61)*
Community and social services	5.65 *(0.30)*	6.9 *(0.56)*	10.65 *(0.70)*	10.83 *(0.69)*	12.00 *(0.80)*
Other	0.24 *(0.04)*	2.03 *(0.23)*	4.22 *(0.46)*	0	1.57 *(0.31)*
Total	**100**	**100**	**100**	**100**	**100**

***Source**: Stats SA, SESE (2001–2017). Note: sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places.*

For example, the township grocery market over time, especially during the more recent years indicated above, became an increasingly contested business space (Good Governance Africa, 2017). In addition, SA's informal business activities were found to be more survivalists, with individuals exclusively operating single operator and micro-business models that were vulnerable to business failure (Chikanda, Crush and Skinner, 2015). As a result, South Africans may have considered moving to other industries which appear to be on the rise, such as community and social services, construction and transport, storage, and communication.

The characteristics and conditions highlighted in the discussion above may likely affect the revenue that informal businesses can generate. To determine the size of turnover generated by SA informal businesses, Table 3.18 below shows the proportion of yearly generated turnover, by turnover groups. Notable from the Table, is the significant decline in the proportion of informal businesses with a turnover of (and more than) R201 000 from 2001 to 2017. Rather, there has been a surge in informal businesses generating a turnover of (and below) R150 000 during the same period. The results suggest that informal businesses have become smaller from a turnover perspective, which has an implication on business growth as well as its capability to employ others. As a result, some informal business owners may have been driven out of the business.

Table 3.18: Yearly Turnover of SA's Informal Businesses, by turnover groups

	2001	2005	2009	2013	2017
	%, *(Standard Error)*				
R0 – R50 000	47.08 *(76)*	54.82 *(1.01)*	61.21 *(1.11)*	85.34 *(0.96)*	81.69 *(1.17)*
R51 000 – R100 000	1.01 *(0.04)*	2.05 *(0.31)*	3.29 *(0.40)*	7.85 *(0.73)*	10.56 *(0.93)*
R101 – R150 000	0.89 *(0.01)*	1.01 *(0.09)*	1.54 *(0.28)*	3.18 *(0.48)*	3.74 *(0.57)*
R151 000 – R200 000	5.46 *(0.78)*	3.78 *(0.67)*	1.01 *(0.23)*	0.74 *(0.23)*	1.91 *(0.41)*
R201 000 & above	45.56 *(1.79)*	38.34 *(1.45)*	32.87 *(1.07)*	2.89 *(0.46)*	2.09 *(0.43)*
Total	**100**	**100**	**100**	**100**	**100**

***Source**: Stats SA, SESE (2001–2017). Note: Counts are in thousands. Sample is restricted to informal business owners aged 15 years and above. Percentages and standard errors are rounded off to 2 decimal places.*

What can be deduced from the discussion on the tables above is that the SA informal business sector is exposed to several challenges, including the sector being largely unregulated, with the implication that it is not receiving enough support from government. Free entry may be contributing towards competition, including high competition from foreign owned informal businesses (Charman et al., 2013; Chikanda, Crush and Skinner, 2015). Furthermore, according to the literature, SA informal businesses largely operate in rural and township communities (Pernegger and Godehart, 2007; Maharaj, 2014). These are places that are highly affected by socio-economic challenges (i.e., unemployment and poverty), thus reducing the buying power of individuals residing in these communities and therefore limiting the revenue generated by informal businesses (Stats SA, 2019; Cronje, 2019; Genetzky, 2018; Ormajee, 2017; Godehart, 2007). These are some of the reasons that may be associated with the significant reduction of 43.47 percentage in the proportion of informal businesses with a turnover of (and above) R201 000, as reported in Table 3.18 above.

Contrary to the above, it is also possible that due to the large market township communities may present (as many people reside in these areas), some informal businesses may have been able to generate enough turnover that necessitated their growth, and therefore opted to formalise their businesses. Overall, the turnover results in Table 3.18 can also be argued to be consistent with earlier findings, that SA's informal business sector is largely survivalist with limited revenue generating potential.

The turnover of SA's informal businesses reported in Table 3.18 above may also be analyzed in terms of the characteristics of SA informal business ownership discussed earlier, such as

gender, race, age, and education, among others. Table 3.19 below provides an indication of how the turnover of SA informal businesses behaved in 2017 relative to each of these factors.

Table 3.19: Analysis of turnover of informal sector businesses in terms of gender, age, race, and education for the year 2017.

	2017				
	R0 – R50	**R51 – R100**	**R101 – R150**	**R151 – R200**	**R201 & above**
	Turnover Relative to Gender - %**,** (Standard Error)				
Male	50.19	65.52	58.54	80.95	65.22
	(1.67)	(4.43)	(7.79)	(8.78)	(10.15)
Female	49.83	34.48	41.46	19.05	34.79
	(1.67)	(4.43)	(7.79)	(8.78)	(10.15)
	Turnover Relative to Race - %, (Standard Error)				
Black / Africans	94.54	89.65	73.17	95.24	60.87
	(0.76)	(2.83)	(7.00)	(4.76)	(10.41)
Coloureds	2.12	5.17	9.76	0	4.35
	(0.48)	(2.07)	(4.69)		(1.06)
Indians	1.00	1.72	4.88	0	0
	(0.33)	(1.21)	(3.41)		
Whites	2.34	3.45	12.20	4.76	34.78
	(0.51)	(1.70)	(5.17)	(1.03)	(4.76)
	Turnover Relative to Age - %, (Standard Error)				
15 – 24	3.68	2.59	4.88	0	0
	(0.62)	(1.48)	(3.41)		
25 – 34	19.18	22.41	14.63	33.33	8.70
	(1.32)	(3.89)	(5.59)	(10.54)	(6.00)
35 – 44	28.54	28.45	34.15	23.81	47.82
	(1.51)	(4.21)	(7.50)	(9.52)	(10.64)
45 – 54	25.53	26.72	21.95	23.81	13.04
	(1.46)	(4.13)	(6.54)	(9.52)	(0.71)
55 – 64	17.39	17.24	21.95	19.05	26.09
	(1.27)	(3.52)	(6.54	(8.78)	(0.93)
65 & older	5.69	2.59	2.44	0	4.35
	(0.77)	(1.48)	(0.24)		(0.43)
	Turnover Relative to Education - %, (Standard Error)				
Tertiary	6.35	12.93	14.83	18.29	23.74
	(0.81)	(3.13)	(7.00)	(8.79)	(8.79)
Matric	15.68	17.23	18.21	19.17	19.89
	(0.71)	(0.87)	(1.21)	(1.77)	(1.99)
Secondary	59.09	63.55	71.42	73.57	73.99
	(1.24)	(4.65)	(7.35)	(9.36)	(9.36)
Primary	23.97	10.35	7.32	5.70	2.13
	(0.80)	(1.48)	(0.24)	(0.43)	(0.43)
No schooling	10.59	13.17	6.43	2.44	0.14
	(0.60)	(0.61)	(0.45)	(0.09)	(0.03)

Source*: Stats SA, SESE (2001–2017). Note: Counts are in thousands. Sample is restricted to informal business owners aged 15 years and above. Percentages and standard errors are rounded off to 2 decimal places.*

First, in terms of gender, the results indicate that for all turnover groups in the table, informal businesses owned by males generated a higher turnover that those owned by females, and they

continued to be proportionally high in terms of the turnover they generate at higher levels of turnover (i.e., turnover above R150 000). Second, with race, the results suggest that Black/African-owned informal businesses generated more turnover in 2017 than those owned by individuals of other racial groups. It is not surprising that Black-owned informal businesses generated higher turnover relative to those owned by other racial groups considering that Black-owned informal businesses were earlier found to be proportionally higher compared to those owned by Indians, Coloureds and Whites. Despite the low proportion of White-owned informal businesses (3.14 percent in 2017 as earlier reported in Table 3.7 above) compared to that of Indians and Coloureds, Table 3.18 above provides an indication that White-owned informal businesses tend to generate higher turnover than those owned by Indians and Coloureds, especially at levels of turnover above R100 000.

Third is turnover relative to age. The results provide an indication that a greater part of turnover generated by informal businesses in 2017 was mainly from individuals aged between 25 and 64 years. This is a no surprise considering the results earlier in Table 3.4, which provided an indication of active participation among individuals within this age cohort. Last is turnover relative to education. According to the human capital theory discussed in Becker (2004), earnings are likely to increase with higher levels of education. This occurs as knowledge and skills gained with higher levels of education are believed to improve a person's human capital. Human capital can be a resource that may allow a person to be more productive and, in the context of business ownership, can add value to generation of more revenue (Bruederl et al., 1992; Frese and Rauch, 2001). This is also observable in Table 3.19 above, which shows that in 2017 there was high turnover generated by informal business owners who had at least secondary level of education relative to those with primary education, and no schooling at all.

In addition to the above, the results indicate a low proportion of turnover generated by those with no schooling at all in 2017, and their proportion decreased with higher levels of turnover, thus suggesting that if a person has no form of education, he/she is likely to generate less turnover and the likelihood can be significantly less at higher levels of turnover. However, other factors outside the human capital theory may affect the individual's and the businesses' capability to generate turnover. For example, from the South African perspective, the informal business sector has high competition especially from foreign informal business owners (Charman et al., 2013; Chikanda, Crush and Skinner, 2015). This can contribute towards limiting turnover generated by informal businesses owned by South Africans. It is also to be noted that data discussed in this section could include some foreigners. Overall, the results in

Table 3.19 suggest that informal businesses run by men, Africans, individuals aged 35-44 and those with at least a secondary level of education tend to generate higher levels of turnover (turnover above R150000) compared to their counterparts.

Given that most informal businesses in SA generate small turnover, as observable in Table 3.18 above, a larger proportion of them may be running small businesses that are less complex in terms of operation. Because of this, among other factors, the results in Table 3.20 below suggest that the majority of them do not keep records of business operations, while those that keep business records were consistently below 50 percent throughout the entire period. However, in 2017 there was an almost equal proportion, thus suggesting that over time, more informal business owners adjusted to the principle of keeping records for the business. In terms of the types of records kept, nearly 8 in every 10 informal businesses never kept any form of records, while those that kept simple informal records of sales and/or expenditures decreased by 4.85 percent between 2001 and 2017. A low proportion of SA informal businesses kept some accounts but not full records, including those that kept full annual accounts.

Table 3.20: SA's Informal Sector Businesses Record Keeping, and Types of records kept

	2001	**2005**	**2009**	**2013**	**2017**
Proportion of informal sector businesses keeping record - %, *(Standard Error)*					
Business does not keep records	81.48 *(1.03)*	88.10 *(1.10)*	78.65 *(0.93)*	64.27 *(0.22)*	51.10 *(0.27)*
Business keeps record	18.52 *(0.25)*	11.90 *(0.08)*	21.07 *(0.20)*	35.73 *(0.18)*	48.90 *(0.23)*
	100	**100**	**100**	**100**	**100**
Types of records - % (Standard Error)					
Simple informal records of sales and/or expenditures	14.56 *(0.46)*	13.88 *(0.60)*	12.60 *(0.75)*	12.21 *(0.73)*	9.71 (0.73)
Some accounts but not full (for example expenditures)	3.89 *(0.26)*	4.00 *(0.34)*	5.50 *(0.52)*	4.92 *(0.48)*	5.85 *(0.58)*
Full annual accounts	2.99 *(0.02)*	3.23 *(0.30)*	3.24 *(0.41)*	5.47 *(0.50)*	5.01 *(0.54)*
No accounts kept	78.56 *(0.50)*	78.88 *(0.70)*	78.65 *(0.93)*	77.40 *(0.93)*	79.43 *(0.99)*
	100	**100**	**100**	**100**	**100**

Source: Stats SA, SESE (2001–2017). Sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places.

Over and above the nature of SA's informal businesses being informal and disorganized, as suggested in the above results, there are other reasons why most informal businesses may not keep records. Table 3.21 below details some of these reasons, with the business being too small appearing as the main reason. Considering the results in Table 3.7 above, which indicates that most participants in the SA informal business sector have education limited to secondary level,

they may have not been exposed to bookkeeping and accountancy skills that are most likely to be obtained at post school educational levels. This is observable in Table 3.21 below, which indicates that skills shortage is among the reasons most informal business owners tend to not keep records. However, lack of skills for record keeping has, since 2001, reduced significantly from 20.30 percent to a low of 6.76 percent in 2017. This may be attributable to an increase in other reasons (i.e., don't see a need to keep records and no time to keep records), which were on the rise, thus suggesting that the reason informal businesses do not keep records may be moving away from lack of skills to other reasons, including that of owner's personal choice.

Table 3.21: Reasons why Some of SA's Informal Businesses do not Keep Business records

	2001	**2005**	**2009**	**2013**	**2017**
	%, *(Standard Error)*				
No skills	20.30 *(1.67)*	17.85 *(1.01)*	15.57 *(0.93)*	13.49 *(0.86)*	6.76 *(0.69)*
The business is too small	47.40 *(1.50)*	44.55 *(1.30)*	42.66 *(1.26)*	41.28 *(1.24)*	40.39 *(1.35)*
No time to keep records	2.99 *(0.30)*	3.10 *(0.45)*	3.55 *(0.47)*	4.20 *(0.51)*	5.24 *(0.61)*
Don't see a need to keep records	29.10 *(1.07)*	32.17 *(1.03)*	35.90 *(1.11)*	39.69 *(1.23)*	47.47 *(1.37)*
Other	0.21 *(0.09)*	2.33 *(0.36)*	2.32 *(0.37)*	1.34 *(0.29)*	1.14 *(0.29)*
	100	**100**	**100**	**100**	**100**

Source: Stats SA, SESE (2001–2017). Note: sample is restricted to informal business owners aged 15 years and above. All figures are rounded off to 2 decimal places.

3.7 Concluding Remarks

This chapter examined SA's informal business sector employment nationally using secondary data from Stats SA on previously conducted SESE's for the period 2001–2017. The data sources used in this chapter were discussed, including their limitations and how they were overcome. Determining the size, composition, characteristics, and conditions of SA's informal business sector, including how it has transformed during the period 2001–2017, was one of the key objectives of this study fulfilled in this chapter. An analysis of secondary data presented and discussed in this chapter complements the remaining component of this study that deals with an analysis of local/township informal business activities using primary data.

From the results presented, the size of SA's informal business sector employment has been characterised by periods of decline and a rise, with informal business sector employment in 2017 higher than what it was in 2001. An observation made from the results is that of a positive relationship between total informal business sector employment and its share of total

employment (i.e., informal sector employment relative to total employment), thus confirming the findings from several sources in the literature, as discussed in Chapter 2: that unemployment tends to be one of the major motives for informal business sector employment in most developing countries. Clearly unemployment can, among other things, be associated with movements in the size of informal business sector employment. The steady increase in informal business ownership limited its share to total employment.

In terms of the composition of SA's informal business sector, various aspects of the composition of individuals participating in SA's informal business sector were examined. For gender, the results suggested that SA's informal business sector was historically dominated by men, however, women's participation in the sector between 2001 and 2019 grew in such a way that there was almost parity in 2017 relative to the early 2000s. Gender inequality in SA's informal business sector in the early 2000s was strongly attributed to women's historical deprivation, which may have resulted in them not being able to participate equally in the country's formal economy. Because of this, women may have been looking for opportunities in the informal economy, hence their participation growth rate in the country's informal business sector was found to be extremely high compared to that of men. Flexibility that the informal business sector tends to provide was also flagged as one of the contributing factors for women's high participation growth rate in the sector.

In terms of racial composition, SA's informal business sector was found to be mostly composed of Blacks/Africans relative to other racial groups. Other notable findings on the composition of SA's informal business sector included the high participation rate among married individuals compared to unmarried individuals, those who are unemployed with inadequate sources of income, and those with secondary level of education. The sector is largely populated by individuals who are about to exit the working age population group compared to those who just entered it, while youth in general (those aged between 15 and 35 years) are emerging as active participants in the country's informal business sector compared to adult individuals (those over 35 years).

In terms of characteristics of SA's informal business sector, the sector was found to be largely characterised of businesses who are most likely disorganised, with the majority operating without licenses nor belonging to any business association or organization. Data on SA's informal business sector analyzed in this chapter only consisted of informal business activities by South Africans. In another component of this study that engages primary data on township

INK informal businesses, a comparative analysis of local versus foreign INK informal business ownership allowed for comparative analysis of the characteristics of ownership and businesses by both cohorts.

Overall, it is notable that the national data on SA's informal business sector examined in this chapter has suggested that that it is mostly survivalist, does not necessarily result in more employment of others, and does not necessarily generate large amounts of revenue. This may raise questions as to whether it may be considered as a viable alternative for individuals who fail to access economic opportunities in the formal sector of the economy, particularly for those residing in township and rural communities, who tend to be highly exposed to numerous socio-economic challenges. This is further interrogated in Chapter 5 using primary data collected from local and foreign INK informal business owners, at a household/local level.

Although the nature of information collected in the national SESEs and discussed in this chapter paints a picture about the informal business sector and its businesses, it does not allow for probing of the underlying value of the informal business sector to its owners, in way that allows the research to establish its contribution in addressing socio-economic challenges. It was therefore necessary to collect primary data to probe the informal business sector's contribution to socio-economic advancement, in an analysis done in Chapters 5 and 6 below. However, prior to that, the following chapter discusses primary data collection for the descriptive statistical analysis of results presented and discussed in Chapter 5, and econometric analysis results presented in Chapter 6.

CHAPTER 4:

DEFINING PRIMARY DATA COLLECTION AND ANALYSIS

4.1 Introduction

The previous chapter discussed SA's informal business sector at the national level using data sourced from secondary sources. Among the key issues identified was that SA's informal business sector is mostly survivalist, does not necessarily result in more employment of others, and does not necessarily generate large amounts of revenue. The remainder of this study interrogates primary data on the township informal business sector, looking specifically at the INK area. Collecting data from the INK area allowed for a community level analysis of informal businesses and other socio-economic variables, which was not possible using the secondary data analyzed in Chapter 3. It was therefore possible to conduct advanced multivariate regression analysis over and above the descriptive statistical analysis. This chapter discusses the process undertaken to collect primary data.

Primary data collection comprised two processes. The first was primary data collection from SA-born informal business owners residing and operating their businesses within the INK area. The second was primary data collection from informal business owners who are foreign nationals residing and operating their businesses within the INK area. The analysis of informal business ownership by South Africans (also referred to as local owners in this study) versus foreign nationals (also referred to as foreign owners in this study) is presented and discussed in the following chapters. The descriptive statistical analysis of primary data is presented and discussed in the following chapter, while multivariate regression analysis of primary data is presented and discussed in Chapter 6.

4.2 Data Collection Process

Primary data was collected using the questionnaire in Appendix A, guided mainly by interviews. A total of 79 questions were asked, comprising both open- and closed-ended questions. Closed-ended questions were asked to get short answers, therefore simplifying the capturing of responses for the quantitative analysis done in Chapters 5 and 6 (Reja, Manfreda, Hlebec and Vehovar, 2003; Lewis-Beck, Bryman and Futing Liao, 2004). Open-ended questions were also asked mainly to give respondents an opportunity to express their feelings and opinions in their own words, and to gather more information/clarity on some of their responses.

The questionnaire was administered both face-to-face and telephonically. Male and female individuals who are running informal businesses within the INK area were interviewed. Although face-to-face interviews were more desirable, they were more of a challenge due to data having been collected during the time of the Covid-19 pandemic, where physical interaction between individuals was strongly discouraged (Stevenson et al., 2020). To ensure the smooth continuation of data collection and progress for the study, some of the interviews were conducted telephonically, although this presented some challenges. Some participants were not willing to participate telephonically and preferred to be interviewed face-to-face. Where a face-to-face interview was preferred by the participant, it was conducted while strictly observing Covid-19 regulation/guidelines, among which included the wearing of masks, maintaining social distancing, and frequent hand sanitization (Manikandan, 2020).

The interviews were administered solely by the author of this study. This was to ensure that sufficient and relevant information is collected, and to maintain a consistent delivery and understanding of questions placed in the questionnaire in Appendix A. The interviews were conducted among individuals who were owner/(s) of the informal businesses within the INK area. A period of three months from the 1st of March 2021 to the 31st of May 2021 was targeted for conducting and completing primary data collection. This was a period during which SA was under adjusted level one of Covid-19 regulations; thus some individuals expressed their unwillingness to meet face-to-face and were therefore given an opportunity to participate telephonically. The full three months of the targeted period were utilised.

4.3 Ethical Clearance

Primary data collection was governed by the ethical clearance obtainable from the University of KwaZulu-Natal (UKZN) Research Office prior to interacting with INK informal business owners. Thus, the questionnaire and research protocol used in this study received full ethical approval by UKZN's Human and Social Sciences Research and Ethics Committee (HSSREC/00000504/2019). This was to ensure that the study complies with UKZN's ethical protocols and that it did not pose any threat to society. The first ethical clearance approval letter in Appendix C was received on the 19th of November 2019, while a recertification letter in Appendix D was received on the 11th of April 2021. In accordance with ethical clearance approval, prior to interviewing each participant, permission was asked, and explanation given to the participant about the study. Thus, each participant was asked to sign the consent form in Appendix E declaring his/her willingness to voluntarily participate in the study.

4.4 The Study Area - the INK Area

The INK area comprises three townships (namely Inanda, Ntuzuma and Kwamashu) located north of Durban, at about 30km away from the Durban city centre. The 2020 report by eThekwini Municipality suggests that the INK area is comprised of a combination of formal residential townships and informal settlements, with an estimated total population of about 510 000 residents (18 percent of Durban population), of which 341 700 are reportedly economically active. The INK area is mainly a residential area and has about 90 percent of the population speaking IsiZulu as their first language, while 70 percent of the population is believed to be under 35 years of age (eThekwini Municipality, 2022).

Further statistical evidence suggests that the INK area is home to a majority of low-income households when compared to other areas throughout the country. For example, about 77 percent of households within the INK area earn below R1600 per month (eThekwini Municipality, 2022). Approximately 3 out of every 10 individuals in the total INK population are unemployed, while about 33 percent are not economically active (eThekwini Municipality, 2022). Furthermore, a small proportion (8 percent) of residents within the INK area are reportedly self-employed.

In terms of housing conditions, overall, 60 percent of housing within the INK area is formal (i.e., an adequate and proper housing structure), although this is unevenly distributed across the three townships (eThekwini Municipality, 2020). For example, 90 percent of Kwamashu's housing is formal, 60 percent for Ntuzuma, and only half of Inanda's housing is formal. With regards to basic services, statistical evidence suggests that about 67 percent of households have no access to telephone lines, 26 percent are without properly connected electricity, 30 percent have no adequate access to properly piped water, and 2 percent have no access to waste removal (eThekwini Municipality, 2020).

Considering the above statistics, the INK area is believed to be the second largest agglomeration of poor neighbourhoods in the country, with a mix of developed and underdeveloped areas (South African Cities Network, 2020). The challenges faced by residents include unemployment, social dislocation, poverty, crime, inadequate infrastructure, and severe degradation, thus confirming that the socio-economic challenges experienced nationally may also be largely affecting local citizens at a township level (South African Cities Network, 2020).

Given the extent of socio-economic challenges residents were facing as far back in 2001, the then-president of SA, Thabo Mbeki, identified the INK area to be a critical development node under the then Urban Renewal Program (URP) (South Africa Cities Network, 2020). This program was aimed at coordinating, facilitating, aligning, and hastening the distribution of various development initiatives as speedily as possible to try and address socio-economic challenges. One of the initiatives undertaken under the URP was the promotion of small businesses in township areas as a strategy for remedying socio-economic challenges of unemployment, poverty, and inequality, and to try and boost development. This study considers how informal business ownership has facilitated the improvement of socio-economic conditions of individuals participating in informal businesses of the INK townships.

4.5 The Sampling Frame

The targeted participants were informal business owners operating their businesses within the INK area. To undertake sampling, the provincial Department of Economic Development, Tourism and Environmental Affairs as well as the Small Enterprise Development Agency were first approached to provide guidance as well as an updated register of small informal businesses from which to select the targeted participants.

Failure to obtain this register from these two institutions posed some limitation: obtaining this register would have resulted in a larger population of informal business owners from which to select the sample. As an alternative, eThekwini Municipality's small business support unit was approached to provide information of individuals running informal businesses within the INK area. This was received in the form of two databases in November 2019, *before* the Protection of Personal Information (POPI) Act (no. 4 of 2013) came into effect on the 1st of July 2021. A copy of this act is available at a South African government website (www.gov.za).

Based on the information received from the eThekwini Municipality's small business support unit, a judgemental sampling technique combined with simple random sampling was ultimately adopted to select a sample of local and foreign informal business owners who are operating their businesses within the INK area. Approaching the formal institutions (including the eThekwini municipality) was necessary to formalize data collection and to avoid compromising the ethical clearance obtained from UKZN's Research Ethics Committee.

Judgemental sampling is defined in Malhotra (1999: 335) and Mukorera (2016: 125) as an approach of convenience sampling in which the elements are selected according to the researcher's judgement or expertise to choose elements that are representative of the population

of interest in the study. This type of sampling has also been used in Newadi and Pietersen (2008) in their study looking at informal entrepreneurship in South Africa. Simple random sampling was based on the location where the business is operating and the nationality of the owner. In terms of the location where the business is operating, the databases received from the eThekwini Municipality's small business support unit consisted of individuals operating their businesses within the INK area. Information on the nationality of owners was sourced from two databases. One was for SA born INK informal business owners while the other was for foreign INK informal business owners. Although it is possible that informal business ownership may not be equally distributed across the three INK townships and between local versus foreign owners, for purposes of comparative analysis, an equal number of participants were chosen across the three INK townships and across local versus foreign participants.

After identifying how sampling was going to be conducted, the next process was to determine the size of the sample. According to Israel (1992), sample size in survey research is dependent upon several factors, including the purpose of the study and population size. Over and above the purpose of the study and population size, Miaoulis and Michener (1976) add three other criteria that need to be specified to determine the appropriate size of the sample. They include:

- The level of precision, also called the sampling error. This is the range within which the true value of the population lies.
- The confidence level, also known as the risk level. This is the probability that the estimates have a true population value within a specified level of precision.
- Lastly, is the degree of variability. This is the distribution of attributes in the population.

Using the sample size selection criteria above, Yamane (1976) developed Equation (1) below to calculate the sample size, where a population size is known, which was also used in Israel (1992).

$$n= N/(1 + N(e\text{^}2)) \qquad (1)$$

Where n is the sample size, N is the population size and e is the level of precision. With a 95% confidence level.

In deciding on the sample size for the current study, a similar approach was used. This started from two sets of databases that were obtained from eThekwini municipality's small business support unit. The first was a spreadsheet database consisting of 750 SA-born informal business

owners, while the second was a hardcopy database comprising 450 foreign nationals running informal businesses within the INK area. With a 12 percent precision level and 95 percent confidence level, Equation (1) was used to calculate the sample size of local and foreign informal business owners and arrived at sample sizes of 63[17] and 60[18], respectively.

As indicated, for purposes of comparative analysis, which forms part of an analysis done in this study, 60 local and 60 foreign participants were considered to form two sample sizes for analysis of (separate) results of local INK informal business ownership and foreign INK informal business ownership. Thus, altogether, 120 local and foreign informal business owners were interviewed, representing 10 percent of the population size of INK informal business ownership. Permission to interview these 120 participants was granted by the eThekwini municipality's small business support unit: the *Gatekeepers' letter* in Appendix F has reference.

Although the study had initially intended to interview more than 120 local and foreign informal business owners, due to limited resources, and considering that the survey was conducted during the period when movement and physical interaction were predominantly discouraged because of Covid-19 which was still prevalent, a sample of 120 participants was considered appropriate for this study. To examine the feasibility of the approach adopted for collecting data and to ensure reliability as well as validity of data collected, a pilot collection of data was conducted using the draft pilot questionnaire in Appendix B. This involved interviewing about 12 (representing 10 percent of the total participants interviewed) INK informal business owners using the draft of the final questionnaire[19] in Appendix B. The 12 INK informal business owners who were interviewed during the pilot data collection did not form part of the final sample of 120 participants.

Through pilot data collection, it was possible to identify the typical duration of each interview. Also, the pilot process was intended to determine if it will be possible to draw information about INK informal business owners on their demographic details, details about the businesses they are running, and the socio-economic impact of businesses they are running. Notable from this process was that some participants were not willing to share some information they

[17] $n= 750/ (1+750(0.12^2)) = 63$
[18] $n= 450/ (1+450(0.12^2)) = 60$
[19] *This is the questionnaire that was used in the pilot data collection. Based on the feedback received from the pilot data collection, some questions were adjusted, and the final / main questionnaire was adopted for use in the main the data collection, which is available in Appendix A.*

considered confidential (i.e., age, monthly business turnover and personal income they source from the business), especially telephonically, and to some extent with those physically participating. To address this, questions where participants were hesitant to answer were framed in a manner that allowed them not to disclose the exact information, but the closest information to which their answer belongs. This was to ensure confidentiality. It is noted, however, that few participants (less than 10 percent of total participants) were hesitant to disclose their exact information.

Lastly, the pilot data collection process was helpful in identifying that as an alternative, it was going to be possible to partially conduct interviews telephonically to try and avoid physical interaction (where necessary) with participants due to the Covid-19 pandemic. It also confirmed that it was going to be possible to collect data notwithstanding the challenges that the pandemic had presented.

4.6 The Design of the Questionnaire

The final questionnaire in Appendix A, comprising three sections, was used as an instrument for primary data collection. Section A encompassed the participant's demographical details. Questions 1–7 asked background information about the owner(s) of the business and looked at information such as place they reside, gender, age, disability, their marital status, and nationality. This was mainly to get sense of who are the informal business owners operating within the INK area before going into more probing questions about other aspects of their business participation. Questions 8–20 collected information on participants' employment, educational backgrounds, and the motives behind their participation in the INK informal business sector. The questions asked included information about work experience, both in the formal and informal sector (including whether work experience and qualifications had any direct or indirect impact on the decision to operate in the township informal business sector), experience in the current business, and if business motive was more of a necessity or opportunity (as per the motives of the informal business sector within entrepreneurial theory discussed in Chapter 2).

Having collected information on informal business owner's demographic information, employment, and educational history in Section A, Section B focused mainly on the business (entity) rather the owner of the business (individual). Thus, questions 21–31 gathered information about the name of the business, ownership, type of premises where business is conducted (including if the premises are rented or owned and rental payment if rented), the

nature of the business offering that is being conducted, year in which the business was established, whether the business is a family business or not, size of business ownership, and product or service offered.

Questions 32–43 gathered information about the duration of start-up, number of informal businesses the participant owns, benefits and constraints of the business, initiatives to overcome constraints and the role of government, business growth (if any) since establishment, factors that limited business growth, source of start-up capital and the real reason behind starting the business (unlike Section A of the final questionnaire in Appendix A, which groups the reasons into necessity and opportunity). In Section B, questions 44–52 gathered information about business support and type of support received, willingness to register the business and time frame, and daily activities of the business.

Section C of the final questionnaire covered the socio-economic impact; and information collected in this section was intended to highlight how the business relates to its customers, other businesses in the area, the public and socio-economic environment of both the owner as well as the society at large. Thus questions 53–63 gathered information about the size of the business both at start-up and up until the period when the interview was conducted, usual customers, prices, average monthly business turnover, turnover invested back to business to ensure its sustainability, turnover taken as personal income and if it is sustainable to support the informal business owner and his/her family. Lastly, questions 64–79 gathered information about children of the participant and if they go to school, improvement in standard of living, relationship with other businesses in the area, support initiatives the business or owner of the business offers to the community, if living in the township motivated start-up, and lastly, the impact of the Covid-19 pandemic on the business as well as if there was any Covid-19 relief support received.

4.7 Limitations of Data Collection and Other Concerns

- The study had initially intended to include more participants, however, due to resource limitations, the sample was limited to 120, comprising 10 percent of the population size. This was guided by the sample size selection criteria discussed above, from which this sample size was considered appropriate.
- The Covid-19 pandemic also presented its own limitation with regards to data collection as some individuals expressed their dissatisfaction to meet physically. Although telephonic interviews were an alternative, some respondents were not keen in

participating telephonically. When face-to-face participation was suggested, they also expressed concern about Covid-19.

- During the pilot data collection, it was discovered that the above limitation meant that the survey would face the risk of omission bias. This was reduced through ensuring that an appropriate sample size was selected using the criteria discussed earlier, from which each INK informal business owner had a choice of conducting the interview either telephonically or face-to-face.
- Due to time limitations, some participants were in a hurry to answer questions, which may have led to inaccurate answers being provided. The interviewer had to explain to the participants and make them understand the importance of answering accurately and how it was going to benefit the study. Where time concerns were raised by the participant, the interview was cut short, and allowance was provided for it to be concluded at later stage. Of the 120 interviews conducted, 85 interviews were concluded in one sitting while the remaining 35 were rescheduled and concluded on resumption.

4.8 Defining Survey Weight and Finite Population Correction

It is notable from the above highlighted limitations that the survey was facing the risk of omission of some participants, which could have resulted in biased results. According to Chang and Ferry (2012), no matter how well the survey is designed, if sampling is not done appropriately, omission bias may occur. Choosing to ignore any kind of existing bias is normally not an ideal decision as it may compromise the quality of the survey and the results that may be drawn from it, hence the need to minimize its impact.

Thus, when conducting survey sampling, a good sample is normally desirable for making good conclusions that are representative of the population being studied (Cochran, 1977). To ensure that this is achieved, it is always necessary for the sample to be more reflective of the entire population, and where there is bias, it should be reduced. One way of doing this is to apply sample weight into sampled data. Chang and Ferry (2012) defined sample weight using Equation (2) below:

$$w_i = N/n \qquad (2)$$

where w_i = sample weight, N = Population size and n = sample size.

Considering the above, the sample weight for local and foreign INK informal business ownership analyzed in Chapters 5 and 6 was calculated on STATA software using Equation (2). A similar approach was also used in Johnson (2008) in the study discussing the use of weights in survey sampling.

Finite population correction, on the other hand, is used in survey sampling to adjust the variance estimate of the estimated mean and totals (Foreman, 1991). This is to ensure that the variance also applies to the portion of the population that is not in the sample. Thus, although the variance may be estimated from the sample, through finite population correction, it is used to assess the error in estimating mean and totals, as not all data from the finite population are normally estimated in a survey (Chang and Ferry, 2012).

Finite population correction is defined in Chang and Ferry (2012), Foreman (1991) and Ullah and Breunig (1998) using Equation (3) below:

$$fpc_i = n/N \qquad (3)$$

Where fpc_i = finite population correction, N = Population size, and n = sample size.

The finite population correction for local and foreign INK informal business owners in the current study was calculated on STATA software using Equation (3). The values for results of local and foreign INK informal business ownership discussed in the following chapters are adjusted using the above defined weight and finite population correction.

4.9 Data Analysis Method: Descriptive Statistical Analysis

To understand informal business activities and ownership at a local/township level within the INK area, data analyzed in the following chapter was estimated in STATA using various survey research commands and discussed using descriptive statistical analysis, including estimation of frequencies, proportions, cross tables, and other summary statistics such as averages. Estimated results were presented using tables and graphs. Estimates show the characteristics of local and foreign township informal business activities and ownership within the INK area. Furthermore, a comparative analysis of local versus foreign INK informal businesses was used to determine if there is any difference among the two. Descriptive statistical analysis of findings was deemed useful in this part of the study that deals with an analysis of collected survey data, allows for the summary of collected data, and makes conclusions on the summarised data. The following chapter discusses the results and findings from primary data collection defined in

this chapter using the descriptive statistical analysis approach. Econometric analysis is defined in Chapter 6, where results are also presented and discussed.

4.10 Conclusion

This chapter has presented an overview of the process that was undertaken to collect primary data analyzed in the following chapters. Sampling and data collection was divided into two. The first was a sample of SA-born informal business owners residing within the INK area, from which data on local informal business ownership was collected. The second was a sample of foreign informal business owners residing in the INK area, from which data on informal business activities by foreign individuals was collected. The descriptive statistical analysis of data collected from local and foreign informal business owners is presented and discussed in Chapter 5 and comprises a comparative analysis of local versus foreign INK informal businesses. Econometric analysis is defined, presented and discussed in Chapter 6.

Sampling was based on two sets of databases received from the eThekwini Municipality Small Business Support Unit, where a total of 120 foreign and local informal business owners were selected to be interviewed and participate in the study. The instrument used to collect data was a questionnaire made up of 79 questions and divided into three sections. While there were some challenges encountered, data was successfully collected within the period of three months. Based on data collected, the two following chapters present and discuss findings from the data collected.

CHAPTER 5:

TOWNSHIP INFORMAL BUSINESS OWNERSHIP AND ACTIVITIES IN INANDA, NTUZUMA AND KWAMASHU

5.1 Introduction

History provides a reminder of how township communities in SA came to be as result of the apartheid rule of law, whereby certain laws and regulation were implemented to racially segregate the population of the country. Post-1994, when SA attained democracy, the country was then left with these various areas of different names that are now commonly known as "township communities", mainly occupied by Blacks, Coloureds, and Indians. The World Bank reports that SA's township communities are largely populated and consists of about half of the country's urban population, with 38 percent of the working age population, of which 60 percent are unemployed (World Bank, 2020).

Although SA's township communities may have been historically created to segregate certain population groups from the country's mainstream economy, with more and more people continuing to live in township communities over time, small informal businesses resulted; these are intended, among other things, to cater for the needs of individuals living in these areas, while their owners generate needed income to survive. The emergence of small businesses in township communities gave birth to the township informal business sector. According to the First National Bank (FNB) 2018 report, informal businesses in township communities in SA operate in about six types of diverse business activities, namely grocery stores and stores stocking fast selling consumer goods, taverns, salons, educational centres, micro-manufacturing, and motor and cellular repairs. Among other things, this chapter identifies the types of businesses operating within the INK township informal business sector and provides an analysis of how it compares to SA's informal business sector nationally.

In Chapter 1 of this study, immigration was identified in the problem statement as one of the challenges facing SA that can be associated with more informal businesses operating in most township communities in the country (Chiloane-Tsoka and Mmako, 2014). This was supported by the immigration literature presented in Chapter 2, which identified institutional environment as what may have forced some immigrants to operate informal businesses (i.e., government policies preferring employment of locals instead of foreigners, resulting in foreigners unable to be hired in the formal sector). The rise if immigrants operating informal business has further

resulted in controversial debates over the issue of scarce resources in the country, with growing accusations by some South Africans that some immigrants are contributing to the demise of some local economic activities (Gordon, 2022; Chiloane-Tsoka and Mmako, 2014). This may have, among other things, fuelled xenophobic violence (Human Rights Watch, 2020).

