

**THE FORMALISATION OF INFORMAL BUSINESSES IN THE DURBAN
DISTRICT OF SOUTH AFRICA**

Submitted in fulfilment of the requirements for the Degree of
Master of Management Sciences: Business Administration
Department of Management and Entrepreneurial Studies,
Faculty of Management Sciences
at the
Durban University of Technology.

By
NONDUDUZO DLADLA
(20602755)

October 2020

—
Student: Ms Nonduduzo Dladla

07/05/ 2021
Date

—
Supervisor: Dr Luther-King Junior Zogli

07/05/2021
Date

DECLARATION

Nonduduzo Dladla, student number 20602755 hereby affirms that this thesis, “Formalisation of informal businesses in the Durban district of South Africa”, is submitted in accordance with the requirements for the Masters: Management Science Degree at the Durban University of Technology, is my own original work and has not been submitted previously to any other institution of higher education and learning. All sources that are cited in this research project are indicated and acknowledged with a comprehensive list of references.

Student: Ms Nonduduzo Dladla

Dr Luther King-Junior Zogli

07/05/2021

Date

7/5/2021

Date

ACKNOWLEDGEMENTS

I wish to express my sincere appreciation to the following for making this study possible:

- God almighty for giving me the courage, determination and strength to complete this research study.
- My Academic Supervisor, Dr Luther-King Junior Zogli, for his continued guidance and speedy responses, the support displayed throughout this journey was amazing. Thank you for the patience and for believing in this research study. May God bless you abundantly.
- All the respondents who participated in this study, thank you for your time and input because without your contribution, this study would not have been possible.
- I would like to extend special thanks to my family for their remarkable support and motivation during the period of this study.
- Thank you to all my friends for believing in me and for the constant support.
- Thank you to the Durban University of Technology for giving me this opportunity to participate in the Master's Programme.

ABSTRACT

The current research study investigates the formalisation of informal businesses in the Durban central district of the Kwa Zulu Natal province in South Africa. The Informal sector defined by The Women in Informal Employment Globalizing and Organizing (WIEGO) (2014:05) as small unregistered businesses operating as street vendors and home-based businesses, encounters numerous challenges in operating as well as when transitioning to the formal economy. Therefore, the purpose of this study is to investigate the challenges faced by informal traders in their formalisation process. This study sought to identify and recommend policies to address these obstacles encountered by informal firms when converting from the informal to the formal economy.

The population under study consisted of informal traders located in Durban, in the central district. To address the ethics issues, participants identified were protected and the information obtained from the interviews was also treated with confidentiality. The qualitative paradigm as a technique was applied in this study, utilising structured interviews to obtain data. The snowball sampling method assisted the researcher to obtain data. This form of sampling works on a referral basis as data rich sources will recommend other participants to be interviewed. Data was collected till data saturation was reached at 8 participants.

Findings from the study suggest that the decision to formalise is motivated by the desire of traders to access financial support for business expansion, as well as to access proper infrastructure. The findings also revealed that the pursuit of a transition to the formal sector is hindered by some obstacles, such as complicated government regulations as well as the financial costs incurred to register a business.

Based on the findings, the study recommends that the government prioritizes the provision of proper infrastructure, which includes proper sheltered trading and ablution facilities. The study also recommends that some critical points be considered in order to make the formalisation process less burdensome and that business formalisation education be prioritized by the relevant government institutions.

TABLE OF CONTENTS

| | |
|-------------------------|------|
| Declaration..... | I |
| Acknowledgements..... | II |
| Abstract..... | III |
| Table of Contents..... | IV |
| List of Acronyms..... | VIII |
| List of Figures..... | IX |
| List of Tables..... | X |
| List of Appendices..... | XI |

CHAPTER ONE: INTRODUCTION AND BACKGROUND TO THE STUDY

| | |
|--|----|
| 1.1 INTRODUCTION | 12 |
| 1.2 BACKGROUND TO THE STUDY | 13 |
| 1.3 RESEARCH PROBLEM | 14 |
| 1.4 RESEARCH QUESTIONS GUIDING THE STUDY | 15 |
| 1.5 AIMS AND OBJECTIVES OF THE STUDY | 16 |
| 1.6 SCOPE OF THE STUDY..... | 16 |
| 1.7 RESEARCH METHODOLOGY AND DESIGN | 17 |
| 1.8 SIGNIFICANCE AND BENEFITS OF THE STUDY | 17 |
| 1.9 RESEARCH STUDY SITE..... | 18 |
| 1.10THE STRUCTURE OF THE DISSERTATION..... | 20 |
| 1.11CONCLUSION | 21 |

CHAPTER TWO: LITERATURE REVIEW

| | |
|---|----|
| 2.1 INTRODUCTION | 22 |
| 2.2 ECONOMIC OVERVIEW OF SOUTH AFRICA..... | 22 |
| 2.2.1 Economic growth..... | 22 |
| 2.2.2 Unemployment in South Africa..... | 23 |
| 2.2.3 Poverty and inequality in South Africa..... | 24 |
| 2.3 ENTREPRENEURSHIP | 25 |
| 2.4 THE INFORMAL ECONOMY..... | 27 |
| 2.4.1Defining the informal economy | 27 |

| | |
|--|----|
| 2.4.2 Size and characteristics of the informal economy | 29 |
| 2.4.3 Challenges encountered by the informal economy | 30 |
| 2.4.4 Economic contribution of the informal economy | 31 |
| 2.4.5 The capacity of the informal economy in South Africa | 32 |
| 2.5 TRANSITIONING FROM THE INFORMAL TO THE FORMAL ECONOMY | 34 |
| 2.5.1 Economic impact of formalisation | 34 |
| 2.6 CONCEPTUAL FRAMEWORK | 36 |
| 2.7 CONCLUSION..... | 38 |

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

| | |
|--|----|
| 3.1 INTRODUCTION | 39 |
| 3.2 RESEARCH PHILOSOPHY AND DESIGN..... | 39 |
| 3.2.1 Research philosophy | 39 |
| 3.2.2 Research design | 40 |
| 3.3. RESEARCH APPROACH | 40 |
| 3.3.1 Primary and Secondary research..... | 41 |
| 3.3.2 Overview of the research area | 42 |
| 3.4 POPULATION AND SAMPLING | 42 |
| 3.4.1 Target population..... | 43 |
| 3.4.2 Data collection technique | 43 |
| 3.4.3. Description of the interview schedule..... | 44 |
| 3.5 THE TEST OF DATA QUALITY | 44 |
| 3.5.1 Test of validity and research instrument | 44 |
| 3.5.2 Methods to ensure trustworthiness and credibility..... | 45 |
| 3.6 DATA ANALYSIS..... | 45 |
| 3.7 ETHICAL CONSIDERATIONS | 47 |
| 3.7.1 Letter of information and consent | 48 |
| 3.7.2 Anonymity and confidentiality | 48 |
| 3.8 CONCLUSION | 49 |

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION 50

4.2 PERSONAL PROFILE OF RESPONDENTS 50

4.2.1 Gender of respondents 50

4.2.2 Highest level of education of respondents 51

4.2.3 Age distribution of respondents 52

4.2.4 Weekly profit acquired by informal traders 52

4.2.5 Nature of business 53

4.2.6 Previous employment of respondents 54

4.2.7 Township/suburb the respondent originates from 54

4.2.8 Number of years respondent has been trading informally 55

4.3 OPERATING AN INFORMAL BUSINESS AND THE FORMALISATION PROCESS 56

4.3.1 Experiences in growing an informal business 56

4.3.2 Are some challenges only unique to the informal sector? 58

4.3.3 What is your opinion of the formalisation process? 59

4.3.4 What about this process motivates you to formalise? 61

4.3.5 What Support options are available to informal entrepreneurs who want to formalise? 64

4.3.6 Regarding formalisation, what would you like to tell me that you’ve thought about during this interview? 65

4.4 CONCLUSION 65

CHAPTER FIVE: DISCUSSION OF RESEARCH FINDINGS

5.1 INTRODUCTION 67

5.2 BIOGRAPHICAL INFORMATION 68

5.3 CONSTRAINTS ENCOUNTERED BY INFORMAL TRADERS 68

5.3.1 Fierce competition in the informal economy 68

5.3.2 Business space for trading and storage 69

| | |
|---|----|
| 5.3.3 Lack of funding to expand business..... | 70 |
| 5.3.4 Hygiene, lack of ablution facilities for traders’ | 72 |
| 5.3.5 Municipal harassment | 72 |
| 5.4 FACTORS THAT MOTIVATE INFORMAL TRADERS TO TRANSITION TO THE FORMAL ECONOMY..... | 73 |
| 5.5 CHALLENGES FACED BY INFORMAL FIRMS WHEN TRANSITIONING TO THE FORMAL ECONOMY.... | 74 |
| 5.6 CONCLUSION | 76 |

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

| | |
|--|----|
| 6.1 INTRODUCTION | 77 |
| 6.2 RE-STATEMENT OF RESEARCH OBJECTIVES | 77 |
| 6.3 IMPLICATIONS OF FINDINGS..... | 78 |
| 6.3.1 The experience of operating an informal business..... | 78 |
| 6.3.2 Main Motives for formalisation | 78 |
| 6.3.3 Challenges of formalisation | 79 |
| 6.3.4 Support structures responsible for assisting the informal sector to formalise..... | 79 |
| 6.4 POLICY RECOMMENDATIONS | 80 |
| 6.5 AREAS FOR FUTURE RESEARCH | 81 |
| 6.6 RESEARCH LIMITATION | 81 |
| 6.7 CONCLUDING REMARKS..... | 82 |
| REFERENCES | 84 |
| APPENDICES | 93 |
| APPENDIX A..... | 94 |
| APPENDIX B..... | 97 |
| APPENDIX C..... | 98 |
| APPENDIX D..... | 99 |

LIST OF ACRONYMS

| ACRONYM | DESCRIPTION |
|----------------|--|
| DTI | Department of Trade and Industry |
| CBD | Central Business District |
| CIPC | Companies and Intellectual Property Commission |
| GDP | Gross Domestic Product |
| HSRC | Human Sciences Research Council |
| ILO | International Labour Organization |
| NDP | National Development Plan |
| SEDA | Small Enterprise Development Agency |
| SEFA | Small Enterprise Finance Agency |
| SMME | Small Medium and Micro Enterprise |
| STATSSA | Statistics South Africa |
| NEDLAC | National Economic Development and Labour Advisory Council |
| NEF | National Empowerment Fund |
| USAID | United States Agency for International Development |
| WIEGO | Women in Informal Employment Globalizing and Organizing |

LIST OF FIGURES

| Figure number | Description | Page number |
|---------------|---|-------------|
| Figure 1 | Layout of the research study | 19 |
| Figure 2 | South African inflation rate | 23 |
| Figure 3 | The South African Poverty rate per province | 25 |
| Figure 4 | Durban Informal economy sector | 33 |
| Figure 5 | Geographic map depicting the study area | 37 |
| Figure 6 | Gender of respondents | 51 |
| Figure 7 | Highest level of education of respondents | 55 |
| Figure 8 | Weekly profit gained by participants | 53 |
| Figure 9 | Number of years the respondent has been trading in the informal economy | 55 |
| Figure 10 | Word cloud summarizing the experiences of informal business owners | 58 |
| Figure 11 | Experiences encountered by respondents | 58 |
| Figure 12 | Word cloud summarizing the challenges encountered by informal business owners | 61 |
| Figure 13 | Motivation to formalise | 62 |
| Figure 14 | Word cloud summarizing the informal business entrepreneurs' views pertaining to formalisation | 65 |

LIST OF TABLES

| Table number | Description of table | Page number |
|---------------------|---|--------------------|
| Table 1 | Age of Informal Traders | 52 |
| Table 2 | Nature of the business | 53 |
| Table 3 | Previous employment of respondents | 54 |
| Table 4 | Suburb/Town the respondent originates from | 55 |
| Table 5 | Options available to informal traders who want to formalise | 63 |
| Table 6 | Different markets found in Warwick Junction | 70 |

APPENDICES

| Appendix | Description | Page number |
|-----------------|--------------------------|--------------------|
| Appendix A | Interview schedule | 106 |
| Appendix B | Consent form | 107 |
| Appendix C | Letter of information | 108 |
| Appendix D | Interview request letter | 109 |

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

The informal sector plays a critical role in the developing world as it contributes to poverty alleviation and serves as a buffer between employment and unemployment. Informal businesses generate employment when the formal sector is incapable of doing so. This sector mostly provides opportunities for marginalized and historically disadvantaged groups with inadequate skills and business literacy to support their household income. Levy (2007) asserts that the informal sector has an impact on economic growth, especially in emerging and developing countries like South Africa.

Williams and Nadin (2014) state that the informal sector is broadly acknowledged as being large and is increasing across the world, and that most entrepreneurs trade entirely or partially in the informal economy. However, there has been little attempt to evaluate what impedes informal traders from formalising, as well as to assess entrepreneurs' rationale for trading informally in order to consider the necessary policy actions to be implemented to facilitate their formalisation. Therefore, the aim of this study is to address that gap.

1.2 BACKGROUND TO THE STUDY

Like most developing countries, the South African economy is separated into two parts: the formal and informal economies. The International Labour Organization (2018) found that more than 60% of the world's population is active in the informal economy and in Africa, 85% of the population is employed in the informal sector. This high incidence of informal sector activity is a major challenge for the rights of workers, social protection, decent work conditions, inclusive development and the rule of law. As a remedy, the International Labour Organization in its general conference, the 103rd session (2014), affirmed that the transition from the informal to the formal economy is vital to achieve inclusive development and to realize decent work for all. Guided by recommendation (R204), which was adopted by the general conference, the

International Labour Organization further suggested that member states take appropriate measures to enable the formalisation of small businesses from the informal to the formal sector (ILO, 2015). Transitioning from the informal to the formal sector by small businesses is informed by three schools of thought: the dualist approach proposed by Hart (1973), the legalist perspective of De Soto (1989) and the structuralist analysis by Portes (1989).

The Dualist approach pioneered by Keith Hart advocates that informality derives from a labour supply that surpasses the employment needs of the formal sector. Hart (1973) suggests that the informal sector is distinctive and is a separate secondary sector indirectly related to the formal sector since it provides income to the poor population. According to Gordon (1982), there are various ways of thinking about the informal and formal markets: the formal sector is considered superior to the informal sector and these two types of sectors result in economic dualism that consists of informal sector employment and formal sector employment.

The Legalist perspective of Hernando De Soto (1989) pronounces entrepreneurs as driven to or stuck in the informal economy to escape the complex process of registration and operational costs related to formalization, such as company tax and compliance costs of labour regulations. Furthermore, this sector will continue to exist if the government continues with burdensome and costly regulations.

On the other hand, the Structuralist school sees the informal economy as a subordinated economic unit (micro-enterprises) and workers that serve to reduce input and labour costs of large capitalist firms thereby increasing the competitiveness of large capitalist firms (Portes, 1989). There has been no conclusive evidence of what motivates informal sector activities in the Durban CBD to formalise, necessitating the current study. Hence the study will confirm one of the above-mentioned theories.

Operating in the informal sector comes with many challenges, some of which includes managerial, human, social and financial capital problems. In addition to this, the formalisation process, according to Dzansi (2014), is burdensome for many informal traders as they must overcome obstacles when transitioning to the formal sector. Consequently, most businesses decide to remain in the informal economy.

As the latest figures from Statistics SA (2017) indicate, KwaZulu-Natal is the second largest economy in South Africa, with the City of Durban contributing 16% of the South African GDP. Therefore, it is imperative to investigate the formalisation of informal businesses in Durban in

order to explore the challenges faced by informal businesses in their formalisation process. Perusing the literature on informal trading in general, there seems to be a gap that this research study could contribute to bridging in addressing the formalisation of informal businesses in the Durban area- focusing on businesses located in the central business district.

1.3 RESEARCH PROBLEM

The International Labour Organization (2018) estimates the world's labour force at approximately 3.5 billion people and about 2 billion of them (representing about 61 %) are employed in the informal sector. This means that informality is not only a continental challenge, but a global one. Magalhaes (2015) asserts that informality poses serious challenges such as the difficulty of accessing financial funding from financial institutions and the lack of access to decent infrastructure and larger markets. In view of these challenges, a transition from the informal to the formal economy is increasingly seen as being a necessary step towards creating an enabling environment for sustainable businesses. The problem is that many obstacles inhibit informal operators in their quest to transition into the formal sector, in some instances resulting in informal business owners deciding to remain informal. Sandada (2014) found that informal traders face entry barriers in their attempt to join the formal sector. De Soto (1989) asserted that a key factor contributing to poverty in emerging countries were obstacles placed by governments in the path of small-scale entrepreneurs through unnecessary licensing requirements or outright corruption, making setting up a formal business very costly. These factors discourage many entrepreneurs from starting legal businesses, instead they set up informal firms. Lapeyre (2017) emphasized that formalisation is vital for business growth as businesses gain better access to credit and other productive factors, including expedited access to markets through public procurement and linkage programmes. Moreover, firms gain access to imports and exports through formal channels.

The city of Durban is South Africa's third largest city and the city's government estimates that a third of economically active adults are in the informal economy. According to eThekweni Municipality reports (2017), an estimated 47 500 people are active and registered as informal traders in the City of Durban, the majority being female traders. Levy (2008) argued that a country with a huge informal business sector tends to lack development and is less able to finance public services because of low tax revenue collection. Informality is associated with complex and non-transparent trading systems, which discourages foreign direct investment and

also undermines trade policy and negatively impacts the international competitiveness of developing countries. Van der Molen (2018) adds that tax evasion because of the informal sector is very severe and adds up to US \$ 3.1 trillion annually which is about 5% of the world's GDP. Additionally, in Africa, a loss of US \$ 80 billion was identified in 2012.

Currently, there has been no conclusive evidence as to what inhibits informal traders in the Durban central business district from formalising, necessitating this study. This study therefore seeks to contribute to the empirical understanding of the transition of small businesses from the informal to the formal economy, as well as to explore challenges encountered by actors in the informal economy in their transitioning process.

1.4 RESEARCH QUESTIONS GUIDING THE STUDY

Following from the research problem of this study, the following research questions were posed:

1. What are the constraints encountered by informal firms when conducting their business activities?
2. What motivates informal firms to transition from the informal sector to the formal economy?
3. What are the challenges encountered by Small businesses when transitioning to the formal economy?

1.5 AIM AND OBJECTIVES OF THE STUDY

The aim of the study was to investigate the formalisation of informal businesses in the Durban District of Kwa-Zulu Natal in South Africa. The following objectives were addressed:

1. To identify the constraints encountered by informal firms when conducting their business activities.

2. To understand what motivates Informal firms to transition from the Informal sector to the formal economy; and
3. To identify the challenges faced by Small businesses when transitioning from the Informal to the Formal economy.

