

**Informal Economy Support:
The case of SMMEs in the Mossel Bay Municipality**

by

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DECLARATION

I, **LAWRENCE JULIUS DE BOER**, declare that the dissertation “**Informal Economy Support: The case of SMMEs in the Mossel Bay Municipality of the Western Cape Province**” that I herewith submit for the **MASTER OF DEVELOPMENT STUDIES** degree at the University of the Free State is my independent work and that I have not previously submitted it for a qualification at another institution of higher education.

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ABSTRACT

The informal economy is critical in enabling economic inclusion, especially given the challenges of structural unemployment in the South African economy. In these settings, the informal economy is potentially a catalyst to unlock, drive, and exploit opportunities for the economically marginalised due to the relatively low barriers to entry, especially for necessity-driven entrepreneurship.

With lagging early entrepreneurial activity and high discontinuance rates not contributing to the growth of informal enterprises into mature and sustainable enterprises, the study focuses on the appropriateness of business support measures extended to these informal enterprises to tackle and overcome the challenges they face. The study gathers insights from informal economy entrepreneurs and stakeholders in the business support ecosystem on the key barriers and constraints they face in their entrepreneurial journey and perspectives on their support needs.

The study was executed through semi-structured interviews with stakeholders and informal entrepreneurs. The key stakeholders involved in business support extension were approached, which included the primary government support agency and other roleplayers, such as the LED department of a local municipality and representatives of local informal entrepreneurial associations. The study revealed that as much as informal enterprises are closely aligned with the formal economy, their support needs differ from those offered to the formal economy. Furthermore, it found that the departure point for support agencies, closely linked to the government's policy position, is the formalisation of informal enterprises. Consequently, this leads to premature formalisation, impacting the cost and burden of compliance, for which most informal enterprises need resources.

The study recommends that broad stakeholders and support agencies in the support ecosystem should pay due cognisance to the support needs of informal enterprises and their owners from a financial and non-financial support perspective. The study emphasises that adopting a differentiated approach is necessary and that a customised support model is needed to extend more effective business support in the informal economy. A more effective business support model will be achieved if business support stakeholders and agencies understand the support needs of informal enterprises and, as a direct consequence, leverage financial and non-financial support with partnerships within the public and private sectors. This will ultimately contribute to improving business discontinuance rates, more sustainable businesses, and positioning informal enterprises to exploit opportunities for growth within the local economies.

Keywords: informal enterprises, business support, financial support, non-financial support.

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LIST OF ABBREVIATIONS

CIPC	Companies and Intellectual Property Commission
EU	European Union
GDP	Gross Domestic Production
IFC	International Finance Corporation
ILO	International Labour Organization
ILOSTAT	International Labour Organization Department of Statistics
ICLS	International Conference on Labour Statisticians
LED	Local Economic Development
NIBUS	National Informal Business Upliftment Strategy
NDP	National Development Plan
OECD	Organisation for Economic Co-operation & Development
QLFS	Quarterly Labour Force Survey
SARS	South African Revenue Service
SEDA	Small Enterprise. Development Agency.
SEFA	Small Enterprise Financing Agency.
SMME	Small Medium and Micro Enterprise
VAT	Value Added Tax
WIEGO	Women in Informal Employment: Globalising and Organising

CHAPTER 1:

BACKGROUND

1.1 Introduction

The informal economy encompasses the enterprises, workers, and activities operating outside the legislative and regulatory framework of the formal economy. It is, therefore, vital to consider the definition of the informal economy and distinguish between the concepts of informality, most notably the informal economy and sector. The meaning of the informal economy is contentious, primarily based on employment and production. Depending on the question explored, the definition is highly contextual (Charmes, 2012). Furthermore, informality is distinguished between employment and output informality, essentially employment and production (Ulyssea, 2020). Employment informality is where workers are in employment arrangements without social protection coverage. In contrast, output informality refers to the informal economy output from informal enterprises.

The informal economy definition ranges from a spectrum of characteristics to the more confined description of informality adopted by the International Labour Organization (ILO) in 1993 (ILO, 1993) used for statistics measurement and reporting purposes. The specific criteria of tax registration status (Value Added Tax and Income Tax registration status) define informal enterprises as taking place in unincorporated enterprises and are widely used in official statistics reporting. However, this binary definition of formality is convenient for tracking purposes and does not consider many other factors determining formality/informality across the spectrum. The definition was expanded in 2003 to include informal employment.

The informal economy is an essential contributor to countries across the world. The size of the informal economy varies across the global regions. The informal economy is much more prominent in developing economies such as Sub-Saharan Africa, South-Eastern Asia, Northern Africa, and Latin America (Benjamin *et al.*, 2014). Loayza (2018) reports that in a typical developing country, 70% of workers and 30% of production is vested in the informal economy. The contribution to Gross Domestic Product (GDP) from the informal economy is lower when compared to the share of formal employment (Loayza, 2018). The informal economy, nonetheless, remains a significant contributor to production. The lower contribution to the economy results from lower productivity in informal economy settings than in the formal economy as it generally accommodates less-educated and lower-paid workers.

The informal economy is increasingly found in developed economies, whereas earlier, it was exclusively associated with developing economies, especially in the employment arrangements with

formal enterprises (Williams, 2014a). Chambwera, MacGregor and Baker (2011) report on informal economic growth in developing and developed countries at an increasing rate. Informality in developed economies is found primarily in informal employment arrangements with formal enterprises, either through business arrangements with informal enterprises or with informal workers.

Within developed economies specifically, there are choices relating to economic opportunity, and the regulatory framework "pushes" towards formality. Therefore, higher levels of entrepreneurship are experienced in developed economies and are essentially regulatory and opportunity-driven (Stoica *et al.*, 2020). In developed economies, the informal economy is regarded as a threat to the formal economy due to the historical connotation of the informal economy being considered part of the hidden or illicit economy (Williams, 2014b).

The informal economy comprises a large share of the economy in developing economies. There are differences among emerging regions, but generally, informal employment is more than 42% of total employment and 33% of GDP for output informality (Ohnsorge & Yu, 2021). Habib-Mintz (2009) reports the informal economy share of employment at 70% and everyday output at approximately 30% of GDP. The large percentage of the informal economy illustrates the significance of this economy in providing livelihood opportunities and its critical role in poverty alleviation. The informal economy, therefore, plays a crucial role in livelihood opportunity creation and poverty reduction. Evidence points out that the typical informal economy participant partakes in the informal economy in less developed country settings out of necessity (GEM (Global Entrepreneurship Monitor), 2023).

South Africa has a Gini coefficient of 0.7 (Kathage, 2018), an indicator of the distribution of household incomes in a country. This measure indicates that the scale of inequality in the South African economy is one of the world's most unequal, with dire consequences on socio-economic development. The economic disparity from South Africa's divided past and legacy issues from a development perspective led to structural inequities still present in the current situation. The structural inequalities manifest in major macroeconomic issues on unemployment, financial exclusion, lack of economic capital, collateral, and lack of skills (Herrington *et al.*, 2017). The economic inequality ranges across race, spatial, geographic, and other socio-economic factors affecting access to decent jobs and economic opportunities.

The unemployment issue presents significant challenges to the formal economy in providing job opportunities to all. According to StatsSA (2023), reported for the 2nd quarter in 2023, the official unemployment rate is 32.6%, while the expanded unemployment definition, which includes discouraged work-seekers, is reported at 42.1%. Therefore, the informal economy is essential, especially from a livelihood and poverty reduction perspective. However, informal enterprises are driven mainly by entrepreneurs with insufficient education levels, which poses specific challenges for improving and enabling linkages with mainstream value chains (Small Enterprise Development Agency, 2016). Informal enterprises have enormous potential to alleviate and impact current unemployment and economic participation levels in South Africa (Laframboise, 2019), and, therefore,

a platform for informal enterprises to transform into growth-oriented enterprises. The presumption is that growth-oriented enterprises can catalyse economic growth by providing more livelihoods in the form of sustainable jobs in the economy.

1.2 Problem statement

The extremely high business failure rate experienced by SMMEs in South Africa, especially in their first few years of existence, is a cause for concern. South Africa's business discontinuance rate is at 3.3%, still relatively high (Bowmaker-Falconer & Meyer, 2020), and reports that business exits are largely driven by business failure or other more stable opportunities pursued. In addition, statistics published for the 2nd quarter of 2023 show that quarter-on-quarter unemployment at 32.6% remains a cause for concern. The high failure rate of businesses and increasing unemployment levels are very concerning. Around 95% of enterprises in South Africa are SMMEs with the highest potential for employment.

Fourie (2018) posits that the informal sector is a pivotal contributor to the economy, providing employment and livelihoods to a large portion of the economically active population. The author describes the informal sector as "*forgotten*" and presents it as a potential growth sector and catalyst for the economy, specifically regarding its potential for creating jobs and livelihoods. There is, however, a lag in informal sector businesses entering and taking up the business opportunities presented to survive and grow into sustainable businesses, contributing to economic growth and financial inclusion. The principal informal sector activities occur in the retail and wholesale sectors (Benjamin *et al.*, 2014), and this appears to be a recurring pattern across developing economies in general.

Business support interventions for early-stage businesses target the formal larger SMMEs (Botha *et al.*, 2021). Therefore, a vital factor to consider in the effectiveness of support initiatives is whether the support model presented to informal economy participants provides sufficient depth and breadth to support these initiatives. The current support generally offered in the market is in the form of non-financial support through government and private sector support organisations and financial support through grant or loan funding. These support measures are primarily designed for formal enterprises or aim to formalise the informal enterprise, which presents challenges.

Therefore, this research will explore the barriers and constraints faced by informal sector businesses from the perspective of the entrepreneurs to enter, survive, and grow their businesses, given their unique circumstances and needs concerning support. Furthermore, the peculiar support needs of the informal entrepreneurs in this locality of Mossel Bay Municipality will provide input into how these businesses could be more effectively supported. The support needs will depend on their maturity and owner aspirations (Herrington *et al.*, 2001).

1.3 The research aims and objectives

This study aimed to critically review business support to informal SMMEs, specifically in the Mossel Bay municipality of the Western Cape Province in South Africa. By closing the gap between formal and informal support needs, more inclusive economic participation and success in graduating from informal businesses to growth-oriented formal businesses can be realised. This formalisation would entrench some formality and sustainability (Herrington *et al.*, 2017).

The study had the following objectives:

- To understand the informal sector in developing and developed countries.
- To determine the composition of the informal sector in South Africa.
- To identify barriers and constraints for economic growth in informal sector enterprises faced in the Mossel Bay Municipality of the Western Cape province through utilising a qualitative study.
- To evaluate current and future intentional support needs for the informal sector.
- To recommend support and enabling factors to exploit and grow the informal sector at a municipality in South Africa.

1.4 Research questions

The research study asked the following questions in pursuance of the identified aim and objectives:

- What factors restrict/constrain the economic growth of the informal sector enterprises?
- What support is available for the informal economy participants (Statistics South Africa, 2019)? (Supply-side)
- What are the support needs of the informal economy participants to achieve sustainable growth? (Demand-side)

This research enabled the researcher to identify the constraints and gaps in business support systems that informal entrepreneurs face in the existing ecosystem.

1.5 Research methods

This section describes the research methods by outlining the research site, approach, and study design. The study took the format of qualitative data collection and analysis. Then, it proceeds by outlining the plans applied in data collection and how the data was analysed to align with the aim and objectives of the study. Finally, the researcher summarises the research study's ethical considerations.

1.5.1 Research site

The research locality is primarily in the Mossel Bay area in the Western Cape Province, South Africa, in the Garden Route District Municipality. The research mainly focused on informal sector entrepreneurs and enterprises within the Mossel Bay Municipality. Figure 1.1 illustrates the layout of the Garden Route District and the local municipalities making up the district. The map further shows

the major towns and other localities in the District.

Figure 1.1: Map of the Garden Route District



(Source: Garden Route District Municipality, 2022)

The largest inland town is Oudtshoorn, along the R62 and N12, linking smaller inland towns of Ladismith, Calitzdorp, De Rust and Uniondale. The inland areas of the Garden Route District possess an intensely rural setting with dispersed farming hamlets and small isolated and remotely located towns, which present economic challenges due to transport and social service delivery constraints (Garden Route District Municipality, 2022). Along the coast, the port town of Mossel Bay is functionally linked inland with George, which is the secondary services centre of the district and further along the N2 to the tourism and lifestyle-driven settlements of Knysna and Bitou to the East. To the west of Mossel Bay, Riviersonderend and Riversdale are gateways to the Garden Route and South to the coastal towns of Witsand, Stilbaai and Gouritzmond (Garden Route District Municipality, 2022).

The Garden Route District, also known as the “Garden Route”, is situated on the southern-eastern coast of the Western Cape Province. It is currently the third-largest district municipality within the Western Cape. It shares its borders with four other district municipalities with a total earth surface coverage of 23 332 km² (Garden Route District Municipality, 2022). The neighbouring municipalities are Cacadu District in the Eastern Cape and Overberg and Cape Winelands in the west. At the same time, the boundary with the Central Karoo District Municipality runs along the Swartberg mountains to the north. Approximately 80% of the population in the district lives in urban areas along the coast. The population of the Garden Route District is estimated at just under 628,000 and is expected to grow to around 641,000 by 2025. The average household is estimated at 3.5 per household. From an educational perspective, the district has an average learner retention rate of 67.6%, which is concerning given that this impacts the ability of people to access economic opportunities. The matric pass rate is consistently achieved around the 80% mark. Therefore, the inability of the economy to create jobs means that with the constant number of completed school leavers, the local economy would be stretched to create

sustainable job opportunities. The dependency ratio is currently at 53.8 and is expected to grow to 54.1. The dependency ratio is the proportion of the under 15 and above 65-year-old population to the working-age population (15 to 65-year-olds). With the relatively large proportion of the dependent population growing, the informal economy will have to play a role in creating opportunities for the local economy and the broader district.

The Mossel Bay area, the central locality of the study, only has significant industrial activity for PetroSA, the state-owned petroleum company, and related industries. There is considerable uncertainty due to the ongoing downscaling at PetroSA amid talk that the government is considering possible options to relocate the PetroSA refinery operations elsewhere. The relocation of the PetroSA refinery operations could have a disastrous effect on Mossel Bay and the district's economy, given the scale of the operation and the impact of potential job losses. The envisaged "Total Brulpadda" project (Garden Route District Municipality, 2020) could be an essential catalyst for local economic development in Mossel Bay and far beyond its borders. Furthermore, Mossel Bay is a port town positioning itself for opportunities in the ocean's economy (Garden Route District Municipality, 2020). With the District's focus on growing the ocean's economy, tourism possibilities exist for it to become a critical development node (Botha *et al.*, 2021).

1.5.2 Research approach and design

The research study used a qualitative approach focusing on thematic analysis. Qualitative research mainly uses words and pictures supplemented by open-ended questioning. For this study, using qualitative data provided the researcher with lived experiences, perspectives, and detailed descriptions of the informal economy through the lenses of entrepreneurs in their natural settings (Snape & Spencer, 2003). The qualitative approach enabled the researcher to obtain insights into the experiences and context under which informal economy entrepreneurs operate and unpack the complexities of the informal economy, which would not be the case if a quantitative research approach were used.

According to Merriam and Tisdell (2016), qualitative research can transform people's lives. The study's exploratory nature provides an opportunity to mine new knowledge previously unknown to the researcher and a deep understanding of critical concepts. Furthermore, the author posits that qualitative research focuses on gaining insight into the research subjects' experiences (Merriam & Tisdell, 2016) and how they make sense of their experiences. Merriam and Tisdell (2016) further caution against understanding a phenomenon from the researcher's perspective Merriam and Tisdell (2016: 16): "The key concern is understanding the phenomenon of interest from the participants' perspectives, not the researcher's".

A research design is a plan or roadmap detailing a research project's methods and data collection strategies (Patton, 2015). Furthermore, the author proposes that in choosing a study design, a key consideration for a researcher is aligning the research study design with the researcher's outlook and

should address the aims of the study. The researcher will direct the focus through the appropriate design and unpack the underpinnings of the phenomena under study (Lewis, 2003). Resources, time, and complexity influence the research design. It was, therefore, executed through a plan to address the specific research questions by creating data collection tools, representative sampling processes of the population (units of analysis) under study, and the data analysis procedures. The research questions were designed by adopting a case study approach. According to Yin (2018), research questions are best addressed when the scope of the case has been defined, and the phenomena under study are explored from multiple perspectives. Case studies are a versatile research instrument that can deal with simple and complex research questions, providing insight into the phenomenon under study (Baxter & Jack, 2008). The ability of case studies to provide insight into cases is strengthened by enabling the researcher to ask “how” and “why” questions by collating data from various sources. For this reason, the study adopted an exploratory case study, where the phenomenon under study, which is the informal economy support, is undertaken with no clear outcome in mind, and in the research design, the questions were flexibly structured to give margin for discoveries during the data collection phase.

Through its exploratory nature, the research design supported the research questions. The research design provided a basis to gather insights to interrogate and highlight specific experiences (Merriam & Tisdell, 2016) on the phenomenon of informality. The research specifically looked at how informal entrepreneurial ventures relate to enterprise growth and development in the district. This will be further enabled by selecting appropriate research settings and populations to answer the research question.

1.5.3 Population and Sample

For this purpose, the research study required data and extraction of a sample of data from a population. The population for the study consisted of all informal entrepreneurs active in the Mossel Bay Municipality. The population includes all informal entrepreneurs involved in an informal enterprise, which conforms to the statistical definition of informality. The criteria for inclusion was, therefore, primarily based on the registration status of the enterprise with one of the relevant authorities, non-registration for income tax or VAT, and employing at most five workers. In addition, the study population included informal entrepreneurs actively participating across diverse sectors. Stakeholder participants were spread across different locations in the study area, with one participant internationally based but providing business support services in the Mossel Bay Municipality. All the informal enterprise owners were based in the Mossel Bay area, with one participant in the George area. Furthermore, the research study was not limited to specific age group or other demographic factors. The study excluded informal workers involved in employment, focusing on informal economy entrepreneurs.

These inclusion/exclusion criteria formed the basis for the recruitment and feasibility of the study. The inclusion/exclusion criteria guided the selection process to obtain the ideal dataset for the research study in the form of a sample.

Maree (2016) describes sampling as a process where a population subset is used as part of a study to gather knowledge and insights from the whole population. Using the entire population in a study is impossible from a resource and time perspective. For such reason, research studies use sampling procedures. There are two main types of sampling methods: probability and non-probability. Probability sampling uses random selection to select a unit of a sample from a population (Bryman, 2016). Ritchie, Lewis and Elam (2003) state that probability sampling is not the most appropriate method for qualitative studies. As a result, non-probability sampling is deemed a more appropriate method for qualitative research. In qualitative inquiry, the sample selection happens through non-probability sampling, and the focus is more in-depth and typically uses small sample sizes. In non-probability sampling, the units of analysis are selected through intentional selection based on specific characteristics to achieve the research study objectives and ensure the depth of inquiry of the research (Ritchie *et al.*, 2003).

Non-probability sampling methods include convenience, snowball, purposive, and theoretical sampling. This study used the purposive sampling method. Purposive sampling is the selection of research subjects in the sample based on their ability to further the research study's aims and answer the study's research questions (Ritchie *et al.*, 2003; Lewis, 2003). The sample possesses criteria of informality or has been subjected to a specific experience or lived experience of the phenomenon under study.

According to Bryman (2016), the sampling approach guides the research questions and leads to the sample being fixed relatively early in the research process. Using purposive sampling will assist the research study by selecting participants who fulfil the criteria (Bryman, 2016). The intentional selection of participants enabled the study to explore and discover the research question in sufficient depth and breadth. Participants are categorised into two distinct groupings: i) key stakeholders and ii) informal entrepreneurs.

The sample with critical stakeholders in the business support ecosystem included representatives from a municipality in the study region, the SEDA regional manager for the district, a private sector support organisation, and the district's largest informal sector business chamber.

Furthermore, interviews were conducted with informal entrepreneurs to obtain their experiences and insights on the available support and define support needs from their perspective. There was a concerted effort to include informal entrepreneurs from various sectors. Table 1.1 below illustrates a summary of the key stakeholders interviewed.

Table 1.1: Summary of key stakeholders interviewed

Code	Stakeholder	Age	Gender	Informal Economy experience (in years)	Education	Institution / Organisation
SH1	Regional Manager SMME Support (Government Agency)	55	Male	30	Postgraduate	SEDA
SH2	Local Government LED & Tourism Manager	45	Female	20	Postgraduate	Mossel Bay Municipality
SH3	Private Sector Support	51	Male	15	Postgraduate	Start-Up Tribe (private sector support)
SH4	Informal Traders Association Chairperson	59	Male	35	Grade 12	Chairperson of Informal Traders Association (Township) and Business Chamber board member

The stakeholder participants consisted of well-experienced individuals actively involved in the business support ecosystem supporting informal entrepreneurs and their businesses. These individuals included a broad range of stakeholders, from a Small Enterprise Development Agency (SEDA) Regional Manager, a Local Economic Development (LED) and Tourism Manager, a CEO of a private sector organisation supporting informal entrepreneurs through an online portal in the Mossel Bay Municipality, and the Chairperson of the largest informal traders association in the district. Their experience ranges from 15 years to 35 years of experience, and all of them are well-educated and professionals in their own right, with postgraduate qualifications and management training.

Table 1.2 below summarises the informal economy entrepreneurs interviewed, with some of the critical characteristics of the main enterprises they are currently running, their demographic information, and their experience in years as participants in the informal economy.

