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Factors influencing the intent to transition to the formal economy: A comparative study of informal youth entrepreneurs in Gabon and South Africa

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ABSTRACT

This study delves into the factors that influence the intent of informal youth entrepreneurs to transition to the formal economy in Gabon and South Africa. The informal sector, a significant player in the economies of these developing countries, is characterised by unregulated and unregistered businesses (Msomi, 2024). It plays a crucial role in providing employment and income for millions (Etim & Daramola, 2020). However, transitioning to the formal economy is often seen as a pathway to sustainable growth, increased productivity, and enhanced economic stability (International Labour Organisation, 2021). Through a comparative analysis, this research examines the determinants that motivate or hinder informal youth entrepreneurs in Gabon and South Africa from formalising their businesses. Key factors explored include entrepreneurial capital, including economic, cultural, social, and symbolic capital; attainment of legitimacy; entrepreneurial motivation; and institutional factors, including political stability, government effectiveness, and the rule of law. The study employs a qualitative approach, combining interviews with informal youth entrepreneurs in both countries. The findings reveal that South Africa should focus on financial and administrative support, funding opportunities, and networking, while Gabon needs to simplify legal processes and provide clearer guidance. Both countries should improve communication about government programs and strengthen institutional trust. Incentives like tax breaks could encourage formalisation. Education in entrepreneurship and legal systems is crucial for improving outcomes, and future research should explore digital entrepreneurship and the role of institutional trust in the transition from informal to formal sectors.

The results of this research significantly enhance our understanding of informal entrepreneurship in Africa. They also provide policy recommendations to foster a supportive environment for formalising informal businesses. By addressing the unique challenges youth entrepreneurs face in Gabon and South Africa, the study aims to support the development of targeted interventions to facilitate their successful transition to the formal economy, thereby promoting inclusive economic growth and development.

Keywords: *Informal economy; transition; formal economy; youth; informal entrepreneurs; South Africa; Gabon; legitimacy threshold*

DECLARATION

I, Christal Daisy Maloungui Moukendi, declare that this research report is my work except as indicated in the references and acknowledgements. It is submitted in fulfilment of the requirements for the degree of Master of Commerce by Research in the field of Management to the Faculty of Commerce, Law and Management, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.



Christal Daisy Maloungui Moukendi

Signed at Johannesburg, 29-04-2025

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

Several countries, including South Africa and Gabon, view entrepreneurship as the panacea to their socio-economic development. In the United States, for example, entrepreneurship is seen as a paramount and essential engine of economic growth (Seth, 2023). Entrepreneurship is very present in the informal economy. Commonly designated as informal sector entrepreneurship, it is a part of the informal economy that does not receive much attention (Musara & Nieuwenhuizen, 2020).

In its most recent report, the International Labour Organisation (ILO) asserts that approximately 61% of the world's employed population works in the informal economy (International Organisation of Employers, 2021). The African continent has the largest informal sector globally, accounting for approximately 90% of Sub-Saharan Africa's economy (Sembene & Brown, 2021). Countries like South Africa and Gabon view entrepreneurship as vital for socio-economic development. Gabon's relatively young population represents 54% of the Gabonese population (African Development Bank Group, 2021). The situation is similar in South Africa, where youth between 15 and 34 years old account for approximately one-third of the country's population (Parliament of the Republic of South Africa, 2024).

Gabon and South Africa share some similarities, including a high rate of youth unemployment and a strong presence of the informal sector in their economies. The unemployment rates are 62.1 % in South Africa and 38.4% in Gabon (Dhliwayo, 2023; Mouissi, 2022). In response, the respective governments are promoting self-employment through entrepreneurship. However, it is crucial to understand the informal sector and the transition to formality, as these subjects are challenging to measure due to the limited information and articles available on the topic (International Monetary Fund, 2021; International Training Centre, 2015). According to Langry and Rena (2023), the International Monetary Fund estimates that the informal sector and employment in South Africa account for approximately 20% of the country's GDP. This amount is relatively small compared to Gabon, where the informal economy makes up 51.8% of GDP, one of the highest rates of informal sector activity in Central Africa (Bidzo, 2019; World Economics, 2023).

Studying and comparing diverse cases or contexts can enhance our understanding of a subject by highlighting unique and common elements, revealing insights not evident in single-case studies, and identifying patterns that contribute to a broader comprehension (Adiyia & Ashton, 2017; Bhandari, 2023). In Gabon, the official language is French, while in South Africa, it is English. Comparative studies on entrepreneurship are scant between Francophone and Anglophone countries (Mathibe & Oppong, 2024). The similarities and differences in the transition process to the formal economy of youth informal

entrepreneurs from Anglophone and Francophone countries in Sub-Saharan Africa are unclear. This study compares the factors influencing young entrepreneurs in Gabon and South Africa's decision to remain in the informal economy or transition to the formal sector.

1.2 BACKGROUND

The International Labour Organisation suggests that the informal economy can be defined as the “economic activities by workers and economic units that are, in law or practice, not covered or insufficiently covered by formal arrangements” (International Labour Organisation, 2015, p. 11). Known as a widespread phenomenon, informal entrepreneurship is part of the informal economy (Fotié & Mbratana, 2024). Informal entrepreneurs engage in legitimate entrepreneurial activities that are not considered legal (Salvi et al., 2023; Webb et al., 2009). Neoliberalism, originating in the 1920s and later developed in 1947 by a group of 36 scholars known as The Mont Pelerin Society, is associated with the rise of entrepreneurship linked to neoliberal ideology (Carmo et al., 2021; Nofal, 2023). This shift in ideology sparked an interest in entrepreneurship, leading to establishing an entrepreneurship ecosystem that continues to thrive (Carmo et al., 2021). Despite the diverse nature of informal entrepreneurship literature, many studies revolve around similar inquiries, such as the motives behind operating informally, the characteristics of informal entrepreneurs, and factors that could incentivise them to transition to the formal sector (Santos et al., 2020).

The unemployment issue in Sub-Saharan Africa has compelled the youth to become self-employed by joining the informal sector; African leaders must acknowledge that the informal economy will continue in the following years (Saisha, 2020). Moyo (2022) points out that while there are studies on formalising informal firms, most have focused on developing countries outside Africa. A transition to the formal economy and its benefits is not something to ignore; therefore, there is a need to identify factors that might influence the decisions of youth informal entrepreneurs in Gabon and South Africa to formalise their businesses (Mohamed, 2020). Following the goals of this study, those factors include access to entrepreneurial capital, legitimacy, entrepreneurial motives, and institutional factors. In his theory of capital, Bourdieu (1986) argues that entrepreneurs utilise their available capital during the entrepreneurial process, and some play a crucial role in explaining social action. In the context of entrepreneurship, Firkin (2001) and De Clerq and Voronov (2009) extended Bourdieu's conceptualisation, stating that such capital takes different forms, including economic capital (associated with money and tangible assets), social capital, cultural capital, and symbolic capital. These forms of capital were used in this study to determine the factors likely to influence the decision to transition to the formal economy of informal youth entrepreneurs from Gabon and South Africa.

Legitimacy is defined by Suchman (1995, p.574) as “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” The challenges entrepreneurs face, including young informal entrepreneurs, include the difficulty of establishing a new venture, known as the liability of newness, and the negative impact of financial disadvantage, known as the liability of poorness, on the lifespan of businesses created by less advantaged individuals (Morris et al., 2022; Soto-Simeone et al., 2020). These challenges result in difficulties establishing legitimacy with stakeholders such as employees, customers, and suppliers, making it hard to sustain a business (Morris, 2020). Therefore, the attainment of legitimacy was used in this study to determine if it affects the intentions of informal youth entrepreneurs to transition.

Entrepreneurs might wish to join the formal economy to attain the legitimacy threshold. Understanding and measuring this legitimacy level is crucial, as it will enable informal youth entrepreneurs from Gabon and South Africa to access the resources needed to grow their businesses. To measure the legitimacy threshold of Gabonese and South African youth informal entrepreneurs, their answers to question seven of the interview guide will be emphasised to identify key milestones that marked shifts in legitimacy. Women in Informal Employment Globalisation & Formalisation (WIEGO) believe that the informalisation of the informal economy can happen in various ways, including formal registration, tax obligations, business structure and advocacy, social security provisions, regulatory frameworks, along with enterprise incentives and assistance. (Torkington, 2024). These milestones may refer to gaining a significant customer, receiving external funding, favourable media coverage, or partnerships with established organisations. The concept of the legitimacy threshold will be later developed in the theoretical overview.

In entrepreneurship, some entrepreneurs are driven by necessity motives, while opportunity motives drive others; this differentiation in motivational factors can significantly impact the decisions made by entrepreneurs, particularly those operating within the informal economy (Caliendo et al., 2023). Therefore, it can also impact the decisions of informal youth entrepreneurs from Gabon and South Africa. To explore the concept of entrepreneurial motivation, Shi and Wang (2021) conducted a study in China using entrepreneurial psychology and entrepreneurial motivation to identify how it affects youth entrepreneurs' changes during the transitional economy. In addition to entrepreneurial capital and attainment of legitimacy, this research analysed how entrepreneurial motivation affects the intent to transition informal youth entrepreneurs from Gabon and South Africa using the notions of opportunity motivation and survival motivation.

Present in the formal and the informal sector, institutions struggle to regulate and curtail the activities in the informal sector, several conditions such as the level of unemployment or the economic development of a country, impact the direct and indirect effects that institutions appear to have on entrepreneurship (Adike

et al., 2021; Simón-Moya et al., 2014). Shahid et al. (2020) conducted a study to compare whether the same institutional determinants can explain enterprises' level of informality or formality. In their findings, they maintain that the institutional environment plays a crucial role and needs to be considered to facilitate the transition to formalisation. Therefore, in addition to entrepreneurial capital (economic, social, cultural capital, and symbolic capital), legitimacy, and entrepreneurial motivation previously mentioned, institutional factors, including political stability, government effectiveness, and the rule of law, were used throughout that study to analyse if institutional factors affect the intent to transition of informal youth entrepreneurs.

1.3 RESEARCH CONTEXT

Informal entrepreneurship encompasses the informal sector, driven by entrepreneurs who offer goods and services through businesses that do not comply with formal legal regulations (Salvi et al., 2023). According to the International Monetary Fund, in addition to the level of education, slow economic growth, poverty, family circumstances, and high unemployment can be considered as additional factors that motivate people to join the informal economy (Alexander, 2019; Santos et al., 2020). In Africa, youth face the highest unemployment rates, with Southern Africa recording 43% of young men and 51% of young women unemployed, prompting African Union Member States to urge governments to promote self-employment (Dugbazah et al., 2022). However, many youths enter self-employment in the informal economy, contributing to an economically vulnerable status. While a transition to the formal economy is recommended to limit and reduce the negative impact of the informal economy, it comes with several challenges, including the lack of understanding of factors that shape the intent of the youth informal entrepreneurs to transition.

Gabon and South Africa are part of Sub-Saharan countries bearing the reputation of having a higher rate of people working informally (Fanelli & Monteiro, 2019). In Gabon, the informal sector represents 50% of the country's total employment, while in South Africa, with 2.5 million people working informally, it represents 20% of the country's total employment (Masuku & Nzewi, 2021; The World Bank, 2020). The informal economy contributes to corruption in several countries, including South Africa. It discourages people from paying taxes to the government, hinders the South African tax revenue authority from meeting its annual tax collection targets, and perpetuates the perception that the informal economy is exploiting the formal economy (Makananisa et al., 2020). The South African Government is aware of the positive impact of entrepreneurship and is making efforts to implement entrepreneurship education for the youth; this initiative aims to address socio-economic challenges and equip young people with the necessary skills to become formal entrepreneurs, which is essential because the number of informal youth entrepreneurs currently outweighs those in the formal economy (Maka, 2023; Seed Academy, 2023). In Gabon, informal

entrepreneurship is not limited to the street. It is also commonly found in public and private offices, where workers sell articles to their colleagues, who typically pay on credit (Lawson, 2018). A similar situation exists in South Africa, where there is often indirect or direct competition for market share, with informal businesses coexisting alongside the formal market (Mokwena, 2023).

Like other African countries, unemployment is a significant challenge in Gabon; informal entrepreneurs are primarily women, unemployed youth, and migrants from neighbouring African countries, such as Cameroon and the Republic of Congo. Youth informal entrepreneurs have different backgrounds, and some join the informal sector because they are not employed, educated, or trained (hereafter referred to as NEET) (Statistics South Africa, 2019). Matlali (2021) suggests that the lack of employment opportunities, resulting in a high youth unemployment rate, must be addressed by creating marketable opportunities in Africa. However, based on the OECD high-income economy average of 78.8, the ease of doing business in Sub-Saharan Africa is among the weakest, with a score of 51.8; that region is also below the average global average of 63.0 (African Development Agency, 2020). In a study that aims to compare the ease of doing business in 190 economies, Gabon was ranked 169th while South Africa was positioned at 84th, which indicates that South Africa has a marginally better environment in the grander scheme of things than Gabon; it can be advantageous for youth informal entrepreneurs' desire to transition to formal economy (World Bank Group, 2020). A comparative study on factors likely to influence the decision to transition youth informal entrepreneurs of Gabon and South Africa is necessary to highlight the unique and shared challenges faced by youth informal entrepreneurs in Gabon and South Africa; it focuses on national youth informal entrepreneurs operating in one selected city of each country. This study can help to tailor more effective policies and support mechanisms and foster a conducive environment for youth entrepreneurship in both countries. Understanding these dynamics can significantly reduce youth unemployment and promote sustainable economic growth.

1.4 PROBLEM STATEMENT

Across the globe, the number of unregistered companies that have a business in the informal economy is estimated to be 60% of the Gross World Product in African countries. While the sector plays a significant role in absorbing unemployment, it remains controversial as it does not generate tax revenue (Kim & Jelloian, 2021; Madichie et al., 2021). The increasing presence of youths in the informal sector necessitates policy intervention to encourage formalisation and a more structured approach to the informal sector, as failure to do so may lead to youths' frustration, resulting in social and political instability for countries, as well as international and inter-regional migration (Moyo, 2022).

In a 2020 survey about the challenges faced by the informal sector in Africa, it was found that forty-nine per cent of South Africans started their businesses in the informal sector because it was the only solution to avoid unemployment, eleven per cent joined the sector to earn additional income, and twenty-three per cent felt that businesses in that sector paid more (Mothobi et al., 2020). Statistics also reveal that the youth unemployment rate in South Africa stood at 43.50% in 2020, with 42.1% of youth employed in the informal sector (Africa Skills Portal for Youth Employment and Entrepreneurship, 2021; Macrotrends, 2024). In Gabon, the government is encouraging people to become entrepreneurs and create Small and Medium Enterprises (SMEs) to reduce ongoing employment crisis facing by young people. In 2022, it was estimated that there were 61,841 small and medium enterprises, with 70% of them operating in the informal sector (Alidjinou, 2023).

South Africa and Gabon are developing countries with relatively similar human development indicators.¹ (hereafter referred to as HDI) of 0.72 and 0.69, respectively (Sasu, 2025). Besides their similarities, those countries' populations are entirely different, as South Africa's population is estimated to be 61.00 million against 2.3 million in Gabon (BBC News, 2023; Cowling, 2022).

Regarding the Gini coefficient² South Africa has a coefficient of 0.67, meaning that the country's population faces high inequalities, especially in income distribution (Africa Check, 2024). Besides, an HDI mentioned earlier (0.72) indicates good living standards, healthcare, and education. However, Gabon has a Gini coefficient of 0.38, meaning the population faces less inequality than South Africa (African Development Bank Group, 2024).

Previous entrepreneurial studies have mainly turned on the reasons for joining the informal sector. Limited research exists on the formalisation of informal businesses in Africa and the factors that encourage young African informal entrepreneurs to transition to the formal sector. The study aimed to identify the factors influencing the intent of informal entrepreneurs from Gabonese and South African youth to transition. It followed a comparative case study approach to understand the similarities and differences between their intent; data were collected through interviews with participants from both countries.

There is limited information about what leads entrepreneurs to transition from the informal to the formal economies in both spaces. For that reason, the intent to transition from youth informal entrepreneurs in South Africa and Gabon and the factors likely to influence their decisions are addressed through this study by referring to the following factors:

¹ The HDI is a tool used to quantify knowledge, decent standard of living, and a long life and healthy life (World Population Review, 2023). A higher HDI of close to 1 indicates relatively higher levels of development.

² Gini coefficient is a measure on a scale from 0 to 1, also called Gini index shown as a percentage from 0 to 100 % frequently used to gauge the inequality of any distribution, including life expectancy or wealth (Hasell, 2023).

- **Entrepreneurial capital** (including economic, cultural, social, and symbolic capital) has a multiplicative function and can be used by entrepreneurs to demonstrate to their stakeholders the resources embedded in their ventures (Erikson, 2002; Pinelli et al., 2021).
- **Attainment of legitimacy** that plays a significant role in companies' growth and development, which entrepreneurs need to obtain critical resources such as access to stakeholders or new markets (Fisher, 2020).
- **Entrepreneurial motivation**, also known as a measure of entrepreneurial intention, needed to be examined more deeply in the formalisation of the informal economy to determine its role in the process of transition (Liñeiro et al., 2024); lastly
- **Institutional factors** (including political stability, government effectiveness, and rule of law) which play an essential role in the development of entrepreneurship as the institutional structure of a country has two powers: It discourages or promotes entrepreneurship, and a poor institutional structure tends to hinder the growth and development of firms (Adjei, 2021; Gordo-Molina et al., 2022; Murnieks et al., 2020).

1.5 RESEARCH QUESTIONS

Throughout that study, the objective was to identify factors that may enhance the desire of Gabonese and South African youth informal entrepreneurs to transition to the formal economy, focusing on participants living in Libreville and Johannesburg. The research aimed to answer one central question: What factors drive young informal entrepreneurs' decision to shift from the informal sector to the formal economy?

The main question was subdivided into four questions, which are the following questions:

1. Research Question (RQ1): What is the influence of entrepreneurial capital on Gabonese and South African youth informal entrepreneurs' decisions to transition from the informal sector to the formal economy?
2. RQ2: How does the attainment of legitimacy play a role in the Gabonese and South African youth informal entrepreneurs' decisions to formalise their businesses?
3. RQ3: What is the importance of entrepreneurial motivation factors on Gabonese and South African youth informal entrepreneurs' decision to formalise their businesses?
4. RQ4: How do institutional factors influence the decision of youth informal entrepreneurs from South Africa and Gabon to formalise their businesses?

The selection of these research questions was based on factors related to the entrepreneurship field. The selected factors refer to entrepreneurship capital (including economic, cultural, social, and symbolic capital), attainment of legitimacy, entrepreneurial motivation, and institutional factors (including political

stability, government effectiveness, and the rule of law), knowing that other factors may emerge during the interviews.

1.6 RESEARCH OBJECTIVES

This study will aim to determine the effect of those factors on South African and Gabonese youth informal entrepreneurs' decision to formalise their businesses. The effects of those factors will be explored individually to complete the objectives of this research, which are:

1. To determine the influence of entrepreneurial capital on Gabonese and South African youth informal entrepreneurs' decisions to transition from the informal sector to the formal economy.
2. To identify the role that the attainment of legitimacy plays in the decisions of Gabonese and South African youth informal entrepreneurs to formalise their businesses.
3. To investigate the importance of entrepreneurial motivation factors on Gabonese and South African youth informal entrepreneurs' decisions to formalise their businesses.
4. To examine the influence of institutional factors on Gabonese and South African youth informal entrepreneurs' decisions to formalise their businesses.

1.7 CONTRIBUTION OF THE STUDY

More literature is needed regarding the factors influencing African youth informal entrepreneurs who join the informal sector for several reasons, such as unemployment. Comparative studies on the transition of African youth informal entrepreneurs that provide valuable insights into two similar yet different contexts are rare.

Researchers use comparative studies to investigate, analyse, and evaluate a phenomenon, highlighting the differences and similarities between countries or entities (Shahrokh & Miri, 2019). Therefore, this research will address this literature gap through a comparative study between two countries in Sub-Saharan Africa, South Africa and Gabon, to contribute to formalising the informal sector in Africa. Based on the given criteria of a comparative study, the study will investigate the similarities and differences between the factors that shape the intent to transition towards the formal sector for Gabonese and South African youth informal entrepreneurs. The study will aim to determine the factors that mainly influence the youth informal entrepreneurs' decision to formalise their businesses and take necessary actions, with the primary goal of helping informal businesses enter the formal sector in Africa.

Limited data and few instances of formalisation in Africa make it hard to define a success model, as policies focus on development and poverty reduction rather than formalisation (Kiaga & Leung, 2020). Previous research mainly explores why entrepreneurs join the informal sector, with limited focus on the factors

driving their shift to the formal economy, particularly in South Africa and Gabon. This study will contribute to the literature on the factors influencing the intent to transition youth informal entrepreneurs in Sub-Saharan Africa (Ejiogu et al., 2022). Additionally, it could aid the Gabonese and South African governments in focusing on specific factors to regulate informal entrepreneurship and the transition to the formal economy. It will also provide valuable insights for policymakers to create effective interventions (Murozvi et al., 2022). This dissertation will serve as a foundation for future qualitative research studies between those two countries and the transition of informal youth entrepreneurs in Africa.

1.8 DELIMITATION OF THE STUDY

The researcher concentrated on informal youth entrepreneurs from Gabon and South Africa for this study. In both nations, youth were defined as individuals aged 18 to 34, with younger and older informal entrepreneurs excluded.

A limited set of factors, referred to as entrepreneurship capital, were selected to guide the research questions and interview schedule. These factors include economic, cultural, social, and symbolic capital, along with the attainment of legitimacy, entrepreneurial motivation, and institutional elements such as political stability, government effectiveness, and the rule of law. These factors may influence the responses of the selected participants unless they introduce other elements that could enhance their motivation to transition to the formal economy.

The spoken languages differ between the two countries: the majority of the Gabonese population speaks French, while English is the official business language in South Africa and was thus used for interviews there, despite it not being the native language for most South Africans. This language difference could potentially cause some meaning to be lost during translation. To mitigate this issue, a professional translator, fluent in both English and French, was employed to translate the research instrument.

Additionally, the interviews were conducted face-to-face with participants from both South Africa and Gabon. Depending on the researcher's location, a research assistant was enlisted to interview participants residing in the other country.

1.9 CHAPTER SUMMARY

Chapter 1 introduced the research and underlined its background and purpose. The main objective of the research presented through the main research question is to determine the factors that can influence informal youth entrepreneurs from South Africa and Gabon to transition into the formal economy.

The next chapter discusses the relevant literature review for that study and introduces the conceptual framework.

1.10 THE LAYOUT OF THE RESEARCH STUDY

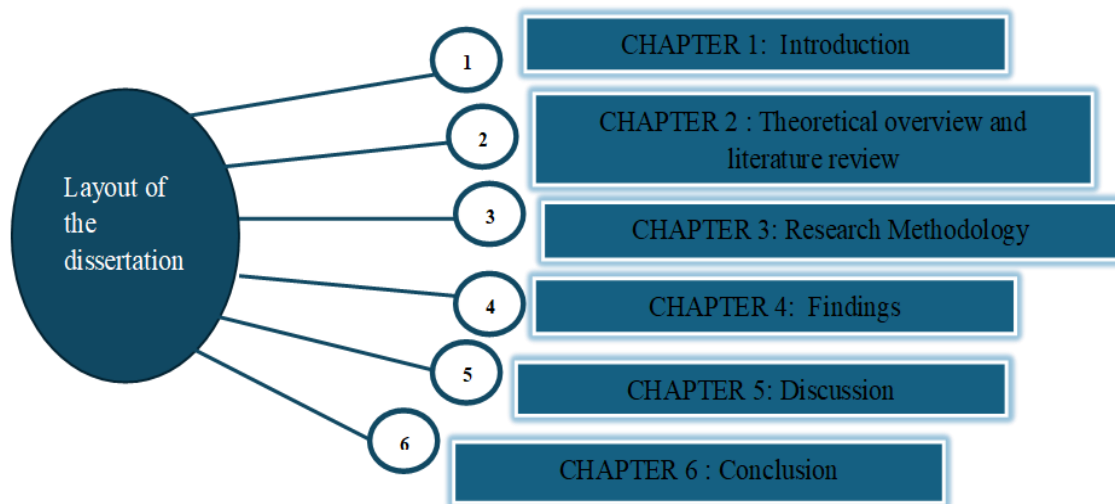


Figure 1: Study Layout

Chapter 1 overviews the study's background, context, and objectives. It outlines the factors influencing the research, sets the stage for the problem discussed, and justifies the need for the study. The research questions and objectives guide the direction of the study, while the contribution highlights its significance. The scope of the research is defined, and the chapter concludes with a summary of the key points, offering a structure for the following chapters.

Chapter 2 provides the study's theoretical overview and literature review, beginning with an introduction and a theoretical framework to define key concepts. It explores informal entrepreneurship, particularly youth entrepreneurship in South Africa and Gabon, and includes a review of relevant literature with definitions of important terms. The chapter also introduces a conceptual framework highlighting the factors influencing the formalisation of informal businesses, focusing on the transition from the informal to the formal sector and the factors affecting entrepreneurs' intent to formalise.

Chapter 3 outlines the systematic approach for the study, focusing on the qualitative research method chosen. It explains the rationale for selecting specific methods, the target population, sampling procedures, and ethical compliance. The chapter covers the research design, data collection through interviews, and

data analysis. It also addresses strategies for ensuring reliability and validity, such as thematic analysis and triangulation, alongside ethical considerations like voluntary participation and privacy. This chapter serves as a blueprint, linking the study's objectives to its execution.

Chapter 4 presents the findings from the interviews conducted with youth informal entrepreneurs in South Africa and Gabon. This chapter highlights the vast amount of data gathered during the research process, shedding light on the challenges, motivations, and strategies of young individuals engaged in informal entrepreneurship.

Chapter 5 aims to interpret the findings, discussing the research questions, a priori, and emerging themes. It provides a deep analysis of the collected data, exploring new perspectives that emerged during the study. Additionally, this chapter implements a comparative analysis of the responses from South African and Gabonese participants, highlighting key similarities and differences between the two contexts. By examining these contrasts, the chapter offers insights into how regional factors influence informal entrepreneurship and each country's transition to the formal sector.

Chapter 6 concludes the research study by highlighting the key points of the comparative analysis that aims to identify the factors motivating youth informal entrepreneurs in Gabon and South Africa to transition to the formal sector. It emphasises the similarities and differences observed between the two countries. It also highlights the study's contributions to the broader understanding of youth entrepreneurship in informal sectors, offering recommendations for policy and future research based on the insights gained.

CHAPTER 2: THEORETICAL OVERVIEW AND LITERATURE REVIEW

2.1 INTRODUCTION

The purpose of this literature review is to clearly understand the existing knowledge on a research topic and identify and highlight the gaps to address them throughout the research study (Levy & Ellis, 2006). Additionally, it aims to identify the existing knowledge on youth informal entrepreneurs' transition to the formal economy in Africa, especially in South Africa and Gabon. Therefore, it included the background of the informal sector and youth informal entrepreneurship in Gabon and South Africa and the suggested factors that might influence their decision to transition to the formal economy.

The existing literature on the research topic helped to identify the following gap. While previous studies focus on why entrepreneurs enter the informal sector, research on the factors driving their shift to the formal economy in Africa is limited, especially in South Africa and Gabon. A theoretical framework is a structured review of existing theories that lay the foundation for developing and supporting the arguments in your research (Vinz & George, 2023). The legitimacy threshold was chosen to develop and support the arguments in this research.

2.2 THEORETICAL OVERVIEW

The term legitimacy threshold can be referred as “the point below which the new venture struggles for existence and probably will perish and above which the new venture can achieve further gains in legitimacy and resources” (Zimmerman & Zeitz, 2002, p.427) The term was later developed by Rutherford and Buller (2007), who established the foundation of the legitimacy threshold theory, defined from the entrepreneur's perspective as the point at which, the organisation transitions from being an unsustainable collection of resources to a potentially viable enterprise. Lee and Hung (2014) conducted a study in China, during which they focused on how informal Chinese entrepreneurs, especially those selling shan-zai mobile phones, pursue change and the transition to a formal economy; they state that the primary challenge for informal entrepreneurs transitioning into the formal economy is reaching a legitimacy threshold, as achieving this level of legitimacy enables them to access the resources needed for growth.

The formalisation of the informal economy is an advantage for society. It includes the government as it allows the growth of public revenues, enterprises by providing better access to the market and a rise in productivity, employees as they will receive adequate social and labour protection, and informal entrepreneurs who will need to comply with the advantages and obligations coming with the regulation of their enterprises (International Labour Organisation, 2021). Entrepreneurs might wish to join the formal economy to attain the legitimacy threshold (Lee & Hung, 2014). Achieving this level of legitimacy will

enable informal youth entrepreneurs from Gabon and South Africa to access the resources necessary to grow their businesses (Rutherford & Buller, 2007; Zimmerman & Zeitz, 20002). To measure the legitimacy threshold of Gabonese and South African youth informal entrepreneurs, their companies' histories will be emphasised to identify key milestones that marked shifts in legitimacy. These milestones may refer to gaining a significant customer, receiving external funding, favourable media coverage, or partnerships with established organisations. The formalisation will also benefit other actors, such as formal businesses, by eliminating unfair competitive advantages and providing customers with safe and legal options when purchasing products, including insurance coverage (Williams & Nadin, 2014).

Consequently, the premise of this current research is that the legitimacy threshold can also be employed to predict the formalisation intent of informal entrepreneurs in a context where there is a belief that the formalisation of informal companies plays a positive role in society. Asongu and Odhiambo (2019) state that there is a link between economic development in Africa and the ease of doing business; they argue that it influences the balance of regional and economic development, the creation and sharing of wealth, and employment opportunities. This investigation begins with the recognition that entrepreneurship in Africa is distinct from that in other regions (Ratten & Jones, 2018). While studies enhance our comprehension of ongoing entrepreneurial activities in Africa, they also indicate that development policies in many enterprises based in Sub-Saharan Africa are often generic, lacking alignment with the accurate needs of entrepreneurs in both the formal and informal sectors and their unique operational contexts (Asongu & Odhiambo, 2019). As a result, there have been calls for research to assist policymakers in Sub-Saharan Africa in designing enterprise development policies that effectively address these shortcomings (Hansen et al., 2018).