1.6 SCOPE OF THE STUDY

The study is restricted to informal traders located within the Durban central business district in the Province of Kwa-Zulu Natal, South Africa. Durban is the largest city in the province and is regarded as the 3rd largest city in South Africa, with a population of 3.4 million people (STATSSA 2011). Durban falls under eThekweni Municipality, one of the eight metropolitan municipalities in South Africa. The City of Durban has been acclaimed as having a relatively progressive stance on the informal economy as an informal economy policy was adopted by the council in 2001, making Durban the first city in South African to develop a policy for informal traders (Skinner, 2019).

1.7 RESEARCH METHODOLOGY AND DESIGN

The study is qualitative in nature and the primary data is obtained by means of structured interviews. Patton (2015) argues that interviews are often perceived as one of the best ways to understand a respondent's perspective and recognizes the interviewing process as sitting down with the respondent and taking notes on verbal and non-verbal cues as the interview progresses. In this study, interviews are conducted face-to-face using an audio recorder to record information presented by the participants, consisting of informal traders located in the eThekweni municipal region. The interviews took place at the respondents' trading stalls situated in the Durban central district.

After the researcher had collected the data through face-to-face interviews, the data was coded and analysed. Celsi and Samouel (2015) emphasise that after data has been collected, and before it is analysed, the researcher should examine it to ensure its completeness and validity. The process involves the coding of collected data. Elliott (2018) explains that coding is an almost global

process in qualitative research, as it is a fundamental aspect of the analytical process and the way in which researchers break down their data to make something new. Creswell (2015) adds that coding is the process of analysing qualitative text data by breaking them apart to see what yields before putting the data back together in a meaningful way.

1.8 SIGNIFICANCE AND BENEFITS OF THE STUDY

Formalisation of the informal economy has been a constant buzzword in both the academic literature and policy discourse. Without understanding what inhibits the formalisation of informal businesses in Durban, it will be difficult to design effective policies to address this problem. Hence, the aim of this research study is to demonstrate and evaluate, for the first time, pertinent information on the formalisation of informal businesses in Durban, focusing on the central business district. Furthermore, this research study intends to provide deep insight into formalisation and to address the challenges encountered by informal traders when formalising their informal enterprises. Accordingly, this study anticipates adding value to the existing knowledge relating to business formalisation and on the South African Informal and formal economies.

Practically, the findings of the study can support regulators and policy-makers to address the needs of informal traders and to also create an enabling business environment that will assist them in their transitioning process.

1.9 RESEARCH STUDY SITE

According to Sileyew (2019), the study site is a physical place where the study will be conducted in order to collect the desired data. Additionally, this is where the set of individual subjects or events that have been identified are found. In this study, Durban's central business district is identified as the study site.

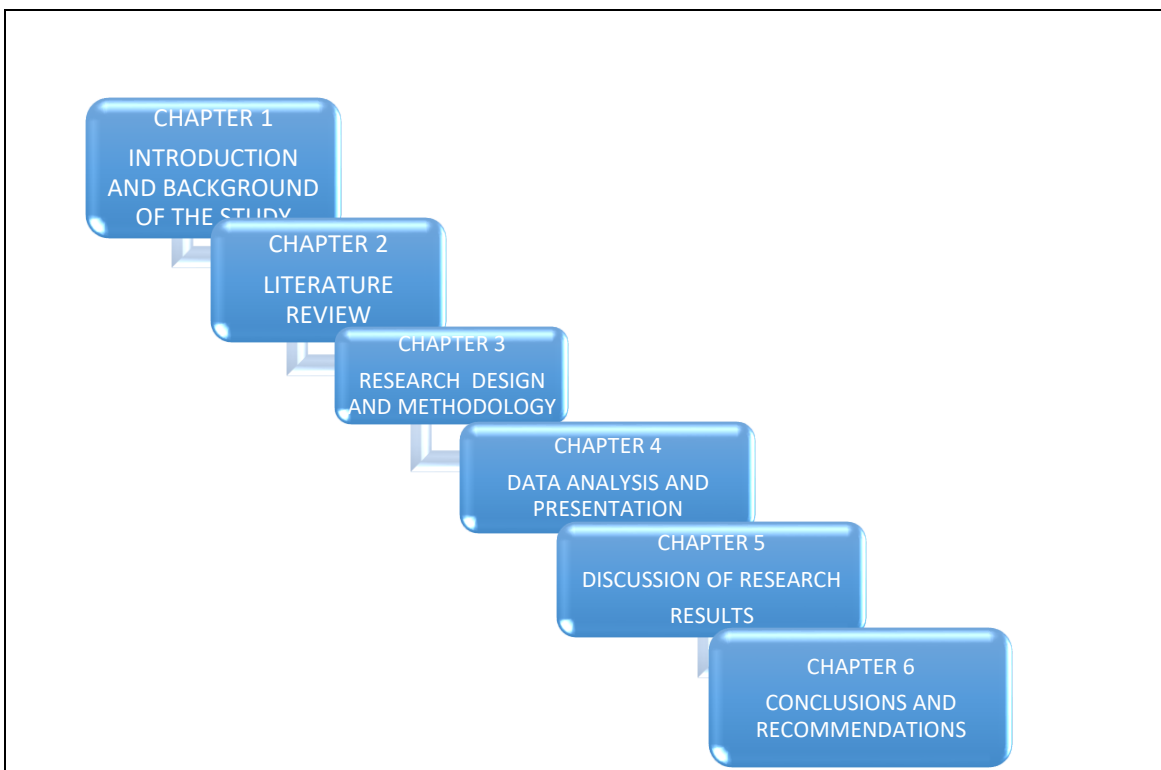
1.10 THE STRUCTURE OF THE DISSERTATION

The dissertation is divided into five chapters, as depicted in Figure 1.

Chapter One: Overview of the study

The purpose of this chapter is to provide an overview of the study in terms of the background of the study, the research problem, aim and objectives of the study, along with the scope and significance of the study. The methodology and design of the study are also defined. Thereafter, the research questions guiding the study were explained. The study area was also detailed in this chapter, which ended by discussing the structure of the dissertation.

Figure 1: Layout of the study



Source: Researcher's own work

Chapter Two: Literature Review

The Literature review provides applicable literature relating to the objectives of the study from scholars and academia. This chapter begins by discussing entrepreneurship, followed by providing information on the informal economy and ends by discussing the formalisation of informal businesses.in this chapter

Chapter Three: Research design and methodology

The attention in this chapter is on the methodology that was employed in the study. It describes the research design, population, sampling technique utilised, reliability and validity of the research study. The research instrument and data collection method used in this empirical study is mentioned.

Chapter Four: Findings and Analysis

In this chapter, the outcomes are presented using descriptive statistics and the results are represented in themes.

Chapter Five: Discussion of results

The attention of this chapter will be on the overall findings of the research study pertaining to the identified objectives, which are presented in detail.

Chapter Six: Conclusion and recommendations

The final chapter of this empirical study commences with a summary of the findings from previous chapters. It contains the conclusions that were drawn and includes recommendations for future research.

1.11 CONCLUSION

The informal economy is a feature of Durban's inner-city life, where street vendors, food sellers, amongst others, work in both high visibility areas of the city like busy pavements, taxi ranks and discrete public spaces like those around deserted infrastructure. The problem under consideration in the current study is that several impediments hinder informal operators in their pursuit to transition into the formal sector, in some instances resulting in these informal business owners deciding to remain informal. As a result, the aim of this research investigation is to evaluate the constraints faced by Durban informal traders when carrying out their business functions in the CBD. The study also sought to explore the challenges faced by traders when embarking upon the formalisation process in the Durban central.

Fundamentally, this chapter presented the overview of the study, the background, research problem and the aims. The objectives of the study were stated and the significance of the study as well as the research methodology and design adopted were outlined. Additionally, the geographic location of the study was discussed. The layout of the study was also

identified and broken down into five chapters. In the following chapter, relevant literature is reviewed to assist in discussing the topic.

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

In this chapter, relevant literature pertaining to the South African economy, entrepreneurship, informal sector and formalisation of the informal economy are discussed. Furthermore, discussions on entrepreneurship and the informal economy and the contribution of informal enterprises are presented.

2.2 ECONOMIC OVERVIEW OF SOUTH AFRICA

2.2.1 Economic growth

South Africa is ranked by the World Bank (2018) as an upper middle-income country and is regarded as the second largest economy in Africa. In the beginning of 2020, the World Bank announced that South Africa's GDP growth projections for the year 2020 have been revised from 1.5 down to 0.9%. Sluggish economic growth in 2019 has contributed to poor improvement in production and employment. In the second quarter of 2019, the economy managed to escape recession as it recorded an optimistic growth of 3.1%, with trade and government, Mining and finance services being the main contributors to this growth (Stats SA, 2019).

South Africa's state-owned companies have also been in a state of decline, in the process affecting the GDP negatively. In the first quarter of 2019, the largest drop in GDP in 10 years was recorded at 3.2%, which economists blamed on Eskom (the state-owned electricity utility responsible for the supply of electricity in South Africa through the generation, transmission, distribution and sale of electricity, as well as importing and exporting) (ESKOM, 2016). The power utility has been plagued by several cases of corruption and mismanagement scandals which have contributed to serious financial concerns. Eskom alone accumulated R450 billion (\$30 billion) of debt and depends on State bailouts to remain solvent (Matarise, 2019). This state-owned enterprise has battled to meet demands for electricity due to old infrastructure and has been forced to introduce blackouts in some instances. In 2017, Eskom's mounting debt also contributed to negative feedback from rating agencies such as Standard and Poor, and Fitch, rating the country below investment grade, thus indicating to potential investors that the risk

of South African debt has increased- meaning South Africa has a high risk of being unable to honour its debt commitments (Mohata, 2017).

Figure 2 South Africa's inflation rate



Source: Statistics South Africa (2020)

As illustrated in Figure 2 above, the inflation rate has lingered between 4% and 5% since December 2018 and persisted below the South Africa Reserve Bank's 6% monetary policy ceiling since 2017. As a result, South African consumers are collapsing under economic pressure from increases in food and non-alcoholic beverages by 3.2% and transport by 7.1% year-on-year, which have hit South African consumers where it matters most. Hence consumer spending continues to be constrained by the weak economic environment and high rates of unemployment.

2.2.2 Unemployment in South Africa

According to StatsSA (2020), a total of 6.7 million (29%) people are unemployed in South Africa, of an active labour force of 23.1 million. South Africa as a BRICS (Brazil, Russia, India, China and South Africa) member benefits from its collective strength by way of consultation and support on economic issues (Lukin and Xuesong, 2019). As far as the BRICS

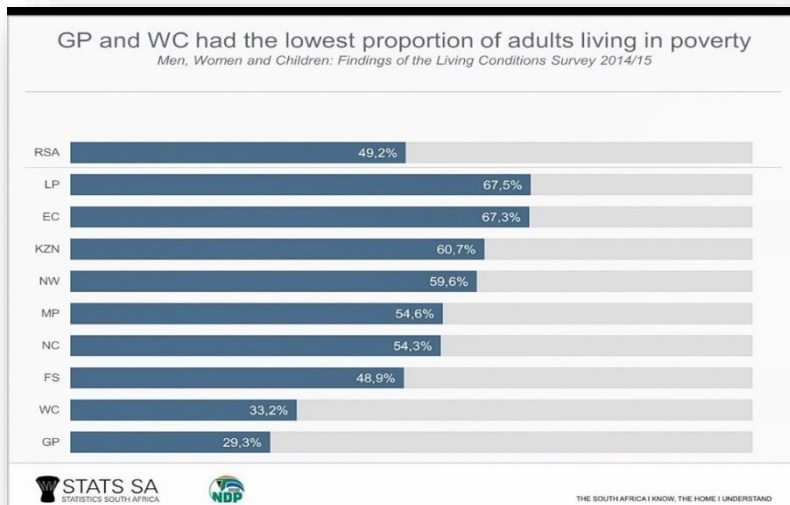
countries are concerned, South Africa's unemployment rate is behind that of its fellow members, with Brazil's at 11.6%, India 8.5%, Russia 4.6% and China at 3.6%.

The International Monetary Fund (2020) asserted that South Africa's unemployment statistics are high, even by emerging market standards. Additionally, the emerging market average is in the single digits, whilst South Africa's is on the peak of 30% and more worryingly, figures look even worse when observed through the primacy of youth unemployment. The figure of unemployed youth is estimated around 50%, while the emerging average is close to 15%, which is a great concern for the economy. To address youth unemployment challenges, the South African government has introduced the draft National Youth policy for 2020-2030 which will consider expanding and analysing the implementation of Broad-Based Black Economic Empowerment (BBBEE) to tackle the youth unemployment problems in South Africa. According to the World Bank (2018), in order to enhance job creation, South Africa's economy needs to grow massively more than it has since 1994. Consequently, the legacy of exclusion in land, capital and product markets hinders growth. Furthermore, the South African labour market is characterized by numerous challenges, with racial and gender inequalities still predominant in South Africa's labour market. The enduring legacy of apartheid still affects the ability to find a job, as well as the wages received once employed. Moreover, females find it tougher to secure jobs and they earn less when compared to men, when they do get employed.

2.2.3 Poverty and Inequality in South Africa

According to the World Bank (2019), South Africa has made significant developments towards improving the wellbeing of its citizens since its transition to democracy in the mid-1990s, but progress towards poverty reduction is decelerating as the poverty rate has increased from 16.8% to 18.8% between 2011 and 2015. Inequality remains very high, whilst South Africa remains a dual economy with being one of the most unequal countries in the world. Furthermore, poverty is persistently highest amongst black South Africans, the less educated and the unemployed (World Bank 2018). For more than two decades, South Africa has sought to tackle poverty and inequality through the introduction of social grants, which refers to the government's investment in health services, education and social development consisting of social support to vulnerable households and individuals. Satamba, Mohamed and Bayet (2017) add that social grants have the potential to reduce poverty since in recent years, the expansion in South African social assistance has reduced the incidence of poverty.

Figure 3: Rates of South African adults living in poverty per Province



Source: Adapted from Statistics South Africa (2019)

As depicted in Figure 3 above, out of all the nine South African provinces, Limpopo province has the highest rate of adults living in poverty, whilst Gauteng and the Western Cape have the least headcount of adults living in poverty. StatsSA (2019) discovered that inequality has remained high due to the meagre number of jobs created in the previous 20 years. These jobs hardly kept pace with growth in the labour force and as a result, the unemployment rate is at 29% as earlier stated. The unemployment rate remains very high amongst the youth as they account for 58% of the overall total of unemployed people.

2.3 ENTREPRENEURSHIP

Ayankoya (2016) confirms that entrepreneurship has been tipped to be able to bridge the poverty gap experienced by South Africa. Entrepreneurship remains the major solution to the socio-economic issues encountered by the country. Moreover, a South Africa with improved entrepreneurship activities would deliver more job opportunities and improve the livelihood of families. Bosman (2012:10) explains that the Global Entrepreneurship Monitor (GEM) defines entrepreneurship as “any attempt at new business or venture creation such as self-employment, a new business organization or the expansion of an existing business by an individual, a team of individuals or an established business”. Minaev (2016) revealed that entrepreneurship is

one of the most essential economic components for the world and entrepreneurship can act as a platform for social and economic development of the country. Furthermore, entrepreneurship has an influence both on the social and on the economic systems of the country and forms a solution to many socio-economic problems of unemployment and low income.

According to the GEM (2017), two basic types of entrepreneurs exist, namely opportunity-driven and necessity-driven entrepreneurs. Opportunity-driven entrepreneurs are defined as those who try to grab opportunities and benefit from business actions, while necessity-driven entrepreneurs or forced entrepreneurs are characterized by efforts to enter entrepreneurship because they have no other source of income opportunities.

To explain the entrepreneurship field, numerous theories have been proposed by scholars. Kirzner's (1973) theory of entrepreneurship is known as the theory of Entrepreneurial Alertness and Discovery. Kirzner (1973) focusses on alertness as an entrepreneur's ability to perceive new economic opportunities that no prior economic actor has yet recognized. The fundamental quality of the entrepreneur is the ability to foresee demand for a new product that has not previously been manufactured. Kirzner further describes entrepreneurship as an intangible asset without a direct link between the quantity of entrepreneurship and the amount of profit. This theory emphasizes alertness as a main characteristic of entrepreneurship and the ability to achieve extraordinary profits and gaining competitive advantage over others (Kirzner, 2008).

Marshall (1890) viewed the entrepreneur as a "superintendent", whereby the main mission of the entrepreneur is to offer products of good quality, in the process drawing attention to innovative strategies and economic progress. Marshall articulated that the entrepreneur is accountable for the appropriate functioning of his business. The author additionally stated that an entrepreneur should possess general qualities and abilities such as good memory, flexibility and specialised abilities such as good foresight and proper judgement accompanied by good leadership.

Schumpeter's (1961) Entrepreneurship theory emphasized that entrepreneurship differs from the undertakings of a manager because a manager is responsible for executing the duties of an enterprise, while the entrepreneur takes a high degree of risk. The role of an entrepreneur has been glorified by him based on functional abilities. According to Langroodi (2017), Schumpeter has described the roles of an entrepreneur based on functional abilities as follows:

- Appreciate the possibilities of innovation;
- overcome the socio-psychological barriers against the introduction of new things;
- direct the means of production into new channels;
- persuade the banker to provide him with necessary finance for innovations;
- induce other producers in his branch of activity for taking risk;
- create an environment conducive to the satisfaction of wants as the normal motive;
- provide leadership; and
- Take a high degree of risk in the economic world.

A radical new perspective was offered by Schumpeter (1912). According to Sledzik (2013), the innovative theory by Josef Schumpeter is one of the renowned theories of entrepreneurship. Schumpeter believed that innovation is an important aspect in any entrepreneur's area of specialization. He argued that knowledge can only go a long way in helping entrepreneurs to become successful. Schumpeter viewed innovation and knowledge as the main catalysts of a successful entrepreneur and expressed that anyone seeking profits must be innovative. He further emphasized that an entrepreneur is not a manager but an innovator, and that successful innovative behaviour is based on entrepreneurial spirit and intelligence. (Sledzik, 2013).

2.4 THE INFORMAL ECONOMY

2.4.1 Defining the Informal economy

A literature search revealed a plethora of informal economy definitions. The term "informal sector" was introduced by Keith Hart in the early 1970s in order to define the economic actions that were not included in the records of revenue authorities in Accra, Ghana (Hart, 1973). After his discovery, various other scholars describe the informal sector in many ways, one of which is it being referred to as the irregular economy (Ferman, 1973), the underground economy (Simon and Witte, 1982), the black economy (Cinchy, 1986) and the shadow economy (Frey, 1982).