Generally, the debate highlighted in the above paragraph this is concerning, however it may be more concerning for the township informal business sector, which is largely dominated by both foreign and local citizens. Thus, it may result in tensions between local and foreign township informal businesses in the sector that may render the sector unsustainable and cause instability within the community. This chapter analyzes how local township informal business activities compare to those of foreigners and assesses whether the debate is justified in the context of INK informal businesses and how both ownership cohorts can work together for the benefit of the entire sector.

The findings from the analysis of national data in Chapter 3 did not distinguish between foreign and local informal business activities because the SESE data used in Chapter 3 was only collected from South African informal businesses. However, the findings from Chapter 3 provided a general indication that informal businesses in SA, especially those operating in poor, urban and rural communities, are limited to being operated for survival purposes as opposed to being investment and sustainability oriented. For a small and developing sector like the township informal business sector, this will be a concerning finding because it may mean that the sector is likely to experience little or no growth; and while there may be signs of potential growth, it may not generate momentum to grow. Driving township informal businesses towards the direction of investment and sustainability would mean more prospects of growth and development that may generate positive opportunities for the economy when more people are employed and where other socio-economic challenges such as poverty are addressed.

Considering the above, the current chapter attempts to provide a better understanding of the exact nature of informal businesses operating in township communities in SA's current economic environment, focusing mainly on three township communities within the INK area, under the eThekwini municipality. This is done by analysing and interrogating the results obtained from primary data collected through engaging with various informal business owners in the INK area. The analysis and discussion done in this chapter fulfil objectives 2 and 3 of this study and answer the following specific research questions:

What are the characteristics of local versus foreign informal business owners in the INK townships?

What characterises local versus foreign informal businesses within the INK townships and conditions under which they operate?

Are there any existing differences between informal businesses owned by foreign and local nationals within the INK area?

How has informal business ownership by both local and foreign individuals impacted their socio-economic conditions as well as that of others within the INK area?

From an owner perspective, the analysis and discussion focus on the demographic representation of local and foreign INK informal business ownership, and thereafter focus on education and experience (i.e., work experience and experience in the current business). From an entity perspective, the analysis and discussion focus on the formation of local and foreign INK informal businesses, and thereafter focus on business activities, operational details, and the performance of local and foreign INK informal businesses. The socio-economic impact of local and foreign INK informal business ownership is also discussed, both from an owner and business perspective. As part of highlighting information from open-ended questions in the INK survey questionnaire in Appendix A, some respondents are quoted in the discussion below, and where a quotation from a given respondent is presented, their real names are not used.

5.2 The Demographic Representation of Local and Foreign INK Informal Business Owners

As indicated in the previous chapter, sampling was based on a database of local and foreign informal business owners running their businesses within the INK townships, which was obtainable from the eThekwini municipality's small business support unit and upon which a sample of 60 local and 60 foreign participants were interviewed to source data analyzed in this chapter. The population sizes of 750 and 450 that the statistics in the tables below weight up to, are based on the size of the databases from which local and foreign samples of INK informal business owners were respectively identified. Table 5.1 below is an analysis of the gender composition of local and foreign INK townships' informal business ownership.

Table 5.1: Gender composition of local and foreign INK informal business owners

	Gender					
	Local owners Frequency, %, (*SE*[20])			Foreign owners Frequency, %, (*SE*)		
	Male	Female	Total	Male	Female	Total
Frequency	500* *(44.15)*	250 *(44.15)*	750* -	262* *(26.89)*	188 *(26.89)*	450 -
Proportion	66.7* *(0.6)*	33.3 *(0.6)*	100 -	58.3* *(0.6)*	41.7 *(0.6)*	100 -

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owner (using a 95 percent confidence interval).*

Gender inequality in participation in township informal business ownership within the INK area is observable in Table 5.1, which suggests an outright majority of male informal business owners relative to their female counterparts. Exactly 2 in every 3 local individuals running their informal businesses within the INK area are males, while only 1/3 are females. On the other hand, for foreign informal business owners, the results show that nearly 6 in every 10 foreign INK informal business owners are males while about 4 in every 10 are females. These results for foreigners are in accordance with immigration literature, which reveals that men often leave their home country for employment and other economic opportunities in other countries, and women thereafter follow for a similar intent (Chiloane-Tsoka and Mmako, 2014).

Also notable is the gender gap within local versus foreign INK informal business owners; this was wider for the former compared to the latter, although the difference was not of a considerably large magnitude. Gender inequality in participation revealed by the results in Table 5.1 may be argued to be somewhat consistent with national data on informal sector business ownership examined in Chapter 3, where males were also found to be of a higher proportion compared to their female counterparts, although their proportion was found to have significantly reduced over time, up to 2017. Furthermore, the results in Table 5.1 compared to those in Table 3.4 in Chapter 3 (although there was no differentiation of local versus foreign) are an indication that while gender inequality in participation in informal business ownership nationally may have reduced over time, in township communities it is still prevalent and affects both cohorts of owners.

The informal business owners also remarked on women's underrepresentation within the INK informal business sector. Notably, the consensus among them was that while there may have been an allocation of resources nationally to try and address gender imbalances of the past

[20] *Numbers in parenthesis in all the tables presented in this chapter are standard errors.*

across various segments of the economy, including the informal business sector, some women felt that there were not enough initiatives directed mainly at empowering them to have equal opportunities of participating in the township informal business sector. There was an indication by women that men appeared to have more of the necessary means, such as access to financial resources and networking, that made participation in the township informal business sector more advantageous to them. Thus, these results give a perspective of an INK informal business sector that is not transformed in terms of gender and more may need to be done to ensure that there is transformation in terms access resources that will enable women to also participate in the sector equally.

What also became another notable highlight from the engagements with INK informal business owners was that men (compared to their female counterparts) have historically enjoyed more economic opportunities in various sectors of the economy and tended to be more experienced in different types of informal businesses they operated. As a result, this may have put them in an advantageous position of participating in the INK township informal businesses. It was therefore not surprising that their participation was proportionally higher than their female counterparts in the INK informal business sector. Also related to this, some women blamed their lack of participation in INK informal business ownership on how some of the informal business activities available within townships may have been historically associated with being performed by men (i.e., construction and steel welding). For example, Ms Nonceba, an owner of a small construction business located in the INK area, expressed concern over how some of her potential clients are, at times, hesitant to support her business based on her gender status rather than how capable her business is in terms of doing the job. This is a form of bias that some women within the INK informal business sector are subjected to by some of the customers. Because of experiences like these, some female informal business owners tend to have limited prospects of surviving in the INK township informal business sector.

The national initiatives[21] that have been continuously undertaken by government to redress the economically related gender imbalances of the past are believed by some INK informal business owners to have not successfully materialised in township informal businesses; hence the results in Table 5.1 are showing gender inequality in terms of participation in these businesses. This is further supported by previous literature, which suggests that township

[21] *For example, SA government policies that are promoting gender equality and the creation of the Department of Women, Youth and Persons with Disabilities, tasked with the responsibility of empowering women, among other responsibilities.*

informal businesses have been historical ignored (Van Scheers, 2011; Mukwarami et al., 2018; Kgaphola et al., 2019; Talom and Tengeh, 2020).

Clearly more needs to be done to address the above highlighted challenge. Government, and particularly the DSBD working with the Department of Women, Youth, and Persons with Disabilities, as well as other relevant stakeholders, need not focus only on more established sectors of the economy in rolling out economic resources that are meant to empower women, but more efforts need to be directed towards the small and emerging sectors of the economy, such as the township informal business sector. This becomes more important for INK townships, which are largely rural townships, where the empowerment of women may contribute to addressing other socio-economic challenges such as poverty and gender inequality. Additionally, empowered women may potentially become role models to other young girls within the INK area.

Age is another demographic aspect considered for understanding local and foreign INK informal business ownership. Table 5.2 below provides an analysis of the age composition of local and foreign INK informal business owners in terms of various age cohorts, as well as a gender composition within each age cohort. The data suggest that, on average, a local or a foreign informal business owner running his/her informal business in the INK townships is aged around 36 years. Also notable from the results is the absence of local informal business owners aged 20 years and below, while there was some (around 11 percent) participation among those aged above 50 years.

Table 5.2: Age composition of local INK informal business owners

	Age Composition of INK Informal Business Owners					
	Local Owners **Frequency**, Proportion, *(SE)*			Foreign Owners **Frequency**, Proportion, *(SE)*		
	Male	Female	Total	Male	Female	Total
20 years and below	0	0	0	**8*** *(0.6)* 53.0 *(0.5)*	**7*** *(0.6)* 47.0 *(0.5)*	**15*** *(9.79)* 3.3 *(0.2)*
21 – 30 years	**200*** *(41.42)* 76.2 *(0.09*	**62** *(25.88)* 23.8 *(0.9)*	**262*** *(44.67)* 35.0 *(0.6)*	**142*** *(25.37)* 82.6 *(0.8)*	**30** *(13.6)* 17.4 *(0.8)*	**172** *(26.52)* 38.3 *(0.6)*
31 – 40 years	**200*** *(41.42)* 66.7 *(0.09)*	**100** *(31.84)* 33.3 *(0.9)*	**300*** *(45.88)* 40.0 *(0.6)*	**38*** *(15.07)* 38.5 *(0.14)*	**60** *(18.54)* 61.5 *(0.14)*	**98** *(22.47)* 21.7 *(0.5)*
41 – 50 years	**75*** *(28.1)* 75.0 *(0.02)*	**25** *(16.81)* 25.0 *(0.16)*	**100*** *(31.84)* 13.3 *(0.4)*	**52*** *(17.51)* 46.7 *(0.13)*	**60** *(18.54)* 53.3 *(0.13)*	**112** *(23.62)* 25.0 *(0.5)*
51 years and above	**25*** *(16.81)* 28.6 *(0.18)*	**63** *(25.88)* 71.4 *(0.03)*	**88*** *(30.07)* 11.7 *(0.4)*	**22*** *(1.1)* 42.9 *(0.20)*	**31** *(13.6)* 57.1 *(0.20)*	**53** *(17.51)* 11.7 *(0.4)*
Mean age (years)	36.4 (*1.3*)			36.1 (*1.2*)		

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owner (using a 95 percent confidence interval).*

On the other hand, for foreign INK informal business owners, there was some informal business ownership among those aged 20 years and below, although this was low (below 5 percent) compared to that of other age cohorts. Similar to the local INK informal business owners, the proportion of foreign INK informal business owners aged above 50 years was found to be low when compared to the other age cohorts, except for those aged below 20. The results in Table 5.2 indicate a rate of about 1 in every 10 local and foreign INK informal business owners being aged above 50 years.

The absence of local INK informal business owners and the lower participation rate of foreign INK informal business owners among those aged below 20 years can be linked to several factors. For example, those aged below 20 years can be considered young and may still be involved in various other activities (other than participating actively in township informal business ownership) including (and not limited to) being in school as well as participating in the formal sector of the economy as employees or owners of businesses. The possibility of

them being idle and not participating in either sector of the economy cannot be ruled out. The extent to which being in school and participating in the formal sectors of the economy may have limited young people aged below 20 years from participating actively in the township informal business sector within the INK area is discussed further in sections 5.3 and 5.4.

Among those aged 50 years and older are senior citizens who are pensioners who may have access to grants, have inconsistent health, and who may be dependent on family for support. Some of these individuals may still be actively involved in the formal sector of the economy; hence their participation in township informal business ownership was found to be low at 11 percent for both local and foreign participants. In terms of the other age cohorts, the results indicate that local and foreign INK informal business ownership is mostly concentrated among those aged between 21 and 40 years. These age cohorts comprise mostly youth who are likely to have families to support.

For example, the age cohorts 21–30 years and 31–40 years together make up a combined share of almost 75 percent of local INK informal business ownership and are comprised of mostly males, thus suggesting that over 7 out of every 10 local informal business owners within the INK area are likely to be males aged between 21 and 40 years. Although foreign INK informal business owners of the same age cohorts made a slightly lower combined share of up to 60 percent compared to their local counterparts, they are similarly comprised of mostly males, thus suggesting that 6 in every 10 foreign INK informal business owners are likely to be males aged between 21 and 40 years.

When asked about their higher participation rate in INK informal business ownership, most of the young business owners associated their engagement with the sector with being because of certain favourable conditions existing within the informal business sector that pulls them to participate in township informal businesses. The favourable conditions highlighted include informal businesses in townships not requiring many resources to establish, being less difficult to operate, and the comparative ease of access to entry into these businesses. Furthermore, the favourable conditions highlighted by young INK informal business owners are consistent with the pull factors of informal business ownership discussed earlier in Chapter 2. This suggests that whether informal business ownership is analyzed nationally or locally within township communities, pull factors that drive young informal business owners into participating in informal business ownership are likely to be the same (Islam and Gazipur, 2012; Meyers, 2009; Botha, 2006). For example, Zanele, Lindiwe and Senzo, who are young informal business

owners (within the INK area) and lacked the substantial financial resources needed to start their intended formal businesses, are among the participants who indicated that they found the informal business sector more appealing; hence, young people like them have been found to be more dominant within this sector. The participation of young people in INK informal business ownership can be beneficial to the INK community as it may help in driving young people from negative activities (i.e., crime and drugs).

In a discussion with both local and foreign young INK informal business owners to understand if there was any business support they may have received, some of the responses from Zhai, Monte, Mathew, Doctor, and Jack all indicated that they had not benefited from any form of business support despite seeking it from both private and public institutions. Rather, they all indicated that they relied on finding other means that would enable young people like them to be the main participants in INK informal business ownership in comparison to the adult cohort, despite lack of support. These included sourcing funding from family and borrowing from friends, marketing their businesses using social networks, and involving themselves in local campaigns (sports and cultural activities) within the INK area to give their businesses more marketing exposure. When asked about why they could not be assisted in terms of business support, Mathew and Zhai, who are foreign INK informal business owners, lamented of the long qualifying process and not having some of the needed documents (i.e., passport and proof of address). On the other hand, Doctor, Monte and Jack, who are local INK informal business owners, indicated that they did not meet some of the requirements, including their businesses generating a certain level of income to qualify for support.

Lack of support for youth-owned small INK informal businesses, flagged above, exists despite the government of SA, over the recent years, having made several commitments to empower young people. Therefore, it is important that both private and public institutions provide support to INK informal businesses owned by young people as this will allow them to gain both business and work experience that may later be utilised to build their businesses and to benefit the economy outside of these institutions. There needs to be a reduction of barriers to informal business support (i.e., long, and difficult qualifying processes). Government also needs to play its legislative role and facilitate the creation of initiatives to promote support for businesses owned by young people and to benefit from their potential. The initiatives may include a portion of government projects being reserved for small businesses owned by young people, particularly those that shows signs of growth. Overall, these results from the INK

townships are not aligned with the national data findings as discussed in Chapter 3, where only 1 in every 4 informal business owner was found to be a youth.

Although several factors were associated with low participation of young people in informal business ownership nationally, their higher participation locally in the INK townships can be expected, given the existing socio-economic challenges within the INK area, among which are unemployment and poverty. Given the absence of or limited employment opportunities in the formal sector of the economy, they may have considered alternative opportunities within the INK townships, among these, participating in informal business ownership. This is further supported by the continuous rise in levels of unemployment statistics in SA. For example, according to 2021 fourth quarter unemployment statistics, youth are mostly affected in terms of unemployment in SA, with a staggering rate of unemployment of 66.5 percent for those aged 15–24 and 42.9 percent for those aged 25–34 (Stats SA, 2021).

Further to the above, while unemployment is flagged in this section as a challenge facing young people that may have pushed them into informal business ownership, it was observable from the literature on motives of informal business ownership discussed in Chapter 2 that the desire for flexibility, independence and control can also be associated with young people's participation in informal business ownership, over and above the issue of unemployment. This becomes clear below in the section that deals with motives behind INK informal business ownership.

In terms of gender composition within each age cohort in Table 5.2, males comprised a higher proportion in almost all age cohorts except among the cohort of those aged 50 years and above. Several factors can be associated with women's lower participation in INK informal business ownership. According to Sharma et al. (2016), women are often the predominant caregivers of extended households, and they care for older family members, hence they may have less opportunity to engage in other economic activities like the INK informal business ownership. Women's higher participation for the cohort of those aged 50 years and above can be argued to be because of the various government efforts and initiatives encouraging the participation of adult women in the country's economic activities (Sinden, 2017). One such program is that of cooperatives, which have enabled adult women to participate in various sectors of the economy (including the informal business sector - *i.e., Ithemba Lesizwe Farming Cooperative in Inanda*) through forming cooperatives in rural, township and urban communities (Mahlaba, 2018).

The composition of local and foreign INK informal business ownership in terms of disability is presented in Table 5.3 below, which shows low participation by disabled individuals, while there was an extremely large participation among those who reported not disabled. Depending on the nature of disability, disabled people tend to have specific needs and requirements to access and participate meaningfully in various activities of society, and township informal business participation is no exception. Normally in the formal sector of the economy there are legislative requirements (i.e., the Employment Equity Act no. 55 of 1998) that seek to ensure inclusivity of disabled population groups in all societal activities (Jammaers, 2021).

Table 5.3: Composition of disability among local INK informal business owners.

	Disability					
	Local owners **Frequency**, %, (*SE*)			Foreign owners **Frequency**, %, (*SE*)		
	Male	Female	Total	Male	Female	Total
Disability	**25***	**0**	**25***	**15***	**7**	**22**
	(16.8)	-	*(16.81)*	*(0.9)*	*(0.6)*	*(11.89)*
	100*	0	3.3*	66.7*	33.3	5.0
	(0)	-	*(0.2)*	*(0.3)*	*(0.3)*	*(0.2)*
No disability	**475***	**250**	**725***	**248***	**180**	**428**
	(45.13)	*(44.15)*	*(16.81)*	*(27.13)*	*(27.72)*	*(11.89)*
	65.5*	34.5	96.7*	57.9*	42.1	95.0
	(0.06)	*(0.6)*	*(0.2)*	*(0.7)*	*(0.7)*	*(0.2)*

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

For the informal sector of the economy (especially township informal businesses), this may be difficult to monitor, because, as noted on national data analyzed in Chapter 3, most informal businesses were found to be unlicensed, with some operating unregulated business activities. Therefore, the onus to ensure inclusivity of the disabled population group may be on the individual participant to cater for his/her physical impairment needs as well as that of customers. Lack of fulfilment of their special needs may have, among other things, limited their participation in INK township informal businesses, hence their extremely low participation as suggested by the results in Table 5.3 above.

Last on the demographic representation of local and foreign INK informal business owners is their marital status. The results in Table 5.4 below shows relatively low participation among the married cohort for both local and foreign INK informal business owners. About 2 in every 10 local and foreign INK informal business owners are married, unlike in the national data examined in Chapter 3, where there were 4 in every 10 informal business owners found to be

married. There appears to be a further low participation among those who are separated, with a rate of 1 in every 10 for the local owners, and just below 10 percent for the foreign owners. These results can be linked to the results in Table 5.2 above in that, because INK informal business ownership was found to be dominated by young people, these may have been young people who are not yet married, hence the results in Table 5.4 below suggests an extremely low participation rate among the married cohort. Also, married individuals (compared to nonmarried individuals) are most likely to be supported by their partners (Bhorat et al., 2016). Thus, married individuals may be less likely to be pushed to participate in informal business ownership, which was earlier associated with being operated for survival purpose (Oosthuizen, 2007).

Table 5.4: Marital composition of local INK informal business ownership.

	Marital Composition of INK Informal Business Owners					
	Local owners **Frequency**, %, (*SE*)			Foreign owners **Frequency**, %, (*SE*)		
	Male	Female	Total	Male	Female	Total
Divorced	**25** *(3.4)* 50.0 *(0.3)*	**25** *(3.4)* 50.0 *(0.3)*	**50*** *(4.5)* 6.7* *(0.3)*	**8*** *(6.9)* 33.3 *(0.3)*	**15** *(9.7)* 66.7 *(0.3)*	**22** *(11.8)* 5.0 *(0.3)*
Married	**75*** *(5.7)* 46.2* *(0.14)*	**88** *(6.1)* 53.8 *(0.15)*	**163*** *(38.6)* 21.7* *(0.5)*	**60** *(18.5)* 50.0 *(0.1)*	**60** *(18.5)* 50.0 *(0.1)*	**120** *(24.1)* 26.7 *(0.5)*
Separated	**38*** *(4.1)* 50.0 *(0.2)*	**37** *(4.1)* 50.0 *(0.2)*	**75*** *(5.7)* 10.0* *(0.6)*	**8*** *(6.9)* 20.0* *(0.2)*	**30** *(13.6)* 80.0 *(0.2)*	**38** *(15.7)* 8.3 *(0.3)*
Single	**362*** *(9.5)* 80.6* *(0.6)*	**88** *(6.1)* 19.4 *(0.6)*	**450*** *(45.8)* 60.0* *(0.6)*	**186*** *(26.8)* 71.4* *(0.7)*	**75** *(20.3)* 28.6 *(0.7)*	**262** *(26.8)* 58.3 *(0.6)*
Widowed	**0** - 0 -	**12*** *(2.4)* 100* *(0)*	**12*** *(2.4)* 1.7 *(0.1)*	**0** - 0 -	**8** *(6.9)* 100* 0	**8** *(0.6)* 1.7 *(0.2)*

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

For the cohort of singles, about 6 in every 10 of both local and foreign INK informal business owners indicated that they were single, of which between 7 to 8 in every 10 among them were males. This suggests that the INK informal business ownership in terms of marital representation is concentrated among single males. During the interview process, some single

local and foreign INK informal business owners raised concern of how risky (in terms of both business failure and other external factors that may negatively affect the businesses such as crime and xenophobic attacks) the businesses they are operating are. For example, Sizakele, a tavern owner, indicated that because of a lack of other economic opportunities, and coupled with the lack of a partner who may offer alternative support, she chose to participate in INK informal business ownership and preferred doing so alone instead of while she had a partner, to focus all her attention to her business. The higher participation rate in INK informal business ownership among the single cohort is consistent with previous findings in Jackson (2015), who also associated the higher participation of single individuals in informal business ownership with a failure to access jobs in the formal sector of the economy combined with lacking a partner who may offer support, and as a result, they consider participating in informal business ownership.

Although some previous studies (Devey, 2003; Fatoki, 2014) identified the married cohort as having a sizable participation in informal business ownership in SA, results from the current survey revealed that married individuals are not major participants in local INK informal business ownership when compared to individuals of other marital groups. It is possible that findings from Devey (2003) and Fatoki (2014) did not consider existing conditions (as explained above in this section) at the local level, like INK townships, that may attract non-married individuals to participate in informal business ownership. Because of these conditions, INK informal business participation in terms of marital composition differs from national informal business participation.

Also notable in this section is that proportionally, the local INK informal business ownership does not differ extensively from foreign INK informal business ownership in terms of demographic representation. It remains to be discovered in the below sections whether there is any difference between local and foreign INK informal businesses in terms other aspects considered for analysis in this chapter, the next one being educational attainment.

5.3 Educational Attainment of Local and Foreign INK informal Business Owners

Education is crucial in driving growth in various sectors of the economy and can also be expected to have a meaningful contribution in bringing about positive change in small and underdeveloped segments of the economy, like the township informal business sector. Considering this, the current section discusses the educational attainment of local and foreign INK informal business owners and the impact the education they possess might have on

businesses they are operating. Table 5.5 below shows the educational attainment of local and foreign INK informal business owners.

Table 5.5: Education of local INK informal business owners

Educational Attainment of INK Informal Business Owners						
	Local owners Frequency, % (SE)			Foreign owners Frequency, % (SE)		
	Male	Female	Total	Male	Female	Total
Post matric education	162* (14.3) 68.5* (0.3)	75 (9.5) 31.5 (0.3)	238* (17.3) 31.7* (0.3)	59* (33.3) 72.1* (0.1)	23 (9.7) 27.9 (0.1)	83 (0.8) 18.4 (0.3)
Matric	162* (7.8) 72.2* (0.1)	63 (5.2) 27.8 (0.1)	225* (8.7) 30.0* (0.6)	45 (16.7) 50.0 (0.5)	45 (16.7) 50.0 (0.5)	90 (21.8) 20.0 (0.5)
Certificate diploma matric and less than matric	25* (3.4) 50.0 (0.5)	12 (2.4) 50.0 (0.5)	37* (5.8) 4.9* (0.1)	30 (12.4) 71.2* (0.4)	30 (13.6) 28.8 (0.2)	60 (17.7) 13.3 (0.3)
Some secondary education	100* (6.5) 80.0* (0.1)	25 (3.4) 20.0 (0.1)	125* (7.1) 16.7* (0.05)	37* (15.7) 55.2* (0.3)	30 (13.6) 47.8 (0.3)	67 (19.7) 15.0 (0.4)
Some primary education	50* (4.7) 44.4* (0.2)	63 (5.2) 55.6 (0.2)	113* (6.8) 15.0* (0.6)	30* (9.7) 57.7* (0.7)	22 (9.7) 42.7 (0.8)	52 (11.8) 11.6 (0.5)
No schooling / formal education	0 - 0 -	12 (2.4) 100 (0)	12* (2.4) 1.7* (0.2)	60* (18.4) 61.2* (0.1)	38 (15.7) 38.8 (0.9)	98 (22.7) 21.7 (0.5)

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

Notable in Table 5.5 is the extremely low proportion of local INK informal business owners with no formal education at 1.7 percent, while those with some form of formal education, from primary up to and including matric, make a combined share of 68.4 percent, thus, suggesting that over 2/3 of local INK informal business owners have some education up to and including matric. On the other hand, just under 1/3 of local INK informal business owners possess post matric education, the majority of whom are males. Similarly, among those with education up to and including matric, most of them are males. The high proportion of males (relative to females) with education up to matric and post matric education can be expected, given that the local INK informal business sector was found to be composed mostly of males in Table 5.1.

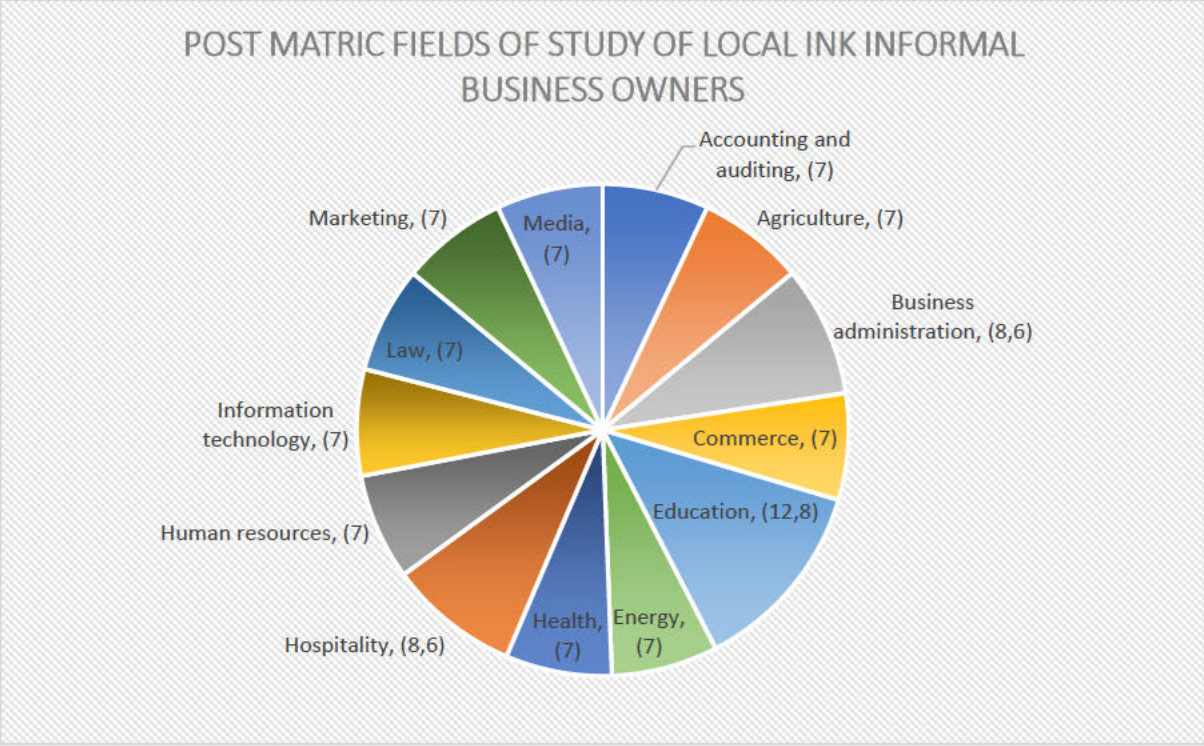
For the foreign INK informal business ownership, the results highlight a different picture to that of local owners. The proportion of foreign INK informal business owners with no formal education is much higher compared to local owners, with about 2 in every 10 found to have no formal education. On the other hand, foreign INK informal business owners with some form of education up to and including matric were closely equal to that of locals, with results indicating that they had a combined share of 60 percent. Lastly, foreign INK informal business owners with post-matric education were found to be 15 percent lower than that of local owners and consisted mostly of males.

When foreign INK informal business owners were probed on their lower levels of education compared to their local counterparts, some of them were of the view that the lack of economic opportunities both in the country of their origin and SA made it difficult for them to access education as they could not afford to pay for it. For example, Tagese, who is originally from Zimbabwe, cited how she came to SA hoping for better opportunities, including that of education, but when she was in SA it became so difficult to access education for various reasons, including the entry requirements in various education facilities in SA. Also, a lack of knowledge about available alternative education options was highlighted as one of the reasons that she could not access education. Tagese further stated that this did not only affect her, but her family and her peers also found it difficult to access educational facilities in SA. Tagese, among other foreign INK informal business owners, perceived tertiary education to be key in advancing both their economic and social life, acknowledging that education was necessary to equip them with knowledge that was going to be beneficial in growing their business.

The local INK informal business owner's educational attainment results in Table 5.5 appeared to follow a similar trend to the national data in Chapter 3, where there was also a low and declining proportion of those with no schooling at all, while those with education up to matric comprised a larger proportion and were on the rise. This can be considered a confirmation that, like nationally, the local INK informal business ownership may be moving away from individuals with no education at all to those with some level of education up to and including post matric education. The same cannot be said about foreign INK informal business ownership, given that the results above suggest that they were less educated compared to their local counterparts. Nonetheless, the low proportion of informal business owners with no education at all is indicative of an improvement in participants possessing numeracy and literacy skills, which are also critical in the informal business sector.

Having discovered various levels of education possessed by local and foreign INK informal business owners, the next area of consideration on the educational aspect are the fields of study among those who reported having post matric education. This is necessary to highlight fields of study that may potentially be utilised within the informal business sector and therefore get a glimpse of economic sectors that may develop within the informal business sector, particularly if participants decide to pursue their careers in this sector through opening businesses that are related to their fields of study. Figure 5.1 below indicates that the main post matric field of study undertaken by local INK informal business owners was education, followed by business administration and hospitality, while there was an extremely low proportion of local INK informal business owners who have studies in other fields (ranging around 7 percent each).

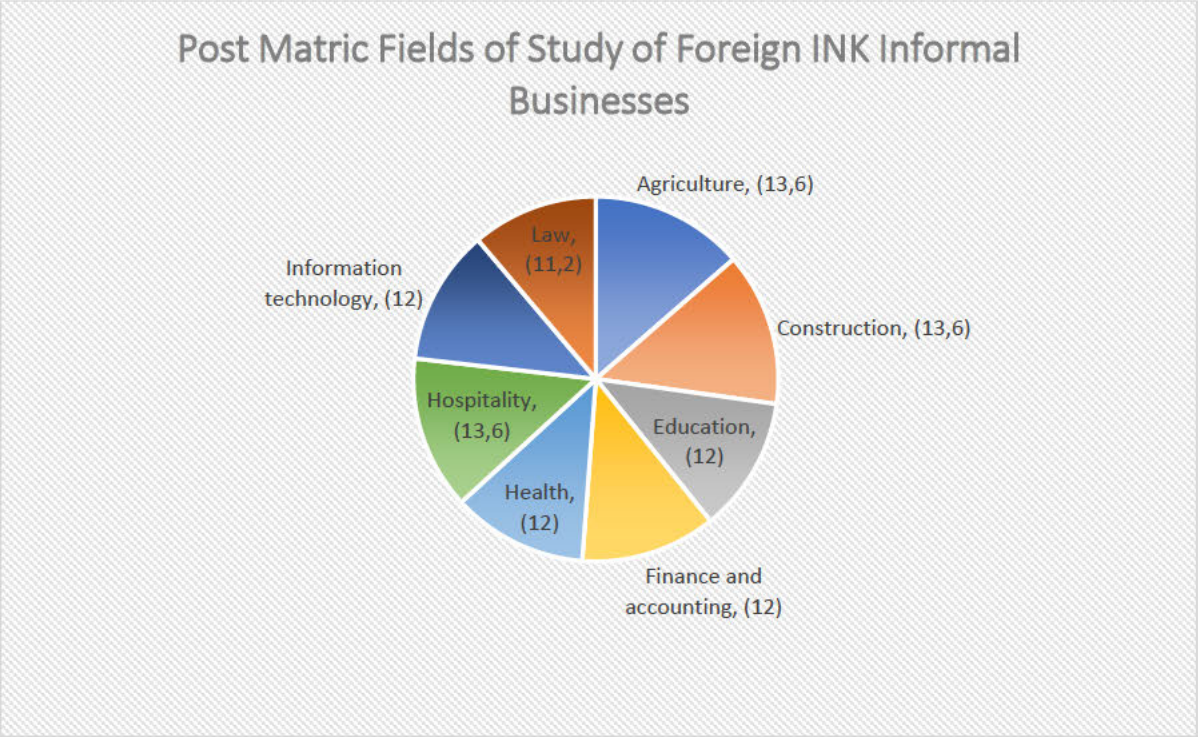
Figure 5.1: Post matric fields of study for local INK informal business owners who reported having post-matric education



***Note**: Percentages are shown in parenthesis.*

The distribution of local INK informal business owners' post-matric fields of study was somewhat more diverse compared to those of foreign INK informal business owners, whose post matric fields of study were found to be mainly concentrated in hospitality, construction, agriculture, education, finance and accounting, health, information technology and law.

Figure 5.2: Post matric fields of study for foreign INK informal business owners who reported having post-matric education.



Note: Percentages are shown in parenthesis.

The proportion of those with post matric education in the local group were found to be 13.3 percent higher than the proportion of their foreign counterparts in Table 5.5 shown earlier, thus suggesting that INK informal business ownership among foreigners may be attracting less individuals with post matric education (who also undertake limited fields of study) compared to INK informal business ownership among locals. Among the foreign INK informal business owners interviewed are Tino and Andrew, who both indicated that they struggled with accessing educational facilities, including post matric educational facilities. Tino and Andrew further alluded to their difficulties related to immigration requirements, such as accessing visas and other necessary documentation, which made it difficult for them to access educational facilities in SA.

Among the participants interviewed from the local group are Mandisa and Zakhele, who indicated that after they completed their education, they struggled to access employment, and have therefore engaged in township informal business ownership while waiting for other opportunities, particularly in the formal sector of the economy. Generally, the local group can

be expected to have greater access to educational opportunities compared to the foreign group, who may not meet the requirements of various educational opportunities, including funding opportunities (e.g., NSFAS in SA only funds local students). Therefore, it is not surprising that local INK informal business owners with post matric education are proportionally higher than their foreign counterparts. In contrast, because SA visa requirements stipulate that before foreigners can enter SA, they need to have secured employment, those among them with post matric qualification are likely to have obtained formal sector jobs (Department of Home Affairs, 2023).

To establish whether the post-matric educational fields of study highlighted in Figures 5.1 and 5.2 above are related to businesses operated by local and foreign INK informal businesses, respondents were asked whether the qualifications they had related to their businesses. For local INK informal business owners, it was evident from the results in Table 5.6 below that close to 95 percent of them had fields of study that were either highly or slightly related to the businesses they were running, while only a small proportion (of about 5.2 percent) of them had fields of study that were not related to their businesses at all, notably all of them being females. The relation of a qualification to the business was more about the industry that the business was operating in and post matric education that was more relevant to that industry. For example, Zolile studied hospitality in school and operates her restaurant business, which falls within the hospitality industry. Another example is that of Mthandeni, who studied agriculture in school and operated his small farming business. Other local INK informal business owners who reported that they have post matric education highlighted a similar relation between their post matric fields of study and the businesses they were operating.

Local INK informal business owners with post-matric educational fields of study that related to their businesses, like those highlighted above, indicated that their businesses benefited from the skills and knowledge they obtained from their qualifications, which were thereafter utilised in their INK township informal businesses. This highlights the importance of education, especially in a country like SA battling with high levels of unemployment and other economic challenges. As an alternative to looking for employment, some educated individuals can identify opportunities available within less developed sectors of the economy, like the informal business sector, and utilise knowledge gained in establishing small businesses that can potentially contribute towards alleviating some of the existing socio-economic challenges. This is consistent with the modern view of the informal business sector unpacked in Chapter 2,

which also recognises the sector's contribution to employment, growth of the economy and in turn, poverty alleviation (Yu and Ohnsorge, 2019; Chen, 2007).

The results for foreign INK informal business owners contrasted to those of local owners. Over 90 percent of the 83 foreign INK informal business owners who indicated that they have post-matric education in Table 5.5 above were of the view that their post matric educational fields of study are not related at all to the businesses they are operating. For example, Mr Zeny, originally from Mozambique, studied to be an engineer in school but is operating a supermarket in SA. What can be highlighted as a contributing factor to this is that because foreign nationals come to SA with specialised qualifications, they tend to struggle to get employment in their specialised fields of study, and therefore resort to looking for employment outside their fields of study. Also, for those who have initially found employment in their fields of study, and they happen to lose employment (for various reasons including the company closing), they may find it difficult to find employment again if, for example, companies are implementing restrictions on employment of foreigners. Over and above failing to get employment in their fields of study, the results suggest that they also engage in informal business activities that are unrelated to their educational fields to survive.