According to Moyo (2022), the sector in which informal firms operate does not affect their decision to formalise. However, the people transacting with the companies instead influence them to self-select the informal or formal sector. Xheneti et al. (2019) maintain that informal entrepreneurship can be seen as a voluntary decision to avoid the complexities related to formalisation. Therefore, young informal entrepreneurs can deliberately decide to leave the informal sector, but there is limited information on factors that shape informal entrepreneurs' intention to leave the informal sector. That study will use the legitimacy threshold to understand how entrepreneurial capital (economic, social, cultural, symbolic), entrepreneurial motivation (opportunity motivation and survival motivation), attainment of legitimacy (sociopolitical legitimacy) and institutional factors (political stability, government effectiveness, regulatory quality, and the rule of law) impact the behaviour and intention of South African and Gabonese youth informal entrepreneurs towards the formalisation of their businesses. Those factors are summarised in a conceptual framework present in the Literature Review.

The legitimacy threshold has some limitations. Fisher (2020) underlined that most research has focused on individual legitimacy issues in isolation, while entrepreneurs often face multiple challenges simultaneously. Adopting a configurational approach would provide a more comprehensive, multidimensional understanding of these issues faced by new ventures.

2.3 INFORMAL ENTREPRENEURSHIP

Informality was previously referred to as "underemployment" and "disguised unemployment" by the International Labour Organisation before being labelled as the "informal sector" concept by Keith Hart in 1971 (Benanav, 2019). Defined as a global mechanism present in less developed and developing countries and used by people with low incomes with the primary purpose of generating income opportunities; the informal sector is a significant part of the global economy, with almost two billion people operating in that sector (Masuku & Nzewi, 2021). Informal entrepreneurship is a part of the informal sector. The first study on this phenomenon was introduced in the journal appeared in 1987 named "Social Problems", an article wrote by Lesieur and Sheley who describe how illegal gambling in New York, though banned by the government, was socially accepted by the population, who considered them both illegal and legitimate (Salvi et al., 2023; Webb et al., 2009). Over the last two decades, entrepreneurship scholarship raised interest in entrepreneurship in the informal sector, commonly referred to as "informal sector entrepreneurship", a worldwide phenomenon associated with entrepreneurs who start or own and manage a business venture which is legitimate but not legal, a definition placing this phenomenon at the intersection between legitimacy and legality (Musara & Nieuwenhuizen, 2020; Williams et al., 2017).

Research has revealed that two-thirds of all enterprises are estimated to start their businesses unregistered and without declaring the sales or products they offer to the authorities for benefit, tax, and labour law (Williams & Kedir, 2018). Reasons for joining the informal sector include a low level of education, unemployment, autonomy, and family pressure, which are the motivations of most informal entrepreneurs (Sama & Abdelbaki, 2022). Studies have shown that the informal sector has a low requirement for education, which is detrimental to the development of informal businesses and hinders their growth, even though it enables people with limited education and skills to earn a living through self-employment (Lema, 2018; Setyanti, 2020). Unemployment, autonomy, and family pressure also contribute to the development of entrepreneurship in the informal sector, as individuals who cannot find employment in the formal sector often turn to the informal sector, either as self-employed entrepreneurs or as workers (Burger & Fourie, 2019). These individuals include graduates who join the informal sector to escape unemployment by harnessing their entrepreneurial spirit and innovation, which leads to establishing their ventures and creating employment opportunities within their communities (Zewdie, 2024). Therefore, it can be noticed that entrepreneurship plays a significant role in the informal sector by being a major contributor to

countries' national economy; this brings the urge to control the informal sector and foster the development of entrepreneurship in the formal economy to achieve a well-planned resource allocation and to obtain a high output (Igwe & Ochinanwata, 2021).

South Africa and Gabon are in Sub-Saharan Africa, a part of the African's continent where it is estimated that nearly 79% of all jobs provided are generated by the informal sector, underscoring the significance of informal employment as a critical driver of economic activity and social stability within the region (Boafo et al., 2023). Besides the low salaries, the inability to have a source of income by working in the formal sector drives the youth to join the informal sector, either as informal entrepreneurs or employees, or to migrate to other countries, underscoring the need to address this matter (African Development Bank Group, 2018).

2.3.1 Youth Entrepreneurship

Youth can be defined as the period between childhood and adulthood or maturity; studies usually refer to young people as those aged between 15 and 34 (Britannica, n.d.; Mombauer, 2023). According to Khamis and Yusof (2021, p. 14), youth entrepreneurship can be seen as “the ability of youth to identify opportunities at their disposal to start and grow entrepreneurial ventures by possessing competence in resource mobilisation and visualising the growth of their ventures, taking into consideration risks.” Many countries view entrepreneurship as the panacea to their socio-economic development; in the United States, entrepreneurship is a paramount and essential engine of economic growth (Seth, 2023). Informal entrepreneurship offers hope to people in countries facing high unemployment rates; one measure to encourage entrepreneurship is implementing a culture of entrepreneurship among the youth. The African continent has the second-youngest population after Asia. Promoting youth entrepreneurship in Africa is needed, as the continent's youth are considered its most valuable asset and hold significant potential (African Development Bank Group, 2023; Sumaworo, 2023). The main issue is the lack of training and skills in entrepreneurship, which often leads to stagnation and non-registration of businesses (Sumaworo, 2023). It is also challenging to determine if young people view entrepreneurship as a solution to escape unemployment when they cannot find jobs and end up entering the informal economy without intending to formalise their businesses. Youth entrepreneurship is an emerging area of inquiry that several countries are trying to promote and develop due to its potential to create employment opportunities in a world where youth unemployment continues to rise (Ferdousi et al., 2023).

2.3.2 Youth Informal Entrepreneurship in South Africa

Identified as a country located in the southernmost of the African continent, South Africa is a large country of approximately 61.00 million people bordered by Zimbabwe and Botswana to the north, Mozambique

and Swaziland to the northeast and east, Namibia to the northwest, and independent Lesotho, an eastern neighbourhood country surrounded by South Africa (Lowe et al., 2023). South Africa is among Africa's top three most advanced and diversified economies after Nigeria and Egypt, with a Gross Domestic Product of approximately \$406 billion in 2022 (Oluwole, 2023). However, besides its advanced economy that allows the country to be part of groups of the world's largest economies like G20 or the BRICS, South Africa is a dual economy that ranks among the most unequal countries globally, with a Gini coefficient of 0.67 (Africa Check, 2024; BRICS, 2023; The World Bank, 2023).

With an economy dominated by manufacturing, finance, and business services, as well as government trade, the country's economic growth is stagnant due to load-shedding but also because of the growth of the informal sector mainly associated with law and order, high unemployment, poverty, low education level and bureaucratic quality (Etim & Daramola, 2020). In South Africa, 2.5 million people work in the informal sector, a small total share of employment that cannot be ignored because of its significant impact, representing 20% of the country's total employment (Masuku & Nzewi, 2021). Despite its negative impact, the informal economy is noted for its entrepreneurial potential because it remains an essential contributor to the economy (Urban & Ndou, 2019). It contributes to the awareness concerning the manifold benefits of entrepreneurship, which encourages job creation and helps to address the unemployment challenges while encouraging economic resilience (Wilson, 2024).

2.3.3 Youth Informal Entrepreneurship in Gabon

Bordered by the Atlantic Ocean to the west, Gabon is a country of 2.3 million people situated on the west coast of the African continent at the Equator, Cameroon and Equatorial Guinea to the north, in the east and south by the Republic of Congo, and by Sao Tome and Principe an island situated off the coast (Gardinier et al., 2023). That central African country is mainly known for its strong performance in the oil, mining, and wood sectors. The country has experienced decades of economic growth, primarily due to its significant wealth in oil, making it the fourth largest producer of oil in Sub-Saharan Africa. (The World Bank, 2023). In 2020, the percentage of young men disengaged from the labour market, training, or educational systems was 15% against 23.5% for young women (Kappel, 2022).

According to Gabonese economists Mays Mouissi and Harold Leckat, the unemployment rate in Gabon increased from 28% to 32% in 2023, reflecting a persistent structural issue that, as in many African countries, disproportionately affects the youth (Dregnougou, 2023; O'Neill, 2023). Also, despite its income per capita, which seems to be one of the highest in Africa (\$18,703 in 2023), compare to South Africa (\$13,690 in 2023), there are many inequalities in Gabon, resulting in a significant part of the population living in poverty because of inequality income distribution (World Bank Group, 2020, 2024).

Gabon's economy is hugely affected by the informal sector, which represents 40% to 50% of the country's Gross Domestic Product, the highest rate in Central Africa; in urban areas, the informal sector accounts for 75% (Bidzo, 2019; Kappel, 2022). The literature on young Gabonese informal entrepreneurs is limited, and there are no official statistics on those operating in the informal sector.

The Gabonese Government, in partnership with international organisations such as the United Nations Educational, Scientific and Cultural Organisation or United Nations Development Programme, encourages the youth to become entrepreneurs to play a crucial role in the country's development (UNESCO, 2023; UNDP, 2021). To counteract the informal sector that controls the local market, the Gabonese government motivates people, including the youth, to create SMMEs in the formal sector (Lawson, 2018). COVID-19 contributed to the deterioration of the economies of Gabon and South Africa. The public finance reforms suggested various points, including optimising oil revenue and formalising the informal sector, to change the situation, as they can play an essential role in restoring the economy (Popouet, 2021).

2.4 FORMALISATION OF INFORMAL BUSINESSES

2.4.1 Transition from the informal sector to the formal sector

Transition can be defined differently depending on the situation. For informal enterprises, it involves regularising their businesses to gain legal recognition, complying with legal requirements, and handling the advantages and obligations of this new status. For employees, it is essential to gain access to social protection and adequate labour rights (International Labour Organisation, 2021). Literature on transition includes numerous empirical studies on the formalisation of informal firms. While these studies encompass several developing countries, they are limited in their coverage of African countries. (Moyo, 2022). Based on different studies, the transition from the informal sector to the formal economy remains challenging in developing countries, as the informal economy contributes to creating jobs and reducing inequality by providing employment opportunities to disadvantaged groups of society (Igwe & Ochinanwata, 2021). Besides the positive side of the informal sector entrepreneurship, this sector is identified as having high transaction costs and a low level of productivity, which appears to be an infringement on the economy's growth in the long term (Nohoua, 2023).

There is an ongoing debate on the best way to tackle entrepreneurship, with four options being considered: doing nothing, deregulating the formal economy, eradicating informal sector entrepreneurship, and formalising informal entrepreneurship (Williams, 2014). The World Bank (2016) suggested formalising informal firms to reduce poverty in low-income countries. Kiaga and Leung (2020) emphasised the significance of transitioning from informal to formal employment, particularly in the African region, where informal employment is rising. That view is supported by the Informal Labour Organisation, which

introduced ‘Recommendation 204’ in 2015 as a guide for the transition from the informal to the formal economy for people operating in the informal economy, including all workers and economic units such as employers, self-employed individuals, cooperative members, participants in social and solidarity economy initiatives, and wage earners (International Labour Organisation, 2015). In an economic research paper, De Beer et al. (2013) illustrated the contrast between some characteristics of the firms in the informal sector and those operating in the formal sector. Table 1 has been adapted to align with the study's purpose. It can motivate informal youth entrepreneurs and influence their decisions to switch from the informal to the formal economy.

Table 1: Some Characteristics of Informal Versus Formal Enterprises

Adapted from De Beer et al. (2013), p. 14.

Some examples	Informal Firms	Formal Firms
1. Unprocessed materials	Collected from sources that lie both in the formal and informal sector	New materials from national and external origins
2. Infrastructure	Inconsistent electricity supply and lack of secure facilities	Reliable power supply and safe business facilities
3. Resources	Insufficient access to productive assets and financial support	Broad access to production assets and financial aid
4. Demand	Low demand	High demand
5. Quality	Low-quality products	High-quality products
6. Profit	Low profit	High profit
7. Exchange tool	Liquid assets	Currency and credit facilities (e.g., credit cards)
8. Market Linkages	Inefficient distribution system and scattered information ecosystem	Comprehensive distribution network

Therefore, the study will focus on the factors influencing the intention to transition from the informal sector to the formal economy. The central point is young informal entrepreneurs in Gabon and South Africa. The

research will explore the factors influencing the intention to transition for these young entrepreneurs in both countries.

2.4.2 Factors Affecting Informal Entrepreneurs' Intent to Transition

An entrepreneurial revolution is needed to regulate the informal sector in Africa and stimulate the region's economic growth (Igwe & Ochinanwata, 2021). Williams (2021) argues that it is essential to understand the motives of informal entrepreneurs' participation in the informal economy to develop reliable policy measures. That state of mind will be supported in that research by providing another approach, as suggested factors that shape the intent to transition of youth informal entrepreneurs will be used to determine what motivates informal entrepreneurs to choose the transition and join the formal sector. The literature on entrepreneurial capital is vast; there are different kinds of capital in which researchers investigate the way entrepreneurs utilise and manage their resources, resulting in conflicting and contrasting findings (Dodd et al., 2016). This study will focus on economic, cultural, social, and symbolic capital and the attainment of legitimacy, a crucial resource for entrepreneurs wishing to grow their businesses. Additionally, the distinction will be made between necessity and opportunity entrepreneurs to understand entrepreneurs' motivations. Lastly, the relationship between the intent to transition and the selected institutional factors, including political stability, government effectiveness, and the rule of law, will be analysed.

2.4.2.1 Access to Entrepreneurial Capital

- **Economic Capital**

Material (also called physical) and financial resources are part of economic capital and help people to convert the resources they possess into desired goods and services; material resources are leased or purchased and include tangible assets such as products, buildings or machinery, and financial resources refer to but are not limited to cash, loans, or external investments (Johnstonbaugh, 2018; Kenton et al., 2023). In entrepreneurship, formal and informal entrepreneurs need economic capital, which motivates some entrepreneurs to mainly focus on the production and selling of their products at the beginning of their businesses with the main aim of acquiring profit; in the emerging entrepreneurial ecosystem, we call it the heteronomous phase (Hong et al., 2023). Economic capital plays a crucial role in organisations as it helps them to find a balance between risk and return and to properly allocate the resources to maximise their profitability (Faster Capital, 2024). Goods can be used to illustrate the weight of material resources in the formal and informal sectors. In the informal sector, the goods sold are usually of lower quality and priced lower than those sold in the formal sector; this situation leads to unproductive and stagnant companies that could benefit from transitioning to the formal sector (La Porta & Shleifer, 2014; Mishra, 2022). Informal entrepreneurs have limited access to bank loans, which prevents them from building emergency funds and growing their businesses while retaining majority control. As a result, they face difficulties scaling their

business beyond a certain threshold compared to formal entrepreneurs (OECD, 2015; OCBC Business Banking, 2022). Therefore, economic capital can be considered a factor that can positively influence the transition from the formal to the informal economy. In this research, economic capital will be examined to understand its contribution to the decision of informal youth entrepreneurs to leave the informal sector.

- **Cultural Capital**

In one of the rare studies on the subject, Jayawarna et al. (2014) suggested expanding the concept of human capital to include cultural capital, which, as Bourdieu (1986) argues, shapes academic success through transmitting educational values. Sobakinova et al. (2020) stated that human capital is essential for generating and implementing new business ideas in entrepreneurship, with research suggesting that acquiring knowledge and skills through human capital investment enhances work and business-related activities.

Human capital encompasses the education, experience, knowledge, and skills gained through formal schooling, such as university degrees, informal education, work experience, and nonformal training courses (Van Trang et al., 2019). In the 1960s, Pierre Bourdieu and Jean-Claude Passeron introduced the term ‘cultural capital’; this notion is frequently used in sociology and refers to an individual's accumulation of knowledge, skills, and behaviours (Cole, 2019; Glevarec, 2018).

In a study on entrepreneurial values, hybridity and entrepreneurial capital, Venter (2012) underlined that Bourdieu defined cultural capital as something that encompasses formal education, past job experience, and specialised knowledge and skills. The latter maintained that there are three states of cultural capital: **embodied capital**, which is the persistent attitude of the mind and body influenced by knowledge and skills that someone has acquired; **objectified capital**, known as the material objects that people possess to reinforce their cultural understanding, and **institutionalised capital** also refers as ‘the form of objectification’ which is the success associated to academic achievements (Drew, 2023; Venter, 2012).

Some scholars argue that cultural capital can significantly influence the success of entrepreneurs by enabling them to leverage their skills, knowledge, and social connections, thereby facilitating the acquisition of reliable partners or investors for their businesses (Wilson, 2023). Inherited cultural capital, described as the intangible resources that people acquire from the environment they are exposed to during their childhood, can be used to understand why growth aspiration differs from one entrepreneur to another; in the case of entrepreneurship, it includes, for example, the understanding and appreciation of entrepreneurial actions (Lutz et al., 2021). Many young graduates who struggle to find formal employment become informal entrepreneurs to avoid unemployment and have a source of income. They can benefit from cultural capital, which can positively impact their success in various aspects of life. Their knowledge

and skills (including entrepreneurial education in some instances) can be used to unleash their entrepreneurial spirit and innovation (Zewdie, 2024). The leveraging of cultural capital can lead to the accumulation of economic capital. Cultural capital can positively influence the success of individuals in different areas of their lives. In the formal workplace, for example, it allows people to have better salaries and more job opportunities; another example is in the world of entrepreneurship, where people with a high level of cultural capital are predisposed to grow their businesses successfully and to find reliable business partners and investors (Wilson, 2023). During this study, the researcher will analyse how cultural capital impacts the intent to transition South African and Gabonese youth informal entrepreneurs.

- **Social Capital**

Unlike economic capital, which is associated with monetary or financial assets, social capital focuses on human interaction (Wooll, 2022). Social capital can be defined as the value acquired from interpersonal relationships with the members of a network, which helps entrepreneurs collect essential resources at the individual and social levels (Xie et al., 2021). At the personal level, social capital is limited to maintaining a good relationship with a certain number of people and giving access to valuable and different resources, as the number and the quality of social ties play an essential role (Claridge, 2021). There are three types of social capital: **bonding**, where people deepen the relationship that they already have with someone, including family members, friends or clients; **bridging**, encouraging people to create new relationships with people who are not part of their circle through an event, and **linking** which consists of the creation of social relationships with a particular group or communities to leverage resources (Drew, 2023). From the foundation of a company, social capital remains a crucial asset; networks serve as a proxy for this factor, enabling entrepreneurs to acquire support for financing business operations and knowledge (Crowley & Barlow, 2022). Social capital exists in formal and informal sectors, while informal social capital is associated with family or friends; formal social capital provides valuable information to people and gives access to organisations (Cetin et al., 2016). Kebede (2018) conducted a study on the informal sector in Ethiopia to examine the effect of social capital through social networks on entrepreneurial outcomes. The study found that the networks of informal entrepreneurs constituted dense networks, including family and friends, which gave the impression of being inefficient for the enterprises' performance.

In an article on social capital in Uganda, Mujuni (2022) argued that 40% of the country's startups hardly survive their first year. This presents a significant challenge to the economy's growth and has driven Mujuni to ask the following question: 'What happens after start-up?' Why do most informal businesses fear being formal? ... How can the government encourage young people to use their social networks to enter the job creation and employment market?' The author emphasised the importance of improving access to social capital. This improvement will lead to increased opportunities to strengthen innovation capabilities and

raise the level of employment. To better understand the transition process in South Africa and Gabon, social capital will be used to determine its impact on the intent of youth informal entrepreneurs to leave the formal sector.

- **Symbolic Capital**

Symbolic capital, associated with prestige and a glowing reputation, provides its owner an essential source of legitimacy in the eyes of others (Agista et al., 2020; Fedor, 2020). The fourth form of capital, as suggested by Bourdieu in 1984, is related to the other forms of capital (social, cultural, and economic) in the sense that the representation of those capitals allows people to obtain certain benefits in society for example a positive reputation or status (Fedor, 2019; Vershinina & Rodgers, 2019). Considered symbolic resources, these characteristics are sought by workers, including self-workers, as they have the power to create a solid relationship between the business and its customers, enabling them to trust in the quality of products and services (Smaguc & Vukovic, 2020). A study on migrant entrepreneurs revealed that, contrary to the other forms of capital, the symbolic one is underexplored while being an advantage for informal or formal entrepreneurs operating in transnational spaces (Rodgers et al., 2018). Bourdieu's description of symbolic capital as a 'weapon in negotiation' is crucial to support the development of Micro and Small enterprises and the economy's growth (Euflausino & Ichikawa, 2022; Wulandari, 2021).

Acquiring symbolic capital allows entrepreneurs to expand their networks, participate in more competitions, and win prizes and awards. For instance, craft entrepreneurs who leverage symbolic capital recognise that winning awards has helped them grow their networks, enhance their reputation, command higher product prices, and cultivate loyal customers (Pret et al., 2016). Therefore, the benefits associated with symbolic capital, for example, the loyalty of customers, besides high prices and participation in formal organisation competition, can be a source of motivation to join the formal sector. Based on these assertions, the study will use symbolic capital to determine its impact on the intent to transition youth informal entrepreneurs from South Africa and Gabon.

2.4.2.2 Sociopolitical legitimacy as an attainment to access legitimacy

Generating legitimacy is vital for the survival and transition of new ventures to different forms of organisation, as it significantly influences their success by helping secure essential resources such as funding, partnerships, and customers (Khoury, 2023). Lacking the necessary credentials can create a legitimacy gap for entrepreneurs, making it more challenging to secure the resources and trust of stakeholders, such as investors, customers, and the public (Radu-Lefebvre et al., 2019).

New businesses face challenges in gaining legitimacy and must demonstrate their value while providing clear information to attract funding (Gordo-Molina et al., 2022). Judgments of legitimacy are determined

by the institutional reasoning of the individual or group involved, indicating that the legitimacy of a new enterprise can be evaluated differently by crowdfunding contributors influenced by collective reasoning, with crowdfunding project creators and backers sharing an emotional connection and a sense of group membership (Fisher et al., 2017). Fisher (2020) argues that with legitimacy as a crucial milestone in the early stages of development, entrepreneurs must adapt their ventures to gain legitimacy from different groups.

Legitimacy is seen as a solution to overcome both the liability of newness and poverty, respectively defined as the survival risk faced by new companies entering new markets and the potential failure of a new venture launched by a low-income person (Morris et al., 2022; Rutherford et al., 2016). Legitimacy helps to determine if the actions and values of an organisation are aligned with the different stakeholders' values and the society in which it operates, divided in 1994 into sociopolitical legitimacy and cognitive legitimacy by Aldrich and Fiol, scholars as William Richard Scott further developed that topic in 2014 by dividing sociopolitical legitimacy in regulative legitimacy and normative legitimacy (Jourdan, 2022; Zhang et al., 2023). Regulative legitimacy refers to "doing things correctly"; it entails that people and organisations must follow the rules and laws established by governments or agencies (Fuller, 2022; Wong et al., 2019). Slightly different from regulative legitimacy, the normative legitimacy recommendation is "to do things right", otherwise to be aligned with what the society morally desires and expects you to do, but also what is socially acceptable (Agarwal et al., 2018; Fuller, 2022). Many articles link entrepreneurial legitimacy to entrepreneurial success and acknowledge that legitimacy is needed by entrepreneurs wishing to attract business partners, clients, or rare and valuable resources (Radu-Lefebvre et al., 2019). A company's legal status is used as an attribute to gauge sociopolitical legitimacy; firms that do not possess a governmental stamp of approval and that are considered informal are seen as risky by different actors, including investors and lenders who may refuse to invest their money, by jobseekers as many graduates avoid workplaces that do not legally protect them, and by customers who may suspect informal firms to produce and sell goods of lower quality compared to the one proposed by formal firms (Assenova & Sorenson, 2017). Attainment of legitimacy can positively influence the transition from the informal sector to the formal economy, as informal entrepreneurs can use it for business growth and have a solid relationship with their stakeholders. Sociopolitical legitimacy will be used in this study to analyse the impact of the attainment of legitimacy on youth informal entrepreneurs' decision to choose the transition by leaving the informal sector to join the formal economy.

2.4.2.3 Entrepreneurial Motivation

Scholars, experts, and professional publications on entrepreneurial motivation agree on the fact that people usually start a business out of choice or because there is an opportunity to have another source of income;

those types of entrepreneurs are respectively called necessity entrepreneurs and opportunity entrepreneurs (Godany et al., 2021). In developing countries, more than half of entrepreneurs are considered necessity entrepreneurs; researchers argue that their particularity is to start a business because there is no other option due, for example, to a long period of unemployment or lack of any other option to generate income (Belda & Cabrer-Borras, 2018; Rizvi, 2023). On the other side, people recognised as opportunity-driven entrepreneurs are those who join entrepreneurial activities to realise a business idea and take advantage of market opportunities or realise dreams (Shi & Wang, 2021).

Entrepreneurial motivation differs from one person to another as it results from an interaction between an individual and a specific situation (Giacomin et al., 2023). Understanding the link between entrepreneurial motivation and the shift to the formal economy of youth informal entrepreneurs is crucial, as well as how it can encourage formalisation and support sustainable economic growth. Adu-Gyamfi (2022) maintains that even though necessity-driven entrepreneurs have businesses that usually end up with no growth because entrepreneurs have low levels of ambition and expectations, the size of the firms operating in the informal sector is both small and large, invalidating the affirmation that informal entrepreneurs are always necessity-driven entrepreneurs. Abdallah et al. (2022) conducted a study of 170 entrepreneurs in Tanzania to provide information on entrepreneurial motivations and informal entrepreneurs' decision to shift from the informal economy to the formal sector; they suggest the consideration of mixed motivations instead of focusing on either necessity and opportunity motivation as in previous studies, and conclude that informal entrepreneurs are mainly motivated by two main components which are « business-related » and « personal related » and by other entrepreneurial motivation including networking, financial success, business expansion, self-realisation and access to finance which lead them to formalise their businesses.

However, according to Eijdenberg et al. (2019), rather than cancelling each other out, the necessity (push factors) and the opportunity (pull factors) motivations coexist as business owners' motivations can change over time. Associating entrepreneurial motivation as a factor in shifting to the formal economy is crucial for developing targeted, inclusive policies. By tailoring interventions to different motivations, policymakers can create a more conducive environment for all entrepreneurs to transition to and thrive in the formal economy. Based on that assertion, the study will analyse the entrepreneurial motivation of South African and Gabonese youth informal entrepreneurs and their impact on the intent to transition from the informal sector to the formal economy.

2.4.2.4 Institutional Factors

Laws and regulations define formal institutions, while cultural norms and traditions shape informal institutions, often referred to as culture. They are interconnected and can complement and interact with one another (Alesina & Giuliano, 2015; Zhang & Guo, 2021).

Informal institutions either arise to address gaps in formal systems or are used by individuals and groups when formal institutions obstruct their interests (Barbalet, 2023). Many studies have equated culture with informal institutions; culture refers to shared values, while informal institutions focus on unwritten behavioural rules and norms (Dau et al., 2022). Since culture and institutions are not interchangeable but rather mutually supportive, this type of institution relies on cultural factors (Xu et al., 2024).

In a society, the role of institutions is to regulate economic, social, and political relations and provide guidance on economic transactions to facilitate human interactions and reduce risks; this is done by using different factors commonly called 'institutional factors' (Fuentelsaz et al., 2018). Established in various fields, institutional factors are also present in entrepreneurship (Jahid et al., 2023). There is an ongoing literature on formal and informal entrepreneurship, where academics focus on examining how institutional factors affect entrepreneurial behaviour, including political stability, government effectiveness, and the rule of law, which will be used to inform this research (Sendra-Pons, 2022).

- **Political Stability**

A country's evolution is associated with political stability, an important variable affecting economic growth, the performance of businesses, and the decision to start a business (Hussain, 2014; Radu, 2015). Hosny (2020) conducted a study on 592 Tunisian private companies to examine the relationship between political instability and firm performance; half of the interviewed firms answered the questionnaire by saying that in addition to factors such as inadequately educated labour force, corruption and informality, political instability was the first factor to harm their firm's performance resulting in lower employment growth and a decrease of firm sales. There is a lack of extensive research on the relationship between political stability, its influence on entrepreneurs, and its intent to transition. Considering the importance of political stability for the growth of businesses, this study will analyse the impact of political stability on youth informal entrepreneurs' decision to join the formal sector.

- **Government Effectiveness**

Government effectiveness can be defined from different perspectives; in that study, it is described as 'perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies' (Kaufmann et al., 2008, p. 7; Nzama et al., 2023). Abegaz et al. (2023) suggest that the establishment of a policy and regulatory framework allowing the facilitation of starting or closing a business and the ease with which properties can be registered are some government principles that prove their abilities to promote the development of the private sector and to increase the presence of new entrepreneurs. Khyareh and Amini (2021) maintain that governance quality is negatively related to necessity-driven entrepreneurs, positively impacts opportunity-driven

entrepreneurs, and motivates their decision to start new businesses. Therefore, the role played by government effectiveness in entrepreneurs' decisions to start or close a business underscores the importance of this factor in studies related to the transition to the formal economy, a step that allows informal entrepreneurs, including young ones, to legalise and grow their businesses.

- **Rule of law**

The rule of law is a complex concept to define. It is generally understood as a system of governing principles that assert no one is exempt from the law, including lawmakers themselves, politicians, and governments (Brooks, 2022). It is necessary to use the rule of law to govern; countries with a good rule of law enforcement prevent intermittent acts of violence and shutdowns likely to disrupt the functioning of institutions such as businesses to whom the rule of law provides several benefits like safety to employees and undisturbed business operations (Juneja, n.d.). Therefore, a country's rule of law can significantly influence the decisions of business owners. In the case of this study, it can impact informal entrepreneurs' intent to transition, and they may consider the role it plays in the stability and growth of formal businesses before making their decision. Du Toit (2020) maintains that regulatory avoidance in the informal sector can harm South Africa's rule of law, which had been weakened by the presence of a group of informal entrepreneurs encouraged by the government; this group, named 'informalist', contains operators who can open businesses in the formal sector and conform to its rules, but they decide to bypass the law. A limited literature review exists on the relationship between the rule of law and intent to transition. Still, this study will determine the influence of South Africa's and Gabon's rule of law on the legalisation of informal businesses.