Table 1.2: Summary of informal entrepreneurs interviewed

Code	Experience	Main Business Activity	CIPC Registration	VAT Registration	Income Tax Registration	No of Employees	UIF Registration	Support Accessed
IE1	20	Retail trade/ Agriculture	Yes (Retail trade) No (Agriculture)	No	Yes (Retail trade) No (Agriculture)	2	Yes	No (Retail trade) Yes (Agriculture)
IE2	15	Hospitality	Yes	No	Yes	2	Yes	Yes
IE3	30	Retail trade	No	No	No	2	No	No
IE4	26	Retail trade	No	No	No	3	No	No
IE5	12	Construction	Yes	Yes	Yes	mostly projects	Yes	Yes
IE6	29	Financial services (funeral policies)	Yes	No	No	No	No	Yes

The informal entrepreneurs consisted of experienced individuals operating as informal entrepreneurs for periods ranging from 12 years to 30 years. The informal entrepreneurs represented various economic sectors, with 3 of the 6 entrepreneurs from the retail trade sector (50%) and one each from the hospitality, construction, and financial services sectors, while another entrepreneur also runs a small agriculture business. The agriculture concern is mostly subsistence-based farming. Most of these enterprises (66%) were registered with the Companies and Intellectual Property Commission (CIPC), with only 1 of the 3 retail traders registered or formalised in a business form. Furthermore, 5 of the 6 informal enterprises were not registered for VAT, and 3 of the 6 were not registered for income tax. All of the enterprises employed less than five employees and 3 of the 6 were registered with the

Unemployment Insurance Fund (UIF). Of these entrepreneurs, 3 of the 6 entrepreneurs indicated that they accessed formal business support in one form or another. All the entrepreneurs in the retail trade sector (50%) indicated that they had not accessed any formal business support but, in all likelihood, were indirect recipients of support in the form of training and mentorship over their entrepreneurial careers.

Non-probability sampling allows the researcher to select study participants as the research progresses through the analysis stage (Ishak & Bakar, 2014) until the data saturation point is reached. Data saturation is where no new information through new insights, themes, or views is added through the data collection effort. Furthermore, Patton (2015) cautions that data saturation can be reached if the sample is too narrow, the data collection method does not generate sufficient information, and a skewed analytical perspective is adopted in depth and breadth. Data saturation, therefore, can be perceived at the level of the data as a whole or at the individual level where the data is collected from the participant. The researcher will aim to be flexible in his approach to the study and consider saturation throughout the various stages of the research (Saunders *et al.*, 2018). Furthermore, Saunders *et al.* (2018) confirm this approach and conclude that data saturation should be considered integrally in data collection and analysis. The authors further note that data saturation should not be viewed as a once-off event occurrence, but rather that saturation is attained at different levels of the research process.

The following section on data collection elaborates on the purposive sampling procedure used for selecting participants in data collection through the selected research instruments.

1.5.4 Data collection

Research methods can be distinguished based on epistemological position, specifically qualitative and quantitative approaches (Bryman, 2016). Qualitative approaches focus on meaning in context and require a data collection instrument that captures the underlying essence of the data collection process. In qualitative research, the researcher is critical as the activities involve interviewing, gathering evidence, and analysing in natural settings (Merriam & Tisdell, 2016). According to Driscoll (2011), decisions on the data collection type follow once a research question is clearly defined. According to Neuman (2014), qualitative studies are flexible because the research question can alter or expand as the research process evolves. The flexibility in qualitative research often leads to refining the research topic later in the research process by discovering new insightful information. The fluidity offered by qualitative studies is in direct contrast to quantitative research.

Data collection happens from primary and secondary data sources (Merriam & Tisdell, 2016). Qualitative research allows the researcher to clarify and validate information collected for accuracy and analyses responses virtually instantaneously.

1.5.4.1 Primary data

This study was conducted through semi-structured interviews with key informants to gather information from informal entrepreneurs and other key stakeholders in local government, support agencies, and business support organisations. The use of interviews was appropriate to solicit experts' opinions on the specific subject matter. Potential participants were recruited through direct physical recruitment in the already-known informal trading spaces within the Mossel Bay Municipality and through the forums created by the Municipality and other support institutions, such as SEDA. During these engagements and through direct contact in their business spaces, the potential participants were approached for their willingness to participate in the study.

Patton (2015) describes that interviews in qualitative research aim to understand the experiences of research subjects in their natural setting. According to Patton (2015), using interviews as an inquiry tool in research creates a platform to gather someone's perspective on their lived experiences. Furthermore, the author emphasises that the quality of interview information depends on the interviewer asking the right questions, observing and assessing the responses, and maintaining a good relationship.

In semi-structured interviews, the researcher uses open-ended questions related to the research topic to encourage participants to go into sufficient depth (Driscoll, 2011). It was, therefore, critical for the questions to be adequately structured. The proper question structuring ensured that questions are straightforward, avoiding leading questions and not asking multiple questions simultaneously, unless further clarification was needed in framing the question. In addition, Bryman (2016) confirms that semi-structured interviews allow the researcher to ask questions not necessarily in sequence.

Semi-structured interview guides (Annexures 1 - 4) directed the interview sessions with individual participants. The participants comprised informal entrepreneurs (according to Figure 1.1) and key stakeholders (according to Figure 1.2) active in supporting informal enterprises, such as the local municipality LED department, SEDA, and other role players in the business support ecosystem. The guides facilitated conversations with key informants and stakeholders. The interview guides were available in English, Afrikaans and isiXhosa, and were conducted in the mother tongues of participants to ensure respondents expressed themselves clearly. There were exceptions where the respondent elected to participate in English. In those cases, the researcher observed that these individuals were fully proficient in English. The open-ended question structure allowed the researcher to probe further and adapt to the responses from the research participants.

1.5.4.2 Secondary data

Secondary data was an essential source of information to inform the research study. Secondary data is pre-existing information already collected and published for public consumption (Clark, 2005). Secondary data is much less resource-intensive and is less costly to collect. The secondary data sources for this research study include statistical survey reports, research reports, published books, articles from academic journals, newspaper articles, academic papers and information from websites covering the

research topic.

The secondary data provided the background for the study and played a critical role in supporting the primary research question. The secondary data collected also offers an additional perspective to primary data and provides a base on which primary research data collected are compared (Lewis, 2003). In addition, further exploration of some of the components of the secondary data is possible in some instances. A significant advantage of secondary data is its efficiency in terms of time and cost savings (Johnston, 2014).

There are, however, some limitations with secondary data, specifically on the methodological assumptions of the secondary data sources, which sometimes need to be clarified. According to Johnston (2014), the potential disconnect is where the researcher explores secondary data for the specific research questions. For this reason, the researcher was mindful when using secondary data, which may have a purpose for distinctly different research purposes.

1.5.5 Data analysis

The data analysis phase is critical for the research study and in drawing meaningful conclusions based on the data collected. The qualitative methods followed are not as well-defined as in quantitative studies. Data analysis rules are absent in qualitative studies (Bryman, 2016) compared to quantitative studies, and data analysis is constantly forming part of the research process. The data analysis runs concurrently with the data collection process. It commences early in the research process due to its sometimes messy and discursive nature (Spencer *et al.*, 2003), whereas, in quantitative research studies, data analysis is embarked on in sequential steps only after data collection.

Data analysis is reducing large amounts of data collected (Neuman, 2014:477) "systematically to organise, integrate, and examine" data to transform it into meaningful information. This transformation is achieved by interpreting the data and disseminating it for patterns and relationships within the data (Neuman, 2014). They were connecting data further analyses concepts, trends, and themes. Inductive reasoning and comparative analysis are critical for making data analysis effective in research, especially in organising and transforming data into categories and concepts (Merriam & Tisdell, 2016). This data analysis and dissemination type broadens the knowledge framework and understanding of the study area.

The research study used thematic coding to organise the data collected. Coding is a fundamental qualitative research method that enables specific patterns and themes by generalising the data collected through interconnections between data (Bryman, 2016). The interconnections between data can unlock the phenomena existing within particular concepts. Bryman (2016) further notes that coding has limitations, specifically if data are used out of context, contributing to the lost key message.

The data analysis method used in the study was thematic data analysis and is closely related. The purpose of the research, which is to understand the informal economy participants' challenges. The investigation was done by arranging the data based on themes identified by research participants during

the study and, in this way, linked the themes and concepts identified. Themes are those categories identified during the coding procedure, closely aligned to the research questions (Punch, 2009), and provided a theoretical basis to make sense by interpreting the research data meaningfully.

1.6 Ethical considerations

There are various ethical issues to consider when conducting research. Research ethics are the rules, laws, and guidelines for conducting research. According to Israel and Hay (2006), researchers are responsible for protecting the research participants, dealing with integrity, and conducting research professionally with the necessary sensitivity not to harm the research participants.

The research study obtained ethical approval through the Research and Ethics Office and the General/Human Research Ethics Committee (GHREC) of the University of the Free State before commencing any research processes. The ethical clearance number for the study is UFS-HSD2022/1624/22. See Annexure 8 for the ethical clearance approval certificate. The ethical approval process ensured that all research risks were assessed and considered the sensitivity of the questions directed at the research participants.

A critical ethical measure was ensuring the confidentiality and anonymity of the research participants and that any information exchanged during individual interviews remains privileged. Confidentiality will be maintained by ensuring that participant data records are not readily identifiable and that information is stored safely and not shared with third parties. The nature of qualitative studies permits the researcher to collect information anonymously (Driscoll, 2011) and conclude findings without revealing the source of information disseminated.

Cresswell (2009) notes that the researcher must inform research participants of the focus of the study. The information includes outlining the research study's aims and objectives and clarifying expectations. In addition, the written consent, commonly called informed consent, will indicate the purpose of the research and advance the principles of no deception. The no deception is based on ethical standards seeking to ensure the safe participation of study subjects in research through providing truthful information and does not misinform study subjects in any form. The informed consent process informed research participants about their rights, that their participation is voluntary, and that they can withdraw at any stage if they wish to do so. The informed consent will use the written consent as the basis for the "agreement" (See Annexures 5, 6 & 7). By consenting, the research participants agreed to participate and expressed that they were fully aware of their rights and conditions of participation. The research participants were informed that their participation was entirely voluntary and that they had the right to withdraw at any given point during the interview without any questions or consequences should they feel uncomfortable. Furthermore, they were sensitised on their right to withdraw or deny answering any question directed at them during the interview. The research will not embark on harmful practices that could potentially damage any research participant or other human being.

1.7 Validity and reliability

According to Bryman (2016), the validation and reliability of research largely determine the outcome of the investigation in terms of quality. Furthermore, the author questions the applicability of reliability and validity in qualitative research or at least the use of the terms by stating that validity has to do with measurement, which is connotated to quantitative analysis by default.

Reliability is the process followed in the research to enable consistency and stability in the research work. Miles, Huberman and Saldaña (2013) confirm the view of Bryman (2016) that reliability is concerned with the quality and integrity of the research. For this research study, the reliability of the research hinged upon several factors. The study design supported the research questions, and the research questions, in turn, addressed the research objectives. Furthermore, the reliability of data collection and other research operation processes (Miles, *et al.*, 2013) was secured by through data quality and analysis checks and peer review measures were practically in place.

Validity in qualitative research concerns the objective truth of research and checking the evidence for consistency. In this research study, the researcher reviewed and confirmed that evidence of recordings, interview transcripts, and documentation is consistent and should question whether research participant experiences are firsthand knowledge or possibly misrepresented out of self-interest (Neuman, 2014). Other forms of validation also ensure that research participants agree with the conclusions drawn from their research input. According to Miles, Huberman and Saldaña (2013), the validity of research is ensured by using other analytical procedures to confirm evidence or explanations tendered for differences, such as triangulation. In this study, the researcher used theory triangulation by approaching and looking at the study from multiple perspectives to ensure that the researcher looked beyond the obvious explanations. In the analysis, therefore, alternative explanations were considered for responses received and, in so doing, confirmed the validity of the research.

1.8 Conclusion

With due cognisance of the existing gap between the available business support and required support, the informal economy's support needs can be determined by answering the above research questions. This is significant given the potential role of the informal economy in catalysing growth by providing economic opportunities to those who would otherwise be excluded from the formal economy.

The following chapter deals with a review of relevant literature for this study to gauge prevalent challenges for informal enterprises and entrepreneurs on a local, national, regional and international basis.

CHAPTER 2:

LITERATURE REVIEW

2.1 Introduction

In the previous chapter, the background of the study, the problem statement, the research objectives, and the research design were discussed, and this chapter will deal with the literature review.

The literature review entails a critical review and exploration of relevant literature on the informal economy landscape on an international, regional, and local basis to understand the current challenges. The literature review will focus on the informal economy as a phenomenon in developed and developing economies with specific reference to the African and South African contexts. In addition, the review will explore the structural aspects affecting informality and the impact on developed and developing economies. Furthermore, it will consider the relative size of the informal economy in the respective economies and the increasing incidence of informality in developed economies and spaces previously thought not associated with the informal economy. It also explores the policy measures and approaches broadly adopted within developed and developing economies. In the South African context, the intention of the relatively new policy strategy, the National Informal Business Upliftment Strategy (NIBUS), is being formulated. Formalisation efforts are driven mainly through Recommendation 204, adopted by the ILO in 2015. The review further discusses from a developed, developing, and South African context and literature evidence that formalisation's focus is broader than the regulatory perspective in reducing the informal economy's size. Therefore, given the informal economy's size and the formal economy's inability to provide enough opportunities, the focus should be on creating a supportive and enabling environment for growth opportunities for the informal economy and its participants.

2.2 Concept and Definition of the Informal Economy

Since its "discovery" in the early 1970s, the informal economy has broadened as a concept and phenomenon (Chen, 2012). In the earliest definition, the informal economy, conceptualised by Hart (1973), referred to the labour force working outside the formal labour market. Initially, the thinking was that the informal economy was predominantly prevalent in developing countries. However, the ILO (around 1972) states that avoiding government regulations and taxes drives informality. Various attempts at defining the informal economy throughout the next two decades led to the eventual adoption of the tentative definition of the informal economy adopted by the ILO in the early 90s (Charmes, 2012), which is for measurement and data collection purposes for official statistics reporting.

The ILOSTAT (1993) 15th International Conference of Labour Statisticians (International Labour

Organization Statistics (ILOSTAT), 1993) defined the informal sector as "all unincorporated economic units not registered and not registering their employees, and under a size threshold of five (5) permanent paid employees". This definition is known as the establishment or enterprise-based definition. In this definition, the concept of the informal economy clearly distinguishes the informal economy from the hidden economy (Charmes, 2012). This definition did not include informal employment, and there was pressure to retain employment informality in statistical reporting, which eventually led to the ILCs adopting an expanded definition in 2003.

The ILOSTAT 17th ILCS (International Labour Organization Statistics (ILOSTAT), 3 December 2003) expanded the enterprise-based definition to include individuals and certain types of informal employment (Chen, 2007). These relationships refer to those informally employed and informal workers employed in the formal sector through informal relationships. These worker groups are those individuals not enjoying social protection or who do not have an employment relationship formalised through a written contract. The expanded definition is a manifestation of the evolution in real-world labour dynamics. The nature of employment arrangements has changed quite considerably from earlier periods. Another difference in the literature is between output and employment informality (Ohnsorge & Yu, 2021), measured by total production and employment in the informal economy.

On a global level, the informal economy definition is primarily based on the context within which it is used (Rosaldo, 2021). The context of the definition arises from the extensive array of activities under the informal economy concept, which could lead to the over-generalisation of the idea. The breadth of the definition points to the informal economy's heterogeneous nature (Ohnsorge & Yu, 2021). Furthermore, the informal sector displays heterogeneity traits and differs substantially between countries (Fourie, 2018). According to Fourie (2018), the variation in traits is attributable to the unique histories, varied social structures, economic disparities, and cultures prevalent in countries, amongst other factors. Another distinction commonly adopted is based on the causes of informality. Informality emanates from weak governance or underdevelopment (Ohnsorge & Yu, 2021). The literature proposes different courses of broad policy measures addressing the leading causes of informality, most notably in the right mix and country-specific contexts.

It is, therefore, critical to distinguish between some of the terms used interchangeably for describing informal economic activities. These terms are the informal sector, informal employment, and informal economy. It is essential to distinguish between these terms based on the ICLS understanding.

The informal sector refers to all the economic activities in small, unincorporated, or unregistered enterprises. The characteristics of the informal sector are legal or registration status, size, and the keeping of accounting records (Benjamin, *et al.*, 2014). Legal status refers to an enterprise's registration or incorporation status with the relevant government agencies responsible for business registration (Ulysea, 2020). Similarly, there is an argument that an enterprise registered should not automatically be regarded as formal (La Porta & Shleifer, 2014). There are incidences of hidden enterprises participating in illicit activities and enterprises that only partially comply, although legally registered.

The size criterion refers to the number of employees actively employed in the enterprise, specifically where fewer than ten permanent employees are also categorised as informal (Charmes, 2012). This number is the upper limit defined in the ILO approach, and countries have the discretion to define in their official statistics the limit regarding the number of employees to be considered as an informal sector enterprise (Benjamin *et al.*, 2014).

Informal employment refers to employment relationships without social protection benefits, employment not subjected to income tax, and relevant labour legislation applicable in the country (Organisation for Economic Co-operation and Development, 2019). Informal employment refers to employment within and outside the informal sector, specifically as informal employment relationships exist in the formal sector.

The contentious nature of the definition of the informal economy, which is spectrum-based, focused on a continuum of characteristics relating to registration status, tax status, accounting recordkeeping, and size, among other factors. This continuum of features leads to different degrees of informality, especially considering the different country conditions and their integration into the official statistical frameworks countries adopted (Benjamin, *et al.*, 2014).

The expanded definition of the informal economy adopted by the ICLS is widely incorporated globally into official statistics. In official statistical reporting, specific criteria relating to registration status, tax status, and size are the main factors for classifying businesses as informal. Dell'Anno (2021) emphasises that the definition adopted for statistics reporting enables the measurement of the informal economy as a requirement for statisticians. The author further suggests that the economist's perspective is interested in understanding the causes and consequences of the informal economy (Dell'Anno, 2021). Furthermore, in South Africa, Statistics South Africa (2019) applies the definition agreed to by the ILO and adopted by the ICLS. Informal enterprises are defined based on their taxation status, specifically their Value Added Tax (VAT) and Income Tax registration status, in addition to the size criterion.

2.3 Informal economy theory

There are numerous theoretical frameworks advanced for understanding the informal economy. The concepts and definitions discussed in the previous section are critical in understanding the informal economy, especially with the vast and varied understanding of concepts and definitions. Some of the theories advanced as the basis for the informal economy existence lie in the modernisation theory, neo-liberal theory, political theory, and institutional theory (Williams & Kedir, 2018). The researcher will briefly cover the theoretical framework advanced by Chen (2012), which explains the informal economy by its varied heterogeneous nature; historically, informal economic theory has concepts and definitions linked to it, which is approached from four distinctive perspectives. These historical perspectives remain relevant today and can be used integrally with advanced thoughts to gather perspectives on the drivers of the informal economy, which have a different face globally.

The informal economy is based on these four distinctive schools of thought (Chen, 2012). These unique considerations provide a theoretical framework for understanding the informal economy's causes, nature, makeup, and evolution of the informal economy. According to Chen (2012), there is broad differentiation in this economic segment, but does concede that informal economy participants generally lack security in the form of labour and social and legal protection.

A brief review of the approaches undertaken in the predominant informal economy theories will provide a basis for the historical causal factors for informality, either necessity or opportunity-driven.

2.3.1 Dualist approach

In the dualist approach, the informal economy is considered to be operating on the margin, with very little to no formal sector linkage, and it provides an income to the marginalised poor. Under this approach, the assumption is that those who enter the informal economy have no viable options in the formal sector. Generally, this approach suggests that informal economy participants are necessity-driven and that the informal economy is virtually unrelated to the formal economy.

2.3.2 Structuralist approach

The structuralist approach views the informal and formal economies as linked and regards the informal economy as structurally part of the economy. The informal economy is considered subordinate to the formal economy, and the informal economy, in some senses, needs to serve the interest of capitalism, providing cost-cutting options to the formal economy. This indicates some form of exploitation and that capitalist interests drive informality.

2.3.3 Legalist approach

The legalist perspective argues that informal economy participants operate informally to avoid the cost burden of compliance imposed through the bureaucratic processes associated with formalisation, and this is through their own choice. Informal economy workers are generally disadvantaged as they do not enjoy the social and labour protection benefits they would have enjoyed in the formal economy. Legalists argue that the government should reduce “red tape” by simplifying administrative and compliance processes for informal economy entrepreneurs.

2.3.4 Voluntarist approach

The voluntarist approach view is that informal economy participants' involvement in the informal economy is through their own choice, but with the intent to avoid legislative requirements and taxation. The voluntarist does not justify their informal economy participation, unlike legalists, who blame bureaucratic processes required for formalisation. The prospects of increased benefits underpin this approach if the tax and regulatory requirements could be intentionally avoided. This does not include illegal activities, although avoiding tax and regulatory compliance requirements is transgressing

relevant country legislation in all likelihood. There is an argument that the informal economy should be regulated to eliminate unfair competition and increase the tax base.

2.4 Informal economy in developed economies

The incidence of the informal economy in developed countries is more prevalent than initially anticipated. It can be found in countries spanning the development spectrum, albeit at different incidence rates (La Porta & Shleifer, 2014). Informality in developed countries appears in informal sector enterprises. The employment arrangements with workers and job types (Ulyssea, 2020) characterise the informality. This informality mainly occurs in large and highly productive firms with the evolution of the “gig economy.”