Table 5.6: Fields of study related to the business

Education Related to Business						
	Local owners **Frequency**, *%, (SE)*			Foreign owners **Frequency**, *%, (SE)*		
	Male	Female	Total	Male	Female	Total
Highly related	**37***	**38**	**75***	**15***	**7**	**22**
	(4.1)	*(4.1)*	*(5.7)*	*(9.9)*	*(0.6)*	*(11.9)*
	50.0	50.0	31.6*	66.7*	33.3	5.0
	(5.0)	*(5.0)*	*(0.3)*	*(0.3)*	*(0.3)*	*(0.2)*
Less related	**100***	**50**	**150***	**16***	**0**	**16**
	(3.5)	*(2.5)*	*(4.1)*	*(9.8)*	-	*(9.9)*
	66.7*	33.3	63.2*	100*	0	3.3
	(7.0	*(4.0)*	*(0.2)*	0	-	*(0.2)*
Not related at all	**0**	**13**	**13***	**232***	**180**	**412**
	-	*(2.4)*	*(2.4)*	*(27.5)*	*(26.2)*	*(15.7)*
	0	100	5.2*	56.4*	43.6	91.7
	-	*(0)*	*(0.1)*	*(0.6)*	*(0.7)*	*(0.3)*

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

5.4 Work Experience and Experience in the Current Business

Apart from the general influence of education on informal businesses, work experience and business experience of informal business owners may likely contribute to their ability to start

informal businesses and make them successful. Thus, the current section focusses on work experience and business experience of both ownership cohorts, including how their work experience may have spearheaded the formation of their businesses. Although it was possible for some to run their informal businesses while working somewhere else, the results in Table 5.7 below suggest that both local and foreign owners, and particularly males, typically focussed solely on running their businesses instead of combining it with working elsewhere. Both groups of owners were engaged to ascertain reasons as to why they tended to be solely focused on running their businesses. For example, Sinawo, a local INK informal business owner, indicated that the reason he focussed mainly on running his business was due to lack of employment and other opportunities not being attainable, while Patrick, originally from Zimbabwe, highlighted the intention to grow his business with the hope of multiplying it into other potential businesses given that he was struggling to meet employment requirements in SA.

Table 5.7: INK informal business owners working elsewhere and sector where employed

Working Somewhere Besides Running the Business						
	Local owners **Frequency**, %, (*SE*)			Foreign owners **Frequency**, %, (*SE*)		
	Male	Female	Total	Male	Female	Total
Employed elsewhere	**187***	**88**	**275***	**46***	**22**	**68**
	(40.6)	*(30.1)*	*(45.1)*	*(16.3)*	*(11.8)*	*(19.4)*
	68.2*	31.8	36.7*	66.7*	33.3	15.0
	(0.1)	*(0.1)*	*(0.6)*	*(1.7)*	*(1.7)*	*(0.4)*
Not employed elsewhere	**313***	**162**	**475***	**217***	**165**	**382**
	(46.2)	*(38.6)*	*(45.1)*	*(27.5)*	*(26.8)*	*(19.7)*
	65.8*	34.2	63.3*	56.9*	43.1	85.0
	(0.07)	*(0.7)*	*(0.06)*	*(0.7)*	*(0.7)*	*(0.4)*
Sector where Employed						
Formal sector	**175***	**87**	**262***	**46***	**22**	**68**
	(39.6)	*(30.1)*	*(44.7)*	*(16.3)*	*(11.9)*	*(19.7)*
	66.7*	33.3	95.5*	66.7*	33.3	100
	(0.01)	*(0.10)*	*(0.04)*	*(1.7)*	*(1.7)*	*0*
Informal sector	**13***	**0**	**13***	**0**	**0**	**0**
	(11.0)	-	*(12.0)*	-	-	-
	100*	0	4.5*	0	0	0
	(0)	-	*(0.5)*	-	-	-

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

Among those who maintained other employment while running the informal business, the results in Table 5.7 suggest that the majority of them worked as employees in the formal sector of the economy. When probed on this, there was consensus among them that having a career in the corporate environment was not enough, and in fear of any possible circumstances that

may lead to loss of job, they decided to form informal businesses as an alternative. Among those who highlighted other reasons is Thandiwe, who indicated that working as an employee in the formal business assisted her with funding when she established her business. Thobani is another respondent who commented on how working elsewhere while running his business reduced the financial burden of sustaining his and his family's life, although he required more time to grow his business. These results are a confirmation of previous findings in Verheul et al. (2004) and Mitchell (2004) who strongly associated informal business ownership to various factors, among which includes insecurity, especially among those who are working in sectors of the economy with unsustainable job security.

While the results in Table 5.7 above only include those who were working elsewhere while running the informal business when the current survey was conducted, the results in Table 5.8 below include those who may have not been working elsewhere during the time when the current survey was conducted but may have previously worked prior to the current survey. The results indicate that about 4 in every 10 local INK informal business owners have no previous work experience, while among those who previously worked, most of them worked between 1 and 10 years.

Similarly, about 1 in every 2 foreign owners reported no previous work experience, and for those found to have previous work experience, most of their work experience ranged between 1 to 10 years. On average, local owners had about 5.4 years of work experience, while foreign owners had about 4.6 years of work experience. Both cohorts (those with no previous work experience and those with years of work experience between 1 years and 10 years) were mostly males. This can further be associated with ease of access to entry that was earlier flagged in the discussion about the higher proportion of young males in INK informal business ownership, in that one does not need to have certain minimum experience to gain entry in the informal business sector and run an informal business.

Table 5.8: Years of previous work experience.

	Analysis of Years of Work Experience				
	0	1-5 years	6-10 years	11-15 years	16 years & above
	Local owners				
Overall proportion - %	41.6* (0.9)	26.7* (1.1)	20.0* (1.3)	5.1* (1.7)	6.7* (1.2)
Gender proportion					
-Male (%)	76.0* (0.8)	75.0* (0.1)	58.3* (0.1)	33.3* (0.8)	25.0* (0.2)
-Female (%)	24.0 (0.6)	24.0 (0.1)	41.7 (0.7)	66.7 (0.5)	75.0 (0.2)
Average years of work experience: 4.5 (0.7)					
	Foreign Owners				
Overall proportion - %	51.6 (0.8)	18.4 (0.5)	18.2 (0.4)	3.3 (0.9)	8.4 (0.9)
Gender proportion					
-Male (%)	67.7* (0.9)	54.5* (0.2)	45.5* (0.3)	53.3* (0.6)	40.0* (0.3)
-Female (%)	32.3 (0.9)	45.5 (0.2)	54.5 (0.2)	46.7 (0.4)	60.0 (0.3)
Average years of work experience: 4.6 (0.8)					

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

When asked about how their lack of work experience related to their businesses, some owners expressed concern as they were of the view that this may have limited their potential in the business as they could not utilise skills (that would have been gained from work experience) in their businesses but had to rather rely on learning and improving as they proceed with operating their businesses. For example, Njabulo, an owner of supermarket in Inanda, indicated that he had been working at a salon for about 2 years and has had to rely on employing workers with previous retail experience to ensure the smooth operation of his business. Melody, an owner of a tyre repair business, indicated that her lack of work experience in the tyre repair business environment affected her business as she had continuously lost clients until she considered bringing in more experienced individuals to work in her business.

Men's lack of previous work experience can be associated with lack of opportunities in the formal sector of the economy, which may have resulted in some of them considering participating in informal business ownership, hence they were earlier found to be proportionally higher than females. Some women, on the other hand, associated their lack of work experience with challenges that existed in their previous employment that resulted in

some of them being retrenched/contracts of employment not being extended, and thereafter decided to start informal businesses, hence they appear to have more previous work experience than men. For example, Bongiwe, a local INK informal business owner, highlighted that due to cost-cutting measures by the company she was working for, she was retrenched after having worked there for over 15 years. Similarly, Florence, who is originally from Lesotho, decided to engage in informal business ownership when her 5 years employment contract was not renewed.

Having discussed previous work experience of INK informal business owners above, the results in Table 5.9 below focusses on owners' experience in running the current informal business. The results in Table 5.9 indicate that experience of both local and foreign INK informal business owners in their current businesses averaged around 8 years. Only about 2 in every 10 local INK informal businesses were found to have been operating for over 10 years, while about 9 in every 10 foreign INK informal businesses were found to have been operating for over 10 years, with businesses owned by males proportionally higher that those owned by females in almost all years of experience.

While Table 5.7 showed that both ownership cohorts typically focussed on running their businesses instead of combining it with working elsewhere, the proportion of local owners who worked elsewhere while running their businesses was more than double that of foreign owners. Therefore, it is not surprising that foreign owned INK informal businesses had more longevity compared to that of their local counterparts, as some owners highlighted that they had intermittent periods of interruption from operating their businesses due to pressure that came from their employers that affected the continuation of their businesses.

Table 5.9: Years of experience in the current business

Years of Experience in Current Business						
	Local owners **Frequency**, %, (*SE*)			Foreign owners **Frequency**, %, (*SE*)		
	Male	Female	Total	Male	Female	Total
1 Year	**63*** *(25.9)* 76.0* *(8.7)*	**12** *(11.0)* 24.0 *(0.8)*	**75*** *(28.1)* 10.0 *(0.6)*	**23*** *(11.8)* 60.0* *(0.2)*	**15** *(9.7)* 40.0 *(0.2)*	**38** *(15.7)* 8.3 *(0.3)*
2 – 10 years	**337*** *(46.6)* 69.2* *(0.07)*	**150** *(37.5)* 30.8 *(0.7)*	**487*** (44.7) 65.0* *(0.5)*	**7*** *(0.6)* 100* 0	**0** - 0 -	**7** *(0.6)* 1.7 *(0.2)*
11 – 20 years	**88*** *(30.1)* 63.6 *(0.02*	**50** *(23.4)* 36.4 *(0.15)*	**138*** *(36.2)* 18.3 *(0.5)*	**157*** *(26.5)* 56.8 *(0.8)*	**120** *(24.1)* 43.2 *(0.8)*	**227** *(26.5)* 61.7 *(0.6)*
21- 30 years	**0** - 0 -	**25** *(16.8)* 100 *(0)*	**25*** *(16.8)* 3.3 *(0.2)*	**75*** *(20.3)* 58.8 *(0.1)*	**53** *(17.5)* 41.2 *(0.1)*	**128** *(24.6)* 28.3 *(0.5)*
31 years and above	**12*** *(11.0)* 50.0 *(0.5)*	**13** *(11.1)* 50.0 *(0.5)*	**25*** *(16.8)* 3.37* *(0.3)*	**0** - 0 -	**0** - 0 -	**0** - 0 -
Average years of experience in current business	**7.9*** *(0.9)*			**7.4** *(0.6)*		

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

In respect of the above, some INK informal business owners, among which included Ebony, Zethu and Themba, were of the view that although their informal businesses may be categorised as small, having been in existence for over 10 years was something they considered to be positive and promising as they believe that it indicated that their businesses within the township informal business sector were becoming more sustainable to the extent that they have been able to survive for over a decade.

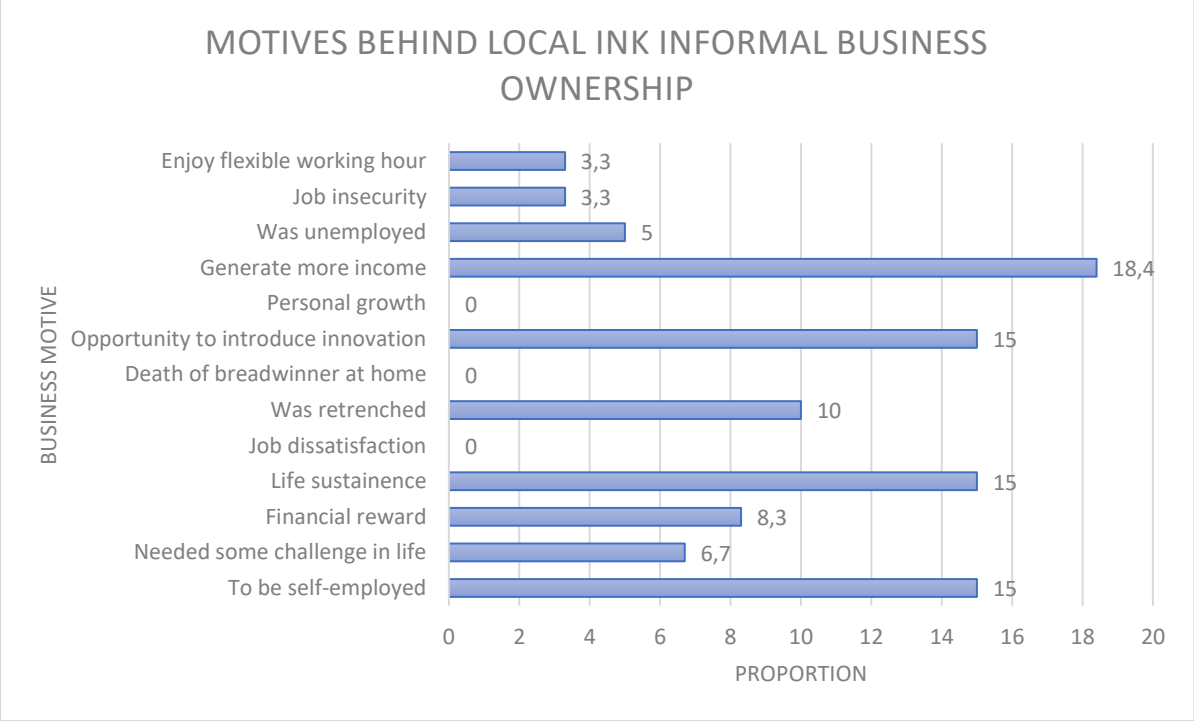
On the contrary, Paul and Prince are among INK informal business owners that expressed concern over their long existence within the informal business sector, as they viewed it to be a signal of limited or no opportunities in formal sectors of the economy, leaving them with limited alternatives but to stay in the informal business sector much longer than they desire. The extent to which this affected the performance of INK informal businesses in terms of growth and other challenges they might have faced is determined later in section 5.7 below,

that deals with performance of INK informal businesses. The following section discusses the results on formation of INK informal businesses.

5.5 Understanding the Formation of INK Informal Businesses

Empirical literature discussed in Chapter 2 of this study highlighted various motives that either pull or push individuals into forming informal businesses. Figures 5.3 and 5.4 unpack the motives of informal businesses, highlighting the core reasons why informal business owners started their informal businesses. Respondents were only allowed to select one most relevant motive from the list provided in the questionnaire. In respect of local owners, the results in Figure 5.3 show that generating income was the most highlighted motive, followed by self-employment, innovation, sustaining livelihood and retrenchment. On the other hand, the results in Figure 5.4 shows that the majority of foreign owners were motivated by life sustenance followed by a desire to introduce innovation and to be self-employed. These results indicate that, irrespective of owners' local or foreign status, the motives that lead them to start operating in INK informal businesses are relatively similar.

Figure 5.3: Motives of local INK informal businesses

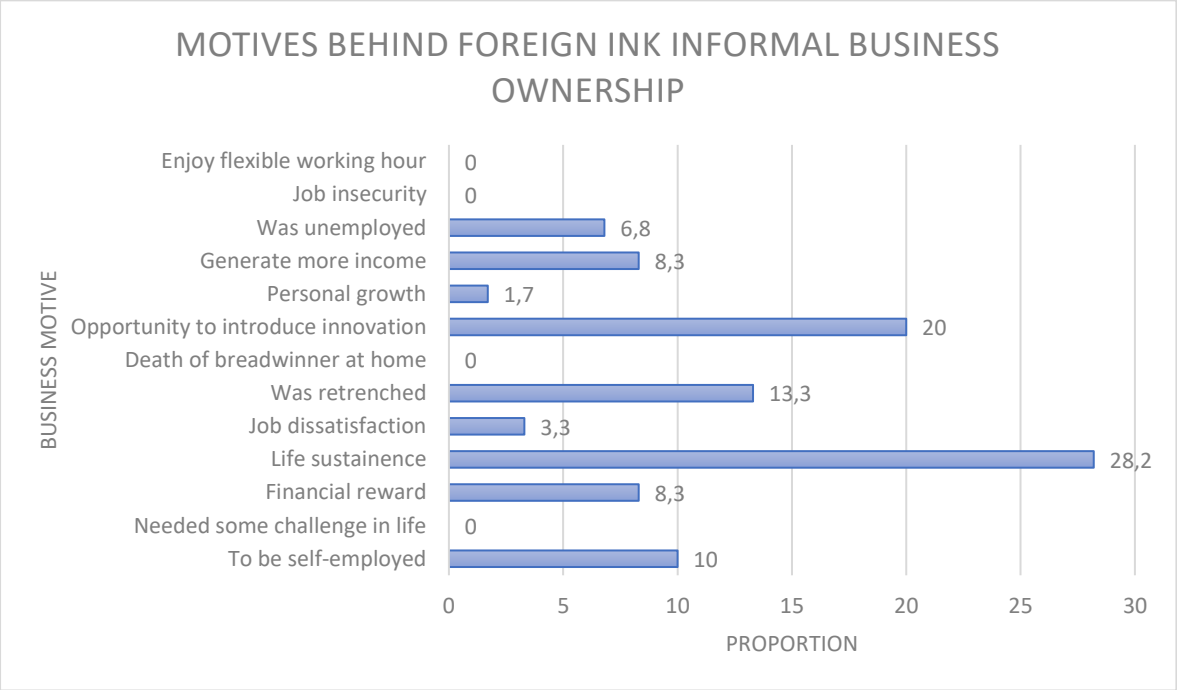


Although unemployment as a motive of INK informal business ownership was relatively low at 5 percent for local owners and just below 7 percent for foreign owners, its appearance as one of the motives of township informal business ownership in the INK area can be expected given

that nearly half of local owners and over half of foreign owners were found to have never worked before, shown in Table 5.8 above. It can also be argued that the lower proportion of unemployment as a motive for INK informal business ownership is an indication that despite some of them having not worked before, they may have not been aware of unemployment as a key driver of their informal business ownership, especially for those among them who did not intend to look for employment because they were innately entrepreneurial and wanted to enjoy the flexibility that comes with it.

Nonetheless, unemployment can never be ruled out as one of the challenges existing within the INK area, and a possible motive of INK informal business ownership. Notable for INK informal business owners was that although both groups of owners did express unemployment to be a challenge, there were other motives that mostly motivated them to participate in INK informal business ownership as indicated in Figures 5.3 and 5.4. Unemployment as a motive for INK informal business ownership can further be associated with the challenge of unemployment in SA, which INK residents are not immune to.

Figure 5.4: Motives of foreign INK informal business ownership



Duration of start-up (i.e., how long it took the informal business owner to set up the business) is another aspect discussed in the context of understanding the formation of INK informal businesses in this section. The results in Table 5.10 below show that the majority of local and foreign INK informal businesses took at most 2 years to be formed, as also confirmed by the

average duration of start-up of about 2 years for the former and almost 2 years for the latter. However, for the foreign owners, there was a considerably high proportion of them (about 31 percent) that took longer than 2 years to set up their businesses compared to their local counterparts who were only 5 percent.

Table 5.10: Duration of start-up of INK informal businesses

	Analysis of Duration of Start-up of INK Informal Businesses	
	Local owners – **Frequency**, %, (SE)	*Foreign owners* – **Frequency**, %, (SE)
1 year and less	**337*** (*46.6*) 44.9* (*0.3*)	**262** (*26.8*) 58.2 (*0.6*)
1 – 2 years	**375*** (*46.8*) 50.0* (*0.4*)	**45** (*13.2*) 10.0 (*0.2*)
More than 2 years	**38*** (*20.4*) 5.1* (*0.9*)	**143** (*25.4*) 31.8 (*0.7*)
Average duration of start-up (years)	2* (*0.2*)	1.8 (*0.1*)

**Indicates that estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

Both groups of owners mostly associated the period it took them to set up their businesses to the way it can sometimes be easy to set up informal businesses as there tend to be not any extensive registration requirements. However, some foreign owners highlighted some challenges that they faced during start-up. This can be expected, given that foreign owners may have been new to the country or the INK townships, and not familiar with the environment. Therefore, they may have needed more time to organise all the necessary means needed for their businesses to take off compared to their local counterparts, who most likely had already been familiar with the environment (including knowing where to get needed business resources).

For example, Emeka highlighted challenges such as breaking into the market, which was difficult because it was not easy to organize funding needed to start the business. Bathia, on the other hand, faced the challenge of being rejected by some community members who were not willing to do business with her because of her foreign status. Thus, challenges like these, among others, tended to delay the start-up process of some foreign INK informal businesses. Overall, the results in Table 5.10 are in consensus with findings in Oosthuizen (2007), Bhorat

et al. (2016) and Charmain (2016) who arrived at a similar conclusion that because informal businesses by their nature tend to be easy to operate, they tend to not take long to be formed.

As already indicated above, organizing funding for the start-up of informal businesses can be a challenge. Thus, to further understand the formation of INK informal businesses, this section discusses funding sources of INK informal businesses. Funding sources are necessary in any business for it to kickstart its business activities. The results in Table 5.11 indicate that about half of local INK informal business owners used their own personal funds to start their businesses, while a quarter of them made use of family funds, and the remaining quarter made use of funding ranging from bank loans to government/municipal funding and other[22] funds.

Table 5.11: Funding source of local INK informal businesses.

	Analysis of Funding Source of INK Informal Businesses	
	Local owners – %, (SE)	*Foreign owners* – %, (SE)
Bank loan	14.9* (0.3)	13.3 (0.4)
Family funds	25.1* (0.8)	38.2 (1.1)
Government / municipal funding support	8.3* (0.4)	3.3 (0.9)
Personal funding	50.0* (0.5)	45.2 (0.6)
Other	1.7* (0.8)	0 -
	Extent to which funding source was enough	
Funding source enough	61.6* (0.3)	63.3 (0.2)
Funding source not enough	38.4* (0.7)	36.7 (0.9)

**Indicates that estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

Similarly, most foreign owners also sourced money to start their businesses mainly from personal funds and family funds. There was an extremely low proportion of them that made use of government funds (13 percent) and borrowing (3 percent). In respect of funding, foreign owners lamented how they tend to not meet some of the requirements normally set by government and financial institutions when seeking business funding, and because of this, they have tended to rely either on personal and family funds or a combination of both. For example, Tendai, a salon business owner, stated that he had tried approaching government and some

[22] *These were funds that were highlighted by INK informal business owners over and above the ones stated in the discussion.*

financial institutions several times for both initial funding and business extension funding but failed because he is not a South African citizen and therefore did not meet funding requirements. As a result, he has had to rely on his own personal funds. The implication of lack of funding to foreign informal business owners is that it has limited growth their businesses to grow to their desired level.

Clearly there is a need for funding initiatives both from government and private institutions that will cater for foreign informal business owners given that they are part of society and the contribution that their business has on the country's economy. At national level, the Ministry of Small Business Development and at municipal level the eThekwini municipality's small business support unit can work with respective embassies in setting up and distributing funding packages for foreign informal businesses. However, the responsibility can also not be placed on government and other private institutions alone. Foreign informal business owners across the country also need to come together and form their own structures where they can engage each other on the challenges they are facing and come up with solutions that they can take to the responsible authorities. This can also help them to be united and when opportunities are available, they can be distributed in an organised way. As discussed earlier in Chapter 3, forming of structures/business associations tends to lack in the informal business environment.

Local owners who used personal funds and family funds together comprised about 75 percent. They attributed this to the nature of their informal businesses, which, because they tended to be small in terms of size of business operations, did not require large amounts of funding capital. Rather, most of them indicated that they were able to finance their businesses using their own funds, family funds and or a combination of both. This is further confirmed by the results in the lower part of Table 5.11, which shows that for 6 in every 10 local INK informal business owners, the funding sources (most of which are personal and family funds) were sufficient to fund the formation of their businesses, especially for males.

Those who highlighted that their funding sources were not enough (in Table 5.11) to start their businesses only constituted close to 4 in every 10 for local and foreign INK informal business owners. It was necessary to understand how they managed to forge ahead with kickstarting their businesses despite having insufficient start-up capital. Among those engaged on this is Khethiwe, an owner of a goods delivery business, who indicated that she relied on starting low and thereafter utilised money generated by the business to sustain the start-up process. Clive, an owner of a construction business, highlighted that he complemented the start-up process

with non-financial assistance (i.e., borrowing others' resources such as cars and other equipment and getting advice from other successful business owners, friends, and the public).

Lastly on the formation of INK informal businesses, is ownership structure. Given the nature of informal businesses, which tend to be operated on a small scale and run as small family businesses, Table 5.12 shows the proportional composition of INK informal businesses that are run as family businesses versus those that are not run as family businesses. The results in Table 5.12 below shows that only 1/3 (250 out of 750) of local INK informal businesses were operated as family-owned businesses, while 2/3 (500 out of 750) were not operated as family-owned businesses. For foreign INK informal businesses, the results show a lower proportion compared to their local counterparts of about 16 percent (75 out of 450) that were operated as family businesses. Most foreign INK informal business owners associated this with not living with their family members. However, for both groups of owners, it is not surprising that fewer of them run their businesses as family-owned businesses given that a small proportion of them were found to be funded using family funds in Table 5.11 above. In terms of sole ownership, just over 2/3 (512 out of 750) of local INK informal businesses had sole ownership, while for foreign businesses almost 8 in every 10 (352 out of 450) had sole ownership.

Table 5.12: Ownership of local INK informal businesses

Business ownership: family, non-family business and if sole ownership or not						
	Local owners			Foreign owners		
	Sole ownership %, (*SE*)	Non-sole ownership %, (*SE*)	Total Frequency, (*SE*)	Sole ownership %. (*SE*)	Non sole ownership %, (*SE*)	Total Frequency, (*SE*)
Family business	87.8* (*0.5*)	21.1 (*0.9*)	250* (*44.2*)	69.2* (*0.3*)	2.1 (*0.2*)	75 (*20.3*)
Not a family business	12.2 (*0.5*)	78.9* (*0.9*)	500* (*44.2*)	30.8 (*0.3*)	97.9* (*0.2*)	375 (*20.3*)
	512* (*43.6*)	238 (*43.6*)		352* (*22.5*)	98 (*22.5*)	

**Indicates that estimated values for sole ownership and family businesses are significantly different to those of non-sole ownership and non-family businesses. Similarly, estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

Furthermore, the results in Table 5.12 also show that the majority of local (87.8 percent) and foreign (69.2 percent) INK informal businesses with sole ownership were family-owned businesses, while the majority of local (78.9 percent) and foreign (97.9) INK informal businesses that did not have sole ownership were not family owned. It is evident from these results that INK informal businesses are characterised by businesses that are run by single individuals (512 for local cohort and 352 for foreign cohort) and less of them are involving

family members (250 for local cohort and 75 for foreign cohort). Among the reasons highlighted for this was that because their businesses are mainly small business activities that can be easily run by a single individual, they preferred running the business alone instead of involving other individual/s who may be a partner or partners. This was to avoid sharing of proceeds and decision making that they believed to be difficult in a business owned by individuals who are also relationship partners. After discussing the formation of INK informal businesses in this section, the next section extends the discussion into business details of INK informal businesses.

The results presented in this section have painted a picture of an INK informal business sector that is not difficult to enter, with participants who tend to not take long to establish their businesses using mostly their personal funds. Consistent with literature discussed in Chapter 2, the INK informal business sector is also mostly operated for survival purposes. This is consistent with SA's socio-economic challenges such as unemployment and lack of other economic opportunities, hence individuals consider participating in the informal business sector as a means for generating needed income to survive.

5.6: Business Details of Local and Foreign INK Informal Businesses

Having discussed the formation of INK informal businesses in the preceding section and details related to ownership in the earlier sections of this chapter, this section unpacks business (the entity) details rather than owner (the individual) details largely discussed above. This is necessary to provide a highlight of how informal businesses within the INK area look like, in terms of their concentration and premises they utilise. Figures 5.5 and 5.6 below show an analysis of types of businesses operated by both local and foreign owners in the INK area. In respect of local owners, Figure 5.5 shows that they concentrated mainly on trade and retail business activity (i.e., spaza shops, taverns, supermarkets, among others), which comprised nearly half of all types of local-owned businesses available within the INK area. Manufacturing and transport are other notable types of business activities operated by local INK informal business owners, while mechanical repairs, car wash, finance and driving schools were the business activities operated least by local owners within the INK area.

Figure 5.5: Business concentration of local INK informal businesses

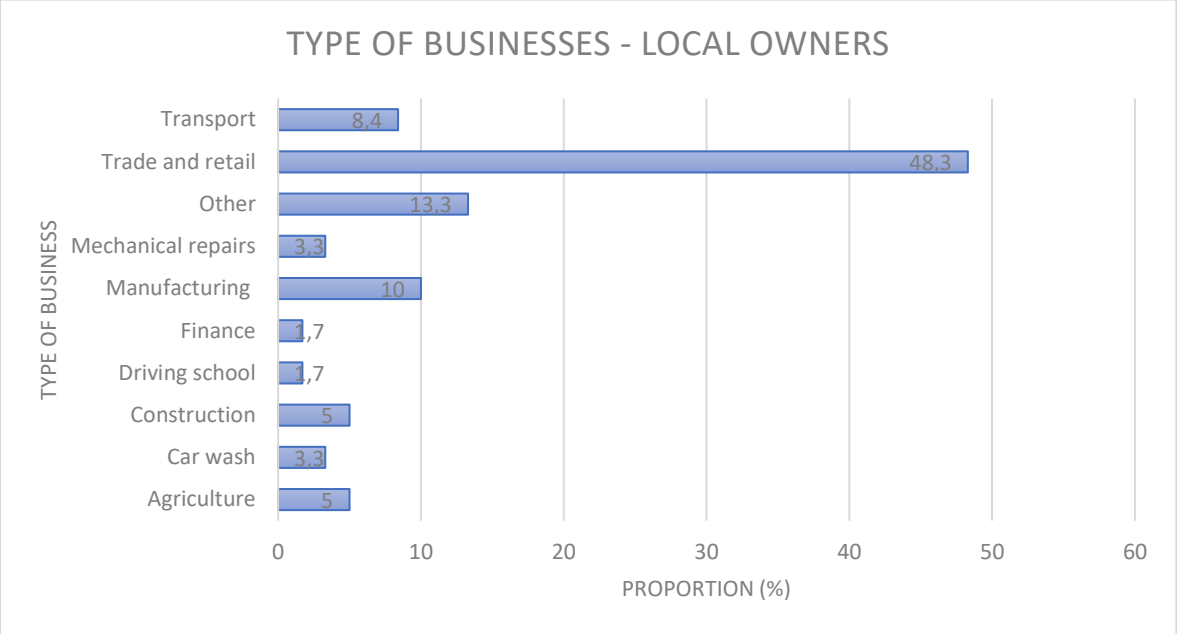
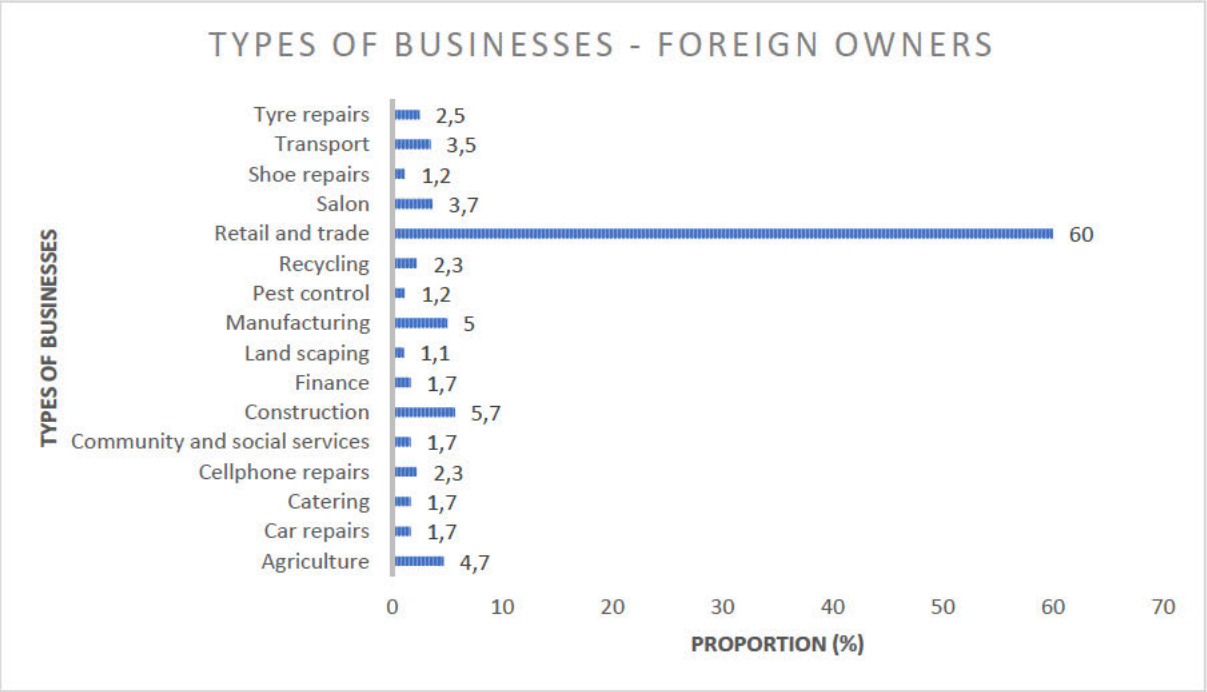


Figure 5.6, on the other hand, shows that foreign INK informal businesses, when compared to their local counterparts, operated in wider types of businesses within the INK area, with retail and trade also being the most operated business activity at 60 percent. Compared to the findings in the FNB (2018) report earlier highlighted in this study, which indicated that the township informal business sector nationally was found to consist mainly of only six types of businesses, the results in Figures 5.5 and 5.6 provide an indication that the township informal business sector within the INK area has more types of businesses compared to the township informal business sector in general.

Figure 5.6: Business concentration of foreign INK informal businesses



INK informal business owners' high concentration on retail and trade businesses within the INK area aligns to that of national findings indicated earlier in Chapter 3, where trade and retail businesses were also found to be the most operated businesses within SA's informal business sector. For INK residents, this means that they can access goods locally without having to incur traveling costs to cities and malls. Although retail and trade businesses within the INK area were the most operated businesses, Daniel, Melinda and John are some of retail and trade business owners within the INK area who raised concern over what they termed lack of support for their businesses by authorities, despite their potential for food security as well as their contribution towards ensuring that residents in township communities can easily access most of the essential goods.

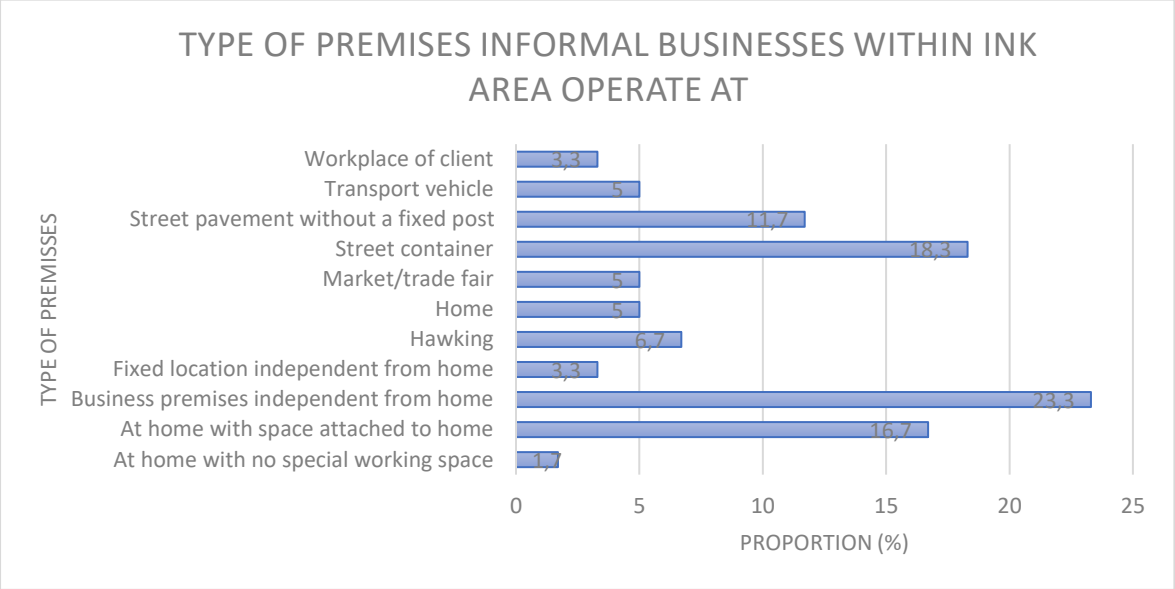
Clearly from the results in Figures 5.5 and 5.6, retail and trade informal business activities of local owners are facing competition from similar informal business activities by foreign nationals. What became a notable concern from some local INK informal business owners was that competition from their foreign counterparts has negatively affected their businesses as they struggle to compete with foreign-owned INK informal businesses who often charge lower prices for most of their retail goods. Nobantu, a local owner of a Spaza shop in the INK area, indicated that her business was unable to compete with most retail and trade businesses by foreign owners because most of them buy in bulk from their network of suppliers and are therefore able to charge lower prices to attract more customers.

In a sector like the informal business sector, which is strongly associated with being competitive, it is crucial to have a network of suppliers that are reliable from which participants can buy in bulk. This may result in participants enjoying the economies of scale and therefore be able to price goods and services competitively, and potentially attract more customers. What was observable from local Spaza shop owners like Nobantu, was that they tended to not have networks of suppliers and did not buy in bulk as groups, and as a result they struggle to compete with INK Spaza shops owned by their foreign counterparts.

On the other hand, some foreign owners of retail and trade businesses within the INK area lamented of how, at times, they become victims of xenophobic violence because of the competition that exists between them and local owners. However, there was consensus among both groups of owners that stiff competition, particularly within the retail and trade sector, is one of the contributing factors to the divisions and violent attacks that normally occur within the township informal business sector.

The businesses that were found engaged in various types of business activities reported in Figures 5.5 and 5.6 above were, in Figures 5.7 and 5.8 below, found operating in differing types of premises. In the case of local INK informal businesses in Figure 5.7 below, the most utilised premises were those which are independent from home, followed by street containers, while some operated at home with space attached to home, and lastly, street pavement without a fixed post. For foreign INK informal businesses, the results in Figure 5.8 showed a slight difference with regards to their business premises compared to those utilised by local businesses. Foreign businesses were found to be utilising mostly the premises that are independent from home, followed by home premises with space attached to home, workplace of client, street container and market/trade fair.