2.4.2.5 Conceptual Framework

That conceptual framework (Figure 2) resumes the factors we will refer to during this study to assess the factors that might motivate South African and Gabonese youth informal entrepreneurs to transition to the formal economy.

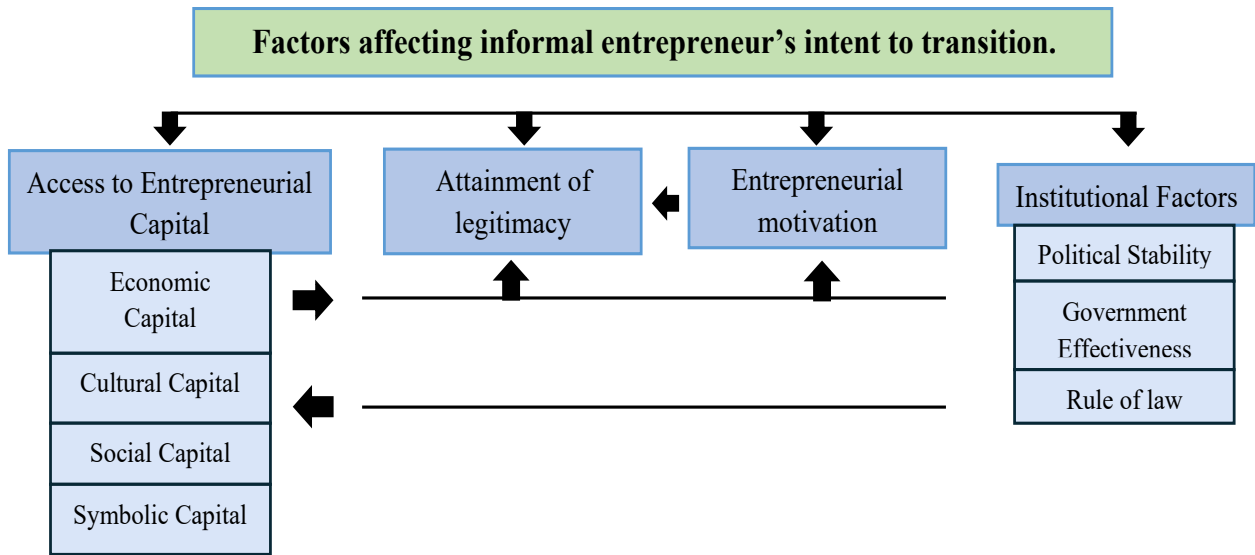


Figure 2 : Conceptual Framework

Those factors are interconnected and related to the legitimacy threshold. For example, entrepreneurial motivation can be fuelled by access to entrepreneurial capital and a supportive institutional environment that drives efforts to achieve legitimacy. Access to entrepreneurial capital is pivotal in helping informal youth entrepreneurs establish and grow their businesses. Another example is institutional factors that can shape the legitimacy threshold. Political stability, government effectiveness, and the rule of law can create an environment that facilitates or hinders access to entrepreneurial capital. For example, a stable and effective government can implement policies that improve access to financial resources and support programs, thereby encouraging the formalisation of businesses owned by youth informal entrepreneurship from Gabon and South Africa. After data analysis, the researcher will explore these relationships throughout the discussion chapter.

2.5 CHAPTER SUMMARY

Searching for information on factors influencing the decision to transition to the formal economy helped the researcher identify a lack of literature on the factors that influence African youth informal entrepreneurs to join the informal sector. Through this literature review, the researcher provides details on selected aspects of the entrepreneurial field relevant to the study. Those factors are summarised in the conceptual framework. They will guide us in completing the comparative research on the transition of Gabonese and South African youth informal entrepreneurs, providing valuable insights into two similar yet different contexts.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

The chapter outlining the research methodology aims to emphasise the methods used to collect and analyse data, and it also allows the readers to judge the credibility and accuracy of the research (McCombes & George, 2025). Throughout that chapter, the focus was on the research paradigm and approach and the research design used to complete the study. The chapter explains the rationale behind the chosen research paradigm and approach, laying the foundation for the study. It highlights how the research design was carefully selected to align with the study's objectives, ensuring the methods effectively addressed the research questions.

The chapter also discusses the target populations of South Africa and Gabon, providing details on how data were collected and analysed. This helps readers understand the study's context and the rationale behind selecting these populations. Additionally, sections on ethical considerations, reliability, and validity emphasise the research's commitment to transparency and accuracy, ensuring the integrity of the results.

3.2 RESEARCH PARADIGM AND APPROACH

3.2.1 Research paradigm

Research paradigms help researchers develop the assumptions and beliefs related to their research, provide a solid structure, and facilitate the creation of a research plan (Ulz, 2023). In this research study, the research paradigms will be used as the lens through which the researcher will conceptualise the work, ensuring that the study is built on a solid foundation and executed with clarity and precision. We distinguish the types of research paradigms described below.

A positivist approach emphasises collecting quantitative data through objective techniques, such as structured interviews, experiments, and closed questionnaires, to establish social facts that shape society and analyse behaviour patterns (Nickerson et al., 2023). In positivism, suggested hypotheses are tested through the deductive method, which does not exclude qualitative methods but is primarily conveyed through quantitative means to identify functional relationships between causal factors (independent variables) and outcomes (dependent variables). (Park et al., 2020).

As another research paradigm, pragmatism is often linked to mixed or multiple methods, prioritising a practical approach to solving the specific research problem while minimising methods and focusing on research outcomes and questions (Kaushik & Walsh, 2019). Pragmatists believe knowledge is a journey

where people must inquire and learn through experiences and interactions between humans and their environments (Elgeddawy & Abouraia, 2024).

The research paradigm's function helped the researcher select the interpretivist lens for this study. Interpretivism, also known as anti-positivism, was introduced by the philosopher Giambattista Vico in the 18th century. (Ryan, 2018). It is based on the assumption that truth and knowledge are subjective; in other words, that reality can be socially constructed through people's experiences and how they understand them (Gemma, 2018; Jansen, 2023). South Africa and Gabon participants were interviewed to understand their backgrounds in the informal sector and their views on transition to the formal sector. Another essential point of interpretivism is the assumption that meanings attached to people's practices and experiences may vary and develop differently when the contexts are not the same (Pervin & Mokhtar, 2022). Interpretivism is key in the context of a comparative study between Gabon and South Africa as it recognises that meanings attached to practices and experiences differ due to each country's unique cultural, social, and historical contexts.

In interpretivism, knowledge and humans are treated as something that we cannot separate, and there is a consideration for both ontology and epistemology (Junjie & Yingxin, 2022). Ontology is a branch of philosophy where researchers rely on assumptions to study the existence and definitions of reality, in other words, what people can consider to be accurate; it differs from epistemology, which is one of the few sciences that allow researchers to interpret, transmit, and generate new knowledge (Trivedi, 2020). Described as the theory of knowledge, this study focuses on the epistemological approach, where researchers believe that knowledge in a field of study can be obtained through a deep understanding of a social phenomenon and the subject-object relationship from different perspectives (Lisboa, 2018). The interpretivist epistemological approach is the most suitable for this study, as the research relies on in-depth investigations through interviews with youth informal entrepreneurs of South Africa and Gabon. It will help to understand what could motivate them to leave the informal economy and generate new knowledge on the transition to the formal economy in Sub-Saharan Africa.

3.2.2 Research approach

Qualitative, quantitative, and mixed methods give researchers a clear vision of their data collection and analysis. While mixed methods involve combining both quantitative and qualitative approaches, quantitative research focuses on numerical evidence and statistical techniques, whereas qualitative research is concerned with understanding meanings, experiences, and perspectives. to thoughts, experiences, concepts, and words (Streefkerk, 2023). In this study, qualitative research was adopted with the study aiming to understand the experiences and thoughts of youth informal entrepreneurs in South Africa and Gabon regarding transitioning to the formal economy. The adoption of a qualitative research approach

was particularly appropriate for this study. As a matter of fact, it facilitates an in-depth exploration of informal entrepreneurs' experiences in South Africa and Gabon, offering critical insights into their intentions and motivations to transition into the formal economy.

3.3 RESEARCH DESIGN

This study investigated the transition to a formal economy in Africa through a comparative case study between South Africa and Gabon. Most importantly, it identified the factors that motivate youth informal entrepreneurs to join the formal economy.

Comparative research can be used in both quantitative and qualitative studies. It is a method that analyses phenomena and describes and explains a situation's differences and similarities (Shahrokh & Miri, 2019). As previously mentioned, a qualitative research approach was employed in this study. Different designs can be used with qualitative study; it includes cross-sectional studies that enable researchers to collect data at a single point in time and to analyse the prevalence of the topic outcomes, case study which allows the researcher to gain a holistic understanding of a specific subject, ethnography to study a specific group culture, grounded theory to develop a new theory through inductive approaches, or phenomenology to describe the lived experiences of the participants with the primary aim to understand an event or a phenomenon (McCombes, 2021; Wang & Cheng, 2020).

In this research, the researcher adopted a comparative case study approach. It can be explained by the fact that a case study allows researchers to investigate organisations or individuals to describe a phenomenon; it is a type of qualitative study that is used when : (1) the study must answer “how” and “why” questions; (2) researchers do not have the power to exert control over how participants behave during the research; (3) researchers have the desire to include contextual factors deemed relevant to the research; and lastly (4) the distinction between the phenomenon and its context is blurred (Baxter & Jack, 2008). A comparative case study requires a careful selection of cases, as comparisons occur when phenomena are similar but exist in different contexts or when there are two diverse configurations in similar contexts. The selected research design for this study is a comparative case study. The researcher collected data from different individuals of two specific populations to gain in-depth knowledge of a particular subject, to compare the factors shaping the intent to transition among informal entrepreneurs in Gabon and South Africa (Iranifard & Roudsari, 2022; McCombes, 2023; Takahashi & Araujo, 2020).

Inductive research involves collecting data to develop a theory. This differs from the deductive approach, in which researchers must use a theory to test and prove their research hypothesis (Sirisilla, 2023). This research employed both deductive and inductive methods. The researcher began with data collection and observation before developing a theory and explaining the findings. Therefore, the deductive approach was

the initial method used. The factors from the conceptual framework were mapped to the research questions to analyse the data collected through participants' interviews. After organising the data and ensuring each factor was correctly assigned to its respective research question, the researcher began the inductive analysis. The first step involved transcribing the participants' interviews from audio to text, with the Gabonese interviews translated from French to English. The coding process was then carried out using Atlas—ti, where the transcriptions were analysed to identify emerging themes. An Excel sheet was extracted to help identify the emerging themes for each interview response.

3.4 TARGET POPULATION

The population of this study comprised youth in the informal economy in Johannesburg, South Africa, and Libreville, Gabon, aged 18 to 34 years. Participants from South Africa are residing in Johannesburg, one of the most populous cities in Gauteng, with an estimated population of 6,198,016 (World Population Review, 2023). In 2021, there were 2.3 million entrepreneurs in South Africa; 34% of entrepreneurs conducted business in Gauteng, and over 25% were youth entrepreneurs in a province where the youth population of Johannesburg is estimated to be 37% (Khoza, 2021; Maluleke, 2022; Unisa, 2021). Statistics revealed that a business census between 2021 and 2022 found that 41,901 (62.9%) Gabonese enterprises are operating in the informal sector, compared to 24,761 in the formal sector, indicating that the informal economy dominates the formal one (Mouega, 2023). During the same period, it was also noted that of 6,951 enterprises, 4,477 (64.40%) were established by the youth, indicating a desire to embrace entrepreneurship (Lembet, 2021). In Gabon, youth aged 18 to 34 years old living in one of the country's main cities, Libreville (with 578,156 residents), were selected to be the sample of this study (World Population Review, 2023). Libreville is home to 39% of the country's population; one of the city's main challenges is the high unemployment rate among young people, which the government is addressing by creating a favourable climate for entrepreneurship, especially among young entrepreneurs (UNESCO, n.d.). The youths represent around 27% of Libreville's population (Bdex, 2024). The researcher chose these cities based on their economic contributions and relative economic importance in South Africa and Gabon. Additionally, the population is accessible, so there were higher chances of obtaining a good number of participants and reliable data. As previously mentioned, the selected participants are youth between 18 and 34 years old, specifically those who are currently self-employed as informal traders or who have previously been self-employed.

3.5 SAMPLING

3.5.1 Sampling size estimation

The sample size in qualitative research is a debated topic, as there are no specific rules or prescriptions on how large a sample size must be (Mocănasu, 2020). In several studies, data saturation is used to determine the optimal sample size. Aguboshim (2021) argued that, for instance, 20 to 40 participants should suffice to reach data saturation. Marshall et al. (2013) sustained that guidance on the number of interviews to reach data saturation is a fundamental matter in qualitative research as qualitative researchers do not explain and justify themselves when they choose a sample size; the authors believe that data saturation is reached when there are no new insights from the last interviews and recommended 15 to 30 interviews for single case studies. In a research report from the National Centre for Research Methods Review Paper (2012), a researcher argued that conducting an equal number of interviews per country is recommended for comparative studies. Therefore, for that comparative case study, the researcher decided the sample size would be 15 to 30 participants per country. This allowed the researcher to stop sampling when the same responses were found and to have sufficient data to notice the differences and similarities.

3.5.2 Sampling technique

Two non-probability sampling methods, suitable for qualitative research, were employed to conduct the study. The first method, purposive sampling, involves the selection of units “on purpose”; it can be a specific part of the population, such as communities, individuals, or cases, that will help answer the research questions (Nikolopoulou, 2023). There are different purposeful methods; criterion sampling is appropriate for this research, as the researcher will need participants with characteristics that allow for collecting in-depth and detailed information on the subject under investigation (Ames et al., 2019; Isaac, 2023). The second method is snowball sampling, which involves recruiting units through other units; it is useful when participants are difficult to identify due to specific traits that researchers are looking for to complete a study (Nikolopoulou, 2023). Therefore, the researcher and the assistant researcher of the study employed snowball sampling and purposive sampling as they sought a specific subset of the South African and Gabonese population, namely informal youth entrepreneurs with particular traits.

3.5.2.1 Gabon

To complete the research, participants with the following characteristics were selected: men and women between 18 and 34 years old, originally from Gabon, and more specifically, from Libreville. Gabon is a Francophone country, whereas South Africa official business language is English. This means the study will be conducted in two different contexts, and the interview schedule must be adapted accordingly. Participants were informal youth entrepreneurs selected based on their answers to section A. They were

asked to answer section B as it helped to collect common demographics variables. During the interview, section B has been followed by section D mentioning questions to obtain answers related to the research main question and sub questions.

3.5.2.2 South Africa

Participants in this second country were required to be from South Africa and initially live in Johannesburg. Units were matched in the two countries to complete the comparative study. For example, a 20-year-old entrepreneur in Gabon was matched with a 20-year-old youth entrepreneur in South Africa. Also, the participants needed to be informal entrepreneurs. Sections A and B were used in both countries, whereas Section C was used only in South Africa to obtain answers related to the research main question, and sub questions in the South African context.

3.5.3 Data collection strategy

In the context of that study, informal entrepreneurs were approach to collect data on the factors influencing their decisions to formalise their businesses. Nowadays, several entrepreneurs use social media (i.e., Instagram, LinkedIn, TikTok) as platforms to build flourishing businesses; they adopt several strategies, including partnerships with social media influencers or advertising campaigns through digital marketing (Karra, 2023). Informal entrepreneurs also use those platforms to promote their businesses, which can be one method to approach potential study participants carefully. A discussion with the business owners helped the researcher to determine if there was a need to book the interviews for data collection. Participants were approached directly. The researcher and the research assistant (only in South Africa) sought entrepreneurs who often operate in informal settings, such as on the streets. Criterion and snowball samplings were used to complete this study as participants were selected based on pre-selected criteria, and through referrals (Ames et al., 2019; Isaac, 2023; Nikolopoulou, 2023). The latter required the researcher and the research assistant to ask both potential participants and participants if they knew other informal entrepreneurs who could potentially take part in the study. The same method was applied in Gabon without a research assistant.

3.6 DATA COLLECTION METHODS

Referred to as a detailed study, the case study is a design used to study a specific subject, including an event, a place, an organisation, a group, or a person; it is a data collection method that is suitable for examining, judging, illustrating, and making sense of the distinct components of a research problem (McCombes, 2023). In this research, we have adopted a comparative case study, also known as a multiple case study. Bartlett and Vavrus (2017) support Yin by giving Importance of replication in numerous case study designs to ensure external validity, advocating for a structured approach where cases yield similar or predictably different results and aligning more with variance-oriented studies than the processual approach.

3.6.1 The interview approach

An interview is one method used to collect data in qualitative studies. It relies on asking questions to one or more people, known as the interviewees, using one of the types of interviews described below, including structured, unstructured, or semi-structured (George, 2023).

Structured interviews provide uniformity in responses by presenting identical, specific questions in the same order and context to all participants. This method is also quick and easy to administer, allowing respondents to select answers from a fixed range, and ensures that responses can be aggregated and compared across the sample for meaningful analysis (Eaton, 2022; Rashidi et al., 2014). Similar to a survey, they contain a pre-established number of questions that will be asked to all interviewees (Oranga & Matere 2023). This type of interview is beneficial when researchers aim to collect specific information, conduct qualitative or quantitative analyses, work with large sample sizes, or compare responses across participants (Boswell, 2024).

An unstructured interview differs from other methods using general topic guidelines instead of a pre-prepared questionnaire. This allows the conversation to flow naturally with spontaneous questions and follow-ups to explore specific answers and delve deeper into the subject (Hovestad, 2024). In unstructured interviews, the interview items are adapted and aligned throughout based on the relevant responses obtained by the interviewer (Oranga & Matere, 2023).

A semi-structured interview combines elements of both structured and unstructured methods. It employs a set of guiding questions as a conversational framework, allowing flexibility to ask additional questions and explore new topics during the interview (Damyanov, 2023). This type of interview has a structure that guides the interviewer to follow a predefined thematic framework, providing a sense of order while allowing the interviewer to ask open-ended questions in any phrasing or sequence (George, 2023). This approach combines the organised structure of set topics with the adaptability to explore additional areas of interest, making it often described as “the best of both worlds.” It is the approach used to collect data in this research.

3.6.2 The interview protocol

The supervisor and the ethics committee approved the research study protocol, which was divided into three phases. The first phase involved approaching potential participants and having a quick conversation to determine whether they were eligible for the research study by following section A of the interview questions (see ANNEXURE D) and making them read or explain the interview guide in English for South African participants and in French for Gabonese participants (see ANNEXURE A and B). The second phase involved explaining the purpose of the consent form and asking participants to read and sign it; this was

also reviewed by the research assistant and the researcher before each interview. The interview protocol consisted of three sections:

A) Prerequisite questions to select informal entrepreneurs

Four questions were used to determine whether potential participants were eligible for the research study. They were chosen based on whether they operated in the informal or formal sector, their age (they needed to be between 18 and 34 years old), their business sector, and the duration of their involvement in the informal sector.

B) Common demographic variables

Six questions were asked to obtain demographic data on the South African and Gabonese informal entrepreneurs who participated in the study. The primary purpose of this section was to determine the gender, origin, and level of education of the participants, as well as the size and location of their businesses.

C) Informal entrepreneurs in Gabon and South Africa.

The section, divided into two, contained questions for informal youth entrepreneurs from South Africa and Gabon. The purpose was to deepen the conversation and collect data on their decision to stay or leave the informal sector. Factors in the conceptual framework were used to guide that part of the interview process.

The researcher conducted interviews in Gabon to collect data on young Gabonese informal entrepreneurs. Interviews were carried out in French. Before the interviews, participants were asked to sign the French consent form (see ANNEXURE D). The researcher prepared a set of pre-determined questions. Section B aimed to collect information to gain an understanding of the demographics of participants in the study. It was followed by the first part of section C, which was prepared explicitly for Gabonese participants.

Conducted by a research assistant and supervised by the principal researcher, young South African informal entrepreneurs were asked to sign the English consent form (see Annexure C) before proceeding to the interview part. Regarding Gabon, the researcher prepared a set of predetermined questions. Section B aimed to collect information to understand the study participants' demographics, followed by the second part of Section C, which was specifically prepared for South African participants.

3.7 DATA ANALYSIS

Data must be collected, stored, and prepared before analysis can begin. Raw data is processed into an analysable format and cleaned to minimise errors and inconsistencies. While data can be stored in various formats, databases are among the most efficient and practical storage solutions (Eldridge, 2025). Data

analysis encompasses various techniques employed across different fields and is crucial in qualitative and quantitative research, utilising methods from both approaches (Alem, 2020).

According to Azungah (2018), the deductive approach relies on predefined categories or themes to guide the coding process, expecting certain fundamental concepts to emerge from the data. In contrast, the inductive approach works exclusively from participants' experiences, with the analysis driven entirely by the data without predefined categories. The researcher began with a deductive approach, then proceeded to the next step, which included the use of open coding, a traditional method of qualitative coding. Through this process, the researcher begins by reviewing the data, then creates and assigns codes to capture its content (Bingham, 2023). During that phase, the researcher aims to closely align interpretations with participants' accounts, recognising that meanings are co-constructed through a collaborative effort of both the participant and researcher while being careful not to lose the participants' voice in the process (Vinitha, 2019).

Different authors believe that deductive approaches have an immense utility in qualitative research; it is a method that differs from other qualitative approaches as it consists of an identification of theoretical propositions obtained from the literature review that the researcher applies to the collection and analysis of data (Fife & Gossner, 2024; Pearse, 2019). Viewed as an essential step in the analysis process, interpreting the data while using the inductive approach in a qualitative study must lead the researcher to stay closer to the investigated phenomenon and to answer the research questions by providing rich answers that are relevant to the research context (Vears & Gillam, 2022). In data analysis, the steps remain consistent, whether executed with software or by hand, irrespective of the researcher's methodology. The figure below summarises the steps that must be adhered to conduct a qualitative study using both deductive and inductive approaches.

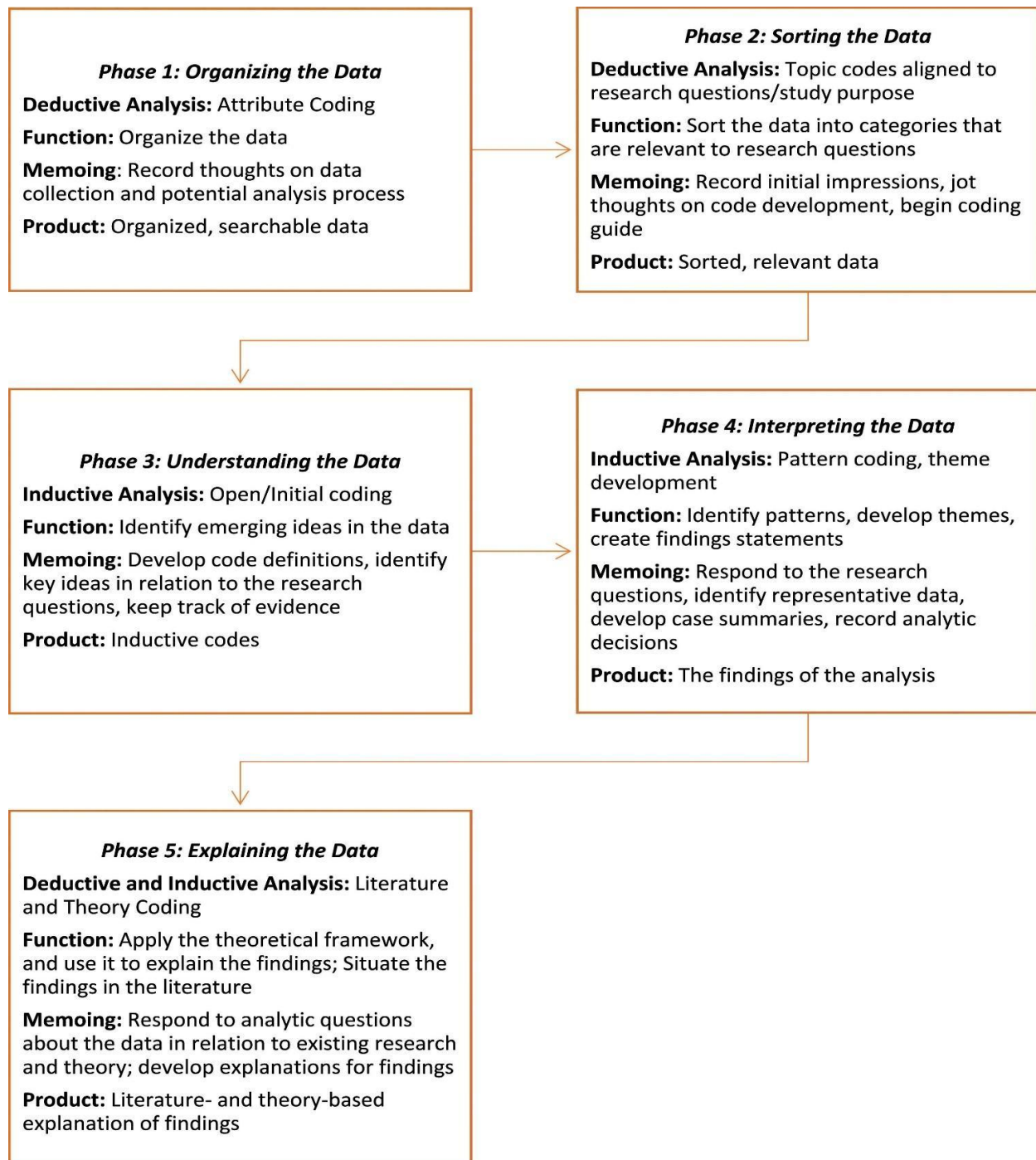


Figure 3: The five-phase process

Source: Adapted from Bingham (2023), p.4.

3.7.1 Phase 1: Organise the data

During that phase, the researcher employed various approaches while reading and becoming familiar with the data. After completing the collection phase in South Africa, audio recordings were stored in a password-

protected Google Drive folder. The transcriptions were created using the Transkriptor application, which achieved 90% accuracy in the transcripts. A second verification occurred while the researcher replayed the different recordings and reread the transcripts simultaneously. Only a few corrections were required, such as enunciation, missing words, and incorrect interpretation by the Transkriptor application, which the researcher could easily correct.

French interviews in Gabon required a different approach. Audio recordings were also stored in a Google Drive folder protected by a password. The transcriptions were made using the Transkriptor application. The researcher verified if the transcription was done effectively, listen to the audio while reading the transcripts. Compared to the English transcriptions, some sentences were missing in specific interviews; however, the researcher could reconstruct them. The next step was the translation of interviews. Google Translate was first used because there was no mention of a fourth person who would have access to the data in the Ethics Application. Given the researcher's bilingualism, a second reading was conducted to ensure the nuances and meanings were preserved in each interview, and the adjustments were made using Grammarly.

3.7.2 Phase 2: Sorting the Data

In phase 2, the researcher proceeded with attribution coding by linking the interview schedule questions to the suggested factors used in the research questions. Transcriptions were extracted from the Transkriptor application and converted from PDF to Word to organise the data before being exported to Atlas.ti. The interview transcripts were renamed with each unique code, starting with RSA for South African participants and GAB for Gabonese participants, to associate them with the original interview transcript.

The deductive method referred to the conceptual framework adapted from the literature review to extract “a priori themes” for participants from both countries. Through the lens of Bourdieu’s (1986) theory of capital, entrepreneurs transform their available capital during the entrepreneurial process. Therefore, entrepreneurial capital has the following a priori themes: (1) *Access to financial capital*, (2) *cultural and societal Norms (cultural capital)*, (3) *social networks and relationships (social capital)*, and (4) *symbolic capital*. Access to legitimacy encompasses (5) *regulative legitimacy* and (6) *normative legitimacy*, while entrepreneurial motivation generates (7) *necessity-driven motivation* and (8) *opportunity-driven motivation*. Lastly, we have institutional factors, which include (9) *the political state*, (10) *government effectiveness*, and (11) *the rule of law*.

3.7.3 Phase 3: Understanding the Data

Qualitative data analysis explores research problems by analysing texts for patterns and using coding to measure frequency. Deductive coding offers fundamental insights, while inductive coding provides more profound, detailed descriptions through sub-themes (Bihu, 2023). The coding phase in thematic analysis,

where patterns are identified, is similar to inductive data analysis, whereas deductive or theoretical thematic analysis is driven by an established theory or framework to direct the coding process and theme development (Braun & Clarke, 2006; Naeem et al., 2023).

One of the main objectives during qualitative data analysis is to uncover the « whys » and « hows » to gain a deep understanding of people’s emotions and experiences; the researcher’s first step consists of making meaning from the data to ensure that he correctly analyses the collected data (Dye, 2021; Thomas, 2006). After applying the inductive method, the following themes emerged from the data collected in South Africa and Gabon.

For both countries, interviews were individually uploaded to Atlas. ti. South African interviews were the first to be analysed. After the uploading, a thoughtful coding process was selected. Different themes emerged, but the researcher decided to focus on “motivation factors” due to the extensive amount of information obtained using qualitative method, and because this theme was most relevant to the dissertation. The themes that emerged varied for each country, even though some were repeated. The following figure summarises some of the themes that emerged during the analysis.



Figure 4: Emerging Themes from South Africa Data Analysis

The exact process was used to analyse data collected through informal interviews with Gabonese entrepreneurs. The following figure summarises the themes that emerged during the analysis.



Figure 5: Emerging Themes from Gabon Data Analysis

3.8 RIGOUR OF RESEARCH – EVALUATION OF METHODS

According to Karnia (2024), validity refers to the degree to which a tool accurately measures what it was intended to assess and the extent to which the results can be deemed trustworthy and precise. In qualitative research, validity can be interpreted in different ways, such as rigor, relevance, credibility, and even excellence, and it can be expressed in multiple forms (Hayashi et al., 2019). To uphold the validity of the data in this study, thematic analysis and triangulation will be utilized throughout the research process.