The Global Entrepreneurship Monitor 2019/2020 Global Report (Bosma *et al.*, 2020) reports that for five economies, the United States, Netherlands, United Kingdom, Brazil, and Spain, having participated in all the GEM research from 2001 to 2019, only Spain has experienced a decrease in Total Entrepreneurial Activity (TEA) over this period. The TEA indicates the rate at which the working-age population is either a nascent entrepreneur or owner-manager of a new business.”

In the primarily developed economies of the European Union, increasing regulation contributes to the cost of entry and operating a formal enterprise. These barriers have pushed enterprises to the informal sector (European Union & OECD, 2015). The report further suggests that a large informal sector is a significant inhibitor to development in developed economies. In the developed economies, primarily due to an unfair advantage over formal sector enterprises, a smaller tax base, and the general attitude or culture it can create in these otherwise compliant societies.

Carré (2017), in his study, contends that informality in developed countries manifests within formalised businesses' rough informal employment arrangements in alignment with their strategies and practices relating to labour standards or employment-related social protection. Inevitably, along this spectrum, informal jobs are also creating informal economic activity, characterised by non-registration and outside the “tax net”.

The European Union and the OECD (2015) note that one of the disadvantages for informal entrepreneurs is their constrained capacity to grow beyond a particular level (European Union & OECD 2015). The constrained growth trajectory indicates their inability to access finance or participate in support programmes available to informal enterprises, impacting the survival of informal economy businesses.

Policies with a formalisation agenda potentially impact business continuity for informal enterprises. Business continuity for informal enterprises is threatened by additional cost implications and policy prescriptions driving the formalisation (La Porta & Shleifer, 2014). The authors highlight that a competent cadre of skilled and educated entrepreneurs can primarily advance formalisation efforts.

2.4.1 Policy interventions in developed economies

From a regulation perspective, developed economies have more regular regulation and enforcement practices, affecting the informal sector's size (Carré, 2017). The informal sector is, therefore, minor in developed economies. The size of the informal economy in developed economies is partly attributable to the social protection regulations, labour rights, and safety net policies in developed countries, evidence of capable government capacity (Williams, 2014b).

Williams (2014b) notes four policy choices for regulating informal sector entrepreneurship. These choices are: 1) Do nothing, 2) Deregulation of the formal economy, 3) Eradicate informal entrepreneurship, and 4) Formalising informal entrepreneurship (Williams, 2014b). The author further elaborates that a combination of policy alternatives could mitigate some of the negative impacts of a formalisation agenda (Williams, 2014a). Furthermore, Williams (2014a), formalising informal sector enterprises, concludes that the most viable option for informal entrepreneur enterprises.

2.5 Informal Economy in Developing Economies

For a long time, the informal economy phenomenon has been associated directly with developing countries (Habib-Mintz, 2009). In most developing countries, employment in the informal sector is around 70%, while production in the informal economy comprises 30% of GDP (Loayza, 2018). Ohnsorge and Yu (2021) present evidence that the informal output in developing economies consists of an average of 33% of official GDP, while employment informality makes up 42% of total employment. However, there is a gradual decline in these developing countries in the informal economy share of total production. The size of the informal economy is, therefore, strongly correlated with countries' economic development levels. Estimations of the size of the informal economy based on the percentage of Gross National Income (GNI) indicate that the average size in developing countries is 41%, in transition countries at 38%, and in developed countries, predominantly the OECD countries, at 18% (Chambwera *et al.*, 2011). The higher percentage of the informal economy in emerging economies indicates the informality share in developed economies, which points to higher government capacity and incentives towards formality in better-resourced country settings (Fourie, 2018).

The level of informality is affected by the education levels of entrepreneurs. Reports indicate that the level of informality decreases when the education level increases (International Labour Organization, 2018). According to Ohnsorge and Yu (2021), the direct correlation between the level of high employment informality is evident. Benjamin, *et al.* (2014) propagate that access to social services is essential to informality. The author further contends that informality is more likely to occur among workers and entrepreneurs with little to no schooling and those entrepreneurs who have not completed primary education at a minimum.

The same occurrence of informality applies to people in marginalised settings, such as rural areas, and specific sectors, such as agriculture and household services. However, informality is an increasing

phenomenon among the urban poor. The informality phenomenon needs consideration from a broad perspective, specifically in economic, political, and spatial contexts (Banks, *et al.*, 2020). In reviewing the informal economy, avoiding a narrow sectoral view will positively impact such enterprises' development trajectory.

A study in the greater Kampala region confirmed this constrained capacity to grow in a developing economy. The study found that a minor share of the informal sector will likely increase (Kathage, 2018). Further evidence by Kathage (2018) found that only 18% of informal enterprises have the necessary characteristics and propensity to grow. The study further indicates that many firms (nearly 40%) had no intentional plans to grow their business and that necessity-driven entrepreneurs drive a large share of informal economic activity. Furthermore, it finds that only 13% of informal enterprises have access to market opportunities driven by opportunity.

A supportive policy environment enables SMMEs to participate from a livelihood and economic perspective, especially in the informal economy as informal enterprises (Rogan & Skinner, 2017). Participating and integrating into value chains for informal enterprises is a catalyst for inclusive economic growth.

2.5.1 Policy approach in developing economies

The approach to policy setting is significantly different in developing economies and even between countries in the developing world, depending on specific economic circumstances (Ohnsorge & Yu, 2021). In setting policy interventions, it is imperative to understand the causes of informality. The dominant perspectives on the causes of informality are either under-development or weak governance capacity (Loayza, 2018).

Underdevelopment as a cause of informality is attributable to structural factors. These structural factors include the lack of capital, low educational levels, and specific socio-demographic characteristics (Loayza, 2018:2). Policies addressing the informality resulting from underdevelopment should increase labour and firm (output) productivity. The achievement of improvement in productivity through implementing measures addressing the structural deficiencies in the economy (La Porta & Shleifer, 2014).

Weak governance capacity primarily refers to inefficiency on the part of the State to create a conducive environment and over-regulation of the economy. This failure on the part of the State leads to compliance costs exceeding the benefits for formal economy participants, resulting in a move toward the informal economy (Loayza, 2018). Policy measures, therefore, should be directed at setting an appropriate mix of regulatory interventions and access to public services.

The policy environment on a global level is a critical enabler of the informal economy to make a meaningful impact and macro-economic contribution. Policy frameworks attempt to create a supportive policy environment and foster economic growth and development through broad-based financial inclusion. The policy framework creates a conducive climate for businesses to start up and function

effectively, specifically beyond the survivalist period (Herrington & Kew, 2018).

Ohnsorge and Yu (2021) emphasise substantive policies suited to the country's economic context. It also offers the view that lessons from the past indicate that policy failures result from insufficient consideration of the country's economic contexts coupled with policy weaknesses and failure in policy implementation and related unintended consequences (Ohnsorge & Yu, 2021).

The heterogeneous nature of informality requires a balanced policy mix appropriate to a country's specific economic circumstances and "region-specific factors" (Organisation for Economic Co-operation and Development, 2019). The region-specific factors relate to the level of social protection coverage, effects of conflicts, and trade policies in force in a region. The report further notes a mix with measures to reduce compliance costs and other measures to improve output outcomes for informal enterprises and productivity for informal employment. These measures encompass providing social protection over and above formalisation, which might not always be a feasible option for informal participants from a cost-benefit perspective. Through the right policy mix, the informal sector participation could be reduced by adopting enforcement measures (Loayza, 2018) and eradicating corrupt and improper practices.

The policy measures to address the informal economy are direct and indirect controls, contributing to the cost of compliance and the perceived benefits of operating in the formal economy (Williams, 2014a). The policy environment will include broad measures aiming to be effective and balanced and, in this way, contribute to developing the informal economy towards more inclusive growth. Chen (2012) contends that change in the informal economy by creating more decent jobs, regulation, state social protection, and formalisation will increase the overall economic contribution and influence the implementation of policy interventions. These perspectives relate to reducing formal activity costs (compliance) and increasing the potential benefits of formal sector participation (Ohnsorge & Yu, 2021). These interventions are primarily in tax compliance, the ease with which such compliance happens, and the benefits of such compliance, for example, the adoption of value-added tax, which could lower tax burdens through refunds of input taxes.

Ulysea (2020) elaborates that the most effective policy measures reduce the costs of operating in the formal sector compared to reducing the costs of entering the formal sector. The author contends that lowering the costs of running or increasing the benefits of working in the formal sector significantly impacts graduation into the formal sector.

2.6 Informal Economy in Africa

Informality from an informal employment perspective ranges well into the mid-80% range for Africa and sub-Saharan Africa. According to the OECD (2019:27), this varies considerably between "South Africa at approximately 34% and above 90% in most African countries". In Sub-Saharan Africa, the share of the informal economy in low-income countries averages around 40% of GDP. In middle-

income countries in the region, the informal economy share is lower at an average of 35% (Medina *et al.*, 2017). This figure also varies considerably between countries in the region. This results from the different levels of socio-economic development, coverage in social protection, percentage of formally employed earners (Organisation for Economic Co-operation and Development, 2019), and other structural factors such as the rate of the employed population. This phenomenon is evidenced in Southern Africa, with its relatively higher levels of development than the rest of Africa. In South Africa, for example, the decline in informality was closely correlated to a reduction in poverty.

The broad focus in sub-Saharan Africa is on investing in human capital and access to finance and resources, all consequences of underdevelopment and limited capability of governments in the region (Ohnsorge & Yu, 2021). The authors further contend that implementing policies to support the informal economy in the area seems to be a realistic option, especially given the dominance of the informal economy in the regional economy. This supportive policy mix, coupled with addressing improvement in output and productivity, will provide a market opportunity for informal firms to offer an improved value chain. The enhanced value chain improves participation directly in the formal economy and provides a fertile basis for development.

The informal economy in Kenya is estimated at around 77% (Murunga *et al.*, 2021), in stark contrast to the share in South Africa at 34%. This high proportion of informal economy participation poses challenges to loss of tax revenue, as informal economy participants are inclined to under-report income and over-estimate expenditure. The informal economy is, however, a major source of employment due to the size of the segment of the economy, with estimates of employment in the informal at 83% and can be found in all economic sectors. Although key interventions support the policy environment in Kenya, challenges are still experienced by the informal economy. These constraints relate to the cumbersome regulatory environment, market access, lack of credit, inadequate linkages between informal businesses and the uncertainty around the cost of doing business, amongst other factors.

Nigeria, as one of the countries with the highest informal economy, has an informal sector share of GDP, which ranges between 55% and 67% (Ifechi-fred, 2023). The informal economy in Nigeria is the cornerstone of their economy. The visibility issue of the informal economy is critical, and indications are that this informal economy is not accounted for in official statistics, such as in the GDP. Given the size and magnitude of the Nigerian informal economy, this lack of visibility poses severe challenges to country development planners and policymakers. This also excludes illegal and illicit activities. In terms of employment, estimations are that more than 80% of workers are employed in the informal economy (Olubiyi, 2023). Consistent growth is reported in the informal economy over decades, caused by the macro-economic situation and context of the country. These are driven by factors such as failure in regulation and policy implementation, coupled with an ever-expanding population, unemployment, educational challenges, poverty, a growing inequality gap, general poverty and the ease of entry into the market as no registration is needed with government agencies to operate in the informal economy. The informal economy in Ghana as a share of GDP is estimated at 35.6% (Anafo, 2023). The Ghanaian

economy is categorised into a rural and urban informal sector and is found across all economic sectors. The informal economy employs 89% of total employment in the economy (Baah-Boateng & Vanek, 2020), with variations between urban and rural employment. This implies that a large proportion of the working population does not have social protection benefits as they are not registered and unregulated, with little to no job security.

There remains little to no incentives to formalise business in Ghana (Haug, 2014), and informality is further driven by the government's tax and compliance burden, bureaucracy and lack of business support. Haug (2014), further states that political attitudes need to change toward the informal economy, especially given the enormous share of the informal economy.

Overall, in sub-Saharan Africa, employment in the informal sector is at an average of 67.6%, making it the highest informal economy participation in the world, which is closely aligned to the structural challenges presented in the respective economies in the region.

2.7 Informal Economy in South Africa

The South African informal sector is relatively small compared to other developing countries. The relative size of the South African informal economy, based on the labour market, is around 16% of GDP, compared to the 53% average in sub-Saharan Africa (Fourie, 2018). A study by Rogan and Skinner (2020) confirms Fourie's size estimation of the informal economy (2018).

There is an assertion in South Africa's National Development Plan (NDP) that the informal economy will absorb formal sector job losses. However, according to Rogan and Skinner (2017), the assertion that the informal sector acts as a “buffer” for the formal economy does not hold. The evidence supports this assumption, with no evidence of directed action plans supporting this. The evidence from Skinner and Rogan (2019) suggests that although the informal economy acts as a buffer for deficiencies in the formal economy in recessionary times, more policy strengthening is needed to support the informal economy, especially when the formal economy is in a depressive state. The informal sector job creation targets in the National Development Plan (NDP) affirm that the informal economy will remain an essential contributor to job creation at consistent levels around the baseline of 22.3% for all future scenarios assumed in the NDP (National Planning Commission, 2010).

In analysing the most recent Quarterly Labour Force Survey (QLFS) data for the 2nd quarter of 2023 (StatsSA, 2023), the informal employed labour force showed a slight increase year-over-year at 2.2%, but still at a slower rate than the formal sector for the same period at 6.9%, and excludes agricultural employment. The structural inequity inherent in the South African economy and constraining factors contribute to entry barriers, sustainable growth, and survival for informal businesses (Smit & Musango, 2015). The impact of structural inequity is confirmed by Fourie (2018), who states that the inherent structural alignment of the South African economy constrains enterprise and employment growth (Fourie, 2018). Herrington and Kew (2016) focus their research on internal weaknesses and constraints

and find that factors such as lack of adequate skills, access to capital, and entrepreneurial characteristics, among other factors, impact (Herrington *et al.*, 2017). The weaknesses and constraints mentioned are crippling growth in the informal sector.

From a sectoral perspective, the informal sector comprises primarily retail and wholesale trade, with minimal participation in other sectors such as services and manufacturing (Lighthelm, 2006). The primary focus of these retail and wholesale businesses is affected by economic concentration and limited market opportunity for informal enterprises in the value chain. Economic engagement refers to situations where a significant portion of the output is under a small minority of companies, corporate groups, and even sectors. The concentrated nature of the informal sector lowers the potential for employment creation in specific sectors, such as manufacturing (Fedderke & Szalontai, 2009). The assertion of high concentration also applies to the retail or wholesale trade sectors, where most informal sector enterprises are active.

The concentration found in the informal economy contributes to the interconnectedness. The interconnectedness refers to the dependency relationship between informal sector enterprises and formal sector suppliers (Bernstein, 2020). In most developing economies, small enterprises produce many consumer products in the retail sector. Most large producers follow a differentiation strategy, targeting differentiated product offerings at different market segments, making it virtually impossible for entry from informal sector producers into established value chains. Entry into the services sector is more complex than the retail industry in the informal economy.

The spatial nature of the South African economy confines the informal economy participants mainly to townships, informal settlements, and rural settings, most of which are poor communities (Smit & Musango, 2015). Inhabitants of these communities face vast distances to reach service centres (towns), creating a competitive advantage and saving travel costs and time. Informal sector enterprises in the above-marginalised settings are removed from the mainstream economy and are not visible to the formalised establishment, hence also referred to as the hidden economy. Smit and Musango (2015) explore the concept of visibility further, where they find that the informal economy is invisible mainly due to the need for more conceptual consensus and interpretation. This conceptuality speaks to the overall experience and framing of what constitutes an informal business. In the South African context, since most of these informal businesses are in peripheral settings within marginalised impoverished communities, the importance of locality further aggravates this invisibility to the mainstream economy. This phenomenon equates to spatial poverty and directly results from the legacy of separate development propagated by South Africa's past segregation policy (Herrington, *et al.*, 2017).

2.7.1 Policy Approach in South Africa

In South Africa, the most critical policy document for the informal economy, the National Informal Business Upliftment Strategy (NIBUS), was developed in 2014 with a roadmap for implementation in 2016. The NIBUS addressed the need for more policy direction for the informal economy, specifically informal sector enterprises (Skinner & Rogan, 2019). The strategic focus of the NIBUS is on directing efforts to effect the graduation of informal businesses into the formal sector. An interesting perspective in the South African context is the relationship between the informal sector and the "township economy." Without a clear definition of the township economy, one could assume it will be a mix of the informal sector coupled with pockets of formal sector enterprises (Department of Small Business Development, 2014).

The policy environment in South Africa has not supported the development of the informal economy to achieve the country's development objectives (Fourie, 2018). The non-supportive policy environment disconnects national policy (NIBUS) and local government policies (Laframboise, 2019). The policy incoherence is also emphasised by the need for more support for SMMEs in the regulatory and legal environment (Nieuwenhuizen, 2019), consequently restricting SMME performance and growth.

The initial plan was to implement NIBUS aligned with provincial and regional development policies. According to Rogan (2018), the policy focus assumes that the informal economy is uniform and simple, which inevitably guides toward narrow policy solutions. The informal economy is more complex, dynamic, and diverse than recognised (Rogan, 2018). In understanding the diversity and complexity, policymakers could implement policy solutions with a much broader focus than the existing leaning towards financing and skills development.

Fourie (2018) furthermore states that informal economy policy should be approached from a segmented sectoral focus to understand better the informal economy and the structural factors underpinning the informal economy and improve policy and interventions in this sphere.

The policy focuses on transitioning informal enterprises to formal ones in South Africa and the most developed economies. The focus on formality indicates that the approach is biased towards the formal economy (Bu & Cuervo-Cazurra, 2020).

2.8 Formalisation

Formalisation strategies revolve around deterrence, incentives, and persuasion. Any formalisation strategy will combine a mix of these policy focuses (Ulysea, 2020). While deterrence and incentives focus on advancing the cost-benefit for entrepreneurs to transition to the formal economy, the third approach is the ethical aspect of complying through transitioning from the informal sector. Ulysea (2020) advances that reducing the costs of entering the formal sector only has a limited impact on formalisation and suggests that the regular enforcement of regulations singularly impacts graduation efforts in the formalised economy.

Fourie (2018) suggests that formalisation efforts should be seen in the more prominent development context and not solely from a regulatory perspective in the South African context. This broader view of formalisation (Fourie, 2018) provides an enabling and supportive environment for informal enterprises. The formal economy would only be able to satisfy developmental needs with the assistance of the informal economy.

There remain challenges in the South African context for formalisation. The challenges relate to the cost aspect and other compliance challenges, such as labour legislation, which are barriers to formalisation (Ntoyanto & Khumalo, 2021). These barriers make formalisation not a viable alternative to aid the livelihood and broader development discourse of the informal economy in South Africa.

In response to a need to create decent jobs and provide adequate social protection coverage, The International Labour Organization, at the 104th International Labour Conference in Geneva, adopted Recommendation 204 (International Labour Organization, 2015). This Recommendation, called R204, emphasises transitioning and formalising the informal economy to create decent jobs and formalise business arrangements. Recommendation 204, cited as Transition from the Informal to the Formal Economy Recommendation, 2015, provides a framework for countries to formalise the informal sector and address the informal sector's lack of social protection and primary workers' rights.

The framework guides policy and implementation support for bringing informal sector participants into the mainstream economy (European Union & OECD, 2015). Furthermore, Recommendation 204 emphasises regular consultations with employer and worker stakeholder groups. The formalisation approach has become the critical focus point for informal economy participants. Therefore, any formalisation strategy will depend on policy measures relating to deterrence, incentives, and persuasion (European Union & OECD, 2015).

Informal sector policy focuses mainly on formalisation. The impetus is especially on informal sector enterprises' regulation and tax aspects. The view espoused by Fourie (2018) is that formality is much broader than the singular focus traditionally placed on legal and tax status. The approach to formality proposed is that it should be more refined and differentiated.

Women in Informal Employment: Globalising and Organising (WIEGO) (2021) states that formalisation should be "an incremental process that begins by introducing appropriate incentives and benefits of formality and then progressively enforces compliance with the costs and regulations associated with operating formally". The report reinforces the view that formalisation consists of a mix of initiatives and is a gradual, highly contextual process based on macro and micro-economic factors.

In the developed economies of the European Union countries, fiscal incentives are the measure most actively pursued to reduce the informal economy to ensure the transition into the formal economy (European Union & OECD, 2015). As part of these fiscal incentives, tax deductions can reduce informal entrepreneurship in sectors commonly associated with informality. In these economies, the benefits exceed the costs of remaining in the informal economy and promote the formalisation agenda adopted mainly by the E.U. Commission and E.U. national governments. In Italy, a law was introduced to

provide a tax break to move informal entrepreneurs to the formal sector gradually. The intervention met limited success, and a key lesson is that tax breaks as an incentive should be part of a more extensive package that includes training, skills development, and advice.

Some other countries provide incentives to targeted vulnerable groups, which include the unemployed and other welfare recipients, while they develop new income-generating activities. This approach is common in Germany, Ireland, the United Kingdom, Denmark, and Sweden. In Italy, Spain, and Portugal, lump sums are provided equal to the amount recipients would have received in the welfare system.

A further approach is the provision of start-up funding to participants, more likely in Eastern European countries like Croatia, the Czech Republic, and Hungary. Another common approach is the provision of demand-side incentives to consumers to source products and services from the formal sector. These incentives are targeted at sectors dominated by informal entrepreneurship. The government directs consumers to use the formal sector by providing tax deductions and issuing vouchers to consumers, and in this way, subsidising specific sectors such as personal and household services, which is common in Germany, Italy, Denmark, and Belgium.

According to Philip (2012), formalisation brings additional costs for informal enterprises with few sustainable benefits. Furthermore, the author suggests a gradual process of formalisation. The gradual formalisation process entails aligning the enterprise's maturity level to the entrepreneurs' aspirations. The maturity level of the enterprise refers to the specific needs and feasible opportunities for growth given the lifecycle stage of the business.