Djankov and Liberman (2002) define the informal sector as a group of enterprises that do not form part of the formal sector but that are struggling to be part of the formal sector. Despite the informal sector being engaged in unofficial activities with unreported employees, it has high potential to be turned into formal and registered enterprises. The informal economy has also

been defined as a sector that exists for legal or illegal reasons. It is not registered in the statistics of the national accounts, gross domestic product or the official number of national wealth. This sector emerged from the impulsive organization of people with no government intervention in terms of licensing and taxation and this market lacks basic infrastructure (Mourine, 2007).

For this study, the International Labour Organization's definition of the informal economy was adopted. This definition includes all types of informal employment both inside and outside informal enterprises. Furthermore, the definition of the informal economy is more conclusive and integrates all informal economy activities. The International Labour Organization defines the informal economy as "all economic activities by workers and economic units that are in law or practice not covered or insufficiently covered by formal arrangements" (International Labour Organization, 2007:3).

Van Der Heijden and Skinner (2012) indicated that the informal economy has a very long, important history in South Africa. During the apartheid era (1948-1994), the words informal, black economy and illegal were often treated almost synonymously with unwanted economic activity. Therefore, most informal enterprises trading especially in informal settings were defined as illegal and most black businesses were deemed entirely illegal. Consequently, the local government approached the informal economy as a problem and developed laws and policies accordingly. Regulation of the informal economy was controlled by local municipalities, whereby by-laws and licences were used by the apartheid government to force street traders to move from their trading sites or face harassment. The Business Act enacted in 1991 recognised street trading as a business and emphasized the importance of developing this sector as it contributed to the economy. South African Street traders are protected by the Constitution, specifically Section 22 of the Constitution which guarantees freedom of trade, occupation and profession. Section 152 of the Constitution also encourages local governments to involve communities and organizations in matters of local government. Hence, local government is responsible for promoting economic development, thus relevant and important measures of survivalist traders have been considered by local municipalities. Rogerson (2000:685) revealed that after the enactment of the white paper on Small business in 1996, the government embarked on a process of building a new institutional framework to service the requirements of the SMME economy. The vision for SMME development was to incorporate small businesses into the core of South African economic life and as a result, government agencies were established to address the needs of South African small businesses as a collective. On the national level, the South African government offered several funding

opportunities for small businesses, ranging from incentives to business grants, The Department of Trade and industry and its subsidiary agencies are involved in encouraging economic development, black economic devolvment, promoting and regulating international trade and consumer protection.

Municipalities are better placed to contribute to the informal sector. Therefore, the Kwa Zulu Natal Informal Economy policy (2010) recommended that municipalities must include the informal economy in their five-year Integrated Development Plan (IDP), as well as include informal trade in local economic strategies. In attempts to support and organise this sector, informal economy chambers were established. This structure is responsible for enhancing participation and the involvement of informal entrepreneurs. Informal traders are also registered on an ongoing basis and only the registered traders have access to sheltered stalls and storage space. Upon registering with local municipalities, informal traders are issued with renewable trading permits.

2.4.2. Size and characteristics of the informal economy

Pedro and Erwan (2006) wrote that the informal economy comprises three diverse groups of entrepreneurs who all have unlike intentions. The first group comprises individuals who struggle to find employment prospects in the labour market and enter the informal economy for survival. For these entrepreneurs, trading in the informal sector is not an option but a requisite and if an opportunity for formal employment ascends, they would drop the informal economy in favour of formal employment. Furthermore, the second group of entrepreneurs enter the informal economy to avoid the legal implications related with trading in the formal economy, such as tax regulations. The third group of entrepreneurs will not be considered for this research as this group of entrepreneurs join the informal economy to operate underground activities which are considered unlawful and illegal.

Informal traders do not pay income tax as formal entrepreneurs do. Joshi et al. (2014) argued that the only way to tax the informal economy is indirectly and that could be done by taxing the goods and services that entrepreneurs buy and sell through Value Added Tax (VAT). De Soto (2000) perceives the informal economy as an untapped reservoir of entrepreneurship energy held back by government regulations and argues that reducing entry regulations would fuel growth and development. De Soto adds that there is a total of \$9.3 trillion of dead capital

in the informal economy in emerging countries, which could be used to develop this sector. Ryan (2018) found that the informal sector is out-pacing growth in the formal economy at a staggering rate and further speculates that companies are opting out of the formal sector and moving to the informal economy to evade taxes and regulations.

The Women in Informal Employment Globalizing and Organizing (WIEGO) (2014) is of the view that the informal economy comprises more than one-half of non-agricultural employment in most regions of the developing world. It is estimated that the informal economy accounts for 82% of the total employment in South Asia; 66% in Sub-Saharan Africa; 65% in East and South-east Asia; and 51% in Latin America. Eastern Europe and Central Asia have the lowest percentage at 10%. The relative size of the informal employment sector varies across sub-regions. In Sub-Saharan Africa, informal employment accounts for a smaller share of non-agricultural activities. In Southern Africa, precisely in South Africa, it accounts for 33% and 44% in Namibia, relative to other countries in the sub region: *exempli gratia*. 82% in Mali and 76% in Tanzania.

2.4.3. Challenges encountered by the informal economy

A study conducted by the WIEGO (2014) in 80 developing countries revealed that informal entrepreneurs encounter numerous challenges, such as a lack of infrastructure and planning. Consistency in trading location is economically substantial, as returning patronage is a large portion of any trader's clientele. Consequently, displacement due to construction or embellishment projects in public spaces and urban developments like public transportation can cause disruption to business for informal entrepreneurs. Government policy and practices can hamper the dynamism and flexibility that allows certain informal economic activities to exist. In India, Muthusamy and Ibrahim (2016) revealed that traders are exposed to all forms of harassment by the municipal authorities and police due to not having trading licences and that municipal authorities raid their places and confiscate goods.

The lack of access to finance is another constraint encountered by Informal entrepreneurs as they need to access funding from banks and other financial institutions to develop their businesses, but obstacles in gaining access to capital is common amongst traders. Harrington (2010) confirms that requirements by financial institutions pose barriers to accessing funding by the informal sector. Fourie (2018) added that a lack of book-keeping skills and being the

target of crime are constraints that hinder informal enterprises from graduating or stepping up to higher value markets.

Siqwana-Ndulo (2013) identified the existence of by-laws as challenge for traders because the legalistic nature of by-laws makes them difficult to understand, yet law-breakers are considered to know the provisions of these by-laws. Additionally, informal traders lack the protection of labour legislation and lack access to formal protection procedures such as insurance, disability, maternity and unemployment benefits. Gamielien and Niekerk (2017) indicated that many traders are vulnerable to ill health due to the absence of shelter and exposure to weather elements. Furthermore, traders work in environments that expose them to threats such as accidents and illnesses.

This section has captured some of the challenges of operating in the informal sector. While some sections of the study present the benefits of operating in the formal sector, it does not ignore some of the major challenges encountered by traders in the informal sector. Hence, as an objective, the current study sought to uncover the challenges encountered by informal entrepreneurs in Durban central. ILO (2015) attests that it is also important for countries to recognize the specific challenges encountered by its informal sector. Furthermore, solutions to challenges will vary, and a country must develop strategies to address the challenges experienced by its specific informal sector. The following section will discuss the economic contribution of the informal sector.

2.4.4 Economic contribution of the informal sector

Despite its significant contribution to the economy, Fourie (2018) confirms that the informal economy plays a crucial role in poverty reduction because income from informal trade mostly flows to households that are poor. Hieu and Giang (2014) found that Vietnam has made remarkable accomplishments in poverty reduction as about 28 million people are estimated to have been lifted from poverty. Hence the informal economy constituted 11 million jobs out of all main jobs and in addition, the informal economy is projected to contribute 20% to the GDP. The informal sector remains a huge fraction at around 80% of total jobs from 2007 to 2008.

In India, Ghatak,(2017) found that the informal sector is the strength of the economy, employing an immense majority of the workforce. The ILO (2018) adds that nearly 81% of the population in India is employed in the informal economy, in contrast to the 6, 5% working in

the formal sector. In Nigeria, the informal sector is a major contributor to the economy, accounting for a significant proportion of employment and GDP. The International Monetary Fund (2017) also discovered that the informal economy accounted for 65% of the GDP in 2017, emphasizing that this sector offers substantial income and job creation.

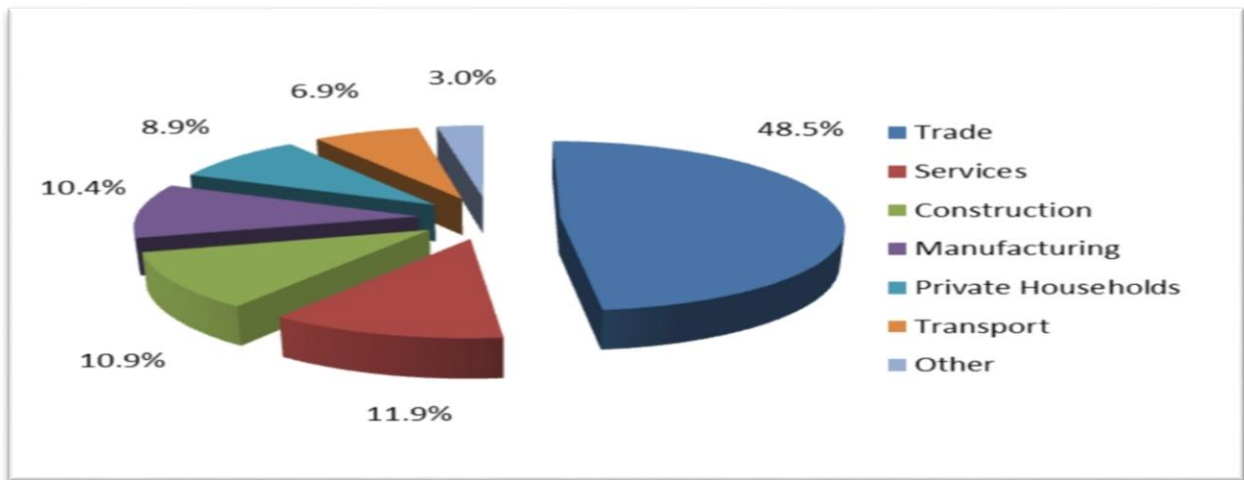
In Bangladesh, informal trade constitutes a significant portion of the economy and plays a crucial role in employment and in job creation, production and income generation. It covers a wide range of activities that make a substantial contribution to the GDP. According to the Labour Force Survey (2010), 87% of the labour force is active in the informal economy. Raihan (2010) adds that the contribution to GDP is around 64%, with agriculture being the dominant sector.

The above section has provided evidence from the literature on the contribution of the informal sector to economic growth. Of further interest to this study is the level of support for the informal sector. Micro enterprises need support if they are to make a positive contribution to the socio-economic development of any country. The section below presents a review of the literature on the capacity of the informal economy in South Africa.

2.4.5 The capacity of the informal economy in South Africa

One of the reasons that the informal economy is so important is because of its size. Even though it is difficult to measure because of its informal nature, The International Monetary Fund (2017) estimated the value of the sector to be around 35% of South Africa's GDP in 2017, hence the size of the informal economy is estimated at \$13 billion (Thevenda, 2015). Therefore, the informal economy offers job creation and supports many livelihoods. Rogan and Skinner (2018) affirm this by mentioning that the informal economy in South Africa is a significant source of employment. Approximately 2.3 million people worked in the non-agricultural informal sector in 2013 and in 2018, it had increased to about 17% of total employment. One in every six South Africans is employed in the informal economy and the authors further state that in the eight major metropolitan municipalities, generally the share of the workforce employed in the informal sector is lowest in Gauteng and the Western Cape and highest in the poorer provinces of Limpopo, Mpumalanga, Eastern Cape and Kwa-Zulu Natal.

Figure 4: Durban Informal economy sectors



Source: eThekweni Municipality (2017)

At the provincial level in Kwa-Zulu Natal, approximately 47500 people are active and registered as informal traders in the City of Durban, the location of this study. The majority are female traders. Hence the biggest employer in the informal economy is trade accompanied by community services and construction (as illustrated in Figure 4 below). Durban is credited as being the first city in South Africa to develop a policy in 2001 for street traders. The policy acknowledged the significance of the informal economy for both jobs and income (eThekweni Municipality, 2017). The South African government acknowledged that the informal economy had been overlooked in the past. In recent years, several policy frameworks focusing on supporting a developmental approach for the graduation of the informal sector have been produced.

The South African National Informal Business Upliftment Strategy (2014), which is the first ever informal economy national policy, specifies the formalisation of growing informal enterprises as a key strategic objective to enhance economic development. To support the policy framework and to promote economic development, agencies such as the Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency and National Empowerment Fund (NEF) were established. These agencies act as funding instruments offering financial support to qualifying small businesses.

According to the ILO (2015), Recommendation 204 provides guidance to address priorities for the transition to the formal economy. It defines a broad and detailed scope of application to all workers and economic units, including enterprises, entrepreneurs and households in the

informal economy. In South Africa, the Department of Labour is managing the process of implementing R204 through the National Economic Development and Labour Council (NEDLAC), a structure consisting of labour, organised business, community-based organisations and government as a collective to promote the goals of economic growth. This structure also participates in economic decisions and concludes decisions relating to social and economic policies and considers all recommended labour legislation relating to labour policy such as R204. Besley and Persson (2014) indicated that from a revenue perspective, having a large informal economy makes it difficult for low-income countries' governments to fund sustainable development from broad-based taxation. Additionally, through formalisation, more tax payers can be registered in the system, thereby improving tax mobilisation. The following section will discuss transitioning from the informal to the formal economy.

2.5. TRANSITIONING FROM THE INFORMAL TO THE FORMAL ECONOMY

2.5.1 Economic impact of formalisation

The ILO (2017) describes formalisation as a process that firms undertake when transitioning their enterprises from the informal to the formal sector. The crucial goal of enterprise formalisation is to create better jobs, reduce poverty and address the marginalisation of those who are most exposed to poor work conditions in the informal sector. According to the ILO (2017), formalisation has the following dimensions:

- Registration and licensing with national, provincial and local authorities;
- Gaining access to social security for the business owner and employees; and
- Compliance with legal frameworks that include tax, social security and labour laws.

While formalisation does not encourage growth in the short-term, having more businesses in the formal economy would provide higher quality and more sustainable jobs in the long run, build investor confidence and increase investment. In Uganda, Lunghabo (2018) expounded that through formalisation, a business gains access to support and there are opportunities for support through banks and other government development programmes which can be accessed when operations are formalised. When a business converts to being formal, it gains credibility and trust to handle international transactions. Additionally, governments increase their tax base.

In Toronto, Joshi et al. (2014) cited that informal firms will formalise if the benefits of formalisation outweigh the costs. Costs of formalisation comprise registration or getting a trading licence and the cost of tax compliance, the cost of following labour laws and other pertinent regulations.

A study by Dzansi (2014) revealed that the lack of information on the process of formalization accounts for many firms remaining in the informal economy and the author emphasizes that when businesses transition into the first economy, they get recognized by various institutions such as banks, in the process gaining investments and thus increasing their chances of expanding. Stiftung in Zimbabwe (2015) explains that methods for formalising the informal economy can take various forms, namely registration, taxation, organisation and improving transitioning to formalisation at a local level, which is crucial and local authorities must facilitate market access, increase inward investment and local procurement.

In a study of three African Countries to examine the characteristics of informal and informal micro-enterprises, Leino (2009) found that the main reason mentioned by Informal firms for remaining informal -amongst a number of constraints- is the taxes imposed on registered businesses. Aswani (2007) expresses the lack of access to affordable capital or credit as a major financial barrier to transitioning from the second to the first economy and maintains that while there are several benefits to remaining Informal, formalisation also comes with several benefits. Aswani (2007) further explains that several graduated businesses will attest to the formalization process being challenging and adds that conversations with some entrepreneurs in South Africa indicate that even though many informal firms would like to convert to formal, they view the transitioning process as being very challenging.

McCulloch in Australia (2010) identified that the practice of formalization is regarded by many businesses as burdensome and expensive. Abeysekera (2005) is of the view that the formalization of businesses in many emerging countries, including South Africa, is a challenging process mainly due to a number of inherent challenges in the formalisation process as well as the specific business environment. The United States Agency for International Development (USAID, 2005) identified costly and burdensome government regulations as the most significant challenge for formalisation. A study by Tassin (2014) on formalisation discovered that a lack of information on the process of formalisation accounts for the large number of firms still remaining in the Informal sector and confirms that complex and costly procedures involved in the formalisation process prevent many firms from transitioning .The

Tunisian Association for Management and Social stability (2013) found that Tunisia's legal and administrative systems remains a fundamental challenge. A third of informal employees and independent entrepreneurs listed bureaucracy, nepotism and corruption as major obstacles to formalisation. In order to address the challenges of informality, each country needs accurate data on its Informal population, as well as on the barriers to formalisation and inclusion. Comprehensive integrated regulatory and policy packages emphasizing efficiency, accountability and transparency can ensure that more workers transition into the formal economy and have access to its rights and protections. A study conducted by Sandada in Zimbabwe (2014) revealed that if appropriate instruments are provided, informal traders are prepared to formalise their business activities.