3.8.1 Thematic analysis

Using thematic analysis in qualitative data analysis allows the researcher to use three steps to analyse the data and identify patterns and themes: identify, analyse, and interpret (Amin, 2023). Thematic analysis will be used to describe the texts obtained from the interviews, identifying common themes or recurring ideas (Villegas, 2023).

3.8.2 Triangulation

Triangulation will be applied in conjunction with thematic analysis. This approach, commonly used in qualitative research, enables researchers to identify patterns that contribute to robust conclusions derived from their findings. Four types of triangulations are commonly distinguished: data triangulation, theory triangulation, investigator triangulation, and methodological triangulation (Oberoi, 2024). Data triangulation enhances the credibility of the research by employing multiple data sources, such as

interviews, surveys, and observations, to cross-check results and identify consistent trends (Bandhari, 2023). In this comparative study, various sources including interviews, articles, and additional materials like blogs were utilised, to analyse and compare the responses of informal youth entrepreneurs from South Africa and Gabon.

3.9 RELIABILITY AND VALIDITY

Reliability and validity are methods used to demonstrate and communicate the rigour of research processes and the credibility of research findings (Roberts & Priest, 2006). Reliability involves consistently obtaining the same result over time. For example, weather-related tools like rain gauges that record precipitation, barometers that assess atmospheric pressure, and thermometers which measure temperature all contribute to predictable weather outcomes (Olmsted, 2024). Its role is to evaluate the research's consistency, precision, repeatability, and trustworthiness, ensuring it is bias-free (Karnia, 2024).

Validity is generally defined as truth, a concept often rejected by qualitative researchers who prefer terms like trustworthiness, worthiness, or credibility to reflect their differing views on truth (Nha, 2021). Initially used in quantitative methods, in qualitative research, it demonstrates the tool's accuracy and consistency (Coleman & Cert, 2021).

In that research, the focus was put on trustworthiness. Viewed as a type of reliability, trustworthiness could be considered a form of practical virtue (Hills, 2023). In qualitative research, trustworthiness includes four pillars known as credibility, transferability, dependability, and confirmability, and is crucial for ensuring the rigour and reliability of subjective findings (Ahmed, 2024).

The following table summarises trustworthiness's four pillars:

Table 2: The four pillars to measure trustworthiness

Credibility	It pertains to the degree of trust that can be placed in the accuracy of the research findings. It assesses whether the results are a credible representation of the participants' original data and if they faithfully reflect the participants' viewpoints.
Transferability	This aspect concerns how well the results of qualitative research can be generalized to other contexts, environments, or populations. The researcher facilitates this evaluation by providing rich, detailed

	descriptions that help others judge the applicability of the findings to their own settings.
Dependability	Dependability refers to the consistency and reliability of research results over time. It involves evaluating the participants' perspectives on the study's conclusions, interpretations, and recommendations, ensuring they are strongly backed by the data gathered from the participants.
Confirmability	The final pillar addresses the extent to which other researchers can validate or confirm the study's findings. It highlights the need to ensure that the data and interpretations are firmly rooted in the participants' responses, rather than influenced by researcher bias or subjective interpretation.

Source: Adapted from Korstjens and Moser, (2017), p.121.

This research study will demonstrate credibility by providing the interview recordings and transcriptions. The supervisor will be able to access the file to ensure the participants' answers were perfectly transcribed. It will also help to demonstrate that research findings reflect accurate interpretations of participants' original views based on their data (Korstjens & Moser, 2017). Africa registers high informality, which remains a challenge, requiring more formal employment to accommodate the projected increase of 105 million youth by 2030, with 94 million in sub-Saharan Africa (Kiaga & Leung, 2020). Transferability will be implemented by ensuring that the findings can be used for research studies on the informal sector and transition to the formal economy in Sub-Saharan Africa. Research participants wishing to read the study's findings will be able to read the final research report on request. It will enable the researcher to respect dependability by receiving the participant's feedback. The last pillar of trustworthiness, confirmability, will be verified by other researchers as all participants' answers were included in the findings chapter of that research study.

3.10 ETHICAL CONSIDERATIONS

Participants play an essential role in qualitative research. Researchers must use the most effective interaction to collect explicit information while involving participants in a research study (Laryeafio & Ogbewe, 2023). Ethics requires researchers to respect three fundamental principles of human dignity: autonomy, freedom, and equality (National Research Ethics Committees, 2022). The ethical issues that require the researchers' attention will be addressed below. This study received ethical approval from the

Human Research Ethics Committee (non-medical), Certificate number: H24/09/34. A copy of the ethics certificate is provided in Appendix F.

3.10.1 Voluntary participation

Voluntary participation is an essential step in the research process. Before the interview, participants received an explanation of the study's purpose. They were informed that they could choose whether to participate in the study. Protected by international law and several scientific codes of conduct, participants can withdraw from the study at any time without obligation or need to provide a reason. It is essential to reassure them that there will be no negative consequences for choosing not to participate (Bandhari, 2024). The respective Participant Information Sheets are in Annexure A for South African participants (English) and Annexure B for Gabonese participants (French).

3.10.2 Harm and Risk Informed consent

In research studies, ethics clearance is a prerequisite to collecting data. The researcher applied for ethics clearance, which was granted to her (see Annexure F) before starting the data collection process. At this stage, all potential participants need to understand the purpose of the study. Once they agreed to participate, they were treated equally, regardless of the size or type of their businesses. They were then asked to read and sign a consent form, which allowed the researcher to use the data collected through the interviews. See Annexure C for South African participants and Annexure D for Gabonese participants. The consent forms were also read to participants at the beginning of each interview.

3.10.3 Harm and Risk

Participants should not experience any harm or risk due to their involvement in the research study. During that phase, the researcher must consider all the sources that might harm participants and specific measures to minimise them (Bandhari, 2024). Therefore, the researcher ensured that every participant was not exposed to harmful and risky situations by conducting the interviews in safe places. Informal youth entrepreneurs met the researcher and the research assistant at their places of business, where they live, or in safe public places.

3.10.4 Privacy, confidentiality and anonymity

Kang and Hwang (2023) argue that ensuring privacy, confidentiality, and anonymity is crucial for maintaining participants' safety during research. All respondents' requirements were respected. Anonymity was guaranteed for those who did not want to disclose their identities, and data obtained from the interviews were solely used for academic purposes. Participation in the interview was entirely voluntary; there were no costs, and participants were allowed to withdraw their participation and remain anonymous if they

agreed to allow the researcher to use the data. Personal information is securely safeguarded and only disclosed under specific, ethically approved circumstances. The results were disclosed only to the research assistant and the supervisor in that research study. All the interviews were saved in a locked file and will be deleted one year after the submission of the research study. The texts obtained through the interviews will be sent to the participants if they want to receive them.

3.11 STATEMENT OF REFLEXIVITY

The researcher's interest in entrepreneurship began during her Bachelor of Commerce in Law, where her desire for both theoretical and practical experience led her to open a bakery in South Africa as an informal entrepreneur and sell jewellerys through relatives in Gabon. During her Postgraduate studies, she joined the Wits Entrepreneurship Clinic for one year and won the best photography award at the clinic's launch. Her experience as a mentee of the SEED program highlighted the importance of transitioning to the formal sector, fuelling her aspiration to develop a more structured and thriving business in both South Africa and Gabon. This journey has driven her to undertake a comparative study on informal entrepreneurship and the transition to the formal economy. Reflexivity is a critical element in enhancing the quality and trustworthiness of qualitative research and practice and is considered one of five essential criteria for publication (Barrett et al., 2020).

Therefore, the following is the reflex statement:

- The researcher ensured that participants' answers to the interview schedule emphasised their reasons for remaining in the informal sector, as these motivations play a key role in their decisions to transition to the formal sector.
- Interviews were conducted in South Africa in English by a research assistant, and in Gabon by the researcher in French. The decision to use a research assistant in South Africa was to allow participants in both countries to express themselves face-to-face, ensuring greater interaction and depth in the responses. Locations were selected based on participants' preferences.
- The results were analysed individually. For English interviews, transcription was the first step, while for French interviews, translation followed by transcription were the initial steps. Deductive analysis was employed to understand conceptual framework, and inductive analysis was employed to identify emerging themes and compare them with the conceptual framework.
- Interviews were converted from Word documents to Excel sheets during analysis. The researcher reviewed each Excel sheet extracted from Atlas.ti, identifying similar or identical answers. Notes

were taken on these sheets to help classify emerging themes in both Gabon and South Africa, facilitating the comparative analysis.

- The researcher recognised that several participants were hesitant to disclose their real identities. Therefore, throughout the study, participants are referred to by country codes and numbers to maintain anonymity.

3.12 CHAPTER SUMMARY

This chapter outlines the data analysis process conducted in the qualitative research study. The researcher begins by explaining the purpose of data analysis before highlighting the methods used for data collection and analysis. The research paradigm and approach form the foundation for the study, rooted in a qualitative methodology aimed at understanding complex phenomena, such as the transition of informal youth entrepreneurs to the formal economy in this particular case.

The research design provides the structural framework, detailing the strategies used to address the research questions. The target population consists of South African and Gabonese informal youth entrepreneurs who share relevant experiences or characteristics for the study. Sampling involves selecting a specific subset of these populations based on certain criteria or using snowball sampling techniques to gather rich, meaningful data. Interviews are the primary method of data collection in this study.

In this qualitative research, data analysis entails organising and interpreting the gathered data through thematic analysis, which identifies patterns, themes, and relationships within the data, as well as triangulation, which strengthens credibility by integrating multiple data sources or perspectives to gain a thorough understanding of the phenomenon.

Ethical considerations are integral to qualitative research and were carefully addressed in this study. The researcher emphasizes voluntary participation, ensuring individuals engage willingly, and informed consent, guaranteeing that participants fully comprehend the study's objectives, procedures, and potential consequences. The researcher also minimizes harm and risk, ensures participants' well-being, and maintains privacy, confidentiality, and anonymity to protect sensitive data and identities.

CHAPTER 4: FINDINGS

4.1 INTRODUCTION

This chapter aims to answer the research questions selected to complete the study. The different answers collected through the interviews with Gabonese and South African youth entrepreneurs will be considered. The first part of this chapter presents tables with the profiles of participants from each country. This will be followed by the answers to the research questions, which aim to determine the factors that can influence informal youth entrepreneurs to transition into the formal economy.

4.2 PROFILE OF THE PARTICIPANTS

Following the recommendations of the Ethics guidelines and in alignment with the information stated in the consent form, the participants' names will remain anonymous and be referred to by their code names. Sector, gender, age, years in the informal sector, and business location were considered. The following figures contain demographic information on South African and Gabonese participants.

Table 3: Profile of the South African participants

Respondents (Name of business)	Sector	Number of years in the informal sector	Education	Gender and Age	Business Location
RSA01	Food Industry	3 months or less	Matric	Female, 28	Home - Street
RSA02	Food Industry	More than 5 years	Diploma / Bachelor	Female, 26	Home - Street
RSA03	Art Industry	More than 5 years	Diploma / Bachelor	Female, 21	Home
RSA04	Hair Industry	4 months to 2 years	Matric	Female, 21	Home
RSA05	Book Industry	4 months to 2 years	Matric	Female, 21	Home
RSA06	Clothing Industry	4 months to 2 years	Matric	Male, 32	Street trader or hawker

RSA07	Beauty Industry	3 months or less	Diploma / Bachelor	Female, 23	Home
RSA08	Food Industry	4 months to 2 years	Matric	Female, 27	Home
RSA09	Technology Industry	4 months to 2 years	Matric	Male, 20	Home
RSA10	Technology Industry	4 months to 2 years	Matric	Male, 24	Home
RSA11	Clothing Industry	4 months to 2 years	Matric	Non-binary, 21	Home
RSA12	Beauty Industry	3 months or less	Matric	Female, 21	Home
RSA13	Hair Industry	4 months to 2 years	Matric	Female, 22	Home
RSA14	Beauty Industry and Entertainment (Event Management)	4 months to 2 years	Matric	Non-binary, 21	Home
RSA15	Beauty Industry	4 months to 2 years	Matric	Female, 20	Home
RSA16	Food Industry	4 months to 2 years	Matric	Female, 19	Home
RSA17	Clothing Industry	4 months to 2 years	Diploma / Bachelor	Male, 24	Home
RSA18	Clothing Industry	4 months to 2 years	Matric	Male, 24	Home

Table 4: Profile of the Gabonese participants

Respondents (Name of business)	Sector	Number of years in the informal sector	Education	Gender and Age	Business Location
GAB01	Hair Industry	4 months to 2 years	Diploma / Bachelor	Female, 24	Home
GAB02	Communication agency	4 months to 2 years	Master	Female, 24	Home
GAB03	Hair Industry	More than 5 years	Diploma / Bachelor	Female, 27	Home
GAB04	Hair and make- up	Other – 3 years	Diploma / Bachelor	Female, 27	Home
GAB05	Fashion	4 months to 2 years	Diploma / Bachelor	Female, 21	Home
GAB06	Technology	Other – 3 to 4 years	Matric	Male, 20	Home
GAB07	Food Industry	3 months or less	Master	Male, 27	Street – Restaurant
GAB08	Streaming service	4 months to 2 years	Matric	Male, 22	Home
GAB09	Photography and videos	More than 5 years	Diploma / Bachelor	Male, 34	Studio and Home
GAB10	Cosmetic	4 months to 2 years	Diploma / Bachelor	Female, 24	Home
GAB11	Nail	4 months to 2 years	Diploma / Bachelor	Female, 21	Home
GAB12	Hair	4 months to 2 years	Diploma / Bachelor	Female, 21	Home
GAB13	Perfume	4 months to 2 years	Master	Female, 27	Home

GAB14	Financial services	4 months to 2 years	Master	Female, 27	Home
GAB15	Hair and Food industry	More than 5 years	Master	Female, 24	Home
GAB16	Cosmetic	More than 5 years	Diploma / Bachelor	Female, 26	Home
GAB17	Hair Industry	4 months to 2 years	Diploma / Bachelor	Female, 26	Home

Thirty-five interviews were conducted to identify the factors influencing the transition of informal youth entrepreneurs from South Africa to Gabon into the formal economy. Eighteen entrepreneurs were selected in South Africa and seventeen in Gabon to conduct a comparative study. In South Africa, we interviewed eleven women, five men, and one non-binary individual aged 19 to 32. Most participants had been operating in the informal sector for 2 to 4 months and held a matriculation certificate, diploma, or bachelor's degree at the time of the study. The following sectors were represented: food, art, books, clothing, beauty, and technology.

In Gabon, thirteen women and four men, aged between 20 and 34, were interviewed. Most have been operating in the informal sector for 4 months to 2 years, with some having over 5 years of experience. The majority hold a diploma or bachelor's degree. The following sectors were identified: hair care, communication, fashion, technology, streaming services, photography and videography, cosmetics, nail care, food, and financial services.

4.3 AUXILIARY THEMES

The auxiliary themes clarify how the central themes influence the decision to transition to the formal economy and provide context for the primary themes.

In this section, the auxiliary themes explain the primary themes identified to explore the factors influencing the transition of informal youth entrepreneurs. These themes were selected based on the literature review, research questions, and the transcripts of the interviewees. The auxiliary themes include informal entrepreneurship and transition.

4.3.1 Informal Entrepreneurship

Informal entrepreneurship (IE) is a global phenomenon in which individuals engage in activities that, though illegal, are socially accepted and operate without fully adhering to legal requirements for providing

goods and services (Salvi et al., 2023). In all economies, regardless of their level of development, informal employment (IE) is particularly significant in emerging economies, where the informal sector is often more substantial than in developed countries (Omri, 2020).

Informal entrepreneurship should not be viewed or portrayed negatively but instead recognised as a crucial phenomenon that plays an essential role in the development and growth of both mature and developing economies (Simba et al., 2023). Africa's informal sector is the largest globally, with nine in ten workers, primarily women and youth, in informal jobs (Ejiogu et al., 2022).

According to the International Organisation of Employers (2021), addressing informality's root causes and consequences by removing barriers creates incentives for formalisation. It provides support to help informal businesses transition to the formal sector.

Therefore, participants were asked during the interviews was, “Why did you start a business in the informal sector?”.

The tables below summarise their answers.

Table 5: Reasons for joining the informal sector – South Africa

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“I <u>needed money</u> as I <u>lost my job</u> about three years ago <u>during Covid.</u> ”	COVID Job Loss Need for Money
RSA02	“I <u>had financial problems</u> , and I <u>had a baby.</u> ” “It was a lot going on, I <u>needed to start a business fast to sustain the baby</u> and <u>sustain myself.</u> ”	Financial Problems Sustenance
RSA03	“Because currently, I <u>don't have money to register my business.</u> So that is why I proceeded with the informal one.”	Lack of financial resources Registration costs

RSA04	"I realised that I have <u>the skill or the talent of doing makeup</u>. I taught myself, and I was like, this <u>can make me money</u>." "I <u>just needed, like, a few cents</u>. I needed the scents that it gave to me." "I <u>don't make enough money to get into the formal sector</u>. I <u>don't have the resources as well</u>." "It's basically in the informal sector also because, like, <u>it's a small business</u>."	Income Potential Skill Recognition Lack of financial resources Limited business size
RSA05	"It was a <u>hobby ride or something that I wanted to do</u>." "I can <u>end up opening a formal sector depending on how it grows and how many buyers I do get</u>."	Passion Growth Potential
RSA06	"So far <u>it's a little business</u> ."	Small Business
RSA07	"It was a means of, I <u>just wanted to have like a second stream of income</u> because <u>life is very expensive</u> ."	High Cost of Living Second Stream of Income
RSA08	"The reason was <u>financial problems</u> ."	Financial Problems
RSA09	"The reason is because it <u>was more spontaneous and we took this chance to have an opportunity to fill the dynamics of being an entrepreneur</u> , get to experience how it works before we could go into formal."	Practical Experience Spontaneity
RSA10	"To <u>get an insight of how business works from the start and how can I improve it</u>." "I <u>wanted to get money for me</u>."	Business Knowledge Financial Improvement

RSA11	“Well, I wouldn't say informal sector per se, because <u>I was studying it as a form of a hobby.</u>” “Crocheting is one of my <u>God given talent and I was like if I could make money off this, why not?</u>”	Hobby Monetisation of Talent Skill Utilisation
RSA12	“I started a business <u>because I'm an NSFAS student and the allowance is not enough.</u>” “<u>I have to buy food, and I have to buy toiletries</u> and take care of myself. And <u>as a girl, toiletries are very expensive.</u>” “Therefore, I <u>thought to start a business, a side business and it makes money.</u>”	Financial Need Income Generation
RSA13	“Because <u>I was broken. I'm a student, so I needed money.</u>”	Financial Need Money
RSA14	“<u>I did not have the resources to start a formal business</u> because it's also small, and <u>it was just something I was doing during my spare time to gain extra cash,</u> because I think we need extra cash as university students.” “It's <u>a process which needs time and money.</u>”	Lack of resources Need for Cash Time and Money Constraints
RSA15	“I started my business in my first year in 2022 and <u>I think I just wanted to have an extra income.</u>” “As an NSFAS beneficiary, you go through stuff. I really wanted to have an extra income for myself.”	Extra Income
RSA16	“The thing is like when you're here at the rest, it's like <u>you need to generate some small income.</u>”	Income Generation
RSA17	“The reason why I started the business in the informal sector is that <u>I still have to build a customer base.</u>”	Business Testing

	"I <u>wanted to see how the business will do before I consider registering it</u> and taking it to the formal sector."	Customer Base Building Formal Sector Transition
RSA18	"I <u>was broke</u> ." "I was <u>looking for quick monies, money first</u> ."	Financial Need Quick Money

South African answers revealed that the majority joined the informal sector because they had financial problems and needed extra income. For example, **RSA01** mentioned financial need and related it to job loss during Covid 19 *"I needed money as I lost my job about three years ago during Covid."*

Two participants gave the same reasons by mentioning that as NSFAS students they needed extra income *"I started a business because I'm an NSFAS student and the allowance is not enough."* **RSA12**. *"As an NSFAS beneficiary, you go through stuff. I really wanted to have an extra income for myself."* **RSA15**.

Table 6: Reasons for joining the informal sector - Gabon

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	"It's <u>easier for me to create flyers and tell people to come and schedule appointments</u> without being formal."	Ease of doing business
GAB02	"When you graduate, <u>it's not easy to have the financial means to be officially registered</u> ."	Financial Constraints

GAB03-	“I started my activity in the informal sector mainly <u>to earn money and meet my daily needs.</u>”	Daily Needs Financial Stability
GAB04	“It started during the COVID period.” “I realised I had more free time, and I <u>needed to stay occupied.</u>” “So, I <u>turned to something I was passionate about, something that motivated me, which made it easier for me to pursue.</u>”	Covid 19 Free time Stability Structure Passion
GAB05	“I started my activity in the informal sector <u>to earn more money and gain financial independence</u> beyond what my parents sent me.”	Financial Gain Independence
GAB06	“First, I started at a very young age, at 17. At that time, <u>I didn’t have any legal knowledge</u>, so I <u>didn’t know what was formal or informal.</u>”	Awareness of Sectors Lack of Legal Knowledge
GAB07	“Well, first, when I returned to Gabon, I <u>submitted job applications but didn’t receive immediate responses.</u>” “I told myself that I <u>couldn’t just sit around doing nothing.</u>”	Desire for action Lack of job responses
GAB08	“At first, the idea of registering for a business didn’t cross my mind. I <u>just wanted to work, set money aside, and planned to handle the legal paperwork later.</u>”	Financial Planning Legal ComplianceWork Ethic

GAB09	“I started my business in the informal sector because <u>it was more accessible and necessary for me to get started administratively.</u>” “It allowed me <u>to begin quickly and start earning money.</u>”	Accessibility Administrative Ease
GAB10	“I started in the informal sector simply because <u>I was looking for a flexible occupation that wouldn’t be too stressful.</u>”	Flexibility Low stress
GAB11	“Since I am a student, I thought it would be good to have a side activity that allows me <u>to save some extra money for emergencies or general expenses.</u>”	Financial Stability
GAB12	“I started my business in the informal sector because, <u>to be honest, it is easier.</u>” “Since I already knew how to braid, I <u>realised that people were looking for skilled braiders, and I was available to do it.</u>”	Availability of skills Ease of starting
GAB13	“I started my business in the informal sector because <u>it allows me to take time to better reflect on the activity and to conduct market research to see how potential consumers appreciate the business.</u>”	Market Research Reflection
GAB14	“My first ambition was <u>to have an income that would allow me to be more independent than relying solely on the support my parents gave me.</u>” “I <u>didn’t have enough capital</u>; I decided to launch the business first in the informal sector.”	Financial Autonomy Independence Lack of Capital

GAB15	“I started my business in the informal sector because <u>I needed additional income besides my current job.</u> ”	Additional Income
GAB16	“I started this buying and reselling business spontaneously. It was <u>a trial to determine whether I should continue this path</u> , so <u>the informal sector suited me best.</u> ”	Suitability Viability Testing
GAB17	“Because in the informal sector, you <u>have time to build, generate profit, and better prepare to pay taxes.</u> ”	Profit Generation Tax Preparation

In Gabon, most participants joined the formal sector because of financial constraints. For example, **GAB14** acknowledged joining the formal sector to obtain financial autonomy by saying “*My first ambition was to have an income that would allow me to be more independent than relying solely on the support my parents gave me*” but also because of the lack of capital “*I didn’t have enough capital; I decided to launch the business first in the informal sector.*” **GAB05** gave a similar reason by mentioning a need of financial gain “*I started my activity in the informal sector to earn more money and gain financial independence beyond what my parents send me.*”

The next theme described in the section below is the action resulting in a shift towards the formal sector.

4.3.2 Transition

The term transition can be defined as “a change from one form or type to another or the process by which this happens” (Cambridge Dictionary, 2025). Formalising the informal sector can boost regional trade by improving standards, access to financing, revenue collection, and worker protections (Aderonmu, 2023).

Based on the importance of transition, informal youth entrepreneurs from Gabon and South Africa were asked if they intend to join the formal economy. The table below resumes their answers to question 8 of section C of the interview guide: Do you intend to join the formal sector?

Table 7: Reasons for Joining the Formal Sector vs. Remaining in the Informal Sector – South Africa

Interviewee No.	Decisions to join	Quotes and Key Points	Preliminary Codes
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	the formal sector		
RSA01	Yes	“I would actually <u>love to join the formal sector</u> , but then I <u>don't really have the resources</u> .”	Lack of resources
RSA02	Yes	“The way my business is growing <u>motivates me to join the formal sector, especially if I have the funds</u> .”	Access to Funds Growth Opportunity
RSA03	Yes	“Yes. The former one <u>comes with good opportunities, like funding</u> .” “In order <u>to be qualified</u> , I have to <u>register my business</u> as a formal one.”	Funding opportunities
RSA04	No	“I'm <u>trying to get a job</u> .” “It's more like <u>a hobby</u> .”	Career pursuing Hobby
RSA05	Yes	“Yes, I <u>do plan to join the formal sector</u> .” “You <u>get more connections</u> .” “You get <u>to grow in the business world</u> .”	Connections Growth
RSA06	Yes	“Yes, <u>why not, with the time I will try to apply</u> and be in order in everything.”	Desire for Formality
RSA07	Yes	“Definitely. <u>If the business grows, I'm going to make it formal</u> .”	Business Growth
RSA08	Uncertain	“ <u>Not really</u> . But <u>if there is a need, or if I must join it, then I think I will</u> .”	Need Condition

RSA09	Yes, under certain conditions	“When we will see <u>that the business has grown, we will consider going into the formal sector.</u>” “There are also <u>companies that require you to be a registered company before you could work with them.</u>”	Desire Business Growth Company Requirement
RSA10	Yes	“I plan to move into the formal sector <u>to reach more customers and actually expand the business.</u>”	Expand business Reach more customers
RSA11	No	“Not anytime soon. <u>I mean I do have a career to also pursue.</u>” “I’m <u>just using my business as a form of a hobby</u>, and it is going quite well.”	Career Pursuing Hobby
RSA12	Uncertain	“For now, <u>I’m not sure.</u>” “But if ever <u>things don't work out academically, then I'm definitely going to make it formal.</u>”	Academics Outcome
RSA13	Yes	“Yes, I am <u>planning to join the formal sector.</u>” “I have noticed that <u>not a lot of people are locicians, meaning they do dreadlocks.</u>”	Gap in Market
RSA14	Yes	“Of course. Having a formal business <u>really helps you to get sponsors.</u>”	Access to Sponsors
RSA15	No	“It will <u>remain a side hustle, something that I do maybe on weekends or after work</u> or something like that.”	Side business
RSA16	Yes	“Yeah, I do. Because <u>I wish it was something formal.</u>” “<u>Informality comes with a lot of challenges.</u>”	Desire for formality

			Challenges of informality
RSA17	Yes, under certain conditions	“As soon as <u>I have a solid customer base and I'm certain of the consistency of the business and my vision for the business doesn't change</u> , I think <u>I'm willing to go in the formal sector.</u> ”	Consistency Stability Vision
RSA18	Yes	“Yes, I do you know, but then <u>I would have to have like a well-constructed business plan and a proper financial plan for the business.</u> ”	Business Plan Financial Plan

In South Africa, the majority of youth informal entrepreneurs plan to join the formal sector for several reasons. Some mentioned their desire to access finances by joining the formal sector: “Yes. The former comes with good opportunities, like funding. In order to be qualified, I have to register my business as a formal one.” RSA03. Another participant, RSA02, states, “*The way my business is growing motivates me to join the formal sector, especially if I have the funds.*”

The second main reason some participants will the join the formal sector is if they believe that their businesses have grown. Business growth refers to expanding a company's operations, which can manifest through increased revenue, profits, market share, and workforce (Wheeler, 2023). **RSA09** would like to join the formal sector under this condition: “When we *see that the business has grown, we will consider going into the formal sector.*” This vision is shared by **RSA07**, stating, “*Definitely. If the business grows, I'm going to make it formal.*”

Table 8: Reasons for Joining the Formal Sector vs. Remaining in the Informal Sector – Gabon

Interviewee No.	Decisions to join the formal sector	Quotes and Key Points	Preliminary Codes

GAB01	Yes	“I believe <u>opening my own proper structure would benefit me in some ways.</u>” “So yes, I <u>plan to establish something in the formal sector.</u>”	Belief in benefits Formal structure
GAB02	Yes	“Yes, absolutely. <u>I’d like to register in a few years.</u>” “It would allow me to <u>operate more confidently, protect myself in dealing with clients, and safeguard my assets.</u>”	Asset Safeguarding Client Protection Confidence
GAB03	Yes, under certain conditions	“It’s <u>not something I’ll do immediately</u>, because <u>it requires finding work</u> and everything else.” “But eventually, <u>I’ll make it another source of income. So yes, I will have to enter the formal sector.</u>”	Income Opportunity
GAB04	Yes	“<u>Yes, of course.</u>”	Desire
GAB05	Uncertain, maybe later	“For now, <u>I do not plan to join the formal sector. Maybe later.</u>” “When <u>I have a bigger business and earn twice.</u>”	Business Expansion Financial Growth
GAB06	Uncertain, maybe later	“Maybe later, <u>I will declare it. I will be more prepared and more settled, and I will have considered some aspects.</u>”	Consideration of Aspects Preparedness

GAB07	Yes, started with the transition process	“Yes, of course. From the start, <u>my plan was to begin in the informal sector to save money for opening my restaurant. It wasn’t about earning money just to enjoy life; I had a vision.</u>” “I have <u>started my transition towards the formal sector.</u>”	Future Goal Vision Formal sector Intention
GAB08	No	“We do not yet plan to enter the formal sector because <u>we have significant advantages in the informal sector.</u>” “We are <u>independent and do not depend on any higher authority.</u>”	Autonomy Independence
GAB09	Yes	“Of course, I <u>intend to move into the formal sector because it will provide more security and long-term growth opportunities.</u>”	Long-term growth opportunities Security
GAB10	Uncertain, maybe later	“Not for now, but <u>certainly in the future.</u>”	Uncertain
GAB11	No	“No, because <u>this is not a business that I plan to expand beyond its current scope.</u>”	Expansion Scope
GAB12	Maybe in the future	“Yes, <u>but not for now.</u>” “I <u>do it occasionally rather than as a full-time profession.</u>”	Informal status Lack of commitment

GAB13	Yes	“Yes, I <u>intend to join the formal sector in a few years.</u>” “Joining the formal sector can <u>significantly increase my profits.</u>”	Desire to earn money
GAB14	Yes, started with the transition process	“Yes, I <u>have that intention and have already started transitioning to the formal sector.</u>”	Formal sector Intention
GAB15	Uncertain, will do it under certain conditions	“I’m considering it, but <u>it depends on the growth of my business revenue.</u>” “I will <u>register my business only if my profits increase.</u>”	Increased Profits Revenue Growth
GAB16	Yes	“Yes, I <u>have decided to formalise my business after five years in the informal sector.</u>” “I am giving myself a <u>six-month trial period because the costs associated with this transition are significant.</u>”	Significant Costs Transition
GAB17	Yes	“Yes, I <u>intend to leave the informal sector to be recognised by the state and to have insurance coverage.</u>”	Insurance Coverage Recognition

In Gabon, approximately half of the participants are confident about their decisions to join the formal sector while others are uncertain and will do it later under certain circumstances. Two participants have started the procedure to join the formal sector, **GAB07** expressed that since he had joined the informal sector “*It wasn’t about earning money just to enjoy life; I had a vision... I have started my transition towards the*

formal sector.” **GAB14** stated “Yes, I have that intention and have already started transitioning to the formal sector.”