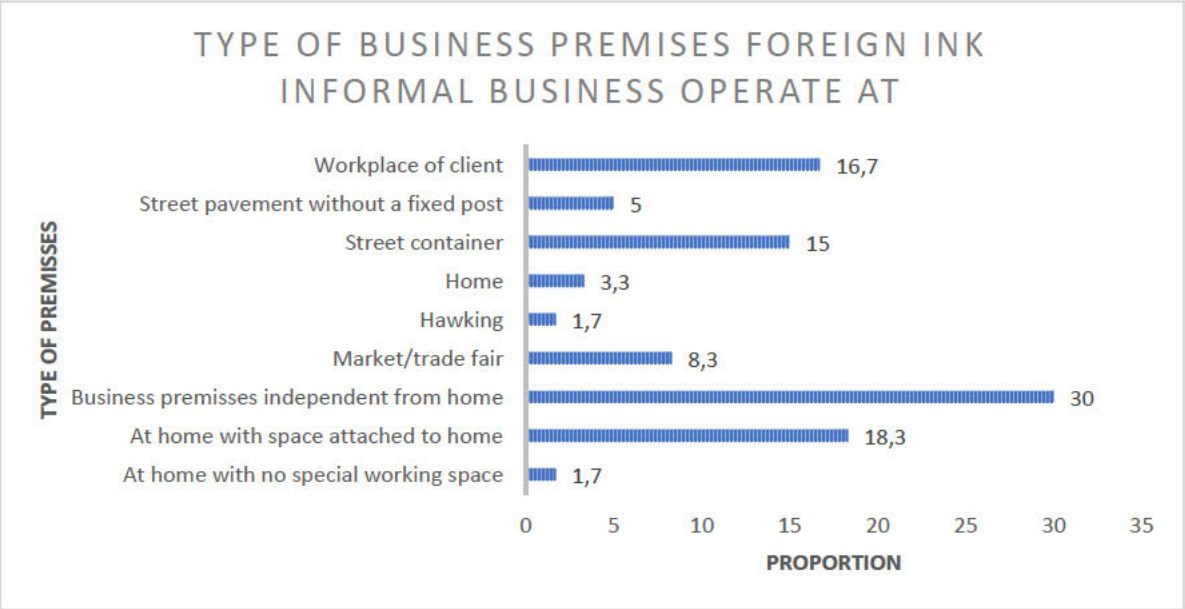
Figure 5.7: Premises of local INK informal businesses



Because of the nature of informal business activities (especially in township communities), which Charmain (2016) termed as being less difficult to operate, it is not surprising that INK informal businesses were found operating in the types of premises highlighted in Figures 5.7 and 5.8. Some of these premises were considered by local and foreign INK informal business owners to be more suitable for their business activities as they tended to be small-scale in their nature, and therefore did not require larger and more formal premises as with large corporate businesses in the formal sector.

Furthermore, the premises they used tended to be unique to each business's operations and to the needs of customers. For example, retail and trade, which was found to be a dominant business activity for both local and foreign INK informal businesses in Figures 5.5 and 5.6 above, may be less successful in premises where there is low movement of people, but more successful in premises with high movement of people. Given this, it is not surprising that a relatively large proportion of businesses utilised premises that are independent from home. However, because of cost implications that are associated with operating in some of these busy areas (e.g., malls and central business districts), some INK informal businesses highlighted that they preferred operating in premises such as street containers and market/trade fairs, which are comparatively cheaper, and where the ability to attract business through the movement of people is not to be compromised.

Figure 5.8 Premises of foreign INK informal businesses



In terms of rental payment for the premises reported in Figures 5.7 and 5.8 above, there was an almost 50/50 split between local businesses that rented premises and those that owned the premises in Table 5.13 below. In contrast, about 2/3 of foreign-owned informal businesses rented the premises used for business. Most foreign INK informal business owners associated the need to rent with not being permanent residents in SA[23], and with most of them also renting places they use for living. With expensive rental costs for business, some further indicated that they utilized their places of stay as business premises, while others rented at premises independent from where they were staying. For both local and foreign businesses, there was a relatively small proportion (about 3 percent for local businesses and 15 percent for foreign businesses) of them with rental and ownership of premises that was not applicable. These were informal businesses whose nature of business operations allowed them to conduct their business activities at client's premises (i.e., pest control and businesses involved in transport generally do not require rental or ownership of premises to operate).

[23] *These are individuals who came to SA temporarily to look for better economic opportunities but would ordinarily go back to their home countries from time to time where they have permanent places of stay, hence they opted for renting the premises.*

Table 5.13: Rental/ownership of premises and rental payment

	Local Owned Businesses %, (SE)	**Foreign Owned Businesses %, (SE)**
	Rental and Ownership of Business Premises	
Rent	53.3* (o.3)	66.7 (0.2)
Own	43.3* (0.6)	18.2 (0.9
Renting/owning of premises not applicable	3.4* (0.7)	15.1 (1.1)
	100	**100**
	Monthly Rental Payment for Businesses that Rents Premises	
R1 – R500	80.0* (0.7)	48.4 (0.9)
R501 – R1000	3.3* (1.9)	20.0 (1.0)
R1001 – R2000	13.3* (1.2)	14.8 (1.3)
R2001 – R3000	0 -	11.6 (1.1)
R3001 and above	3.4* (1.6)	5.2 (1.9)
	100	**100**
Average monthly rental payment: R, (SE)	449* (114.3)	937 (129.8)

**Indicate that estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

The results in Table 5.13 indicate that among those who were found to be renting the premises, on average, foreign INK informal businesses' rental payments were double the amount of what local businesses were renting. James is among the foreign INK informal business owners who commented on this and associated it with not having a permanent residency in the country, and because of renting premises, they had limited options for using their places of living as business premises compared to local counterparts. This was largely dependent on a landlord's approval. As a result, foreign owners indicated that they ended up accepting business premises that charged higher than normal rental payments.

About 8 in every 10 local INK informal businesses paid a monthly rent amounting to R500 or less, while about 13 percent of them paid a monthly rent ranging from R1000 to R2000. There was a considerably smaller proportion of those who paid a monthly rent of between R500–R1000 (3.3 percent) and those that paid a monthly rent of R3000 and above (3.4). For foreign businesses, about 1 in every 2 of them paid a monthly rent of R500 or less, while about 2 in every 10 paid a monthly rent of between R500 and R1000. Foreign businesses that paid a

monthly rental payment of R2000 and above were slightly higher (16 percent) than their local counterparts (3 percent).

In respect of the high proportion of INK informal businesses who paid a monthly rent of R500 and below, Zameka, Londiwe and Zane are among the respondents who associated it with lack of affordability as their businesses tended to be small and were not generating large amounts of revenue (Table 5.16 below shows the amount of revenue generated by INK informal businesses). Consequently, they operated in less suitable premises that did not attract large numbers of customers, thus further affecting their businesses in terms of daily revenue generated. Other INK informal business owners, such as Lindokuhle and John, highlighted that due to the nature of their business' operations being small scale, they considered using premises that do not necessarily require expensive rental payments (i.e., street container and hawking).

In terms of whether the business is a product or a service-oriented business, the results in Table 5.14 below suggest that local INK informal businesses are more product-oriented as opposed to being service-oriented. About 2/3 of local INK informal businesses were found selling products compared to 1/3 that were offering services. Similarly, foreign INK informal businesses were also more product-oriented with almost similar proportion as local businesses. This is a finding that can be expected given the results in Figures 5.5 and 5.6 above, where the types of businesses that were likely to deal with products (i.e., trade and retail, manufacturing, agriculture and the 'others' cohorts) were the most common operating within the INK area compared to those that can be aligned with offering services. There was a similar view among both cohorts of INK informal businesses that the products and services they sold were in need within the area and that members of the community preferred buying these products near where they live, rather than travelling to nearby cities that may result in additional travel costs.

Table 5.14: INK informal businesses' offerings

	Business Selling a Product or a Service (%), (SE)	
	Product	Service
	Local Owned Businesses	
Overall proportion	66.7*	33.3*
	(0.2)	(0.7)
Gender proportion		
-Males	60.0*	80.0*
	(0.7)	(0.9)
-Females	40.0	20.0
	(0.7)	(0.9)
	Foreign Owned Businesses	
Overall proportion	60.0	40.0
	(0.3)	(0.4)
Gender proportion		
-Males	56.6*	62.5*
	(0.8)	(0.1)
-Females	44.4	37.5
	(0.8)	(0.1)

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

The INK survey of both local and foreign informal businesses revealed that they sold a variety of products ranging from ready-made food, braai stands, building blocks and materials, clothes, cleaning detergents, flowers, gas, hair treatment products, kitchen utensils, livestock, and vehicle tyres. Services offered by local and foreign INK informal businesses included car repairs, car wash, catering, construction, deliveries service, driving schools, financial service, internet service, laundry service, pest control, transport service and upholstery repairs.

Also notable from the results is that males comprised a higher proportion in both types of offerings, especially for the service offering, where both male-owned local and foreign INK informal businesses were over 80 percent and 60 percent respectively, relative to their female counterparts. The businesses that were service-oriented offered services that are historically associated with being performed by men (i.e., car repairs and construction), and women were not actively engaged in offering these services, but participated more in product offering (i.e., retail and trade).

The pricing consideration for the above highlighted products and services of INK informal businesses is shown in Table 5.15 below. The results indicate that for both local and foreign INK informal businesses, about 9 in every 10 of them considered their prices to be relatively low, with only about 1 in every 10 that did not consider their prices as relatively low. Given

that males comprised a higher proportion in both types of offering in Table 5.14 above, while women were more product-oriented, there may have been an expected disparity in pricing perceptions between male-owned versus female-owned INK informal businesses. However, for local INK informal businesses, the results indicated that there was a 50/50 gender split among those who considered their prices not relatively low.

Table 5.15: Pricing consideration

Pricing of INK Informal Businesses						
	Local businesses			Foreign businesses		
	Male %, (*SE*)	Female %, (*SE*)	Overall Proportion % (*SE*)	Male %, (*SE*)	Female %, (*SE*)	Overall Proportion % (*SE*)
Prices considered relatively low	68.5* (*0.6*)	31.5 (*0.6*)	90.0* (0.1)	60.0* (*0.6*)	40.0 (*0.2*)	91.6 (0.2)
Prices not considered relatively low	50.0 (*0.3*)	50.0 (*0.2*)	10.0* (1.3)	40.0* (*0.2*)	60.0 (*0.2*)	8.4 (1.6)
Factors Behind Low Prices for those Considered their Prices to be Low						
Competition	69.7* (*0.8*)	30.3 (*0.8*)	61.0* (0.6)	55.6* (*0.8*)	44.4 (*0.8*)	67.2 (0.5)
High demand	75.0* (*0.1*)	25.0 (*0.1*)	29.7* (*41.4*)	70.0* (*0.2*)	30.0 (*0.2*)	18.2 (*20.3*)
Prices are negotiable	40.0* (*0.2*)	60.0 (*0.2*)	9.3* (0.8)	37.5* (*0.2*)	62.5 (*0.2*)	14.6 (0.9)

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

It was clear from further engagement with both gender groups of the local owner's cohort that they tended to be exposed to similar factors that resulted in their prices not to be relatively low, hence the 50/50 gender split. For example, Nonto and Sandile highlighted factors such as suppliers charging them high prices and high input costs, thus leaving them with no choice but to transfer the cost to their customers. Unlike in the local owner's cohort, more females than males of the foreign owner's cohort considered their prices not to be relatively low. Although they are a small proportion, most of them associated this with their unwillingness to allow their customers to bargain for lower prices to avoid the possibility of making a loss.

For the cohort that considered their prices to be relatively low, three factors were found to be contributing to this. Competition was the main driving factor (at 61 percent for local businesses and at 67 percent for foreign businesses), followed by high demand (at 30 percent for local businesses and 18 percent for foreign businesses), and lastly, prices being negotiable (at 9 percent for local businesses and 15 percent for foreign businesses). This suggests that informal businesses, by their nature, are generally highly competitive and that the products and services

they offer are in demand, but because they serve a market that lives closer to the business, their prices tend to be negotiable. The higher demand coupled with lower prices is consistent with the law of demand theory, which suggests that charging lower prices increases the demand (Obigbemi, 2010 and Heakal, 2015).

Further to the above, because informal businesses operate in unregulated markets with easy access to entry, it is to be expected that there is going to be high competition that may result in participants charging lower prices, hence competition in Table 5.15 above is mostly associated with lower prices (Botha, 2006; Meyers, 2009). It is also high demand that could be resulting in high competition, in that because more people need their products and services, more participants are willing to enter to close the higher demand gap. High competition and high demand create space for prices to be negotiable (Selcuk and Gokpinar, 2018).

The results presented and discussed in this section suggest that local and foreign INK informal businesses have similar characteristics, such as being comprised mostly of retail and trade businesses, being more product-oriented and operating mostly in premises that are independent from home. However, some differences were noted, including the rental payment of foreign INK informal businesses, which was found to be double the amount paid by their local counterparts (on average).

The similarity on characteristics of local and foreign INK informal businesses can be expected given that they both operate in a similar environment and are most likely exposed to similar conditions. By its nature, the township informal business sector is highly competitive and foreign INK informal business owners appear to have fostered additional competition. With the township informal business sector being increasingly competitive, it is important that participants handle it in a manner that will avoid it causing divisions in the sector.

Competition should rather be used to foster more innovation through the creation of products and services that will provide solutions to day-to-day challenges. This is necessary not only for the benefit of the informal business sector, but for the economy and the society at large, as both the economy and its people may benefit from innovative products produced within the small informal business sector. With both foreign and local INK informal businesses having similar characteristics, it remains to be determined in the following section if their similar characteristics and conditions found in this section translate into similar performance.

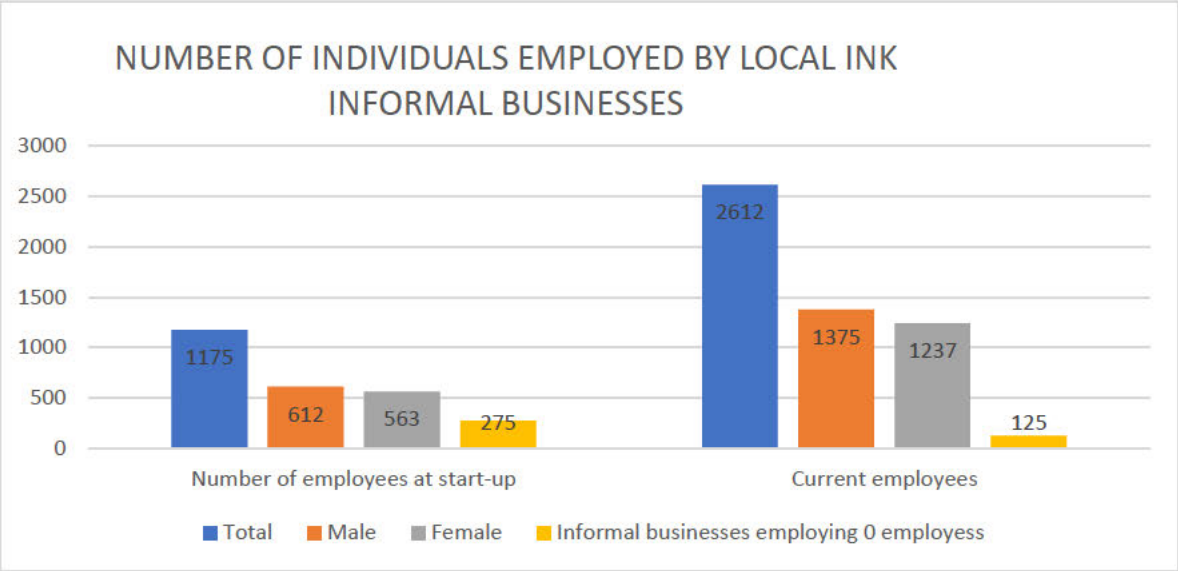
5.7 Performance of INK Informal Businesses

Having unpacked the business characteristics of INK informal businesses above, this section discusses the performance of INK informal businesses using three performance measures, namely size of the business (the total number of employees employed from start-up to when the current survey was conducted[24]), business turnover, and business growth. This section intends to demonstrate if there has been any growth or improvement in the performance of INK informal businesses since their initiation and assesses whether the performance of local INK informal businesses differs to that of their foreign counterparts.

Figures 5.9 and 5.10 below show the change in size of INK informal businesses (where size is measured by total number of employees employed by local and foreign INK informal businesses since start-up), while Figures 5.11 and 5.12 show the change in average size of INK informal businesses (measured using average number of employees employed in local and foreign INK informal businesses since start-up). The results in Figures 5.9 and 5.10 are based on questions 53 and 54 of the survey questionnaire in Appendix A, which asked respondents to indicate the number of male and female employees they employ in their businesses. Notable from Figure 5.9 is that the total number of individuals employed by local INK informal businesses at start-up more than doubled and increased by approximately 122 percent to current figures. Similarly, the total number of individuals employed by foreign INK informal businesses also more than doubled, although they increased by a slightly lower percentage of 115 when compared to that of their local counterparts.

[24] *This is referred to as current employees in Figure 5.5.*

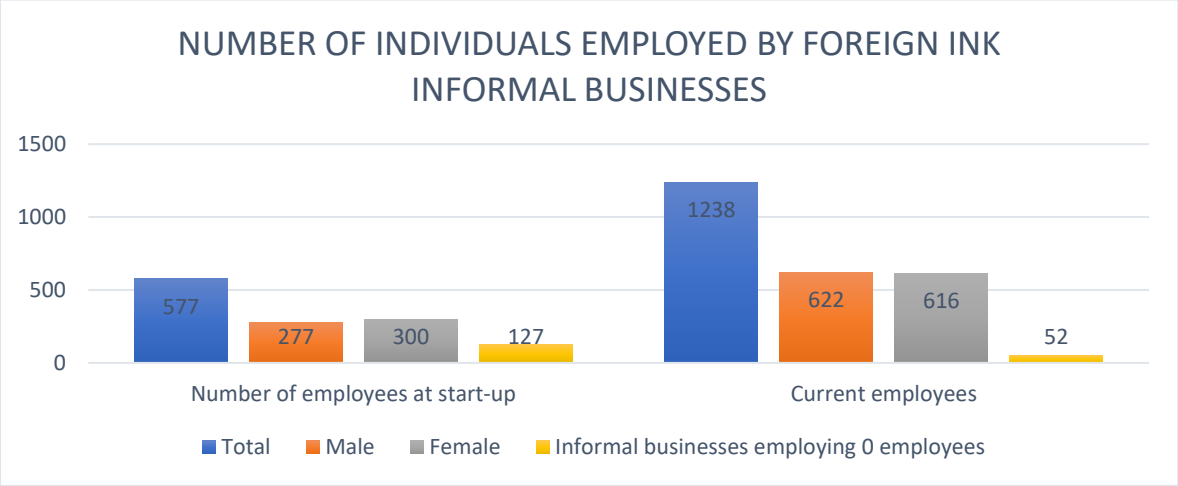
Figure 5.9: Individuals employed in local INK informal businesses



Although there were higher proportional increases across both gender groups, in absolute terms, male employees increased more than their female counterparts, thus suggesting that INK informal businesses have, over the years, employed more male employees. Improvement in conditions that women in SA were historically subjected to (e.g., gender inequality and gender-related economic exclusion) can be associated with their lower employment engagement in the INK informal business sector (Elder et al., 2010). Economic opportunities available in various formal sectors of the SA economy may have mostly favoured women to address gender imbalances of the past, thus resulting in men engaging more in the informal business sector.

In proportional terms, the gender proportion of local INK informal businesses remained the same as employees increased from start-up to the period when the current survey was conducted. For example, at start-up there was a 52/48 proportional split in favour of males and this has been found to be the same for current employees. On the other hand, for foreign INK informal business employees, their gender split was 48/52 (males/females) at start-up and moved to equal gender split at current period, further confirming that slightly more males than females may have been employed by INK informal businesses since start-up.

Figure 5.10: Individuals employed in foreign INK informal businesses



Average changes in the number of employees employed by INK informal businesses reported in Figures 5.11 and 5.12 below are consistent with total changes reported above, as the average number of employees employed in local and foreign INK informal business has also grown. What is also notable is that there has been a decline in the number of INK informal businesses employing zero employees since start-up. This suggests that these businesses have growth and can be counted as one of the contributors to an increase in the number of individuals employed in both local and foreign INK informal businesses. However, INK informal business owners interviewed mainly associated the increase in the number of individuals they employ to the increase in demand for goods and services sold in INK townships, thus signalling that adding more employees may have assisted their businesses to grow (in terms of their client/customer base).

Further to the above, some INK informal business owners aligned the increase in demand to operating right next to where their market lives, giving their customers the convenience of buying nearer instead of travelling to get what they need. Because of this, INK informal businesses have responded to the increase in demand by employing more individuals, thus benefiting the INK community in terms of employment opportunities particularly who struggle to access formal sector jobs. What is also notable from the results in Figures 5.11 and 5.12 is that despite there being more male than female-owned INK informal businesses, there was a negligible difference in terms of the owners employing other individuals by gender. This was because of the nature of their businesses being favourable to both gender groups, and did not require them to employ a particular gender group over the other.

Figure 5.11: Average number of employees employed by local INK informal businesses

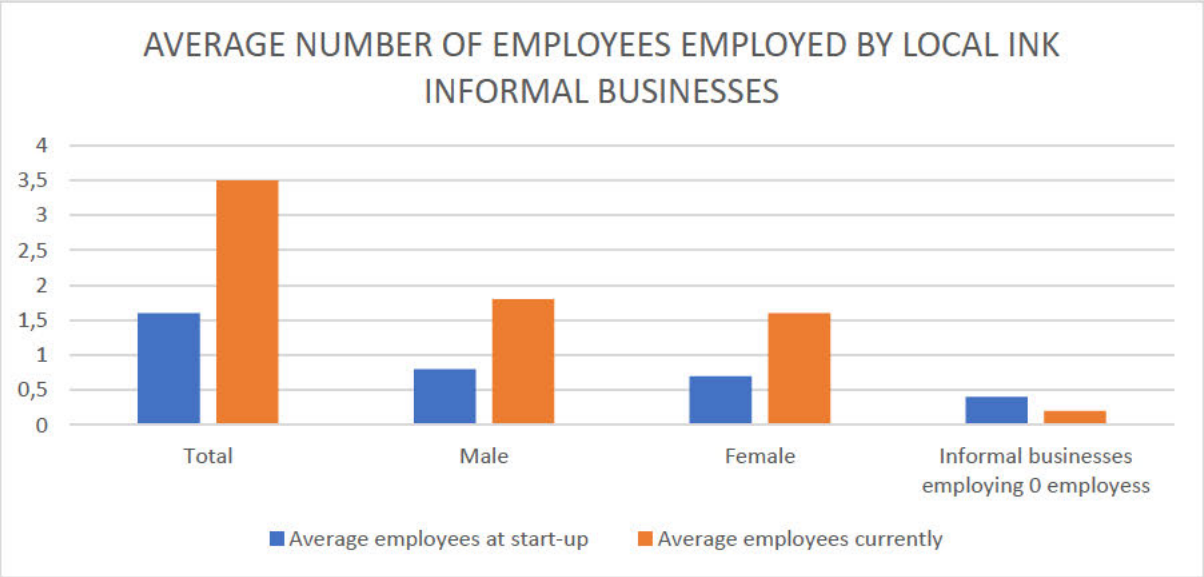
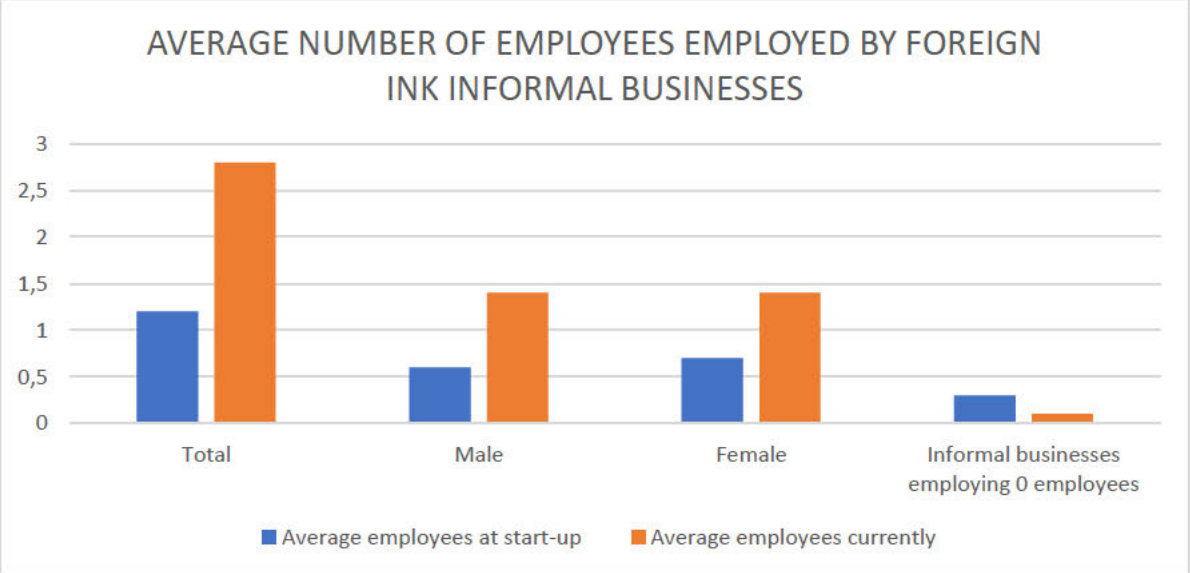


Figure 5.12: Average number of employees employed by foreign INK informal businesses



It is also possible that both the average increase and total increase in the number of individuals working in INK informal businesses may be associated with continuous increases in levels of unemployment in SA. With individuals failing to find employment in well-established formal sectors of the economy, they may have considered taking employment opportunities presented by the informal business sector. A positive relationship between unemployment and informal business sector growth is widely reported in previous literature including Hossain et al. (2015), Beckouche, Hausman, Tyson and Zahidi (2013), Charman et al. (2013) and Gorden (1982).

The second measure used in this section to assess the performance of INK informal businesses is business turnover. Table 5.16 below shows that most of both local and foreign INK informal businesses made a monthly turnover of up to R60 000. Comparatively, the results in Table 5.16 indicate that a higher proportion of local INK informal businesses makes a lower turnover, whereas a higher proportion of foreign INK informal businesses makes a higher turnover. For example, foreign INK businesses that generate a turnover above R40 000 make a combined share of about 41 percent, relative to a combined share of about 25 percent for local INK informal businesses. Several factors can be associated with this; for example, foreign INK informal businesses were earlier highlighted to charge lower prices due to benefiting from bulk buying. This may have allowed foreign INK informal businesses to attract more customers and potentially improve their monthly turnover. Also, the size of the business (in terms of employees it has) can be associated with higher turnover. Figure 5.10 shows that foreign INK informal businesses that were employing zero employees highly reduced by 60 percent, compared to local INK informal businesses employing zero employees that only reduced by 54 percent, shown in Figure 5.9.

In terms of the distribution of turnover by gender, a higher proportion of females than males generated a monthly turnover of R20 000 and below in the local INK informal business cohort, while a higher proportion of males than females generated a monthly business turnover between R20 000 and R60 000. A lower proportion of both male and female local INK informal business owners generated higher levels of monthly turnover (i.e., turnover of above R80 000). For the foreign INK informal businesses, the results showed a similar picture to that of local INK informal businesses, in that the category of monthly turnover of R20 000 and below comprises a higher proportion of females than males. At higher levels of turnover (i.e., turnover above R60 000), a higher proportion of females than males generated the reported levels of turnover in the foreign business cohort.

Table 5.16: INK informal businesses' monthly turnover

INK Informal Businesses Monthly Turnover						
	Local businesses			Foreign businesses		
	Male %, (*SE*)	Female %, (*SE*)	Total %, (*SE*)	Male %, (*SE*)	Female %, (*SE*)	Total %, (*SE*)
0 – R5 000	12.5* (*0.5*)	15.0 (*0.8*)	13.3* (0.6)	2.8* (*0.9*)	0 -	1.8 (0.9)
R5 001 – R20 000	22.5* (*0.6*)	40 (*0.1*)	28.3* (0.4)	20.0* (*0.6*)	32.0 (*0.1*)	24.9 (0.5)
R20 001 – R40 000	40.0* (*0.7*)	20.0 (*0.1*)	33.3* (0.9)	40.0* (*0.1*)	20.0 (*0.8*)	31.6 (0.6)
R40 001 – 60 000	20.0* (*0.1*)	5.0 (*0.5*)	15.1* (0.3)	22.9* (*0.7*)	16.0 (*0.7*)	20.0 (0.1)
R60 001 – R80 000	2.5* (*0.2*)	15.0 (*0.8*)	6.7* (0.8)	11.4* (*0.5*)	12.0 (*0.6*)	11.8 (0.4)
R80 001 – R100 000	0 -	5.0* (*0.5*)	1.6* (0.9)	0 -	12.0* (*0.6*)	4.3 (0.8)
R100 001 & above	2.5* (*0.2*)	0 -	1.8* (0.9)	2.9* (*0.8*)	8.0 (*0.5*)	5.6 (0.7)

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

The results in Table 5.16 further suggest that although there are fewer female-owned INK informal businesses than those owned by males, female-owned INK informal businesses tend to comprise a higher proportion at higher levels of turnover (turnover above R60 000). It is to be noted that the results in Figures 5.5 and 5.6 above suggest that INK informal businesses that deal with the sale of products (i.e., trade and retail) are more than those that offer services. Also, in relation to this and considering the results in Table 5.14 above, female-owned INK informal businesses were found to be product-oriented, thus suggesting that not only are INK informal businesses dominated by businesses that sells products, but they also tend to outperform those that offer services in terms of business turnover. This is indicative that there is a market for businesses that sell products in the INK informal business sector, hence they tend to outperform those that offer services.

The last performance measure of INK informal businesses discussed in this section is business growth from start-up to the period when the current survey was conducted. Table 5.17 below indicates that 7 in every 10 local INK informal businesses reported that they have experienced growth since start-up and only the remaining 3 reported no growth since start-up. Foreign INK informal businesses on the other hand appear to have experienced slightly less growth compared to their local counterparts, with only 6 in every 10 of them reporting that they experienced growth. This is despite the existing argument from time to time throughout the

country that foreign-owned informal businesses in township areas are contributing to the demise of local-owned informal businesses (Gordon, 2022; Chiloane-Tsoka and Mmako, 2014). Therefore, although some may argue that the formation of new foreign-owned informal businesses contributes to the demise of local-owned informal businesses in townships, these results highlight that the growth of already existing local-owned informal businesses may not be directly impacted by the formation of foreign-owned informal businesses.

Participants that were engaged in this study highlighted their business growth in various forms that ranged from the business having been able to attract more customers over time, to operating in a bigger premises due to high demand, increase in product/service items offered, acquiring of more business assets and equipment, venturing into sister businesses, generating more income, and employing more individuals.

Table 5.17: Business growth since start-up

	Business Growth Since Start-up (%), (SE)	
	Business Growth	No Business Growth
	Local Owned Businesses	
Overall proportion	70.0* (0.1)	30.0* (0.7)
Gender proportion		
-Males	71.4* (0.7)	55.6* (0.2)
-Females	28.6 (0.7)	44.4 (0.7)
	Foreign Owned Businesses	
Overall proportion	60.0 (0.3)	40.0 (0.4)
Gender proportion		
-Males	58.3* (0.8)	58.3* (0.8)
-Females	41.7 (0.8)	41.7 (0.8)

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

In terms of distribution of growth by gender, the results in Table 5.17 indicate that although female-owned INK informal businesses comprise a higher proportion at higher levels of turnover, they appear to struggle in terms of business growth compared males. This was mostly associated with lack of support, especially when it comes to sourcing funding intended for bigger projects. For example, Nontando, an owner of a small construction company, indicated that she has been unable to source funds to buy some of the needed equipment for bigger

projects and has since been relying on renting some of the crucial equipment for the business. She indicated that renting is more costly and has at times resulted in her not being able to do big projects. As a result, she can only undertake one project at a time. Other female owners highlighted reasons such as crime in the area, not having the skills needed to operate in some types of businesses, load shedding, and struggling with competition, which have tended to limit their businesses' growth. Factors inhibiting the growth of local and foreign INK informal businesses are further discussed in Figures 5.13 and 5.14 below.

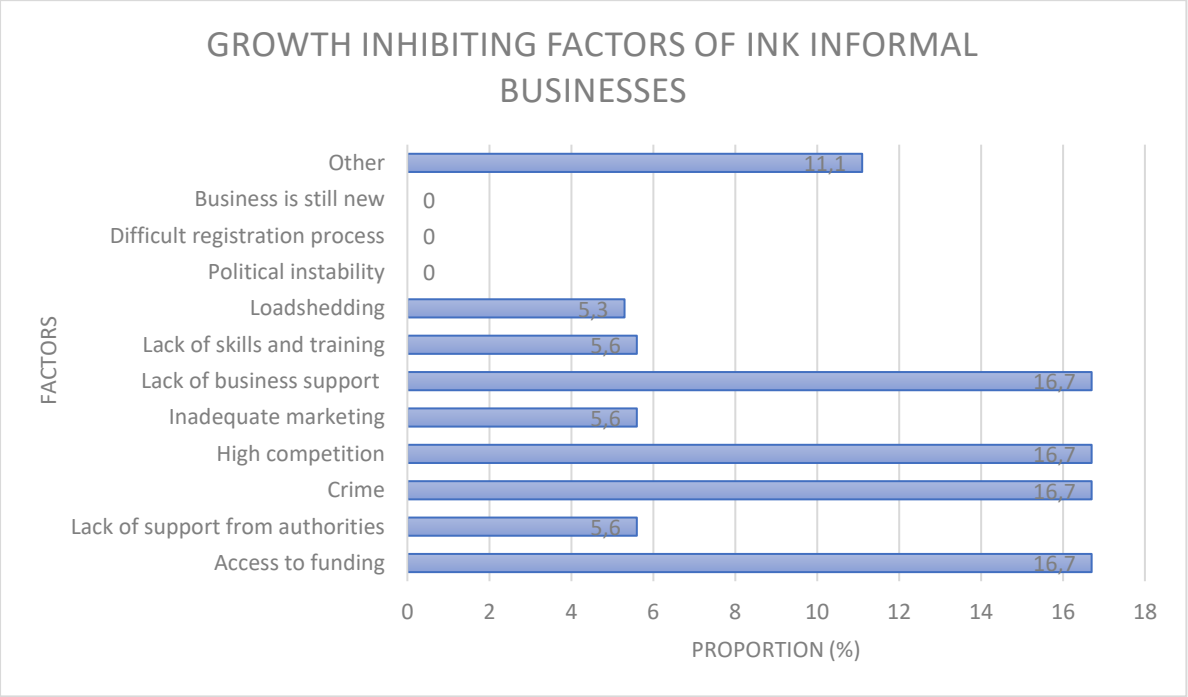
Nonetheless, the results of business growth of both local and foreign INK informal businesses in Table 5.17 show a promising outlook of INK informal businesses if the majority of them are found to have grown since start-up, as this may mean that the competition that exists within the INK informal business sector does not hinder businesses from growing. One of the highlights from local participants who reported business growth was that competition forced them to charge lower prices for some of the commodities to attract more customers. Alternative ways have also been implemented by some local INK informal business owners. For example, Michael, who is an owner of a hardware retail business in the INK area, highlighted that competition encouraged him to consider other creative ways (i.e., specials and marketing of products and services) that ensured that his business remains appealing to customers. Foreign participants, on the other hand, mostly associated their business growth to bulk buying and being loyal to their suppliers, thus resulting in them being able to negotiate lower prices from their suppliers.

Given the proportion of INK informal businesses that reported growth in Table 5.17 above, it is not surprising that the number of individuals employed in these businesses were found to have more than doubled, in Figures 5.9 and 5.10 above. It is to be expected that as the business grows, it employs more people, to improve its capacity to serve its customers and ultimately generate more turnover (KritiKoS, 2014).

Figures 5.13 and 5.14 below are dedicated mainly to understanding factors that prevented businesses that reported no growth since start-up, from expanding. Participants were asked in question 42 of the INK survey questionnaire to choose their most relevant growth limiting factor, and the summary of results is presented in Figure 5.13, which shows that lack of business support, crime, and poor access to funding were the mostly reported growth inhibiting factors by local INK informal businesses. Also notable from the results is that as SA continues to battle with the challenge of load shedding, local INK informal businesses are also affected.

This was mainly because some of them are small businesses and cannot afford to invest in alternative energy equipment that can enable businesses to continue operating during periods of load shedding. Furthermore, some local INK informal businesses traded in products that were solely dependent on electricity being always on, especially since they cannot afford the alternatives. For example, Mrs Khumalo, who sells ice cubes, lamented how much she loses during the period of load shedding and further associated it with preventing her business from growing, as at times she must order limited stock to avoid it being damaged. Lack of skills and training, inadequate marketing, and lack of support from authorities are some of growth inhibiting factors, although they have affected a small fraction of local INK informal businesses when compared to the other growth inhibiting factors highlighted in Figure 5.13.

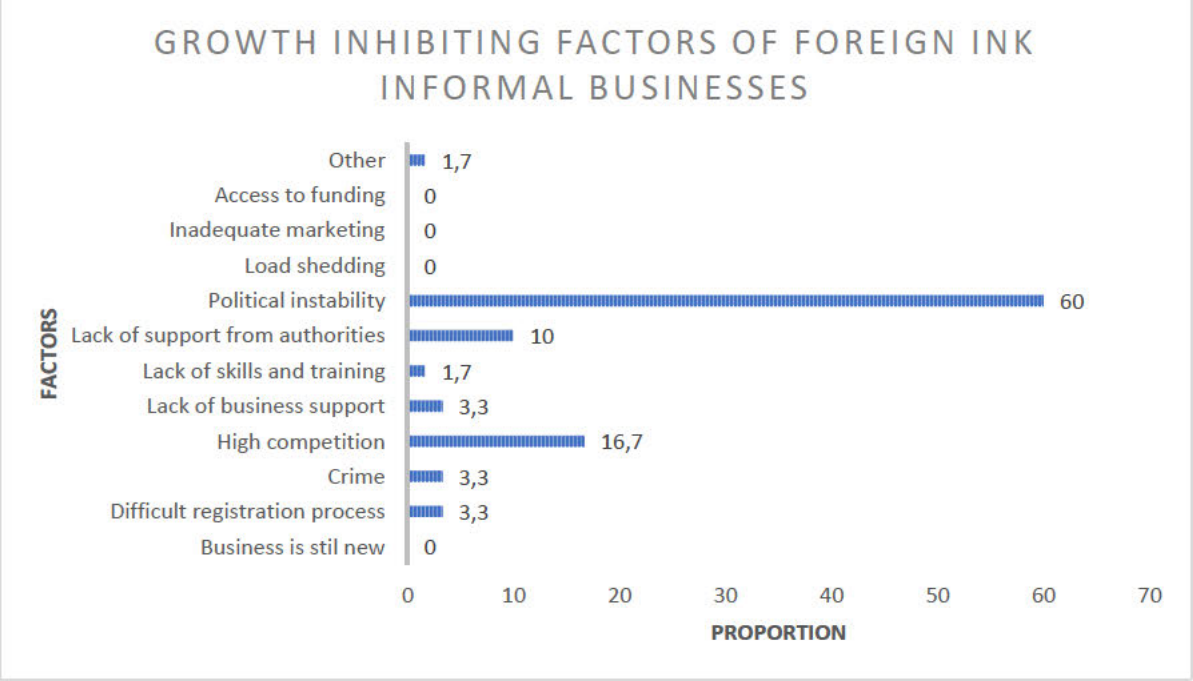
Figure 5.13: Growth inhibiting factors of local INK informal businesses



The results in Figure 5.14 for foreign INK informal businesses shows an extremely different picture compared to that of local businesses. Exactly 6 in every 10 foreign INK informal businesses reported that their growth was inhibited by political instability that occurs over time within the INK area. Discussion with participants revealed that this largely occurred when there were xenophobic attacks. During periods of intense political instability, most foreign-owned INK informal businesses indicated that they are forced to close their businesses until the situation gets calmer. Most of them further highlighted that this tends to have a major negative impact not only on their businesses but also on their families, as during these periods, they

sometimes lose all their stock, facing a threat to their livelihood as well as their lives. This is destructive to the African informal business sector in general and has the potential of limiting growth of Africa's informal business sector. It may also install fear within the community and negatively affect the wellbeing of residents.