The formalisation menu in this approach proposes that entrepreneurs determine the timing of measures and reforms on their journey towards formalising their informal business (Delechat & Medina, 2020) and resultant sustainable growth. Fourie (2018) concurs with this approach and emphasises that entrepreneurs determine the degree and type of formality appropriate for their enterprise. There remain enormous formal-informal linkages despite the policy agenda driving the formalisation agenda.

2.9 Formal-informal linkages

The economic concentration illuminates the linkages existing in the economy between the formal and informal sectors. The informal economy has backward and, to a lesser extent, forward connections with the formal economy (Chambwera *et al.*, 2011). The backwards linkages relate to using the formal economy to procure goods and services for the informal economy. The forward links connect to the use of the informal sector by the formal sector, for example, when the formal sector companies have contracting arrangements with informal sector enterprises to supply goods and or services directly.

2.10 Conclusion

Data suggest that informality has declined in developed and developing economies over the past few decades (Ohnsorge & Yu, 2021). This decline relates to both output and employment informality. A large share of the world's informal output (approximately 50%) and employment informality (around 90%) occurs in developing economies. Furthermore, the report by Ohnsorge and Yu (2021) indicates that the world's informal output is concentrated in three developing economic zones/regions.

The literature review illustrates the importance of the informal economy's components towards inclusive economic growth, ensuring a business is integrated into the mainstream economy if it is a particular need through targeted and appropriate business support interventions. These interventions complement and underpin market access opportunities and access to resources, including information and knowledge, to enable informal sector enterprises to grow beyond survivalist businesses. Targeted intervention for informal economy SMMEs will allow informal enterprises to fully exploit the opportunity to provide economic opportunity and poverty alleviation in the case of necessity-driven entrepreneurship.

Even with the relatively sizeable informal economy in South Africa, support measures for this sector are limited in the offerings supplied by the government, support agencies, and financial institutions (Nieselow, 2019). This general lack of support in the support ecosystem for informal economy participants is a significant inhibitor to the growth of these businesses. Ntoyanto and Khumalo (2021) emphasise the need for more adequate support. They suggest that government support programmes should consider the contexts in which informal economy businesses are created and operated. The context-specific support will contribute to the socio-economic development trajectory, ensure economic growth, and exploit the potential of the informal economy.

The following chapter disseminates the research findings from the data collected and analysed from the individual interviews with informal economy participants and stakeholders. The data was organised into themes and discussed through the analysis, with findings drawn from informal economy stakeholders' and entrepreneurs' insights into their experiences and support needs for sustainable growth.

CHAPTER 3:

RESEARCH FINDINGS

3.1 Introduction

The previous chapter entailed a literature review on the informal economy and provided theoretical insight into the informal economy in South Africa, Africa and internationally.

In this chapter, the researcher deliberates on the results and findings from the semi-structured interviews conducted with the research participants; such interviews were used to facilitate discussions. The research participants primarily comprised two distinct groupings: informal economy entrepreneurs and stakeholders involved in the business support ecosystem. The participants' details are summarised in Tables 1.1 and 1.2 in Chapter 1.

A total of four interviews were conducted with stakeholders. The stakeholders interviewed comprised SEDA (public sector support agency), the LED department of a local municipality, a private sector support organisation, and a local township/informal traders association chairperson. In addition, a total of six informal entrepreneurs were interviewed.

The data was analysed through thematic analysis and enabled the researcher to develop themes to apply the experiences and insights of the research participants adequately. Thematic analysis is a valuable tool to describe the phenomenon under study. It involves the recognition of patterns (Fereday & Muir-Cochrane, 2006), eventually enabling the identified themes to become the categories for analysis.

This chapter will present the thematic analysis results and the findings to impart the critical information obtained from participants in concurrence with the qualitative nature of the study. Furthermore, this chapter will include a discussion based on the results obtained from the study. Presenting the results will provide a basis for the analysis and interpretation of the results in the context of the research study's aims and objectives. The presentation of the findings and the discussion will be handled concurrently.

3.2 Demographic profile of research participants

The demographic profile of the two distinct groupings interviewed and summarised in Tables 1.1 and 1.2 in Chapter 1 is described below. A total of ten interviews were conducted with a spread of seven males and three females. Participants for the study were selected from the key stakeholders actively involved with the informal economy in the support ecosystem and with informal economy entrepreneurs who were willing to share their insights, experience, and perspectives on the support needs of these enterprises. There were some late challenges, with participants agreeing and then cancelling at the last moment. Several participants initially agreed but then would cancel and indicate that they were busy with their work and that their schedule would not allow them. They would then promise alternative

times only to withdraw at late notice again, further delaying the research study. This was often at the expense of special travel arrangements already made and personal schedules disrupted. In many instances, participants seemed reluctant to be interviewed, possibly out of fear of being detected by authorities such as SARS and the Department of Labour, even after being assured of confidentiality. Other participants appeared unwilling to participate as there were no tangible benefits or compensation. Still, the interviews achieved data saturation, reaching the targeted participants initially aimed at 10 to 15 research participants.

3.2.1 Demographic profile of key stakeholders interviewed

Four key stakeholders were interviewed and comprised three males and one female. These stakeholders ranged from the district manager for SEDA, the LED Manager of the Mossel Bay Municipality, a chairperson of an informal traders association, and the CEO of a private sector support organisation. All stakeholders are well experienced and boast, on average, more than twenty to twenty-five years of experience, actively involved in roles supporting the informal economy, and provided valuable insight and experiences in the local economy of the Garden Route district.

3.2.2. Demographic profile of informal entrepreneurs interviewed

A total of six informal economy entrepreneurs were interviewed. These entrepreneurs comprised four males and two females and represented various sectors. The entrepreneurs represented sectors traditionally dominated by the informal economy: retail trade, restaurant/hospitality, market traders, agriculture, and construction. The entrepreneurs also stem from diverse educational backgrounds, and their entrepreneurial experience ranges between fifteen and thirty-five years, predominantly in informal economy enterprises. An essential aspect of the enterprises mentioned throughout the study and by research participants is that their businesses do not keep “normal working hours,” and survival requires a resilient mindset. The Global Entrepreneurship Report emphasises the importance of possessing specific personal attributes in the survival and growth of small businesses (Bowmaker-Falconer & Herrington, 2020).

3.3 Themes

One-on-one interviews were conducted with two broad participant categories. These participant groupings comprised the critical stakeholders involved in the business support systems and the informal entrepreneurs actively engaged in their respective businesses. The research indicated similar themes and patterns among the two participant groupings from their perspectives. These themes are, therefore, closely aligned with the research objectives. The data analysis is presented cohesively and supported by comments made by participants on their specific insights and experiences during their respective research interviews.

The emergent themes and sub-themes from the data analysis are outlined in Table 3.1 below and further discussed in the themes that address the research objectives.

The findings of the research study are presented according to the research objectives across the themes and sub-themes outlined in Table 3.1 above:

- To understand the informal sector in developing and developed countries.
- To determine the composition of the informal sector in South Africa.
- To identify barriers and constraints to growth faced by informal sector enterprises in the Mossel Bay Municipality of the Western Cape province through utilising a qualitative study.
- To evaluate current and future intentional support needs for the informal sector.
- To recommend support and enabling factors to exploit and grow the informal sector at a municipality in South Africa.

Table 3.1: Themes and Sub-themes Linked to Research Objectives

Research Objectives	Themes	Sub-themes
Understanding of the informal sector in developing and developed countries.	3.4 Definition of informal economy/informal sector	3.4.1 Registration Status 3.4.2 Employees
Determine the composition of the informal sector in South Africa.	3.5 Characteristics of the informal economy in South Africa	3.5.1 Size 3.5.2 Sectors
Identify barriers and constraints informal sector enterprises face in the Mossel Bay Municipality of the Western Cape province.	3.6 Barriers and Constraints	3.6.1 Policy environment 3.6.2 Access to markets 3.6.3 Business space 3.6.4 Growth opportunities 3.6.5 Networks/Partnerships 3.6.6 Access to Funding
Evaluate current and future intentional support needs for the informal sector.	3.7 Support Needs	3.7.1 Non-financial support 3.7.2 Financial support 3.7.3 Partnerships
Recommend support and enabling factors to exploit and grow the informal sector.		

3.4 Definition of the informal economy

In light of the definition of the informal economy as a contentious issue, participants from both groups were asked for their understanding of it. The responses received indicated that there is a wide and varied understanding from both groupings.

One such response from a stakeholder illustrated that the informal economy looks different across country settings:

“We do this in many countries, so the informal economy in different countries means substantially different things. Like an informal business in Italy, where I am currently, is almost a mid-sized business in South Africa” (SH3).

One of the key similarities in responses received showed that it provided an opportunity for easy entry into business, especially for necessity-driven entrepreneurs. The low barrier of entry was illustrated through a response from one of the stakeholder participants:

“They (informal entrepreneurs) are the guys that don't need much money to start a business and create other employment opportunities. With big businesses, you require a lot of capital to create employment opportunities, but with the informal economy, it's like an entrepreneur waking up and having a business idea and going for it” (SH2).

The low barrier to entry into the informal sector was echoed by the informal entrepreneur participants, with one respondent describing her understanding in the following words:

“I think it's a platform that has been set up for anyone that is a trader. In our economy today, there's no permanent jobs, there are problems, and I think that informal trading is a platform for people to still keep their heads above water). (IE3)

The above response confirms that the informal economy is relatively easy to access and provides a livelihood to people with minimal resource investment. It also affirms that the informal economy is naturally survivalist, often driven by necessity

To understand whether these informal businesses fall within the widely adopted definition of the ILO and Statistics SA, participants were asked about their business registration status, VAT and income tax status, and the number of employees in the business. The information obtained here confirmed that 85% of the informal economy participants fell within the informal economy definition adopted by StatsSA regarding being classified as an informal enterprise based on VAT registration status. However, all the other criteria were fulfilled.

3.4.1 Registration Status

To gauge whether participants, especially the informal entrepreneurs, were asked about their business registration status with relevant authorities. This relates to whether their businesses were incorporated with the Companies and Intellectual Properties Commission (CIPC), their income tax and VAT registration status with SARS, and employee registration with the Department of Labour for UIF. These indicators align with StatsSA's official reporting, which considers non-VAT registered businesses

(Statistics South Africa, 2019) as informal enterprises.

The responses indicated a bias for informal entrepreneurs to operate as sole traders. In most cases, the businesses are registered with SARS for income tax or through the entrepreneurs if a sole trader is operated, which does not require registration. A key stakeholder in the business support ecosystem indicated that most businesses his organisation supported were below the threshold required for VAT registration. Alternatively, he indicated that some would simply avoid registering even if they met the compulsory registration threshold, which aligns with the voluntarist theoretical approach of Chen (2012) where informal economy participation is driven through the intentional purpose to avoid regulation and tax. The response from this stakeholder was:

“I can almost say 95% don't even meet the threshold, and they would not even go for registration because they're trying to keep their businesses as simple as possible, because they don't have and lack the resources” (SH1).

In response to the question on registration status posed to the informal entrepreneurs, as summarised in Table 1.2, it shows that five of the six business participants (83%) are not VAT-registered. As we know, VAT registration status is a crucial indicator of how informal businesses are accounted for through official statistics. Another observation from the interactions with the informal entrepreneurs is a general reluctance to register their businesses. This is echoed by the following response from one of the stakeholder participants on what registration means in the informal economy:

“And in the informal sector, people see it as an attachment. Now you get attached to government, and you need to pay taxes and all that. So a lot of people fall through those cracks.” (SH4)

The observation that informal entrepreneurs prefer to remain “unregistered” further points to the hidden nature of the informal economy. Another interesting phenomenon experienced by the researcher was that participants, incredibly informal entrepreneurs, were very skeptical about cooperating with the research study. The researcher noted that all participants confirmed that informal economy participants are very lackluster in sharing their experiences and guarding against outside interference to prevent their business ideas from being stolen.

3.4.2 Employees

The informal entrepreneurs interviewed were asked how many employees they employ. All of the businesses indicated that they have less than five employees. In some cases, due to the seasonal nature

of business in the locality, these businesses can employ additional “casual labour” over the peak business season in the locality, albeit in all cases below five employees. One of the respondents interviewed indicated the following:

“We only have one employee; my sister (who is my business partner) will assist over the December holidays. Normally, if I need assistance, my children will assist as they basically grew up in the business” (IE1).

The view on employees is further supported by one of the participants through the following response:

“Some of them do have employees, but most of them, we're talking about one to five employees, not much, and that can be temporary and permanent, it's a mixture, if you think in terms of the turnover per annum, a guy having a turnover of 500,000 Rand can't really afford to have a permanent workforce, so it's mostly on a casual basis, ad-hoc appointing staff”(SH1).

Gërxañni (1999) contends that the informal economy in developed and developing countries have similarities in essential criteria, specifically around labour, tax, enterprise registration status with authorities, and legality (Gërxañni, 1999).

This research study found that there is potential for expanding employment, both permanent and temporary, but is dependent on growth in the enterprises. This was confirmed by a respondent with the following statement:

“More local support will enable me to grow the business and, in all likelihood, I would be able to employ more people.” (IE1)

In some instances, business employment is closely linked to peak periods, as business in the study locality is driven by the seasonal nature of the locality as a tourism destination.

3.5 Characteristics of the informal economy in South Africa

To better understand the face of the informal economy and how or where it manifests itself in the South African economy, informal entrepreneurs were asked in which economic sectors their informal businesses operate. Similarly, stakeholder participants were asked which economic sectors the informal economy businesses are found. Furthermore, all stakeholders interviewed were asked whether they could estimate the size of the informal economy in the study locality.

3.5.1 Sectors

In Table 1.2, essential information relating to informal entrepreneurs was summarised. This includes knowledge about the economic sectors they primarily operate in. An analysis of this indicated that of the six informal entrepreneurs interviewed, most were active in the retail trade sector (66,6%), followed by the hospitality sector (16,7%) and construction (16,7%).

The stakeholder participants were asked which economic sectors informal businesses are found based on their experience and dealings in the business support ecosystem, especially in the study locality. All the stakeholder responses indicated that although dominated by retail/trade, informal businesses are found across all sectors of the economy. For the district, the stakeholders responded that informal businesses are found predominantly in the following sectors: tourism, agriculture, services, construction, oil and gas, and ocean economy, which includes fishing and boat building. One stakeholder respondent stated the following in response to the question about where the informal sector can be found:

“Well, I'm trying to think other than industrial, black hardcore manufacturing or sectors that are highly regulated, like financial services, healthcare delivery, and pharmaceuticals. I can't think what they're not doing” (SH3).

This observation illustrates and confirms that the informal sector is present everywhere in the economy and, in many respects, is operating in the shadow. The hidden nature of the informal sector is affirmed, according to Alcock (Daily Investor, 2023), “ There are a lot more incomes out there than what the official unemployment figures suggest.” To further stress the exclusion from the formal economy, Alcock (Daily Investor, 2023) states that the informal economy is often left out of official national figures reported and is more extensive than generally assumed.

3.5.2 Size of the informal economy

The question of the size of the informal economy in the region was posed to the stakeholder participants in the study. This was an appropriate question for this grouping as they would have an “aerial view” due to their vast involvement in the business support ecosystem, compared to the informal entrepreneurs with a much narrower view of the informal economy.

None of the respondents could estimate the size of the informal economy in their localities or were aware of a database that could indicate the size of the informal economy.

One of the critical stakeholder participants (SEDA representative) responded that roughly 90% of the businesses his institution supported in the previous reporting year were informal businesses. Of the approximately 900 businesses that accessed support packages, around 800 were informal businesses.

The research found that no support institutions, like SEDA or the various municipalities, have a complete database of informal sector businesses in their localities.

3.6 Barriers and Constraints

Both stakeholders and informal entrepreneurs were questioned on the barriers and constraints that exist in the informal economy from their experiences and perspectives. For informal entrepreneurs, the barriers and constraints relate to the various obstacles impacting their ability to enter the market, survive, and grow as start-ups and growing enterprises. Furthermore, inquiries were made on what poses a risk to their enterprise's survival from their perspective. Based on the participant responses, the sub-themes below were highlighted and identified, describing the significant challenges experienced through the lens of informal entrepreneurs and stakeholders active in the business support ecosystem. These challenges relate to the factors inhibiting entry, growth, and survival as businesses.

3.6.1 Policy environment

One of the critical questions asked of participants was whether the support extended by various support agencies, local municipalities, and other roleplayers was appropriate and relevant to the informal economy businesses' needs. All the stakeholder participants highlighted the policy environment as an area of concern for informal businesses. To a large extent, stakeholders questioned the appropriateness of the support model deployed. One stakeholder respondent relayed his experience as follows:

“Remember, when you are in the informal sector, and you go to a government institution like your SEDA, the first thing they want to do is register your business. And in the informal sector, people see it as an attachment”. (SH4)

This participant expresses that this drive to registration/formalisation sees it as an additional burden. According to Chen (Chen, 2012), this is indicative of the voluntarist theoretical approach where informal entrepreneurs remain in the informal economy with the express intent to avoid tax and regulations. This is emphasised by the reference to “attached to government” by the respondent in describing the burden of compliance when approaching government support agencies, like SEDA and municipal LED departments, through the sentence below:

“Now you get attached to government (through registration), and you need to pay taxes and all that.” (SH4)

The experience relayed above alludes in some form that formalisation/registration adds to the cost of compliance. This indicates the legalist approach (Chen, 2012) adopted by informal economy

entrepreneurs through choosing to remain in the informal economy due to the bureaucratic processes of formalisation. This will be discussed in a later section of this study. Another respondent, a representative of SEDA, indicated a general unwillingness of informal businesses to formalise. The following statement by the respondent is evidence of the refusal to formalise their informal economy businesses due to the compliance burden resulting from that:

“And not all of them want to formalise their businesses. Generally, informal businesses don't want to formalise business. It creates a problem because once you formalise, you must comply with by-laws from the municipality, and then they must do tax returns.” (SH1)

The above statement confirms that the over-reliance on formalisation as a policy option is not feasible and that the support model from government agencies such as SEDA is not necessarily designed to meet informal economy business needs. This is echoed by a stakeholder actively involved as a private sector support provider internationally through the following statement:

“I think especially in South Africa, my experience is that your local authorities, especially your local authorities, but I think other spheres of government also have the responsibility, doesn't do enough.” (SH3)

Directly linked to the policy environment is the cost of compliance for informal entrepreneurs. This aspect seems to inhibit the growth potential of informal enterprises. A response from an informal entrepreneur describing the effect of reduced cost for a typical informal entrepreneur (trader):

“If you look at the licensing they need, it's expensive. So somehow, the municipality cannot see the benefits if they relax the licensing fees for these guys to get permits. The guy can create a business if you reduce the permit fees”. (IE1)

A supportive policy environment for the informal economy is essential to operationalising the policy implementation to ensure the economic inclusion of potential informal economy businesses (International Finance Corporation, 2018). A supportive policy for the informal economy and treating it as an integral part of the mainstream economy is essential to drive the economic inclusion of previously marginalised sections. Fourie (2018) argues that improved policy coordination and support among informal economy actors will also ensure less emphasis on formalisation efforts regarding registration and tax status (Fourie, 2018). Studies undertaken by the IFC support this view that the success of entry, survival, and growth for informal economy participants hinges on more than just securing income tax registration and business registration with the relevant government agencies (International Finance Corporation, 2018).

3.6.2 Access to markets

The access to markets and finding and retaining clients were highlighted among all the participants. The informal entrepreneurs underscored that access to “feet” was a critical constraint to grow and survive, especially for businesses active in the retail trade. The study locality is predominantly a holiday and tourism destination, so business activity is seasonal. This seasonality poses a significant barrier to growth. One respondent describes the effects of seasonality through the following:

“It is a very seasonal business during the peak holiday season. The rest of the year is really about survival. With more local support, you will escape survival mode for the rest of the year. So your December turnover needs to sustain you, and the business has overheads, like rent throughout the year.” (IE1)

The informal entrepreneur respondent refers to the need for more local support, which indicates that more intensive effort is needed to market the business to attract local clients.

Another respondent describes the effects of seasonality by saying:

“(During holidays) Yes, there is a spike, and that provides an opportunity to employ more casual labour during this period to locals.” (IE2)

The informal entrepreneurs in the Mossel Bay area indicated that they have various interventions facilitated through their representative association and the local municipality in setting up weekend and festival markets throughout the locality. These entrepreneurs further stated that they had secured trading space for their entrepreneurs in the Goodshed Market, a very prominently featured tourism destination in the area.

One of the informal entrepreneurs supported this by referring to how the local municipality contributed to the security of tenure for market traders:

“We here are fortunate because we’ve got the backing of the municipality that gives us the ground that we know for a fact that grounds are not going to be sold to somebody and properties being built on it or something like that because that’s happened to a lot of the markets that we have done. In my time, the grounds were sold there. We were allowed not to use it anymore, and we had to move ourselves either to school grounds, church grounds, or parks like what we doing at Great Brak Market as well.” (IE3)

Another challenge to informal sector businesses regarding access to the market or finding clients is the increased competition entering the market. The informal businesses concentrating on markets report

that the market share has shrunk with new entrants and pressure on disposable incomes. A fascinating perspective relating to the lack of visibility for informal business was shared by a respondent:

“If I wanted to do something more sophisticated in terms of scaling the business, there's quite a barrier to jump over the visibility bridge as an informal entrepreneur” (SH3)

The respondent also indicates that their networks' limited resources aggravate a need for more visibility. This will be further explored in a later section on networking and collaboration, which is often a barrier and constraint for informal entrepreneurs.