2.5.2 CONCEPTUAL FRAMEWORK

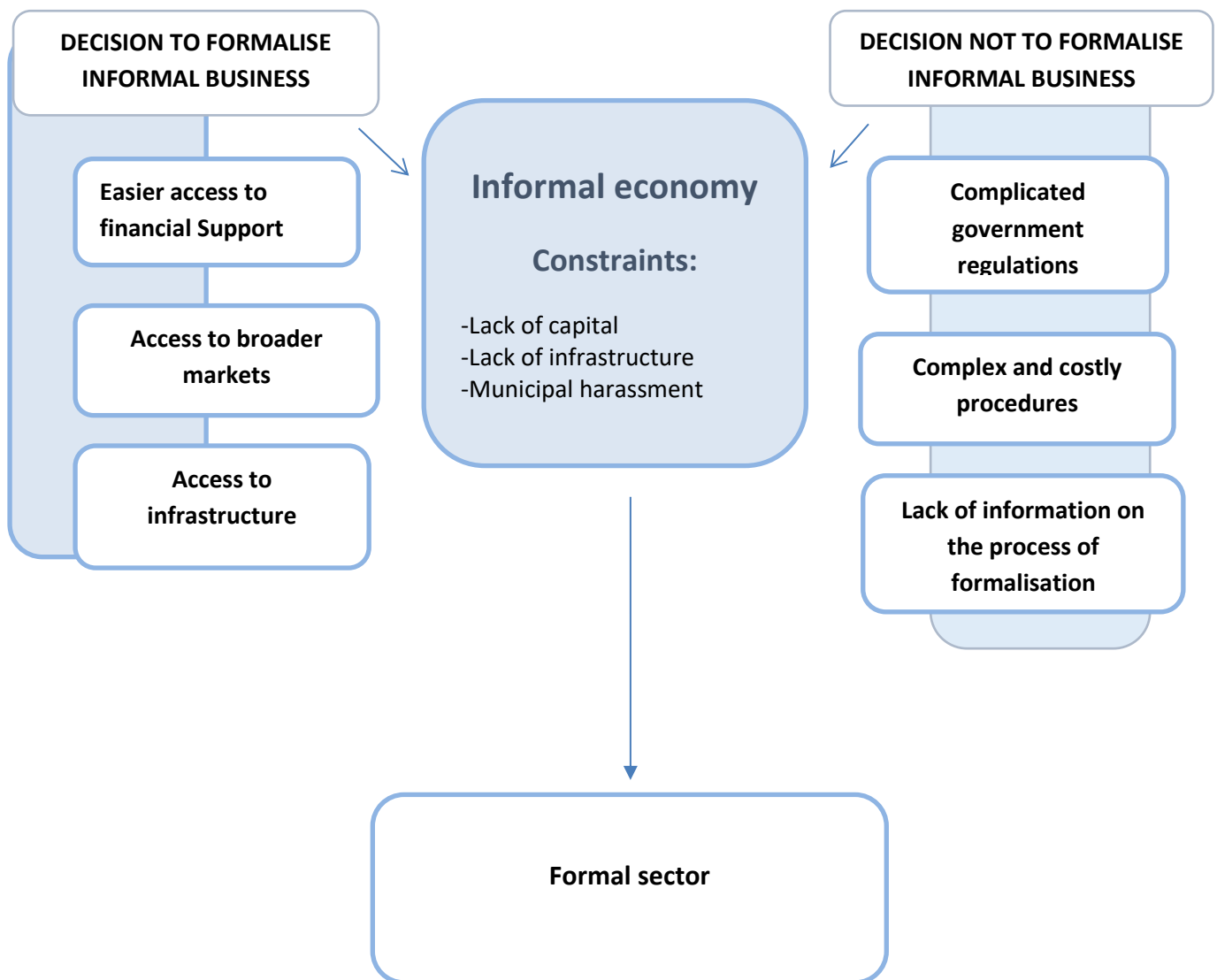
As captured in Figure 5(next page), many authors argued that informal traders face several challenges when operating informal businesses. A lack of basic infrastructure such as ablution facilities and proper facilities to conduct business were some of the challenges revealed by authors. Maglhaes (2015) attests that informal entrepreneurs encounter various constraints such as a lack of infrastructure and planning. Harassment by municipal authorities is another constraint. In India, Muthusamy and Ibrahim (2016) discovered that traders are subjected to all forms of harassment by the municipal authorities and law enforcement agencies, which involves raids and confiscation of goods.

A lack of business capital is another challenged exposed by researchers. According to Harrington (2010), requirements by financial institutions pose obstacles to accessing funding by the informal sector. In an observation of these challenges, a transition from the informal to the formal economy is progressively seen as being a necessary step towards creating an enabling environment for sustainable businesses.

According to the studies reviewed, several factors affect the decision to formalise or not to formalise. Different Authors revealed that banks and other formal financial institutions are reluctant to offer business loans to informal entrepreneurs. Formalising so that they can gain easier access to financial support for business growth is an option for informal entrepreneurs. Akinbode (2016) states that business expansion becomes an impossible goal without financial support. The decision not to formalise is informed by factors such as complex and costly procedures which include high administration and business registration costs, as discovered by Tassin (2014). Red tape which comes in the form of complicated government regulation was

revealed as another factor that influenced the decision not to formalise. The ILO (2016) explains that in some instances, informal firms chose to remain informal to avoid the complex government regulations which come with the formalisation process. Moreover, a lack of access to information emanated as a factor that hinders informal sector business transition to the formal sector. Dzansi (2014) mentioned that the lack of information results in many firms remaining informal. The current study therefore aims to explore the formalisation of informal business in the Durban business district

Figure 5: Conceptual framework



Source: Researcher's own work

2.6 CONCLUSION

Over the years, the discussions on the informal economy formed three dominant schools of thought: dualism, structuralism and legalism. The literature search discovered plenty informal economy definitions and over the years, the definition of the informal sector has evolved as indicated by the ILO, which defined the informal sector as a group of all economic activities by workers and economic units that are in law or practice, not covered or insufficiently covered by formal arrangements. According to Skinner (2002), Apartheid left the South African economy with racial inequalities as all labour market policies were intended to advantage big capital and white workers over their black counterparts. Since the political transitioning in South Africa, numerous efforts have been demonstrated by the current government to support and develop the informal sector, such as the national informal business upliftment strategy that was introduced by the Department of Small Business Development to confront the development gap at the lower base of small medium and micro enterprises (SMME).

According to Fourie (2018), 2.5 million South Africans are estimated to be working in the informal economy. Additionally, one in every six South Africans is employed in the informal sector. This sector offers job creation and supports a large number of households. According to the World Bank (2019), Sub-Saharan economies collect taxes that amount to less than 15% of GDP, barely enough to carry out basic state functions. This chapter also discussed the economic impact of formalisation, revealing that the lack of information on the process of formalization accounts for many firms remaining in the Informal economy. This chapter reviewed the literature that supports the current study and from the relevant literature reviewed, it can be concluded that the informal economy contributes to job creation and economic growth and acts as a backbone for some economies. A conceptual framework encompassing the studies reviewed was also presented. The following chapter will present the research design and methodology.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

Ingwenagu (2016) described research methodology as a set of systematic techniques acting as a guide to how a research study is conducted. This chapter focuses on the research methodology and design. It begins by discussing the research philosophy and design and the target population, sampling method, research instrument and data collection method are identified.

3.2 RESEARCH PHILOSOPHY AND DESIGN

3.2.1 Research Philosophy

According to Zukauskas and Andriukaitiene (2018), a research philosophy is a system of the researcher's thoughts: the basis of the research which involves the choice of research strategy, formulation of the problem, data collection, processing and analysis. Thakurta and Chetty (2015) further clarify that a research philosophy is an essential part of the research methodology as it deals with principles and ways in which data about the phenomenon should be collected. Al-Saadi (2015) categorized the research philosophy into two: positivism or interpretivism. The positivist research philosophy, which originates from natural science, claims that the social world can be understood in an objective way. Positivism keeps to the view that only factual knowledge gained through observation, including measurement, is trustworthy. Moreover, positivism often involves the use of existing theories to develop hypotheses to be tested during the research process.

According to Kivunja and Kuyini (2017), the interpretivist research philosophy, also known as the anti-positivist, states that the social world can be interpreted in a subjective manner. Consideration is given to understanding ways through which human beings experience the social world. The current study employs the interpretivist approach. Dudovski (2018) asserts that primary data collected using this approach is associated with a high level of validity because data in such studies tend to be more trustworthy and honest. Quang (2015) explains that researchers believe that the interpretivist paradigm predominantly uses the qualitative

method. Those qualitative methods often give in-depth reports that are necessary for interpretivists to fully understand the context. Hence this study also adopted the qualitative approach.

3.2.2 Research Design

A Research design is the structure of research and the glue that holds all the elements in a research project together and it is the blueprint for the collection, measurement and analysis of data. Powoh (2016) explains that basic and applied research can be quantitative or qualitative or even mixed. Mixed methods research is a combination and incorporation of quantitative and qualitative methods in the same research study (Azorina, 2016). Moreover, the main advantage of using a quantitative and qualitative approach in combination is that it offers a more improved understanding of research problems and intricate phenomena than either approach alone. Apuke (2017) explains quantitative research as the holistic approach a researcher employs in embarking on a research study. Furthermore, it deals with the quantifying and analysis of variables in order to gather results. Quantitative research also entails the utilization and exploration of numerical data using specific statistical techniques.

Merriam (2009) defines qualitative research as a method by which a researcher presents questions directly to individuals. In order to achieve the research objectives and to ensure that the data collected is accurate and adequately reflects the realities of informal enterprises, this study implemented the qualitative approach. This research design included interacting with participants using structured interviews.

3.3 RESEARCH APPROACH

According to Creswell (2014), the research approach can be divided into three types, namely quantitative, qualitative and mixed methods. Creswell (2014) further explains that quantitative research generally involves collecting and converting data in numerical form so that statistical calculations can be made and conclusions drawn. Williams (2019) adds that a researcher will have one or more hypotheses, which are the questions the study is set to address. These include predictions about possible relationships between the things they want to explore (variables).

On the other hand, qualitative research is an interpretative approach that attempts to gain insight into the specific meanings and behaviours experienced in a certain social phenomenon

(Palmer and Bolderston, 2018). Additionally, qualitative methods use descriptions and categories in the form of words to study human experiences and realities from the subject's perspective. Hammarberg, Kirkman and de Lacy (2016) confirm that qualitative methods are used to answer questions about experience, meaning and perspective, most often from the opinion of the participant. Berg and Lune (2012) identified the characteristics of qualitative research as follows:

- *Naturalistic* refers to studying real-world situations as they unfold naturally. The researcher is open to whatever emerges and there is an absence of predetermined constraints on findings;
- *Purposeful-Cases* for study are selected because they are information rich and illuminative and they offer useful manifestations of the phenomenon of interest; and
- *Emergent*-the researcher avoids rigid designs that exclude responding to opportunities to pursue new paths of discovery as they emerge

Almalki (2016) explains that mixed methods research combines elements of qualitative and quantitative approaches. This research approach uses qualitative and quantitative viewpoints, data collection, analysis and techniques.

For the purpose of this study, the qualitative method was implemented. To gain insight into the formalisation of informal business in the Durban CBD, this study adopted structured interviews as a tool to collect data from informal traders. Rashidi, Begum and Mokhater (2014) state that structured interviews consist of a series of questions designed to elicit specific response or answers from respondents. Additionally, questions are specific and always offer a fixed range of answers relatively quickly and are easy to administer by the researcher.

3.3.1 Primary and secondary research

Kabir (2016) defines primary data as the original research conducted by the researcher, *id est* raw data specifically collected to fulfil the precise objectives of the research needs. Primary data is produced from scratch, contrary to finding existing data. A researcher may decide to collect data by using surveys, verbal interviews and focus groups, etc. Secondary data entails exploring existing data that was originally collected by someone else. This technique involves using journals, books and other online sources to solve the research problem and to meet the objectives of the study. Hence its use for this particular qualitative research study. The review

of literature was based on secondary data and the researcher used journals and articles as secondary data. Books and reports from relevant institutions also contributed as secondary data.

For the purpose of this study, primary data is adopted. The primary data sources were informal traders in the Durban central district. Primary information is collected through conducting face to-face interviews.

3.3.2 Overview of the research area

Given (2008) describes a study site as a physical, social and cultural site in which the researcher conducts the study. In qualitative research, the focus is mainly on meaning making and the researcher studies participants in their natural location. This study was conducted in Durban, also known as the city of eThekweni, which is situated in southern Kwa-Zulu Natal (see Figure 6 which is a map showing eThekweni Municipality). The targeted sample includes informal street traders operating in eThekweni and who are engaged in different sectors.

Durban is the largest city in the province of Kwa-Zulu Natal and the third largest city in South Africa. It is regarded as a sophisticated diverse city of over 3442398 people (Statistics South Africa, 2011). Durban is regarded as Africa's best-managed busiest port and major centre of tourism due to its warm climate and beautiful beaches. Its hospitality industry consists of many fine hotels, shopping malls, traditional villages, art and craft markets and sparkling dams.



Figure 6: Geographic map of the research area

Source: Adapted from Municipalities of South Africa (2012)

The study was conducted in the central business district of Durban (circled in Figure 1).

3.4 POPULATION AND SAMPLING

Kumer (2011:193) defines a sample as a sub-group of the population that the researcher is interested in. It is used to save time, as well as financial and human resources. The target population is informal small and micro businesses in Durban CBD and that is where the sample was drawn. This research implemented a Non-probability sampling technique. Cooper and Schindler (2014) define non-probability as a sampling technique where the samples are collected in a process that does not give all the individuals in the population equal chances of being selected. This study adopted snowball sampling as a technique. Alkassin (2016) describes snowball sampling as a technique where research participants recruit other participants for the study. Alvi (2016) asserts that in snowball sampling, the investigator selects a person who matches the criteria of the research study and the first participant is asked to refer the investigator to another person who meets the same criteria. By selecting snowball as a sampling method, it will allow the researcher to reach populations that are challenging to

sample using other sampling methods. This method is cost-effective as the referrals are obtained from a primary data source. It is convenient and not as expensive as compared to other methods. The snowball method provides the researcher with the opportunity to communicate better with the sample as they are acquaintances of the first sample, and the first sample is linked to the researcher. This type of method is useful for finding people who are not prepared to expose their identities (Naderfar, Goli and Ghaljael, 2017).

The number of informal traders in the Durban city is estimated to be approximately 50 000, while about 4 705 traders are in the inner city (Skinner et al., 2013). Snowball sampling was used to identify the intended participants from the 4 705 traders operating in the inner city. Dworkin (2012) found an extremely large number of articles, book chapters and books recommended and suggests anywhere from 5 to 50 participants as an adequate sample size in qualitative research. However, data is collected until saturation occurs. Fush (2015) expressed that data saturation is reached when there is adequate data to replicate the study, when the ability to obtain additional new information has been attained and when coding is no longer feasible. The utilization of data saturation as a tool ensures that quality data is collected to support the study. In this study, after conducting the eighth interview, the researcher identified that new data tended to be redundant relating to data already accumulated. No new information was being discovered at this point of the interviews with the informal traders.

3.4.1 Target population

The target population for this study comprised informal entrepreneurs that are currently active in the informal sector. The participants will be men and women of all races, age groups and who operate registered informal businesses under the eThekweni Municipality in the province of Kwa-Zulu Natal, South Africa.

3.4.2 Data collection technique

Face-to-face structured interviews were used to collect data from informal business owners. The reason for conducting face-to-face interviews was to gather as much information as possible and to allow for in-depth data collection. In the process, the researcher managed to

respond to individual questions and to also give clarification where it was required (Oltmann, 2016).

The study implemented face-to-face structured interviews, which were conducted in the Durban central district with informal street traders. The interview duration was between 30 minutes and 1 hour. Each participant was asked the same questions and the participants were given an opportunity to ask questions when the need arose.

In order for the respondents to freely express their views and to allow for easy communication prior to the collection of research data, the interview questions were translated into IsiZulu by a qualified language interpreter, the majority language. This was also done to accommodate those informal business owners who are not literate in the English language. Furthermore, the Durban Informal Economy Policy (2001) encourages that all communication pertaining to the informal economy be translated into IsiZulu, a language that the majority of informal business owners situated in Durban are fluent in. Beauford and Nagashima (2016) explain that translation strives to achieve conceptual equivalence, meaning that an item may be translated into different words, but the original meaning remains intact. Language translation of a research instrument is crucial because the purpose of translation is to correctly capture the meaning of the source instrument by using a suitable language that the target population easily understands.

3.4.3 Description of the interview schedule

The interview schedule was constructed in such a manner that the researcher ensured that strict criteria and procedures were followed. It was based on other studies. The questions, based on the literature survey, is in two sections. Section A focuses on the demographic profile, which details the age, gender, education and income of the respondents. Section B focuses on Operating in the informal economy and the formalisation process.

The interview schedule served as the research instrument used to obtain the relevant data for the purposes of answering the research problem under investigation. Alshenqeer (2014) comments that an interview is a conversation for gathering information. A research interview involves an interviewer who coordinates the process of the conversation and asks questions and an interviewee who responds to questions.

3.5 THE TEST OF DATA QUALITY

3.5.1 Test of validity and research instrument

According to Hilton (2015), pre-testing is the main opportunity for researchers to measure the meaning attributed to survey questions before it is too late and before substantial investment is made in the wrong questions. Hence, preceding the commencement of data collection, the researcher embarked on pre-testing of the research instrument which was validated by the ethical clearance committee and supervisor. This ensures that the terminology used in the interview questions will be easily understood by the targeted population and it reduces any kind of errors, ensuring valid and reliable results.

In order to test the appropriateness of the interpretation of questions, the pre-testing of the data collection instrument was conducted in the Durban central business district. This entailed a critical understanding of the questions, thus the process involved interviewing two informal traders with the same characteristics as the target population. Prior to conducting interviews researcher approached informal traders stationed at Durban CBD, probing about Informal Economy Chamber members responsible for the CBD (A recognized leadership structure). Willing informal traders introduced the researcher to the first participant who is a member of the above-mentioned leadership structure. The first participant was a registered informal trader, sold fruits and vegetables on the sidewalk. After concluding the pretesting interview, the first participant referred the researcher to the next respondent. From the pre-testing, it was concluded that the questions were clear and could be interpreted accordingly. Prior to the pre-testing, the questions had been interpreted to IsiZulu in order to address communication barriers.

3.5.2 Methods to ensure trustworthiness and credibility

In qualitative research, trustworthiness is substantial because it ensures credibility, confirmability and dependability. Korstjens and Moser (2018) specified that trustworthiness is a vigorous process that enables and validates qualitative research to become reliable. To achieve trustworthiness throughout this research, the researcher was actively involved in the interview process from the beginning to finalizing the process and was accessible when the participants required clarity or understanding. The researcher was precise in recording and gathering information for data analysis.

According to Shenton (2016), credibility is one of the important factors in establishing trustworthiness. This process deals with the question: “how compatible are the findings with reality?” Furthermore, credibility refers to how confident the qualitative researcher is in the truth of the research discoveries. In order for the study to be credible, the researcher engaged participants until data saturation was reached. Brink, Van der Walt and Van Rensburg (2018) assert that to achieve credibility, the research process must be extended to permit the interviewer to engage participants until data saturation. For credibility to be accomplished, the following measures were also applied by the researcher:

- Reliable sources were identified and provided by the researcher through the review of relevant literature and
- The researcher piloted the research instrument amongst informal traders located in Durban CBD.

3.6 DATA ANALYSIS

Ibrahim (2015:98) defines data analysis as the process of extracting relevant and useful information from the collected data. Data analysis is performed with the aim of making meaning from the collected data in order to answer to the research question/s. Content analysis is used to analyse the data collected in the current study.

Bengtsson (2016) defines content analysis as a procedure for the categorization of verbal or behavioural data by breaking down, examining, comparing, conceptualizing and categorizing the data to provide meaning. Stemler (2000) further defines content analysis as a systemic replicable practice for condensing many words of text into fewer content categories. Zhang and Wildemuth (2009), further explain that this method comprises the following steps;

1. **Data preparation:** in this step, the researcher transforms data into written text before analysis can start. In qualitative studies, content analysis is most often used to analyse interview transcripts in order to reveal or model people’s information, related behaviour and thoughts.
2. **Define the unit of analysis:** this refers to the basic unit of text to be classified during content analysis. Messages must be unitized before they can be coded, hence defining

the coding unit is a fundamental and important decision. Qualitative content analysis normally uses individual themes as the unit for analysis, rather than the physical or linguistic. When using themes as a coding unit, a researcher is primarily looking for expressions of an idea.