Other participants mostly expressed that business growth and financial success were the primary conditions for their transition to the formal sector. A participant, **GAB09**, acknowledges the importance of business growth by stating, “Of course, I intend to move into the formal sector because it will provide more security and long-term growth opportunities.” **GAB15** wants to join the formal sector but mentioned, “It depends on the growth of my business revenue. I will register my business only if my profits increase.” **GAB13** shares, “Yes, I intend to join the formal sector in a few years. Joining the formal sector can significantly increase my profits.”

4.4 RESEARCH QUESTION 1: ENTREPRENEURIAL CAPITAL

RQ1: What is the influence of entrepreneurial capital on Gabonese and South African youth informal entrepreneurs’ decisions to transition from the informal sector to the formal economy?

This study considered four factors when determining entrepreneurial capital: economic capital, cultural capital, social capital, and symbolic capital.

- **Economic capital (Financial Resources)**

Financial resources are essential for business growth, referring to the assets and funds individuals, governments, and companies use to meet their financial needs (Datta, 2024). As Duncan (2024) highlights, every business requires capital to function effectively, necessitating proper financing to start and sustain ongoing growth. When designing the interview guide, this factor was considered to assess its impact on informal entrepreneurs' decisions to transition to the formal sector.

Table 9: South African participants' answers on access to financial capital

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“If I want to move into the formal sector, I <u>need a lot of money to maintain the formal business.</u>” “There is <u>going to be a lot of expenses, having to pay for water and everything.</u>”	Financial Need Financial Stability Focus on Business Profit Concerns

RSA02	“If I <u>can get funds, like money and maybe the material</u> I used to make Amangwinya and fries, I <u>am going to move to the formal sector</u>. For now, I <u>am limited</u>.”	Financial Resources Materials
RSA03	“To <u>make more money</u>, I <u>must be registered as a formal sector</u>.” “So that <u>drives me to change from informal to formal</u>.”	The desire for more money
RSA04	“I think I <u>need the money</u> ... I am guessing <u>going into the formal sector would mean I am earning more</u>, and I <u>would earn even more</u>.” “So that <u>would be very advantageous because that would improve my quality of life</u>.”	Increase in earnings Quality of life improvement
RSA05	“I <u>did not have much to start this</u> or to <u>publish the book I had to save from my allowance</u>.” “I opt to stay on the informal sector ... <u>see how it will grow and work out financially</u>.”	Financial Need Business Growth Financial Stability
RSA06	“That is <u>my desire for my business to grow</u> so that I can <u>move to formal status and try to have some sponsors</u>.” “Try also to <u>employ people and make more money</u> in business”.	Financial Gain Sponsorship Support
RSA07	“I think <u>with more money; I would be able actually to commercialise the business</u>.” “That would <u>allow me to have my beauty hub where I have a showroom for the hair</u> and maybe even <u>add other services</u>... That is what would make me leave the informal sector.”	Expansion Beauty Hub Multiple Services Financial Resources
RSA08	“The <u>reason to start this business was to get money fairly</u>.” “My desire to get that money is <u>until I can survive</u>.” *	Money Survival

	“I will <u>not be staying in for a long time.</u> ”	
RSA09	“It influences my choices to <u>get into the formal sector because that is where, you know, the real money is.</u>” “To <u>ensure that I exploit bigger opportunities, I must enter the formal sector.</u>”	Higher Income Opportunity Expansion
RSA10	“The desire is to move from informal sector to the formal sector.” “In the <u>informal sector, you do not have too much leverage in getting proper customers.</u>” “Getting proper customers or the correct number of customers.”	Lack of leverage Profit margins Proper customers
RSA11	“I <u>don't have a long-term goal for my business.</u> I see it as <u>a hobby.</u>” “That <u>just makes me extra money.</u>”	Lack of Long-Term Goal Extra Money Hobby
RSA12	“I <u>have other incomes</u> as well. So, I <u>do not plan on moving into the formal sector.</u> ”	Lack of Desire
RSA13	“My <u>desire to acquire finances would move me towards the formal sector.</u>” “I can <u>make more money.</u>” “I can <u>get funding, ... and a proper business.</u>”	Business Expansion Financial Gain
RSA14	“I <u>desire to acquire more money and more customers, more clients.</u>” “It <u>actually influences me to move to the formal sector.</u>”	Desire for Growth Financial Benefits
RSA15	“I think I <u>am not really into getting financed that much because with the nail business you just have to get your tools.</u> ”	Lack of Finance Dependency

	“It is <u>just something I want to keep doing on the side.</u> ”	Side Project Mentality
RSA16	“ <u>Yes, it is going to generate some more income.</u> ” “... and <u>there are sponsors.</u> ”	Income Generation Sponsor Support
RSA17	“The only reason that makes me choose to remain in the informal sector is that I <u>still have to understand the business itself .</u> ”	Knowledge Acquisition
RSA18	“ <u>Financial care and a proper business plan will make it easier</u> for me to thrive within the formal sector.”	Business Capital Financial Care

Table 10: Gabonese participants' answers on access to financial capital

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	“It <u>influences me to stay in the informal sector</u> because <u>there are no taxes to pay, no rent to worry.</u> ”	Financial Burdens Rent Concerns Tax Obligations
GAB02	“Staying informal means <u>not paying taxes and other fees.</u> ” “However, <u>to ensure the security of my activity, it would be wiser to formalise and register my business.</u> ”	Legal protections Security
GAB03	“My <u>desire to earn money influences me to stay in the informal sector.</u> ”	Desire to earn money
GAB04	“To <u>leave it.</u> ” “I would like to <u>regularise certain aspects of my business to make it more productive.</u> ”	Desire for Productivity

GAB05	“My <u>desire to earn money influences me to stay in the informal sector</u> to save more before undertaking anything else.”	Desire to earn money
GAB06	“If I <u>had declared my business</u> , I <u>could have had more clients and opportunities</u> .”	Client Expansion Opportunity Growth
GAB07	“To <u>leave it</u> . <u>Having a registered business protects you</u> .” “It is <u>essential to declare your business</u> . It costs money, but <u>it provides security</u> .”	Protection Security
GAB08	“Being in the informal sector will <u>allow us to reduce certain costs and quickly adapt to market demands</u> .”	Cost reduction Market adaptation
GAB09	“My <u>desire to earn more money pushes me to stay in the informal sector</u> .”	Desire for Money
GAB10	“As a student, I would say <u>it influences me to stay in the informal sector</u> .”	Studies
GAB11	“It <u>influences me to stay in the informal sector</u> .” “In the nail care industry, <u>transitioning to the formal sector is much more complicated</u> .” “You <u>need certifications and diplomas to work in the field legally</u> .”	Certifications Challenges Diplomas
GAB12	“It <u>influences me to leave because staying in the informal sector limits my ambitions</u> .” “I want to <u>earn more and grow</u> .”	Ambition Growth Higher Earnings

GAB13	“My <u>desire to earn money motivates me to enter the formal sector.</u> ”	Desire to earn money
GAB14	“It <u>pushes me to leave the informal sector, so I have already taken steps to exit it.</u> ”	Desire for Money Transition to Formal Economy
GAB15	“If <u>my revenue increases</u> , I am <u>ready to declare my business and comply with regulations.</u> ”	Increase in revenue
GAB16	“The <u>desire to earn money hinders my motivation to leave the informal sector.</u> ” “To answer your question, I <u>prefer to minimise my costs to maximise my profits.</u> ”	Cost Minimization Desire for Money Profit Maximization
GAB17	“No! Money does not influence me.” “However, <u>entering the formal sector requires a certain income to pay taxes.</u> ”	Income Requirement Tax Payment

- **Cultural Capital**

Question 4 examines how skills and academic accomplishments influence informal entrepreneurs’ decisions to move into the formal economy. Several studies investigate the link between education and entrepreneurial endeavors, suggesting that secondary and higher education promote formal entrepreneurship by boosting self-confidence, reducing perceived risks, and enhancing human capital (Jiménez et al., 2015; Ramatni, 2024). As a result, the study explored the connection between cultural capital and the intention to enter the formal sector.

Table 11: South African participants' answers on cultural

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“I <u>only have a matric.</u> ”	Advancing Skills

	“To consider myself in that formal sector, I <u>need many skills</u> .”	
RSA02	“I <u>did business studies</u>.” “I think I <u>have all the knowledge I need to get into the formal and let my business grow</u>.”	Advantages Knowledge
RSA03	“My <u>skills, knowledge, and desire to become well known make me want to shift</u> from informal to formal.”	Desire to become well-known
RSA04	“I am <u>self-taught and just starting</u> , so I think <u>it makes more sense that I am still in the informal sector</u> .”	Qualifications
RSA05	“I <u>have great leadership skills because I have been in various leadership platforms</u>.” “It <u>influences my decision to move into the formal sector</u>.”	Leadership Skills Transition
RSA06	“I have <u>some skills that can also help me move from an informal status to a formal sector</u> .”	Academic Achievements
RSA07	“Degree has shown me that <u>ambitions have no limits</u> .”	Limitless Ambitions
RSA08	“Skills to <u>manage money and communicate</u>”. “I <u>do not have desire to continue with this business</u>.”	Lack of Desire
RSA09	“I am studying mechanical engineering.” “If you <u>are an engineering company, there is no way you can be in the informal sector</u>.”	Field of Study
RSA10	“My <u>skills and academic achievements, I think, influenced me to join the formal sector</u> .”	Academic Achievements
RSA11	“I am <u>not yet ready to join the formal sector</u> .”	Career Misalignment

	“The <u>career I am pursuing is not related to my business.</u> ”	
RSA12	“<u>Staying informal is the best option for me.</u>” “If I move to the formal sector, then I <u>will not be able to be in the profession I am studying for</u>, either.”	Career Goals
RSA13	“I <u>do not think I want to join the formal sector.</u>” “My <u>skills and academic achievements, I guess that align with my studies.</u>”	Goal orientation
RSA14	“Ever since I came to university, I have learned so much about everything, but also about business.” “<u>Academia has influenced my choice to move to the formal sector.</u>”	Academic Influence
RSA15	“Academic achievements have equipped me with the <u>knowledge to understand the necessary steps for transitioning to the formal sector.</u> ”	Business Processes
RSA16	“I did <u>mathematical medicine</u>, so I have a few <u>school skills coming from there.</u>” “It is <u>influencing me to join the formal sector.</u>”	Skills Acquisition
RSA17	“My <u>skills and academic achievement help me understand the business.</u> ”	Awareness Business Processes
RSA18	“My <u>academic achievements do not influence me anyway.</u>” “It is just that <u>when you learn from the great, you want to become a great tool.</u>”	Learning from successful individuals

Table 12: Gabonese participants' answers on cultural capital

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	"My <u>studies have taught me that being in the formal sector involves paying taxes and other fees.</u> "	Fees Taxes Digital Communication Legal Aspects
GAB02	"Yes." "I have <u>studied digital communication and touched on legal communication</u> , whether on social networks or physical media." " <u>For a business, I know it is essential.</u> "	Legal Aspects Skills
GAB03	"I <u>would say yes.</u> " "It <u>influences my decision to move to the formal sector.</u> " "I <u>want to become known, to build a reputation nationally.</u> "	National Reputation Skills Improvement
GAB04	" <u>Yes.</u> " "I am <u>studying auditing and management control.</u> " "It <u>influences my decision to join the formal sector.</u> "	Field of Study Influence
GAB05	" <u>My skills? not at the moment.</u> "	Lack of desire
GAB06	"My <u>legal knowledge</u> helped me to realise that <u>creating and declaring a formal business would be much better for me.</u> "	Legal Knowledge

GAB07	"I have <u>a master's degree in Audit and Management Control.</u>" "Restaurant work is a <u>passion for me.</u>" "This has <u>influenced my decision to formalise my business.</u>"	Passion Influenced Decision
GAB08	"My <u>skills do not play a significant role in this decision.</u>" "I have some <u>IT skills that will allow me to succeed</u> in the environment where I want to be."	Environment Suitability Practical Knowledge
GAB09	"Qualifications can <u>help me succeed in the formal sector.</u>"	Education Qualifications
GAB10	"I am in the <u>healthcare field, which requires a strong sense of discipline and ethical conduct.</u>" "I <u>would like to transition to the formal sector.</u>"	Discipline Ethical Conduct
GAB11	"It <u>does not influence me, it is a hobby.</u>"	Hobby
GAB12	"Not really. My <u>education has nothing to do with economics or entrepreneurship.</u>" "My skills do influence my decision." "My <u>skills push me toward formalisation, my studies do not.</u>"	Expertise Progress
GAB13	"Yes, <u>I believe so, yes.</u>"	Influence
GAB14	"I studied international trade. So, <u>I understand financial flows' impact on the economy and currency exchange.</u>"	Government Funding Opportunities Transition to Formal Economy

	“I <u>need to leave this sector</u> because I want to <u>benefit from the funding opportunities provided by the government for entrepreneurs.</u> ”	
GAB15	“Yes. I have <u>acquired many skills in law and business management.</u>” “Although I have <u>not formalised my business yet</u>, I am <u>aware of the advantages and disadvantages of doing so.</u>”	Advantages Disadvantages Education
GAB16	“No, <u>neither one nor the other influences this choice</u> at this moment.”	No influence
GAB17	“No! On the contrary, my <u>skills and education require me to be in the formal sector.</u> ”	Desire to transition

- **Social Capital**

During a study conducted on resilience through the adversity of informal artisan entrepreneurs in Kenya, the researchers found out that Artisans' resilience is supported by cultural norms of collective support, where family members and friends, driven by societal expectations and cultural obligations, provide free labour in crafting and business operations, helping artisans access essential human capital despite financial constraints (Kiptoo et al., 2024). Therefore, friends and family play a crucial role in the success of a business by offering invaluable support. Social capital was examined as a factor to analyse its influence on the decision of South African and Gabonese youth informal entrepreneurs to transition.

Table 13: South African participants' answers on social capital

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“My family is <u>quite helpful in a way.</u> ”	Business Assistance
	“I have a younger sister. I can send her to the shops to get the materials.”	Family Support

	“I feel like my family is just a <u>supportive family</u> .”	
RSA02	“I get <u>a lot of support from my family and friends, especially my friends</u>.” “If this <u>business can grow</u> and get into a formal sector, I can <u>employ more of my friends</u>.”	Support from family and friends Business Growth Opportunity for Employment
RSA03	“At varsity, I have met people who have formal businesses.” “They <u>motivated me to join the formal sector</u>.”	People Influence
RSA04	“I think I <u>do need more support</u>.” “Therefore, I <u>want to grow my business more and get more support outside</u>.” “My <u>family barely supports me</u>.” “It does <u>motivate me to get into the formal sector because I get more customers there</u>.”	Customer Expansion External Support, Lack of support
RSA05	“My family, like, I just feel like they are <u>very supportive, and they would love me to grow</u> in this and be able to publish more books.”	Encouragement Family Support
RSA06	“Nothing can affect my choice because <u>I am the one who made that choice</u>.” “My family is my family, and friends are friends, but <u>nothing can impose on me what I may or wish to do</u>.”	Autonomy Determination
RSA07	“My friends and family are <u>my biggest support structure, so I stay in the informal sector</u> .”	Continuity Support System

RSA08	“The family and friends, like, <u>they are very supportive.</u>” “If I am not around, a friend can help me deliver or continue with the business. So that can help me to stay in the business.”	Continuity Supportive Network
RSA09	“With regards to family and friends? To some extent they do.” “However, <u>they are concerned about me abandoning academics to focus solely on the business.</u>” “If I can balance academics and the business, they will support me.” “It will grow my business.”	Business Growth Full attention
RSA10	“My friends and family <u>positively influenced me to move from the informal sector into the formal sector.</u>” “It is more like they <u>want me to grow my business in a way that opens opportunities for other people,</u> I may say.”	Positive Influence Opportunities for Others
RSA11	“One thing I love about my friends and family is that <u>they are very supportive, whether in the informal or formal sector.</u> They will always support my business.” “It <u>affects me positively because they support me, retweet my posters, and bring more customers.</u>”	Increased Customers Positive Support
RSA12	“My <u>friends and family have been very supportive.</u>” “They have been spreading the business word of mouth.” “I think <u>the informal way is much better for me than the formal way.</u> Because the <u>formal way would be rigorous.</u>”	Flexibility Less Strict Environment
RSA13	“My family and friends <u>are very supportive and the first to support my business.</u>”	Family Support Legacy

	“I am sure that if I would go into the formal sector, they <u>will be much happier</u> because now it is going to be not just supporting a small business, but, you know, <u>supporting something that might be a legacy.</u>”	
RSA14	“My family and friends <u>do play a role in me wanting to move more into the formal sector</u> because they <u>constantly mention how good my work is, how big I can be, and how many more customers I can get.</u>” “They have also advised me on how that can be beneficial when it can even come to legal issues.”	Encouragement Growth Potential Legal Protection
RSA15	“Friend-wise, I think for them, <u>their role makes me want to stay in the informal sector</u> because my friends are not. How can I put it? <u>Not as supportive as friends would be.</u>”	Informal Sector Lack of support
RSA16	“I have got friends, I have got family, but then there is no business connection because some of them, like, do not do business, it is just being general workers.” “They <u>influence my living from informal to formal, and it is because I know that on the formal, this is where I will have connections.</u>”	Business Connections Business Expansion
RSA17	“My relationships with friends and <u>families have made me realise that my business should lean more in a formal sector.</u>” “Cause the support <u>I have been getting was way more from strangers.</u>” “I feel like <u>the new connection helps me to grow the business</u> and to realise that even though I am in an informal sector, I <u>should learn more in a formal sector.</u>”	Business Growth New Connections Support from Strangers

RSA18	“I <u>do not have friends, I do not have any support, you know, whether it is financially or mentally</u> for me to continue with this thing. I have no support.”	Financial Lack of support
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Table 14: Gabonese participants' answers on social capital

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	“This is more about <u>making my family and loved ones proud.</u>” “Moving from the informal sector to the formal sector <u>would fulfil my dream of having my formal structure.</u>”	Family Approval Formal Structure Dream
GAB02	“A formal structure makes it easier to showcase oneself and <u>build more significant relationships.</u>” “My <u>family supports what I do, which motivates me to push forward.</u>”	Relationship Building Family Support
GAB03	“It <u>influences me positively.</u>” “I would also like to make <u>new connections and expand my community and clientele.</u> “	Expansion New Connections Positive Influence
GAB04	“I receive much <u>support from my loved ones, it motivates me to leave the informal sector.</u> ”	Support from loved ones
GAB05	“The support from <u>my loved ones and my desire to build new relationships do not greatly influence my decision</u> to move from the informal to the formal sector.” “Social media platforms <u>like Instagram allow me to build relationships without needing anything else.</u>”	Relationships Social Media

GAB06	“My family <u>initially fully supported my business; they were even my first clients.</u>” “They <u>advised me to be cautious and move into the formal sector.</u>”	Cautionary Advice Family Support
GAB07	“Friends have <u>always encouraged me to register my business.</u>” “Some of them work in administration and have even offered to help me with the paperwork, sometimes at reduced costs.” “New customers who appreciate my work ask if I need help, <u>ensuring my business is fully operational.</u>”	Assistance with Paperwork Peer Support Appreciation
GAB08	“My <u>loved ones have supported me since I launched this project.</u>” “Joining the formal sector <u>would allow me to expand my network and build new relationships.</u>”	Building Relationships Expanding Network
GAB09	“The support of <u>my family and close ones is crucial.</u>” “They <u>encourage me to consider moving into the formal sector and establishing new professional relationships.</u>”	Encouragement Family Support
GAB10	“The <u>support of my loved ones is crucial to me.</u>” “No matter what challenges arise, they are there to reassure and encourage me, whether things go well.” “Regarding new relationships... It expands both my social and professional networks.”	Encouragement Support from loved ones, Networking
GAB11	“I <u>do not intend to expand this business further.</u>” “I have no interest in developing it at all.”	Lack of Desire Encouragement
GAB12	“My family and friends <u>are not particularly encouraging me to leave the informal sector.</u>”	Lack of Encouragement

	“They mostly <u>encourage me to keep expanding what I am already doing and making more money.</u>”	Expansion Increased Earnings
GAB13	“I would not say that <u>my loved ones influence me to leave the informal sector for the formal one.</u>” “They help me share on social media, etc. “ “I <u>do not see a strong link.</u>”	Social media Sharing Support
GAB14	“The support of my loved ones <u>has been a boost.</u>” “I <u>want to become a company like Western Union or Ria.</u>” “They made me understand that I could miss many opportunities if my business were not registered in the formal sector.”	Support from loved ones Desire to grow Missed Opportunities
GAB15	” My parents <u>advised me to register my business from the beginning.</u>” “They said <u>I could have benefited from government support and gained legal security.</u>” “However, I currently have another job.” “This makes it difficult for me to focus entirely on my business. ” Even though I want to formalise my company, my current situation does not allow it yet.”	Government Support Legal Security Parental Advice External Distractions
GAB16	“The encouragement from my loved ones <u>has been the fuel that keeps me going.</u>” “Their support <u>continues to motivate me daily to push myself and improve.</u>”	Encouragement Growth Support

	“Their support <u>is driving me to establish a physical store.</u> ”	
GAB17	“No! <u>I am not easily influenced</u> , especially in the professional sector.”	Independence

- **Symbolic capital**

A company's reputation is one of the most critical components of its success. Kovalova et al., (2021) maintain that companies with a business reputation attract skilled personnel, influence contractor decisions, serve as a trusted credit for customers, and provide access to investment and professional services. Based on their answers in the following tables, some South African and Gabonese participants know the benefits of having a good reputation. Those results will be used to analyse the impact of symbolic capital on their decision to join the formal sector.

Table 15: South African participants' answers on symbolic capital

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“In an informal sector, I <u>have to consider venturing, like, maybe selling other stuff.</u>” “If I want to go to a formal sector, <u>I will have to consider, like, the target market, my target market, because the people from the formal sector, they are not the same.</u>”	Product Expansion Target Market
RSA02	“I have <u>limited customers because some people do not feel comfortable buying food on the streets.</u>” “They feel like it is not neat enough.” “So, if <u>I can get into formal education, maybe I can get myself a shelter</u>, and maybe I can still sell on the streets.”	Food quality improvement Customer perception Proper shelter
RSA03	“To <u>respect the law, I have to do the right thing and register.</u> ”	Respect for Law

RSA04	“It <u>influences me to work harder, get more clients, and improve my skills.</u>” “Get <u>more resources, good quality products</u> to use on my clients, and a <u>good reputation in general.</u>”	Client Acquisition Quality products Skill improvement
RSA05	“If I am in the formal sector, <u>I will have a higher target market, or maybe I will be seen and known.</u>”	Higher target market Recognition
RSA06	“I <u>cannot just limit myself in being or doing my business in the informal sector.</u>” “When everything is in order, I <u>will have sponsors</u> that will come to support me.”	Desire for Growth Expectation of Support
RSA07	“It <u>motivates me to join the formal sector.</u> I am a lover of fine things. I <u>love fine things, and I love quality.</u>”	Desire for Quality
RSA08	“It <u>does not affect my business because like I said, I am just doing this for the time being.</u>”	Lack of desire
RSA09	“It <u>attracts me to get into the formal sector</u> because, like I said, there are many opportunities there.”	Opportunities
RSA10	“There <u>are more benefits in the formal sector business-wise and target-wise.</u>” “You can market your business better in the formal sector as there are more opportunities.”	Benefits Marketing opportunities
RSA11	“I <u>do not have the pressure of having a large supply of demands in the informal sector.</u>”	Low demand Lack of pressure

RSA12	“I am <u>very tempted to move because I desire to have a very successful, big brand of my own.</u>” “But this is a <u>side hustle.</u>” “I would <u>rather keep the reputation and desire to be big in the informal setting.</u>”	Big Brand Success
RSA13	“The desire is the one that influences me to want to be part of the formal sector.” “I <u>want to be a CEO; I want to be a proper business owner one day.</u>”	CEO Goal Desire
RSA14	“Having an <u>excellent reputation, reputation and being known can have a positive effect on your business.</u>” “That <u>desire to run a prestigious business and build my reputation influences me to move into the formal sector.</u>”	Prestige Reputation
RSA15	“It is quite scary thinking about it. It <u>looks like a huge task.</u>” “<u>Running a company is quite different from what I am doing now.</u>” “I <u>do not want to do it.</u>”	Autonomy Fear
RSA16	“My <u>desire to have prestigious companies because, like it does, it has positively influenced my move to the formal sector.</u>” “I want to grow the business.” “I <u>wish to have that big shop or a big supermarket or like a company.</u>” “Also <u>become a supplier.</u>”	Growth Opportunities Prestige
RSA17	“My business is to <u>cover the customer's needs because every clothing we sell is unique.</u>”	Customer Needs Uniqueness

	“If I move it to a formal sector, then the business will cover the customers' needs in that sense.”	
RSA18	“Having to <u>run that big company with prestige would be the main goal here.</u>” “A reputable company, I know it would be the goal from starting from where I am to where I am going.”	Prestige Reputable Company

Table 16: Gabonese participants' answers on symbolic capital

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	“I want to <u>create my structure because I have seen others do it, and they have inspired me.</u>” “I would like to do the same, be formal, and <u>have my own business.</u>”	Inspiration Success
GAB02	“<u>Formalising is inevitable if I want to grow my current freelance activity.</u>” “It would also make me <u>more efficient.</u>”	Efficiency Growth Opportunities
GAB03	“I want to <u>become known and gain a certain reputation</u> in my country.” “I <u>cannot stay in the informal sector</u> because it is minimal.”	Prestige Reputation
GAB04	"<u>Leaving the informal sector already opens doors in the business world.</u>" " It makes your business <u>more accessible and helps build client trust.</u>" "If you formalise your business, you can <u>attract more clients and partnerships.</u>"	Business Opportunities Trust Client Partnership Opportunities

GAB05	“It <u>influences my decision to leave the informal sector</u> but later.”	Ambition
GAB06	“My <u>ambition to run a prestigious and respected business</u> influences me to move into the formal sector.” “Informal businesses <u>lack visibility</u>.” “I want <u>to be recognised, attract more clients, and become a reference in my field</u>.”	Ambition Clients Prestige Recognition Visibility
GAB07	“Many others operate in my field without being compliant." "I <u>want to be among those who lead by example</u> .”	Leading by Example Seriousness in Business
GAB08	“To leave the informal sector, I <u>want my company to gain significant recognition and credibility</u>.” “This would <u>allow us to advance toward the formal sector</u>.”	Credibility Recognition
GAB09	“My ambition to run a respected company <u>pushes me to consider the formal sector, as it enhances credibility</u> .”	Ambition Credibility Respected company
GAB10	“<u>Staying informal can limit my potential</u>, especially since I have a broad vision for my business.” “By joining the formal sector, I <u>would have more opportunities</u>.” “<u>Gaining legitimacy and credibility requires complying with the law</u>.”	Ambition Opportunities Potential limitation: Compliance with the law
GAB11	“I <u>do not have any intention of expanding this business</u> , it strongly influences my decision to stay in the informal sector.”	Influence Lack of intention to expand

GAB12	“My ambition is to <u>create something bigger, a more structured and legal business.</u>” “My desire <u>to create something more prestigious and significant would push me to leave the informal sector.</u>”	Ambition Legal Business Structured Business Prestige
GAB13	“I want to leave the informal sector <u>precisely because my ambitions are much greater than what I have now.</u>” “Also, for reasons <u>related to compliance with national regulations.</u>”	Ambitions Compliance
GAB14	“I <u>aspire to have a company as well-known and influential as Western Union.</u>” “This imposes certain conditions, among which compliance with the law and legitimacy.” “Therefore, I <u>must respect the law and establish a legitimate business.</u>”	Aspiration Compliance with the law Legitimacy
GAB15	“Honestly, I would love <u>to run a large company.</u> That would mean <u>more responsibilities and compliance with the law.</u>” “I am <u>ready to take that step but must focus entirely on this activity.</u>”	Compliance Responsibility Transition Readiness for structure
GAB16	“For a business to be recognised as prestigious and respected, it <u>must first comply with existing laws.</u>” “Therefore, <u>leaving the informal sector is a step toward achieving this goal.</u>”	Compliance with laws Prestige Respect
GAB17	“My <u>ambition to run a prestigious and respected business in the formal sector is influenced by the benefits that come with it.</u>”	Benefits Healthcare

	“In a formal company, <u>everything is taken care of: retirement, healthcare, prestige etc.</u> Everything is legal.”	Prestige Retirement
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4.5 RESEARCH QUESTION 2: LEGITIMACY

RQ2: How does the attainment of legitimacy play a role in Gabonese and South African youth informal entrepreneurs’ decisions to formalise their businesses?

There are different types of legitimacy. For this study, the researcher focused on the regulative legitimacy gained by complying with the law to avoid sanctions. In contrast, normative legitimacy stems from social expectations that create an obligation to conform to what is deemed appropriate (Salvi et al., 2023). Participants’ answers will be categorised by considering those two categories for this question. The results obtained will help us determine if participants are more likely to be influenced by regulative or normative legitimacies and the role they play in their decision to join the formal sector.