In the following section, the importance of business trading space is highlighted by all research participants across the two broad stakeholder groupings.

3.6.3 Business space

All respondents, especially the entrepreneurs in the retail trade sector, indicated that the need for business space is of utmost importance for them as informal entrepreneurs for various reasons. Although not directly related to the business trading space, challenges were highlighted by the one entrepreneur involved in agriculture (small-scale cattle and piggery farming). The entrepreneur owns no land and is regarded as a “squatter farmer.” Previous attempts by the entrepreneur and some of her fellow farmers to acquire land for farming were futile exercises as they did not receive the assistance they expected from support roleplayers. More on this challenge will be elaborated on in a later section.

Stakeholders identified the availability of land for trading space as a critical barrier to entering the informal sector. One stakeholder mentioned that the scarcity of land leads to a natural conflict with authorities. This stakeholder describes it through the following statement:

“One thing that's lacking also is that there's not enough land available for the informal businesses if you look at the Garden Route. It's a spatial issue because I know there are a lot of informal businesses that struggle to get land from the municipality. They've (municipalities) only have designated areas where they can operate.” (IE1)

According to one stakeholder, the issue of business space is a potential conflict between informal entrepreneurs and local authorities, primarily if confined trading spaces are not provisioned and allocated. This is aptly described in the following words:

“One of the barriers is a conducive place to trade in. I think the municipality or the local authorities need to find a place where they can confine these informal traders and say this is where you will trade from. And they are running out of time as these guys are identifying areas themselves, and removing them from there will be a big chaos.” (SH4)

One of the local municipalities has invested in setting up business spaces to rent at reduced rates to informal businesses. This initiative was done because the locality has expensive rental rates, and informal businesses needed affordable rental space. This initiative seems to have been a success, as there is a waiting list from informal businesses to obtain space in these business spaces. According to the municipal LED manager, there are still challenges, and this is embodied in the following statement:

“Some people that take up the spaces don't want to pay they still wanna play the municipality must write off their debt. That's the one thing because we are trying to teach them as part of our business incubation program that you have to pay your municipal account, that you have to do this, and you have to save up, so there's still an education side to it, but there is a need, and the. Yout of people that do good, and there's a lot of good news stories of people (informal entrepreneurs) who came from these spaces and now have big spaces and are growing their incomes.” (SH2)

The statement above indicates that despite the challenges experienced, there are still success stories of informal enterprises that have grown due to the municipality's incubation intervention into bigger spaces.

Other initiatives enabling this critical dependency for informal businesses are zoning concessions for township residential properties in the main streets to be zoned for business. In addition, other incentives, such as conducting environmental impact assessments and capital contributions to bulk infrastructure development to attract informal business, eradicating delays in bureaucratic application processes.

The experience is, therefore, that from a business trading space perspective, this group of informal entrepreneurs feel that they have the full support of the local municipality as they are provided with market and business trading space and also feature in the tourism strategy of the locality.

3.6.4 Access to Funding

All respondents highlighted the need for funding, but interestingly enough, in most responses, it was not highlighted as the top identified barrier or constraint. The ability to access funding does hinder enterprise growth, but this is closely linked to the lack of financial records kept by informal entrepreneurs. This ineffective financial management of informal enterprises linked to poor credit records (Cameron & Hoque, 2016) is a key constraint for informal enterprises to access commercial funding for growth.

Another view on enterprise growth gained from the research was that many informal entrepreneurs are not open to outsiders interfering in their businesses. This is for fear that their product or idea could be stolen by “outsiders”. This lack of a track record impacts the ability of the entrepreneur and its business to access available funding mechanisms. This will be discussed later in this section. One respondent, an

informal entrepreneur, mentioned that Access to funding does constrain enterprise growth with the following statement:

“ Most of them struggle with growth as there is a challenge to obtain financing as they work for themselves and are a high risk to financiers as they don't have a payslip/collateral” (IE1).

Another respondent felt that when she tried to access funding to finance land acquisition, she and her partners had to outlay significant capital to develop a business plan for the funding application to the respective support agencies. Furthermore, their experience was that there was no genuine willingness to support with no feedback on the application or any onward linkage or recommendation to other funders, such as the Land Bank. This created a feeling of hopelessness in the entrepreneur and is summed up through the despair:

“We approached SEDA, and we were unsuccessful; there was just empty promises.” (IE1)

The entrepreneur went further and stated that it discouraged them as they felt bogged down by bureaucratic inefficiency:

“We did not care as we felt despondent as they were unable to assist as was urgent as the owner wanted to dispose of it urgently.” (IE1)

The researcher probed whether this agency assisted through linkages to other funders, and the response was that there was no effort on the side of the agency to make onward referrals or recommendations to approach either commercial funders or the government's development finance institutions, such as the Land Bank.

Another informal entrepreneur active in the construction industry felt that even though his business was running relatively well with an adequate pipeline of business just before COVID, the effect of the pandemic was further thought as the commercial bank with which he had a relationship only extended “superficial” support that was only to their benefit. In his response, he alludes that the banks with which he has a business relationship were not helpful and that government support was virtually non-existent. In his response, the entrepreneur states the following:

“ All that the banks were doing was to provide superficial protection by offering terms that if you analyse closely only benefitted them and not to talk about government support, that was even worse, basically non-existent.” (IE5)

All stakeholders indicated that access to funding is essential and needs to become part of the support

package combined with non-financial support. This response from a research participant, a key player in the business support ecosystem, stresses this:

“There is a bigger need for grant funding. There's a bigger need for that and finance, we are not an organisation giving funding. So funding is needed is not necessarily big amounts, but for some SMMEs, even R500 can make a difference, R1000 can make a difference. So you can imagine a person operating a chisa nyama. So you will need sausage for the day, which might work out to R1000; a fruit and veg stall might need money for stock.” (SH1)

This stakeholder further adds that informal business is generally unwilling to formalise as it would mean businesses will now have to comply with by-laws and tax legislation. This stakeholder contends that there is a misperception of how taxation works. Furthermore, it creates an administrative burden and adds to the cost of compliance. Some of the anecdotes from the participants around these were the following:

“And there is a perception from many SMMEs that if you make R1 profit, you must pay tax on the R1 profit. So education is a problem; they don't want to formalise as they think they will have problems with the Department of Labour, problems with the health inspectors.” (SH1)

“ It takes enormous time and effort to comply with all government rules and regulations for informal businesses, let alone the money involved in getting that right.” (IE6)

The above factors and the general unwillingness of informal entrepreneurs to seek external support lead to these informal businesses not building up a track record to access funding. The need for a track record to access financial capital is espoused in the following statement:

“If she's (informal entrepreneurs) able to show a track record that consistently monthly, she generates R4000 to R6000 turnover, and that income is provable now. It's all cash economy and, in fairness, that allows her to access financing mechanisms. That allows it to grow the business and purchase additional stock much easier.” (SH3)

The impact of this lack of proper business records and unwillingness to allow outsiders insight into their businesses is pointed out below:

“So you're not gonna get the ability to access all those that impact positively on your business because nobody knows what is happening in that business and nobody is going to touch you, because if you do a business plan and you cannot divulge on everything they want to know

they're not gonna give you the money anyway because they can't see how you're gonna pay them back.” (SH4)

The constraining factors relating to access to funding mentioned in this section impact informal enterprises' ability to access growth opportunities in the research locality along the identified growth sectors.

3.6.5 Growth opportunities

Research participants were asked where they saw the potential growth opportunities for informal economy business in the study locality. The stakeholders' perspective shared with the researcher confirmed the growth sectors in the district. Stakeholders identified the potential high-growth sectors for the district economy: tourism, agriculture, construction, oil and gas (petroleum), specifically in the Mossel Bay locality, a national port and entry point, and potential opportunities for informal business in the ocean economy. All of the options indicated by most participants were along the value chains of these sectors, with potential benefits for informal enterprises if adequately exploited.

The responses from entrepreneurs indicate that their growth view is related to maximising their current business rather than necessarily seeking business opportunities in other sectors. Their idea of growth is using technology and alternative channels to reach their target market, either visiting as tourists or attracting more residents. This finding is congruent with the view that access to social services (Benjamin, *et al.*, 2014), such as education, is a critical driver for growth. It can be inferred that technology use will be confined to those with the educational background, technical savvy, and resources for optimal use in their business growth path. This will undoubtedly leave many informal entrepreneurs behind. The following statements sum up the views of how informal entrepreneurs see their own enterprise's growth:

“A person would, for instance, start selling biltong at the market, and he would be doing so well that eventually go look for a little place and open up a shop but still stayed at the market because that put him on the map and he marketed his shop, and that's how he grew his business.” (IE3)

In terms of how expansion into alternative channels, notably online platforms, was expedited by the COVID-19 pandemic, one respondent adds:

“Also, if you think of it, the online that's happening now, during COVID, online started happening big time because that's what everybody changed to when COVID hit us. But I notice many people market that they're online as well. So if you can't see them on Sunday in person (at the market), you can also get them online.” (IE3)

For the entrepreneur in the hospitality sector operating a coffee shop, growth means getting additional space and seating capacity with a wider variety of menu options, and he does not foresee expanding to another location. The entrepreneur does, however, point out that there is an adequate platform for growth for other entrepreneurs operating in the same locality; in his own words:

“Entrepreneurs have a platform, and they can expand to other markets, like Stellenbosch, etc., setting up satellite shops.” (IE2)

The informal entrepreneur in the construction industry perceives his growth opportunity inherent in increased construction-related activity in the residential property market and with anticipated plans in the oil and gas industry. This entrepreneur is concerned that industry requirements and lack of access to capital will inhibit his business’ growth potential and trajectory. His concern stems from how the construction industry awards contracts and is embodied in the following statement:

“We, as small construction contractors, feel that we are at a hiding to nothing, being prejudiced and that the same people having the right contacts and money will benefit, and the rest of us will get the crumbs” (IE5)

Another factor constraining growth is the over-reliance on acquiring business through tendering the procurement mechanism enabling doing business with the government. A stakeholder participant indicates that in extending support to businesses, they (his organisation) realise that too many businesses rely on just one income stream, which has challenges of sustainability and survival. The stakeholder summarises it as follows and adds that in their support interventions, they integrate efforts to enable diversification of income streams for businesses to become more sustainable:

“A lot of SMMEs think tenders are the only way of surviving, and we are trying to educate them that to tender is not necessarily you operating a business because tendering can be just one income stream. So, we assist them with strategies to look at different income streams and opportunities. That is ideally what we are doing with the tendering type of businesses. So we don't just want tenderpreneurs. We want (proper) businesses.” (SH1)

Tourism, as one of the sectors highlighted by the various stakeholders as a high-potential sector for growth, is a direct result of the aggressive positioning of the district as a tourism destination. This is likely to result in the benefits of economic multiplication, especially for informal businesses along the value chain.

The same multiplier effect and value chain opportunities for informal businesses can be expected from

other high-potential growth sectors: agriculture, construction, oil and gas, and the ocean economy (fishing, aquaculture, port of entry, off-shore services, etc.).

The barriers to entering the informal economy transcend many factors, including a combination of interdependent factors. However, a key pillar in this is the social structure and misaligned economic situations across and within economies. The accessibility of social services is critical for participation in the informal economy. These include access to education and training. With low levels of education, the potential participants cannot take up the opportunities presented by the formal sector's lack of creating viable and sustainable job opportunities. These impediments have a downstream effect on entrepreneurial capacity, specifically from a skills perspective, cited as a critical barrier to entering and growing small business enterprises.

The inability to improve education and skill levels due to the inequitable social structure and economic history of South Africa further contributes to the low uptake of informal economy opportunities (Fourie, 2018).

The researcher observed a general reluctance in most entrepreneurs not necessarily looking for aggressive growth, further aggravated and constrained by factors such as using technology. This is a direct result of a need for more technology skills and the high cost of technology (data costs as an example). This deprives entrepreneurs of scaling their businesses and exploiting potential growth opportunities.

3.6.6 Networks/Partnerships

To understand what partnerships and networks exist to promote collaboration for informal businesses, relevant stakeholders and informal entrepreneurs were questioned on whether these relationships with different roleplayers exist and the effectiveness thereof, with related spin-off benefits in the form of linkages to obtain support.

There is evidence of specific entrepreneur groupings organised as an entrepreneurs' association. On the face of it, this association seems to have an excellent working relationship with the local municipality. Some relevant members interviewed indicated that a municipal representative attends their monthly meetings. On the relationship between the municipality and the municipality, a respondent, both an entrepreneur and actively working in the local entrepreneur association, states:

"I was in the meeting again where they were busy with the season planning for December season, and we've got a municipal representative there; they all brilliant. I handle the night markets as well. We can go there. I get permission from them to use the streets for the night market. They're there for me, they give me their support, they put down the street how I can use it. They provide everything that is needed I just have to press their button and they're there to support me with everything, closing off the roads, etc. (IE3)

This local entrepreneurial association, through this relationship, runs one of the prime tourist destinations, a tourist market in one of the localities. This allows this association's members to benefit from securing excellent trading space aggressively marketed to tourists. This illustrates the importance of adequately organising entrepreneurs to ensure informal entrepreneurs are at the top of the agenda. Linked to this, another stakeholder stresses the importance of visibility, thereby ensuring access to networks. He ascribes the lack of visibility causing disconnectedness for informal entrepreneurs in terms of opportunities, possibilities, and closeness to the power "players", at least for those willing to be visible. He states this further in support of this assertion:

"In other words, Lawrence lives downtown Mossel Bay opposite the municipality. He sees the mayor from time to time. As an entrepreneur, I now live a little bit out in a shack further out. When I start a business or have an idea or a thought, I'm not walking past somebody who can open doors for me. And so, my visibility in my network is one of limited resources. That doesn't mean there's no purchasing power there." (SH3)

Stakeholders agree that local government and government support agencies cannot handle informal enterprise support independently and need private sector involvement. According to Mabasa (Mabasa, 2023), adequate room exists for collaborative efforts between formal and informal sector businesses, and the government could leverage this through incentives and other initiatives specifically relating to market access and funding. One stakeholder, a municipal LED representative, describes the need for private sector involvement through this phrase:

"We focusing mostly on what we have to do, and then there is opportunity for the private sector to do their share as well." (SH2)

Another stakeholder reports that, in his view, the private sector is hesitant to come on board in his locality. The stakeholder ascribes this to the failure of funded projects due to mismanagement and corruption. According to this stakeholder, this reluctance of the private sector to collaborate is caused by the effects of this grand-scale corruption and mismanagement. The stakeholder describes how typically the corrupt practices took place, as follows:

"There is this person that always intercepts money that goes to the poorest of the poor. There is somebody who is always aware of people who want to assist. So, within the system of cooperatives, it was easy to get there, because then they will buy sewing machines, bakery equipment, and wheat. They will buy all the things that we need to start a bakery with. After the money comes out, the prices have been made, they identify the building, and half of those things will arrive. So you are waiting for the other half to arrive because you need to

assemble these things for it to work. Yes, the bakery has been approved. The bakery doesn't get off the ground. Now frustration starts. Now they see nothing is happening here. They start sharing the machines because they don't have the sewing material. The sewing machines are here, but we don't have the material to start the sewing. Well, what are we going to do? Then, keep them in at your place, and later somebody broke in there, and two machines are gone. And since these things disappear, they then rather share these things amongst each other. So gone is that initiative, but it was a good initiative. So there's this guy that intercepts those materials that's supposed to go there every time it happened. And then, when it needs to operate, it's gone. Yeah. If you look into my locality and start digging into the projects, there is this industrial area identified supported by Eskom those days to make bricks. It's called Themba Casts. It's dilapidated. People have shared amongst each other those machines, loaded them, and taken them to the Eastern Cape. So all these initiatives have been tried, but lack of managing it. (SH4)

The stakeholder attributes the lack of private sector involvement to these corrupt practices and the community and beneficiaries needing to take ownership of these initiatives. The stakeholder adds:

“The beneficiaries do not take ownership. Whoever wants to support you needs to think twice. So that's why I think then the private sector think along those lines and say who is gonna manage it.” (SH4)

Another constraining factor, evidence of the need for more collaboration, was identified by one of the informal entrepreneurs who needed funding to acquire land. This entrepreneur reports that they went to great lengths and costs to develop a business plan. The support agency they approached simply did not provide any proper feedback. The support agency could have been more helpful and made more effort to link the entrepreneurs to an appropriate funding agency, like the Land Bank or commercial funders. One of the key stakeholders actively involved in an informal traders association indicated that their primary role is to provide a platform for networking to its members, but this is inhibited by the need for more space to host these gatherings. The main reason for this inability to optimise networking among members of this association is attributed to this statement below:

“You know, but within the informal sector, it's different. And you don't have places where you can do networking or arrange these for market days or so, but it can also be seen as a marketing tool. But most people who can do networking would be your tavern owners. These people have resources where you can get people under one roof, but they don't want to use their times, opening times within their licenses to get somebody there for networking.” (SH4)

Furthermore, this statement indicates the need for more cooperation among informal entrepreneurs. This is caused by the general unwillingness of informal entrepreneurs, through fear that fellow entrepreneurs will steal their business ideas. The stakeholder points out that one of the reasons the cooperative model was unsuccessful in his setting was general distrust among members of these cooperative societies.

A study conducted by Hartnack and Liedeman (2016) indicates that many of these informal enterprises and participants prefer to remain in the informal economy with no aspiration to graduate to the mainstream economy for some reasons listed in other sections of this study. The researcher observed in his engagements during the research study that informal entrepreneurs prefer to remain “hidden” and, in many instances, operate their businesses in the “shadows” away from the spotlight.

3.7 Support Needs

To understand the support needs of informal enterprises, research participants were asked to indicate what support should ideally be extended to themselves. In the case of the stakeholders, they were questioned on the business support currently supplied into the market by all role-players in the support ecosystem and whether it is adequate and effective. This allowed the research participants to share their perspectives on the gap regarding the support needs of informal enterprises and entrepreneurs. This definition of the gap regarding the support needs of informal enterprises and entrepreneurs is based on the perspectives shared by the participant groupings. According to a critical private stakeholder providing support to informal enterprises and entrepreneurs, there is a wide variety of valuable tools available for entrepreneurs to support their growth and survival, which will be discussed in subsequent sections.

3.7.1 Non-Financial Support

To understand the support needs of informal enterprises and their owners, the question was directed to stakeholders active in the business support ecosystem and entrepreneurs on the nature and form of the current support extended to them. It went further specifically in gaining the informal entrepreneur perspectives on the typical support they ideally would require from the “market.”

The research revealed that the critical role players in the non-funding support ecosystem are the local authorities (municipalities), SEDA, SEFA, business chambers, local entrepreneur associations, and private sector support. Overall, there is increasing involvement from the private sector in the form of private companies extending support in the form of Enterprise and Social Development (ESD) funding as an imperative to their Broad-Based Black Economic Empowerment (B-BBEE) scorecard imperatives. The researcher observed that no research participants were beneficiaries of ESD-related funding support from the private sector.

LED departments in the municipalities appear to focus on registering informal businesses. An informal entrepreneur stated that when government institutions are approached, including SEDA, they first want

to register the business. Some of the informal entrepreneurs and stakeholders opined that local government could do more than just drive formalisation through the registration of businesses.

One stakeholder reports that the business support extended to informal businesses is primarily providing equipment for the businesses from time to time for what is likely to be a small proportion of informal businesses active in the locality. The LED stakeholder sums up their support scope as follows:

“So I believe that we are creating an enabling environment for small businesses to come on board or start their businesses and grow them. What we don't do is we don't give money to expand your business, but otherwise, we're providing you with training with assistance. We employ a service provider who can assist you in making sure that you do the job, and we've got somebody who will assist you in applying for a higher CIDB grading (construction businesses). So that's the stuff that we are putting in place.” (SH2)

The stakeholder further reports that instead of appointing mentorship consultants like in past years to provide mentorship and coaching to entrepreneurs, they started with an intervention where informal entrepreneurs are linked up with established business owners. This provides an opportunity for peer-to-peer networking. The mentorship platform can benefit entrepreneurs by providing them access to vital contacts, networks, possible partners, and other options. This need is espoused by another stakeholder in the following words:

“There is a greater need for mentoring and to assist businesses, whether it's financial, whether it's with equipment and stuff.” (SH2)

While not all informal entrepreneurs have accessed business support offered by SEDA, the participants who have used it had mixed results. One participant felt that the support model is not geared toward informal businesses and that SEDA's focus is on registering businesses. and further remarked that SEDA's support is more appropriate for formal enterprises. The respondent, in expressing the inappropriate support model extended by SEDA about the needs of informal enterprises and entrepreneurs, says:

“SEDA are outstanding support for people who want to run formal businesses. When you want to start a business, you go to SEDA. So SEDA is there to support businesses that is true. SEDA's model is not to support the informal sector. They need to look into their model to see how they could support the informal sector.” (IE6)

This finding is supported by the view espoused by Ntoyanto and Khumalo (2021), which states that more context-specific and relevant support for the informal economy is required, which could alter the growth trajectory of these enterprises and initiatives.

Another stakeholder, a private business support provider to informal entrepreneurs, remarks that much information and tools are available in the business support ecosystem. Still, there is a need to optimise technology and practical tools to match the maturity stage of the business and its owner. To this effect, the stakeholder states:

“It's this overwhelming of entrepreneurs with too much information that's irrelevant for them. So, it must be the relevant information that helps the entrepreneur at the right stage of their business. So, I would say technology-enabled ways to match needs versus resources and a practical thing.” (SH3)

The stakeholder, part of an initiative rolling out online mentoring tools to cities worldwide, notes that informal entrepreneurs do not necessarily need complete courses to equip themselves with the requisite skills but sometimes need to consult focused resources to remove roadblocks. The researcher notes that this is of great utility, especially given the long hours informal entrepreneurs spend in their businesses to survive.