Figure 5.14: Growth inhibiting factors of foreign INK informal businesses



High competition is the second most highlighted growth inhibiting factor for foreign INK informal businesses. In township communities, foreign informal businesses not only face competition from local informal businesses but there is also extreme competition among themselves, with most of them trading in similar products and services, especially in retail and trade (Malgas and Zondi, 2021). It is therefore not surprising that those who have had no growth flag high competition as one of the contributing factors. Also, about 10 percent of foreign INK informal businesses report lack of support from authorities as one of the contributing factors to their lack of business growth. This was mainly associated with their failure to meet some of the requirements for support from various authorities in the country. Other growth inhibiting factors of foreign INK informal businesses include difficult registration process, a lack of business support, lack of skills and training, crime, and other growth inhibiting factors.

5.8 The Socio-Economic Impact

Having discussed INK informal business ownership and activities in the above sections, this section expands the analysis and discusses the socio-economic impact from an owner

(individual) and business (entity) perspective. From an owner perspective, the analysis first focusses on the personal income drawn by INK informal business owners from business income after accounting for business costs in Table 5.18 below, and thereafter looks briefly into their livelihoods in Table 5.19.

Table 5.18: Turnover taken as personal income

	Turnover Taken as Personal Income after Accounting for Business Costs					
	0-R10 000	R10 001-R20000	R20 001-R30 000	R30 001-R40 000	R40 001-R50 000	R50 001 & above
	Local Owners - %, (SE)					
Overall proportion	56.8* (0.4)	33.3* (0.9)	5.1* (1.1)	3.4* (1.5)	1.4* (0.3)	0 -
Gender proportion						
-Male	61.8* (0.4)	75.0* (1.0)	66.7* (0.3)	50.0 (0.5)	100* -	0 -
Female	38.2 (0.1)	25.0 (1.0)	33.3 (0.3)	50.0 (0.5)	0 -	0 -
	Foreign Owners - %, (SE)					
Overall proportion	40.0 (0.6)	46.7 (0.7)	10.0 (0.8)	3.3 (1.1)	0 -	0 -
Gender proportion						
-Male	58.3* (0.2)	57.1* (0.5)	66.7* (0.2)	50.0 (0.5)	0 -	0 -
-Female	41.6 (0.1)	42.9 (0.5)	33.3 (0.2)	50.0 (0.5)	0 -	0 -

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

Table 5.18 indicates that the proportion of local and foreign INK informal business owners who draw personal income from business income decreases with higher levels of personal income. This is despite the informal business sector associated with being survivalist, meaning that a higher proportion of INK informal business owners should be drawing higher amounts of personal income from business income to support their livelihoods. In terms of gender comparison, male owners compared to their female counterparts drew higher levels of personal income for each category reported in Table 5.18. This can be argued to be expected given the results in Table 5.14, where females were found to operate businesses that are product-oriented and require re-investment to replenish stock. Therefore, among other reasons, they may have limited personal income they can draw from business income.

A closer look at the results in Table 5.18 shows a small proportion of local owners (less than 2 percent) who drew a monthly personal income above R40 000, while there was none for foreign

owners. In respect of foreign owners, some of them stated that they preferred saving some of business income for future investments and therefore did not draw a higher amount of personal income from business income. Also, some foreign INK informal business owners indicated that they did not have big families, as they were either living with a partner and children or with few other family members, hence they were not drawing high amounts of personal income from business income. It is also to be highlighted that the amount of personal income largely depends on whether, after covering business costs, the business is left with an amount of money that can be drawn as personal income.

INK informal business owners can use the amount of personal income they source from business turnover to sustain their livelihoods and improve their socio-economic conditions as suggested by the literature discussed in Chapter 2 (Misango and Ongiti, 2013). The results in Tables 5.19 and 5.20 below indicate that for both local and foreign owners, most of them were found to have the responsibility of supporting the family, with a rate of 9 in every 10 for the former and just below 9 in every 10 for the latter. Furthermore, the results also show that the majority of both local and foreign INK informal business owners had children who are attending school. In terms of gender proportion for the three-livelihood measures discussed, more males than females of both local and foreign owners were found to have the responsibility of supporting family and having children who are attending school. It is therefore not surprising that more males than females were found to be drawing more personal income from business income. Because of family responsibilities and other life responsibilities, some local and foreign owners highlighted that they considered participating in INK informal businesses to source needed income to meet their respective responsibilities of providing for their families.

Table 5.19: Livelihood of local INK informal business owners

	Family Support/ Bread winner	**Have children**	**Children attend school**	**Income sourced from business enough to sustain family**	**Standard of living improved**
	%, (SE)	*%, (SE)*	*%, (SE)*	*%, (SE)*	*%, (SE)*
Yes	90.0* *(0.1)*	83.3* *(0.3)*	80.0* *(0.2)*	56.7* *(0.4)*	95.0* *(0.1)*
No	10.0 *(0.1)*	16.7 *(0.3)*	20.0 *(0.2)*	43.3 *(0.4)*	5.0 *(0.1)*

**Indicates that estimated values are significantly different, using a 95% confidence level.*

In terms of whether personal income sourced from the business income was enough to sustain the family, more than half of local owners indicated that income sourced from business income

was enough to sustain the family, while 43 percent of them indicated that it did not sustain the family. The results in Table 5.20 show a completely different picture for foreign owners, with an extremely high proportion of more than 2/3 of those who indicated that personal income sourced from business income was enough to sustain the family, while only 29 percent indicated the opposite. This is consistent with earlier findings, where foreign INK informal businesses generating a monthly turnover above R40 000 were proportionally higher than their local counterparts. This may have enabled them to source enough income to sustain their lives.

Among those who said personal income sourced from business turnover was not enough to sustain their lives, most of them were females who were not working elsewhere while running the business. This can be expected considering results in Table 5.16, where they were found to be drawing less personal income from business turnover compared to their male counterparts. Furthermore, because they were not sourcing alternative income from working elsewhere, it is not surprising that they reported that personal income sourced from business income was not enough to sustain family.

Table 5.20: Understand livelihood of foreign INK informal business owners

	Family support/ Bread winner	**Have children**	**Children attends school**	**Income sourced from business enough to sustain family**	**Standard of living improved**
	Frequency, (*SE*)	Frequency, (*SE*)	Frequency, (*SE*)	Frequency, (*SE*)	Frequency, (*SE*)
Yes	88.8* *(0.3)*	86.7* *(0.3)*	83.3* *(0.2)*	71.0* *(0.4)*	96.7* *(0.1)*
No	11.2 *(0.3)*	13.3 *(0.3)*	16.7 *(0.7)*	29.0 *(0.6)*	3.3 *(0.9)*

**Indicates that estimated values are significantly different using a 95% confidence level.*

An overwhelmingly large proportion of both local and foreign INK informal business owners were found to be of the view that their participation in township informal businesses led to some improvement in their standard of living. Among them are Bathia and Sthandiwe, who both indicated that having primary income from which they were able to provide for their families and sustain their livelihoods contributed immensely to the improvement of their standard of living.

Among the cohort of local and foreign owners who highlighted that participating in INK informal business ownership did not result in improvement of their standard of living is Zakhele, who mainly associated this with his business not performing to the level of his

expectation in terms of income generated and business growth over the years. As a result, this has limited the income he can draw from the business that can contribute to an improvement of his standard of living. Nonetheless, among both those who believed that their standard of living improved and those who believed that it did not, there was a general concern among them that even though they are able to survive from income generated from the business, it has not reached their desired level.

The performance of the business and livelihood that owners can gain from operating the business may be indirectly influenced by the relationship that the business has with the outside environment (i.e., the society) (Curtis, 2003; Sampath, 2014). Therefore, this section discusses the socio-economic impact from a business perspective, which first focusses on the relationship INK informal businesses have with the society, and thereafter turns the focus to the impact of the Covid-19 pandemic on INK informal businesses. Table 5.21 below is an analysis of the relationship that local and foreign INK informal businesses had with other businesses operating within the area. The results suggest that over 2/3 of local INK informal businesses maintained a good relationship with other fellow businesses in the area, while only about 2 in every 10 believed that the relationship they had with other businesses in the area was not one they can consider to be good. This further confirms the growth findings in Table 5.17 above, in that the good relationship they have may have assisted in growing their businesses. Also, operating in a highly competitive environment did not hinder local INK informal businesses from maintaining a good relationship with other businesses in the area.

Table 5.21: Relationship with other businesses in the area

	Relationship with Other Businesses in the Area (%), (SE)	
	Good	Bad
	Local Owned Businesses	
Overall proportion	78.4* (0.1)	21.6* (0.7)
Gender proportion		
-Males	66.0* (0.7)	69.2* (0.3)
-Females	34.0 (0.7)	30.8 (0.7)
	Foreign Owned Businesses	
Overall proportion	48.4 (0.3)	51.6 (0.4)
Gender proportion		
-Males	44.8* (0.8)	70.0* (0.8)
-Females	55.2 (0.8)	30.0 (0.8)

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

The results show a different picture for foreign INK informal businesses, with an almost equal share of businesses that had good relationship with other businesses in the area and those that had bad relationship. Political instability was flagged by some foreign INK informal business owners, among which included Zeith, who indicated that because of tensions that normally occur from time to time between foreign INK informal business owners and local INK informal business owners, he has been unable to maintain good relationships with other businesses in the area (particularly local-owned INK informal businesses).

Other foreign INK informal business owners, among which included Emeka and Imani, lamented how there is a lack of unity among INK informal business owners who, at times, fight one another (i.e., during periods of xenophobic attacks). Also notable from the results is that for businesses that maintained good relationships, most of them were female-owned in the foreign cohort, while they mostly comprised of males in the local cohort. On the other hand, businesses that had bad relationship comprised mostly males in both local and foreign ownership cohort. This suggests that female foreign INK informal business owners, relative to males in the local cohort, tend to be more socially connected with the community, hence in terms of business growth, females in the foreign cohort were found to be proportionally higher than females in the local cohort in Table 5.17.

When local INK informal businesses were probed on their types of good relationships with other businesses in the INK area, some of them were of the view that it was because of information sharing, followed by unity they have, and lastly, the support they give each other, among other types of relationships. In respect of sharing, Zamani, Olwakhe and Ziyanda highlighted that it involved informing other fellow business owners in the area about potential beneficial opportunities such business seminars that are organised within the area by the municipality and private institutions. Hosiyane and Zandile associated their good relationship with other businesses to informing one another about better suppliers who are providing on time quality service and referring customers to one another. Andile highlighted support they give one another as one of the reasons they maintain good relationships. He indicated that support they give one another ranged from sharing tools, equipment and advising one another on business-related matters.

Local owners associated bad relationships with high levels of competition within the INK informal business sector, lack of unity, jealousy and tensions that exist. For example, Sakhile indicated that competition that exists within the INK area sometimes makes it difficult for owners to come together and be united because of beliefs that exist, among others, that their businesses are not doing well because of some informal business owners who are taking their customers, particularly new participants. He further alluded that the tensions that sometimes occur were because of this lack of unity and understanding of each other.

Like local owners, foreign owners also associated their good relationships with information sharing and supporting each other. However, what was observable in respect of foreign owners on further engagement with them was that unity was more of a concern to them. Some of the notable concerns in respect of unity by foreign owners were from Omolando and Chiyesa, who both indicated that it's difficult for them to be united with other fellow business owners within the area as they are always targeted when there are xenophobic attacks, and their businesses are often the most affected by xenophobic attacks.

It is also to be noted that although local businesses may not be the direct target of xenophobic attacks, they are not immune to the violence that normally occurs. Local businesses are affected in various ways, including being forced to shut down operations and therefore losing business income. Thus, local and foreign businesses cannot be expected to have similar performance because of differing conditions they operate under within the INK area. Given that foreign-owned INK informal businesses are, from time to time, exposed to xenophobic violence, there

may be no certainty in their business operations, with a possibility of shutting down the business at short notice during the outbreak of violence.

While it may be necessary for INK informal businesses to have a relationship with other fellow businesses in the area, be they local or foreign-owned, it is also equally important for them to have a good relationship with the community. Although the community may need goods and services offered by informal businesses operating in their area, informal businesses also need the community to buy goods and services they offer. One of the ways in which informal businesses can try to maintain good relationships with the community is through contributing to the community in the form of social initiatives that can be of need to the community. Social initiatives may entail activities undertaken by businesses to support a social cause within the community. This becomes extremely important for township informal businesses, as they normally operate at the heart of where their customers live. This may also result in reciprocity whereby the community prefers buying from township informal businesses that give support to the community. Township informal businesses that engage in social initiatives within the community may also benefit from protection by the community because of their involvement with societal matters of the community.

Considering the above, Table 5.22 below provides an indication that more than 1 in every 2 local INK informal businesses have social initiative programs within the community, while those that have no social initiative programs were around 45 percent. Proportionally there was a slightly higher rate of foreign INK informal businesses with social initiatives compared to their local counterparts, with a rate of almost 6 in every 10. Because of tensions that normally occur from time to time between the INK community and foreign informal business owners operating within the area, during the interviews some foreign INK informal business owners indicated that they felt it would be necessary to support the community (by engaging in activities reported in Figure 5.16 below) in their needs, hoping that their support was going to contribute towards ending the existing tensions.

Others indicated that their social initiatives were not merely because of the existing tensions but were more about being responsible for the community they serve, particularly their customers. Also notable from the results is that males of both local and foreign-owned INK informal businesses mostly dominated in the cohort of those that did not have social initiatives. This can be related to the nature of the businesses females own within the INK area, which were earlier found to be mostly retail and trade businesses. Competition that exists within the

retail and trade businesses in the INK area may have tempted female-owned INK informal businesses to have social initiatives within the INK area, to try and gain the support of the community.

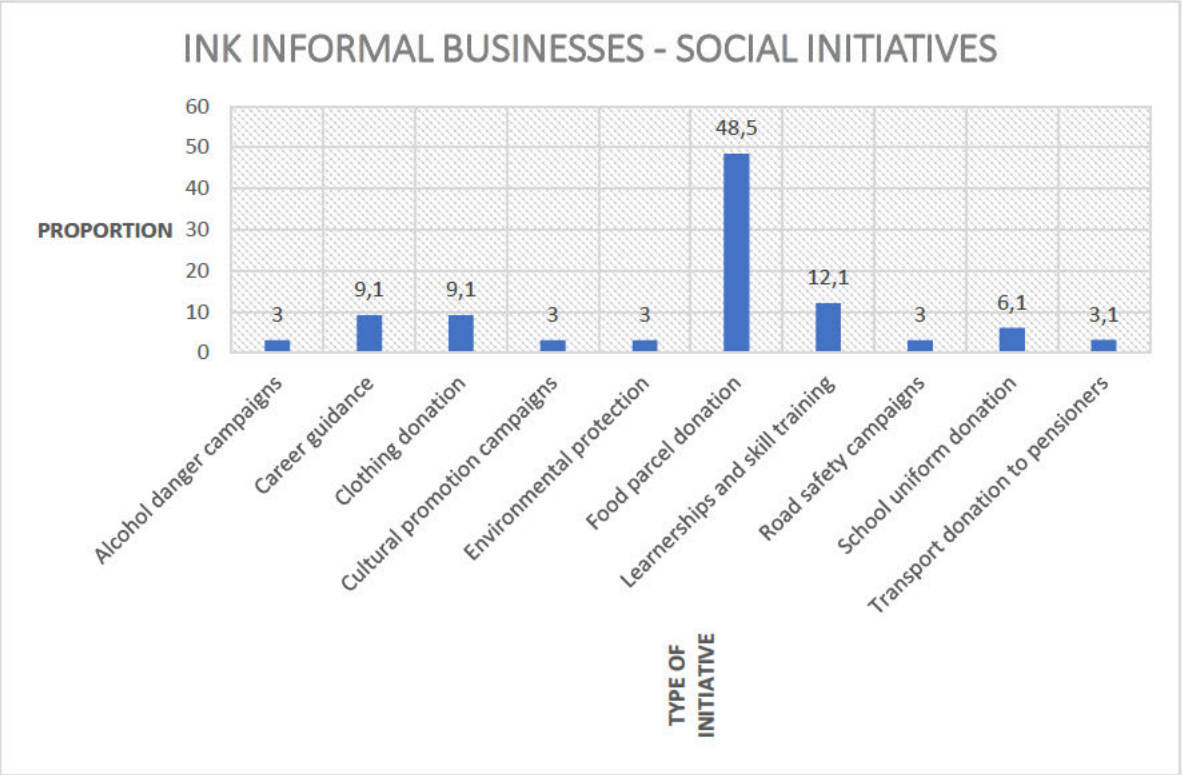
Table 5.22: Local INK informal businesses social initiatives

Social Contribution Within the Community						
	Local businesses			Foreign businesses		
	Male %, (SE)	Female %, (SE)	Total Frequency, (SE)	Male %, (SE)	Female %, (SE)	Total Frequency, (SE)
Have social initiative	63.6* (0.9)	36.4 (0.9)	412* (46.6)	54.3* (0.9)	45.7 (0.9)	263 (26.9)
Does not have social initiative	70.4* (0.9)	29.6 (0.9)	338* (46.6)	64.0* (1.1)	36.0 (1.1)	187 (26.9)

**Indicates that estimated values for males are significantly different to those of females and estimated values for local owners are significantly different to those of foreign owners (using a 95 percent confidence interval).*

Among those found to have social initiatives, Figures 5.15 and 5.16 below indicate that food parcel donation was the most undertaken social initiative program by both local and foreign INK informal businesses. This may highlight how hunger is an issue in the INK area, in the sense that some are even struggling to have something to eat and must rely on food parcel donation by businesses operating within the area. It is also possible that food parcel donation was the most undertaken social initiative because of data for the current study being collected during the period when the Covid-19 pandemic was still prevalent, and therefore individuals within the INK community may have been mostly in need of food. It can further be argued that because most INK informal businesses are retail and trade businesses that sell food items, to avoid some of food items reaching their expiry date, they may have decided to distribute them to the community as food parcels.

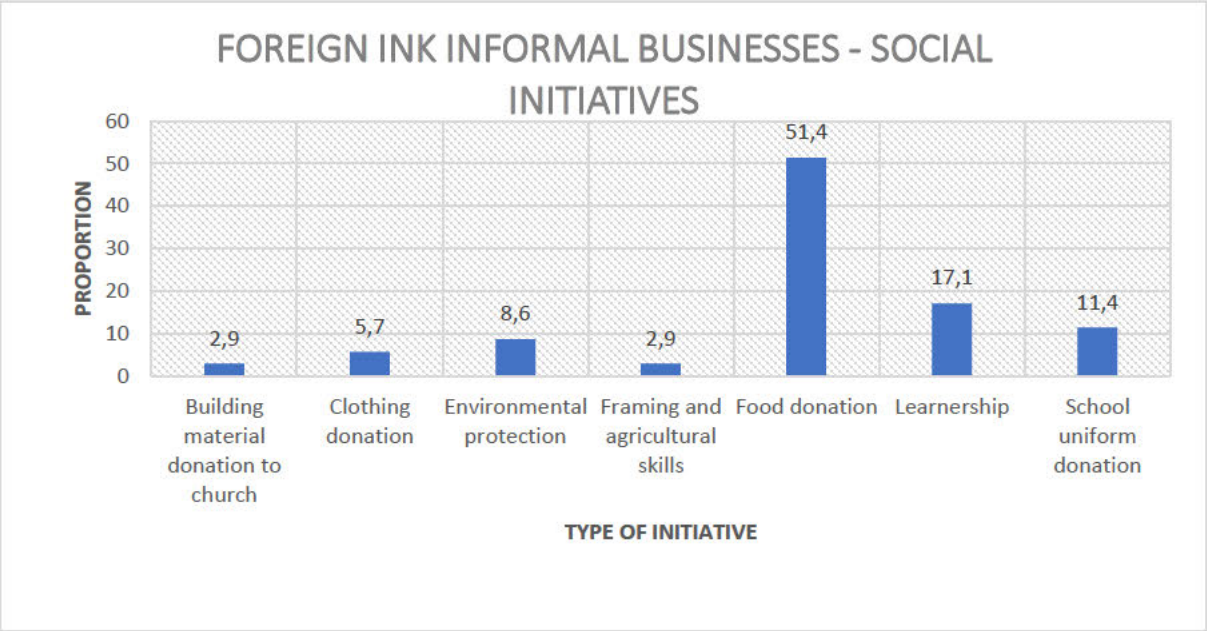
Figure 5.15: Types of social initiatives undertaken by local INK informal businesses



Second to food donation is the transfer of skills through learnerships and skills training programs in the form of apprenticeships, which was found to be slightly higher for foreign INK informal businesses compared to their local counterparts. Foreign INK informal businesses associate this with the argument normally raised that they take local people's jobs and business opportunities. Because of arguments like these, during the interviews some of them indicated that they have had to implement programs that seek to empower people with skills that they can later use to empower themselves.

In respect of local INK informal businesses, Bukeka, who owns a clothing manufacturing business in the INK area, indicated that because most young people in SA tend to prefer opportunities available in the formal sector of the economy, she has not considered creating learnerships and skills training programs in her business. This is reflective of the segregation between the informal and formal sector, not recognising that skills gained in the informal sector can be utilised or transferred to the formal sector or be used to empower others. It is also possible that informal business owners may not want to invest in a person through empowering him/her with skills development unless return can be guaranteed.

Figure 5.16: Type of social initiative undertaken by foreign INK informal businesses



Other social initiatives undertaken by INK informal businesses included career guidance, clothing donation, school inform donation, transport donation to pensioners on pension day, road safety campaigns, environmental protection, cultural campaigns, farming and agricultural skills, donation to building of churches and alcohol danger campaigns. Although these programs were proportionally lower compared to food donation and learnerships as indicated above, the businesses that rolled them out were confident that they do contribute towards alleviating various social ills affecting the INK community.

South Africa and the global community over the past few years faced an additional challenge, which is the Covid-19 pandemic, which had a devastating impact on various sectors of the economy, including the informal business sector. Therefore, last in this section is the impact of the Covid-19 pandemic on INK informal businesses and possible related support they might have received. As earlier reported in Chapter 4, the current study was conducted during the period when the Covid-19 pandemic in SA was still prevalent. With anticipation that INK informal businesses were likely to be one of the segments of the economy that were going to be affected by the pandemic, the survey questionnaire in Appendix A was adjusted to include questions intended to gather information to understand the impact of the Covid-19 pandemic on INK informal businesses.

Tables 5.23 and 5.24 below provide a summary of results on the impact of the Covid-19 pandemic on INK informal businesses. The results in Table 5.23 suggest that more than 8 in

every 10 local INK informal businesses highlighted that they were severely impacted by the Covid-19 pandemic, while a small proportion (of about 5 percent) indicated no major effect of the Covid-19 pandemic. Similarly for foreign INK informal businesses, an extremely large proportion of them were found to have been severely affected by the Covid-19 pandemic, although this was proportionally lower compared to their local counterparts. Further engagement with both local and foreign INK informal business owners in the follow up open-ended question 74 of the survey questionnaire in Appendix A revealed that the hard lockdown regulation by the government of SA in March 2020 that came because of rising numbers of Covid-19 cases in the country meant that they had to close operations. The closure of businesses resulted in loss of business income. Given that most local and foreign INK informal business owners were found sourcing their personal income from business income made as earlier reported in Figure 5.8, some indicated that the closure of businesses due to Covid-19 regulations during the hard lockdown limited the personal income they normally sourced from business turnover and negatively impacted their livelihood.

Table 5.23: Impact of Covid-19 pandemic on local INK informal businesses

	Affected by Covid-19 *%, (SE)*	**Covid-19 government support for business** *%, (SE)*	**Covid-19 support as a citizen** *%, (SE)*
Yes	83.3* *(0.05)*	13.3* *(0.04)*	5.0* *(0.03)*
No	16.7 *(0.05)*	86.7 *(0.08)*	95.0 *(0.03)*

**Indicates that estimated values are significantly different using a 95% confidence level.*

Despite the majority of local and foreign INK informal businesses being severely affected by the Covid-19 pandemic, over 8 in every 10 of them indicated that they (during the period when the current survey was conducted) never received any Covid-19 relief support from government and in their capacity as citizens. In respect of Covid-19 business relief, in a further engagement with them, it became clear that some of them were not even aware of any Covid-19 relief support available for their township informal businesses, while others indicated that they did not meet the requirement. In respect of Covid-19 relief support and their capacity as citizens, some local INK informal business owners highlighted that they never met the requirements, among which included one to be unemployed, not receiving any social grants and not a resident in a government funded/subsidised property (South African Government, 2020).

Table 5.24: Impact of Covid-19 pandemic on foreign INK informal businesses

	Affected by Covid-19 %, (*SE*)	**Covid-19 government support for business %, (*SE*)**	**Covid-19 support as a citizen %, (*SE*)**
Yes	75.0* (*0.6*)	5.0* (*0.3*)	5.0* (*0.3*)
No	25.0 (*0.6*)	95.0 (*0.3*)	95.0 (*0.3*)

**Indicates that estimated values for local and foreign informal business owners are significantly different using a 95% confidence level.*

The support that could have been beneficial to INK informal business owners is the temporary relief scheme for small businesses[25] and could have offered some relief to INK informal businesses that were severely affected by Covid-19 pandemic. In respect of INK informal business owners in their capacity as citizens, they should have benefited from the social relief of distress grant[26].

Failure to access business and citizenship related support during the Covid-19 lockdown period that saw many businesses closing down while some experienced differing number of difficulties meant that local and foreign INK informal businesses and owners may have had to fend for themselves to survive the period of lockdown. For example, Sthabile, an owner of a shuttle transport business, indicated that she was forced to pause operations due to the impact of the Covid-19 pandemic on her business, which also affected her livelihood. Mzothule, an owner of a catering business, indicated that he was forced to use his savings to keep the business going during the period of the Covid-19 pandemic.

Other INK informal business owners indicated differing difficulties they encountered, such as relying on borrowing from other to keep their business running, and decline in demand for some of their products and services and therefore being forced to operate for short hours, among other difficulties. Given these challenges some INK informal business owners had to endure during the lockdown period, it is not surprising that most of the local and foreign INK informal businesses reported a severe impact of the Covid-19 pandemic in Table 5.19 and 5.20 above.

What is notable from the discussion in the sections above is that INK informal businesses face several difficulties, some of which may have been exacerbated by the impact of the Covid-19 pandemic. The discussion in this section provided an indication that socio-economic conditions

[25] *Link to further information about the scheme: https://www.gov.za/covid-19/companies-and-employees/support-business#spaza.*
[26] *Link to further information about the grant: https://srd.sassa.gov.za/*

of INK informal business owners may have been impacted because of the difficulties they had to endure over the past few years when SA was battling with the Covid-19 pandemic. However, the resilience of INK informal business owners to persist despite the challenges they face is commendable.

5.10 Conclusion

This chapter discussed and compared township informal business ownership and activities of local and foreign individuals who are running their businesses within the INK area. Analysis and findings presented in this chapter were based on primary data collected through interviewing local and foreign INK informal business owners. Identifying the characteristics of local and foreign INK informal business ownership and that of their respective businesses, as well as understanding the impact of informal business ownership on existing socio-economic conditions within the INK area formed part of the key objectives of this study, fulfilled in this chapter.

From the results presented in this chapter, both local and foreign INK informal business ownership were found to be comprised of more males than females and mostly of the youth. Across both ownership cohorts, there was low participation among those who are disabled, while in terms of marital representation, there was more participation by the single cohort in comparison to the other marital cohorts. An observation made in respect of demographic representation in INK informal business ownership, was that of no equal gender representation. This was contrary to national data (although there was no differentiation according to local versus foreign) on informal sector business ownership examined in Chapter 3, where participation by both gender groups was found to have improved over the past few years and became closer to being equal in 2017. Based on this, a conclusion can be made that the INK township informal business sector still lags the national informal business sector in terms of equal gender representation. This requires various stakeholders (including the government and the private sector) to allocate more initiatives and resources at a lower level that will enable women to be equally represented not only in INK informal business ownership but across all economic activities taking place in township communities.

A sizable proportion of both local and foreign INK informal business owners were found to have some form of education up to and including matric, although, by comparison, foreign INK informal business owners generally had limited education compared to their local counterparts. Just like nationally, there was an extremely low proportion of both local and foreign INK

informal business owners with no education at all compared to other education cohorts. This was noted to be a positive outlook for the township informal business sector as it suggested that township informal business ownership in the INK area may be moving away from participants with no education at all to those with some form of education, up to and including post matric education. This becomes more important in a country like SA with educated individuals who are struggling to find opportunities in more established formal sectors of the economy. It is important for the township informal business sector, as a segment of the economy, to have more educated participants who will use knowledge and skills gained from the education sector towards driving innovation and development within the informal business sector and potentially add value to the entire economy of the country.

On the business formation, several previous studies associated informal businesses with having less difficult business activities, and because of this, most of them tended to not take long to be formed. This was also the case for both local and foreign INK informal businesses, as their average years of formation were around 2, with a small proportion that took longer that than 2 years to be formed. Furthermore, the majority of local and foreign INK informal businesses were found to be funded using personal funds, family funds or a combination of both. In terms of business activities undertaken, foreign INK informal business owners operated in a wider range of business activities compared to their local counterparts, with trade and retail being the dominant business activity for both business cohorts.

As a confirmation of existing literature and national data on informal sector business ownership examined in Chapter 3, local and foreign INK informal businesses were found to be mainly operated for survival purposes, with a strong indication from participants that their primary income was sourced mainly from business income. This was based on the proportion of monthly generated income taken as personal income. One of the contributing factors was that almost all local INK informal business owners had the responsibility of supporting the family, with children who are attending school.

While it is good that local and foreign INK informal business owners can source income from their businesses that enables them to survive, it is concerning however that the township INK informal business sector is being used as a survival strategy by its participants, instead of it being investment-oriented and more developmental in nature. Thus, this can be highlighted as one of the pushback factors for businesses that are operating in this sector because instead of

focussing efforts and resources on initiatives that will drive growth, resources are being taken away from the businesses to support livelihoods.

On the other hand, an overwhelmingly large proportion of local and foreign INK informal business owners that attributed participating in this sector to an improvement in their standards of living means that the township informal business sector does contributes to alleviating some of the existing socio-economic challenges of its participants. This highlight the importance of the sector and the need for it to be supported, to drive a greater contribution towards the economy and the society. This provides an insight into why scholars have tended to move away from the traditional view of the informal business sector to a much more modern view. It is because of its role towards advancing socio-economic development.

From engaging with both local and foreign INK informal business owners, tensions that normally exist from time to time between the local community and foreign INK informal business owners are clearly a threat to a united INK informal business sector. Therefore, there need to be more initiatives that will drive social cohesion, and most importantly, existing issues must be resolved through dialog rather than violence that may sometimes lead to loss of life. The following chapter extends the analysis of primary data collected from INK informal business owners to econometric analysis looking specifically at INK informal sector earnings and the standard of living of participants.

CHAPTER 6:

AN ANALYSIS OF INFLUENTIAL FACTORS OF INFORMAL SECTOR EARNINGS AND IMPROVEMENT IN STANDARDS OF LIVING OF INK INFORMAL BUSINESS PARTICIPANTS

6.1 Introduction

Using the descriptive analysis, the previous chapter outlined the characteristics of INK informal business owners and their businesses, their performance as well as their socio-economic conditions, giving context to the nature and conditions of the INK informal business sector. This chapter presents an econometric analysis to understand what the most influential factors are on the turnover generated by INK township informal businesses, from which they can derive personal income, allowing them to survive and potentially improve their standard of living. Furthermore, this chapter provides an understanding of factors that can determine improvements in standard of living of INK informal business owners through assessing their effect in enhancing the standard of living.

The analysis done in this section is necessary so that business owners become aware of factors that are associated with influencing informal sector earnings and that may influence improvement in their standard of living. Two econometric models were estimated to answer the below third research question under objective 3 of this study.

What are the influential factors of INK informal sector earnings and the determinants of improvement in standard of living of participants?

While similar econometric analysis has been conducted in previous research, the findings presented in this chapter complement the existing literature through providing information on informal business ownership at a micro level (i.e., locally in townships within the INK area), and through the comparative analysis of local versus foreign INK informal business ownership, which has not been done in previous research. This chapter is divided into four sections. The first section briefly reviews literature relevant to the discussion and analysis presented in this chapter. The second section defines the analysis and how it was conducted. The third section presents and discusses the results. Lastly, the fourth section provides concluding remarks.

6.2 Review of Literature

6.2.1 Review of Literature on Informal Sector Earnings

Generating income has been widely highlighted in research as one of the motives for participating in the informal business sector (Zogli et al., 2019; Stephan et al., 2015; Bradley and Boles, 2003). One of the reasons individuals are motivated to engage in the informal business sector is to generate income for various reasons, among which may include sustaining their livelihood. Several factors can be associated with driving informal sector earnings, with education being a leading factor. Human capital theory highlights how education can be crucial in driving earnings. It assumes that education is instrumental and crucial to the productivity of individuals (Becker, 2009; Woodhall, 1997; Mincer, 1958)

Human capital theorists often argue that educated individuals can be more productive because the education they possess has the potential of improving their productive capacity and efficiency through increasing the level of the cognitive stock of their human capability (Almendarez, 2011; Van der Merwe, 2010). Therefore, investment in human capital through, among other things, allowing individuals to be educated, can result in greater economic output. Also, improvement in productivity can result in greater levels of income generated. Therefore, a positive relationship can be expected between education and informal sector earnings. Yamasaki (2012) and Smith and Metzger (1998) are some of the researchers that found positive returns on education in the informal sector, although they believe that it tends to be smaller than that in the formal sector. Similarly, Appleton and Balihuta (1996), in their study conducted in Uganda using data from the 1992 to 1993 integrated household survey found that being educated yields higher earnings.

Experience is also identified in the literature as an important characteristic in the earnings function that can improve an individual's human capital (Zveglich et al., 2019). Human capital theory explains how experience can improve a person's performance/productive capability that may result in improvement of his/her earnings (Killingsworth, 2021; Medoff and Abraham, 1980). Part of becoming more experienced involves individuals investing in education, other training (i.e., on-the-job training and educational training) and gaining skills that may make a person unique to others. However, there is a cost associated with attaining all of these, among which may include tuition fees and the opportunity cost of attaining all of these for an individual to become experienced (Polachek, 2008). According to Polachek (2008), earnings

differences between more and less educated individuals are a needed compensation to adjust for the extra cost incurred in getting more human capital.

The human capital theory further explains how experience is to be treated when estimating the earnings model. It explains that while earnings may simultaneously increase with experience, there are levels at which it may start to diminish, particularly at higher levels of experience, where earnings may start to increase at a decreasing rate and at some point, may not grow but start to decrease (Studenmund, 2017; Dougherty, 2016). Because of this non-linearity of earnings with experience, experience also tend to be squared in the earnings model to test the quadratic relationship between experience and earnings. Empirical evidence from Killingsworth (2021) highlighted a positive relationship between experience and earnings.

Although informal businesses by their nature do not employ large numbers of employees, the individuals they employ can also be associated with the productive capacity of the business. The size of the business in terms of the number of individuals it employs has been highlighted in the literature as another factor that may inform earnings in the informal business sector (Business, 1997). Businesses that are more productive are more likely to generate higher levels of turnover. Also, more productive businesses can have a competitive advantage in the market. Mathis and John (2003) explain productivity as a measure of the quantity and quality of work completed, while considering the cost of resources used in producing the completed work.

The important highlight of Mathis and John's (2003) explanation of productivity in respect of the size of a business in terms of number of employees is on the efficiency of their productive capacity. McNamara (2005) explains that efficient productive capacity of employees may entail assessing the amount of time on average each employee takes to produce a certain level of output/service. Even though informal businesses may not employ large numbers of employees, as they change the number of employees in the business, the performance of the business is likely to be affected and may have an impact on the turnover that the business generates.

Another factor identified in the literature to be considered when looking at earnings of the business is social responsibility (Masarira, 2014). Although businesses have no obligation to sacrifice their profits/earnings by donating to charity programs, what businesses often do is create value for society with an intent of improving their earnings. Nimani et al. (2022) explains why social responsibility may be important to businesses. According to Nimani et al. (2022), businesses with social responsibility programs can build their brands in the eyes of society. In

a sector like the informal business sector where competition is high, businesses that implement social responsibility initiatives can improve their customer retention and build loyalty with their customers. Murphy (2001) also adds that businesses with social responsibility programs create an opportunity to stand out from their competitors, attract more customers, and potentially improve business earnings.

Although there is an extensive body of literature that examines and discusses corporate social responsibility (at large formal businesses), small businesses, particularly informal businesses, have traditionally been overlooked (Thompson and Smith, 1991). This has resulted in less clarity about the role of small informal businesses in alleviating some of the social challenges faced by the communities in which they operate. Braas (2005) believes that this may have been hindered by the assumption that small informal businesses have limited opportunities to implement social responsibility programs. In this chapter, the social responsibility of informal businesses (mainly in the INK area) is among the factors that are considered to assess its effect on earnings of INK informal businesses and therefore contributes to the body of literature by clarifying its role in socio-economic development at a township level.