Table 17: South African participants' answers on legitimacy

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“I <u>do not desire to obtain legitimacy</u> ; it <u>keeps me in the informal sector</u> .”	Lack of desire
RSA02	“If my business can <u>grow like I plan to grow it</u> , I will move to the formal sector.” “Also, the <u>laws are forcing me some ways</u> .” “It can <u>help me back in case a disaster ruins my business</u> .”	Business Growth Compliance Disaster compensation
RSA03	“I have <u>to do the right thing and register</u> , then be able to pay tax and everything.”	Respect for Law Tax Payment
RSA04	“In terms of legitimacy, I think <u>any ethical person wants to be legitimate and follow the law</u> , the rules of the law.”	Law Compliance Tax Avoidance

	“In <u>terms of taxes</u>, I am avoiding that type of stuff ... it is money loss.” “It does <u>influence my choice to stay in the informal sector</u>.”	
RSA05	“Yes, it <u>impacts my decision to transition</u> to the formal sector because I believe <u>every South African should play a part in building our country</u>.”	Country Building National Duty
RSA06	“I desire to move from the informal to formal state <u>because I need to respect the law</u>.” “The law comes first, and <u>no one is above the law</u>.”	Legal Compliance
RSA07	“That would honestly <u>work out in my favour</u>, you know.” “I do not think that would make me want to stay in the informal sector.”	Business Benefits
RSA08	“It <u>does not affect my business</u> because like I said, I am just doing this for the time being.”	Lack of desire
RSA09	“Any company, <u>when they get to a certain remuneration</u>, they are obliged to, you know, get into the formal sector.”	Financial Incentives Remuneration
RSA10	“The first things that you <u>have to worry about are the taxes</u>.” “You can register, maybe insurance for your company and likewise.” “There are benefits.”	Taxes Insurance Registration Benefits
RSA11	“With formal businesses <u>there is a lot in terms of following the policies</u> ... you need to have a license of a certain thing.” “That is a long process on its own, and it is also costly.”	Regulation Costs Customer Satisfaction

	<u>“With informal businesses, it is just quick money, and customers are happy.”</u>	Quick money
RSA12	<u>“I feel guilty by not respecting the law and registering my business, but I am not planning on staying in the business for a long time.”</u> “When I am done studying and starting to work, I will leave the business. “	Desire for career
RSA13	<u>“Lack of legitimacy is a con for me.”</u> “It will <u>help increase my business's credibility</u> when it goes into the formal sector.”	Credibility
RSA14	“The fact that I am not an accredited person is the one that is keeping me in an informal business as we speak.” <u>“Legitimacy will also assist me with getting more clients and increasing my prices.”</u>	Clients Prices
RSA15	“Yes, it does.” “When you <u>involve the law or respect the law</u>, we are <u>talking about taxes, maybe paying rent or paying for electricity.</u>”	Financial Responsibility Law Compliance
RSA16	<u>“I need to have sponsors. I need to be assured by the law as well.”</u>	Legal Compliance Sponsorship
RSA17	<u>“Obtain legitimacy for my business. It does affect my decision to move from informal sector to formal sector.”</u> <u>“My business would be protected by trademark.”</u> “Some business entities would partner with my business.”	Legitimacy Partnerships Protection

RSA18	“Yes, it does. As an individual who owns a certain company, you <u>want your company to have a good reputation and image.</u> ”	Reputation
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Table 18: Gabonese participants' answers on legitimacy

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	“Yes, I want to <u>abide by the rules and the law so no one can say tomorrow that I did not respect specific regulations</u> in my field.”	Desire for Legitimacy Rules Compliance
GAB02	“Yes, it <u>pushes me to leave</u> . As I mentioned earlier, it <u>would provide guarantees and better opportunities.</u> ”	Better Opportunities Guarantees
GAB03	“ <u>Respecting the law is important</u> , I need to leave the informal sector for the formal sector to be legitimate.”	Legitimacy Respecting the law
GAB04	“To <u>leave it.</u> ”	Desire for Legitimacy Rules Compliance
GAB05	“The <u>desire to gain legitimacy by complying with the law</u> influences my decision to leave the informal sector, but later.”	Compliance Legitimacy
GAB06	“My <u>sector is highly regulated.</u> ” “I <u>need permits</u> issued by the Ministry of Interior.” “The <u>process is long and uncertain, discouraging me and making me hesitate</u> to formalise my business.”	Discouraging Process Permit Issues

GAB07	“Absolutely. Some <u>laws and regulations are constantly evolving.</u>” “I realised I <u>needed to move forward and comply with these rules.</u>”	Compliance with regulations
GAB08	“I believe that entering the formal sector is <u>something we should start considering.</u>”	Belief Business Establishment
GAB09	“Yes. The <u>desire to gain legitimacy by respecting the law</u> influences my decision.” “I want to be <u>recognised and respected in my field.</u>”	Legitimacy Recognition Respect
GAB10	“It <u>influences me to leave the informal sector.</u>”	Entrepreneurial Motivation
GAB11	“It <u>does not influence my decision to stay in or leave the informal sector.</u>”	Business Continuation Influence on Decision
GAB12	“It <u>pushes me to leave because it gives more legitimacy to my work.</u>”	Doing the right thing
GAB13	“Yes, it <u>motivates me to move into the formal sector.</u>”	Growth
GAB14	“Yes. A company <u>that complies with the law will be correctly positioned, exit the informal sector, and, as I said, take advantage of various benefits.</u>”	Benefits Compliance Positioning
GAB15	“Yes, <u>gaining legitimacy is crucial.</u>” “Respecting the law is necessary <u>not only to avoid legal issues in the long term but also to enhance the credibility of my business.</u>” “So, a <u>legal business has more prestige.</u>”	Credibility Respecting the law Trust

GAB16	“Yes, it <u>influences me to leave the informal sector.</u> ”	Entrepreneurial Motivation Transition to Formal Sector
GAB17	“Yes, <u>legitimacy influences me to leave the informal sector.</u> ”	Desire for Legitimacy Transition to Formal Economy

4.6 RESEARCH QUESTION 3: ENTREPRENEURIAL MOTIVATION

RQ3: What is the importance of entrepreneurial motivation factors on Gabonese and South African youth informal entrepreneurs’ decision to formalise their businesses?

Like their formal counterparts, informal entrepreneurs contribute to the national economy by promoting diverse and creative forms of entrepreneurship. As discussed earlier in that research study, two types of entrepreneurs are usually considered in the entrepreneurship sector. Understanding the distinction between opportunity and necessity entrepreneurs can help analyse and better grasp the motivations of informal sector entrepreneurs in developing countries (Othman et al., 2022). Entrepreneurial motivation was considered a key factor in the research study to analyse the relationship between the intent to transition and the motivations of youth informal entrepreneurs, whether driven by necessity or opportunity.

Table 19: South African participants' answers on entrepreneurial motivation

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“When I started this business, it was just a way, like <u>a means in order for me to, like, be able to be busy with something.</u> “ “Everyone wants a nice life, so I feel like in order for me to get to that I have to consider many things.” “I think I will stay in the informal sector now.”	Better life Financial Stability

RSA02	<u>“I love selling things and interacting with people and staff, which motivates me to grow my business even more. Also, there is a lot of profit and selling.”</u>	Business Growth Interacting with People Product Expansion
RSA03	<u>“It motivates me to move to the formal sector, to be recognised as the entrepreneur, and to reach out to more people and impact many lives.”</u>	Entrepreneurship Recognition
RSA04	<u>“Like I said, this is more of a hobby.”</u> <u>“But if it were my main source of income, I would probably be more motivated as an entrepreneur.”</u>	Increased income Motivation
RSA05	<u>“I want to be in bigger places or platforms.”</u> <u>“Moving to the formal sector will help me be recognised by higher or bigger companies.”</u>	Higher Companies Recognition
RSA06	<u>“As I said, my ambition is not just to have a shop in one place; I need to move around.”</u>	Ambition Business Growth
RSA07	<u>“With more money, I will move to the formal sector.”</u> <u>“That goes back to what I was saying, that if I get more money, I will go big.”</u>	Financial Gain
RSA08	<u>“I am not that motivated when it comes to my business because, like I said, I am only doing it because of my financial problems.”</u>	Financial Problems
RSA09	<u>“It is pushing me to get into the formal sector because that is where I will be able to, you know, chase bigger goals.”</u>	The desire for bigger goals
RSA10	<u>“I see my business growing and potentially leading to other business opportunities.”</u>	Business Growth

	“It influences me to move to the formal sector.”	
RSA11	“It <u>is a nice hobby for me</u>. When I have academic stress, I know I am crocheting.” “It is <u>just another extra way of making money</u>. So, I am staying in the informal sector.”	Academic Stress Hobby Extra Income
RSA12	“Moving into the formal sector, I <u>do not think I would make it or survive with my current motivation</u> .”	Doubt Survival
RSA13	I am an entrepreneur, and <u>I want to take risks</u>.” “I <u>get more profits</u>. That means that I <u>get to employ people and contribute to the economy of South Africa</u>.”	Economic contribution Employment creation
RSA14	“Starting a business is a risk, when it works out, I think there is nothing more you could ask for.” “I <u>strongly believe being in the formal sector can be positive</u>.”	Entrepreneurial Motivation Growth Risk-taking
RSA15	“I do <u>not have a motivation as an entrepreneur</u> .”	Lack of desire
RSA16	“The purpose is for me <u>to study and get capital to start my businesses</u> .”	Capital Own Businesses
RSA17	“My entrepreneurial motivation affects my move to the formal sector.” “I <u>want to work with renowned businesses</u>.”	Personal Branding Renowned Business
RSA18	“It is all about the <u>discipline you put within the work to make your business thrive</u> .”	Discipline Perseverance

	“Discipline is <u>formed by certain factors, including motivation, consistency, perseverance, etc.</u> ”	
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Table 20: Gabonese participants' answers on entrepreneurial motivation

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	“It <u>motivates me to join the formal sector.</u> ”	Desire Transition
GAB02	“I would say to join the formal sector.” “I <u>do not want to limit myself to just an agency. I want to expand into other sectors as well.</u> ”	Avoiding Limitation Desire for Expansion
GAB03	“It pushes me to leave the informal sector for the formal sector.” “I <u>do not want to stay in the shadows.</u> ”	Entrepreneurial Motivation Visibility
GAB04	“ <u>Of course, to join the formal sector.</u> ”	Decision Making Political Situation Influence
GAB05	“It <u>pushes me to stay in the informal sector.</u> “ “With <u>a bigger business, I will join the formal sector.</u> ”	Business Growth
GAB06	“It <u>drives me toward the formal sector.</u> ” “Being formal <u>comes with recognition, publicity, and more opportunities.</u> ”	Opportunities Publicity Recognition
GAB07	“For my <u>protection and credibility, I must leave the informal sector.</u> ” “ <u>Running a business without legal documents is risky.</u> ”	Legal Registration Protection

GAB08	“My entrepreneurial motivation <u>pushes me to seek opportunities for improvement.</u>” “I have realised that <u>being in the formal sector is preferable.</u>”	Entrepreneurial Motivation Formal sector transition Opportunities for Improvement
GAB09	“My entrepreneurial motivation <u>makes me consider the formal sector because I want to develop my business sustainably.</u>”	Sustainable Growth
GAB10	“Yes, it <u>motivates me to join the formal sector.</u>”	Desire Formal sector
GAB11	“<u>If my decision were purely based on entrepreneurial motivation, I would be more inclined to join the formal sector.</u>”	Entrepreneurial Motivation
GAB12	“To <u>diversify, I would need to leave the informal sector.</u>” “When <u>a business grows, it becomes harder to operate without proper structure.</u>”	Diversification Growth Proper Structure
GAB13	“It <u>encourages me to join the formal sector.</u>”	Transition to the formal economy
GAB14	“Yes, my <u>motivation drives me to leave the informal sector.</u>”	Transition to Formal Economy
GAB15	“My entrepreneurial motivation <u>pushes me to join the formal sector.</u>” “The informal sector <u>has advantages, such as not paying taxes or owing anything to the state.</u>”	Advantages of Formal Economy Professionalisation
GAB16	“It <u>drives me to formalise my business to access larger markets and attract more clients.</u>”	Access to Markets Client Attraction

GAB17	“My motivation <u>pushes me to join the formal sector.</u>” “I want to <u>operate with complete legitimacy.</u>”	Aim High Legitimacy
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4.7 RESEARCH QUESTION 4: INSTITUTIONAL FACTORS

This study considered three factors when determining entrepreneurial capital: political stability, government effectiveness, and rule of law.

RQ4: How do institutional factors influence the decision of youth informal entrepreneurs from South Africa and Gabon to formalise their businesses?

- **Political stability**

Considered one of the institutional factors, a country's political situation plays a role in the growth of businesses, both in the formal and informal sectors. Political instability can impact financial institutions and, consequently, entrepreneurship. Such instability undermines investor confidence by affecting the security of their investments (González, 2020). Political stability was used to assess whether it plays a significant role in the decision of informal youth entrepreneurs to transition to the formal sector.

The tables below summarise the responses of South African and Gabonese entrepreneurs.

Table 21: South African participants' answers on political stability

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“I feel like for now, I will just stay in the informal sector.” “If I want to venture into the formal sector, I <u>have to consider many things, like getting funding and everything else.</u>”	Funding Support
RSA02	“The political state here in South Africa is like flexible.” “Lately, <u>they have supported KZN (KwaZulu-Natal) businesses and given them R 10,000 to fund them.</u>”	Access to Funds Government Support Opportunities

	“They are now <u>trying to support young entrepreneurs, especially black young South Africans</u> , who are now supporting our businesses.”	
RSA03	“ <u>I do not know much about politics and how they affect businesses</u> . So, for me, it does not affect my decision.”	Lack of political knowledge No impact on decision-making
RSA04	“Currently, the <u>economy is in shambles</u> , so I think it <u>motivates me to grow my business and make more money</u> .”	Economy influence
RSA05	“I am <u>going to get recognised as a woman</u> because I just feel like there are <u>many political parties or organisations that are helping to empower women or that speak on behalf of women</u> .” “I will <u>get more recognition, funding, and marketing</u> .”	Recognition Funding Marketing
RSA06	“The political state of South Africa is <u>giving us a hard time because of xenophobia and what is happening in this country</u> .”	Safety Concerns
RSA07	“There are <u>many opportunities, especially for young people, in this country regarding businesses, you know, and funding</u> .”	Funding
RSA08	“They are <u>trying the politics and everything</u> .” “I need money. It <u>motivates me to continue in the informal sector</u> .”	Need for Money
RSA09	“With my company, the <u>political state of our country does not have any kind of an impact on our desires</u> to stay in or go into the formal sector.”	Lack of relationships
RSA10	“The <u>political state of South Africa influences me to move from the informal sector into the formal sector</u> .”	Political Influence, Employment

	<u>"I will be able to provide some opportunities to young people that need jobs and everything."</u>	Opportunities Job Creation
RSA11	"As I have stated, I am just sticking at an informal settlement as it is on the informal business side because <u>it is just an extra way for me to make money.</u>" "With the <u>political status of South Africa, so because of much corruption.</u>"	Side Business Corruption Avoidance
RSA12	"We have <u>much load shading here in South Africa, and I think moving into the formal sector would be very risky.</u>" "<u>I use much electricity, many lights, and many fans.</u>" "I would <u>rather stay in the informal.</u>"	Load shedding Risk of high electricity usage
RSA13	"When we look at the South African economy, one can say that <u>we are doing well in Africa.</u>" "Turning my informal business into a formal business means that I <u>will be helping other unemployed, you know, citizens too.</u>"	Desire to Help Others
RSA14	"The South African political state is <u>extremely in the gutters.</u>" "Moving to the formal sector <u>would be good because if my business makes taxable income,</u> I can contribute to the South African economy."	Contribution to Economy Taxable Income
RSA15	"The political state of South Africa <u>motivates me to stay operating within the informal sector.</u>" "Much <u>division comes with affiliating yourself with political stuff.</u>"	Affiliation Division Concern Political Situation

RSA16	“The <u>ANC, which was responsible for fighting for women through Winnie Mandela to give them some empowerment around South Africa, motivated me.</u>” “It makes me want to move to formal business.”	Empowerment
RSA17	“The political state of South Africa <u>impacts my choice to leave the informal sector.</u>” “In the <u>past 30 years, it has supported our black businesses, and we saw many businesses.</u>”	Black-owned Businesses Government Support
RSA18	“It <u>usually discourages us, as the economy is fluctuating in a very, very mad way.</u>”	Economic Fluctuations

Table 22: Gabonese participants' answers on political stability

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	“It <u>pushes me to stay in the informal sector.</u>” “The <u>formal sector is not accessible to everyone.</u>”	Formal Sector Access
GAB02	“Communication agencies in Gabon are <u>quite limited, and not all are well-known.</u>” “The political situation <u>negatively impacts communication agencies.</u>”	Limited Presence Opportunity Political Situation
GAB03	“In my field, which is hairstyling, it <u>does not encourage me to be in the formal sector.</u>”	Discouragement
GAB04	“It does not encourage me at all.” “We <u>are in a transitional period and do not know what is coming.</u>”	Political Situation Transitional Period

	“Somewhat <u>hesitant about leaving the informal sector under these circumstances.</u>”	Uncertainty Hesitancy
GAB05	“The political situation in Gabon <u>does not influence my choice.</u>”	Lack of Encouragement
GAB06	“Gabon is undergoing a political transition with the military in power.” “Since <u>my sector is security, selling defence tools</u> etc.” “It is a <u>barrier to the development of my business.</u>”	Government Alignment Barrier Business Development
GAB07	“We are in a <u>transitional period</u> where authorities <u>are encouraging formalisation.</u>” “There are <u>government inspections, and businesses must be compliant.</u>”	Compliance Government Encouragement Political Influence
GAB08	“The political stability of Gabon is <u>not very favorable for leaving the informal sector.</u>” “Many foreign entrepreneurs establish businesses here without following regulations.”	Foreign Entrepreneurs Political Stability Regulations
GAB09	“It influences my choices because a <u>stable environment is essential for business success.</u>”	Desire for stability
GAB10	“Gabon is a country <u>where things change frequently, and stability is not always guaranteed.</u>” “It is <u>better to stay in the informal sector</u> and ensure your business environment remains secure.”	Frequent Changes Instability Secure business environment
GAB11	“I do not think the political situation <u>has much of an impact on my business.</u>”	Completion of Studies

	"This is <u>not a business I plan to expand</u>, and once I finish my studies, I will transition into a formal job."	Desire for a Formal Job
GAB12	"I want to <u>diversify and create something more substantial</u>." "The situation in Gabon <u>makes it difficult</u>." "I would love to leave the informal sector, but <u>sometimes we just do not have the necessary resources</u>."	Desire for diversification Lack of Encouragement Lack of resources
GAB13	"If I only considered the political situation in Gabon, I would stay in the informal sector." "But I <u>do not limit myself to this political aspect alone</u>; I look beyond it. That is why I opt for the formal sector."	Beyond Political Situation Consideration of Other Aspects Formal Sector Opting
GAB14	"Government policies and economic reforms, such as the <u>certification of administrative markets, tax reductions, or access to financing for formal businesses</u>, are <u>incentives that influence my decision</u>."	Economic Reforms Government Policies
GAB15	"The political situation in Gabon <u>significantly impacted my decision</u>." "I started a business selling cakes and crepes but <u>did not have the necessary information to register my company</u>." "There <u>are not enough incentives</u> for entrepreneurs to formalise their businesses."	Lack of Incentives Lack of Information
GAB16	"Gabon is <u>experiencing an electoral crisis following a coup d'état</u>." "I <u>prefer to formalise my business to comply with the law and avoid penalties</u>."	Fear of Penalties Legal Compliance Political change

	“If this political change had not occurred, I probably would not have felt the same urgency.”	
GAB17	“With <u>the arrival of the new president, the political climate in Gabon influences me to leave the informal sector.</u>” “He has a <u>new vision for entrepreneurs and encourages young people to start businesses.</u>”	Encouragement New Vision Political Climate Young Entrepreneurs

- **Government support**

Informal entrepreneurs constantly need money and support to grow their businesses. Government subsidies foster innovation and entrepreneurship by funding research, supporting technology incubators and collaborative networks, promoting risk-taking, addressing market failures, and aiding SMEs in underserved areas, all enhancing economic competitiveness and generating positive societal impacts (Leonard, 2024). The answers below will help to analyse how government support influences South African and Gabone youth informal entrepreneurs’ decision to transition.

Table 23: South African participants' answers on government support

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“If I consider going into a more registered formal business, I will <u>have to pay tax, and I am sure I will be paying a lot.</u> “So that <u>makes me want to stay in the informal sector</u> rather than just moving into the formal sector.”	Financial Burden Taxes
RSA02	“I think the <u>government has tried its best to support us in leaving the informal sector.</u>” “If I <u>can get the funds, I will also move to the formal sector.</u>”	Access to Funds Government Support
RSA03	“The South African government <u>gives away money to ideas, business ideas</u> ”.	Formal Sector Registration

	“To access those findings, I have to have my business as a formal sector, it motivates me to register.”	Government Funding
RSA04	“I have <u>not gotten any government assistance in my entrepreneurship or business</u> . So, I <u>cannot answer, cannot relate</u> .”	Lack of Government Assistance
RSA05	“I am <u>kind of indecisive</u> because as much as there are <u>funding opportunities made by the government</u> , I just feel like they are <u>limited and small and do not reach many people</u> .”	Limited funding opportunities
RSA06	“There is <u>no support towards businesses present in the informal sector</u> .” “That is why we try to move into a formal business.”	Lack of support
RSA07	“ <u>Programs like the NYDA, SITA, Cedar, IDC</u> , there is a lot of them, you know, and <u>their government programs that offer funding for small businesses</u> .” “That would make me want to go formal because you <u>cannot apply for funding if you do not have the right documents</u> .”	Government Programs Funding Requirement
RSA08	“The <u>government is trying with the competition part, the 10,000 things</u> .” “Looking at <u>how the government is helping and securing our businesses</u> , I think I will make it legal.”	Government Support Business Security
RSA09	“The opportunities that are there, which <u>are handed out by the government to small businesses that are registered, do attract companies like us to get into the formal sector</u> .”	Financial Growth Government Opportunities
RSA10	“The <u>government is quite helpful since we have some organisations like Setter</u> and some organisations that <u>help us transition from the informal sector into the formal sector</u> .”	Government Support Organisational

		Assistance
RSA11	“Government officials <u>are trying to support entrepreneurs</u>, you know, as we also have the minister of entrepreneurs, and they are <u>opening SGOs</u>.” “You know, <u>it is a matter of me if I want to apply and join and all that you see</u>.”	Government Support Benefits Opportunities
RSA12	“I <u>do not know anything about government's assistance</u>. I saved up on my own and started my own business.”	Independence Self-sufficiency
RSA13	“South African government does not help the informal sector.” “However, <u>they do try to give out funding. There is this funding called NYDA and other funding</u>.” “South African government can <u>assist me in becoming a formal business</u>.”	Assistance Funding Options
RSA14	“We <u>do not know where to find funding from the government</u>.” “I think the <u>government does not motivate me to either leave the informal sector or go or stay</u>.”	Accessibility to Funding
RSA15	“I <u>do not think there is that much assistance</u>.” “It also <u>influences me to stay operating within the informal sector</u>.”	Lack of Assistance
RSA16	“Many of the <u>communities now have those governments interfere in entrepreneurship</u>.” “They <u>give ideas, and a capital to start your business</u>.” “It <u>has influenced me as well to go to the most</u>.”	Access to Ideas Capital Access Government Support

RSA17	“I would also <u>want to get assistance from the government</u> so that I can <u>get the funding to continue running my business and doing more for my business.</u> ”	Funding Government Support
RSA18	“ <u>Instead of them helping us grow, they think for themselves.</u> ”	Discouragement

Table 24: Gabonese participants' answers on government support

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	“It <u>encourages me to leave the informal sector because</u> . I feel the <u>government of the transition is paying attention to informal entrepreneurs.</u> ”	Attention Government Support Transition to Formal Sector
GAB02	“The current president is <u>implementing measures to support entrepreneurs.</u> ” “I <u>feel optimistic about my business survival after transitioning to the formal sector.</u> ”	Government Support Optimism
GAB03	“I do <u>not have much information on the topic</u> and <u>have not heard much about it concretely.</u> ” “It does not influence me at all.”	Lack of Government Support No Influence
GAB04	“I <u>do not think I meet the criteria for government support.</u> ” “I <u>do not see the benefit the government offers</u> because I am still in the informal sector.”	Not Eligible for Support Government Benefits
GAB05	“The real issue is <u>whether such support from the Gabonese government for entrepreneurs exists.</u> ”	Motivation Factors: Influence on Decision

	“If it does, I <u>think it is not very effective.</u>” “This <u>lack of clear and accessible support influences my decision to stay in the informal.</u>”	Motivation Factors: Lack of Support
GAB06	“The government <u>does not promote entrepreneurship enough.</u> ”	Lack of Entrepreneurship Promotion
GAB07	“I have <u>never personally received direct financial support from the government.</u>” “However, there are benefits for Gabonese entrepreneurs compared to foreigners.”	Local Benefits
GAB08	“So far, <u>the authorities have been supportive. They encourage entrepreneurs and give us confidence.</u> ”	Encouragement Supportive Authorities
GAB09	“It <u>does not motivate me because many government officials are corrupt.</u> ”	Corruption Impact Law enforcement influence
GAB10	“Government support <u>would encourage me to leave the informal sector.</u>” “Support like <u>financial assistance, training, or other incentives is always welcome.</u>”	Financial Assistance Government Support Incentives Training
GAB11	“As a <u>nail technician</u> , I <u>would not necessarily rely on government assistance</u> to continue working in this field.”	Independence Self-reliance
GAB12	“If <u>the government were to support Gabonese entrepreneurs</u> , it <u>would influence me to leave the informal sector.</u> ”	Government Support

		Influence Transition
GAB13	“I am in the informal sector precisely because I <u>have not received government support.</u>” “If I had received support, I would have left.”	Lack of Government Support
GAB14	“<u>Business regulations are evolving.</u>” “Laws <u>are gradually being implemented, and corruption will be increasingly limited.</u>” “Thanks to this, I see even more advantages in compliance with the system.”	Business regulations evolution Compliance advantages Limited corruption
GAB15	“Some <u>support programs have been put in place. Some schools ran a campaign to encourage Gabonese people to invest.</u>” “However, <u>there is not enough publicity about these programs.</u>” “In school, <u>we are taught to become employees and work in a company where you can communicate, manage, etc.</u>”	Campaigns Encouragement Investment Support Programs Lack of Publicity
GAB16	“It <u>motivates my ambitions</u> and <u>provides yet another advantage in formalising my business.</u>”	Advantages Ambitions
GAB17	“Government support will <u>encourage people to leave the informal sector if the state provides subsidies for specific entrepreneurial projects.</u>”	Projects Government Support

- **Rule of law**

In a study conducted by Shahid et al. (2022) on formalisation intentions among street entrepreneurs, the researchers stated in their findings that to increase formalisation among entrepreneurs, policymakers must ensure efficient and fair institutions. Considering the importance of the rule of law, it was considered a factor during that research study to analyse its impact on the decision to join the formal sector.