3.7.2. Financial Support

Overall, all respondents indicated that more financial support is necessary, and in some cases, the lack of access to funding inhibits growth prospects. There is a general feeling that non-financial support should be supplemented with other financing mechanisms. At least one of the research participants noted their dismay with the support agency, SEDA. The researcher's observation is that it is not necessarily that the entrepreneur could not be funded but rather that the agency, at the least, should make onward referrals or linkages with the relevant funder, especially if significant resources have been spent on business plans, etc. The informal entrepreneur actively farming with livestock displayed strong despondency towards SEDA for their inability to assist and refer them to the most appropriate development funding institution, and stated:

“We approached SEDA, and we were unsuccessful, and there were just empty promises.” (IE1)

This inability of SEDA to effectively link the entrepreneur with potential development funders shows the necessity for a “one-stop shop” support institution in the SMMEs, and plans are afoot to merge the current SEDA, focused on non-financial support and the Small Enterprise Finance Agency (SEFA), with its focus on the provision of financial support.

A stakeholder representative frames the general inefficiency in the South African business support

ecosystem as it relates to financial support to informal entrepreneurs as follows:

“Access to centralised information and resources, exactly one resource map. But based on needs and not these long lists (of requirements) of IDC and NEF, which will never fund you know or very rarely fund (informal entrepreneurs).” (SH3)

Apart from this challenge, several other inhibiting factors affect the ability of informal enterprises and their owners to access financial support. These inhibiting factors are attributable to both internal and external constraints.

The significant challenges highlighted by the informal entrepreneurs were the need for more collateral and security when approaching funders, lack of track record, and inefficient financial management practices in running their businesses, including personal economic issues of creditworthiness of entrepreneurs. This is significant for entrepreneurs as they must sign as surety for their businesses. This impacts their ability to access funding mechanisms, such as business loans. One stakeholder representing the LED department in a local municipality commented that they experience low turnout by nascent entrepreneurs in workshops arranged to address organisational financial management and compliance practices.

From a support needs perspective, all respondents expressed that non-financial support should be supplemented by financial support and facilitated access to niche funders, development funding institutions, and commercial lending institutions. One respondent noted that using small grants can significantly affect an informal entrepreneur's survival and provide seed capital. The stakeholder, in expressing the value of small grants for nascent entrepreneurs as a funding mechanism, stated the following:

“ So there is a bigger need for grant funding. There's a bigger need for that and finance; we are not an organisation giving funding. So funding is needed, not necessarily big amounts, but for some SMMEs, even the R500 can make a difference, and a R1000 can make a difference. So you can imagine a person operating a “chisa nyama”. So you will need sausage for the day, might work out to R1000, and a fruit and veg stall might need money for stock.” (SH1)

This expresses the need for innovative financing mechanisms to be made available to informal enterprises in the market using specific approaches, such as fintech and collaboration through partnerships with other roleplayers in the economy. These roleplayers could extend beyond the traditional players in the business support ecosystem, even leveraging enterprise and supplier development funding to enable informal enterprises to access financing to exploit value chain opportunities.

3.7.3 Partnerships

In his engagements and interactions with informal entrepreneurs, the researcher observed that there is not a general willingness to open up to strangers about their business. This hesitancy extends to allowing other roleplayers into their business, even though they can benefit from such interactions, and with the result that potential partnerships could unknowingly be foregone. These partnerships, it should be stated, extend beyond the formal-informal linkages (Chambwera *et al.*, 2011) through normal business relationships providing immediate benefits, but also cooperation and collaboration with the government, formal economy, other informal entrepreneurs, and the private sector and in so doing reap future benefits.

The researcher observed that in one of the localities, one of the entrepreneurial associations seems to be particularly well organised and enjoys an excellent relationship with the local municipality and the local tourism body, for example. This access to networks and social capital provides excellent spin-off benefits to members of this association.

Furthermore, informal enterprises are only partially exposed to the initiatives in the market. This is due to the remote character of the locality. The researcher found an example of a fintech initiative run through the Jobs Fund (The Jobs Fund, 2023) by A2Pay, where challenges of access to funding and business information (stock management) for spaza shop traders are addressed. This initiative provides business software to South African spaza shop owners at a considerably reduced rate as it is subsidised through the Jobs Fund. Partnerships such as these are critical and valuable because they can redress key challenges related to business information and financial management practices, which were identified as significant inhibitors to growth for entrepreneurs. In inquiries made to some entrepreneurs, all of them were unaware of initiatives like that. According to a stakeholder (SH4), virtually none of the spaza shops run in his locality are owned by South Africans.

Other collaboration opportunities should be explored, particularly in providing informal entrepreneurs with networking platforms and business exposure. It will require teaching a different mindset in terms of wanting to gain exposure wider than their current traditional market/client base. These platforms will allow the informal entrepreneurs to be linked up with “peers” in the formal sector to discuss their challenges, and indirectly, other benefits could flow to these enterprises through collaborative effort, potential business linkages, and access to established business networks.

3.8 Conclusion

According to Bernstein (2020), the informal sector is dependent on an "expanding formal sector" through spending earnings from the formal economy in the informal sector. The author emphasises that the expansion of the informal economy is not a viable alternative to growth in the formal economy and elaborates that the impact of the COVID-19 pandemic has been severe on the informal economy,

especially from a job creation perspective. The experience, as relayed by Bernstein (2020), indicates a direct correlation exists between informal economy shrinkage and economic shocks, causing depressive economic states. Findings from a South African study in the Cape Town township of Delft by Hartnack and Liedeman (2016) suggest that the failure of businesses results from a combination of household, business shocks, socio-economic and regulatory factors. A focus on the business shocks pointed to death, indebtedness, and the effects of crime on business survival. The table below illustrates the key findings from the study based on the sub-themes of the study.

Table 3.2: Summary of key findings of the study

Research Objectives	Themes	Findings
Understanding of the informal sector in developing and developed countries.	3.4 Definition of informal economy/informal sector <i>Sub-themes:</i> 3.4.1 Registration Status 3.4.2 Employees	Many informal enterprises/entrepreneurs operate outside the official net and therefore are not accounted in official statistics, and employees are not registered for social protection benefits.
Determine the composition of the informal sector in South Africa.	3.5 Characteristics of the informal economy in South Africa <i>Sub-themes:</i> 3.5.1 Size 3.5.2 Sectors	Enterprises are found across the economy virtually in all sectors, and due to the hidden nature of the sector it is difficult to estimate the size of the informal sector in their locality. Also no single stakeholder seem to have a complete database.
Identify barriers and constraints informal sector enterprises face in the Mossel Bay Municipality of the Western Cape.	3.6 Barriers and Constraints <i>Sub-themes:</i> 3.6.1 Policy environment 3.6.2 Access to markets 3.6.3 Business space 3.6.4 Growth opportunities 3.6.5 Networks/Partnerships 3.6.6 Access to funding	Policy options lean towards formalisation, and imposes an additional compliance burden and contributor to the cost of compliance. Most informal enterprises struggle with access to markets to expand, diversify, and overcome the effects of increased competition. Local authorities play a critical role as an enabler in providing space/reasonable accommodation to informal entrepreneurs, and through this, could avoid the natural conflict between authorities and informal entrepreneurs. Potential opportunities exist across the value chains in identified growth sectors in the study locality, and are constrained by the ability to utilise technology to exploit these opportunities. Constraints faced due to the unwillingness of informal entrepreneurs to collaborate with external partners/stakeholders, generally due to their preference to remain in the shadows, for fear of stolen business ideas and staying out of sight of authorities.
Evaluate current and future intentional support needs for the informal sector.	3.7 Support Needs <i>Sub-themes:</i> 3.7.1 Non-financial support 3.7.2 Financial support 3.7.3 Partnerships	Current support packages offered in the market by agencies are not geared for the informal economy participant/enterprise/entrepreneur. Access to financial capital/financing mechanisms is needed, but obstacles remain due to internal and external constraining factors. These relate to the financial management practices adopted, leading to the inability to access financial support. Requires “shapeshifting” by informal entrepreneurs to open themselves up to “strangers” as potential partners and collaborations.

The next chapter provides the conclusion and recommendations for the research study.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Introduction

The previous chapter presented the findings and discussed those findings in line with the study's objectives outlined in Chapter 1. The presentation was done by linking the findings and the discussion to the literature on the research topic under investigation. This chapter portrays the relationships between the conclusions from the results discussed in Chapter 3 and the literature review in Chapter 2. This chapter further concludes the study by providing recommendations for each objective based on the findings and gaps in the support extended to informal enterprises.

The study found that pockets of excellence exist in some areas in the support practices extended to informal businesses across the support ecosystem. That includes support through local municipalities, government support agencies, such as SEDA and SEFA, local entrepreneur associations, business chambers, and other private sector support providers. Furthermore, the support model for informal economy businesses currently supplied into the market, specifically by the most prominent government support agency, SEDA, needs to directly address the peculiar needs of the informal sector as an essential building block for the South African economy.

For the informal sector to thrive, many factors need to be addressed. Critically among those factors is the need for collaborative efforts (Mabasa, 2023) between the government, the formal sector, and informal businesses across the value chain to systemically remove constraints and ensure informal enterprises' growth, survival, and sustainability.

The sections discussed below provide insight into the most critical findings based on the research objectives listed in Chapter 1.

4.2 Main findings and recommendations according to research objectives

The business support ecosystem's effectiveness is critical for informal enterprises and their owners. This requires the removal of hindrances, both internal and external, to the enterprises. The following section of the study provides the research objectives, with related findings from the relevant chapters, and contains recommendations to improve informal enterprises' overall functioning and contribution to the economy.

4.2.1 Objective 1: Understanding the informal sector in developing and developed countries.

In Chapter 2, a literature review of the informal economy provided insight into understanding the

informal economy by reviewing the broad policy approaches in developed, developing, and South African contexts related to the informal economy. Most respondents indicated that the informal economy provides a livelihood opportunity to entrepreneurs who would not otherwise be able to earn an income.

Most respondents indicated that their entry was through opportunity, but it is critical to note that the informal economy is varied. This is confirmed by Fourie (2018) that the informal sector is heterogeneous and further states that the variation in traits is attributable to unique histories, varied social structures, economic disparities, and cultures.

Another perspective from respondents was on the issue of registration. They indicated that there is a focus on registration by support roleplayers. This can be attributed to the policy focus of the NIBUS driving formalisation. This leads to premature formalisation and is in line with the position taken by La Porta and Shleifer (2014) that registered enterprises should not be automatically regarded as formal.

The survivalist nature of most informal sector businesses points to the importance of the livelihoods approach, specifically in the settings where informal business typically thrives. The livelihoods approach refers to how people make a living and contribute to poverty reduction in these marginalised settings. The livelihoods approach is particularly significant to informal enterprises in the South African economy, where unemployment thrives. This will provide a pathway for informal enterprises and an understanding of the factors driving economic inclusion for all roleplayers.

4.2.1.1 Recommendations

Policymakers should gain an understanding of the causal factors of informality in the economy, understand its contribution, and ensure that the policy options and interventions supplied into the market focus on developing the informal economy through improving enterprises and their owners.

Policymakers should consider that the requirement to access support should not be driven by formalisation as they significantly impose compliance requirements on these informal enterprises that are not yet ready to do that. It is contended that informal economy businesses will only embark on voluntary formalisation (Bernstein, 2020) if a supportive environment is created. This will require a combination of support initiatives driven by the government and its lead support agencies to implement targeted support and gradual formalisation, coupled with relevant incentives.

In Germany, Iceland, Japan, and New Zealand, a substantial share (more than 50%) of business support budgets are committed to small business support (Organisation for Economic Co-Operation and Development, 2023). Furthermore, an example is in Southern Italy, where a law was introduced in 1986 (Law 44) to develop managerial competency in young entrepreneurs up to the age of 30 years. In this support intervention, training, technical assistance and financial incentives are combined to empower the youth, and in this way, survival and sustainability are achieved.

It is further recommended that the entrepreneurial capacity in the economy be addressed at a much broader social level, for example, through mainstreaming entrepreneurial education into the education

curriculum. In so doing, this will improve capacity and, to a large extent, instil a culture of entrepreneurship from a young age. This will empower individuals to see entrepreneurship through existing opportunities and not just merely as a stop-gap survival measure in the short to medium term. This entrepreneurial mainstreaming can be entrenched through appropriate social messaging that entrepreneurship is a viable career option, often exploring opportunities through informal entrepreneurship.

4.2.2 Objective 2: Determine the composition of the informal sector in South Africa.

A review of relevant literature indicates that the informal sector can be found across virtually all economic sectors, and many informal economic activities are not visible. As reported by Stats SA, the distribution of informal businesses indicates that informal businesses are found across all economic sectors (Statistics South Africa, 2019). The distribution is as follows: Trade (51.5%), Community and Social Services (12.2%), Construction (12%), Finance (7.9%), Manufacturing (7.3%), Transport (5.8%), and confirms the above assertion related to the incidence of the informal economy.

A recent report (Daily Investor, 2023) confirms that the magnitude of the informal sector activities is often out of the purview of regulators. Some respondents refer to the hidden nature of the informal economy and not the illicit activities but the legitimate economic activities. The respondents indicated a preference for informal entrepreneurs to remain out of the sight of the relevant authorities. For this reason, size estimations of the informal economy are largely unreliable or non-existent without any official statistics reporting. Furthermore, not one stakeholder seems to have a complete view of informal enterprises in their locality.

4.2.2.1 Recommendations

Stakeholders should partner to properly survey and map out the informal sector within their locality by developing a database of informal enterprises. A proper mapping exercise and database will provide stakeholders in the business support ecosystem with reliable information on the composition of the informal economy and inform planning processes on resource allocation and efforts needed to effect economic inclusion.

Through organising the informal economic structures, informal economy participants can advocate for their needs to the relevant authorities and propagate for inclusion in economic development initiatives and value chain opportunities. Organised structures can provide stakeholders within the business support ecosystem with an understanding of the informal sector and how best to be linked to the opportunities along the formal economy value chain. Due to the informal economy's hidden nature, participants become visible, and their interests are advanced (Goldman, 2003). Goldman (2003) further posits that the informal economy should start with making sure that their rights as citizens are centre-stage and not more than just a nuisance to policymakers and authorities. This confirms the viewpoint advanced by Haug (2014) that political attitudes need to change towards the informal economy and its

participants. Lessons from this can be learnt from informal sectors such as taxi associations, especially in their interactions with the government, ensuring their interests are on the agenda. Through intensifying advocacy efforts by organised groupings supporting informal economy participants' interest, and ensuring informal economy policy options are integrated and aligned to informal economy business support interventions. This will ensure business discontinuance and improved economic contribution of informal economy businesses beyond mere survival.

4.2.3 Objective 3: Identify barriers and constraints informal sector enterprises face in the Mossel Bay Municipality of the Western Cape

Business enterprises, formal and informal, experience various challenges impacting their ability to enter the market, survive, and grow. Respondents provided insight into the significant barriers and constraints they face in their informal businesses or experience through their involvement as stakeholders in the business support ecosystem.

The literature review in Chapter 2 confirms that market demand, access to finance, competition, lack of skills, technology, and the cost and burden of compliance are among the significant barriers for informal enterprises and their owners (International Finance Corporation, 2018).

The barriers and constraints in the support environment for informal enterprises and their owners can be categorised into the following broad categories: legal and regulatory barriers, business environment, entrepreneurial competency, access to infrastructure, access to markets, and access to finance.

4.2.3.1. Recommendations

The NIBUS should explore a shift in policy options away from formalisation. The policy options should aim to activate support or graduation of informal enterprises as a pathway to growth. Policy options should guard against premature formalisation and not be a direct roadmap toward formalisation. This approach will alleviate the compliance burden regarding costs and organisational capacity required of informal entrepreneurs.

Formalisation should be considered only once informal enterprises are in the proper growth stage, have realistic market opportunities, are ready for job creation, and need capital for growth.

Training on technology to address the barriers, specifically marketing related to access to new markets and clients to catalyse and exploit available growth opportunities. Training on using technology to enhance revenue for informal enterprises should be implemented. Revenue enhancement tools relate to providing transactional and real-time information to improve access to information that will significantly assist decision-making in the business.

The mainstreaming of entrepreneurial education into the school curriculum and technology education could provide tremendous insight to informal entrepreneurs on utilising support tools and entrepreneurial management to improve implementation capacity and remove barriers and constraints seamlessly.

Informal entrepreneurs should be exposed to programmes to improve their financial literacy to assist them in developing and maintaining a favourable credit record. This will help with financial inclusion, access funding through credit for business growth, and ultimately contribute to their businesses' sustainability. Separate personal and business accounts must be maintained to build the creditability and track record of the business. Furthermore, informal enterprises and their owners should implement good business management practices, encompassing a continuous monitoring system to measure performance, likely to be enabled by basic management systems and procedures. The support gap can

be addressed by ensuring that policy options support practical interventions and the adequate direction of resources. This will significantly contribute to the sustainability of informal economy businesses over the medium to long term.

Informal entrepreneurs should explore innovative partnerships that will allow specific pain points in the life of the informal business and the entrepreneur to be resolved and ensure that benefits flow to the business. This will require informal entrepreneurs to be transparent in their engagements with prospective partners to maximise collaboration efforts. A best practice example is the Informal Economy Support Programme (IESP) managed and run by the Project Preparation Trust (PPT) (The Jobs Fund, 2023) where informal economy participants are capacitated with skills, systems strengthened and through collaborations to create jobs, catalyse and unlock sustainable business growth.

4.2.4 Objective 4: Evaluate current and future intentional support needs for the informal sector

The literature review undertaken in Chapter 2, as Rakabe (2017) pointed out, requires understanding and recognising the structural constraints in the South African economy to define support needs. This view is supported by Fourie (2018), stating that awareness of where and how economic impact can be made by the informal sector enterprises is critical for adequate support to informal economy participants.

The current support packages offered in the market by Enterprise and Supplier development agencies reveal a lack of depth and breadth in business support interventions. Therefore, most enterprises require additional intervention support (Small Enterprise Development Agency, 2016).

Exploring the approaches adopted by the support agencies to engage the informal sector entrepreneurs on how to grow and not necessarily formalise their businesses poses serious challenges. The lack of targeted intervention to achieve growth is especially evident and further aggravated by informal sector entrepreneurs' typical low skill levels.

The correlation between education level and business success or sustainability is an essential factor to consider. Therefore, training support should target the needs of nascent enterprises and their owners (Rogan & Skinner, 2017).

The literature review revealed the informal economy's diverse nature, translating into specific support and intervention needs from a sectoral perspective. Therefore, the intervention design should be fit for purpose and appropriate for the support needs of the informal enterprise and the entrepreneur. The intervention strategy supported by a need assessment must prioritise and direct the interventions to the critical areas (Asante, *et al*, 2018) to utilise opportunities and catalyse growth.

4.2.4.1 Recommendations

Customised fit-for-purpose support packages are a combination of financial and non-financial to be designed and offered to informal enterprises and entrepreneurs. The support package should address the needs of the entrepreneur and his business, and in this respect, especially business development and

technical support should complement the financial support.

Leverage partnerships with the private sector to offer solutions to informal enterprises, especially regarding fintech solutions. These solutions should address some of the constraints and, in some cases, can take on the form of essential systems, quickly adopted for use by the informal entrepreneur with available tools, for example, a basic recordkeeping system to assist with stock management, revenue management, and expense management for the business.

Exploring blended financing mechanisms and making appropriate funding solutions available to informal entrepreneurs and government de-risking solutions to unlock growth in particular sectors and locations where opportunities exist in close collaboration with commercial funders. The de-risking is achieved by extending grant funding to enable the crowding of commercial financing.

Effect a change in credit lending practices through partnering with funders and reducing risk perceptions of investors and funders. This will ensure the market is widened over the long term, ensuring sustainable funding solutions are available for SMMEs, including informal enterprises.

In identified catalytic sectors, the provision of blended financing mechanisms in collaboration with commercial funders should provide lower interest rates, structuring flexibility, and relaxed funding provisions, such as repayment terms, payment moratoriums, and requirements for collateral. The role of government in advancing policy support, in combination with practical implementation support, is critical in making appropriate business support available to informal economy businesses. Such initiatives' success can be further advanced through close collaborative efforts on many fronts between government, civil society and the private sector.

Table 4.1 below summarises the essential findings and recommendations of the study.

Table 4.1: Summary of key findings and recommendations of the study

Research Objectives	Findings	Recommendations
Understanding of the informal sector in developing and developed countries.	Many informal enterprises/entrepreneurs operate outside the official net and, therefore, are not accounted for in official statistics, and employees are not registered for social protection benefits.	Thorough understanding of the informal economy by policymakers to ensure more appropriate policy options and interventions are supplied into the business support ecosystem. Furthermore, access requirements for business support should not be driven through formalisation and the mainstreaming of entrepreneurial education in the education system, from a "job" readiness perspective.
Determine the composition of the informal sector in South Africa.	Enterprises are found across the economy virtually in all sectors, and due to the hidden nature of the sector, it is difficult to estimate the size of the informal sector in their locality. Also, no single stakeholder seems to have a complete database.	Proper mapping and compilation of informal enterprise database at the local municipal level to provide information to the multiple stakeholders active in the business support ecosystem. Informal enterprises and entrepreneurs should focus on organising themselves to advocate their "cause" and explore closer cooperation with each other to bridge increased competition.