3. **Develop categories and a coding scheme:** categories and coding schemes can be obtained from three sources: previous related studies and theories and coding schemes can be developed both inductively and deductively to ensure consistency of coding, especially when multiple codes are involved. The researcher develops a coding manual which usually consists of category names, definitions or rules of assigned codes. The researcher must expect the coding manual to evolve throughout the process of data analysis. nVivo software was used.
4. **Test your coding scheme on a sample of text:** coding must be validated in the early stages of the process. The best test of the clarity and consistency of one's category definitions is to code a sample data. If the level of consistency is low, the coding rules must be revised. Coding consistency and revising coding rules is an iterative process and should continue until enough coding consistency is achieved.
5. **Code all the text:** when enough consistency has been achieved, the coding rule can be applied to the entire text. During the coding process, the researcher checks the coding repeatedly. New themes will emerge and will need to be added to the coding manual.
6. **Assess your coding consistency:** human coders are subject to fatigue and are likely to make mistakes during the coding process. Hence, after coding the entire data set, the researcher re-checks the consistency of coding.
7. **Draw conclusions from the coded data:** in this step, the researcher makes sense of the themes or categories identified and their properties. Activities involve exploring the properties' dimensions of categories, uncovering patterns and testing categories against the full range of data.
8. **Report methods and findings:** for the study to be replicable, the researcher monitors and reports analytical procedures as completely and truthfully as possible. In qualitative studies such as this one, it is common to practice using quotations to justify conclusions. Other options for data display include the use of graphs and charts.

3.7 ETHICAL CONSIDERATIONS

Parveen and Showkat (2017) explained that research ethics are the moral principles that govern a person's behaviour and may be referred to as doing what is morally and legally right in research. Resnik (2015:01) adds that ethics are regarded as norms for conduct that differentiate between right and wrong, and acceptable and unacceptable behaviour when conducting research. Fouka and Mantzorou (2011) added that ethics is the philosophy which deals with the dynamics of decision-making concerning what is right or wrong in research. For this study, people were used as participants and the researcher ensured that the participants' rights were respected. This study is conducted in an ethical manner as confidentiality and voluntary participation were taken into consideration. Data was protected and handled in an honest manner and a verbal briefing on the study was given to all participants before the interviews commenced. In line with Bryman and Bell's (2014) points of ethical consideration, the following steps were taken by the researcher to ensure that the research study was conducted in an ethical manner:

- Research participants who consisted of informal traders were not subjected to harm of any kind whatsoever;
- The participants were respected, and their dignity was prioritised. Preceding the interview, the researcher ensured that research questions were translated to a language that was suitable for the participants;
- Prior to the interview, the background and dynamics of the study were clearly specified to the participant and full consent was sought from participants as they were required to complete a consent letter;
- Throughout the study, the researcher refrained from exaggerating the aims and objectives of the research;
- Any form of communication in relation to the research was conducted with honesty and transparency; and
- The researcher avoided misleading information, as well as any representation of primary data findings in a biased manner.
- The researcher requested consent of the interview to be recorded. After receiving consent, the researcher proceeded with the interview.

3.7.1 Letter of information and consent

The letter of information and consent (refer to Annexure A) accompanied the interview schedule and defined the purpose of this study. The letter gave respondents an opportunity to seek clarity and make a choice on whether or not to participate in this empirical study.

3.7.2 Anonymity and confidentiality

Surmiak (2018) alluded that confidentiality is frequently discussed in literature in the context of research involving vulnerable groups. Anonymity and confidentiality of participants are central to ethical research practices. Where possible, the researcher's aim is to assure participants that every effort will be made to ensure that the data they provide cannot be traced back to them in reports, presentations and in any form of dissemination. Information gathered in this study and the identities of participants are protected. The respondents' personal information was not revealed in recordings and notes. To ensure confidentiality, documents containing data are securely stored within a locked location and the names of participants are not visible in the research document. Moreover, the research data was treated with the strictest discretion. Furthermore, the researcher ensured the anonymity of research participants by not including the names and addresses of participants and individual responses cannot be linked or traced back to the participants.

3.8 CONCLUSION

The chapter first examined the different philosophical schools of thoughts concerning social research and then employed the interpretivist approach. Based on this approach, the study is qualitative in nature, with the aim of gaining insight into the formalisation of informal businesses in Durban.

The target population for this research study is made up of female and male informal traders situated in Durban's central business district. Due to limitations such as time and manpower it was impossible to sample the entire population, hence a non-probability sampling technique was implemented. The selected non-probability sampling method is the snowball technique which functions like a referral program where the researcher asks each subject (being informal traders in this case) to give him access to colleagues from the same population who were willing to participate in this research study. In answering the research problem under investigation, the researcher used a structured interview schedule as an instrument to acquire relevant data from the sample.

The questions compiled by the researcher were divided into two sections. The first set of questions, which formed section A of the research instrument, elucidated the participants' demographics and background. The second set of questions from section B of the research instrument dealt with operating informal businesses and the formalisation thereof. With the aim to answer the interview questions, structured face-to-face interviews were conducted, which lasted between 45 minutes and 1 hour. Each participant was asked the same questions and participants were given an opportunity to ask questions whenever the need arose. Before the data was analysed, the researcher examined it to ensure completeness and validity, a process that involved data coding. The study employed trustworthiness and credibility to evaluate the quality of the study and throughout the study, ethical issues were closely monitored. The following chapter will present the findings from the qualitative data collection process.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

This chapter presents the data collected through the face-to-face interviews. The researcher defines the data collected using descriptive statistics. The biographical data consisted of Section A from the research instrument that was completed by the informal traders who participated in the study. The biographical data describes gender, age, level of education, industry experience, previous work experience and weekly profit.

To ensure trustworthiness and credibility prior to gathering data for analysis, the researcher engaged in a pilot study where the interview schedule was tested. The interview questions were designed with the aim of enabling participants to produce precise and reliable information. The interview schedule consisted of open-ended questions, arranged with the aim of guaranteeing interviewees the ability to express their opinions and not be restricted when attending to the questions.

The study targeted informal businesses in Durban central, operating under the eThekweni Municipality in the province of Kwa-Zulu Natal, South Africa. Snowball sampling was used to identify participants and face-to-face interviews were conducted at the participants' workstations. The plan was to interview 20 informal street traders but during the data collection process, data saturation was reached after the 8th participant.

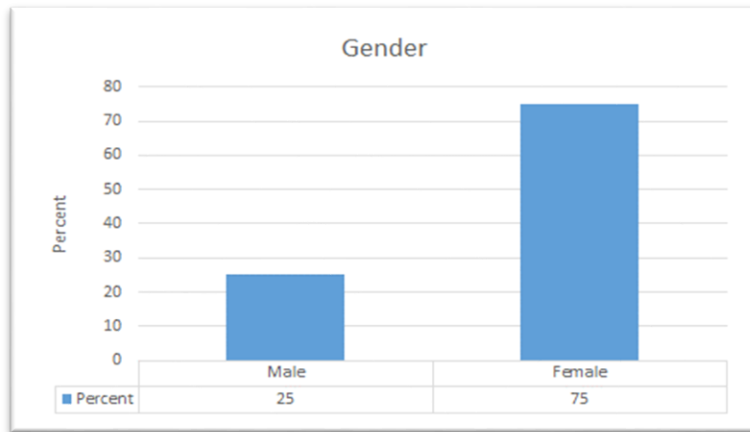
This chapter will cover the views of informal traders on their constraints while carrying out their trade, their motives, as well as difficulties they face with formalisation.

4.2 PERSONAL PROFILE OF RESPONDENTS

4.2.1 Gender of respondents

The gender of the informal entrepreneurs who participated in the study is discussed in this section. Figure 7 breaks down the gender composition of the respondents.

Figure 7: Gender of respondents



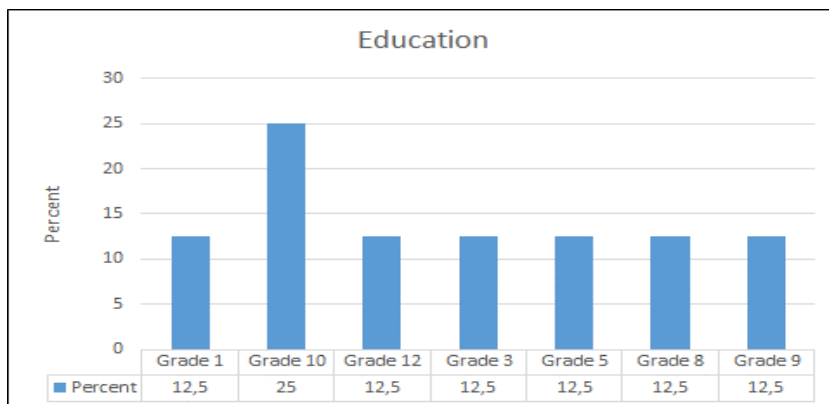
Source: Researcher's own work

There were 3 times as many females (75%) as males (25%) in the sample.

4.2.2 Highest Level of education of respondents

The purpose of this question was to express the highest level of education obtained by the respondents. The responses are represented in Figure 8.

Figure 8: Highest level of education obtained



Source: Researcher's own work

As seen in Figure 7, Grade 10 is the most represented educational level, with 2 respondents. The rest of the educational levels up to Grade 12 all have one respondent each.

4.2.3 Age distribution of respondents

The purpose of this question was to gather information on the age distribution of the informal traders who contributed to this study.

Table 1: Age of informal traders

| | | Frequency | Percent |
|-----|-------|-----------|---------|
| Age | 36.00 | 1 | 12.5 |
| | 38.00 | 1 | 12.5 |
| | 39.00 | 1 | 12.5 |
| | 43.00 | 1 | 12.5 |
| | 48.00 | 1 | 12.5 |
| | 51.00 | 1 | 12.5 |
| | 60.00 | 1 | 12.5 |
| | 61.00 | 1 | 12.5 |
| | Total | 8 | 100.0 |

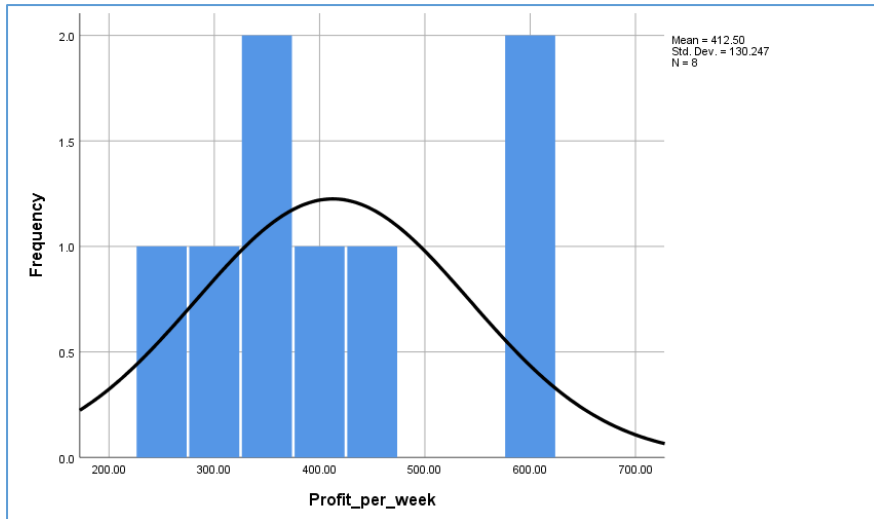
Source: Researcher's own work

The average age of the sample was 47 years. The frequency table above shows the distribution of the ages, which has a range of 25 years (Max=61 years, Min=26 years).

4.2.4 Weekly profit acquired by respondents

This section seeks to establish the weekly profit obtained by the informal traders.

Figure 9: Weekly profit gained by participants



Source: Researcher's own work

The average profit per week was R412.50, with the minimum profit being R250 per week and the maximum, R600/week per respondent. Respondents also pointed out that profit gained is also controlled by number of entrants as more people are joining the informal sector because of unemployment, meaning that profit gained decreases over time due to competition.

4.2.5 Nature of business

Table 2: The nature of employment of respondents

| | | Frequency | Percent |
|----------------------|----------------------|-----------|---------|
| Nature of Employment | Beadwork | 1 | 12.5 |
| | Clothes | 1 | 12.5 |
| | Food | 3 | 37.5 |
| | Hair salon | 1 | 12.5 |
| | Shoe repair | 1 | 12.5 |
| | Traditional medicine | 1 | 12.5 |
| | Total | 8 | 100.0 |

Source: Researcher's own work

As observed in Table 2, the respondents were engaged in a wide spread of trade sectors, which ranged from beadwork (12.5%) to Clothing (12.5), catering and food (37.5), hair salon (12.5), shoe repair (12.5%) and traditional medicine (12.5). There were 3 respondents in the catering

and food sector and based on the responses from participants, that sector is the most contested in street trading.

4.2.6 Previous employment of respondents

The respondents came from diverse previous employment backgrounds, as displayed in Table 3 below.

Table 3: Previous employment of respondents

| | | Frequency | Percent |
|---------------------|--------------|-----------|---------|
| Previous employment | Cleaner | 1 | 12.5 |
| | Hairdresser | 1 | 12.5 |
| | Mine worker | 1 | 12.5 |
| | None | 3 | 37.5 |
| | Restaurant | 1 | 12.5 |
| | Shoe factory | 1 | 12.5 |
| | Total | 8 | 100.0 |

Source: Researcher’s own work

Previous employment consists of hairdressing (12.5 %), restaurant (12, 5%), cleaning services (12.5%) and shoe factory (12.5), but 3 of the respondents were unemployed previous to the informal trade and based on the findings of the study, some respondents indicated that they see street trading as a temporary solution while they are still seeking formal employment.

4.2.7 Township/suburb the respondent originates from

The respondents all come from rural and low-income areas, except Springfield and Mayville (Table 4).

Table 4: Suburb /Township the respondents originates from

| | | Frequency | Percent |
|--------|----------------------|-----------|---------|
| Suburb | KwaMakhutha Township | 1 | 12.5 |
| | Kwamashu | 2 | 25.0 |
| | Kwandengezi | 1 | 12.5 |
| | Mayville | 1 | 12.5 |
| | Ntuzuma township | 1 | 12.5 |
| | Springfield | 1 | 12.5 |
| | Umlazi | 1 | 12.5 |
| | Total | 8 | 100.0 |

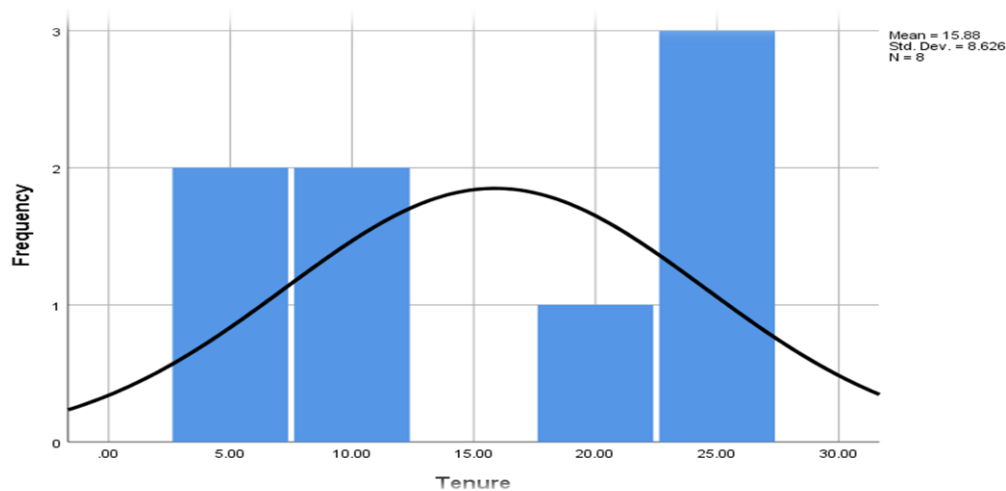
Source: Researcher's own work

Some respondents expressed concerns about the amount of money spent on transportation costs as they stay far from the Durban business district.

4.2.8 Number of years the respondent has been trading informally

This section discusses the number of years the participating informal traders have been operating in the informal economy.

Figure 10: Number of years of trading informally



Source: Researcher's own work

As illustrated in above, the average number of years the respondents have been trading informally was about 16 years, with a minimum of 5 years and a maximum of 26 years. Some participants further mentioned that it was not their initial plan to spend a lot of years working as informal traders in the streets of Durban, but street trading has become their only source of income due to a lack of economic opportunities.

4.3 OPERATING INFORMAL BUSINESSES AND THE FORMALISATION PROCESS

This section discusses the questions posed to respondents in relation to them operating in the informal sector and their perceptions of the formalisation process.

4.3.1 The experience of growing an informal business

The results reveal that 100% of the respondents started their informal businesses as a result of survival, trying to have a better life and taking care of their families. One sees that 50% of the respondents (*id est* 4 out of the 8 respondents) interviewed all started their businesses as a result of losing their previous jobs due to retrenchment, exploitation etc. However, 2 of the respondents started their businesses in search of better prospects, whilst the other 2 started their businesses due to the fact that they had a passion for their work but did not have finance to further their education. The research shows that all the respondents face different challenges in carrying out their informal businesses. The common problems are:

- Trade competition;
- Lack of training provided by the municipality;
- Lack of Municipal business recognition as a legitimate business;
- Finances for a variety of stock;
- Business space for trading and storage;
- Municipal harassment;
- Hygiene: a lack of ablution facilities for traders; and
- Proper shelter to trade.

These challenges can be broadly categorized into the following themes: Business premises, Municipal involvement and access to finances.