6.2.2 Review of Literature on the Role of Informal Sector Participation on Improving the Standard of Living of Participants

Keith (1971) introduced an understanding of the informal business sector as a component of the urban labour resource and associated it with the livelihood that is outstanding of formal wages and generates additional income. However, since then, the understanding of the informal business sector has evolved and become more diverse, particularly in developing countries. Other definitions of the informal business sector have emerged. Bacchetta et al.'s (2009) definition of the informal businesses within the informal business sector included, among other things, the level of economic units, status of workers, and other criterion such as the size of the business and its legal registration status. The International Conference of Labour Statisticians (ICLS) contributed to the debate over the past few years and clarified one universal definition of the informal business sector. According to the ICLS, the informal business sector can be defined according to each country's circumstances guided by two main criteria, namely, the size of the unit below a certain level of employment and non-registration of the business (Phuong, 2016). The size of the informal business refers to the total number of individuals engaged in the informal business sector, including the owner.

Empirical evidence suggests that there has been a rise in participation in the informal business sector as most developing countries continue to battle with various socio-economic challenges (Musara and Nieuwenhuizen, 2020). Theoretical models of rural-urban migration have explained the rise in informal business participation. Among them is the Haris-Todaro model, which associates the rise in informal business participation, particularly in urban areas, with urbanization in most developing countries (Nagashima, 2018). The influx of people into urban areas, not accompanied by increased levels of industrialization and employment opportunities in urban areas, is believed to have contributed to urban unemployment (Nagashima, 2018). As a result, those who struggle to find employment opportunities in urban areas create their own employment (self-employment) or take employment in informal businesses owned by others.

However, there are reasons why individuals mostly in developing countries consider participating in the informal business sector. Among them is the role that informal business sector participation may have in addressing some of the individual's socio-economic challenges in addition to those of a country more widely. It is notable in the literature that some researchers have considered the informal business sector as business activities that are performed by the marginal group in society, while others have focused more on its role and importance in the context of its contribution to national economies (Phuong, 2016). The role of the informal business sector in research should also be looked at in the context of improving the quality of life of participants, over and above its potential to contribute to national priorities.

It is encouraging that economic development literature has, over recent years, attracted interest in the role played by informal businesses in absorbing the unemployed youth, giving them opportunities to be economically active amid the continuous existence of the challenge of unemployment in most developing countries (Phuong, 2016). Not only have the youth increasingly participated in the informal business sector, but informal work has offered an alternative to unemployed individuals of various age groups.

Earning income through participating in the informal business sector is believed to contribute towards improving the quality of individual's lives through improving their standard of living (Etim and Daramola, 2020). This becomes important given that other researchers have found that informal businesses are largely operated and owned by the poor. Among them is Meghir et al. (2018), who found that poor people's participation in the informal business sector has the potential of alleviating their unemployment challenges, and the income they earn through participating in the informal business sector can contribute towards alleviating their levels of

poverty and improve their livelihoods. This chapter, among other things, examines the role of informal business sector participation in improving the standard of living of participants through assessing the contribution of various factors associated with participating in the informal business sector, to improvement of living standards.

6.3 Econometric Analysis

Two multivariate econometric analyses are explained in this section, which complement the descriptive statistical analysis presented in Chapter 5. The two multivariate econometric analyses defined in this section intend to determine how participation in INK informal business ownership and income that is thereafter generated may affect the standard of living of participants. The literature examined in Chapter 2 highlighted entrepreneurship as one of the interventions currently being implemented by various developing countries in the current economic environment that, among other things, allows individuals to be economically active, source their needed income to survive, and potentially contribute towards improving their standard of living. In the context of SA, this was also supported by the results presented in Chapter 3, which revealed that SA has, over the years, experienced a rise in informal business ownership, as individuals consider engaging in small informal business ownership given limited employment opportunities the country continues to experience.

Furthermore, the theoretical framework presented earlier in Table 2.4 and the brief review of the literature in section 6.2 revealed that the entrepreneurial process originates mainly from a motive or desire, which can push or pull individuals to become business owners. This was also confirmed by the empirical literature, which identified monetary benefit/sourcing income as one of the drivers for individuals choosing to participate in entrepreneurship, particularly in the informal business sector, which was found to be more survivalist (Chikanda, Crush and Skinner, 2015; Fatoki, 2014). However, before an individual can source income or enjoy any monetary benefit from the business, the business must first generate an income from which the owner can source personal income that may be used to improve his/her standard of living. Zogli et al. (2019) discovered that while sourcing income may be one of the main motives for participating in informal business ownership, other factors also determine the level of turnover that businesses are able to generate.

It is against this background that it was considered necessary to understand influential factors of turnover generated by INK informal businesses. Zogli et al. (2019) are among the researchers that have investigated the determinants of turnover in two slum economies in

Ghana using regression analysis. Among other influential factors identified in Zogli et al. (2019), the size of the business in terms of the number of employees it had, the educational level of owners, the owner's business experience and social networks (i.e., how the business is connected to the outside environment – the society) were all found to be key in determining the daily income of informal businesses. Etim et al. (2020) and William (2014) are other researchers that have studied earnings in the informal business sector and its contribution to improvement of socio-economic development.

The influential factors of turnover generated by INK informal businesses and the size of their influence are estimated using Ordinary Least Squares (OLS), from Equations (4) and (5) below:

$$f(Informal\ income) = f(Influencial\ factors) \qquad (4)$$

or

$$Y = \beta_0 + \beta_i X_i + \cdots + \beta_n X_n + \varepsilon \qquad (5)$$

Where Y is the dependent variable: average *monthly business turnover* and $X_i, \ldots, X_i$ are independent variables: *number of employees, education of an owner, experience of an owner, demographic factors, social responsibility, prices each business charges for its goods, growth of the business, relationship with other businesses in the area, business offering, investment back to business, and number of businesses.* Monthly business turnover was collected as a point value and is among the variables (i.e., age and personal income) that some respondents were not comfortable to disclose. Respondents were encouraged to understand the importance and purpose of data collection. For the purposes of data collection, respondents who were not comfortable disclosing their monthly business turnover were allowed to indicate the figure closest to the true value of their monthly business turnover.

Equation (5) allowed for estimation of factors that affected turnover of INK informal businesses using primary data collection discussed in Chapter 4. For ease of interpretation (where change in earnings resulting from a change in the variables indicated above is interpreted in percentage terms), the dependent variable was log transformed, which resulted in Equation (6) below being estimated using STATA software.

$$LnY = \beta_0 + \beta_i X_i + \cdots + \beta_n X_n + \varepsilon \qquad (6)$$

The dependent variable was estimated using the log transformation of average monthly turnover generated by INK informal businesses. Three specifications were used to estimate

Equation (6) above. In the 1st specification, demographic type variables such as gender, marital status and education were included in the model to estimate earnings of INK informal businesses. Business and growth type variables were gradually included in the 2nd and 3rd specifications, respectively, to determine the behaviour of earnings of INK informal businesses in relation to these variables. The independent variables included in the model to estimate average monthly business turnover are briefly discussed below and were chosen as guided by literature on informal sector business ownership earlier presented in Chapter 2, the analysis of informal sector employment done in Chapter 3 and literature reviewed in section 6.2 of this chapter.

- Size of business measured by *number of employees* the business has. Having more employees can be associated with greater output levels and may therefore improve turnover of the business (Hashmi et al., 2021; Christopoulos, 2004). In the context of INK informal businesses, these were the number of individuals employed by each INK informal business. This variable was included in the model to control for the size of the business and determine the effect of size (in terms of number of employees it has) on business turnover.
- *Education* of an owner is another independent variable included in the model to control for the effect of education on earnings. This variable was included in the model guided by the human capital theory. As earlier indicated, it explains that education can make individuals to be more productive and therefore improve earnings (Van der Merwe, 2010). Education entered the earnings model in Equation (6) as a categorical variable, where no schooling at all was the base category.
- *Business experience* of an owner on the current business measured in years. This was the number of years that each informal business owner has been operating the business and was included in the model to determine the effect of the owner's business experience on the turnover generated by the business. Experience was also squared in accordance with the human capital theory, which explains that while earnings may be expected to increase simultaneously with experience, there are levels at which it may start to increase at a decreasing rate and at some point, may not grow but start to decrease (Studenmund, 2017; Dougherty, 2016). This was to test the quadratic relationship between business experience and the turnover of INK informal businesses.
- *Gender* was included in the model as a dummy variable to control for the effect of gender on turnover of INK informal businesses, where *female* was the base category.

- *Marital status* is another demographic categorical variable included in the model to control for the demographic effect of the marital status of participants, where *divorced* individuals were the base category.
- *Social responsibility* is another variable included in the model to determine if having social responsibility programs within the community where the business operates can improve the business turnover. Including the social responsibility variable into the earnings model was guided by literature examined earlier in Chapter 2, which revealed that the way informal businesses engage with the outside environment is crucial because most of them are positioned to sell directly to the community (Rusek, 2014). The community can be persuaded to support a business that also supports the community in various ways, including having social responsibility programs within the community it serves. Therefore, informal businesses that attempt to make a difference in communities through implementing various social responsibility programs are expected to be positively supported by the community, which may positively contribute to informal sector earnings. It is against this background that the social responsibility dummy variable was included in the model, where *not having social responsibility programs* was the base category.
- Prices the business charges for its goods and services can also affect the turnover that the business is able to generate. A business that charges lower competitive prices can be expected to have more customers, which may also result in more turnover (Gerpott and Berends, 2022). Thus, the dummy variable *prices relatively low* was included in the model to determine if businesses with prices that are relatively low tend to have higher turnover or not.
- *Business growth* factor was included in the model to determine if growth of a business can be associated with more business earnings. Business growth in the descriptive analysis done in Chapter 5 was used to assess the performance of INK informal businesses and the indication was that more INK informal businesses experienced growth. Furthermore, the literature associated business growth with better performance (KritiKoS, 2014). Thus, it is included in the earnings model in Equation (6) to assess if the performance (in terms of growth) of the business can translate into higher earnings. It entered the model as a binary variable, in accordance with question 40 of the INK survey questionnaire, where participants were asked to indicate if they consider their

businesses to be growing or not. The variable was thereafter coded 1 for participants that answered yes and coded 0 for participants that answered no.

- *Relationship with other businesses in the area, business offering (i.e., whether the business is offering a product or service), investment back to business, and number of businesses* are other variables included in the model to control for factors such as unity with other businesses in the area, whether the business is product/service oriented, business investment, and the number of other businesses each owner has.

The variables explained above were fitted in a regression model in Equation (6) to answer the last research question of objective 3. Table 6.1 below highlights the hypotheses that were tested and expected results.

Table 6.1: Summary of Hypotheses and Expected Results

Summary of Hypotheses Tested	Expected Results
There is no significant relationship between number of employees and business turnover.	A positive and significant relationship between number of employees and business turnover.
There is no significant relationship between business experience and business turnover.	A positive and significant relationship between experience and business turnover. A negative relationship is expected between experience squared and business turnover.
There is no significant contribution of education to higher levels of business earnings.	Higher levels of education contribute towards higher business turnover.
There is no significant difference in business turnover of males and females.	There is significant gender impact on business turnover.
There is no significant difference in business turnover of individuals of different marital groups.	There is significant marital impact on business turnover.
There is no significant difference in turnover of businesses that charge lower prices to those that do not charge lower prices.	There is significant impact of lower prices on business turnover
There is no significant difference in turnover of businesses that are growing to those that are not growing.	There is significant impact of business growth on business turnover.
There is no significant difference in turnover of businesses that have a relationship with other business to those that do not have relationship.	There is significant impact of having a relationship with other businesses on business turnover.
There is no significant difference in turnover of businesses that are product concentrated to those that are service oriented.	There is significant impact of business concentration on business turnover.

There is no significant relationship between business investment and business turnover.	A positive and significant relationship between business investment and business turnover.
There is no significant relationship between number of businesses and business turnover.	A positive and significant relationship between number of businesses and business turnover.

In estimating Equation (6) above, the Variance Inflation Factor (VIF) was estimated on STATA software to test for multicollinearity. Small values of VIF (i.e., less than 5) are normally associated with low correlation among the variables. Some researchers have accepted VIF values that are more than 5 but less than 10 (Wooldridge, 2019; Zogli et al., 2019). OLS regression may also suffer from omission bias that may confound the results. This occurs when estimation of a regression model does not include relevant variables, thus causing OLS estimators to be biased (Basu, 2020). Furthermore, omission bias can cause endogeneity bias if there are omitted variables that are correlated with variables included in the model. Nikolopoulou (2022) suggests various ways in which omission bias can be mitigated. These include using control variables that are supported by theory. A similar approach was used in mitigating the risk of omission bias in Equation (6) above and Equation (7) below, where various control variables that are supported by theory are used to measure their effect on earnings of INK informal businesses and improvement in the standard of living of participants.

From the turnover that informal businesses generate, the owners can source personal income that may contribute towards advancing their standard of living as well as that of their families. Therefore, having defined the influential factors of turnover generated by INK informal businesses in Equation (6) above, the probit model was the second econometric model estimated to determine the probability of an improvement in living standards of owners and identify factors that can be associate with improvement in standard of living of INK informal business owners. The model estimated is defined in Equation (7) below.

$$P(improvement\ in\ standard\ of\ living = 1) = F(\beta_0 + \beta_i X_i + \cdots + \beta_n X_n) \quad (7)$$

Where $X_i, \ldots, X_n$ are independent variables, namely number of businesses owned by each informal business owner, personal income drawn from monthly business turnover, demographical characteristics of an owner, whether the owner works somewhere else while running the business, whether the owner is a bread winner at home, and children's access to education. The dependent variable *improvement in standard of living* was generated from

question 66 of the INK survey questionnaire, which asked participants to answer *yes* if there has been an improvement in their standard of living and *no* if there has not been improvement. The variable was thereafter transformed into a dummy variable that took a value of 1 if there has been an improvement in standard of living of an informal business owner and 0 otherwise.

According to Wooldridge (2019), a binary dependent variable can be estimated using three alternatives, namely the Linear Probability Model (LPM), logit and probit model. Although LPM may be simple to estimate and use, some researchers have noted several limitations associated with it. These limitations include that the probabilities that may be less than zero or more than 1, and partial effects of any independent variable that may be constant (Moyo, 2022 and Phuong, 2016). One way of overcoming these limitations is to make use of the more advanced binary response non-linear models such as the probit and logit models, which can be estimated using maximum likelihood instead of OLS, which is suitable for estimating the LPM.

In the case of logit and probit models, marginal effects must be estimated to allow for interpretation of coefficients. Also, because both models tend to estimate similar effects, choice between the two models tends to be immaterial (Wooldridge, 2019). In this study, the probit model defined in Equation (7) above was considered appropriate to estimate and analyze marginal effects on the probability of improvement in standard of living of INK informal business owners emanating from running their informal businesses, and other factors (independent variables explained below) that can be associated with the improvement in standard of living as suggested by literature discussed in Chapter 2 and briefly in the beginning of the current chapter. The independent variables are briefly explained below.

- *Number of businesses owned by each informal business owners*. This variable was generated from question 33 of the INK survey questionnaire, which asked participants to state the number of businesses they own. Literature discussed in Chapter 2 suggested that informal business formation has the potential of improving socio-economic conditions, particularly in developing countries where citizens tend to face a number of socio-economic challenges and where informal business ownership is gaining momentum (Sheeham and Riosmena, 2018). Also, having more businesses can potentially result in more sources of income that may be used to improve standard of living. Thus, number of businesses the informal business owner owns was considered appropriate as a predictor of the probability of improvement in standard of living.

- Sourcing personal income was also established from the literature reviewed in Chapter 2 to be one of the motives of informal business ownership. Thus, the variable *personal income sourced from monthly business turnover* was generated from question 62 of the INK survey questionnaire, which asked participants to indicate the amount of money they take as personal income from monthly business turnover. Informal business ownership was associated with being more survivalist, with individuals seeking to source income that can be used to improve their standard of living. It is against this background that income sourced from running the informal business was included in the model so as to determine its effect on the probability of improvement in standard of living.
- Although the results presented in Chapter 5 were largely a comparative analysis of local versus foreign INK informal business owners, the results were also disaggregated according to gender to determine the gender comparison of INK informal business ownership. Thus, *gender* was also included in the model as a binary variable to compare the effect on the probability of improvement in standard of living of males relative to that of females (the base category). Similarly, other demographic characteristics, namely *age and marital status* were also included in the model to determine how improvement in standard of living of participants differ among individuals of different demographic characteristics.
- While collecting primary data on INK informal business owners, it was also discovered that some INK informal business owners are working elsewhere while running their businesses. Like owning more than one business, working elsewhere while running the informal business may result in more sources of income that can be used to improve standard of living. *Working elsewhere* is another binary variable generated from question 8 of the INK survey questionnaire and was included in the probit model to determine its effect on the probability of improvement in standard of living of INK informal business owners who were working elsewhere while running their businesses, relative to those who were not working elsewhere while running their businesses.
- Notable while collecting data was that the majority of respondents indicated they were supporting their families and were breadwinners in their families. This is in accordance with the literature, which identifies breadwinners as individuals who supports their families (Parry and Segalo, 2017). Part of the reasons individuals support their families is so that they can live a better life, which may result in improved standards of living.

Thus, the *breadwinner* variable was included in the model to determine how being a breadwinner in the family relates to the enhancement of standard of living of INK informal business owners and their families. It is based on question 58 of the INK survey questionnaire, which asked respondents to indicate if they are breadwinners in their families; it was coded 0 for those who indicated they are not and 1 for those who indicated that they are breadwinners.

- Access to education is among the factors identified in the literature to be one of the measures of standard of living and was deemed relevant for a model examining improvement in standard of living (Choudhury and Agarwal, 2018). Some respondents indicated that they have children who are attending school in question 65 of the INK survey questionnaire. Therefore, dummy variable *children attend school* was included in the probit model to determine how INK informal business owners having children who are attending school relates to the probability of improvement in their standard of living.

Whether formal or informal, higher levels of turnover are normally preferred by businesses because of the potential to improve profitability of the business. Therefore, an analysis of the determinants of turnover of INK informal businesses done in the following section is to contribute to the literature through providing an understanding of factors that that can potentially drive turnover, that INK informal business owners may need to pay attention to. Furthermore, as INK informal business owners seek to improve their living conditions through participating in informal business ownership, over and above contributing to the literature, an analysis of factors associated with the probability of improvement in standard of living of participants is to also contribute to making participants understand these factors and consider them as they continue running their businesses daily.

STATA software was used to estimate the earnings model and the probability of improvement in standard of living model specified in Equations (6) and (7), respectively. The results are presented and discussed in the following section. Estimation was done separately for the local versus foreign INK informal business cohorts and have not been controlled for any existing differences.

6.4 Presenting and Discussing the Results

The results from the estimated earnings models of local and foreign INK informal businesses are presented in Tables 6.2 and 6.3 below, respectively. The 1st column of results (specification 1) controls for demographic characteristics (i.e., gender, education, marital status), while

business and growth type variables are introduced iteratively in the 2nd and 3rd column (specification 2 and 3) of results, respectively. For examples, the 2nd column of results introduces business type controls such as size of business, business experience, social responsibility programs in the community, prices charged by INK informal businesses, the relationship that INK informal business participants have among each other, and business offering. The 3rd column of results introduces growth type controls such as the number of INK informal businesses owned by each participant, investment back to the business, and business growth.

Table 6.2: Influential factors of turnover generated by local INK informal businesses

Determinants of Average Monthly Turnover of Local INK Informal Businesses *Dependent Variable: Log of average monthly turnover*			
	Estimated coefficients & (SE)		
Explanatory variables	**Specification 1**	**Specification 2**	**Specification 3**
Gender -Male	0.145* (0.28)	0.207** (0.29)	0.259* (0.21)
Marital status *-Married* *-Separated* *-Single* *-Widowed*	 -0.322* (0.53) 0.380* (0.65) 0.302* (0.46) -0.210** (1.01)	 -0.198* (0.57) 0.245* (0.67) 0.216* (0.48) -0.182* (1.05)	 -0.060* (0.42) 0.442* (0.48) 0.138* (0.34) -0.116* (0.76)
Education *-Completed primary education* *-Incomplete secondary education* *-Certificate without matric* *-Matric* *-Post matric education*	 -0.088* (0.76) 0.106* (0.71) 0.357* (0.79) 0.117* (0.66) 0.373* (0.69)	 -0.047* (0.78) 0.136* (0.74) 0.074** (0.84) 0.225* (0.68) 0.646** (0.72)	 -0.01* (0.56) 0.189* (0.54) 0.120* (0.61) 0.162* (0.50) 0.244* (0.54)
Number of employees		0.047** (0.05)	0.026 * (0.04)
Business experience		0.046** (0.05)	0.028** (0.03)
Business experience squared		-0.068* (0.36)	-0.435* (0.27)
Social responsibility		0.020* (0.28)	0.249* (0.20)
Prices relatively low		0.017** (0.42)	0.075* (0.31)
Relationship with other businesses in the area		0.040 (0.31)	0.021* (0.22)
Business offering		-0.077** (0.28)	-0.09* (0.20)
Investment back to business			0.01*** (0.68)
Number of businesses			-0.01* (0.15)
Business growth			0.306* (0.20)
Constant	8.941* (5.41)	7.973** (5.50)	5149** (3.93)
Number of observations	60	60	60
R squared	77%	79%	86%

*Note: *** 1% level of significance, ** 5% level of significance and * 10% level of significance. Numbers in parentheses are standard errors. The reference category for gender is female, for education is no schooling at all, for marital status is divorced, for social responsibility is businesses with social responsibility programs, for prices is businesses with relative higher prices, for business growth is no*

business growth, for relationship with other businesses is no relationship with other businesses, and for business concentration is products.

Table 6.3: Influential factors of turnover generated by foreign INK informal businesses

Determinants of Average Monthly Turnover of Foreign INK Informal Businesses *Dependent Variable: Log of average monthly turnover*			
	Estimated coefficient & (SE)		
Explanatory variables	**Specification 1**	**Specification 2**	**Specification 3**
Gender -Male	0.125* (0.21)	0.086* (0.23)	0.118* (0.18)
Marital status *-Married* *-Separated* *-Single* *-Widowed*	 -0.111** (0.48) 0.122** (0.57) 0.642* (0.57) -0.478* (0.92)	 -0.102** (0.51) 0.110* (0.61) 0.6158 (0.96) -0.637* (0.96)	 0.201* (0.41) 0.075* (0.46) 0.084* (0.44) -0.087* (0.20)
Education *-Completed primary education* *-Incomplete secondary education* *-Certificate with less matric* *-Matric* *-Post matric education*	 -0.219* (0.56) 0.319* (0.41) 0.309* (0.60) 0.113* (0.36) 0.172* (0.45)	 -055* (0.57) 0.294* (0.42) 0.337* (0.62) 0.083* (0.37) 0.221* (0.47)	 -0.106* (0.39) 0.180* (0.32) 0.292* 90.46) 0.164* (0.28) 0.086* (35)
Number of employees		0.109* (0.07)	0.096* (0.06)
Business experience		0.010* (0.110	0.086* (0.09)
Business experience squared		-0.18* (0.59)	-0.4928 90.46)
Social responsibility		0.097*** (0.25)	0.466** (0.22)
Prices relatively low		0.094** (0.45)	0.0375* (0.37)
Relationship with other businesses in the area		0.043* (0.29)	0.071* (0.22)
Business offering		0.169* (0.25)	0.171* (0.20)
Investment back to business			0.039* (0.62)
Number of businesses			0.086* (0.18)
Business growth			0.085* (0.20)
Constant		1.131* (0.05)	7.299* (4.83)
Number of observations	60	60	60
R squared	60%	65%	70%

*Note: *** 1% level of significance, ** 5% level of significance and * 10% level of significance. Numbers in parentheses are standard errors. The reference category for gender is female, for education is no schooling at all, for marital status is divorced, for social responsibility is businesses with social responsibility programs, for prices is businesses with relative higher prices, for business growth is no business growth, for relationship with other businesses is no relationship with other businesses, and for business concentration is products.*

The results in Tables 6.2 and 6.3 indicate that both estimations are a good model fit using an F– test for overall significance of the models, although comparatively, the results for local INK informal businesses in Table 6.2 appear to be of a greater good model fit, with R squared values that are relatively higher than that of the foreign cohort results. The VIF was estimated on STATA software to test for multicollinearity. For all variables, the estimated VIF values, including their estimated mean VIFs on both models, were relatively low and within the

normally acceptable levels of below 10 as defined earlier in the chapter. This suggests that there is no significant multicollinearity among the independent variables. Also notable from the results in Tables 6.2 and 6.3, is that all estimated coefficients are statistically significant at various levels of significance ranging between 1 to 10 percent.

With regards to demographic factors, the gender-related difference of informal sector earnings in the results in Tables 6.2 and 6.3 suggests that male-owned local and foreign INK informal businesses generate more average monthly turnover than their female counterparts, particularly for local INK informal businesses. In respect of local owners, the results are in consensus with earlier findings in Table 5.16, where males were found to have outperformed their female counterparts in terms of monthly turnover generated by their respective businesses, particularly at higher levels of turnover. Thus, it is not surprising that male-owned local INK informal businesses are, in Table 6.2, found to be generating more monthly turnover than female-owned local INK informal businesses.

In respect of foreign-owned INK informal businesses, the results in Table 6.3 are contrary to those in Table 5.16, where, like the local cohort results, male-owned foreign INK informal businesses were also found to be generating more monthly turnover relative to their female counterparts. Setiawan (2023) provided insight into why informal business participation of males and females tend to be distinct. Over and above participating in informal business ownership, women are also expected to fulfil certain family roles that may result in them not able to pay full attention into the operation of their business, thus causing their business not to perform well in terms of revenue generation (Setiawan, 2023). This may be argued to result in slowing the pace at which there is equality (in terms of gender) in participation in informal business ownership, thus resulting in a performance gap in terms of revenue generation as suggested by the results. Given that literature indicates that income sourced from informal businesses allows participants to sustain their lives and improve their standard of living, limited turnover generated by females relative to that of males can have an implication on their livelihoods (i.e., slowing the pace of improvement their standard of living) (Sultana et al, 2023).

A link can also be drawn in relation to the results on gender presented in Chapter 5, in that because females in foreign-owned INK informal businesses outperformed their male counterparts in the turnover levels below R20 000, in Table 5.16, it is possible that the results in Table 5.25 are in relation to that, especially considering that there was a small proportion of

both male and female owners who generated higher levels of turnover in the foreign ownership cohort.

Marital status is another demographic factor included in the model to determine how turnover of INK informal businesses differ depending on the owner's marital status. Notable from the results in Tables 6.2 and 6.3 is that earnings of INK informal businesses owned by married individuals were found to be lower compared to those of divorced owners. Various scholars identifies married individuals to be general more family-oriented and value spending time with family, hence they were found to comprise of a lower proportion of INK informal business ownership from the results presented earlier in Table 5.4 (Wagner, 2019; Fatoki, 2014; Demartino and Barbato, 2003; Wasilczuk and Zieba, 2008). As a result, married individuals may be unable to maintain full attention into running their informal businesses, and thus causing their earnings to be relatively lower compared to that of the divorced cohort.

Further to the above, because married individuals may have additional support from their marriage partners, they may not be actively engaged in the INK informal business sector (Wagner, 2019). Thus, they may not be largely dependent on informal business income; hence the results indicate that their monthly turnover tends to be lower than that of divorced individuals. It is also possible that that married individuals have difficulty focussing on running their INK informal businesses in the same way that those who are not married do, which may limit their businesses 'capability' of generating higher earnings. Similarly, for the widowed cohorts, the death of a spouse may negatively affect the partner's levels of energy and commitment to running the business, and ultimately limit business earnings.

Single individuals were earlier in Table 5.4 found to be a higher proportion in INK informal business ownership. The results in Tables 6.2 and 6.3 indicate that not only are they actively participating in INK informal business ownership, but they also generate higher monthly turnover compared to divorced individuals across both local and foreign INK informal businesses. Unlike the married and the divorced cohorts, the single cohorts may have to fend for themselves, without having a spouse who is offering additional support. Single individuals may also enjoy flexibility, freedom of decision making, and not have pressure from marriage partners, all of which may lack in the case of married individuals and to a certain extent divorced individuals (Wagner, 2019). It can be argued that single individuals may be in a better position to implement measures that may improve the turnover of their businesses compared

to the married and divorced individuals (i.e., operating longer hours and changing business location).

Like single individuals, earnings of local and foreign INK informal businesses owned by owners with a separated marital status are higher compared to earnings of divorced owners, although in the case of local-owned businesses, their earnings are proportionally higher than that of foreign-owned businesses. Local and foreign INK informal businesses owned by widowed participants generate lower earnings compared to those owned by divorced participants. In respect of marital characteristics, the results suggest that average monthly turnover of local and foreign INK informal businesses may differ depending on the owner's marital status and that marital disparity needs to be considered when analysing informal sector earnings.

The human capital theory discussed earlier highlights education as an important factor in the earnings function (Almendarez, 2011). Education as an influential factor of informal sector earnings in the results in Tables 6.2 and 6.3 suggest that both local and foreign INK informal businesses owned by individuals with primary education generate lower average monthly turnover compared to those with no schooling, *ceteris paribus*. Consistent to the human capital theory, earnings of INK informal businesses owned by participants with levels of education above primary school education are higher relative to the earnings of those with no schooling. Sultana et al. (2022) and Yamasaki (2012) are some of the researchers that found positive returns on education in the informal sector, although they believe that it tends to be smaller than that in the formal sector. These results highlight how education can be important in allowing business owners to be more knowledgeable and use that knowledge to improve business performance in terms of generating higher turnover. However, primary education may no longer be relevant for improved levels of turnover, even in less advanced sectors of the economy like the informal business sector. Therefore, INK informal business participants may need to capacitate them with education/knowledge to improve business earnings.

The results also indicate that although the turnover of businesses with owners who have education above primary school education are higher compared to those with no schooling at all, earnings of INK informal businesses tend to improve with higher levels of education. For example, those with post matric education can generate a higher monthly turnover not only compared to those with no schooling but also compared to those with matric and secondary education. Therefore, education may be an important influential factor of informal sector

earnings that INK informal business participants may need to consider prioritising if they are to realise the maximization of their business earnings.

Mathi and John (2003) established a link between the size of the business in terms of number individuals it employs and its productive capacity as well as revue that may result. The results for 'business type controls' introduced in the 2nd specification of the model are consistent to the work of Mathis and John (2003) as they also show a positive statistically significant relationship between the size of the business in terms of number of individuals employed and turnover generated by both local and foreign INK informal businesses. An additional employee result in higher magnitude increases in earnings of foreign INK informal businesses compared to local INK informal businesses. The positive relationship between the number of employees the business has and the turnover it generates is expected, considering that employees form part of an essential human capital resource (Almendarez, 2011). Therefore, skills and expertise employees bring with them to the business should benefit the business in various ways, including improving its capability to generate more revenue (Sultana et al., 2022).

However, it is necessary to highlight that size (in terms of number of employees the business has) of the business as a contributor to earnings should be looked at in terms of how efficient the employees are in producing a certain level of output/earnings (Mathis and John, 2003). This is observably from the results of foreign INK informal businesses in Table 6.3, which shows that despite in Figure 5.12 above reportedly having a lower number of employees on average compared to their local counterparts, they tend to gain more from an additional employee compared to local INK informal businesses. This can further be associated with the results shown earlier in Figure 5.5, which provided an indication that foreign INK informal business owners tended to be less educated compared to their local counterparts. Thus, it is possible that when they employ individuals to work in their businesses, they look for individuals with know-how skills that are specifically relevant to what their businesses offers; hence they can gain more from additional employees compared to their local counterparts. Therefore, it might be critical for INK informal businesses to assess each additional employee to ascertain their potential contribution to the efficiency of the business to achieve a desired level of earnings.

Business experience of an owner was also found to have a positive statistically significant relationship with average monthly turnover of both local and foreign INK informal businesses. An additional year of experience of an owner increases earnings of a local INK informal business between 2.8% and 4.6%, while that of a foreign INK informal business increase

between 8.6% and 10%, *ceteris paribus*. Foreign INK informal businesses gain more from an owners' additional years of experience when compared to local INK informal businesses. This can be expected considering the results in Table 5.9 where foreign INK informal business owners were found to have more years of business experience relative to their local counterparts. Therefore, the experience they have gained over the years can be instrumental in improving earnings of their businesses.

The results in respect of experience are consistent with Kizner's (2004) theory of entrepreneurship, which suggest experience can allow the owner to have a better understanding of the business and the environment it operates in, and can, thus, be able to efficiently deploy needed resources in a way that may allow the business to improve its performance, among which may include generating more turnover (Peake and Marshall, 2009). Experience is obtained through knowledge and skills that owners accumulate over time, which in the case of INK informal owners may have assisted them in advancing their businesses' capability to generate more turnover (Kirzner, 2004). It is therefore not surprising that the results confirm a positive relationship between business experience of owners and average monthly turnover of both local and foreign INK informal businesses.

In addition to the above, because of the nonlinearity between experience and earnings as already established by the human capital theory and previous research, the results in Tables 6.2 and 6.3 indicate that business experience may positively drive INK informal sector earnings up to a certain level, from which it may start to fall (Studenmund, 2017; Dougherty, 2016). This is because of diminishing marginal returns of experience on average monthly turnover. Comparatively, Tables 6.2 and 6.3 indicate that foreign INK informal businesses have higher diminishing marginal returns from higher levels of experience compared to local INK informal businesses, and in both sets of results, diminishing marginal returns of experience increases from the 2nd to the 3rd specification of the model.

Literature discussed in Chapter 2 introduced a unique characteristic of the informal business sector within local economic development sphere, which is that of personalisation as they sell directly to the community. Thus, a social responsibility control variable was included in the model to control for its potential influence on the turnover that INK informal businesses can generate. The results indicate that earnings of local and foreign INK informal businesses with social responsibility programs tend to be higher compared to earnings of INK informal businesses who do not have social responsibility programs. Peprah et al. (2019) attributes this

to the relationship that get to be formed when the community becomes strongly attached to the businesses that supports the community. A relationship of this nature can be argued to be crucial for the INK community as it can advance social cohesion.

Therefore, it is important for INK informal businesses to connect with the communities they operate in through investing back into the communities they serve. This may not only be morally good, but businesses stand to benefit when the community prefers to buy from businesses that support the community, which may potentially improve business earnings. Also, for the informal business sector, which previous research strongly categorizes as being more survivalist, owners can potentially source improved levels of personal income from improved business earnings (Chikanda, Crush and Skinner, 2015).

In respect of prices, Gerpott and Berends (2022) indicate that businesses that charge lower prices can be expected to attract more customers and potentially generate more revenue. The results in Tables 6.2 and 6.3 confirm this as they also indicate that charging lower prices can result in higher earnings of INK informal businesses, *ceteris paribus*. The effect of charging lower prices on INK informal businesses' turnover is higher in the foreign business cohort compared to the local business cohort. For example, earnings of local INK informal businesses charging lower prices are higher by a range of between 1.7% and 7.5% compared to those that do not charge lower prices, while earnings of foreign INK informal businesses are higher by a range of between 3.8% and 9.4%. This can be associated with earlier findings in the literature that foreign INK informal businesses tend to be better stocked because they buy in bulk and can therefore benefit from the economies of scale (Charma et al., 2013). As a result, they can charge lower prices than their local counterparts. The influential effect of charging lower prices on earnings of INK informal businesses is consistent with theory, particularly the law of demand, which suggests that lower prices can results in more items sold (Obigbemi, 2010 and Heakal, 2015). Also, selling more items may ultimately result in higher business turnover.

In respect of the relationship with other businesses, the results of both local and foreign INK informal businesses suggest that having a good relationship with other businesses operating within the INK area can be associated with higher levels of turnover. This may be attributed to, among other things, the sharing of information that may result in improved and efficient ways of doing business. This may lead to improved business earnings. In respect of business offering, local and foreign INK informal businesses that are service-oriented generate lower turnover compared to businesses that are product-oriented. This is in consensus with earlier

results in Table 5.14, which suggested that the majority of local and foreign INK informal businesses are product-oriented. This indicates that there is a market for businesses that are involved in the selling of products relative to those that are selling services. Thus, because of higher demand for products, product-oriented INK informal businesses generate more turnover relative to those that are service-oriented.

The 3rd specification of the models introduces 'growth type' controls. Notable from the data collection was that part of the turnover generated by some INK informal businesses is invested back into the business to, among other things, ensure that it remains sustainable and grows over time. The results in Tables 6.2 and 6.3 suggest that local and foreign INK informal businesses that are investing back into the business generate higher turnover compared to those that do not invest back into the business, with the effect higher in the foreign cohort. This highlights how important it is for INK informal businesses to be investment-oriented as it may improve earnings over time. This becomes more important for informal businesses, which have been found in the literature to be more survivalist (De Witte, 2020).

Investing back into the business may create capacity for the establishment of new sister businesses. The results in Tables 6.2 and 6.3 indicate that having more businesses may result in higher earnings, particularly in the foreign cohort. In respect of the foreign cohort, the results are consistent with immigration literature discussed in Chapter 2, which noted the rise in informal businesses in township communities to be as a result of unexploited markets/ways of doing business in SA (Mlambo, 2022). To take advantage of these unexploited opportunities, foreign informal business owners are continuously investing back into their businesses through, among other reasons, establishing other informal businesses to improve earnings. Although having more businesses may improve streams of earnings for the owners, it is important that more effort is put into ensuring that all the owner's businesses perform better in terms of revenue generation, to ensure that higher earnings are generated.

Lastly, on 'growth type' controls, is business growth; the results suggest that growth of local and foreign INK informal businesses can result in higher earnings, particularly for local INK informal businesses. This accords with the results presented earlier in Table 5.17 where local INK informal businesses that experienced growth over time were higher than their foreign counterparts. For both local and foreign INK informal businesses, it is encouraging that businesses that are growing perform better in terms of higher earnings compared to those that

are not growing. This may indicate that growing INK informal businesses are able to translate their growth into improved earnings.

It is also important to highlight in respect of the results in both Tables 6.2 and 6.3, that turnover generated by INK informal businesses varies depending on several factors that drive the turnover that INK informal businesses can generate. Therefore, INK informal business participants may need to pay more attention to such factors if they are to improve their businesses' capability to generate more monthly turnover and for effective deployment of resources for generation of more business turnover.

Having presented the estimates of the determinants of turnover generated by INK informal businesses in Tables 6.2 and 6.3 above, the analysis was extended to also include factors that can be associated with advancement in standard of living of INK informal business participants. This was done by estimating the probit model determining the probability of improvement in standard of living of local and foreign INK informal business owners. The estimated probability of improvement in standard of living was specified in Equation (7) above and the results are discussed in the remainder of this chapter.