<p>Identify barriers and constraints informal sector enterprises face in the Mossel Bay Municipality of the Western Cape.</p>	<p>Policy options lean towards formalisation, imposes an additional compliance burden and contribute to the cost of compliance. Only once informal enterprises are in a conducive growth stage, have realistic market opportunities, and ready for job creation, need access to capital for growth should formalisation be considered. Most informal enterprises struggle with access to markets to expand, diversify and overcome the effects of increased competition.</p> <p>Local authorities play a critical role as an enabler in providing accommodation to informal entrepreneurs and, through this co, avoid conflict between authorities and informal entrepreneurs. Potential opportunities exist across the value chains in identified growth sectors in the study locality, and are restrained by the ability to utilise technology to exploit these opportunities.</p> <p>Constraints were faced due to informal entrepreneurs' unwillingness to collaborate with external partners/stakeholders, generally due to their preference to remain in the shadows, for fear of stolen business ideas and staying out of sight of authorities.</p>	<p>Avoid premature formalisation, which burdens informal enterprises with a cost and compliance burden—training on technology tools to enhance revenue and improved business management capabilities.</p> <p>Additional work on entrepreneurial education to improve financial literacy and address challenges of access to ultimately ensure economic inclusion of economically marginalised individuals and groupings (unemployed, unskilled, etc)</p>
<p>.Research Objectives</p>	<p>Findings</p>	<p>Recommendations</p>
<p>Evaluate current and future intentional support needs for the informal sector.</p>	<p>Current support packages offered by agencies are not geared for the informal economy participant/enterprise/entrepreneur. Access to financial capital/financing mechanisms is necessary, but obstacles remain due to internal and external constraining factors. These relate to the financial management practices adopted, leading to the inability to access financial support. Requires “shapeshifting” by informal entrepreneurs to open themselves up to “strangers” as potential partners and for collaborations.</p>	<p>Customised support packages for informal entrepreneurs include an appropriate financial and non-financial support mix. The government through its departments and agencies to take a more prominent role in facilitating access to funding through de-risking and the provision of blended financing mechanisms. Ensure entrepreneurial education efforts emphasise the importance of transparency and openness to access fit-for-purpose support.</p>

4.3 Limitations and scope for future research

This research study provides insight and perspectives in determining informal enterprises and entrepreneurs' business support needs by assessing the support supplied into the market compared to the support needs defined and the type of interventions necessary to address and unlock growth potential for this crucial economic sector. Given the small sample size of research participants, the study results must be treated with the necessary caution. The researcher experienced challenges with access to informal entrepreneur participants who would initially agree to partake in the study but cancelled on several occasions. This pattern was repeated, impacting logistical arrangements as these cancellations would be close to the scheduled interview times. The researcher concluded that some informal entrepreneurs feared being reported to authorities like SARS. However, the study's purpose and the confidentiality guarantee were emphasised in all interactions.

This study provides a basis for future research, especially on defining and developing a support model for informal economy businesses. The support model should be based on a deep-dive diagnosis of the informal enterprise and, importantly, the entrepreneur's growth stage and maturity level. It is well-documented that informal business growth depends on the entrepreneur's outlook and how they perceive the potential opportunities and the unlocking thereof.

The findings presented results from research undertaken in a small locality, obtaining limited perspectives from some key roleplayers and may not be exhaustive due to practicality and financial constraints.

4.4 Conclusion

This study aimed to critically review the barriers and constraints for informal enterprises to grow and survive, the business support offered in the market to informal enterprises and entrepreneurs, and their support needs, specifically in the Mossel Bay Municipality of the Western Cape Province in South Africa. By closing the support gap, informal enterprises could unlock growth opportunities and impact economic inclusion. The informal economy is critical to the growth of the South African economy, especially given the enormous socio-economic challenge of unemployment due to the formal economy's inability to create enough employment.

The study further sought to understand the support needs of informal entrepreneurs and stakeholders in the business support ecosystem. The general observation from the informal entrepreneurs and stakeholders is that although many enabling initiatives are being undertaken, what is being done is not adequate, considering the untapped potential of informal enterprises. There is a broad realisation that interventions should extend beyond the formalisation bias, with support agencies inclined to default to registration. Support interventions should instead focus on the pathway to growth to enable informal enterprises to unlock economic opportunities across the value chain. This will eliminate premature

formalisation, which adds to these enterprises' administrative and cost burden of compliance. Most of these enterprises do not have the time, capacity, or capability to direct their efforts at addressing compliance requirements. The actions of informal entrepreneurs are better focused on the growth and survival of their businesses.

In the final analysis, the significant support needs of informal enterprises and their owners (entrepreneurs) revolve around an appropriate mix of financial support, non-financial support, and partnerships. Any of these three broad pillars of business support should be complemented to be effective. Although the government is the lead actor in policy formulation and intervention design, other roleplayers in the business support ecosystem, in partnership with the government at all levels, can play a role in strengthening informal business resilience to grow, survive, and become sustainable, and address barriers and constraints in the process. This final chapter of the mini-dissertation summarises and concludes the study by reviewing the main findings and providing recommendations per the study's objectives (See Table 4.1 above).

It should be noted that this integrated approach should be adopted in support of interventions supplied into the informal sector and that the rules of engagement slightly deviate from the regular practice. Therefore, support and training interventions offered to the informal sector should be structured and customised for informal entrepreneurs.

The role of government should be to facilitate access to various financing mechanisms and should be de-risking these mechanisms in collaboration with commercial funders. The above requires an integrated approach to effect systemic change for informal enterprises on their growth journey.

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ANNEXURES

Annexure 1: Semi-structured interview guide – Stakeholders (English)

ANNEXURE 1: SEMI-STRUCTURED INTERVIEWS - STAKEHOLDERS

Research Title: *Informal Economy Support:*

The case of SMMEs in the Mossel Bay Municipality

Instructions:

Below are the guiding questions for the research, primarily open-ended questions to focus and direct the interview process. The study will use the information collected for the exclusive purpose of obtaining insights through the responses of the informal economy participants (entrepreneurs). The data collected will inform the research objectives to understand the barriers, constraints, and unique challenges experienced by informal sector enterprises from the perspective of their owners, the entrepreneurs.

INTERVIEW QUESTIONS:

1. In your opinion, what is meant by the informal economy?
2. In which sectors of the economy are informal businesses operating?
3. How long have you been involved with the informal economy businesses?
And in which capacity?
4. What are the opportunities available to informal economy businesses in the District?
5. How do you estimate the size of the informal economy in your locality?
6. What are the significant dependencies for informal economy businesses to grow?
7. In your view, does the LED strategy of the locality create an enabling environment for informal economy businesses? How?
8. What business support interventions are in place for informal economy businesses? Who provides these?
9. What barriers/constraints in your view are faced by especially informal economy business?
10. What programmes does your organization/institution have to support the informal sector?
11. What support, in your view, do you think informal economy businesses need and is not supplied to them?
12. How do you see the District economy shaping up in the next 5- or even longer-term, next 10-20 years?

Annexure 2: Semi-Structured Interviews - SMMEs

ANNEXURE 2: SEMI-STRUCTURED INTERVIEWS - SMMEs

Research Title: *Informal Economy Support:*

The case of SMMEs in the Mossel Bay Municipality

Instructions:

Below are the guiding questions for the research, primarily open-ended questions to focus and direct the interview process. The study will use the information collected for the exclusive purpose of obtaining insights through the responses of the informal economy participants (entrepreneurs). The data collected will inform the research objectives to understand the barriers, constraints, and unique challenges experienced by informal sector enterprises from the perspective of their owners, the entrepreneurs.

INTERVIEW QUESTIONS:

1. How long have you been operating the business?
2. Is this your only income-generating activity?
3. Before starting this, what business activity or career were you engaged in?
4. What was your reason for starting this business?
5. What is your educational background?
6. Is your company registered with the relevant authorities (local government, CIPC, SARS, etc.)?
7. What sector of the economy are you operating in?
8. What are the key challenges that you experience in your business?
9. What barriers and constraints do you perceive to be in your way to sustainable growth?
10. In your view, do you think your local economic development unit at your municipality provides the necessary support for your business to grow? And how?
11. Which support institutions (SEDA, SEFA, etc.) have you approached for business support?
12. Was the support provided by these institutions helpful? How?
13. What support, in your view, do you think you needed that you could not receive from them?
14. What significant risks and opportunities will present a platform for your business to grow?
15. What do you think formalization will mean for your business?
16. What are the significant dependencies for your business to grow?
17. Where do you foresee your business in the next couple of years regarding growth trajectory?

**Annexure 3: Semi-structured interview guide –
SMMEs (Afrikaans)**

ANNEXURE 3: GIDS VIR SEMI-GESTRUKTUREERDE ONDERHOUD - KMMO's

Navorsingstitel: *Informele Ekonomie Ondersteuning: Die Saak van KMMOs in die Mosselbaai Munisipaliteit*

Instruksies:

Hieronder is die riglyne vir die navorsing, hoofsaaklik oop-einde vrae om die onderhoud proses te fokus en te rig. Die studie sal die inligting wat ingesamel is gebruik vir die uitsluitlike doel om insigte te verkry deur die antwoorde van die informele ekonomie deelnemers (entrepreneurs). Die data wat ingesamel word, sal die navorsing doelwitte inlig om die struikelblokke, beperkings en unieke uitdagings wat deur informele sektor-ondernemings ervaar word vanuit die perspektief van hul eienaars, die entrepreneurs, te verstaan.

ONDERHOUDSVRAE:

1. Hoe lank bedryf jy die besigheid?
2. Is dit jou enigste inkomste-genererende aktiwiteit?
3. Voordat u hiermee begin het, met watter besigheidsaktiwiteit of loopbaan was u besig?
4. Wat was jou rede om hierdie besigheid te begin?
5. Wat is jou opvoedkundige agtergrond?
6. Is jou maatskappy geregistreer by die relevante owerhede (plaaslike regering, CIPC, SAID, ens.)?
7. In watter sektor van die ekonomie werk jy?

8. Wat is die sleutel uitdagings wat jy in jou besigheid ervaar?
9. Watter hindernisse en beperkings belemmer jou weg na volhoubare groei?
10. Dink jy na jou mening jou plaaslike ekonomiese ontwikkelingseenheid by jou munisipaliteit bied die nodige ondersteuning vir jou besigheid om te groei? Hoe?
11. Watter ondersteunings instellings (SEDA, SEFA, ens.) het jy vir besigheid ondersteuning genader?
12. Was die ondersteuning wat deur hierdie instansies verskaf is nuttig? En in watter mate?
13. Watter ondersteuning, na jou mening, dink jy het jy verlang wat jy nie van hulle kon ontvang nie?
14. Watter beduidende risiko's en geleenthede sal 'n platform bied vir jou besigheid om te groei?
15. Wat dink jy sal formalisering vir jou besigheid beteken?
16. Wat is die beduidende afhanklike faktore vir jou besigheid om te groei?
17. Waar voorsien jy jou besigheid in die volgende paar jaar met betrekking tot groei trajek?

Annexure 4: Semi-structured interview guide – SMMEs (isiXhosa)

ISIHLOMELO 1: UDLIWANO-NDLEBE OLUPHELELEYO - ii-SMMEs

Isihloko soPhando: *Inkxaso yoQoqosho olungekho sikweni: Ityala leeSMMEs kuMasipala waseMossel Bay*

Imiyalelo:

Ngezantsi yimibuzo ekhokelayo yophando, ngokuyintloko imibuzo evulekileyo yokugxila kunye nokuqondisa inkqubo yodliwano-ndlebe. Uphononongo luya kusebenzisa ulwazi oluqokelelwe ngenjongo ekhethekileyo yokufumana ulwazi ngeempendulo zabathathi-nxaxheba boqoqosho olungekho sikweni (oosomashishini). Idatha eqokelelweyo iya kwazisa iinjongo zophando ukuqonda imiqobo, imiqobo, kunye nemingeni ekhethekileyo efunyanwa ngamashishini angekho sikweni ngokwembono yabanini bawo, oosomashishini.

IMIBUZO YODLIWANO-NDLEBE:

1. Unexesha elingakanani uqhuba ishishini?
2. Ngaba oku kuphela komsebenzi wakho wokungenisa imali?
3. Phambi kokuba uqale oku, yeyiphi imisebenzi yeshishini okanye umsebenzi obuwenza?
4. Yayiyintoni isizathu sakho sokuba uqalise eli shishini?
5. Ithini imvelaphi yakho yemfundo?
6. Ingaba inkampani yakho ibhalisiwe kwabasemagunyeni abafanelekileyo (urhulumente wengingqi, i-CIPC, i-SARS, njl. njl.)?

7. Leliphi icandelo lezoqoqosho osebenza kulo?
8. Yeyiphi imingeni engundoqo odibana nayo kwishishini lakho?
9. Yeyiphi imiqobo kunye nemiqobo oyibona isendleleni yakho ekukhuleni okuzinzileyo?
10. Ngokombono wakho, ucinga ukuba icandelo lophuhliso loqoqosho kwingingqi yakho kumasipala wakho libonelela ngenkxaso efunekayo ukuze ishishini lakho likhule? Kwaye njani?
11. Ngawaphi amaziko enkxaso (i-SEDA, i-SEFA, njl. njl.) othe waya kuwo ukuze ufumane inkxaso yezoshishino?
12. Ngaba inkxaso eyanikelwa ngala maziko ibe luncedo? Njani?
13. Ngokwembono yakho, yeyiphi inkxaso ocinga ukuba wawuyifuna owawungenakuyifumana kubo?
14. Yeyiphi imingcipheko ebalulekileyo kunye namathuba anokuthi aveze iqonga leshishini lakho ukuba likhule?
15. Ucinga ukuba ukwenziwa ngokusesikweni kuya kuthetha ntoni kwishishini lakho?
16. Zeziphi izinto ezibalulekileyo ezixhomekeke kwishishini lakho ukuze likhule?
17. Ingaba ulibona phi ishishini lakho kule minyaka imbalwa izayo malunga nokukhula?

Annexure 5: Research Information Leaflet and Consent Form (English)

RESEARCH STUDY INFORMATION LEAFLET AND CONSENT FORM

DATE

18 January 2023

DATE OF RESEARCH PROJECT

January - December 2023

TITLE OF THE RESEARCH PROJECT

*Informal Economy Support:
The case of SMMEs in the Mossel Bay Municipality*

PRINCIPLE INVESTIGATOR / RESEARCHER(S) NAME(S) AND CONTACT NUMBER(S):

Lawrence De Boer

2017289279

+27 81 732 8574

FACULTY AND DEPARTMENT:

Faculty of Economic & Management Sciences

Centre for Development Support

STUDY LEADER(S) NAME AND CONTACT NUMBER:

Dr. Deidré Van Rooyen

Email: griesd@ufs.ac.za

+27 51 401 7059

WHAT IS THE AIM / PURPOSE OF THE STUDY?

The study aims to critically review informal SMMEs, specifically informal economy SMMEs in the Mossel Bay Municipality of the Western Cape Province in South Africa. The review will assess the critical support needs of informal entrepreneurs in these informal sector businesses by identifying the barriers and constraints to these businesses becoming sustainable growth-oriented enterprises. The study will seek to comprehend the contextual factors at a local level impacting informal sector businesses and assess the current support available to informal economy participants. Furthermore, the study will establish

the gap between current support available to these enterprises on the supply side and their support needs. The motivation for the research is to identify the gap for informal sector businesses to eventually become part of the mainstream economy through sustainable growth through the supply of support closely linked to the demand from these enterprises.

WHO IS DOING THE RESEARCH?

Lawrence De Boer is currently a Master of Development Studies student at UFS. I am currently a self-employed consultant, active in predominantly the development sector. My interest in the informal economy stems from the enormous untapped potential to advance economic development and inclusion in our developing economy.

HAS THE STUDY RECEIVED ETHICAL APPROVAL?

This study has received approval from the Research Ethics Committee of UFS. A copy of the approval letter can be obtained from the researcher.

Approval number: UFS-HSD2022/1624/22

WHY ARE YOU INVITED TO TAKE PART IN THIS RESEARCH PROJECT?

The key objective is to obtain your insights and perspectives on the informal economy through your involvement as an informal economy participant in the capacity of supporting informal enterprises. The invite for your participation as a key stakeholder is extended since you have hands-on experiences of the challenges, barriers and constraints impacting the informal economy and its ability to survive and grow. This will provide the study with perspectives from local government and other support institutions, specifically with first-hand experiences in implementation challenges. The implementation challenges from a policy perspective, are critical. The Mossel Bay Municipality was selected as a locality for practical reasons, one being that the researcher currently resides there. The locality is considered a good space for this research as the economic profile of the district indicates that in the absence of major industry, SMMEs will be an essential element of economic growth.

WHAT IS THE NATURE OF PARTICIPATION IN THIS STUDY?

The study requires your participation in an interview that will focus on obtaining your insights and understanding the challenges, barriers, constraints, and support needs of informal economy businesses. The discussion will be conducted at your convenience regarding time and location. The interviews is not expected to last longer than 1 hour for the individual interview.

CAN THE PARTICIPANT WITHDRAW FROM THE STUDY?

Participation in the study is entirely voluntary. Therefore, participants are under no obligation to respond to every question directed at them for whatever reason. Participants are encouraged to indicate at any point during the interview actions should they feel uncomfortable for whatsoever reason. Any participant can opt out of the interview without providing any reason for such withdrawal.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

There are no direct benefits to be derived from participation in the study. Still, it is envisaged that the discussions with stakeholders could contribute to improved policy implementation and interventions in the future and, in that way, indirectly benefit the informal economy businesses and participants.

WHAT IS THE ANTICIPATED INCONVENIENCE OF TAKING PART IN THIS STUDY?

No inconveniences are foreseen, except for the voluntary time sacrifice to participate in the interview.

WILL WHAT I SAY BE KEPT CONFIDENTIAL?

The identity of study participants will be kept private and strictly confidential throughout the research process. All interview recordings will be provided with a pseudonym or code for anonymity. This will ensure that all subsequent references to your responses and findings be maintained confidential. Your answers may be available to academic staff supervising the research study, providing quality assurance on the study, including members of the Research & Ethics Committee, external coders, and transcribers. Should there be a need for your identity to be made known, your express permission will be sought. The research study may generate data which will be used in research reports, journals or conference proceedings, and a report of this study will likely be submitted for publication. As previously stated, all information will be coded and recorded so that individual participants are not identifiable.

HOW WILL THE INFORMATION BE STORED AND ULTIMATELY DESTROYED?

All information records obtained through this research study will be kept strictly confidential. All documents will therefore be stored in a locked file at the UFS premises for five years for future academic reference. Electronic records will be coded and secured on a password-protected computer. Should any stored data be needed for future research, the use thereof will be subject to Research & Ethics Committee approval.

WILL I RECEIVE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

Participants will not receive any form of payment or incentive for their involvement in the study.

HOW WILL THE PARTICIPANT BE INFORMED OF THE FINDINGS / RESULTS OF THE STUDY?

Participants that would like to obtain a copy of their interview transcript or the final findings of the research are encouraged to contact the researcher, Lawrence De Boer, in one of the following ways, E-mail: deboerlj@gmail.com or Mobile: +27(0) 81 732 8574. The researcher is contactable for any further information about this research study. The researcher is supervised by Dr Deidré Van Rooyen, contactable on E-mail: griesd@ufs.ac.za or Office: +27 (0)51 401 7059. You may contact Dr Van Rooyen on any matters relating to how the research was conducted. Thank you for taking the time to read this information sheet and your willingness to participate in this study.

CONSENT TO PARTICIPATE IN THIS STUDY

I, _____ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet. I have had sufficient opportunity to ask questions and am prepared to participate in the study. I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable). I am aware that the findings of this study will be anonymously processed into a research report, journal publications and/or conference proceedings.

I agree to the recording of the *semi-structured interview*.

I have received a signed copy of the informed consent agreement.

Full Name of Participant: _____

Signature of Participant: _____ Date: _____

Full Name(s) of Researcher(s): _____

Signature of Researcher: _____ Date: _____

Annexure 6: Research Information Leaflet & Consent Form (Afrikaans)

NAVORSINGSSTUDIE-INLIGTINGSBLAD EN TOESTEMMINGSVORM

DATUM:

18 Januarie 2023

DATUM VAN NAVORSINGSPROJEK:

Januarie – Desember 2023

TITEL VAN DIE NAVORSINGSPROJEK

Informele Ekonomie Ondersteuning: Die Saak van KMMOs in Mosselbaai Munisipaliteit

BEGINSEL ONDERSOEKER / NAVORSER(E) NAAM(E) EN KONTAKNOMMER(S):

Lawrence De Boer 2017289279 +27 81 732 8574

FAKULTEIT EN DEPARTEMENT:

*Fakulteit Ekonomiese en Bestuurswetenskappe
Sentrum vir Ontwikkelingsondersteuning*

STUDIELEIER(S) NAAM EN KONTAKNOMMER:

*Prof. Deidré Van Rooyen
E-pos: griesd@ufs.ac.za
+27 51 401 7059*

WAT IS DIE DOEL / DOEL VAN DIE STUDIE?

Die studie het ten doel om informele KMMO's, spesifiek informele ekonomiese KMMO's in die Mosselbaai Munisipaliteit van die Wes-Kaap Provinsie in Suid-Afrika, krities te hersien. Die hersiening sal die kritieke ondersteuningsbehoefte van informele entrepreneurs in informele sektor-ondernemings evalueer deur die struikelblokke en beperkings te identifiseer wat hierdie besighede van groei tot volhoubare groei-georiënteerde ondernemings weerhou. Die studie sal poog om die kontekstuele faktore op 'n plaaslike vlak wat informele sektor besighede raak te begryp en die huidige ondersteuning beskikbaar aan informele ekonomiese deelnemers te assesser. Verder sal die studie die gaping vasstel tussen huidige

ondersteuning wat aan hierdie ondernemings beskikbaar is aan die aanbodkant en hul ondersteuningsbehoefte. Die motivering vir die navorsing is om die gaping vir informele sektor besighede te identifiseer om uiteindelik deel te word van die hoofstroom ekonomie deur volhoubare groei deur die verskaffing van ondersteuning wat nou gekoppel is aan die ondersteuningsbehoefte van hierdie ondernemings.