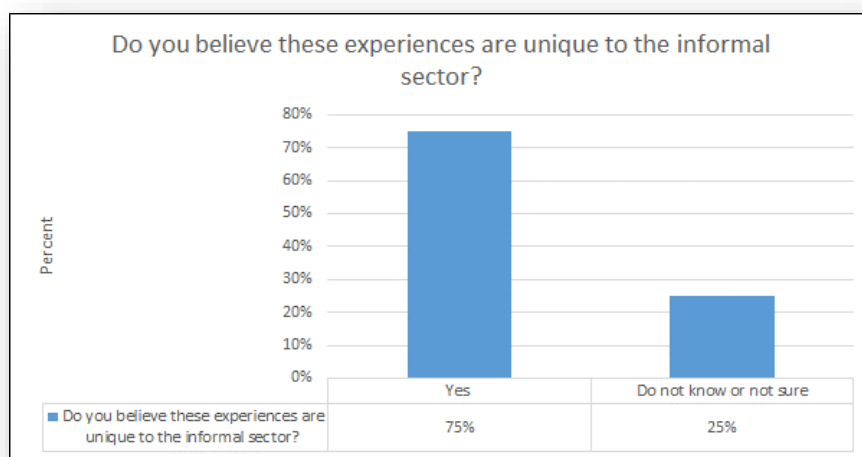
Some of the responses (copied verbatim) include:

Source: Researcher's own work

4.3.2 Are some business challenges only unique to the informal sector?

The results reveal that the majority of respondents *id est* n=6 felt that the experiences faced by informal business owners are unique to the informal sector whilst 2 of the respondents were not sure or did not know about of the experiences in the formal sector. The bar graph below summarizes the results:

Figure 12: Experiences encountered by respondents



Source: Researcher's own work

Some of the reasons that these experiences are unique to the informal sector are due to the following:

- Banks will provide a base of financial support in case of a crisis or emergency within the business. However, this is not the case in informal businesses since they do not have the backing of banks, nor are they recognized as legitimate businesses. The lack of business identity and financial support is a unique experience to the informal sector. The owners have to fend for themselves.

- Informal businesses are regarded by the Municipality as non-tax payers and illegal occupants of space that does not pay rent.
- Financial institutions and Government have not recognized the informal sector as being businesses that contribute towards the economy of the country or city. Consequently, the informal sector suffers much abuse and harassment from the municipality, where their goods or stock are confiscated.
- The informal sector has a lack of resource and business benefits such as proper equipment and Medical Aid when compared to the formal business sector. Moreover, they have to be more industrious since this will constrain their ability to make a profit.

Some of the responses are quoted verbatim below:

“..these are only unique to the informal sector since I have never heard my neighbouring formal business complain about such things and the formal business owners have banks and other places to go if they in need of business capita unlike us informal traders who struggle”

“..not recognized as making a contribution into the economy of Durban because we do not employ anyone and also do not pay tax furthermore we are regarded as crazy people who are messing the streets of Durban”

“..there was proper tools and equipment to make performing my day to day activities easier and have a stable salary that was due every month”

4.3.3 What is your opinion of the formalisation process?

All of the respondents would want to have their businesses formalised because it brings job security, financial stability, secured workspaces and will improve their quality of life. There is also the general perception amongst the traders that formalised businesses are more highly favoured than informal businesses. This is a prejudice that is echoed by the interviewees. The research shows that 7 out of the 8 respondents have heard of the formalization process, but e 3 key issues are highlighted:

- There is not much being done by the South African government or the local municipality in order to assist informal businesses to facilitate the process of formalization via easy administration and consultants available to help the respondents.

Some of the responses are quoted verbatim below:

“The only thing that worries me about formalisation is paying taxes and rent money, I have heard a lot of formal business owner’s complain about taxes and the high rent they pay to keep their businesses functioning and further accessing funds to assist me formalise would be a challenge as I am scared to approach banks and wouldn’t know how to even start approaching banks.”

“..but I have heard talks on the street about the conference that was held last year(2018) by the International Labour Organisation aimed to discuss issues of formalisation in Durban”

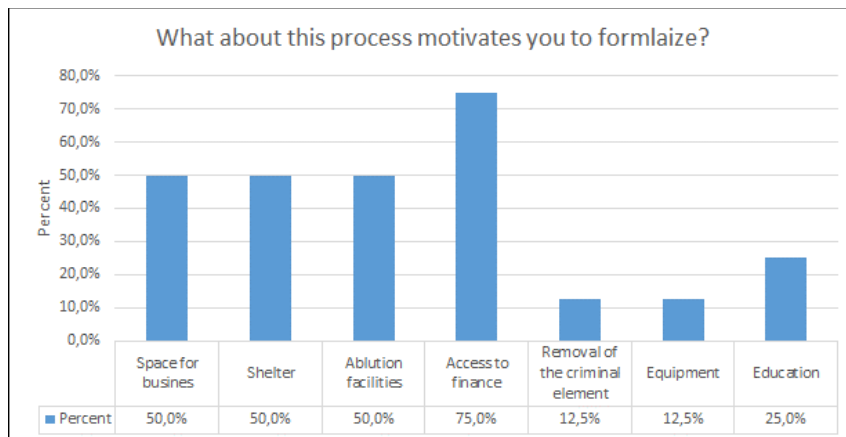
“joined the international Alliance of Street Vendors known as Streetnet and was elected to represent informal traders located at his trading area and that’s when I was introduced to the importance of formalisation and began to understanding formalisation through attending workshops hosted by the International Labour Organisation and the eThekweni municipality last year, there is still a long way to go to achieve formalisation in Durban,”

”...formalisation process favours those people who have money and poor informal business owners like I, will never formalise their businesses.”

4.3.4 What about this process motivates you to formalise?

The research shows that only 75% of the respondents (n= 6) are motivated to formalise, whilst the other 2 respondents were not yet ready to formalise, with the chief reason being a lack of finance and an arduous administration process being involved. The bar graph below outlines the factors that will motivate the respondents to formalise:

Figure 14: Motivation to formalise



Source: Researcher’s own work

Since the respondents chose more than one answer, with an overlap between the chosen factors amongst respondents, it is noticeable that the percentages do not sum up to 100%. The top four factors that will motivate respondents are *Access to finance*, *Space for business*, *Shelter* and *Ablution facilities*. These must be taken into account by the authorities in getting informal traders to formalise.

Some of the responses, quoted verbatim, include the following:

“...that having shelter with ablution facilities in the premises and proper storage motivates me.”

“...does not have money to formalise my business, to formalise would require a lot of money and no one is willing to finance informal traders. Some years ago Standard Bank had a Tutuwa fund which was meant to uplift traders, the fund was discontinued.”

“This process is designed to suit highly educated individuals and people with money and for someone like myself who did not have an opportunity to finish school the formalisation would be hard, and would need guidance and assistance especially when it comes to the paper work since everything is done in English...”

4.3.5 To the best of your knowledge, what support options are available to informal entrepreneurs who want to formalise?

The results reveal that 6 out of 8 respondents (75 %) have a fair idea of certain support agencies. However, when the traders did approach the support institutions, they were pushed from pillar to post, with their efforts to formalise being fruitless. Some of the support institutions that respondents are aware of are summarized below:

Table 5: Options available to informal traders who want to formalise

| INSTITUTION | NUMBER OF RESPONDENTS HAVING KNOWLEDGE |
|---|--|
| Companies and Intellectual Properties Commission (CIPC) | 1 |
| Small Enterprise Development Agency (SEDA) | 4 |
| National Youth Development Agency (NYDA) | 1 |

Source: Researcher’s own work

A few of the responses, summarized verbatim, include:

“I have not heard of any support options available to informal entrepreneurs who wish to formalise but I am aware of Companies and intellectual Property Commission (CIPC)”

“I am only aware of Small Enterprise Development Agency (SEDA), their offices are not far from my trading space, SEDA does not cater for the requirements of informal traders and I am still waiting to see an institution that will offer trainings to informal traders that will equip us with the necessary skills that will assist to formalise their business”

“I know of SEDA, and the National Youth Development Agency (NYDA)that they help small enterprises but I do not yet have detailed information on what support mechanism do they really provide to small businesses that are interested in formalising”

The responses show that the informal traders are not aware of National Economic Development and Labour Council’s (NEDLAC) initiatives.

4.3.6 Regarding formalisation, what would you like to tell me that you have thought about during this interview?

The findings show that 5 out of the 8 respondents (62.5%) agree that the Municipality needs to provide more direction on how to formalise. The findings also show that the respondents feel very insecure by the presence of Foreign Nationals who seem to know more about the formalization process than the local informal traders. The respondents feel that there is a breakdown in communication between the Municipality and themselves with respect to spaces allocated for business on the streets; education and training; business development; and most importantly, formalization. Finally, there was also the need for the informal traders to have a business identity as they are not welcomed nor recognized by the formal businesses around them due to the fact that they are not formalised and are viewed in a negative light by formal businesses. For example, they are seen as “blocking the entrances to formal businesses etc”. The issue of poor working conditions was also made mention of by 50% (n=4) of the respondents. The respondents also wanted to look at the findings for this research and mentioned this to the researcher.

Figure 15: Word cloud summarizing informal business entrepreneurs’ views pertaining to formalisation



Source: Researcher’s own work

Some of the responses quoted verbatim include:

“I would love for the municipality to assist us by becoming formal business. There are a lot of foreign nationals who own formal businesses in town instead of South African traders and they seem to be more informed about formalisation compared to South Africans. How is that possible that they are succeed in being formal? The Municipality is not doing justice to local traders in terms of helping them to grow and formalise their businesses”

“The issue of formalisation must be treated with importance as Formal business owners in town look down on us informal traders and don’t recognize us as small business owners”

“The trainings provided by the municipality and other government institutions are not sufficient enough into equipping us informal entrepreneurs to formalise as the Municipality does not consult us as traders regarding development requirements or ask for our views on the kind of trainings they require.”

“As Informal traders, we feel very unwelcomed by formal businesses, we are looked down on as people who are blocking entrance into their shops, but it would very nice if these formal business owners welcomed the and even shared business ideas with us on how to grow our business and become formal like them one day”

4.4 CONCLUSION

This chapter presented the empirical outcomes of the study through graphs and tables. It was evident from the findings that the majority of respondents who contributed to this study were females. It is also apparent that informal traders face numerous frustrations and challenges

when conducting their business. Additionally, a majority of traders are keen to formalise in order to escape from these challenges but mentioned that they are not informed about the support mechanisms available to assist them with the formalisation process. A lack of funds was revealed as the major reason preventing Durban's informal traders transitioning from the informal to the formal sector.

Respondents indicated there is not much information available, either via radio, television or social media. Furthermore, judging from the responses, most participants are keen to formalise and expressed that transitioning would bring job security, financial stability, secured workspaces and will improve their quality of life. The respondents also articulated their frustration with the formalisation process and mentioned that excessive financial costs associated with business registration resulted in their decision not to embark on the formalisation process, rather choosing to stay informal.

CHAPTER FIVE

DISCUSSION OF RESEARCH FINDINGS

5.1 INTRODUCTION

The previous chapter presented the research findings. The emphasis of the study was on three research objectives. Therefore, these objectives will be discussed further in this chapter, together with the research findings and some supporting literature.

5.2 BIOGRAPHICAL INFORMATION OF PARTICIPANTS

The majority of respondents were female, making up 75% of the sample; while the rest (25%) are male participants. The average age of the participants is 47 years, with the distribution of ages ranging between 25 and 61 years old. Furthermore, the minimum experience in informal trading is 5 years and the maximum of 26 years. The majority of respondents were African and South African citizens, while it was also noted that 25% of the respondents had a Grade 10 qualification. About 13% managed to complete high school and are in possession of a Grade 12 certificate. The findings also identified that none of the respondents has tertiary qualification. However, a study conducted in Germany by Kolm and Larsen (2016) confirms that the informal economy is characterized by low levels of education as it does not necessitate any formal educational background.

The average weekly profit of the respondents was R412.50, with the minimum profit being R250 per week and a maximum of R600 per week. It is noted that the accurate measurement of income of informal street traders is complicated by the fact that business owners do not keep correct records of business income and expenditure. Horn (2011) expounded that more South African informal owners are reluctant to declare income for fear of being taxed. The interview discussions also revealed that informal trade is the only source of income for most participants. They depended solely on the income generated from street trading, with one respondent emphasizing that the money she makes is used on household expenses and school fees for her children. This is the case with most of the respondents as they support their families with the income obtained from informal trade. As explained by Gem (2017), such entrepreneurs are

necessity driven and start their own businesses because they have no other income opportunities. Gamiendien and Niekerk (2017) confirmed that some informal traders are forced into this occupation by desperation in order to afford essential requirements such as food, shelter and education for their families.

The respondents all come from rural and low-income areas, except Springfield and Mayville, and travel by public transportation on a daily basis to get to the central business district. Mubaiwas' (2014) study in developing countries also found that the informal economy is mostly made up of people from rural communities.

5.3 CONSTRAINTS ENCOUNTERED BY INFORMAL TRADERS

Fundie, Chisoro and Cardia (2015) mentioned that the South African informal sector can play a fundamental role in alleviating the high level of unemployment, but several constraints hinder the informal economy from developing. In addition, Nuru and Devi (2016) revealed that major challenges constrained the operations and earnings of informal traders, such as securing proper working space, access to financial services and excessive competition amongst fellow traders. This study further embarked on exploring the constraints encountered by the informal economy in the Durban central area, as well as the common problems faced by informal firms in Durban when conducting businesses, which are discussed below in the emerging themes.

5.3.1 Fierce competition in the informal economy

Several informal traders cited trade competition as one of challenges they face when conducting business and added that in some instances, they are pressured to lower their prices to get rid of stock as consumers are spoilt for choice since they can easily identify another trader offering the same products. However, lowering prices means taking home lesser earnings. Some respondents mentioned that there have been several instances where they had to change the goods they were offering because of competition. Some started off selling fruit and vegetables, but as the competition became extensive in this sector, they opted to venture into other sectors. Some respondents added that they are constantly searching for products they can add to their existing range in order to try and differentiate their trade from competitors. One trader mentioned that as much she is selling fruit, during special days like the re-opening of schools, she would add school stationery. Broadway (2017) revealed that informal traders face tough competition that has led to conflict and tension amongst informal traders selling similar goods. Baric and Renooy's (2014) finding in Turkey attests that informal businesses in

the food sector are most likely to experience high competition, as discovered in the current study in Chapter 4 (Section 4.2.5).

5.3.2 Business space for trading and storage

A lack of sufficient business space was cited as an obstacle by informal traders in Durban central area. The importance of a trading location cannot be overestimated. As WIEGO (2017) argues, a fixed and proper place to trade and stability in trading location greatly impact the viability of the business.

The lack of proper sheltered trading space remains a challenge for informal traders operating in Durban central, even though the eThekweni Municipality has made several efforts to address infrastructure challenges. This saw the rise of the Warwick Junction (South Africa's biggest trading and transportation hub) project, which was set up to help street traders with space and basic infrastructure (Skinner and Dobson, 2009). From the researcher's observation, Warwick Junction is constituted of nine diverse markets (see Figure 14), which accommodates up to 8,000 informal traders on any given day (WIEGO, 2015). Sassen, Galvaan and Duncan (2018) revealed that South African informal street traders engage in the trading of various goods such as food, herbs, cosmetics, household products, accessories and the provision of services across allocated spaces within cities.

Figure 16: Different markets found in Warwick Junction



Source: Researcher's own work

Warwick Junction alone is still not enough to accommodate informal traders as some traders have been located on the city's pavements with no shelter and facilities to assist them to operate their informal businesses. Based on the research findings, respondents mentioned that they have to endure uncomfortable conditions, which range from spending long hours in the heat or freezing weather. This is more worrying for those trading in food/fresh produce as their stock being exposed to extreme weather conditions leads to losses of stock to damages. Some participants mentioned that the lack of adequate shelter has a negative impact on their health with them having to deal with dusty winds and unbearable heat in the streets. Moreover, Gamiendien and Niekerk (2017) confirmed that many traders are vulnerable to ill-health due to the absence of shelter and exposure to weather elements.

Storage space is also identified as a major constraint. Many traders expounded that each morning, they have a task to set up display goods intended for trading and at the end of the business day, proceed to packing stock and transport to limited storage spaces. This raises the issue of the importance of access to adequate storage as respondents do not have the capacity to travel home with their stock on a daily basis.

5.3.3 Lack of funding to expand business

Akinbode, Adekola and Salau (2016) found that access to finances is one of the key factors associated with low firm growth in emerging countries. The issue of access to finance is a major constraint to the informal economy in Durban's central business district as well. The respondents cited the lack of access to finance as one of the challenges preventing them from growing and formalising their informal businesses. Traders explained that growing a business requires much financial assistance as it comes with numerous expenses, ranging from business administration costs, procurement of equipment and business space.

Furthermore, they pointed out that financial institutions are not prepared to lend them money for expansion as they are not recognised as legitimate business owners. Chimucheka (2013) affirmed that financial institutions such as banks anticipate collateral security for risk purposes from applicants, but the majority of informal trader's lack assets that can be recognised by banks as collateral. Moreover, the absence of appropriate financial records emerging from the

non-existence of financial management knowledge and lack of appropriate business records is a concern and regarded as a risk for financial institutions. Durban central respondents added that the money they make from trading informally is only enough for them to provide for their family's needs and does not allow them to save money for future business expansion.

In attempts to support the informal sector to gain access to financial assistance, the South African Department of Trade and Industry under its numerous agencies established the National Empowerment Fund, which was established under the National Empowerment Fund Act 105 of 1998, intended for supporting and facilitating black economic participation through providing financial and non-financial support to black empowered businesses. This fund offers business loans from R250 000 to R75 million, accommodating start-ups and expansion purposes.

The Small Enterprise Finance Agency is a consolidation of various funds and offers debt financing targeting young entrepreneurs in the green industries, agricultural value chain, agro processing and primary agriculture, as well as information technology- to list a few. The maximum loan amounts to R5-million, with capacity building support offered if required. The Industrial Development Corporation (IDC) is another initiative by the government that offers financial support to start-ups and existing businesses that desire to expand operations up to the maximum of R1 billion. The requirement to access this funding includes being in possession of a business plan and a reasonable financial contribution from the business owner. Therefore, this fund is aimed at individuals with potential job opportunities to cater for urban renewal and poverty. The Small Enterprise Development Agency (SEDA) is another government agency responsible for assisting and developing small businesses, established through the National Small Business Amendment Act 29 of 2004 with the undertaking to develop, support and encourage enterprise throughout the country by offering business-related information, advice, consultancy, training and mentoring in all areas of business development.

As revealed in Section 4.3.5, SEDA was the most popular supporting agency mentioned by participants. Even so, participants added that they did not have detailed knowledge of the programs offered by SEDA to assist the informal economy transition to the formal economy. Emerging from the findings, it was apparent that respondents were not aware of supporting agencies such as SEFA and NEF, indicating that there is need for national government, working with local municipalities, to vigorously promote the functions of these agencies at local levels.

5.3.4 Hygiene and the lack of ablution facilities for traders

The lack of access to water and sanitation was identified as a challenge by respondents in the Durban central business district. The informal traders located in street pavements explained that they have to rely on nearby formal businesses who are willing to assist them to use their sanitation facilities. Schachtebeck (2017) corroborates that informal traders are faced with a lack of basic infrastructure. Additionally, the rapid increase in street trading activities has further brought on problems to deliver appropriate services and proper trading facilities as street trading is often not included in urban planning efforts. Warwick Junction ablution facilities have been provided and a plan of dealing with the maintenance is in place, but even so, respondents raised concerns about the functionality of the few ablution facilities.