Prior to estimating the probit model, a test for correlation among the variables was conducted on STATA software to ascertain the interdependence of variables, and based on the results, some variables were dropped from the model (i.e., education of an owner and business growth) due to their strong correlation with other variables (i.e., personal income of an owner) included in the model. The estimated results are the marginal effects, estimated based on the means for continuous variables. Marginal effects for dummy variables were estimated for discrete change ranging between 0 and 1. For each ownership cohort, two specifications of the probit model were estimated. In the 1st specification of the model, controls for demographic factors (age, gender, and marital status) are introduced. In the 2nd specification, additional factors associated with advancement of standard of living of INK informal business owners are introduced, namely the size of the business in terms of number of businesses owned by each owner, personal income sourced from business income, whether the owner works elsewhere while running the business, if the owner is a breadwinner at home, and if the owner's children access education.

The marginal effects of each independent variable on the probability of improvement in standard of living of INK informal business participants are presented in Table 6.4 below. In respect of the demographic characteristics, the probability of improvement in standard of living

of males can be expected to be higher than that of females considering the traditional view of the informal business sector advanced in Setiawan (2023), that female's participation in informal business may be limited due to the perception about certain roles that they may be expected to perform over and above running their businesses. The results in Table 6.4 are inconsistent with this view as they suggest that although the probability of improvement in standard of living is consistent from the 1st specification of the model towards the 2nd specification for both ownership cohorts, the probability of improvement in standard of living of males is significantly lower than that of their female counterparts in the 1st specification of the model and only improves in the 2nd specification.

Table 6.4: Probability of improvement in standard of living of INK informal business owners

Marginal Effects on the Probability of Improvement in Standard of Living of INK Informal Business Owners Associated with Participating in INK Informal Business Ownership *Dependent Variable: Improvement in Standard of Living = 1*				
Independent Variables	**Local Owners -** Estimated coefficient & (SE)		**Foreign Owners –** Estimated coefficients (SE)	
	1st specification	**2nd specification**	**1st specification**	**2nd specification**
Gender -Male	-0.253*** (0.08)	-0.140* (0.09)	-0.180* (0.12)	-0.09* (0.11)
Age	0.050* (0.03)	0.030*** (0.16)	0.035* (0.06)	0.036* (0.05)
Age squared	-0.042*** (0.08)	-0.059*** (0.19)	-0.047* (0.81)	-0.044* (0.69)
Marital status *-Married* *-Separated* *-Single* *-Widowed*	 0.062* (0.18) -0.244* (0.21) -0.131* (0.17) 0.060* (0.11)	 0.116* (0.18) -0.279* (0.17) -0.053* (0.16) 0.089* (0.13)	 0.024* (0.21) -0.046* (0.30) -0.043* (0.25) -0.075* (0.31)	 0.156* (0.19) -0.048* (0.26) -0.033* (0.08) 0.080* (0.26)
Number of businesses		0.026* (0.13)		0.040* (0.09)
Personal income from the business		0.101* (0.09)		0.135* (017)
Employed elsewhere		0.109* (0.09)		0.084*(0.15)
Breadwinner		0.562*** (0.05)		0.305* (0.05)
Children access education		0.145* (0.13)		0.366** (0.14)
Number of observations	57	55	56	52
Population size	712	687	420	390

*Note: *** 1% level of significance, ** 5% level of significance and * 10% level of significance. Numbers in parentheses are standard errors. The reference category for gender is female, for marital is divorced, for employed elsewhere is not employed elsewhere, for breadwinner is not a breadwinner, and children access education is children not accessing education.*

The finding in respect of male owners in both ownership cohorts can be associated with the results shown earlier in Table 5.16, which suggested that male-owned INK informal businesses

were outperformed by those owned by their female counterparts in terms of monthly turnover. As a result, this may have limited the probability of improvement in their standard of living due to not being able to source enough level of personal income that can drive the probability of improvement in their standard of living. This is mostly relevant to those who are solely dependent on personal income sourced from business income to survive. It can further be argued that because female-owned INK informal businesses tend to be more product-oriented in an environment where there is a market for businesses that sell products as suggested by the result in Chapter 5, they also outperform their male counterparts in terms of monthly turnover. This may be argued to have resulted in the probability of improvement their standard of living to be higher compared to that of males.

With regards to age, the results suggest that the probability of improvement in the standard of living of INK informal business owners improves with age, although at a particular age it may start to fall. This may potentially occur at an older age of participants, when, for various reasons, (i.e., inconsistent health and being eligible for government grant) their participation in INK informal business ownership may start to decline. Although the results in respect to age in Chapter 5 suggested that older people are participating in INK informal business ownership, those that can no longer continue participating in INK informal business ownership may no longer source income that may contribute towards improving their standard of living; hence, the probability of improvement in standard of living may start to decline. This is consistent with findings in Table 5.2 which suggested that INK informal business ownership consists mostly of the age cohorts 21 to 40 years, which comprises mostly the youth. Considering these results, it is therefore not surprising that recent economic development literature has attracted interest in the role played by the informal business sector businesses in absorbing the unemployed youth and giving them opportunities to be economically active amid the continuous existence of the challenge of unemployment in most developing countries (Phuong, 2016).

On the marital status, the results indicate that probability of improvement in standard of living of local and foreign INK informal business owners with a single and separated marital status is lower compared to those who are divorced. On the other hand, the standard of living of married and widowed INK informal business owners tends to be higher compared to the divorced cohorts. Improvement in standard of living of married and to some extent widowed INK informal business participants may not be entirely dependent on participating in INK informal business ownership, but the partner of may also contribute with his/her additional

income, which may lack in the case of divorced, single, and separated participants. It can also be highlighted that the divorce and separation may be costly, which may affect the ability of the divorced and separated participants to invest back into the business to improve business performance, that may enable them to source improved levels of personal income to improve their standard of living.

Number of businesses owned by each INK informal business owner is another variable included in the model to determine its effect on the probability of improvement in standard of living of participants. The results in Table 6.4 suggest that both local and foreign INK informal business owners' probability of improvement in their standard of living rises with the number of businesses they own, *ceteris paribus*. This is potentially because owning more businesses can results in more revenue generated, especially when all businesses are generating revenue. The owner can potentially source more personal income from improved level of turnover generated by all his/her businesses, which can be used to advance his/her life and that of their family. This may ultimately contribute towards improving the standard of living. This finding is consistent with literature, which highlight the role informal businesses have in improving individuals' socio-economic conditions as one of the reasons they consider participating in the informal business sector (Musara and Nieuwenhuizen, 2020; Nagashima, 2018). It further confirms the view by some researchers that the informal business sector has moved away from the traditional view to a much more modern view that recognises the sector's ability to contribute not only to the economy but also towards improving the quality of lives of participants (Mboma 2008 and Meyers 2009).

Personal income drawn from monthly business turnover was found to be positive and statistically significant at the 5 percent level of significance for both ownership cohorts; thus, suggesting that the probability of improvement in standard of living of both local and foreign INK informal business owners tend to rise with higher levels of personal income they source from the business, *ceteris paribus*.

Comparatively, the size of the estimated probability of improvement in standard living of foreign INK informal business owners resulting from increased personal income is higher compared to that of local owners. This can be associated with earlier findings in Tables 5.19 and 5.20 above, where the percentage of foreign INK informal business owners who indicated that the personal income they source from the business was enough to sustain themselves and their families was found to be higher compared to their local counterparts. Thus, this may have

contributed towards rapidly improving their standard of living. Also, foreign INK informal business owners who were found to be working elsewhere while running their businesses were less than half the proportion of their local counterparts, indicated earlier in Table 5.7. Not having alternative income from working elsewhere may have made the income they source from the business to be more valuable and used cautiously in improving their livelihood, leading it to contribute to improving their standard of living. Furthermore, not having alternative income from working elsewhere may have resulted in more concentration of efforts in the business to improve foreign INK informal business owners' living standards.

The results above can also be confirmed by the marginal effect of working elsewhere on the probability of improvement in standard of living, which was found to be lower for foreign INK informal business owners compared to that of their local counterparts. Because the percentage of foreign INK informal business owners found to be working elsewhere was lower compared to their local counterparts, shown earlier in Table 5.7, the marginal effect of working elsewhere on the probability of improvement in their standard of living can therefore be expected to be lower compared to the local ownership cohorts.

Despite the disparity in the marginal effect of personal income on the probability of improvement in standard of living for local and foreign owners, it is encouraging that, for both ownership cohorts, the personal income they source from their businesses can improve the prospects of advancing their standard of living. This continues to highlight the importance of the township informal business sector and the need for it to be supported, especially in the current SA that is facing a number of socio-economic challenges. Based on this, it can be said that the township informal business sector can potentially contribute towards alleviating some of the socio-economic challenges, particularly poverty and the impact of rising levels of unemployment.

The model presented in Table 6.4 highlights another important aspect of informal business participation; that is, participants are not only able to source their needed income to survive through participating in INK informal business ownership, but it also allows them to be breadwinners at home and capable of supporting their families. The results indicate that the probability of improvement in standard of living is higher among individuals who are breadwinners at their homes compared to those who are not breadwinners at their homes. Part of what being a breadwinner entails is being able to provide for children's education so that they can improve their lives through education and potentially live a better life in the future

(Parry and Segalo, 2017). The results confirm this as they suggest that the probability of improvement in standard of living is higher for INK informal business owners with children who are going to school relative to those who do not have children going to school.

Overall, the results presented and discussed in this section give a perspective of an INK informal business sector with participants whose standard of living is dependent on several factors, such as demographic factors, the number of businesses each owners owns, personal income sourced from the business, working elsewhere, being a breadwinner at home, and children accessing education, that may explain how improvement in standard of living can be realised. The results suggest that all these factors have a significant impact on the probability of improvement in standard of living. Although there are other factors that may explain probability of improvement in standard of living considered in this study, due to their strong correlation with some of the factors included in the model, they were dropped from the model.

6.5 Concluding remarks

As an extension to the descriptive statistical analysis of primary data collected from INK informal business owners discussed in the previous chapter, the current chapter presented and discussed an econometric analysis of informal sector earnings and how informal business sector participation relates to improvement in the standard of living of participants. This was to answer the third research question under objective three of this study. Based on the results, in can be concluded that informal sector earnings of INK informal businesses are dependent upon several factors. Given that it is any business's desire to improve its earnings and ultimately the standard of living of its owner, it is prudent that INK informal business owners pay attention to the factors driving informal sector earnings and improvement in standard of living discussed in this chapter, in the day-to-day running of their businesses. By comparison, factors that can determine informal sector earnings and improvement in standard of living analyzed in this chapter tend to not differ significantly between foreign and local INK informal business cohorts, although some disparities were noted between the two ownership cohorts.

Because both foreign and local INK informal business owners operate in a similar environment within the INK area, it is to be expected that the results concerning earnings of their businesses do not differ significantly. It is to be highlighted however, that the models presented in this chapter have not been controlled for any existing differences between local and foreign INK informal businesses. The descriptive statistical analysis of primary data collected from local and foreign INK informal business owners presented in Chapter 5 suggested that there is no

extensive difference between the two ownership cohorts. Omission bias and correlation bias were flagged as some of limitations of the models presented in this chapter. However, their impact was mitigated using control variables that are supported by theory, and by dropping some of intended variables that showed a strong correlation with other variables included in the model. The estimated results indicated that the control variables used significantly explain earnings of INK informal businesses and probability of improvement in standard of living of INK informal business owners.

Although previous research has strongly associated informal business ownership with being more survivalist, the findings of this chapter provided a positive outlook in the context of INK informal business ownership that can result in advancement in the standard of living of participants. This gives a perspective of an INK informal business sector that may contributes towards alleviating some of the existing socio-economics challenges that individuals participating in this sector are exposed to, and more inline with the modern view about the sector. It can be anticipated that the role of the informal business sector in alleviating some of an individual's socio-economic challenges can have a multiplier effect and ultimately contribute to improving the country's broader socio-economic conditions. However, for this to be effectively realised, more resources need to be deployed to ensure that the informal business sector is capacitated to grow and become sustainable. The following concluding chapter proposes various initiatives that can be implemented to ensure a sustainable and successful informal business sector, both nationally and locally within township areas.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

This study investigated the rise and nature of informal businesses across SA and within the INK communities in relation to existing socio-economic challenges facing people in these areas in SA, and provided insight into how informal businesses may help to ameliorate existing socio-economic challenges of citizens. Three research objectives were set out in this study and were achieved by answering a series of research questions specific to each research objective. Based on the three objectives set out in this study, this chapter summarizes the findings, provides concluding remarks, and suggests initiatives that need to be undertaken to ensure a sustainable and growing SA informal business sector.

7.2 Synthesis of the Study

Examining the size and composition of informal sector employment in SA was the first objective set out in this study. In line with this objective, Chapter 3 presented an interrogation of the results on the nature of informal sector employment in SA and discussed how it has changed over time using data as well as information collected from the 2001 to 2017 Survey of Employers and Self-Employed. Descriptive statistical analysis was used to determine if, on average, the size, composition, and characteristics of informal sector employment in SA has changed over time.

Entrepreneurial theory was used to explain the emergence of small businesses in the informal business sector. Figure 2.3 showed how entrepreneurship may arise using entrepreneurial theories in the global context, which, in the case of SA, included the political, social, and physical environment that affects socio-economic development. Empirical literature also provided an indication that there was a continuous rise in the number of individuals who are participating in informal businesses across many countries, particularly in developing countries. (Maharaj, 2014). The results of this study presented in Chapter 3 also revealed similar findings for the case of SA, where informal sector employment was found to have risen between 2001 and 2017. This was mostly associated with the challenge of lack of employment opportunities in more established formal sectors of the economy.

The formation of new businesses in the informal business sector was also found in empirical literature to have a contribution towards addressing some of the existing socio-economic challenges, particularly that of unemployment. The findings suggested that the formation of

new informal businesses has allowed more individuals to be economically active through participating in the informal business sector. The formation of new informal businesses was also associated with providing livelihoods to vulnerable individuals such as urban poor, female headed household, disabled individuals and rural families. Econometric analysis presented in the previous chapter confirmed the importance of the formation of informal businesses, where the results suggested that it can positively contribute towards informal sector earnings from which participants can source their personal income and use it to advance their living standards.

Therefore, the informal business sector is important in that those who are struggling to find employment in the formal sectors of the economy can identify opportunities and participate in the informal business sector and thereafter create employment for others. This has the potential of contributing to the national economy because the generated income can end up being injected into the formal economy and contribute towards the development of the national economy. The INK community have benefited in this regard as the results from the econometric analysis suggests that through engaging in the informal business ownership, they have been able to source income that facilitated improvement in their standard of living.

Although the results of this study may have pointed in the direction of an increase in SA's informal sector employment, there was widely documented empirical literature which suggested that the sector remains small when compared to that of other developing countries with comparable levels of income (Cichello and Rogan, 2017). This was associated with factors such as the informal business sector being disorganised, barriers to entry to some economic opportunities, high crime rates, and high cost of living. To ensure that SA's informal business sector becomes sustainable and grows to comparable levels of other developing countries, or even more, it would require that more attention be directed towards organizing the sector and addressing the existing socio-economic challenges that may dampen other efforts made to grow the sector. This will assist in creating a conducive environment where small informal businesses in SA are able to operate, and minimize the socio-economic challenges that may jeopardize their potential to grow and become more sustainable.

In respect of the composition of SA's informal business sector ownership, the findings of this study indicate that nationally, it is dominated by the adult population relative to the younger population, such that the proportion of those who were about to exit the working age were higher than that of those who were in their early working age. Other researchers have expressed concern over economic activity that is dominated by adults and composed of fewer young

people, believing that it is one of the reasons there is lack of sustainability and growth within the informal business sector (De Lannoy et al., 2020). Young people are normally associated with being energetic and can learn from their adult counterparts (Bowen et al., 2020). Given that the findings from the econometric analysis of probability of improvement in standard of living presented in the previous chapter suggested that the standard of living of INK informal business participants improves with age until a certain level, young people should consider the informal business sector as a viable alternative. Informal business sector participation can be one of the mechanisms that can be used to address some of the challenges faced by young people in society and can be used to improve their living standards.

Further to the above, having young people participate in the informal business sector can assist in driving innovation, when they come up with ideas that can spearhead the development of the sector (Mashau and Houghton, 2015). This has the potential of not only benefiting the informal business sector but may also multiply to the larger economy through employment creation, economic growth, and poverty alleviation, among others. Furthermore, dominance of young people in all economic activities is necessary for a developing country like SA, with youth that is exposed to many societal challenges such drug abuse, crime, and lack of economic opportunities. This can drive young people away from these bad activities, thus allowing the society to benefit from their economic participation. Also, given that youth in SA comprise a larger share of the country's total population, all spheres of SA government need to up their efforts in implementing initiatives that will attract and encourage young people to play a meaningful role in the economy, including participating in various emerging segments of the economy like the small informal business sector (Stats SA, 2022).

Also related to the challenges highlighted above is gender inequality, which continues to be one of the pressing socio-economic challenges SA is facing. It was therefore promising that nationally, the results of this study revealed that there was almost parity in terms of both gender groups participating in the informal business sector. This is something that can be noted as positive and gives a perspective of a promising informal business sector. It is important for women (as the previously disadvantaged group) to participate equally in various sectors of the economy such as the informal business sector. However, women also need to enter other sectors (particularly those traditionally associated with men) and actively participate in them instead of primarily participating in retail and trade, as suggested by the findings of this study. This may assist in improving the earnings of informal businesses owned by women, which the econometric results suggested that it tended to be relatively lower than that of men.

Improvement of women's participation in SA's informal business sector may be taken to indicate that government's various women empowerment initiatives (i.e., the cooperative program) may be yielding positive results in the context of allowing women to be economically active through participating in the informal business sector. Findings from the econometric analysis suggests that participation has not only allowed women to be economically active, but it has also improved the probability of improvement in their standard of living, more than that of men.

Furthermore, it was encouraging to note that SA's informal business sector has attracted more educated individuals and tended to move away from either those with no schooling at all to those with some education, including those with post matric education. This is important, especially if it is looked at in the context of SA government's effort to make education more accessible to the wider population of the country from all walks of life. The informal business sector (being one of the country's less developed sectors of the economy) seems to have benefited from this effort as more individuals participating in this sector (particularly young people) can now utilize the knowledge and skills gained from their education to bring innovative ideas that may see the sector grow and become more sustainable soon compared to its long past. As confirmed by the econometric analysis, education can improve informal business sector earnings. In contrast, the participation of more educated individuals in SA's informal business sector may be interpreted to indicate that a lack of opportunities for educated people in more established sectors of the economy may have pushed them to participate in the informal business sector.

Another notable feature of the composition of SA's informal sector business ownership included it being dominated by married individuals, which was consistent with findings in other studies available in the literature, which found that because married individuals in general tend to be more family-oriented and value spending time with family, they may find running an informal business more appealing, given that most of its business activities can be conveniently run at home (Orhan, 1999; Demartino and Barbato, 2003; Wasilczuk and Zieba, 2008; Fatoki, 2014). Overall, the results presented in this study indicated that SA's informal sector business ownership is operated mainly for survival purposes and that nationally, there was a lack of evidence to suggest that it results in more employment of others and generates large amounts of revenue. Thus, this may raise questions as to whether it can be considered as a viable alternative for individuals who fail to access economic opportunities in the formal sector of the economy.

After examining informal business ownership nationally, this study moved to another component that dealt with an analysis of primary data on township informal business ownership, with a special focus on the INK area under eThekwini municipality. This was to provide an understanding of the exact nature of township informal businesses, ownership composition, how ownership of these informal businesses has contributed towards alleviating some of the existing socio-economic challenges under the current economic environment, determinants of informal sector earnings, and factors that can drive improvement in standard of living of participants, thus fulfilling the second and third research objectives of the study. The analysis and discussion of results were presented in Chapters 5 and 6. The results were based on primary data collected from 120 local and foreign informal business owners running their businesses within the INK area. A comparative analysis of results and findings was done using the descriptive statistical analysis approach and econometric analysis.

Some disparities (in comparison to national results) were noted from the findings of this study in respect of the demographic factors. One of them was that there was gender inequality in participation in INK informal business ownership, with males comprising a higher proportion compared to their female counterparts. This was the case for both local and foreign INK informal business ownership, although the gender gap tended to be wider for the former compared to the latter. Therefore, in comparison to nationally, in the INK townships more initiatives are needed that will ensure that there is gender equality in participation in informal business ownership. Government at municipal level needs to increase efforts that will ensure that women are afforded equal means of participating in township informal business ownership (i.e., providing business funding opportunities and business training). This will help in driving the empowerment of women in the INK township.

Concern for support was also shared by most women running their informal businesses within the INK area who were interviewed. Concerns raised included lack of business support initiatives directed mainly at empowering women. Affording women with support and guidance on business ownership (whether formal or informal) as a form of addressing their historical lack of economic participation would benefit not only the township informal business sector, but the entire economy of the country stands to benefit from their potential.

Unlike nationally, INK informal business ownership comprised a higher proportion of young people for both ownership cohorts and included those who were below 20 years of age. A concern may be raised in respect of young people being the highest participants in one of the

country's less developed sectors of the economy like the township informal business sector. Concerns like these may originate from arguments that young people are the generation that should be having a meaningful contribution in more developed and advanced formal sectors of the economy, given the knowledge and skills they may have gained from the education sector compared to the adult population. Notwithstanding these concerns, it may be necessary for young people to participate in the informal business sector as it can enable them to improve their standard of living, as suggested by the results of the probit model estimating the probability of improvement in standard of living. Also, using their knowledge and skills, young people can contribute towards growth and sustainability of the sector and therefore be among those who are driving economic development within the INK area.

Some young people interviewed highlighted the circumstances under which the informal business sector has become an alternative amid SA's lack of opportunities (economic and otherwise) for young people. Most of them associated their high participation in the INK informal business sector to some favourable and welcoming conditions they have identified within the sector, such as it not requiring many resources to establish, it is less difficult to operate, and easy to access entry. They further alluded that instead of folding their arms waiting on government to provide, they have had to consider participating in informal business ownership. They also indicated that venturing into informal business ownership did not require a large number of resources (including funding capital) and was more convenient, given that most of business activities tended to be less difficult to operate.

Although data indicated that the majority of INK informal business owners for both ownership cohorts lacked previous work experience, it was encouraging that, in terms of working elsewhere while running their businesses, the majority of owners were solely focussed on running their businesses and avoided combining it with working elsewhere, particularly foreign owners. This was, among other reasons, strongly associated with a lack of employment opportunities in the formal sector of the economy. However, having informal business owners who are putting all their efforts and attention into running their businesses can be good for the realization of a growing and sustainable township informal business sector.

Furthermore, given that most INK township informal business owners lamented a lack of support, putting all their attention into running their businesses can be important when support becomes available, and some of the requirements are that they be committed to their businesses only. Those that worked elsewhere while running their INK informal businesses were able to

benefit from doing so as it improved the probability of improving their standard of living, as suggested by the findings from the econometric analysis of improvement in standard of living.

Local INK informal business owners, when compared to their foreign counterparts, tended to lack business experience. Intermittent periods of disruptions due to, among other reasons, the pressure that came with working elsewhere while running the businesses was strongly associated with this, hence the point highlighted above that, just like foreign owners, local owners should also focus on running their businesses and avoid being involved in other things that may cause disruption in running their businesses. Based on an econometric analysis, business experience is crucial for improving informal sector earnings, hence the returns from business experience of foreign business owners were higher than that of their local counterparts. Given their lack of experience, it is going to be crucial that local INK informal business owners consider employing experienced personnel in their businesses to close the lack of experience gap and possibly gain from their experience.

Although data highlighted that most of INK informal businesses tended to be small in terms of their operations, it was encouraging that most of them had been in operation for a long period, of 10 years, and indicated that they are becoming sustainable. This was despite challenges they continued to face, such as lack of support, although they still need to put more effort and resources towards ensuring that they become more sustainable and grow to comparable levels of other advanced sectors of the economy.

Consistent with the empirical literature discussed in Chapter 2, where there were various motives that were found pulling and pushing individuals into participating in informal business ownership, the results on INK informal business ownership also suggested similar motives. Thus, irrespective of an owner's local or foreign status, whether analyzed using national or township data, factors that leads him/her into participating in the informal business sector are more likely to be the same. This is an indication of how individuals participating in informal business ownership tend to be exposed to almost similar conditions that result in them deciding to participate in the informal business sector. For example, unemployment, poverty, and lack of other economic opportunities are some of the socio-economic challenges facing most individuals in the country; and as result, factors such as generating income, unemployment and life sustenance tended to feature most on the results presented in Chapter 3 and 5, as some of the factors driving individuals to participate in the informal business sector. As a result, factors associated with generating more income (i.e., having more businesses and working elsewhere)

had a significant impact on improving the probability of improvement in standard of living of participants in the econometric model presented in Chapter 6.

The above further highlights the need to address SA's existing socio-economic challenges, to ensure that individuals do not find themselves being motivated to participate in informal business ownership because of existing socio-economic challenges and lack of alternative opportunities. There should rather be an environment where individuals are motivated to participate in informal business ownership because they want to contribute to things like innovation and the creation of products and services that will provide solutions to day-to-day problems. This will contribute towards making informal businesses to be more growth and sustainability driven, which is necessary to ensure development of an informal business sector that can have a meaningful contribution to the country's socio-economic development and the development of township communities.

Over and above the socio-economic challenges current and potential informal business owners continue to face, data analyzed in this study also highlighted that for those currently in business, their businesses took long to be formed. For all INK informal business owners, this was mainly due to challenges such as the difficulty of breaking into the market due to the difficulty of organizing start-up funding; foreign INK informal business owners endured an additional challenge, whereby some community members were not willing to support their businesses due to their foreign status. Added to this was the challenge of xenophobic attacks, which did not only affect foreign owners, but local owners as well when they were forced to halt operations until the situation returned to normality.

On funding source, data analyzed in this study indicated that the majority of both informal business cohorts had initially made use of a combination of their own funding and family funds. This was mainly because of a lack of business funding support, particularly for foreign owners, who did not meet some of the requirements set by either government or private institutions such as banks and venture capital businesses. Thus, private and public financial institutions should consider having alternative models and means of support designed specifically for current and potential informal business owners, aimed at supporting their business formation.

Due to their disorganised nature and being characterised of businesses that are engaged in trade activities that may be illegal or not permitted by laws and regulation in the form of a license or permit as suggested by the findings of this study, funders tend to be hesitant to offer funding to informal businesses. Therefore, informal business participants need to organize themselves

and form active structures that will lobby potential funders to fund their businesses and have their contribution in the economy clearly articulated. This can assist in alleviating challenges related to funding support endured by informal businesses.

Just as it has already been established in other studies, the analysis of INK informal businesses nationally and locally within the INK townships in this study also confirmed that the township informal business sector consists mostly of retail and trade businesses. The dominance of retail and trade businesses in the informal business sector is an indication of its competitive nature and benefits the community in terms of accessing their essential goods near to where they live. Foreign INK informal business owners appear to have brought more competition within retail and trade township informal businesses such as spaza shops, supermarkets, and other retail business activities within the INK area. An observation made in this regard was that local owners of similar businesses are struggling with the level of competition that now exists within the INK informal business sector. Local owners blamed their difficulty to compete on foreign owners, who they accused of charging lower prices because of their bulk buying and benefiting from the economies of scale.

Given the tensions that at times fuels xenophobic attacks, there is clearly a need for both ownership cohorts within the INK area to find ways of working together and avoid things that causes divisions among themselves. Based on engagements with both ownership cohorts, what seemed to be a challenge was lack of unity and sharing of information. Given its competitive nature, business owners need to identify unique tools of trade that will enable them to charge lower competitive prices. Just like foreign owners, local owners also need to consider coming together (with either other local or foreign owners) and buy in bulk from the network of suppliers so they too can benefit from the economies of scale and be able to charge competitive prices. Informal businesses operating within the INK area can only grow and become sustainable if owners as participants are united and work together for the benefit of the sector, particularly the market they serve.

Unity is among the things that can drive improvement of the sector's performance. In this study, three performance measures, namely, the total number of individuals employed since start-up, business turnover, and business growth were discussed in the context of assessing the performance of the INK informal business sector. The results on these three performance measures provided a promising outlook, whereby the number of individuals employed in INK informal businesses, on average, increased since start-up for both local and foreign businesses.

Similarly, the majority of INK informal businesses experienced growth since their formation. The econometric analysis of informal sector earnings provided an indication that businesses that are growing and that employ more people tend to generate more turnover, thus further confirming the importance of growth of INK informal businesses.

It is however necessary that growth experienced is sustained so that the sector will continue to allow individuals to be economically active, particularly those who struggle to participate in more advanced formal sectors of the economy. For SA to improve its socio-economic conditions, it requires all sectors of the economy, including small and emerging sectors like the informal business sector, to also produce growth that can contribute to more people participating in the economy and earning income that may assist in improving their socio-economic conditions.

The contribution of INK informal businesses highlighted above gives a perspective of another important aspect of informal businesses and how they need to be supported to ensure that they grow, and that as they grow, they continue to make more opportunities for economic participation available not just to owners but other individuals as well in the INK community. Such participation may not only be limited to employment opportunities. Suppliers of INK informal businesses also stand to benefit by getting business, and therefore actively participate in the economy. The country's level of productivity may also improve when more goods are manufactured. Those involved in logistics businesses also stand to benefit when goods move from their manufacturing process through to the end user/consumer. Thus, the entire value chain of SA's economy (from national to local communities) stand to benefit from the economic activities of the informal business sector.

This study also did an analysis to determine the socio-economic impact of INK informal businesses both on owners as well as on the outside environment. First was to understand the level of personal income that owners were able to draw from turnover made by their businesses. As earlier reported, most INK informal businesses reported generating low levels of business turnover monthly, which also tended to limit the amount of personal income they were able to extract monthly from the business. However, from a sustainability and growth point of view of INK informal businesses, it was encouraging that some INK informal business owners preferred saving a greater portion of business turnover for future investments instead of drawing large amounts of personal income from it. The econometric analysis presented in Chapter 6 suggested that investing back into the business can improve business earnings while

business owners can source improved levels of personal income from improved earnings. Furthermore, improved personal income from the business can positively contribute towards advancing the standard of living of participants. It is therefore necessary that informal business owners continuously undertake initiatives that will improve business earnings, given its potential contribution towards improving their socio-economic conditions.

The majority of owners maintained their view that income they source from the business is enough to sustain themselves as well as their families. This was further confirmed by an econometric analysis, where personal income sourced by INK informal business owners from business turnover was found to have improved the probability of advancing their standard of living. This was one of the important findings of this study given insufficient opportunities generated by SA's formal economy, with some citizens having to consider taking opportunities available within the informal business sector to source needed income to survive. Given that previous research strongly associated the informal business sector with being more survivalist, it was encouraging that the findings of this study suggests that participants can sustain their living and improve their standard of living through participating and sourcing income from the informal business sector.

However, more efforts need to put towards ensuring the growth and sustainability of informal businesses. The growth of informal businesses is important because they can graduate to the formal business sector and therefore be in an advantageous position to access more funding as well as other development program initiatives for small businesses. Also, as informal businesses grow and graduate to the formal economy, the country's fiscus may benefit when they (together with their employees) qualify to pay tax.

Achieving growth and sustainability within the informal business sector requires that its participants be investment oriented and have a developmental state of mind. This, among other things, may hasten growth and allow the sector to be competitive with other comparable sectors of the SA economy. Nonetheless, it was promising that an overwhelmingly large proportion of INK informal business owners associated their participation (and personal income they source) within the INK informal business sector to an improvement in their standard of living. This suggests that informal sector participation can be a viable option for those who struggle to find opportunities in the formal and advanced sectors of the economy. The econometric analysis revealed that they can source income that can contribute towards improving the quality of their lives.

On the relationship INK informal businesses had with the outside environment, there were indications of a severely compromised relationship between foreign-owned INK informal businesses and their outside environment (i.e., other local-owned businesses and citizens in the area). This was, among other things, due to political instability that normally occurs from time to time due to allegations of crime by foreign nationals and the accusations that they are contributing to the demise of local businesses as well as other economic activities. There is clearly a need for local and foreign owners as well as the greater society to learn to work together and always maintain peace.

The econometric analysis suggested that maintaining good relationships with the community, through having social responsibility programs, can improve business earnings as the community can be persuaded to support the business that supports the community. Therefore, social responsibility programs can be used by INK informal business owners working with the society to restore peace and drive social cohesion. Where issues arise, they need to be addressed in a peaceful and respectful manner that is not dehumanizing to any individual. The image of the INK informal business sector has already been compromised because of tensions that normally occur from time to time. Therefore, there is a great need for all participants of INK informal businesses to invest more effort and in initiatives that will boost consumer confidence. This is necessary to ensure that consumers continue to support INK informal businesses.

7.3 Recommendations

Having discussed and analyzed informal business ownership nationally and locally within the INK area under eThekwini municipality in this study, this section suggests initiatives that must be considered to ensure a successful, growing, and sustainable informal business sector that can contribute towards addressing some of the existing socio-economic challenges in SA and in township communities, particularly the INK area. The recommendations presented in this section are directed to the national government (through its two institutions, the DSBD and SEDA, which are tasked with the responsibility of driving small business development), municipalities across the country (particularly the eThekwini municipality and its related institutions responsible for small business support), informal business owners, the society, the private sector (companies and their industry formations) and all other stakeholders in as far as informal businesses are concerned (i.e., suppliers, business formations of informal business owners and customers of informal businesses).

Informal business owners, when engaged while collecting data, highlighted the lack of dissemination of relevant information on proper channels about support initiatives government has for informal business owners. Among the support initiatives implemented by the national government under DSBD and SEDA is the Township and Rural Entrepreneurship Programme (TREP), which is intended to transform and integrate economic opportunities available in township and rural areas into productive business ventures (Department of Small Business Development, 2022). The TREP programme requires that informal businesses be registered with the Companies and Intellectual Property Commission (CIPC), which tends to be a challenge in respect of informal businesses considering the findings of this study in Chapter 3, which indicated that the majority of informal businesses are not registered, they operate without licences, and some are trading in activities that may be illegal or not permitted by laws and regulations in the form of a license or permit. It becomes even more difficult for foreign owned informal businesses considering another requirement of TREP, which is that the business be 100 percent South African owned (Department of Small Business Development, 2022).

Considering some of the challenges highlighted above in respect of the support programmes rolled out by national government under DSBD and SEDA to informal businesses, it is recommended that the initiatives be communicated using proper channels to informal business owners. Although DSBD and SEDA are national institutions, they have a local footprint through their offices in various cities across the country. Therefore, within their local offices, there needs to be an informal business help desk that will respond directly to the challenge of lack of access to information on support initiatives highlighted by informal business owners engaged in this study. The informal business help desk should be positioned to deal directly with informal business participants, who will be able to do walk-ins and source any of their needed information.

Furthermore, the informal business help desk will have to be proactive by periodically doing public road shows where responsible officials will engage with informal business owners in various regions across the country and disseminate information on initiatives of informal business development. Furthermore, there needs to be more use of social networks to disseminate information instantly. This may involve an initiative such as creating a WhatsApp group, which informal business owners will be encouraged to be part of, to access information. Also, posters on information of support initiatives can be posted in some of the premises of informal businesses (particularly those operating in busy premises/locations).

Although both nationally and locally in municipalities there is a database of informal businesses, a challenge identified when the DSBD, SEDA and eThekwini municipality were approached to request the database of informal business participants for purposes of data collection of this study was that it was often not updated. For example, in respect of the eThekwini municipality, some informal businesses in the database were no longer in operation. Therefore, there need to be a coordinated approach that will seek to ensure that the database of informal businesses across the country is always updated. It should be periodically audited (i.e., after every 3 months) to ensure that it always remain a true reflection of informal businesses operating in various communities throughout the country at a given point in time. An initiative like this should, at any given point, indicate to authorities (both nationally and locally at municipal level) the tally of informal businesses and the amount of support resources that are to be distributed to informal businesses.

Considering another highlight from the data analyzed in this study, that informal businesses are mostly operated for survival purpose, government via its institutions needs to encourage a culture of growth and sustainability among informal businesses. Growing informal businesses have the potential of becoming formal productive businesses that can contributes to township economic development and country's level of productivity (most importantly, the country's fiscus). Given that some INK informal business owners indicated that they tend to be side-lined as a segment of the SMME sector, resources should be made available from the budget of SMMEs under SEDA to ensure that informal businesses are encouraged to be more developmental and more innovative to respond to day-to-day societal challenges. Informal businesses that are already doing this should be encouraged and afforded the necessary support.

In respect of the above, currently, SEDA has a programme called the Business Viability Programme; however, it is targeted mainly at formal SMMEs and covers things like acquisition of equipment and other related business assets; working capital for stock, raw material, and other operational costs; and non-financial support in the formal business development services (Department of Small Business Development, 2022). Considering what the Business Viability Programme covers, it can also be helpful and relevant to informal businesses in as far as realising their growth and graduating to the formal SMME sector is concerned.

Informal businesses should therefore also be considered under the Business Viability Programmes using the SMME budget under SEDA. However, there should be an adjustment to some of the requirements and the process applicants need to undertake to successful qualify,

particularly the one that requires applicants to be registered with the UIF. Among the requirements of UIF registration is that the employer is registered with SARS for employee's tax, and this can only happen if the employer has employees who are liable for normal tax, which is rarely the case with informal businesses (Dave, 2022). The requirements should be relevant to the nature of informal business (small in nature and often not registered). Therefore, with the relaxation of some of the requirements, informal businesses should be allowed an opportunity to benefit from the Business Viability Programme under strict monitoring and mentorship by SEDA and support offered in stages as and when they continuously meet the set requirement. This will encourage a culture of growth highlighted above, whereby informal business participants will undertake the necessary steps that will enable them to qualify for support under initiatives such as the Business Viability Programme.

In addition to monitoring and mentorship, training and development should be provided to informal business participants to equip them with skills on how to keep business records in the form of a portfolio of evidence (that will be determined by SEDA in accordance with its objective of ensuring productive business ventures) to keep them in the Business Viability programme. Informal businesses that can demonstrate in their portfolio of evidence that over a certain period they have achieved some form of growth (in various forms including employing more people, venturing into other businesses, and formalising the business among other things) can therefore qualify to move to a higher stage within the Business Viability Programme and access more funding. It is imperative that government, as the custodian of economic growth and development, makes resources available to grow informal businesses, for SA to benefit from the contribution they can have in the economy and the society at large (i.e., job creation, innovation, poverty alleviation and its multiplier effect to formal economy).