WIE DOEN DIE NAVORSING?

Lawrence De Boer is tans 'n Meestersgraad in Ontwikkeling Studie student aan die UV. Ek is tans 'n selfstandige konsultant, aktief in hoofsaaklik die ontwikkelingsektor. My belangstelling in die informele ekonomie spruit uit die enorme onontginde potensiaal om ekonomiese ontwikkeling en insluiting in ons ontwikkelende ekonomie te bevorder.

HET DIE STUDIE ETIESE GOEDKEURING ONTVANG?

Hierdie studie het goedkeuring van die Navorsingsetiëkkomitee van die UV ontvang. 'n Afskrif van die goedkeuringsbrief kan van die navorser verkry word.

Goedkeuringsnommer: UFS-HSD2022/1624/22

WAAROM WORD JY GENOOI OM AAN HIERDIE NAVORSINGSPROJEK DEEL TE NEEM?

Die sleuteldoelwit is om jou insigte en perspektiewe oor die informele ekonomie te verkry deur jou betrokkenheid as 'n informele ekonomie deelnemer as 'n entrepreneur (besigheidseienaar) of ter ondersteuning van die informele sektor ondernemings. Die uitnodiging vir jou deelname as 'n besigheidseienaar word uitgebrei aangesien jy eerstehandse ervarings beleef het van die uitdagings, hindernisse en beperkings wat die informele ekonomie en sy vermoë om te oorleef en te groei beïnvloed. Vir die ander belanghebbendes, wat plaaslike regering en ander ondersteuningsinstellings insluit, is eerstehandse ervarings in implementeringsuitdagings, veral vanuit 'n beleidsperspektief, van kritieke belang. Die Mosselbaai Munisipaliteit is om praktiese redes as 'n lokaliteit gekies, een daarvan is dat die navorser tans daar woon. Die Tuinroete-distrik word as 'n goeie ruimte vir hierdie navorsing beskou aangesien die ekonomiese profiel van die distrik aandui dat in die afwesigheid van groot nywerhede, KMMO's 'n noodsaaklike element van ekonomiese groei hier sal wees.

WAT IS DIE AARD VAN DEELNAME AAN HIERDIE STUDIE?

Die studie vereis jou deelname aan 'n onderhoud wat sal fokus op die verkryging van jou insigte en die begrip van die uitdagings, hindernisse, beperkings en ondersteuningsbehoefte van informele ekonomie

besighede. Die onderhoudsbespreking sal op jou gemak gevoer word rondom tyd en plek. Daar word nie verwag dat die onderhoud langer as 1 uur vir die individuele onderhoud sal duur nie.

KAN DIE DEELNEMER AAN DIE STUDIE ONTTREK?

Deelname aan die studie is heeltemal vrywillig. Daarom is deelnemers onder geen verpligting om te reageer op elke vraag wat aan hulle gerig word om watter rede ook al nie. Deelnemers word aangemoedig om op enige stadium tydens die onderhoud aksies aan te dui sou hulle om watter rede ook al ongemaklik voel. Enige deelnemer kan uit die onderhoud onttrek sonder om enige rede vir sodanige onttrekking te verskaf.

WAT IS DIE POTENSIËLE VOORDELE OM AAN HIERDIE STUDIE TE NEEM?

Daar is geen direkte voordele deur deelname aan die studie nie. Daar word in die vooruitsig gestel dat die samesprekings met belanghebbendes kan bydra tot verbeterde beleidsimplementering en -intervensies in die toekoms en op hierdie manier die informele ekonomie besighede en deelnemers indirek kan bevoordeel.

WAT IS DIE VERWAAGDE ONGELUK OM AAN HIERDIE STUDIE TE NEEM?

Geen ongerief word voorsien nie, behalwe vir die vrywillige tydopoffering om aan die onderhoud deel te neem.

SAL WAT EK SÊ VERTROULIK GEHOU WORD?

Die identiteit van studiedeelnemers sal deur die hele navorsingsproses privaat en streng vertroulik gehou word. Alle onderhoudopnames sal van 'n skuilnaam of kode vir anonimiteit voorsien word. Dit sal verseker dat alle daaropvolgende verwysings na jou antwoorde en bevindinge vertroulik gehou word. Jou antwoorde kan beskikbaar wees vir akademiese personeel wat toesig hou oor die navorsingstudie, wat gehalteversekering oor die studie verskaf, insluitend lede van die Navorsings- en Etiekkomitee, eksterne kodeerders en transkribeerders. Indien daar 'n behoefte is dat u identiteit bekend gemaak moet word, sal u uitdruklike toestemming gevra word. Die navorsingstudie kan data genereer wat in navorsingsverslae, joernale of konferensieverrigtinge gebruik sal word, en 'n verslag van hierdie studie sal waarskynlik vir publikasie ingedien word. Soos voorheen genoem, sal alle inligting gekodeer en aangeteken word sodat individuele deelnemers nie identifiseerbaar is nie.

HOE SAL DIE INLIGTING GEBERG EN UITEINDELIG VERNIETIG WORD?

Alle inligtingsrekords wat deur hierdie navorsingstudie verkry word, sal streng vertroulik gehou word. Alle dokumente sal dus vir vyf jaar in 'n geslote lêer by die UV-perseel gestoor word vir toekomstige akademiese verwysing. Elektroniese rekords sal op 'n wagwoordbeskermdre rekenaar gekodeer en beveilig word. Indien enige gestoorde data vir toekomstige navorsing benodig word, sal die gebruik daarvan onderhewig wees aan die navorsings- en etiekomitee se goedkeuring.

SAL EK BETALING OF ENIGE AANSPORING ONTVANG VIR DEELNAME AAN HIERDIE STUDIE?

Deelnemers sal geen vorm van betaling of aansporing ontvang vir hul betrokkenheid by die studie nie.

HOE SAL DIE DEELNEMER INGELIG WORD VAN DIE BEVINDINGE / RESULTATE VAN DIE STUDIE?

Deelnemers wat 'n afskrif van hul onderhoudstranskripsie of die finale bevindinge van die navorsing wil bekom, word aangemoedig om die navorser, Lawrence De Boer, op een van die volgende maniere te kontak, E-pos: deboerlj@gmail.com of Selfoon: + 27(0) 81 732 8574. Die navorser is kontakbaar vir enige verdere inligting aangaande hierdie navorsingstudie. Die navorser is onder toesig van die studieleier, Prof. Deidré Van Rooyen, kontakbaar by E-pos: griesd@ufs.ac.za of Kantoor: +27 (0) 51 401 7059. U kan Prof. Van Rooyen kontak oor enige kwessies rakende hoe uitvoering van die navorsing. Dankie dat u die tyd geneem het om hierdie inligtingstuk te lees en u bereidwilligheid om aan hierdie studie deel te neem.

TOESTEMMING OM AAN HIERDIE STUDIE DEEL TE NEEM

Ek, _____ (deelnemer se naam), bevestig dat die persoon wat my toestemming vra om aan hierdie navorsing deel te neem, my vertel het van die aard, prosedure, potensiële voordele en verwagte ongerief van deelname.

Ek het die studie gelees (of aan my laat verduidelik) en verstaan soos in die inligtingsblad uiteengesit. Ek het genoeg geleentheid gehad om vrae te stel en is bereid om aan die studie deel te neem. Ek verstaan dat my deelname vrywillig is en dat dit my reg is om enige tyd sonder boete te onttrek (indien van toepassing). Ek is bewus daarvan dat die bevindinge van hierdie studie anoniem verwerk sal word in 'n navorsingsverslag, tydskrifpublikasies en/of konferensieverrigtinge.

Ek stem in tot die optekening van die invoeg-spesifieke data-insamelingsmetode.

Ek het 'n getekende afskrif van die ingeligte toestemmingsooreenkoms ontvang.

Volle Naam van Deelnemer: _____

Handtekening van Deelnemer: _____ Datum: _____

Vol Naam van Navorsers: _____

Handtekening van Navorsers: _____ Datum: _____

Annexure 7: Research Information Leaflet & Consent Form (isiXhosa)

IPHEPHA LEPHEPHA LENKCAZELO YOPHANDO NEFOMU YEMVUME

DATE:

18 January 2023

UMHLA WEPROJEKTHI YOPHANDO:

January- December 2023

ISIHLOKO SEPROJEKTHI YOPHANDO:

Inkxaso yoQoqosho olungekho sikweni: Ityala leeSMMEs kuMasipala waseMossel Bay

UMPHANDI WOMGAQO/IGAMA KUNYE NENOMBOLO YOQHAGAMSHELWANO:

Lawrence De Boer

2017289279

+27 81 732 8574

I-FACULTY NESEBE:

Centre for Development Support

INKOKELI YOFUNDO (AMA-) IGAMA NENOMBOLO YOQHAGAMSHELWANO:

Dr. Deidré Van Rooyen

Email: griesd@ufs.ac.za

+27 51 401 7059

IYINTONI INJONGO / INJONGO YOLUFUNDO?

Uphononongo lujolise ekujongeni ngokutsha ii-SMME ezingamiselekanga, ngakumbi uqoqosho olungekho sikweni lwe-SMMEs kwiSithili seMossel Bay yePhondo leNtshona Koloni eMzantsi Afrika. Uphononongo luya kuvavanya iimfuno ezibalulekileyo zenkxaso yoosomashishini abangekho sikweni kula mashishini angekho sikweni ngokuchonga imiqobo kunye nemiqobo kula mashishini ukuba abe ngamashishini ajolise ekukhuleni okuzinzileyo. Uphononongo luza kufuna ukuqonda iimeko kumgangatho wengingqi ezinefuthe kumashishini amacandelo angekho sikweni kunye nokuvavanya

inkxaso ekhoyo ngoku efumanekayo kwabo bathatha inxaxheba kuqoqosho olungekho sikweni. Ngaphaya koko, uphononongo luya kuseka umsantsa phakathi kwenkxaso yangoku ekhoyo kula mashishini kwicala lokubonelela kunye neemfuno zabo zenkxaso. Injongo yolu phando kukuchonga umsantsa kumashishini akwicandelo elingekho sikweni ukuze ekugqibeleni abe yinxalenye yoqoqosho oluqhelekileyo ngokukhula okuzinzileyo ngobonelelo lwenkxaso ehambelana nemfuno yala mashishini.

NGUBANI OWENZA UPHANDO?

ULawrence De Boer ngoku ungumfundi we-Master of Development Studies e-UFS. Ngoku ndingumcebisi ozisebenzelayo, ndisebenza ikakhulu kwicandelo lophuhliso. Umdla wam kuqoqosho olungekho sikweni usukela kumandla amakhulu angekasetyenziswa ukuqhubela phambili uphuhliso loqoqosho kunye nokubandakanywa koqoqosho lwethu olusakhulayo.

INGABA Uphononongo LUFUMANE IMVUME YOKUZIPHATHA?

Olu phononongo lufumene imvume kwiKomiti yeeNdlela zokuziphatha zoPhando ye-UFS. Ikopi yeleta yemvume inokufunyanwa kumphandi.

*Inombolo yemvume: **UFS-HSD2022/1624/22***

KUTHENI UMENYWA UKUBA UTHATHE INXAXHEBA KULE PROJETHI YOPHANDO?

Eyona njongo iphambili kukufumana ulwazi lwakho kunye neembono zakho ngoqoqosho olungekho sikweni ngokuthatha inxaxheba kwakho njengomthathi-nxaxheba kuqoqosho olungekho sikweni njengosomashishini (umnini shishini) okanye ukuxhasa amashishini angekho sikweni. Isimemo sokuthatha kwakho inxaxheba njengomnini weshishini siyandiswa njengoko uphile amava emingeni, imiqobo kunye nemiqobo echaphazela uqoqosho olungekho sikweni kunye nokukwazi kwalo ukuphila kunye nokukhula. Kwabanye abachaphazelekayo, okubandakanya urhulumente wasekhaya kunye namanye amaziko enkxaso, amava okuqala ekuphumezeni imingeni, ngakumbi ngokwembono yomgaqo-nkqubo, abaluleke kakhulu. IMossel Bay yakhethwa njengendawo ngenxa yezizathu ezibambekayo, esinye sesokuba umphandi uhlala khona ngoku. ISithili saseMossel Baysithathwa njengendawo elungileyo kolu phando njengoko inkcazo yezoqoqosho yesithili ibonisa ukuba xa kungekho mashishini aphambili, ii-SMMEs ziya kuba yinto ebalulekileyo ekukhuleni koqoqosho.

LUYINTONI UHLOBO LOKUTHATHA INXAXHEBA KWESI SIFUNDO?

Uphononongo lufuna ukuthatha kwakho inxaxheba kudliwano-ndlebe oluya kugxila ekufumaneni ulwazi lwakho kunye nokuqonda imingeni, imiqobo, imiqobo, kunye neemfuno zenkxaso zamashishini oqoqosho olungekho sikweni. Ingxoxo iya kuqhutywa ngokuthanda kwakho malunga nexesha kunye nendawo. Udliwano-ndlebe akulindelekanga ukuba luthathe ixesha elide kuneyure enye kudliwano-ndlebe lomntu ngamnye.

INGABA UMTHATHI-NXAXHEBA ANGAZINKONZA KWISIFUNDO?

Ukuthatha inxaxheba kuphononongo kungokuzithandela ngokupheleleyo. Ke ngoko, abathathi-nxaxheba abanyanzelekanga ukuba baphendule kuyo yonke imibuzo ejoliswe kubo nangasiphi na isizathu. Abathathi-nxaxheba bayakhuthazwa ukuba babonise nangaliphi na ixesha ngexesha lodliwano-ndlebe ukuba baziva bengakhululekile ngenxa yaso nasiphi na isizathu. Nawuphi na umthathi-nxaxheba unokuphuma kudliwano-ndlebe ngaphandle kokubonelela nasiphi na isizathu sokurhoxa okunjalo.

ZEZIPHI IZINZUZO EZINGABA NOKUBA ZOKUTHATHA INXAXHEBA KOLU FUNDO?

Akukho zinzuzo zithe ngqo ezinokufunyanwa ngokuthatha inxaxheba kuphononongo. Kusenjalo, kucingelwa ukuba iingxoxo nabachaphazelekayo zinokufaka isandla ekuphunyezweni komgaqo-nkqubo ophuculweyo kunye nongenelelo kwixa elizayo kwaye, ngaloo ndlela, kuzuze amashishini oqoqosho olungekho sikweni kunye nabathabathi-nxaxheba ngokungangqalanga.

YIYIPHI INKCAZELO ESILINDELWE UKUTHATHA INXAXHEBA KOLU FUNDO?

Akukho ziphazamisi zibonwa kwangaphambili, ngaphandle nje kokuncama ixesha ngokuzithandela ukuze uthathe inxaxheba kudliwano-ndlebe.

INGABA LENTO NDIYITHETHAYO IYA KUYIMFIHLO?

Izazisi zabathathi-nxaxheba kuphando ziya kugcinwa ngasese kwaye ziyimfihlo engqongqo kuyo yonke inkqubo yophando. Zonke iirekhodi zodliwano-ndlebe ziya kubonelelwa ngegama elingeyonyani okanye ikhowudi yokungaziwa. Oku kuya kuqinisekisa ukuba zonke iireferensi ezilandelayo kwiimpendulo zakho kunye neziphumo zigcinwa ziyimfihlo. Iimpendulo zakho zinokufumaneka kubasebenzi bezemfundo abajongene nesifundo sophando, ukubonelela ngesiqinisekiso somgangatho kuphononongo, kubandakanywa namalungu eKomiti yoPhando nokuziphatha, iikhowudi zangaphandle, kunye nabakhupheli. Ukuba kukho imfuneko yokuba waziswe ngesazisi sakho, imvume yakho ecacileyo iya kufunwa. Uphononongo lophando lunokuvelisa idatha eya kusetyenziswa kwiingxelo zophando, iijenali okanye iinkqubo zenkomfa, kwaye ingxelo yesi sifundo iya kungeniswa ukuba ipapashwe. Njengoko bekutshiwo ngaphambili, lonke ulwazi luya kufakwa iikhowudi kwaye lurekhodwe ukuze abathathi-nxaxheba ngabanye bangabonakali.

LUYA KUGCINWA NJANI ULWAZI KWAYE EKUGQIBELENI KUTSHATYALALE?

Zonke iirekhodi zolwazi ezifunyenwe ngolu phando lophando ziya kugcinwa ziyimfihlo engqongqo. Ngako oko ke onke amaxwebhu aya kugcinwa kwifayile etshixwayo kumasango e-UFS kangangeminyaka emihlanu ukwenzela ukuba kusetyenziswe wona kwixa elizayo. Iirekhodi ze-elektroniki ziya kufakwa iikhowudi kwaye zikhuselwe kwikhompyuter ekhuselekileyo. Ukuba kukho nayiphi na idatha egciniweyo efunekayo kuphando lwexesha elizayo, ukusetyenziswa kwayo kuya kuxhomekeka ekuvunyweni kweKomiti yoPhando nokuziphatha.

INGABA NDIYA KUFUMANA INTLAWULO OKANYE IZIKHUTHAZO ZOKUTHATHA INXAXHEBA KOLU FUNDO?

Abathathi-nxaxheba abayi kufumana naluphi na uhlobo lwentlawulo okanye inkuthazo ngokubandakanyeka kwabo kuphononongo.

UMTHATHI-NXAXHEBA UYA KWAZISWA NJANI NGEZIPHUMO / IZIPHUMO ZESIFUNDO?

Abathathi-nxaxheba abangathanda ukufumana ikopi yengxelo yabo yodliwano-ndlebe okanye iziphumo zokugqibela zophando bayakhuthazwa ukuba baqhagamshelane nomphandi, uLawrence De Boer, ngenye yezi ndlela zilandelayo, i-imeyile: deboerlj@gmail.com okanye iMobile: + 27(0) 81 732 8574. Umphandi unokuqhagamshelwa ngalo naluphi na ulwazi malunga nolu phononongo lophando. Umphandi uphantsi kweliso likaGqr Deidré Van Rooyen, oqhagamshelakayo kwi-imeyile: griesd@ufs.ac.za okanye i-Ofisi: +27 (0)51 401 7059. Ungaqhagamshelana noGqr Van Rooyen ngayo nayiphi na imiba emalunga nendlela oluqhutywe ngayo uphando. yenziwe. Enkosi ngokuthatha ixesha lokufunda eli phepha lolwazi kunye nokuvuma kwakho ukuthatha inxaxheba kolu phononongo.

IMVUME YOKUTHATHA INXAXHEBA KOLU FUNDO

Mna, _____ (igama lomthathi-nxaxheba), ndiyaqinisekisa ukuba umntu ocela imvume yam yokuthatha inxaxheba kolu phando undixelele ngobume, inkqubo, izibonelelo ezinokubakho kunye nokuphazamiseka okulindelekileyo kokuthatha inxaxheba.

Ndisifundile (okanye bendichazile) kwaye ndasiqonda isifundo njengoko sicacisiwe kwiphepha lengcaciso. Ndiye ndanethuba elaneleyo lokubuza imibuzo kwaye ndikulungele ukuba nenxaxheba kwisifundo. Ndiyaqonda ukuba ukuthatha kwam inxaxheba kukuzithandela kwaye ndikhululekile ukuba ndingarhoxa nangaliphi na ixesha ngaphandle kwesohlwayo (ukuba kufanelekile). Ndiyazi ukuba iziphumo zolu phononongo ziya kuqwalaselwa ngokungaziwa kwingxelo yophando, upapasho lwejenali kunye/okanye iinkqubo zenkomfa.

Ndiyavuma ukurekhodwa kwendlela yokuqokelela idatha ethile.

Ndifumene ikopi esayiniweyo yesivumelwano semvume enolwazi.

Igama elipheleleyo lomthathi-nxaxheba: _____

Utyikityo lomathathi-nxaxheba: _____ Umhla:

Amagama apheleleyo o(a)Phandi: _____

Utyikityo lomphandi: _____ Umhla: _____

Annexure 8: Ethical clearance letter



GENERAL/HUMAN RESEARCH ETHICS COMMITTEE (GHREC)

11-Jan-2023

Dear Mr Lawrence De Boer

Application Approved

Research Project Title:

Support Needed for Informal Economy SMMEs in the Garden Route District of the Western Cape Province

Ethical Clearance number:

UFS-HSD2022/1624/22

We are pleased to inform you that your application for ethical clearance has been approved. Your ethical clearance is valid for twelve (12) months from the date of issue. We request that any changes that may take place during the course of your study/research project be submitted to the ethics office to ensure ethical transparency. Furthermore, you are requested to submit the final report of your study/research project to the ethics office. Should you require more time to complete this research, please apply for an extension. Thank you for submitting your proposal for ethical clearance; we wish you the best of luck and success with your research.

Yours sincerely

Dr Adri Du Plessis

Chairperson: General/Human Research Ethics Committee

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Annexure 9: Letter from language editor

DECLARATION OF PROOFREADER

29 November 2023

To whom it may concern

This is to certify that I lightly language-edited the dissertation of LAWRENCE JULIUS DE BOER manually. The author affected the changes. In this way, linguistic excellence and the author's ownership of his text were ensured.

Sincerely

A handwritten signature in purple ink that reads "H. Tonder". The signature is written in a cursive style and is underlined.

Mrs Hesma van Tonder