5.3.5 Municipal harassment

The informal traders expressed concerns about the continuing intimidation and harassment by enforcement officers who confiscate their goods. Sometimes in the process, they lose their stock altogether. According to the eThekweni Municipality Informal Economy Policy (2001), in order to operate in the city as an informal trader, a trading permit must be obtained through an application process from the Municipality. This notwithstanding, traders who are in possession of a trading permits indicated that they get harassed by the police sometimes for various reasons, just as the traders without trading permits.

Mlotshwa (2018) revealed that actions carried out by authorities, regulations and to some extent violent evictions have a negative impact on lives of informal traders and their households since expected profits will not be gained and the capital which bought the confiscated goods will not be returned. In Ghana, a study by Mahadea and Zogli (2018) on constraints to growth in the informal sector revealed that harassment from municipal inspectors hampers physical expansion and the likelihood of the informal sector to transition to the formal economy. In South Africa, Arias (2019) cited an incidence that occurred in the City of Johannesburg where 6,000 informal street traders were forcefully removed by authorities from their places of business in 2013. This included forcefully breaking into informal shops and confiscating goods and forcing them to leave their trading locations. Traders were also harassed by police using tear gas and this harassment took place irrespective of the legal status of each of the street businesses. This campaign was initiated by the City, aimed at chasing away informal traders without trading permits. However, the City did not keep its word and effectively treated all

street businesses as illegal. As reported by the participants of the current study, this is also a major problem in the Durban business district.

5.4 FACTORS THAT MOTIVATE INFORMAL TRADERS TO TRANSITION TO THE FORMAL ECONOMY

According to the ILO (2016), the informal economy is already exceptionally bigger than its formal counterpart and it is unlikely to decrease any time soon. Furthermore, the high incidence of the informal economy in all aspects is a major challenge for the rights of workers. Most people in the informal economy are exposed to inadequate and hazardous working conditions with insufficient training opportunities, low wages and long working hours and they do not enjoy social protection. Additionally, it has an adverse effect on the development of sustainable enterprises. International Labour Organization Recommendation 204 provides direction to facilitate the formalisation of informal businesses and encourages countries to design comprehensible and integrated strategies to enable and cohesive strategies to facilitate the transitioning of informal enterprises. Based on the responses from the participants of the current study, little has been done in the South African case to bring R204 into fruition. Three major themes emerged as motives for formalisation: access to business facilities, quest for recognition and access to finance. These themes are discussed below.

The quest for *suitable business facilities* is one of the factors indicated by the respondents as a motivator to formalise trade, as the findings of this study show that most informal traders located in the Durban CBD do not have access to adequate trading facilities. One participant selling clothes on streets explained that clothes are subjected to dust and the risk of being stamped over by moving pedestrians as she has been located on a pavement with no proper facilities to hang or display her stock. Formalising her business would give her access to proper amenities with fitting space for her consumers. Another respondent added that the trading space is very small, limiting and congested. Hence, having his own formal space would make things very easy for him and his clients. The idea of having access to private storage space and facilities is an encouragement to transition for some traders. A fruit and vegetable trader revealed that harsh weather conditions are very damaging to his stock and access to more formal space would accommodate sufficient storage facilities such as a cold room to keep stock fresh and preserve and extend the shelf life of stock.

According to some respondents, informal businesses' reputation has been tarnished by the few traders who are conducting illegal activities. Hence graduating to the formal sector would come with a *reputable business reputation* that comes with the status of being a formal trader. Participants further explained that the formal business chambers do not recognize informal traders as legitimate small business owners and in addition, the formal economy enjoys much more superior status when compared to the informal business chamber. The constant harassment by enforcement officers is a problem for most traders, as one respondent expressed frustration directed to the municipal officers who are constantly bullying them although they have permits which they paid for. Hence formalising would mean escaping conflict and chaos.

As mentioned in the beginning of this chapter, *access to finance* is a major challenge for the informal sector. Chimuchek (2013) is of the view that small businesses in South Africa have difficulties accessing finance. Lack of finance is a hindrance to growth in the Durban central business district. Some participants mentioned that for business financial support, they sometimes borrow money from friends and family since they cannot go to banks for assistance. The respondent further mentioned that graduating to the formal sector would mean access to financial support for business expansion. Dzansi (2014) attests that transitioning from the informal economy to the formal one is crucial for growth because financial institutions such as banks are more willing to finance formal businesses than informal enterprises.

5.5 CHALLENGES FACED BY INFORMAL FIRMS WHEN TRANSITIONING TO THE FORMAL ECONOMY

Three major themes emerged on the challenges faced by informal firms when transitioning to the formal economy, namely a lack of training, cumbersome registration process and lack of information. These themes will be discussed further below.

According to some informal traders located in Durban central, not much effort is being done by the local municipality to assist informal businesses facilitate the formalization process. Traders mentioned that even some of the training programs offered by the municipality such as Adult Basic Education and Training do not fully equip them with the necessary skills to operate formal business. One participant requested that as informal traders they must be

consulted for their input when the municipality is deciding on planning *training* programs as they feel that some programs are irrelevant. It also emerged that participants strongly believed that their educational background does not permit them to embark on the formalisation process. They expressed that this process involves tons of paperwork, in most cases communicated in the English language. A respondent pointed out that the formalisation process was designed to only accommodate educated people and for someone like him, it will be very difficult to meet the requirements such as producing and interpreting business plans and completing the relevant paperwork.

Another challenge is that the respondents must leave their businesses and go to *register*. In order to begin the process, the time lost due to lack of efficiency in the actual process is profit that is lost by the informal businesses. There is *not much information available* to the respondents via radio, television and social media. Only a few of the respondents have heard of the talks/conferences given by the International Labour Organization. The majority of respondents stated that they are not even aware of any institutions mandated to assist them or advise them on matters relating to the formalisation of informal businesses. A few of the respondents mentioned the Small Enterprise Development Agency (SEDA) as a government agency responsible for offering small businesses the knowledge required to formalise trade.

Administration and registration fees associated with formalising an informal business are far too expensive for informal traders. Tassin (2014) attest to this by adding that the minimum capital requirement to set up a registered business is usually too high and cannot be afforded by firms in the informal economy. Williams (2007) also confirms this assertion by stating that administration barriers include excessive paperwork and the inaccessibility of registration support services. Leipzig's (2007) findings add that formal costs are so high that micro entrepreneurs in Columbia have to pay at least 7 different taxes and insurance contributions. Therefore, it can be concluded that fees and financial requirements are a major factor deterring or preventing formalisation.

5.6 CONCLUSION

To recap, this research study was constructed on three critical research objectives pertaining to the informal economy: (i) to identify constraints encountered by informal firms when conducting business activities; (ii) to understand what motivates informal firms to transition

from the informal sector to the formal economy; and (iii) to identify challenges faced by small business when transitioning from the informal to the formal economy.

It emerged from the findings that informal traders encounter numerous challenges when operating informal businesses in the Durban business district. The lack of access to finance for business expansion and the lack of appropriate infrastructure was mentioned by respondents. Fierce competition in the informal economy was also cited as a challenge. Traders revealed that in some instances they are forced to lower trading costs to get rid of stock. Broadway (2017) iterates that informal traders face tough competition, which can lead to conflict amongst traders. It also developed from the findings that several factors motivate informal business owners to transition to the formal sector. Respondents cited access to financial support for business growth and better work conditions as some of the reasons to formalise.

As much as respondents indicated that they are eager to formalise, the interviews revealed that informal traders regard the formalisation process as difficult and burdensome. Extreme administration burdens such as excessive paperwork that is sometimes difficult to interpret because of language barriers was identified as a challenge. Financial requirements were also mentioned as a challenge, whereby respondents explained that they only make enough money to support their families and cannot afford all the relevant costs such as business registration and licensing costs.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

In the current harsh economic conditions, informalization seems to be the safety basket for most people who cannot secure formal employment. However, operating in this sector comes with several obstacles which impede growth and the operators' pursuit to transition into the formal sector. In some instances, the growth obstacles result in informal business owners deciding to remain informal. The current study aimed at investigating the operation of informal businesses in the Durban central business district and the perceptions of these businesses on formalisation.

In pursuit of fulfilling the objectives, a qualitative study using face-to-face structured interviews was conducted with the informal traders. The interviews were conducted in Durban central, targeting informal traders who are currently active in the informal economy. Snowball sampling was adopted, and the data collected from the fieldwork was presented and analysed in Chapter 4, as well as discussed in Chapter 5.

The research findings discovered that the majority of informal traders interviewed faced several obstacles when operating their informal business and they were very keen to formalise their informal businesses. The study also revealed that a majority of the respondents lacked information relating to the formalisation process and were not even aware of institutions that assist informal traders to transition from the informal to the formal economy. The research further indicated that the lack of funds, lack of necessary skills and education were some of the challenges encountered by informal traders when formalising their businesses.

6.2 RE-STATEMENT OF THE OBJECTIVES OF THE STUDY

To recap, the emphasis of the study was on the following three research objectives:

1. To identify constraints encountered by informal firms when conducting their business activities;

2. To understand what motivates informal firms to transition from the Informal sector to the formal economy; and
3. To identify challenges faced by Small business when transitioning from the Informal to the Formal economy.

6.3 IMPLICATIONS OF FINDINGS

Based on the Conceptual framework in Section 2.5.2 of Chapter 2, it can be seen that there are numerous growth constraints attached to operating in the informal sector. However, one's decision to formalise or not to formalise also comes with factors that need to be taken into consideration. This empirical study draws the following conclusions from the analysis conducted:

6.3.1 The experience of operating an informal business

Based on the international and South African literature review in Chapter 2, as well as results presented in Chapter 4, it is concluded that informal business owners encounter numerous challenges on a day-to-day basis when trading informally. It was apparent from the findings that not having access to proper infrastructure, including ablution facilities, was one of the main challenges experienced by respondents. Municipal harassment was also mentioned by traders as a challenge that interferes with their operations. The findings also revealed that trade competition amongst informal business owners are a challenge to a point that some business owners were forced to change trading sectors.

6.3.2 Main motives for formalisation

Interpretation of the results as presented and discussed in Chapters Four and Five leads to the conclusion that informal business entrepreneurs in the Durban central business district are largely motivated by the desire to grow and expand their businesses. The need to have access to business facilities, hope to gain recognition, as well as get access to business finance are the main motives for the traders' quest to formalise.

6.3.3 Challenges of the formalisation process

The study mentioned some challenges that traders face in their quest to formalise. A major challenge of the formalisation process observed from findings of the study is the traders' struggle with the educational level required to attempt formalization. The study found that of the 8 participants interviewed, only 2 people had a Grade 12 certificate. Moreover the majority of respondents perceived the formalisation process to be very complex for their level of education. Respondents explained that all paperwork is only available in English and their education level does not equip them to interpret and understand the documents and steps required. Hence the findings support an earlier argument by Kolm and Larsen (2016) which confirmed that the informal economy is characterised by low levels of education.

Another implication of the study as observed from the findings pertains to the issue of financial support. Based on the findings of the study, respondents cited a lack of financial support as another obstacle preventing them from transitioning to the formal sector. Financial institutions are not willing to lend money to the informal economy for business expansion purposes, hence informal business owners rely on family members and informal money leaders for financial assistance. In a study conducted in Zimbabwe by Shumba (2016), it was revealed that the cost of financial exclusion results in a lack of opportunities for informal business owners as they cannot access credit to drive the required growth. Furthermore, the expansion of existing businesses gives traders the opportunity to capture new opportunities.

6.3.4 Support Structures responsible for assisting the informal sector to formalise

Findings revealed that support agencies would have to increase their visibility and role in making the public and informal business owners aware of the support they offer. It was observable from the interviews that informal business owners were not familiar with support structures put in place by the government to assist informal businesses to formalise. A few respondents mentioned SEDA as a supporting agency, but did not have in-depth knowledge or information on the kind of support offered by this agency. Other support structures placed at both national and provincial level, such as the National Empowerment Fund, Industrial Development Corporation funding and the National youth development agencies- to list a few

were not mentioned by respondents in the interviews. This means that local municipalities would also have to play a part in creating synergies with these agencies and promote these support structures at the local level.

6.4 POLICY RECOMMENDATIONS

The current study goes on to recommend some policy strategies that stakeholders can implement to address the research problem at hand:

1. Attention should be paid to some critical points in order to make the formalisation process less cumbersome for informal entrepreneurs. Business formalisation education must be a priority for government institutions responsible for regulating and developing this sector, such as the Department of Trade and Industry together with the Department of Small Business Development. This can be done through workshops and, to make sure that the traders are not taken away from their daily operations, the use of mobile education vehicles can be employed. This will ensure that traders go about their daily work while receiving adequate training. Media platforms and all relevant government institutions mandated to develop the informal sector must be more visible and accessible to all informal traders.
2. Respondents in the study also expressed great concern about their poor work conditions, which included a lack of proper shelter and ablution facilities. Hence this study recommends that local government prioritize the supply of adequate infrastructure. Mahadea and Zogli's (2018) study in Ghana's informal economy attests that addressing infrastructural challenges such as access to sanitation, storage facilities and the supply of electricity can assist informal enterprises to expand and formalise.
3. Local Municipalities working with other government agencies and private institutions must equip informal traders with the relevant and necessary skills, such as developing business plans and financial management/ cash flow skills, sales and marketing skills that will assist in growing their businesses and formalizing it.
4. The ILO (2016) stated that the burden of red-tape is immensely felt by small business to the point that they remain informal to avoid compliance costs as well as administration burdens and complicated regulatory requirements. Therefore, a more conducive environment must be created by the government for informal entrepreneurs by eliminating red tape.

5. In order to address the funding gap and funding challenges, it is recommended that government works hand-in-hand with non-governmental institutions and informal traders to come up with a funding model that will cater directly for the financial needs of the informal sector.
6. Informal traders must also take the initiative to educate themselves on the structures and institutions stipulated by the government to assist willing traders to transition from the informal to the formal sector. Additionally, informal traders must improve their skills and education using the services of the Sector Education and Training Authority (SETA), which can assist willing and financially able informal traders to further their education.

6.5 AREAS FOR FUTURE RESEARCH

While conducting this research study, certain observations were made and important areas of essential significance were identified for future research. Therefore, there are still numerous other issues that must be investigated in this field of study, namely:

- Opinions of formal entrepreneurs who have managed to transition from the informal to the formal sector must be considered in future research.
- A larger sample size must be utilised in future research and researchers should consider using a mixed method to achieve a more in-depth understanding of business operations and formalisation in the informal economy of Durban central.
- Researchers can also consider including the government agencies responsible for informal sector development in order to juxtapose their opinions with those of the informal traders.

6.6 RESEARCH LIMITATION

Financial and time constraints prevented the researcher from travelling across the municipality to cover other areas in order to get a fairer geographical distribution of the respondents and to undertake the study on a wider scale. Hence this empirical study was limited to only informal

traders placed at the Durban central business district. The findings reflect perceptions of informal traders in Durban central and are not to be generalised to include all municipalities in the province. Another limitation of the study was the unwillingness of some entrepreneurs to be recorded, meaning that the researcher spent more time writing notes and might have missed some critical information. The research area is also unsafe as the researcher was attacked by criminals. Hence, she constantly feared for her life during the data collection process.

6.7 CONCLUDING REMARKS

The current study was intended to contribute to the existing literature and knowledge on the South African informal economy. The research has corroborated other studies in different countries which discovered that informal traders face immense challenges that hamper their growth and ability to transition from the informal to the formal economy. Amongst others, a lack of funding, formalisation knowledge and red-tape were expressed as some of the reasons that hinder formal traders from formalising.

This dissertation found evidence overall that informal traders encounter challenges when embarking on the formalisation process and that the formalisation process is perceived as cumbersome. In some instances, this results in the informal business owners deciding to remain informal. The capacity of the data collected by involving industry role-players who expressed their opinions and knowledge permitted the researcher to reach the anticipated outcome. It could be stated that the research objectives were accomplished. Hence the research outcomes made it possible for recommendations to be issued benefiting the traders across the study field. Recommendations stemming from the research included local municipalities partnering with other government agencies and private institutions in efforts to assist and equip informal traders with the necessary skills that will facilitate them taking on the formalisation process. In order to tackle the lack of access to funding problem, the study made a recommendation that government work with other non-governmental institutions to come up with funding strategies that will accommodate the financial needs of the informal sector. The researcher recommended further empirical research be conducted to include a larger sample size. The recommendations made in this study were based on the data provided by participants and are supported by the literature review.

Areas of further research were also identified as the researcher notes that the opinions of formal entrepreneurs who have managed to transition from the informal to formal economy were not

considered in this study, hence this allows for future research. A larger sample size could have provided better and richer data from a wider response group. Consequently, a larger sample size must be considered for future research rates. It is hoped that the findings of this research will assist the authorities responsible for developing the informal sector to create policies that will encourage and facilitate formalisation.

REFERENCES

- Akinbode, J.O., Adekola, P.O, and Salau, O.P.2016.An evaluation of financing challenges of informal entrepreneurs in Southwest, Nigeria: *Journal of business management* (online), 2(3):76-81.Available: <http://www.palgojournals.org/pjbm-abstract-october-2016-akinbode-et-al-76-81/> (Accessed 15 April 2019).
- Almalki, S.2016.Intergrating quantitative and qualitative data in mixes methods research: Challenges and benefits: *Journal of Education and learning* (online), 5(3):288-296.Available: <http://www.ccsenet.org/journal/index.php/jel/article/view/61406> (Accessed 17 April 2020).
- Alshenqeti, H.2014.Interviewing as a data collection method: *A critical review* (online), 3(1):39. Available: <http://www.sciedu.ca/journal/index.php/elr/article/view/4081/0> (Accessed 12 July 2018).
- Alvi, M.2016.A manual for selecting sampling techniques in research (online).Pakistan: University of Karachi. Available: <https://www.semanticscholar.org/paper/A-Manual-for-Selecting-Sampling-Techniques-in-Alvi/f24ab50089188e2ef38cd0df9b33e074eeb98a1b> (Accessed 18 July 2018).
- Al-Saadi, H.2014.Demystifying ontology and epistemology in research methods (online), Available:https://www.researchgate.net/publication/260244813_Demystifying_Ontology_and_Epistemology_in_Research_Methods (Accessed 12 June 2020).
- Asiamah, N., Mensah, H.K., And Oteng-Abayie, F.E.2017.General, target and accessible population: *Demystifying the concepts for effective sampling* (online), 22(6):6-16. Available: <https://nsuworks.nova.edu/cgi/viewcontent.cgi?article=2674&context=tqr> (Accessed 29 December 2019).
- Bengtsson, M.2016.How to plan and perform a qualitative study using Content Analysis (online), 2(16):8-14. Available:<https://www.researchgate.net/publication/295303146> (Accessed 06 January 2019).
- Berg, B. and Lune, H.2012.Qualitative research methods for the social sciences.9th ed. England: Pearson Education Limited.
- Bosma, N.2012.The Global Entrepreneurship Monitor (GEM) and its impact on entrepreneurship research: *Foundations and trends in entrepreneurship*. (Online). Netherlands:

Now Publishers Inc. Available: <https://dl.acm.org/doi/abs/10.1561/03000000033> (Accessed 29 August 2019).