Table 25: South African participants' answers on rule of law

Interviewee No.	Quotes and Key Points	Preliminary Codes
RSA01	“There <u>is fraud everywhere</u> . There is <u>crime everywhere</u> . There is <u>no difference</u> whether you live in an informal or formal sector.”	Fraud and Crime Concerns
RSA02	“The <u>corruption</u> in this country <u>is very high</u>.” “I also <u>applied for the informal funds</u>, and I did not receive it, I feel like they gave opportunities to their friends” “It <u>pushes me to get a formal business</u>, to be noticed by the <u>government</u>.”	Access to Funds Government Recognition
RSA03	“We <u>need to pay taxes</u>. Currently, I have a small business, and I am like, <u>15% might be too much</u>.” “It does affect me from leaving and not leaving, because what if I <u>do not make that much and then still, I have to pay</u>.”	High Taxes Small-scale Business Impact
RSA04	“I think the <u>thing with corruption is it could benefit me but also affect me badly</u>.” “It <u>affects my decision to stay in the informal sector</u>.” “My respect for the law <u>would make me not corrupt and not necessarily use connections and stuff to climb the ladder</u>.”	Ethical Values Fear of Corruption
RSA05	“I just feel like the <u>state of corruption is too high</u>.” “It is important for us to respect the lower right and to play a role as citizens of South Africa.” “Our <u>loan does not benefit us</u>.” “That is <u>why I want to move in the formal sector</u>.”	Desire for loans Corruption

RSA06	“I know it is difficult because <u>we first see the corruption.</u>” “We need to move to formal states of business.”	Corruption Regulation
RSA07	“<u>Registered or not, formal or informal, I will still run my business.</u>” “The <u>corruption is going to affect me in any way.</u>” “Many people come into my business and steal.” “That is the only way I could think of how the corruption would make me stay in the informal sector.”	Business Operations Theft Corruption
RSA08	“There is <u>much corruption here.</u>” “Even <u>if I register and stay in the formal sector with my business and stuff, it will not be easy to continue with the tax-paying stuff.</u>” “With the government, <u>there is much corruption.</u>”	Corruption Government Relations
RSA09	“No, <u>they do not affect our choices.</u>” “But then because we <u>desire to grow, we want to get into the formal sector.</u>”	Desire for Growth
RSA10	“I think my <u>respect for the law influences me</u> to move from the informal sector to the formal sector.” “To <u>abide laws for my business as a whole.</u>”	Law-abiding operations Respect for the law
RSA11	“I <u>do not want to see myself bankrupt.</u>” “With <u>much corruption in South Africa, I will owe SARS much money.</u>” “I would rather <u>just stick on the informal business sector.</u>”	Corruption Legal Issues
RSA12	“By not registering my business, I feel <u>I am contributing to crime or corruption in South Africa.</u>”	Contribution to Corruption

	“But as I have mentioned before, <u>I am not planning on staying in the business for long.</u>”	Fear of Crime
RSA13	“As a formal business, I <u>would have to pay taxes, which can be misused.</u>” “I think that <u>each informal business would like to be formal at some point. It is just that the problem is the funds.</u>”	Lack of Funds Misuse of Taxes
RSA14	“South Africa has <u>one of the highest crime rates, and we have, like, literally witnessed businesses getting robbed.</u>” “That can <u>make you doubt moving</u> to the formal sector.” “Considering <u>the states of the South African law and the crimes that constantly occur</u>, I would not be motivated to move to the formal sector.”	Crime Rates Demotivating
RSA15	“There are <u>many losses that come with formalising your business.</u>” “With the <u>level of corruption</u>, you. You are <u>at the risk of losing your business, losing yourself.</u>”	Corruption Risks Financial Losses
RSA16	“In South Africa the <u>law is not respected most of the time.</u>” “I <u>intend to move to the formal sector</u> because <u>it is also ruled by certain laws.</u>”	Respect for Laws Structure and Conditions
RSA17	“I <u>do not think that will affect my decision to move to the formal sector</u> because I know what I want to achieve for my business.” “Although I <u>am fully aware of corruption, I strongly believe I will get the help I need.</u>”	Belief in Help
RSA18	“It does <u>not motivate me to join the formal sector.</u>”	Lack of desire

Table 26: Gabonese participants' answers on rule of law

Interviewee No.	Quotes and Key Points	Preliminary Codes
GAB01	“Respect for the law and corruption are <u>personal choices</u>.” “It should not influence someone to stay informal or not; it is <u>about making the right choices</u> when entering the formal sector.”	Corruption Formal sector transition Respect for the law
GAB02	“It is a <u>significant barrier</u>.” “My research study revealed that nearly 90% of people were unaware of existing communication agencies in Gabon.” “It is <u>challenging because big agencies overshadow smaller ones, discouraging formalisation</u>.”	Barrier Lack of Awareness Discouragement
GAB03	“There is <u>much corruption</u>. As <u>for the rule of law, it is not well respected</u>.” “This <u>discourages me from leaving the informal sector for the formal sector</u>.”	Corruption Discouragement
GAB04	“Continue operating in the informal sector. “In Gabon, people who operate formally often <u>face challenges like paying taxes and other fees, even when not earning much</u>.”	Challenges Fees Taxes
GAB05	“The rule of law and the level of corruption in Gabon <u>influence my decision to stay in the informal sector for now</u>.”	Corruption
GAB06	“<u>Corruption and weak enforcement of the law push me to remain informal</u>.” “I have never faced legal issues or inspections while operating informally, so I see no reason to change.”	Corruption Weak Enforcement
GAB07	“<u>Respecting the law is a choice</u>. Some ignore it, but I want my business to be credible and legally protected.”	Credibility Legal protection Respecting the law
GAB08	“When laws are respected in a society, the informal sector becomes <u>more attractive because it is more secure and predictable</u>.”	Predictability Security

GAB09	"If laws are respected, it <u>encourages moving into the formal sector, whereas high levels of corruption make it more difficult and discouraging.</u>"	Corruption discouragement Law Enforcement Influence
GAB10	"If laws were <u>strictly enforced and corruption decreased or disappeared</u>, transitioning to the formal sector <u>would be an obvious choice.</u>"	Decreased corruption Strict enforcement of laws
GAB11	"In Gabon, it is <u>much harder to fully understand what is legal and what is not because laws are not always clearly enforced in everyday life.</u>"	Enforcement Legal Framework
GAB12	"I <u>do not think it has an impact.</u>" "Many people <u>operate informally and still manage to succeed without necessarily following the law.</u>"	Minimal Impact Success without Legal Compliance
GAB13	"I think this is a <u>very realistic question; there is a lot of corruption.</u>" "It <u>motivates to opt for the informal sector.</u>"	Corruption
GAB14	"Our country is gradually improving, and <u>corruption will become less present in business transactions.</u>" "If the law is well applied and I, as an entrepreneur, respect it, it will be beneficial."	Compliance with the law Reduced Corruption
GAB15	"There is <u>not enough regulation for those operating informally, which explains today's informal sector's popularity.</u>" "Corruption <u>in some sectors can sometimes make things easier, but it is not a sustainable solution in the long run if I want to grow my business correctly.</u>"	Lack of Regulation Long-term Risks Sustainability
GAB16	"Since the coup d'état, <u>corrupt individuals are publicly exposed and held accountable for their actions.</u>" "It <u>motivates entrepreneurs like me who wish to leave the informal sector.</u>"	Accountability Positive influence
GAB17	"If the law applies <u>equally to everyone and is respected, corruption will no longer exist.</u>" "At that point, <u>transitioning to the formal sector will be the only viable choice.</u>"	Corruption Elimination Law Equality

4.8 THEMATIC CAUSAL MAP

The following themes emerged from the data in South Africa after the inductive method was used. The findings will contain more details, including the participants' answers.

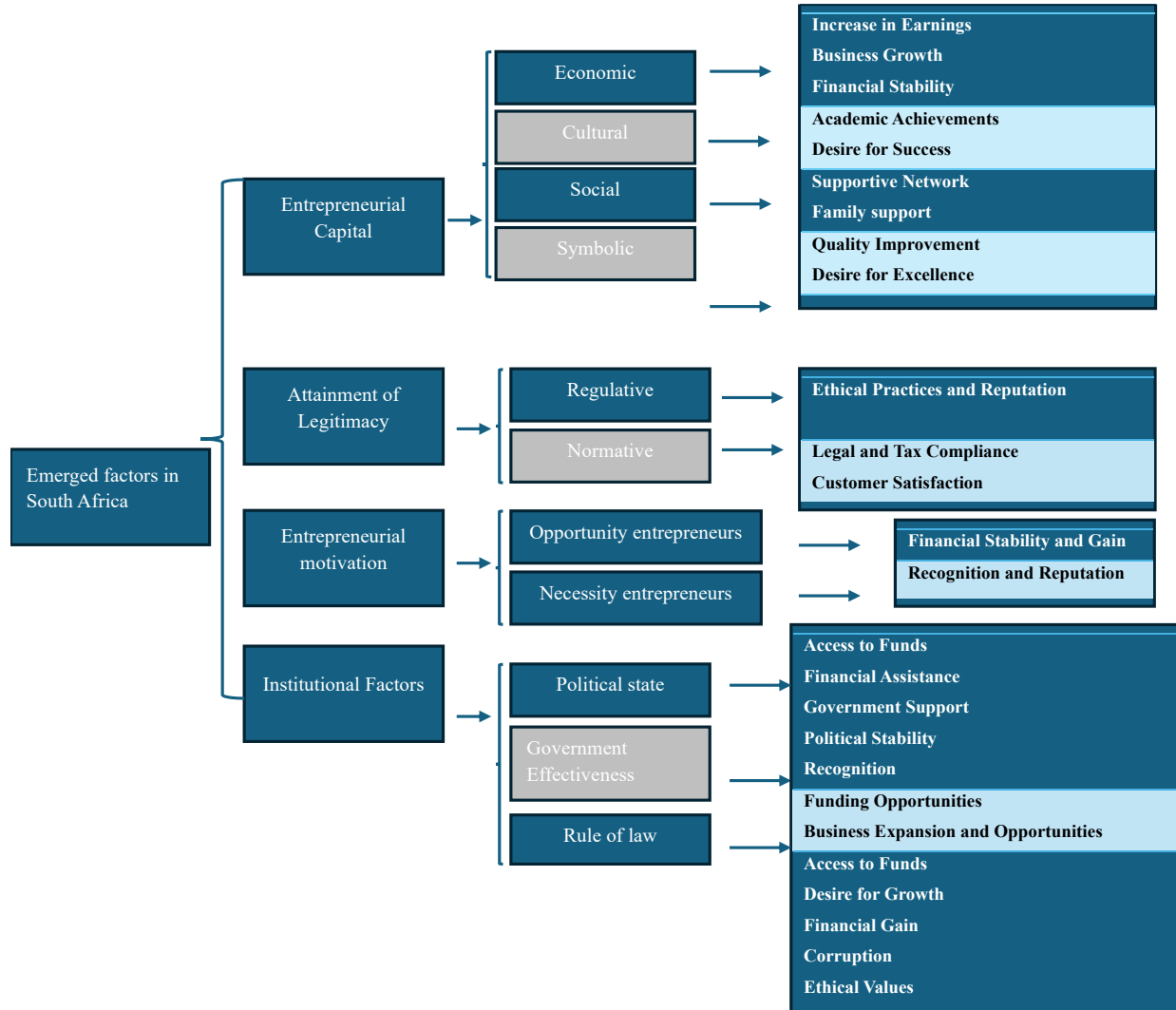


Figure 6: Emerging themes in South Africa

In Gabon, data analysis helped to identify the following emerging themes.

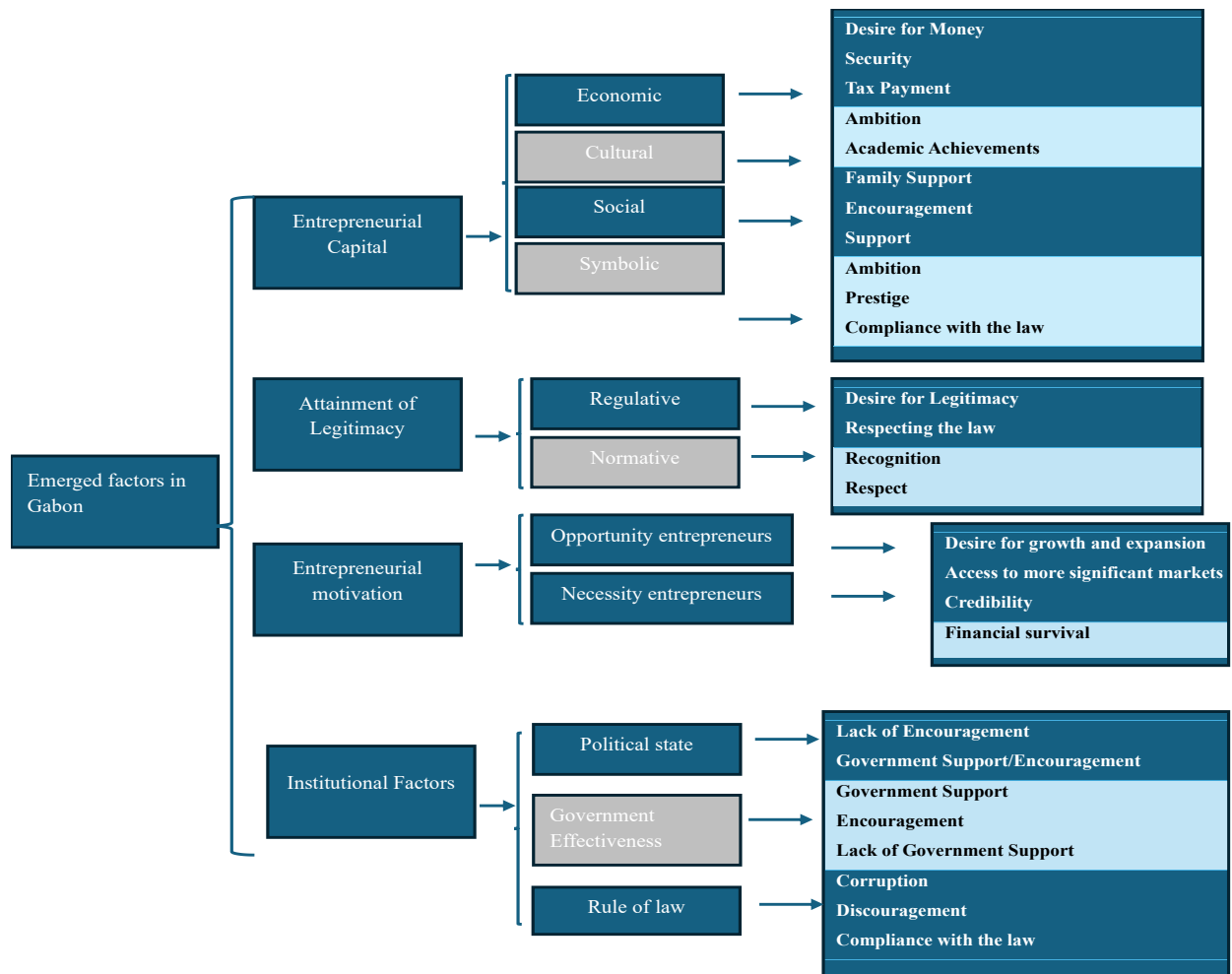


Figure 7: Emerging themes in Gabon

4.9 CONCLUSION

Throughout this chapter, the researcher presented the results of qualitative data analysis, providing an in-depth exploration of the key themes and patterns that emerged from the data. The findings highlight significant insights and offer a deeper understanding of the research questions. These results will be further discussed in the next chapter, where they will be interpreted in the context of existing literature and their implications for future research and practice will be explored.

CHAPTER 5: DISCUSSION

5.1 INTRODUCTION

Qualitative research aims to gain a detailed understanding of a problem rather than testing a hypothesis or making generalisable quantitative claims (Laubheimer, 2021). Thirty-five interviews were conducted to compare factors influencing the decision to join the formal sector. Participants were South African and Gabonese youth informal entrepreneurs between 18 and 35 years old. In the previous chapter, the researcher focused on reporting the interviewees' answers. Qualitative comparative analysis is a technique that allows researchers to use qualitative methods to thoroughly investigate cases and connect specific conditions or traits to outcomes (Bingham et al., 2019). Throughout chapter five, there will be a comparison between the answers of South African and Gabonese youth informal entrepreneurs. This process aimed to identify the similarities and differences between the factors that may influence the decision of South African and Gabonese participants to join the formal sector. The researcher will analyse and compare their answers on the topic and attempt to answer the main research question: What factors drive young informal entrepreneurs' decision to shift from the informal sector to the formal economy?

5.2 REFLECTION ON KEY FINDINGS

5.2.1 Understanding informal entrepreneurship

According to Laing et al. (2022), a formal entrepreneur is an individual whose business is registered with government agencies, is obligated to pay taxes, and adheres to rigorous operational, governance, and reporting standards. In contrast, other types that fail to meet these conditions are classified as informal. The informal economy is crucial in sustaining the livelihoods of as much as 85% of sub-Saharan Africans, often with minimal support (Rowe, 2023). The elevated poverty rate in Africa can be regarded as both a factor and an outcome of informality (ILO, 2018).

The informal sector is progressively acknowledged for its entrepreneurial capacity (Urban & Ndou, 2019). Women and youth entrepreneurs, two key actors in the informal sector, have remarkably influenced their communities and the African continent (Chris-Asoluka, 2025).

In South Africa, the formal economy has been unable to create enough employment opportunities; self-employment within the informal sector is progressively viewed as a remedy for youth unemployment (Iskander & Rankin, 2019). The informal sector drives Gabon's economy (Mouega, 2023). While dynamic, it cannot absorb all job seekers, leaving many young people without prospects for stable careers (Moutsila, 2024).

Despite the increasing acknowledgement of the informal economy's role in the livelihoods of so-called "unemployed youth," there is a lack of research on the lives of young people categorised as informal workers and the factors that drive them to participate in the informal economy (Dawson, 2021).

Therefore, our interview guide's first question asked why informal youth entrepreneurship in South Africa and Gabon started in the informal sector. Most informal entrepreneurs are driven by factors such as limited education, unemployment, the desire for autonomy, and family pressure (Sama & Abdelbaki, 2022). Based on the findings, youth entrepreneurs in South Africa and Gabon primarily entered the informal sector due to financial constraints, desire for autonomy, and the ease of starting a business. **RSA01** shared, *"I needed money as I lost my job during COVID,"* while **GAB03** said, *"I started... to earn money and meet my daily needs."* Many use the informal sector as a testing ground, **RSA17** noted, *"I wanted to see how the business will do,"* and **GAB16** described it as *"a trial to determine whether I should continue."* Skills and hobbies also played a role; **RSA11** monetised crocheting, while **GAB12** used her braiding talent.

However, South Africans were often driven by urgent situations, such as student funding issues; as **RSA12** explained, *"I have to buy food and toiletries... so I started a side business."* In contrast, Gabonese youth sometimes entered informality with more strategic planning, as **GAB13**, which stated that it allowed time for *"market research and reflection."* Awareness of formalisation differed too as **RSA04** hoped to *"open in a formal sector depending on how it grows,"* while **GAB06** admitted, *"I didn't even know what was formal or informal."*

In conclusion, while financial motivation and informality's low entry barriers unite youth in both countries, South African entrepreneurs often act out of immediate necessity. In contrast, Gabonese youth adopt informality as a pragmatic starting point for growth.

5.2.2 An analysis of participants' decisions to join the formal sector

A decision is defined as "a choice that you make about something after thinking about several possibilities" (Cambridge Dictionary, 2025). According to the International Labour Organisation (2021), transition can occur through three different channels, which are:

1. Fostering decent jobs and sustainable enterprises within the formal economy,
2. Facilitating the transition of workers and businesses from the informal to the formal economy, and
3. Preventing the informalisation of jobs.

Promoting youth entrepreneurship in Africa is crucial, as the continent's youth hold great potential, yet often face business stagnation and low registration due to limited training and skills (African Development Bank Group, 2023; Sumaworo, 2023).

Therefore, the second question of the interview guide aimed to determine whether informal youth entrepreneurs intend to leave the informal sector. Participants answered the following question: Do you intend to join the formal sector?

Many entrepreneurs in South Africa and Gabon view financial stability and business growth as key factors influencing their transition to the formal sector. For instance, participants in South Africa stated, *"If the business grows, I am going to make it formal"* (RSA07), *"The way my business is growing motivates me to join the formal sector, especially if I have the funds"* (RSA02). Gabonese participants emphasised the same by acknowledging, *"I'm considering it, but it depends on the growth of my business revenue"* (GAB15), *"For now, I do not plan to join the formal sector. Maybe later. When I have a bigger business and earn twice"* (GAB05).

Participants who remain informal in South Africa and Gabon often cite career commitments or treat their businesses as side hustles. For example, RSA15 stated, *"It will remain a side hustle, something that I do maybe on weekends or after work or something like that."* In Gabon, GAB11 said, *"No, because this is not a business that I plan to expand beyond its current scope."*

A key difference is that South African entrepreneurs prioritise funding and networking benefits: *"You get more connections. You get to grow in the business world"* (RSA05). *"Having a formal business really helps you to get sponsors"* (RSA14). Meanwhile, Gabonese entrepreneurs are more concerned with security and regulatory compliance, with some already starting the transition: *"I have started my transition towards the formal sector"* (GAB07), *"Yes, I have that intention and have already started transitioning to the formal sector"* (GAB14).

5.3 REFLECTION ON RESEARCH QUESTIONS

5.3.1 Research Question 1: Entrepreneurial Capital

Entrepreneurial capital, which includes resources entrepreneurs need, can be developed and strengthened through education, training, mentorship, networking, funding, and supportive policies (Faster Capital, 2024). Lee and Shaw (2016) underlined Bourdieu's reflection, who believed that an entrepreneur's success depends on their access to economic, social, cultural and symbolic capital. The following subquestion was asked to identify how entrepreneurial capital influences the transition of informal youth entrepreneurs from South Africa and Gabon.

What is the influence of entrepreneurial capital on Gabonese and South African youth informal entrepreneurs' decisions to transition from the informal sector to the formal economy?

5.3.1.1 Analysis of economic capital factor in South Africa vs Gabon

In the informal sector, goods are typically lower in quality and price compared to the formal sector, resulting in unproductive, stagnant businesses that could benefit from formalisation (Mishra, 2022; La Porta & Shleifer, 2014). South African and Gabonese youth entrepreneurs view financial capital as a significant factor shaping their transition to the formal sector. In South Africa, many participants see formalisation as a path to income growth, customer trust, and business expansion. For example, **RSA03** stated, *“To make more money, I must be registered as a formal sector,”* and **RSA09** added, *“To ensure that I exploit bigger opportunities, I must enter the formal sector.”* Access to funding and sponsorship is also seen as a motivator. **RSA06** noted, *“My desire is for my business to grow so that I can move to formal status and try to have some sponsors.”* On the other hand, some South Africans like **RSA11** and **RSA15** choose to remain informal due to a lack of long-term goals or because their business is a side hustle, with **RSA15** explaining, *“It’s just something I want to keep doing on the side.”*

In Gabon, although some youth express a similar desire for growth, **GAB12** shared, *“I want to earn more and grow”*. Many participants are reluctant to transition due to the costs and constraints tied to the formal sector. As stated in the literature review, informal entrepreneurs have limited access to bank loans, which prevents them from building emergency funds and growing their businesses while retaining majority control. As a result, they face difficulties scaling their business beyond a certain threshold compared to formal entrepreneurs (OECD, 2015; OCBC Business Banking, 2022). For example, **GAB01** emphasised his choice of staying in the informal sector by saying, *“There are no taxes to pay, no rent to worry,”* **GAB08** emphasised, *“Being in the informal sector allows us to reduce certain costs and quickly adapt to market demands.”*

Others highlighted regulatory barriers, such as **GAB11**, which explained, *“You need certifications and diplomas to work in the field legally.”* Still, a few Gabonese youths see formalisation as a path to protection and credibility as **GAB07** remarked, *“It is essential to declare your business. It costs money, but it provides security.”*

In conclusion, while both groups associate formalisation with growth and increased income, South African entrepreneurs appear more driven by expansion and opportunity. In contrast, Gabonese youth are often held back by cost concerns and legal barriers despite recognising the benefits of legitimacy and security. Participants' answers on income and business growth as factors that can enhance their decisions to join the

formal sector align with Zotova's (2022) thoughts. The latter maintained that formal employment provides higher wages and improved social benefits for workers while offering businesses increased stability and access to resources. Trust, as a key driver in their decision, reflects social capital built on shared norms that sustain the economic system (Ehmedova, 2019).

5.3.1.2 Analysis of cultural capital factor in South Africa vs Gabon

Osman et al. (2023) maintain that existing research that examines the direct impact of formal education on entrepreneurship, especially in developing countries, is rare. In both countries, skills, academic background, and legal knowledge significantly shape the transition of youth entrepreneurs toward the formal sector. Several South African participants emphasised the value of their education and personal development. For instance, **RSA02** stated, *"I think I have all the knowledge I need to get into the formal and let my business grow,"* while **RSA14** noted, *"Academia has influenced my choice to move to the formal sector."* Similarly, **RSA05** shared that leadership experience influenced their move: *"I have great leadership skills... It influences my decision to move into the formal sector."* However, others felt disconnected from their business paths, **RSA11** explained, *"The career I am pursuing is not related to my business,"* and **RSA12** added, *"If I move to the formal sector, I will not be able to be in the profession I am studying for."*

Education, which combines formal knowledge and practical skills from informal learning, is essential for developing entrepreneurial abilities to effectively tackle business challenges and meet economic demands (Ramatni, 2024; Sun et al., 2017). On the Gabonese side, many participants also identified education as a driver toward formalisation. **GAB04** mentioned, *"I am studying auditing and management control... It influences my decision to join the formal sector,"* while **GAB15** stated, *"I have acquired many skills in law and business management... I am aware of the advantages and disadvantages of formalising."* For some, formalisation is linked to ambition and reputation, as in **GAB03**, who said, *"I want to become known and build a reputation nationally."* However, others did not see a strong link between education and their entrepreneurial path. **GAB12** remarked, *"My education has nothing to do with economics or entrepreneurship,"* although their skills still encouraged formalisation. Meanwhile, **GAB11** stated, *"It does not influence me; it is a hobby."*

Some scholars argue that cultural capital can significantly influence the success of entrepreneurs by enabling them to leverage their skills, knowledge, and social connections, thereby facilitating the acquisition of reliable partners or investors for their businesses (Wilson, 2023). Based on the findings, while cultural capital positively influences formalisation in both contexts, South African participants more frequently associated academic qualifications with understanding business processes and long-term

transition. In contrast, Gabonese participants often relied on legal or sector-specific knowledge and connected formalisation with reputation, structure, or access to government support. However, in both groups, the role of education is not uniform, as some youth see no link between their academic background and their business goals.

5.3.1.3 Analysis of social capital factor in South Africa vs Gabon

Support from family, friends, and networks notably influences the intentions of South African and Gabonese youth entrepreneurs to formalise their businesses. Participants' responses align with findings from a study on Kenyan informal entrepreneurs, where the authors emphasise that, in addition to resource access, families and networks play a key role in transferring tacit knowledge, helping informal entrepreneurs develop problem-solving and innovation skills. (Kiptoo et al., 2024).

Many South African participants viewed their close circles as strong motivators. For example, **RSA01** shared, *"My family is quite helpful... they are just a supportive family,"* **RSA02** added, *"I get a lot of support from my family and friends... I can employ more of my friends."* This encouragement often pushes them toward growth and, ultimately, formalisation. **RSA10** confirmed this: *"My friends and family positively influenced me to move from the informal sector into the formal sector."* Others like **RSA14** also highlighted that support contributes to the vision and legal awareness, saying, *"They constantly mention how good my work is... and how that can be beneficial when it comes to legal issues."* However, not all experiences were positive, as **RSA18** admitted, *"I do not have any support, financially or mentally,"* while **RSA15** observed, *"My friends are not as supportive as friends would be."*

Similarly, Gabonese youth often rely on the encouragement and influence of loved ones to move toward formalisation. **GAB01** expressed, *"Moving from the informal sector to the formal sector would fulfil my dream of having my formal structure... and make my family proud."* **GAB07** received direct support, noting, *"Some of my friends... have even offered to help me with the paperwork at reduced costs."* In addition, support often includes strategic advice, as **GAB15** said, *"My parents advised me to register my business... I could have benefited from government support."* The idea of building networks and expanding reach also emerged, such as in **GAB08**'s remark, *"Joining the formal sector would allow me to expand my network and build new relationships."* Nonetheless, some Gabonese participants downplayed the influence of social capital. **GAB13** said, *"I do not see a strong link,"* and **GAB17** stated, *"I am not easily influenced, especially in the professional sector."*

From the foundation of a company, social capital remains a crucial asset; networks serve as a proxy for this factor, enabling entrepreneurs to acquire support for financing business operations and knowledge (Crowley & Barlow, 2022). Social capital often catalyses growth and formalisation in both contexts, offering emotional, strategic, and sometimes logistical support. However, South African participants more often link this support directly to business legitimacy, visibility, and opportunity, while Gabonese entrepreneurs emphasise relational pride, practical help, and long-term vision.

Social capital exists in both formal and informal sectors, with the former offering access to information and institutions, and the latter grounded in personal ties like family and friends (Cetin et al., 2016). Still, not all informal youth in both countries rely on their networks, citing independence or a lack of support as key factors in shaping their decisions.

5.3.1.4 Analysis of symbolic capital factor in South Africa vs Gabon

Symbolic capital, one of Bourdieu's non-material forms of capital, is typically linked to other forms of capital (social, cultural, and economic) but has received limited research attention in the entrepreneurial process (Bourdieu, 1998; Lewis, 2024). The answers of informal youth entrepreneurs will contribute to knowledge on the relationship between symbolic capital and entrepreneurship.

Based on the answers of South African and Gabonese participants, symbolic capital motivates the shift toward the formal sector, primarily through ambition, a desire for prestige, and the pursuit of legitimacy and recognition. Many South African participants expressed a strong wish to become reputable business owners. For instance, **RSA13** shared, *"I want to be a CEO; I want to be a proper business owner one day."* **RSA14** explained, *"That desire to run a prestigious business and build my reputation influences me to move into the formal sector."* Similarly, **RSA18** noted, *"Having to run that big company with prestige would be the main goal here."* Formalisation was also linked to target markets and business opportunities. **RSA10** said, *"You can market your business better in the formal sector... There are more opportunities."*

In Gabon, symbolic capital is just as influential, often tied to ambition and national visibility. **GAB03** stated, *"I want to become known and gain a certain reputation in my country,"* while **GAB06** mentioned, *"I want to be recognised, attract more clients, and become a reference in my field."* Formalisation is also seen as a means to gain credibility and respect, as expressed by **GAB08**: *"To leave the informal sector, I want my company to gain significant recognition and credibility."* Compliance with the law is frequently mentioned as an obligation and a path to legitimacy. For example, **GAB14** noted, *"I must respect the law and establish a legitimate business,"* **GAB16** added, *"Leaving the informal sector is a step toward achieving this goal."*

Meanwhile, others like **GAB11** or **RSA08** showed less interest in expansion, saying, *“I do not have any intention of expanding this business,”* or *“It does not affect my business... I’m just doing this for the time being.”*

While South African youth often tie this ambition to market growth and brand visibility, Gabonese youth more clearly associate formalisation with national recognition, legal compliance, and long-term business structure. Results also revealed that not all of them are driven by symbolic aspirations, as some remain in the informal sector due to a lack of expansion goals or because they see their business as temporary.

5.3.2 Research Question 2: Legitimacy

Legitimacy is crucial for business resilience, as failing to meet legitimacy standards can lead to disapproval, hostility, and unwanted associations with an illegitimate organisation (HEC, 2022). The importance given to legitimacy leads to the following question:

How does the attainment of legitimacy play a role in Gabonese and South African youth informal entrepreneurs’ decisions to formalise their businesses?

Legitimacy helps entrepreneurs gain the support of stakeholders and overcome challenges associated with newness. That research study selected regulatory (legal) and normative (ethical) types of legitimacy to analyse their role in transition (Palthe, 2014; Shepherd et al., 2021; Suchman, 1995). In both countries, results show that participants who acknowledged that legitimacy encourages them to transition are mainly influenced by regulative legitimacy, as they feel they must respect the law and protect themselves.

RSA06 sustained, *“I desire to move from the informal to formal state because I need to respect the law...The law comes first, and no one is above the law”*. **RSA05** said the following when asked if legitimacy plays a role in her decision to leave the formal sector *“It does impact my decision to transition to the formal sector because I believe that every South African should play a part in building our country... it is important for your safety also to have your business registered because now, if something happens which is gonna affect you, you, like, legal wise, how you gonna report the company?”*.