Given that youth are predominant and large participants in the informal business sector, as suggested by the data analyzed in this study, there is a need for support initiatives that are targeted at empowering young people who are currently (or intend) participating in informal business ownership. Rolling out support initiatives for the youth may assist in alleviating their unemployment challenges, scarce economic opportunities in the formal economy, and other societal challenges they continuously face. The national government through the DSBD ministry has an initiative called Young Fund Challenge, which is intended to stimulate innovative businesses in response to youth unemployment (Department of Small Business Development, 2022). As with other initiatives highlighted above, the qualifying criteria for the

Youth Fund Challenge stipulates that the business should be registered with CIPC, SARS and UIF, thus favouring mostly the formal SMMEs.

Given the creative capability of young people and the knowledge that they continuously gain from the education that government has over the years made accessible to the majority, there is a need for similar initiatives like the Youth Fund Challenge that will be targeted mainly at young people who are participating in the informal business sector. It is therefore recommended that government through DSBD and SEDA needs to set up an informal business sector youth fund, where young people with innovative business ideas, participating or intending to participate in the informal business sector, will be able to access funding support under the informal business youth fund. An initiative like this may not only assist with alleviating the challenge of youth unemployment and other challenges that young people face in various communities across the country (i.e., drugs and crime), but may also contribute to the national economy when, through the support they have gained, they are able to formalize their businesses and participate in the formal economy.

Another support initiative that may attract young people in informal business participation is making advanced infrastructure available (i.e., marketplaces and trading stands) in more reputable places (i.e., inside malls and shopping centres) or improving existing informal business infrastructure available in township communities that young people will be able to utilize in running their informal businesses. The suggested informal business infrastructure should be available for young people to utilize at a reasonable cost.

Also considering one of the findings of this study, which suggested that educated young people are increasingly participating in the informal business sector, priority for the informal business sector support initiatives must be given to educated young people to encourage other educated young people to also consider participating in the informal business. The mentorship and business development workshops will be crucial in ensuring that young people are capacitated with knowledge and skills on how they can successfully operate their businesses. A support initiative like this, which favours the educated youth, will also enable the informal business sector to benefit from the knowledge and expertise of educated young people.

In addition to what can be done nationally to improve the informal business sector, there is also a need for localized support of informal businesses in communities where participants operate, considering their role in addressing some of the existing socio-economic challenges in local communities. Evidence from the findings of this study suggested that, for many informal

business owners who participated in INK informal business ownership, their standard of living improved because of engaging in the informal business sector. The eThekwini municipality partners with other organizations (i.e., non-profit organizations) in rolling out support to informal businesses. One such support is the Informal Economy Support Programme (IESP), where eThekwini municipality partnered with an NPO called the Project Preparation Trust (eThekwini Municipality, 2016). Support under this initiative is rolled out in phases, with the 1st and 2nd phase having been completed. However, updates regarding the IESP suggest that it is facing challenges, with funds for the 3rd phase currently still being sought.

What has been identified in respect of informal businesses support initiatives including the IESP within eThekwini municipality is that recipients are required to comply with city bylaws, among which include informal businesses operating with permits. The analysis of INK informal business ownership in eThekwini municipality in this study suggested that most informal businesses tended to operate in premises that were not suitable for their businesses and their customers, such that some even operated without permits in premises that required them to have permits. Thus, this study proposes that eThekwini municipality and all other municipalities across the country should encourage informal businesses to comply with municipal bylaws, and where necessary, they should be enforced. Although enforcement of city bylaws may have negative consequences on informal businesses, eThekwini municipality stands to gain through improvement in its revenue when informal businesses grow to becoming big formal businesses within the city, that comply with the payment of rates. This can help in creating capacity for more resources to be made available to support informal businesses, and ultimately benefit informal business trader across eThekwini municipality.

Given the growth of informal business activities across the city, with some participants that are owning more than one business as suggested by the primary data analyzed in this study, the eThekwini municipality should be commended for taking their services to the people in townships. For example, more Sizakala centres have been built in various townships across eThekwini. Also, offices of eThekwini municipality's small business support unit (which, among other things, is responsible for coordinating support and development of informal businesses) have been built in various regions/townships within eThekwini, including the INK area. This helps in disseminating information about initiatives the municipality has for INK informal businesses and for informal business owners not to travel to access services related to their businesses (i.e., application of permits and payment thereof).

However, to meet the rise in informal business participation, the eThekwini municipality should invest in building small informal business infrastructure such as marketplaces that will be designated for the operation of informal businesses. Part of the reason some informal businesses do not comply with municipal bylaws and operate in undesignated places is that some of the currently built marketplaces for informal trading are mostly being utilised, while some are built in non-busy locations. An example of this is illegal street trading taking place outside malls/shopping centres in the INK area (i.e., Dube Village Mall and Bridge City Mall). Therefore, there is a need for more research to be conducted by eThekwini municipality that will consider the needs and demands of informal business activities before building infrastructure projects. In respect of this, the current study recommends that informal trading infrastructure should be built where there is high movement of people, such as next to malls, shopping centres, towns, soccer stadiums, tourist attraction areas and other popular facilities known for frequently hosting big events. This reshaping informal business activities and therefore benefit participants. It is important for the eThekwini municipality to invest in initiatives that will improve compliance with municipal bylaws as this can improve its revenue.

The difficult process of accessing permits was noted in some of the findings of this study as one of the growth inhibiting factors for some INK informal businesses and partly the reason some INK informal business owners are not complying with permit laws. As already indicated, while it is commendable that eThekwini municipality has stationed offices that deal with services required by INK informal business participants in communities where they operate, the application process for permits to utilize some of the informal trading infrastructure highlighted above should be improved and should not take long to complete, to avoid participants choosing to not comply and operate in undesignated locations. Once the application process has been improved, informal business participants across eThekwini will also have a responsibility to comply and operate within the requirement of permit laws as this can be helpful when applying for support from eThekwini municipality.

Part of what can be proposed as far as encouraging the culture of compliance with permits is concerned, is for the eThekwini municipality to make use of initiatives such as marketing compliant businesses on various eThekwini municipality media platforms (i.e., social media accounts and billboards), which have a large following. Also, eThekwini municipality should consider improving resources (i.e., municipal officials) that will drive enforcement of municipal bylaws and ensure that no informal business owner operates in an undesignated

place. To inspire consumer confidence, it is important that informal businesses operate in proper and reputable premises/designated locations that are also safe.

Some of the findings of this study suggested tensions between local and foreign INK informal business owners that end up affecting the entire community, especially when they cannot access some of their essential goods from informal businesses in the area when they are temporarily closed. Another consequence is that municipal infrastructure also gets damaged when there are xenophobic attacks. Since the outbreak of xenophobia in SA in 2008, efforts have been made by eThekwini municipality working with other stakeholders to try and quell it. The eThekwini municipality hosted summits that were intended to share ideas on how to end xenophobia, with the last one held towards the end of 2022 at Durban Exhibition Centre (eThekwini Municipality 2022). Similarly, in various townships across the eThekwini municipality (including in the INK area), events intended to bring people together and end the scourge of xenophobic violence have been held. The continuous existence of tensions from between local and foreign INK informal business participants suggests a disconnect between what the initiatives (including decisions taken in some of the summits and conferences previously held) are meant to address and the real problems on the ground.

Therefore, more collaborative effort from various sections of the society (i.e., community leaders, government at municipal level, civil organizations, the business community, and democratic institutions such as the human rights commissions) is needed to ensure proposals made in social cohesion events reflect what is happening in communities. Collaborative efforts should include awareness programs that will seek to educate the community about how they all need to live together in peace and unity.

Given that tensions that normally exist between local and foreign INK informal business owners disrupts the operation of their informal businesses, they need to build relationships among themselves, particularly foreign INK informal business owners as the primary data analyzed in this study indicated that they tend to not have relationship with other businesses within the INK area, compared to their local counterparts who predominantly had relationships with other businesses in the area. The awareness programs should involve teaching the community about the importance of resolving existing issues through dialog, and to avoid damaging community infrastructure when there are issues as it undermines progress of community development.

Part of what can be proposed in respect of building relationships and advancing social cohesion within the INK area are social events in the form of sports, concerts, business seminars and community meetings that should be inclusive of both local and foreign informal business owners, as well as the general community sharing ideas on how they can work and live together in peace. These proposed social events should be held in sections of communities where xenophobic problems are rife instead of in the suburbs where the problems may not be severe. Active participation by INK informal business owners will also be necessary and they will have to take a leading role in ensuring that the organised social events intended to address their issues become a success (i.e., sponsoring these events and in return marketing their businesses to the community). Also, the EThekwini municipality, supported by community leaders, leaders of both ownership cohorts in their various constituencies, and other state institutions, can also offer their support, in accordance with government objectives of ensuring a peaceful SA (Burger, 2020). It is encouraging that the primary data analyzed in this study suggested that INK informal businesses have social responsibility programs within communities in which they operate. INK informal business participants should consider using these social responsibility programs to advance their relationships with the community.

The private sector also has a role to play in developing and supporting entrepreneurship in townships. Other private companies have extended support to emerging entrepreneurs who are willing to create and build their businesses in townships in the form building business relationships with them. Notable examples are the Pick n Pay Enterprise and Supplier Development Program, the Dunlop Container Tyre Business, and the Kasie Kota Franchise Concept. These initiatives allow informal businesses to trade using a combination of the already established brands of famous companies as well as their own brands. In respect of the INK area, none of these initiatives were found, particularly among the INK informal business owners who were engaged in this study. A challenge highlighted in respect of these initiatives is that just like other government initiatives for informal businesses, there is a lack of information about them. Therefore, companies that are rolling out these of initiatives should improve the dissemination of information to existing and prospective informal business owners.

More of the private-informal business partnerships/relationships like the ones highlighted above are recommended and can assist in helping informal businesses become formalized through mentorship and guidance from their experienced partners/stakeholders. As much as big companies can gain in terms of extending their footprint, small informal businesses can

also benefit from selling to the wider customer base of these big companies. The INK community also stand to benefit by saving time and other resources when they access goods of their preferred brands near to where they live. Part of what can make the private-informal business initiatives to be a success is if they are accompanied by entrepreneurial training programs that will equip the participants on how to build their brands to comparative levels of the big companies with which they work. Rolling out entrepreneurial training will help in ensuring that the investments that big/already-established companies have made in rolling out informal business support initiatives become a success.

Other initiatives that can be undertaken by the private sector working with government at the municipal level to reposition and improve the informal business sector include initiatives like exhibition events for small informal businesses, which should also be open to formal businesses and market to one another. Furthermore, the exhibition should be open to international markets in the form of inviting businesses from other countries to also participate in the localized township informal business exhibitions. This will open a platform for networking, sharing of ideas, and exposing local products and services of small informal businesses to the international markets. Furthermore, partnerships can be formed that may result in some of SA informal businesses extending to the international markets. The hosting of other events by large private sector businesses in townships using the existing building infrastructure can also boost township informal businesses.

Further to the above, there need to be more strategic relationships between eThekwini municipality and organizations representing various industries to advance economic participation, particularly among the previously advantaged individuals. Currently, eThekwini municipality has a program called the INK incubator under the SMME development initiative. Under this programme, strategic relationships are formed between the eThekwini municipality and the construction industry represented by the Construction Industry Development Board (CIDB). Under the INK incubator program, the eThekwini municipality has partnered with the National Construction Incubator (located within the INK area) to skill and develop emerging contractors residing in the INK area (eThekwini Municipality, 2021). Among other things, the program is aimed at improving the sustainable development of small-to-medium-sized contractors, assisting them to upskill and improve their CIDB grading designation, thus helping them to qualify for bigger projects.

What is notably working for the initiative highlighted above is that the National Construction Incubator is located within the INK area, thus helping with the dissemination of information about it working with eThekwini municipality SMME development offices, also located within the INK area. Similar industry partnerships need to be formed in respect of other types of businesses that exist within the INK area (i.e., retail and trade, manufacturing, and agriculture among others). Given the finding that women have a higher probability of improvement in their standard of living, industry partnership should also target informal businesses owned by women, especially considering that data analyzed in this study suggested their lack of participation in industries/types of work that are traditionally performed by men, such as the taxi industry, construction industry and steel industry. This will advance transformation while creating more chances for women to improve their standard of living. Specifically, for eThekwini municipality, these industry partnerships can advance transformation within the city's economy while the respective industries grow, thus creating capacity for eThekwini municipality to make a sizable contribution towards the national economy.

There can be no advancement of the informal business sector and realization of its contribution to the economy of SA without informal business participants also playing their part. With the findings of this study suggesting that the informal business sector tends to be disorganized, informal business owners need to organize and professionalize the informal business sector. Part of professionalizing the sector involves complying with laws that are directly or indirectly affecting their businesses. INK informal business participants should take advantage of the services brought by eThekwini municipality to their townships to make it easy for them to access their needed services and source information about programs available for informal business development. Where a license or permit is required to operate the business or utilize premises, informal business owners should endeavour to comply.

Given the findings from the secondary data analyzed in Chapter 3, which revealed that a large proportion of informal business owners were not belonging to business associations, part of organizing the sector will also require that informal business owners, nationally and in their respective communities, form structures such as associations or organizations that will advance their interests. In these structures, there should be clearly set guidelines and conditions that all members will have to adhere to. Furthermore, punitive measures will have to be put in place for those who will not adhere to the set guidelines.

Over and above what informal business owners need to do as a collective, each informal business owner also has a responsibility to develop and equip him/herself. Informal business owners need to equip themselves with knowledge and skills on how to run their businesses. It is to be expected that the development of each owner will feed back to the development of the entire sector. It is commendable that data analyzed in this study revealed a growing proportion of informal business participants who are accessing education (including tertiary education), while some have continuously gained more experience both in the formal sector and within the informal business sector. However, more needs to be done in terms of gaining sector-related development (in the form of entrepreneurial development and industry-specific skills and development as well as mentorship). This goes back to the point of organizing the informal business sector and forming business associations or becoming part of already existing industry organizations. Workshops can be conducted by their respective organizations on how members can improve their businesses and share ideas, and they can consider inviting industry experts to provide trainings. An example in this regard is the formation of structures such taxi associations locally in communities across SA, and organizations such as the South African National Taxi Council and National Taxi Alliance nationally within the taxi industry.

Given that informal businesses operate near to where their customers live, it is necessary that they maintain a healthy relationship between businesses and the market they serve. As much as the community needs to support and protect informal businesses that operate in their communities, informal businesses can also support the community in various ways, such as doing social initiatives within the communities in which they operate. Although primary data analyzed in Chapter 5 revealed that most INK informal businesses have social responsibility initiatives within communities in which they operate, their growth within these communities can also contribute towards cementing their relationship with the community, particularly when their growth generates employment opportunities within the community and contributes towards the advancement of the socio-economic conditions of the people living within communities they serve.

7.4 Limitations of the Study

The main limitation of this study is the absence of secondary data on informal businesses and other socio-economic variables at community level. Consequently, this study analyzes national level data and collects primary data at community level to achieve the research objectives. Regression analysis of the community's data affords the opportunity to understand specific

community-level drivers of informal sector participation and improvements in standard of living. Thus, econometric analysis was used in answering some of the research questions of this study. Furthermore, a critical analysis approach using descriptive statistical research methods was also used to answer some of the research questions of this study.

Another limitation was language in conducting interviews for primary data collection, given that the survey questionnaire was written in English and some participants did not properly understand English. Fortunately, participants who did not understand English understood isiZulu better and questions they struggled with in English were explained in isiZulu for their understanding. Language interpreters were therefore not required. Despite the limitations highlighted in this section, the findings of this study should still contribute to the literature and be beneficial to policy and institutional design in SA. Lastly, lack of funds for data collection as one of the challenges of this study was eliminated by the support provided by the National Research Fund (NRF), which allowed for successful primary data collection.

7.5 Areas of Further Research

This study focused on investigating the rise and nature of informal businesses across SA and within the INK communities in relation to existing socio-economic challenges facing people in SA. While this study has provided insight into informal business ownership nationally, further research is needed on township informal business ownership across the country to understand and compare township informal business ownership across various regions in SA. This will provide greater insight into the role of informal businesses in advancing socio-economic conditions in local communities in the country. Further research is also needed on how to capacitate and incentivize informal businesses to formalize their businesses and ensure that they realize their potential in improving socio-economic conditions and growing the economy of SA.

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APPENDIX A

UNIVERSITY OF KWAZULU NATAL, WESTVILLE

School of Accounting, Economics and Finance

Informal Business Survey Questionnaire in the Inanda, Ntuzuma, and Kwamashu (INK) area.

DATE	NAME OF INTERVIEWER	QUESTIONNAIRE NO.

Section A: Demographic Details: Owner of the Business

1. Name and surname …… ……
2. Place/township

INK *(tick)*	
1. Inanda	
2. Ntuzuma	
3. Kwamashu	

3. Gender

Tick	
1. Male	2. Female

4. Age …….

5. Disability

Tick	
1. Yes	2. No

6. Marital Status

tick	
1. Single	
2. Married	
3. Widowed	
4. Divorced	
5. Separated	

7. Nationality …….

8. Are you employed elsewhere?

Tick	
1. Yes	2. No

9. If answered yes in 8 above, indicate whether you are employed in formal or informal sector?

Tick	
1. Formal sector	
2. Informal sector	

10. Indicate your highest level of education.

Tick	
1. No schooling/ no formal education	
2. Some primary education	
3. Primary education completed	
4. Some secondary education	
5. Certificate and diploma with less than matric	
6. Matric	
7. Certificate with matric	
8. Diploma with matric	
9. Matric and degree	
10. Don't know	

11. If your highest level of education in 10 is post matric (i.e. a certificate, diploma or degree obtained after matric), indicate field of study? ……..

12. Given your answer in 10 above, indicate the extent to which your level of education/qualifications obtained relates to your business.

Tick	
1. Not related at all	
2. Less related	
3. Highly related	

13. Indicate your years of working experience in employment sector indicated in 9 above?

……

14. Indicate years of experience in the current business? ……..
15. Is your work experience indicated in 13 above related in any way to your business?

Tick	
1. Not related at all	
2. Less related	
3. Highly related	

16. If you answered less related or highly related in 15 above, please indicate how?
    ……
    ……
    ……
17. Did your work experience in 13 above influence you to start the business?

Tick	
1. Yes	2. No

18. Indicate the reason / (s) for leaving your previous employment if you were previously employed.

Tick	
1. Retrenched	
2. Voluntary	
3. Contract ended	
4. Retired	
5. To start this business	
Other	

19. Indicate if the decision to start your business was more of necessity (need) or opportunity based.

Tick	
1. Necessity	
2. Opportunity	

20. In your answer in 19 above, please clarify what made a necessity or an opportunity?

……

……

……

Section B: About the business

21. Indicate the name of the business ……..

22. In which year was the business started (indicate year)?……

23. Is your business informal or formal?

Tick	
1. Formal	2. Informal
Informal business in this study is the business not registered for VAT. Formal business is the business registered for VAT.	

24. Indicate what type of business you are operating.

Tick	
1. Agriculture	
2. Manufacturing	
3. Construction	
4. Trade/retail	
5. Transport	
6. Finance	
7. Community and social services	
8. Other, specify	

25. Is this a family business?

Tick	
1. Yes	2. No

26. In which Type of Premises do you conduct your Business activity?

	Tick
1. At home with no special working space	
2. At home with space inside/attached to the home	
3. Business Premises with a fixed location independent from home	
4. Home	
5. Workplace of Client	
6. Market/Trade fair	
7. Street/pavement without a fixed post (Kiosk)	
8. Hawking	
9. Transport Vehicle	
10. Street container	
11. Others specify	

27. Depending on your answer in 26 above, do you rent or own the premises?

Tick	
1. Rent	2. Own

28. If answered Rent in 27 above, how much rental payment do you pay monthly?

……

29. Are you the sole owner of this business?

Tick	
1. Yes	2. No

30. Are you selling a product or a service?

Tick	
1. Product	
2. Service	

31. In your answer in 30 above, please specify the product or service?

……

……

32. How long did it take you to establish your business? (indicate years or months) ….…….

33. Is this your first and only informal business you operating?

Tick	
1. Yes	2. No

34. If answered No in 33 above, indicate how many other informal businesses you are owning other than this one?

…….……..

35. Briefly explain why you chose to operate an informal business.

……

……

……

…….

36. Indicate benefits associated with operating in the informal sector.

……

……

……

……

37. Indicate some of the constraints associated with operating in the informal sector.

……

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……

38. Regarding your answer in 37 above, please indicate what have you done to try and overcome the constraints?

……
……
……

39. Regarding your constraints in 37 above, what role do you think government can play to overcome them?

……
……
……
……

40. Do you consider your business as growing?

Tick	
1. Yes	2. No

41. If answered yes in 40 above, indicate why?

……
……
……
……

42. If answered No in 40 above, indicate whether the following factors has limited your business to grow?

	Tick	
	Yes	No
1. Lack of mentorship and guidance		
2. Lack of business networking		
3. Lack of skills and training		
4. High competition		
5. Crime		
6. Political instability		
7. Lack of business support		
8. Difficult registration process		
9. Inadequate marketing		
10. Lack of management skills		
11. Access to funding		
12. Other, specify here:		

43. In your answer in 42 above, please indicate which of the above factors you regard as the most limiting and why?

……
……
……

44. Have you ever benefited from any form of support for your business?

Tick	
1. Yes	2. No

45. If answered yes in 44 above, please indicate in what way you were supported and from whom?

……
……
……
……

46. Are you willing to register the business for tax purposes?

Tick	
1. Yes	2. No

47. If answered Yes in 46above, please indicate time frame (in years) you plan that to happen.

……

48. Briefly explain the daily activities of your businesses.

……
……
……
……

49. What motivated you to start the business?

Tick	
1. To be self-employed/independent	
2. Needed some challenge in my life	
3. Wanted financial reward	
4. Needed something to help sustain my life	
5. Was dissatisfied with my job	
6. Was retrenched	
7. Death of a family member who was a bread winner	
8. Saw an opportunity and wanted to introduce my innovation	
10. Wanted personal growth	
11. Wanted to generate more income	
12. Was unemployed	
13. Job insecurity	
14. Was to enjoy flexible working hours	
15. Other, specify here:	

50. Where did you source money to start your business?

Tick	
1. Bank loan	
2. Government support	
3. Family funds	
4. Personal savings/investments	
5. Other, specify here:	

51. In your answer in 50 above, was this enough for your business start-up?

Tick	
1. Yes	2. No

52. If answered No in 51 above, how did you manage to start your business despite having less enough start-up capital?

……
……
……
……

Section C: Socio-Economic Impact

53. What was the size of your business at start-up? (number of employees including owner).

1. Female	
2. Male	

54. What is the current size of your business? (number of employees including owner).

1. Female	
2. Male	

55. Briefly explain who are your usual customers?

……
……
……

56. Do you consider your prices as relatively low in comparison to that of other businesses in the area?

Tick	
1. Yes	2. No

57. If answered yes in 56 above, indicate why you consider your prices to be low?

……
……
……
……

58. Are you the breadwinner at home?

Tick	
1. Yes	2. No

59. Indicate your average monthly turnover? ……....

60. With the turnover from your business do you pay personal income tax?

Tick	
1. Yes	2. No

61. In your answer in 59 above, indicate how much do you take back to the business to ensure its sustainability? ……

62. In your answer in 59 above, indicate how much you take as your personal income?

……..

63. In your answer in 62 above, is this enough to sustain you and your family?

Tick	
1. Yes	2. No

64. Do you have children?

Tick	
1. Yes	2. No

65. If answered yes in 64 above, do your children go to school?

Tick	
1. Yes	2. No

66. Has your income status and standard of living improved since owning this business?

Tick	
1. Yes	
2. No	

67. If answered yes in 66 above, please explain how?

……

……

……

……

68. How is your relationship with other business owners in the area?

Tick	
1. Good	
2. Bad	

69. In your answer in 68 above, please briefly explain the (good or bad) relationship.

……

……

……

……

70. Do you have any social responsivity initiative under your business?

Tick	
1. Yes	2. No

71. If answered yes in 70 above, briefly explain how your business benefit the community.

……

……

……

……

72. Did living in the township indicted in 2 above motivate you to start the informal business?

Tick	
1. Yes	2. No

73. Was your business affected by Covid-19?

Tick	
1. Yes	2. No

74. If answered yes in 73 above, elaborate how your business was affected by Covid-19?

……

……

……

……

…….

75. Did you receive any Covid-19 business relief support from government?

Tick	
1. Yes	2. No

76. If answered yes in 75 above, please indicate type of support

……

……

……

……

77. Did you receive any Covid-19 relief support as a citizen from government?

Tick	
1. Yes	2. No

78. If answered yes in 77 above, please indicate type of support.

……

……

……

…….

79. Please elaborate on any support received from anyone than government in relation to the Covid-19 pandemic.

……

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…….

APPENDIX B

UNIVERSITY OF KWAZULU NATAL, WESTVILLE

School of Accounting, Economics and Finance

Informal Business Survey Questionnaire in the Inanda, Ntuzuma, and Kwamashu (INK) area.

DATE	NAME OF INTERVIEWER	QUESTIONNAIR NO.

Section A: Demographic Details and About the Owner of the Business

1. Name and surname …….
2. Place

INK *(tick)*	
1. Inanda	
2. Ntuzuma	
3. Kwamashu	

3. Gender

Tick	
1. Male	2. Female

4. Age ……..

5. Disability

Tick	
1. Yes	2. No

6. Marital Status

tick	
1. Single	
2. Married	
3. Widowed	
4. Divorced	
5. Separated	

7. Nationality …….

8. Are you employed elsewhere?

Tick	
1. Yes	2. No

9. If answered yes in 6 above, indicate whether you employed in formal or informal sector?

Tick	
1. Formal sector	
2. Informal sector	

10. Indicate your highest level of education.

Tick	
1. No schooling	
2. Primary education, but not secondary education	
3. Secondary education, but no matric	
4. Matric	
5. Further education and training level of education/certificate	
6. Tertiary education, but degree not completed	
7. 1st degree	
8. Honors degree	
9. Masters degree	
10. PHD	

11. If your highest level of education in 8 above is tertiary education, indicate field of study? …….
12. Indicate the extent to which your level of education relates to your business.

Tick	
1. Not related at all	
2. Less related	
3. Highly related	

13. Indicate your years of working experience in employment sector indicated in 7 above?

……

14. Indicate years of working experience in the current business? ……..
15. Is your work experience related in any way to your business?

Tick	
1. Not related at all	
2. Less related	
3. Highly related	

16. If you answered less related or highly related in 13 above, please indicate how?
    ……
    ……
    ……
17. Did your work experience influence you to start the business?

Tick	
1. Yes	2. No

18. Indicate the reason / (s) for leaving your previous employment, if you were previously employed.

Tick	
1. Retrenched	
2. Voluntary	
3. Contract ended	
4. Retired	
5. To start this business	

19. Indicate if the decision to start your business was more of necessity or opportunity based.

Tick	
1. Necessity	
2. Opportunity	

20. In your answer in 17 above, please clarify what made a necessity or an opportunity?

……

……

……

Section B: About the business

21. Indicate the name of the business ……..

22. In which year was the business started (indicate year)?……

23. Is your business informal or formal?

Tick	
1. Formal	2. Informal
Informal business in this study is the business not registered for VAT. Formal business is the business registered for VAT.	

24. Is this a family business?

Tick	
1. Yes	2. No

25. In which Type of Premises do you conduct your Business activity?

Tick	
1. At home with no special working space	
2. At home with space inside/attached to the home	
3. Business Premises with a fixed location independent from home	
4. Home	
5. Workplace of Client	
6. Market/Trade fair	
7. Street/pavement without a fixed post (Kiosk)	
8. Hawking	
9. Transport Vehicle	
10. Street container	

11. Others specify	

26. Depending on your answer in 23 above, do you own or rent the premises?

Tick	
1. Yes	2. No

27. Are you the sole owner of this business?

Tick	
1. Yes	2. No

28. Are you selling a product or a service?

Tick	
1. Product	
2. Service	

29. In your answer in 26 above, please specify the product or service?

……

……

30. How long did it take you to establish your business? (indicate years or months) ……

31. Is this your first and only informal business you operating?

Tick	
1. Yes	2. No

32. If answered No in 29 above, indicate how many other informal businesses you are owning other than this one?

……..

33. Briefly explain why you chose to operate an informal business.

……

……

……
……..

34. Indicate benefits associated with operating in the informal sector.

……
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35. Indicate some of the constraints associated with operating in the informal sector.

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36. Regarding your answer in 33 above, please indicate what have you done to try and overcome the constraints?

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37. Regarding your constraints in 33 above, what role do you think government can play to overcome them?

……
……
……
……

38. Do you consider your business as growing?

Tick	
1. Yes	2. No

39. If answered yes in 36 above, indicate why?

……
……

……

……

40. If answered No in 36 above, indicate whether the following factors has limited your business to grow?

	Tick	
	Yes	No
1. Lack of mentorship and guidance		
2. Lack of business networking		
3. Lack of skills and training		
4. High competition		
5. Crime		
6. Political instability		
7. Lack of business support		
8. Difficult registration process		
9. Inadequate marketing		
10. Lack of management skills		
11. Access to funding		
12. Other, specify here:		

41. In your answer in 38 above, please elaborate on how has the indicated factor limited your business?

……

……

……

42. Have you ever benefited from any form of support for your business?

Tick	
1. Yes	2. No

43. If answered yes in 40 above, please indicate in what way you were supported and from whom?

……

……

……

……

44. Are you willing to register the business?

Tick	
1. Yes	2. No

45. If answered Yes in 42 above, please indicate time frame you plan that to happen.

……

46. Briefly explain the daily activities of your businesses.

……

……

……

……

47. What motivated you start the business?

Tick	
1. To be self-employed/independent	
2. Needed some challenge in my life	
3. Wanted financial reward	
4. Needed something to help sustain my life	
5. Was dissatisfied with my job	
6. Was retrenched	
7. Death of a family member who was a bread winner	
8. Saw an opportunity and wanted to introduce my innovation	
10. Wanted personal growth	
11. Wanted to generate more income	
12. Was unemployed	
13. Job insecurity	
14. Was to enjoy flexible working hours	
15. Other, specify here:	

48. Where did you source money to start your business?

Tick	
1. Bank loan	
2. Government support	
3. Family funds	
4. Personal savings/investments	
5. Other, specify here:	

49. In your answer in 46 above, was this enough for your business start-up?

Tick	
1. Yes	2. No

50. If answered No in 47 above, how did you manage to start your business despite having low start-up capital?

……
……
……
……

Section C: Socio-Economic Impact

51. What was the size of your business at start-up? (number of employees including owner).

1. Female	
2. Male	

52. What is the current size of your business? (number of employees including owner).

1. Female	

2. Male	

53. Briefly explain who are your usual customers?

……
……
……

54. Do you consider your prices as relatively low in comparison to those of other businesses in the area?

Tick	
1. Yes	2. No

55. Indicate why you consider your prices as low?

……
……
……
……

56. Are you the breadwinner at home?

Tick	
1. Yes	2. No

57. With the income from your business do you pay personal income tax?

Tick	
1. Yes	2. No

58. Indicate your average monthly turnover? ……....
59. In your answer in 56 above, indicate how much do you take back to the business to ensure its sustainability? ……
60. In your answer in 56 above, indicate how much you take as your personal income?

……..

61. In your answer in 58 above, is this enough to sustain you and your family?

Tick	
1. Yes	2. No

62. Do you have children?

Tick	
1. Yes	2. No

63. Do your children go to school?

Tick	
1. Yes	2. No

64. Has your income status and standard of living improved since owning this business?

Tick	
1. Yes	
2. No	

65. In your answer in 62 above, please explain how?

……
……
……
……

66. How is your relationship with other business owners in the area?

Tick	
1. Good	
2. Bad	

67. Briefly explain how your life and that of your family has improved since you started this business?

……
……
……
……

68. Do you have any social responsivity initiative under your business?

Tick	
1. Yes	2. No

69. If answered yes in 66 above, briefly explain how your business benefit the community.

……

……

……

……

70. If your nationality is non-South African, did immigrating to South Africa motivate you to start an informal business?

Tick	
1. Yes	2. No

71. Did living in the township indicted in q2 motivate you to start the informal business?

Tick	
1. Yes	2. No

UKZN HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE (HSSREC)

APPLICATION FOR ETHICS APPROVAL
For research with human participants

INFORMED CONSENT

Information Sheet and Consent to Participate in Research

Date: 24/10/2019

Good day Sir / Madam

My name is Sabelo Shezi, a student at the University of KwaZulu Natal (UKZN), College of Law and Management Studies (CLMS), School of Accounting, Economics and Finance (SAEF). For more details you can contact me via email on 211505952@stu.ukzn.ac.za or on telephone on 0845064822.

You are being invited to consider participating in a study that involves research on informal business owners operating within the Inanda, Ntuzuma and Kwamashu (INK) area. The aim and purpose of this research is to investigate the rise of informal business activities taking place within the INK area and how understand how they have contributed to the socio-economic environment. The study is expected to enroll 60 participants in total, 20 participants in each of the three INK townships. It involves collecting data in the form of a survey questionnaire, where you are asked to answer the questions. The duration of your participation if you choose to enroll and remain in the study is expected to be 30 minutes. The study is not funded by any institution except researcher's scholarship funds which are also used in carrying some aspect of the study.

The study does not involve any risks and/or discomforts. Furthermore, it will provide no direct benefits to participants. However, your responses may help us learn more about your informal business activity and how it has contributed to your socio-economic environment as well as that of your society. Other indirect benefits include benefiting from knowledge that this study will provide on its completion and policy as well as institutional recommendation to government and relevant institutions. There are no any appropriate alternative procedures and treatment etc. that may serve as possible alternate options to study participation.

There are no foreseeable risks involved in participating in this study other than those encountered in day-to-day life.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number_____).

In the event of any problems or concerns/questions you may contact the researcher via email at 211505952@stu.ukzn.ac.za or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus
Govan Mbeki Building
Private Bag X 54001
Durban
4000
KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557- Fax: 27 31 2604609
Email: HSSREC@ukzn.ac.za

Your participation in this survey is voluntary. You may refuse to take part in the research or exit the survey at any time without any implication. You are free to decline to answer any particular question you do not wish to answer for any reason, and that in the event of refusal/withdrawal of participation the you will not incur penalty or loss of treatment or other benefit that may arise. Should you not wish to participate in the study, kindly inform the researcher or interviewer who will then terminate your participation from the study.

There are no any foreseeable costs that you might incur as a result of participation in the study.

Your survey answers will be stored in a USB drive where data will be password protected electronic format. No one will be able to identify you or your answers, and no one will know whether or not you participated in the study.

CONSENT

I …… have been informed about the study entitled: Informal township businesses and socio-economic challenges: a case of South Africa by Sabelo Shezi.

I understand the purpose and procedures of the study as explained above.

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at the details provided above.

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION
Research Office, Westville Campus
Govan Mbeki Building
Private Bag X 54001
Durban
4000
KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557 - Fax: 27 31 2604609
Email: HSSREC@ukzn.ac.za

Additional consent,

I hereby provide consent to:

Use of my photographs for research purposes YES / NO

Only the business/entity (i.e. exterior of the premises where name of the business is shown) shall be photographed provided consent is provided above. These photographs are to help the researcher provide a clear picture (to any reader on completion of the study) of informal business who formed part of this study. Furthermore, this visual presentation is deemed necessary to support the discussion on informal businesses that will be presented in the study.

_____ _____

Signature of Participant **Date**

_____ _____

Signature of Witness (Where applicable) **Date**

_____ _____

Signature of Translator (Where applicable) **Date**

APPENDIX D

ECONOMIC DEVELOPMENT AND PLANNING
BUSINESS SUPPORT TOURISM AND MARKETS UNIT

7th Floor, Embassy Building
199 Anton Lembede Street
Durban, 4000
Tel: 031 311 4500, Fax: 031 332 6408
www.durban.gov.za

TO WHOM IT MAY CONCERN

I HEREBY WOULD LIKE TO STATE THAT BUSINESS SUPPORT UNIT LOCATED AT E1139 NTOMBELA ROAD, KWA-MASHU RESPONSIBLE FOR THE PINK AREA (PHOENIX, INANDA, NTUZUMA, NEWLANDS AND KWA-MASHU) GRANTS PERMISSION TO SABELO SHEZI TO INTERVIEW OUR INFORMAL TRADERS, WHO CONDUCT BUSINESSES IN THE AREA AND ALSO TO USE OUR DATABASE FOR THE PURPOSES OF HIS PHD STUDY ONLY.

INFORMATION IS FOR HIS USE ONLY, NOT TO BE SHARED WITH ANYONE ELSE.

[redacted]CERELY

.....

[redacted]NNET CILIZA
AREA MANAGER
031-322 1837

k/b

12 July 2023

Editing Certificate

This certificate confirms that the following doctoral thesis by Sabelo Shezi was language edited: **Informal township businesses and socio-economic challenges: A case of South Africa.**

[redacted]

Dr Karen Buckenham, PhD (KwaZulu-Natal), MA (KwaZulu-Natal), BSc (Toronto), TESL (Toronto).

kbuckenham@mweb.co.za

DISCLAIMER: The English language editor used track changes for corrections and inserted comments for queries. The responsibility for effecting the changes in the final, submitted document is the responsibility of the student.

UNIVERSITY OF
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

04 November 2019

Mr Sabelo Shezi (211505952)
School of Accounting, Economics & Finance
Westville Campus

Dear Mr Shezi,

Protocol reference number: HSSREC/00000504/2019
Project title: Informal township businesses and socio-economic challenges: A case of South Africa

Approval Notification – Expedited Application

This letter serves to notify you that your application received on 03 September 2019 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid for one year from 04 November 2019.
To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

Yours sincerely,

Professor Urmilla Bob
University Dean of Research

/ms

UNIVERSITY OF KWAZULU-NATAL
INYUVESI YAKWAZULU-NATALI

APPENDIX G

11 April 2021

Mr Sabelo Shezi (211505952)
School Of Acc Economics&Fin
Westville Campus

Dear Mr Shezi,

Protocol reference number: HSSREC/00000504/2019
Project title: Informal township businesses and socio-economic challenges: a case of South Africa

Approval Notification – Recertification Application

Your request for Recertification dated 29 March 2021 was received.

This letter confirms that you have been granted Recertification Approval for a period of one year from the date of this letter. This approval is based strictly on the research protocol submitted and approved in 2019.

Any alteration s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study must be reviewed and approved through the amendment /modification prior to its implementation. Please quote the above reference number for all queries relating to this study.

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years

All research conducted during the COVID-19 period must adhere to the national and UKZN guidelines.

HSSREC is registered with the South African National Research Ethics Council (REC-040414-040).

Yours sincerely,

Professor Dipane Hlalele (Chair)

/dd