Brink, H., Van der Walt, C., Van Rensburg, G.2018.Fundamentals of research methodology for healthcare professionals.4th ed. Cape Town: Juta.

Bryman, A. and Bell, E.2007.The ethics of Management Research: An *exploratory content analysis: British journal of management* (online), 18(1):1-5.Available: <https://onlinelibrary.wiley.com/doi/epdf/10.1111/j.1467-8551.2006.00487.x> (Accessed 25 March 2020).

Bryman, A. and Bell, E.2014.Research *Methodology* (online), Cape Town: Oxford University Contexts. Available: <https://www.oxford.co.za/book/9780199076130-research-methodology-business-and-management-contexts#.X4cp9rcaJM5> (Accessed 21 April 2020).

Bureau, S.and Fendt, J.2015. Entrepreneurship in the informal economy: *Why it matters* (online).Available:<https://www.researchgate.net/publication/272144357> (Accesses 15 June 2020).

Castells, M. and Portes, A.1989.World underneath: *The origins, dynamics and effects of the informal economy* (online). Baltimore, London: Johns Hopkins University Press. Available: <https://ucl.rl.talis.com/items/000732D7-8050-CE3C-D8DB-66204968C78D.html> (Accessed 24 April 2020).

Chimucheka, T.and Rungani, E.C. 2013.Obstacles to accessing finance by Small Business operators in the Buffalo City Metropolitan Municipality: *East Asian journal of business management* (online),3(2):23.Available: <https://www.researchgate.net/project/SMMES-SMEs-in-the-Eastern-Cape-Province-of-South-Africa> (Accessed 15 April 2020).

De Soto, H.1989.The other path: *Invisible Revolution in the third world* (online). New York: Harper and Row. Available: <https://www.minneapolisfed.org/article/1989/the-other-path-the-invisible-revolution-in-the-third-world> (Accessed 15 August 2019).

Dzansi, D.J., 2014.understanding the transition from informal to formal business: *A conceptual framework*(online), 5(20):1-7.Available: <https://studylib.net/doc/11895648/understanding-the-transition-from-informal-to-formal-busi> (Accessed 11 June 2018).

Elliot, V.2018.Thinking about the coding process in qualitative data analysis: the qualitative report (online), 23(11):2850-2861.Available: <https://nsuworks.nova.edu/tqr/vol23/iss11/14> (Accessed 31 May 2020).

EThekweni Metropolitan Municipality map (image). 2012. Available: <https://municipalities.co.za/map/5/ethekweni-metropolitan-municipality> (Accessed 02 August 2019).

Fusch,P. and Ness L.R.2015.Are we there yet? Data saturation in qualitative research (online), 20(9):9-7.Available: <https://nsuworks.nova.edu/tqr/vol20/iss9/3/> (Accessed 24 April 2020).

Hammarberg, K., de Lacey, S. and Kirkman, M.2016. Qualitative research methods: When to use them and how to judge them. *Human reproduction* (online), 31(3):498-501.Available: <https://www.researchgate.net/publication/290432694> (Accessed 09 August 2019).

Hart, K.1973.Informal income opportunities and urban employment in Ghana. *Journal of modern African studies* (online), 2(1): 61-89.Available:<http://www.jstor.org/stable/159873> (Accessed 24 April 2020).

Hurst, S., Arulogun., S., owolabi, O., Akinyemi, R., Stephanie and Ovbiagele, B.2015.Pretesting qualitative data collection procedures to facilitate methodological adherence and team building: *international journal of qualitative methods* (online), 15(2):53-63.Available <https://journals.sagepub.com/doi/full/10.1177/160940691501400106>: Accessed 20 December 2019).

Hayashi, P., Abib and Hoppen, N.2019.Validity in qualitative research approach (online), 24(1):14.Available: <https://nsuworks.nova.edu/tqr/vol24/iss1/8/> (Accessed 15 April 2020).

Ibrahim, M.2015.The art of data analysis: *Journal of Allied health sciences Pakistan* (online), 1(1):98-104.Available: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6659071/> (Accessed 14 April 2020).

Institute of Economic Affairs. 2018. *Informal sector and Taxation in Kenya* (online). Nairobi: Institute of Economic Affairs. Available: <https://www.ieakenya.or.ke> (Accessed 21 April 2020).

International Labour Organization, 2014. *Transitioning from the Informal to Formal Economy* (online). Geneva: International Labour Office. Available: <https://libguides.ilo.org/informal-economy-en> (Accessed 21 April 2020).

International Labour Organization, 2018. *World employment social outlook*. Geneva: International labour office. Available: <https://www.readkong.com/page/world-employment-and-social-outlook-trends-2018-ilo-8561885> (Accessed 27 February 2020).

Molina-Azorin, J. 2016. Mixed methods research: An opportunity to improve our studies and our research skills: *European Journal of Business economics* (online), 25(2):37-38. Available: https://www.researchgate.net/publication/303691681_Mixed_methods_research_An_opportunity_to_improve_our_studies_and_our_research_skills (Accessed 17 April 2020)

International Monetary Fund, 2020. *South Africa Selected issues*. Washington, D.C. International Monetary Fund Publication Services. Available: <https://www.tralac.org/documents/news/3097-south-africa-selected-issues-paper-january-2019-imf/file.html> (Accessed 21 February 2020).

Joshi, A., Prichard, W., and Heady, C. 2014. Taxing the informal economy :The current state of knowledge and agenda for future research: *The international journal of development studies* (online), 50(10):132-134. Available: <https://www.ictd.ac/publication/taxing-the-informal-economy-the-current-state-of-knowledge-and-agendas-for-future-research/> (Accessed 28 February 2020).

Kabir, S.M.S. 2016. *Methods of data collection: Basic guidelines for research* (online), Perth: Curtin University. Available: <https://www.researchgate.net/publication/325846997> (Accessed 19 April 2020).

Katee, N. 2017. Informal economy and taxation in Kenya: *Causes and effects: international journal of law, Humanities and social science* (online), 1(4):77-86. Available: https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/06/GSMA_The-causes-and-consequences-of-mobile-money-taxation.pdf (Accessed December 2019)

Kathari, C.R. 2004. *Research Methodology Methods and Techniques*. 2nd Ed. New Delhi: New Age International.

- Kumar, R.2011.*Research Methodology: A step by Step Guid (online)*.London: SAGE. Available:<https://stuvera.com/ebooks/research-methodology-a-step-by-step-guide-for-beginners-4th-edition/> (Accessed 24 April 2020).
- Lapeyre, F.and Lemaitre, and A.2016.*Securing Livelihoods: Informal Economy Practices and Institutions*.1st ed.Great Britain: Oxford University Press.
- Mahadea, D. and Zogli, L-K.J, 2018.Constraints to growth in the informal sector activities and formalisation: *A case study of Ghanaian slums: South African journal of entrepreneurship and small business management*, <https://sajesbm.co.za/index.php/sajesbm/article/view/130/151> (Accessed 10 June 2020)
- Maryring, P.2000.Forum social: Qualitative research (online), 1(2):20. Available: <https://www.qualitative-research.net/index.php/fqs/article/view/1089/2385> (Accessed 14 April 2020).
- Merriam, S.B.2009.*Qualitative Research: A guide to design and implementation*.2nd Ed. San Francisco: Joss-Bass.
- Mitullah, W.V.2003.*Street traders in Kenya the contribution of research in policy dialogue and response* (online). Washington DC. World Bank. Available: <http://www.wiego.org/sites/default/files/publications/files/Mitullah-street-trade-kenya-contribution-research-policy-dialogue.pdf> (Accessed 29 July 2018).
- Minaev, L.2016. Entrepreneurship activity in developing countries (online). Masters, Linnaeus University.Available:<http://www.diva-portal.org/smash/get/diva2:971816/FULLTEXT01.pdf> (Accessed 23 February 2020).
- Mkhize, S., Dube, S.and Skinner, C.2013.*Street Vendors in Durban, South Africa*. South Africa: Women in informal Employment: Globalizing and Organizing.
- Marriam, B.2009.*Qualitative Research: A guide to design and implementation*.4th ed. New York: John Wiley & Sons Inc.
- Pedro, S.and Erwan.Q. 2006 .A competitive model of the informal economy .*Journal of economics* (online), 53(7):1541-1553.Available:<https://pedroamaral.net/publication/jme-2006/> (Accessed 29 August 2019).

Polit, D. and Hungler, B. 1999. *Nursing Research: principle and Method*, 6th Ed: Philadelphia: Lippincott company.

Saunders, M. Lewis, P. and Thornhill, A. 2009. *Research methods for business students*, 5th Ed. London: Pearson education.

Saunders, B. Sim, J., Kingstone, T., and Bartlam, B. 2017. *Saturation in qualitative research: exploring its conceptualization and operationalization* (online), 52:1893-1907. Available: <https://link.springer.com/article/10.1007/s11135-017-0574-8> (Accessed 27 July 2018).

Sello, K. 2012. former street traders tell their stories: Narratives in the inner city of Johannesburg (online) Honours, University of the Witwatersrand. Available: <https://www.wits.ac.za/yeovillestudio/publications/> (Accessed 23 April 2020).

Siqwana-Ndulo, N. 2013. The informal sector in South Africa: *Women street traders in Durban Part 1*. Available: <http://www.polity.org.za/article/the-informal-sector-in-south-africa-women-street-traders-in-durban-part-1-2013-05-13> (Accessed 20 August 2019).

Skinner, C. 2016. Informal sector employment: policy reflection: *RED3*3 Conference*. Cape Town 28 November 2016: university of Cape Town.

Skinner, C. 2019. Informal –Sector policy and legislation in South Africa: *Repression, omission and ambiguity* (online), Available: <https://www.researchgate.net/publication/333668377> (Accessed 31 May 2020).

Skinner. And Van Der Heijden, T. 2012. *Making the informal economy visible: Guidelines for Municipalities in respect of adopting a more developmental approach towards the informal economy*. South African Local Government Association. Available: <https://www.tandfonline.com/doi/abs/10.1080/20421338.2014.940168?src=recsys&journalCode=rajs20> (Accessed 26 August 2019).

Small Enterprise Development Agency quarterly report. 2018. Pretoria (online), Pretoria: SEDA. Available: <http://www.seda.org.za/Publications/Publications/Seda%20Annual%20Report%202017-2018.pdf> (Accessed 24 April 2020).

Stemler, S. 2016. Practical Assessment, Research, and Evaluation: An overview of content analysis (online), 7(17):1-6. Available: <https://eric.ed.gov/?id=EJ638505> (Accessed 15 April 2020).

Statistics South Africa.2017. *Quarterly Labour force survey* (online).Pretoria: government printers. Available: <http://www.statssa.gov.za/?p=10884> (Accessed 24 April 2020).

Stiftung, F.2017.*Decent Work in the informal Economy: Towards Formalisation of the informal economy* (online).Zimbabwe: Labour and Economic Development Research of Institute of Zimbabwe. Available: <http://library.fes.de/pdf-files/bueros/simbabwe/13742.pdf> (Accessed 21 April 2020).

Tassin, R., Ndjike, E.2015.Transitioning from informal to formal business: motives, challenges and coping mechanisms in the Bloemfontein area (Online). M.Tech, Central University of Technology.Available:<https://docplayer.net/10741089-Rolline-estelle-ndjike-tassin-m-tech-business-administration-in-the-faculty-of-management-sciences-central-university-of-technology-free-state.html> (Accessed 12 June 2018).

Tahedoost, H.2016.Sampling methods in research methodology: How to choose a sampling technique for research (online), Available: <https://hal.archives-ouvertes.fr/hal-02546796> (Accessed 2 June 2018).

Techo, V.2016.Research methods-quantitative, qualitative and mixed: *International journal of academic research in management* (online)5(2):18-27.Available: <https://files.eric.ed.gov/fulltext/EJ1103224.pdf> (Accessed 29 December 2019).

The World Bank. 2018. *Overcoming poverty and inequality in South Africa: An assessment of drivers, constraints and opportunities*. Washington DC: World Bank. Available: <https://www.worldbank.org/> (Accessed 26 August 2019).

United States Agency for International Development.2005.*Understanding Micro and Small Enterprise Growth* (online).Washington: USAID Available: <http://www.bdsknowledge.org/dyn/bds/docs/502/USAID%20AMAP%20MSE%20Growth%202005.pdf> (Accessed 21 April 2020).

Van der Molen, P.2018. Informal economies, state finances and surveyors: Survey review (online),50(358):16-25.Available:<https://research.utwente.nl/en/publications/informal-economies-state-finances-and-surveyors> (Accessed 01 March 2020).

Williams, C.and Nadin, S.2014.Entrepreneurship and the informal economy: An overview. *Journal of development entrepreneurship* (online), 15(4):361-378, Available:<https://www.research.net/publication/227652567> (Accessed 8 August 2020).

Wiles, R., Crow, G., Health, S and Charles, V.2006.Anonymity and confidentiality (online).
United Kingdom: Economic and Social Research Council. Available:
<https://www.tandfonline.com/doi/abs/10.1080/13645570701622231>(Accessed 06 January
2020).

LIST OF APPENDICES

Appendix A: Interview Schedule

Appendix B: Letter of information

Appendix C: Consent form

Appendix D: Interview request letter

Appendix E: Ethical Clearance letter

APPENDIX A



INTERVIEW SCHEDULE

Title: The formalisation of informal businesses in Durban Central District, South Africa

PRE-INTERVIEW ACTIVITIES

Participant consent: The researcher introduces himself and explains the purpose of the study and interview. The participant is informed of her/his rights to withdraw from the study at any point due to any reason he/she deem fit. There are no consequences for withdrawing from the interview.

Setting the Voice recorder: The researcher informs the participant that the interview will be recorded. The interviewers request the consent of the interview to be recorded. After receiving consent the interviewer proceed with the interview.

INTERVIEW

A. Background information of the business owner which will inform the researcher about the business owner.

1. Personal profile of entrepreneur

Invite interviewee to briefly tell me about him/herself in terms of;

- Gender
- Level of education
- Age
- Profit made per week

- Sector
- Formal employment background (respondent been previously employed formally)
- Township/suburb respondent comes from?
- Number of years the respondent has been trading informally?

B. Operating informal business and the formalisation process.

2. Tell me of your experiences in growing your own informal business.

3. Do you believe these are unique to the informal sector?

4. What's your opinion of the formalisation process, what about this process motivates you to formalise?

5. To the best of your knowledge, what support options are available to informal entrepreneurs who want to formalise?

6. Regarding formalisation, what would you like to tell me that you've thought about during this interview?

C. POST-INTERVIEW ACTIVITIES

Playing the recorded interview; the recorded interview will be played while the researcher and percipient are listening. The researcher will seek permission from the interviewee to use the data he/she provided in the interview.

Conclusion: the researcher will summarise what the participant has said. The interviewee will be thanked and promised to be given findings of the study if she/he wishes so and assured that information gathered from the interview will be treated with confidentiality.

APPENDIX B



LETTER OF INFORMATION

Title of the Research Study: The formalisation of informal businesses in Durban District, South Africa.

Principal Investigator/s/researcher:

Co-Investigator/s/supervisor/s:

Brief Introduction and Purpose of the Study: the purpose of the study is to investigate challenges encountered by informal firms in their transitioning process from Informal to formal economy in the Durban area. The Objectives of the study is to get qualitative data on these challenges, the findings of the study can be useful as it may benefit Informal economy businesses that are planning to transition to the formal sector.

Outline of the Procedures: You have been selected as a voluntary participant for this research study, your participation and co-operation in providing relevant information based on your experiences as an Informal trader who intends transitioning to the formal economy could assist identify and address challenges faced by informal firms in their transition process. Face to face interviews will be conducted between the participant and the researcher, the research is of high confidentiality and anonymity. The interviews will take approximately 45min and will be recorded.

Risks or Discomforts to the Participant: participant will incur no risk for taking part in this research

Benefits: Participants will benefit directly or indirectly by the practical implementation of the research outcome. The outcome will be published in journals. Recommendations shall be provided to address the challenges faced by informal firms when formalising their businesses.

Reason/s why the Participant May Be Withdrawn from the Study: there won't be any undue pressure or consequences should the participant choose to withdraw from this study.

Remuneration: no remuneration

Costs of the Study: participants shall not incur any cost.

Confidentiality: Confidentiality shall be assured, the information gathered from interviews will be protected and utilize for academic use only.

Research-related Injury: there will be no research based injury

Persons to Contact in the Event of Any Problems or Queries:

Supervisor: Dr Luther- King Junior Zogli on 033 845 9081, email; luther-kingz@dut.ac.za. The researcher on 076 580 5610 or nondudladla@yahoo.com.

APPENDIX C



CONSENT

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: _____,
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

**Full Name of Participant
Thumbprint**

Date

Time

Signature / Right

I, Nonduduzo Dladla herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

Full Name of Researcher

Date 07/ 05/ 2021 **Signature**

Full Name of Witness (If applicable)

Date

Signature

Full Name of Legal Guardian (If applicable)

Date

Signature

APPENDIX D



Faculty of Management Sciences

Department of Entrepreneurial Studies and Management

Dear Participant,

I am a Student registered at the Durban University of Technology in the Department of Entrepreneurial Studies and Management. I am currently pursuing a Masters in Management Sciences: Business Administration and the requirement of this qualification are research-based. This research project is aimed at investigating **the formalisation of informal businesses in Durban District, South Africa.**

I am requesting approval to have an interview with you that will take approximately 45 minutes for the study. Your participation in this study is voluntary and your co-operation in participating in the interview process will be greatly appreciated. This research is of high confidentiality and anonymity, these no right or wrong answers. You can withdraw from the study at any time without giving reason, and without prejudice or any adverse consequences. Always remember you are making a valuable contribution to the project.

If you have any further questions you may contact my Supervisor (Dr Luther- King Junior Zogli) Department of Entrepreneurial studies and Management. Tel: 033 845 9081.

Yours faithfully

Nonduduzo Dladla
076 580 5610
nondudladla@yahoo.com :

Dr Luther-King Junior Zogli
033 845 9081
Luther-kingz@dut.ac.za