One of the participants influenced by normative legitimacy states, *“Yes, it does. As an individual who owns a certain company, you want your company to have a good reputation and image. Imagine if your company is known for fraud and not paying taxes.”*. **RSA18**

In Gabon, several participants expressed their desire to join the formal sector to respect the law. **GAB01** said, *“I want to abide by the rules and the law so no one can say tomorrow that I did not respect specific regulations in my field.”* **GAB14** believes legitimacy is a good reason to join the formal sector *“Yes. A*

company that complies with the law wants to be correctly positioned, exit the informal sector, and, as I said, take advantage of various benefits.”

GAB15 shared the same view, saying, *“Yes, gaining legitimacy is crucial. Respecting the law is necessary not only to avoid legal issues in the long term but also to enhance the credibility of my business. So, a legal business has more prestige.”*

A company’s legal status serves as an indicator of sociopolitical legitimacy; firms lacking official recognition are often viewed as risky by investors and lenders, avoided by jobseekers due to lack of legal protection, and distrusted by customers who may associate them with lower-quality goods (Assenova & Sorenson, 2017). While legitimacy is widely valued in both contexts, Gabonese entrepreneurs show a more unified motivation to formalise for credibility and legal compliance. In contrast, South Africans weigh legitimacy against practical costs and personal circumstances. South African participants’ answers show that the desire to obtain legitimacy does not positively influence a high number, as only ten out of eighteen acknowledged that it influences them to transition to the formal sector. However, Gabonese answers revealed that fifteen out of seventeen participants, almost the majority, see legitimacy as a factor that can motivate them to join the formal sector.

5.3.3 Research Question 3: Entrepreneurial Motivation

Entrepreneurial motivation refers to the beliefs and goals driving individuals to pursue business ownership, encompassing factors like the need for achievement, independence, vision, etc. (Fazal et al., 2022).

To deepen the comprehensiveness of the relationship between entrepreneurial motivation and transition to the formal economy, the following question was asked:

What is the importance of entrepreneurial motivation factors on Gabonese and South African youth informal entrepreneurs’ decision to formalise their businesses?

In South Africa and Gabon, entrepreneurial motivation is critical in shaping the transition from informal to formal entrepreneurship.

Until now, limited research has focused on opportunity and necessity entrepreneurship from an individual perspective based on the socio-economic characteristics of entrepreneurs (Giacomin et al., 2023). To complete that research, a focus was made on those two types of entrepreneurs.

In developing countries, more than half of entrepreneurs are considered necessity entrepreneurs; researchers argue that their particularity is to start a business because there is no other option due, for example, to a long period of unemployment or lack of any other option to generate income (Belda & Cabrer-Borras, 2018;

Rizvi, 2023). In South Africa, responses revealed a dual profile. Some entrepreneurs were necessity-driven, pushed into informal activity by financial hardship, *“I’m only doing it because of my financial problems”* **RSA08** or treating their business as a temporary solution or side hustle *“, It is just another extra way of making money”* **RSA11**. Others displayed opportunity-driven traits, motivated by business growth, ambition, and a desire for national impact. For instance, one participant stated, *“I want to be in bigger places or platforms”* **RSA05**, while another emphasised, *“I want to employ people and contribute to the economy”* **RSA13**.

People recognised as opportunity-driven entrepreneurs are those who join entrepreneurial activities to realise a business idea and take advantage of market opportunities or realise dreams (Shi & Wang, 2021). In Gabon, entrepreneurial motivation appeared more consistently opportunity-driven. Goals of expansion, visibility, and professionalism inspired many participants. One entrepreneur shared, *“Being formal comes with recognition, publicity, and more opportunities”*, **GAB06**, while another noted, *“I want to develop my business sustainably”*, **GAB09**. Several expressed strong desires to transition to the formal sector to improve structure, credibility, and growth. For example:

- *“To diversify, I would need to leave the informal sector”* (**GAB12**)
- *“It drives me to formalise my business to access larger markets and attract more clients”* (**GAB16**)

South African entrepreneurs show a mixed balance between necessity and opportunity motivations, Gabonese participants lean strongly toward opportunity-driven entrepreneurship, clearly focusing on formalisation, growth, and legitimacy. This suggests that in Gabon, entrepreneurial motivation is more directly tied to long-term vision and structural advancement.

5.3.4 Research Question 4: Institutional Factors

Studies on the relationship between institutional factors and their impact on informal entrepreneurship are rare. However, Parga and Ramirez (2023) argue that institutional elements play a crucial role in fostering entrepreneurship in dynamic, unstable, and unpredictable environments characterised by fragile institutional structures. The following question was asked to analyse the link between institutional factors and informal entrepreneurship:

How do institutional factors influence the decision of youth informal entrepreneurs from South Africa and Gabon to formalise their businesses?

5.3.4.1 Political stability

A country's political stability and effective law enforcement are key to fostering an environment that boosts entrepreneurship and wealth creation (Sendra-Pons et al., 2022). Research participants in South Africa hold

diverse perspectives. However, more than half of the participants acknowledged that it plays a positive role in their decision to transition to the formal economy highlighting government funding for youth, women, and Black-owned businesses *“They are now trying to support young entrepreneurs”* – RSA02; *“It makes me want to move to formal business”* RSA16. Others, however, cite corruption, load shedding, and socio-economic instability as reasons to remain informal, *“Because of much corruption”* RSA11; *“Moving into the formal sector would be very risky”* RSA12.

In contrast, Gabonese entrepreneurs express hesitation and distrust due to political uncertainty stemming from the recent coup d’état and the transitional government. Many report that this instability discourages them from formalising their businesses. *“We are in a transitional period and do not know what is coming”*, GAB04; *“It pushes me to stay in the informal sector”*, GAB01. Nevertheless, a few view recent reforms and the new leadership as hopeful signs, with one stating, *“The political climate influences me to leave the informal sector”*, GAB17.

South African entrepreneurs experience both opportunities and risks under current political conditions, while Gabonese entrepreneurs are more consistently affected by instability and uncertainty, although some are optimistic about emerging reforms. A country’s evolution is associated with political stability, an important variable affecting economic growth, the performance of businesses, and the decision to start a business (Hussain, 2014; Radu, 2015). Political stability, therefore, shapes entrepreneurial decisions differently: as a gateway in South Africa, and often as a barrier in Gabon.

5.3.4.2 Government support

Many Sub-Saharan African governments support entrepreneurs in both formal and informal sectors to boost performance and growth (Adu-Gyamfi et al., 2022). In South Africa, perceptions of government support are mixed. Several participants acknowledge the existence of funding programs, such as NYDA and SEDA, as well as other state initiatives, which motivate them to formalise their operations. *“You cannot apply for funding unless you have the correct documents,”* RSA07. However, many cite limited access, lack of awareness, or ineffectiveness: *“I do not know where to find funding from the government”* RSA14; *“Funding is limited and does not reach many people”* RSA05. This inconsistency leads some to remain informal due to frustration or a desire for self-reliance.

In Gabon, a similar divide exists. Some participants express optimism about recent government efforts and reforms: *“The current president is implementing measures to support entrepreneurs”*, GAB02. In contrast, others report a lack of concrete support or visibility, influencing them to stay informal: *“If I had received support, I would have left,”* GAB13; *“The support is not very effective,”* GAB05. Additionally, corruption

and poor communication about programs were identified as limiting factors: *“There is not enough publicity about these programs”*, **GAB15**; *“Many government officials are corrupt”*, **GAB09**.

A streamlined regulatory framework facilitating business operations and registration signifies governmental capacity to stimulate private sector development and foster entrepreneurial activity (Abegaz et al., 2023). In South Africa and Gabon, government support has the potential to influence formalisation, but a lack of accessibility, information, and trust hinders its full impact. While South Africa offers more structured programs, both contexts reveal a gap between policy and perception, leaving many informal youth entrepreneurs uncertain or unsupported.

5.3.4.3 Rule of law

Hernando de Soto's work on the role of institutions in entrepreneurship has inspired scholars and shaped the debate on informality, offering new ways to assess the challenges of entering formal economies (Andersson & Waldenström, 2017). De Soto argues that easing regulations would shift informal entrepreneurs into the formal sector, whereas the dual view claims that regulations block skilled entrepreneurs, thereby limiting job creation and growth (Salinas et al., 2019).

The prevalence of corruption and weak law enforcement significantly influences entrepreneurs' decisions to remain in the informal sector.

Du Toit (2020) maintains that regulatory avoidance in the informal sector can harm South Africa's rule of law, which had been weakened by the presence of a group of informal entrepreneurs encouraged by the government. In South Africa, many participants associate the formal sector with high taxes, corruption, and ineffective governance, leading to mistrust *“With much corruption, I will owe SARS much money”*, **RSA11**; *“South Africa has one of the highest crime rates... I would not be motivated to move to the formal sector”*, **RSA14**. Some, however, believe in respecting the law and see formality as a step toward legitimacy. *“My respect for the law influences me to move to the formal sector”*, **RSA10**.

In Gabon, responses reflect a similar tension. Widespread corruption and unclear legal enforcement discourage formalisation *“Corruption and weak enforcement of the law push me to remain informal”* – **GAB06**; *“It is much harder to understand what is legal”*, **GAB11**. Nevertheless, several participants strongly believed in the value of compliance, particularly under recent reforms (*“Since the coup d'état, corrupt individuals are being held accountable,”* **GAB16**; *“Respecting the law is a choice... I want my business to be credible,”* **GAB07**).

While South Africa and Gabon struggle with corruption and legal inconsistency, South African entrepreneurs are more divided, balancing fear of regulation with a desire for legitimacy. Although similarly

cautious, Gabonese entrepreneurs show signs of renewed trust in the rule of law following recent political shifts, linking respect for the law to long-term business growth.

5.4 CONCLUSION

The discussion chapter aimed to associate the answers of South African and Gabonese informal entrepreneurs to the research questions of the research study, and attempt to answer the main research questions: What factors drive young informal entrepreneurs' decision to shift from the informal sector to the formal economy?

This comparative study examined the motivations and constraints influencing the transition from informal to formal entrepreneurship among young people in South Africa and Gabon. The findings reveal that while financial necessity remains a key driver for entering the informal economy, many young entrepreneurs, particularly in Gabon, are increasingly motivated by opportunity, growth, and the desire for legitimacy. In contrast, South African participants exhibited a mixed profile, with some embracing informality as a temporary or complementary activity, while others actively sought pathways to formalisation when supported by government programs or business growth.

The conclusion chapter below will include a summary of findings highlighting the similarities and differences between South African and Gabonese entrepreneurs while referring to their intent to join the formal sector.

CHAPTER 6: CONCLUSION

6.1 INTRODUCTION

Understanding the motivations behind informal entrepreneurship is critical for designing effective and context-sensitive policy interventions. As Williams (2021) emphasises, grasping why entrepreneurs operate informally is essential for crafting reliable policy measures that can support sustainable transitions to the formal economy. This is particularly relevant in developing countries, where, despite the challenges of formalisation, the informal sector plays a significant socio-economic role, contributing to job creation and reducing inequality by offering employment to marginalised and disadvantaged groups (Igwe & Ochinanwata, 2021). This study explored the factors influencing the decisions of young informal entrepreneurs in South Africa and Gabon to transition to the formal economy. Specifically, it aimed to identify the influencing factors' similarities and differences across the two national contexts. The central research question guiding the study was: **What factors drive young informal entrepreneurs' decision to shift from the informal sector to the formal economy?**

To address this question, the study examined various forms of capital: economic, cultural, social, and symbolic, as well as the role of legitimacy in supporting entrepreneurial growth. It further differentiated between necessity and opportunity entrepreneurs to better understand the motivations behind informal business activities. In addition, the study analysed the impact of selected institutional factors, including political stability, government effectiveness, and the rule of law, on the intent to formalise. This concluding chapter synthesises the key findings, discusses their implications, and provides policy and future research recommendations.

6.2 SUMMARY OF FINDINGS

This comparative study confirms that informal entrepreneurship serves as both a survival strategy and a launchpad for opportunity among youth in South Africa and Gabon. Laing et al. (2022) noted that formal entrepreneurs operate under legally registered, tax-compliant, and regulated conditions, while informal entrepreneurs typically function outside these formal structures. Rooted in economic necessity and institutional fragmentation, the informal sector has evolved from what the International Labour Organisation once labelled “underemployment” to what Keith Hart termed the “informal sector”, a global mechanism that supports nearly two billion people (Benanav, 2019; Masuku & Nzewi, 2021). The study affirms the significance of the informal sector in sub-Saharan Africa, where it supports the livelihoods of approximately 85% of the population (Rowe, 2023).

Sama and Abdelbaki (2022) identify limited educational attainment, unemployment, the pursuit of autonomy, and familial obligations as key motivations driving participation in the informal sector. In both countries, financial hardship and ease of entry remain the primary reasons for joining the informal economy, consistent with studies by Sama and Abdelbaki (2022) and reflected in participant quotes like **RSA01**: *“I needed money as I lost my job during COVID,”* and **GAB03**: *“I started... to earn money and meet my daily needs.”*

This study found that entrepreneurial capital, particularly economic and cultural capital, significantly shapes the decision to transition. Faster Capital (2024) underlined the crucial role of economic capital in organisations, as it helps them find a balance between risk and return and allocate the resources to maximise their profitability correctly. In South Africa, economic capital is closely tied to aspirations of growth and access to funding (**RSA06**: *“My desire is for my business to grow so that I can move to formal status”*), echoing Faster Capital (2024) on capital’s role. In Gabon, financial constraints and regulatory hurdles such as *“certifications and diplomas”* (**GAB11**) hinder transition, despite recognition of the security offered by formalisation (**GAB07**).

Cultural capital, as conceptualised by Bourdieu (1986), was also pivotal. South African youth directly linked their educational qualifications and leadership experiences to their confidence in formalising *“I did business studies...I think I have all the knowledge I need to get into the formal and let my business grow”* (**RSA02**); *“Ever since I came to university, I have learned so much about everything, but also about business...Academia has influenced my choice to move to the formal sector”* (**RSA14**). While Gabonese youth relied more on **legal or sector-specific training** to assess readiness, *“I am studying auditing and management control...It influences my decision to join the formal sector”* (**GAB04**); *“Yes, I have acquired many skills in law and business management”* (**GAB15**). These findings align with Jayawarna et al. (2014), who argue that cultural capital enhances transition potential, particularly institutionalised forms like degrees. However, in both contexts, some participants expressed a disconnect between formal education and entrepreneurial engagement *“Staying informal is the best option for me...If I move to the formal sector, then I will not be able to be in the profession I am studying for, either”* (**RSA12**); *“It does not influence me, it is a hobby”* (**GAB11**), suggesting that embodied and experiential capital may be equally or more influential in some informal sectors.

Concerning social capital, the relational resources accessible through networks were revealed to be a strong yet variably effective factor. Family and peer support encouraged transition in both countries *“I get a lot of support from my family and friends, especially my friends”* (**RSA02**); *“My parents advised me to register my business from the beginning...They said I could have benefited from government support and gained legal security”* (**GAB15**), reflecting Xie et al. (2021) and Kiptoo et al. (2024)’s findings on the transfer of

tacit knowledge and problem-solving skills through informal networks. However, not all participants felt supported (**RSA18; GAB17**), and some resisted influence altogether, highlighting the nuanced role of the three social capital types: bonding, bridging, and linking capital (Drew, 2023).

Symbolic capital, often underexplored, was central to formalisation intentions. South African youth articulated desires for prestige, market positioning, and entrepreneurial identity (**RSA14**: *“That desire to run a prestigious business influences me to move into the formal sector”*). Meanwhile, Gabonese youth equated formalisation with credibility and national recognition *“My ambition to run a prestigious and respected business influences me to move into the formal sector...I want to be recognised, attract more clients, and become a reference in my field”* (**GAB06**); *“I want my company to gain significant recognition and credibility...This would allow us to advance toward the formal sector”* (**GAB08**). This supports findings by Pret et al. (2016) and Bourdieu (1998), who argue that symbolic capital offers reputational leverage that can translate into market value, legitimacy, and trust.

The role of legitimacy, particularly regulative and normative legitimacy, emerged strongly in Gabon, where 15 of 17 participants cited it as a motivator (e.g., **GAB14**: *“A company that complies with the law wants to be correctly positioned”*). In contrast, only 10 of 18 South African youth linked legitimacy to their decision to formalise. As Zhang et al. (2023) and Jourdan (2022) argue, legitimacy judgments are shaped by institutional logic and societal expectations. This is evident in how South African entrepreneurs weigh compliance against perceived burdens like taxes, corruption, and instability *“With formal businesses there is a lot in terms of following the policies ... you need to have a license of a certain thing...That is a long process on its own, and it is also costly”* (**RSA11**). Meanwhile, though facing legal ambiguity and past distrust, Gabonese youth increasingly view legal status as a source of social protection and business sustainability, a trend reinforced by post-coup reforms *“Yes. A company that complies with the law will be correctly positioned, exit the informal sector, and, as I said, take advantage of various benefits.”* (**GAB14**).

Entrepreneurial motivation also diverged along contextual lines. South Africans exhibited a dual profile of opportunity- and necessity-driven motivations *“I am not that motivated when it comes to my business because, like I said, I am only doing it because of my financial problems”* (**RSA08**); *“It motivates me to move to the formal sector, to be recognised as an entrepreneur, and to reach out to more people and impact many lives”* (**RSA03**), confirming Eijdenberg et al. (2019)’s claim that push and pull factors often coexist. Gabonese youth, however, were overwhelmingly opportunity-oriented, linking formalisation to business expansion, customer acquisition, and long-term vision (i.e., *“It drives me toward the formal sector...Being formal comes with recognition, publicity, and more opportunities”* **GAB06**; *“It drives me to formalise my business to access larger markets and attract more clients”* **GAB16**). This supports the view of Abdallah et al. (2022) that personal and business-related motivations intertwine to shape transition pathways.

Finally, institutional factors, notably political stability, government effectiveness, and the rule of law, play a decisive role. South African youth are divided: some feel encouraged by funding programs, *“They are now trying to support young entrepreneurs, especially black young South Africans, who are now supporting our businesses”* (RSA02), while others cite corruption, bureaucracy, and mistrust *“I do not want to see myself bankrupt...With much corruption in South Africa, I will owe SARS much money...I would rather just stick on the informal business sector”* (RSA11). Gabonese youth express more political uncertainty due to the recent regime change. Nevertheless, some remain optimistic about reform *“With the arrival of the new president, the political climate in Gabon influences me to leave the informal sector...He has a new vision for entrepreneurs and encourages young people to start businesses.”* (GAB17). These findings reinforce Moyo’s (2022) assertion that institutional environments, including the presence or absence of trust and clarity, significantly influence youth decisions to formalise.

In conclusion, the intent of youth entrepreneurs to transition to the formal economy is shaped not solely by economic necessity but by an interplay of entrepreneurial capital, legitimacy, motivation, and institutional trust. The nuanced differences between South African and Gabonese youth entrepreneurs reflect broader structural and cultural disparities in Francophone and Anglophone African contexts, demanding context-specific interventions and policy frameworks that address informal youth entrepreneurs' constraints and aspirations.

6.3 IMPLICATIONS

6.3.1 Theoretical Implications

The concept of the legitimacy threshold, defined as the point at which a venture evolves from a fragile collection of resources into a viable enterprise, is especially relevant in this context (Zimmerman & Zeitz, 2002, p.427). This study contributes to the understanding of informal entrepreneurship in Sub-Saharan Africa by advancing the application of legitimacy threshold theory (Zimmerman & Zeitz, 2002; Rutherford & Buller, 2007) within the distinct socio-economic landscapes of Gabon and South Africa.

It reaffirms that informal youth entrepreneurship is not only shaped by structural constraints but also by the pursuit of legitimacy, which emerges as a key predictor in the decision to transition to the formal economy. Answers to the interview schedule, especially question 8 of section C, which asks informal youth participants if they plan to join the formal sector, helped to determine if they have reached their legitimacy threshold. In both countries, young entrepreneurs demonstrated awareness of this threshold, often linking formalisation with business growth, access to institutional support, and social recognition. As RSA02 noted, *“The way my business is growing motivates me to join the formal sector, especially if I have the funds,”* whereas GAB07 stated, *“It is essential to declare your business. It costs money, but it provides*

security.” These statements echo Lee and Hung’s (2014) observation that achieving legitimacy is central to unlocking critical resources necessary for growth.

From a theoretical standpoint, the study extends the framework of entrepreneurial capital, drawing on Bourdieu’s (1986) typology of economic, social, cultural, and symbolic capital, to explain how youth entrepreneurs navigate informality. For instance, South African youth emphasised economic capital as a means to fund business expansion (**RSA03**: “*To make more money, I must be registered*”), while Gabonese entrepreneurs were more constrained by costs and institutional requirements, often perceiving formalisation as burdensome unless linked to personal prestige or legal necessity.

The role of symbolic capital, which has been studied less in entrepreneurial research, is revealed in this study as a significant motivator for transition. Young entrepreneurs in both countries articulated aspirations tied to recognition, status, and reputation “*If I am in the formal sector, I will have a higher target market, or maybe I will be seen and known*” (**RSA13**); “I want to become known and gain a certain reputation in my country...I cannot stay in the informal sector because it is minimal” (**GAB03**), confirming Bourdieu’s claim that symbolic capital acts as a “conversion point” for other forms of capital (Fedor, 2019). This is especially salient in Gabon, where symbolic aspirations are deeply intertwined with legal compliance and national visibility, aligning with sociopolitical legitimacy’s normative and regulative components. This aligns with the topic developed in 2014 by scholars such as William Richard Scott, who divided sociopolitical legitimacy into regulative and normative legitimacy (Jourdan, 2022; Zhang et al., 2023;).

This research study does not propose a new theoretical framework but significantly contributes to existing theories by applying them in a novel comparative African context. It offers a multi-dimensional view of what shapes formalisation intent among youth informal entrepreneurs in Sub-Saharan Africa, especially in South Africa and Gabon.

6.3.2 Practical Implications

This qualitative study offers several practical implications for informing evidence-based policies that support the transition of youth entrepreneurs from the informal to the formal economy in Gabon and South Africa.

First, the findings highlight the need for context-sensitive formalisation pathways. In South Africa, where youth entrepreneurs are often necessity-driven and motivated by funding and visibility (e.g., **RSA02**: “*The way my business is growing motivates me to join the formal sector*”), policies should focus on simplifying access to government programs and expanding awareness of existing structures.

In Gabon, youth approach informality more strategically, but are discouraged by regulatory complexity and high costs (**GAB08**: *“Being in the informal sector allows us to reduce certain costs and adapt quickly”*). Reforms should aim to simplify registration, offer subsidised legal and financial support, and provide transparent communication around formalisation benefits. The creation of the Banque pour le Commerce et l’Entrepreneuriat du Gabon (BCEG) represents a promising step forward (Launch Base Africa, 2024). As a government-backed institution, BCEG must assist SMES and informal/formal entrepreneurs with business expansion (Ministry of Commerce, SME, and SMI, 2024).

From the researcher’s perspective, BCEG's role should be extended to adolescents, not just adults aged 18 and above. Early exposure to financial literacy programs and micro-financing could foster entrepreneurial attitudes in teenagers and gradually bridge the gap between informal economic participation and formal business registration. This proactive approach could also reduce youth unemployment and strengthen Gabon's formal entrepreneurial ecosystem in the long term.

Second, the study emphasises integrating entrepreneurship and legal education into secondary schools and community training programs. This would enhance cultural capital and better prepare youth for formalisation processes. While South Africa has implemented entrepreneurship modules in many undergraduate and postgraduate programs, early-stage entrepreneurship intentions remain low (Lose & Cheteni, 2024). Moreover, the role of entrepreneurship education is still underexplored as a driver of formalisation in Sub-Saharan Africa, despite its contribution to income generation, job creation, and self-reliance (Mukhtar et al., 2021). Future research should examine the impact of entrepreneurship education on entrepreneurial intent, business registration, and institutional engagement, offering critical insights for policy development in both Gabon and South Africa.

Lastly, governments and development agencies should align their interventions with the legitimacy threshold framework. Policies should help youth entrepreneurs achieve tangible milestones, such as securing their first formal clients, accessing microcredit, or gaining media visibility, reinforcing their legitimacy and encouraging formalisation (Zimmerman & Zeitz, 2002). These outcomes will enhance individual business trajectories and contribute to broader economic formalisation and social inclusion.

6.4 LIMITATIONS

During that research study, participants from two countries and diverse backgrounds were interviewed to analyse the similarities and differences between factors that might influence South African and Gabonese informal youth entrepreneurs to join the formal economy.

The first limitation of the study is the potential for language and translation biases. Gabonese participants were interviewed in French and then translated into English, which may have affected the accuracy and interpretation of their responses.

Additionally, a research assistant interviewed the South African participants. Although the researcher was present online, this may have introduced variability in how questions were posed and responses were recorded, potentially influencing the consistency of the data across both countries.

Another limitation of this study is that the answers to different interview questions may introduce confusion when verifying whether data saturation has been reached. According to Rahimi and Khatooni (2024), data saturation is typically determined when no new themes or insights emerge from the data. However, the concept of saturation in qualitative research is debated, with unclear criteria and no consensus on how many research rounds are needed to achieve it during thematic analysis (Naeem et al., 2024).

Therefore, the diversity of research questions posed in this study resulted in varying depths and patterns of responses. This variation may make it challenging to assess whether saturation has been achieved consistently across all questions.

6.5 RECOMMENDATIONS FOR FUTURE RESEARCH

Based on the comparative findings between South Africa and Gabon, several recommendations emerge for implementation and future research. First, formalisation pathways should be tailored to local contexts. In South Africa, policies must address financial and administrative barriers while promoting the benefits of funding and networking. In contrast, in Gabon, efforts should focus on simplifying legal procedures and providing practical, accessible guidance to youth.

Both countries should enhance communication and visibility of government support programs, as many participants reported a lack of awareness or access. Strengthening trust in institutions is equally crucial. South Africa must tackle perceptions of poor governance and corruption, while Gabon should build on its current reform momentum to increase transparency and accountability. Providing targeted incentives such as tax breaks or grants can further encourage formalisation among youth, particularly those deterred by the high costs of transitioning.

Research indicates that formal education, including entrepreneurship education, positively impacts entrepreneurship outcomes, such as self-employment in high-growth industries and the establishment of new businesses (Ahn & Winters, 2022). Moreover, integrating entrepreneurship and legal education into school curricula and community training would empower young entrepreneurs to navigate formal systems confidently.

For future research, longitudinal studies should be explored to track the transition from informal to formal entrepreneurship. Additionally, given the rise of online informal businesses, future research should examine digital entrepreneurship and its impact on perceptions of formalisation. A closer analysis of institutional trust as a driver of formalisation, particularly in politically unstable contexts like Gabon, could offer valuable insights for policy and development planning. Furthermore, studies should investigate the impact of migration and social tensions on the inclusivity, structure, and sustainability of the informal sector. This involves identifying ways to foster social harmony and fair participation within informal economic activities in both contexts.

6.6 CONCLUSION

A combination of factors influences the transition to formality. According to the International Labour Organisation (2021), the success of this transition depends on public preferences, the characteristics of the informal economy, and legal frameworks, with strategies such as those outlined in Recommendation R204 helping shape inclusive economic environments.

Young informal entrepreneurs in Gabon and South Africa are driven to shift from the informal to the formal economy by a combination of financial motivation, growth ambitions, desire for legitimacy, and institutional support. Access to entrepreneurial capital, such as funding, education, networks, and reputation, enhances their confidence and capacity to formalise. Although informality tends to decline with higher education levels, a large proportion of graduates in West Africa remain in informal employment (Kiaga & Leung, 2020).

Social and cultural influences, particularly interpersonal and family ties, have also been shown to impact entrepreneurial intentions and resilience across South Africa and Gabon. The decision to remain informal or transition to formality is also shaped by institutional indicators such as corruption, lack of legal clarity, and administrative complexity, which deter or delay formalisation. Our findings align with Moyo (2022), indicating that many youth entrepreneurs initially test business ideas and market viability informally, formalising only once they gain confidence, visibility, and demand.

Access to entrepreneurial capital fuels entrepreneurial motivation, particularly when youth see formalisation as a path to expansion, recognition, and long-term stability. Through legal compliance and public credibility, attainment of legitimacy becomes both a goal and a necessity. Finally, institutional factors, including trust in government, access to support programs, and regulatory clarity, either enable or constrain their decision to formalise.

South African entrepreneurs perceive formalisation as a pathway to expand and stabilise their ventures. At the same time, Gabonese youth may view it as a means to gain credibility and security amid institutional barriers. These differences emphasise the critical role of political, economic, and cultural contexts in shaping the pathways and perceived benefits of transitioning from informal to formal entrepreneurship in Francophone and Anglophone African settings.

Moreover, migration and social tensions add complexity to the dynamics of the informal sector. In South Africa, xenophobic movements have emerged, targeting foreign nationals working informally (Cosser, 2022). This sentiment is echoed in Gabon, where some locals have accused migrant workers of job displacement (Nze, 2023). These socio-political undercurrents affect the informal economy's inclusivity and influence perceptions of security and opportunity.

In conclusion, supporting youth-led transitions to the formal sector requires context-sensitive interventions that address structural constraints and personal motivations. Future policies and research should continue to explore how institutional trust, education, migration, and entrepreneurial ecosystems collectively influence formalisation pathways, particularly within Africa's diverse socio-economic landscapes.

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APPENDICES

ANNEXURE A: INTERVIEW GUIDE

Dear Sir/Madam, my name is Christal Daisy Maloungui Moukendi. I am a student completing a Master of Commerce by Research in Management at the University of Witwatersrand, Johannesburg, South Africa.

This study aims to investigate the factors that influence the transition of businesses from the informal to the formal sector. The objective is to understand the factors that contribute to the decision to formalise, how it impacts the decision of South Africa and Gabon youth informal entrepreneurs to leave the informal sector for the formal economy, and what motivates the business owners to open a business in the informal sector.

All respondent's requirements will be respected. Anonymity will be guaranteed for those who don't want to disclose their identities, and data obtained from the interviews will be solely used for academic purposes. Participation in the interview is entirely voluntary; there are no costs, and the participants can withdraw their participation at any time.

The interview will take place face-to-face and will take about 30 minutes of your precious time. You are kindly requested to participate in the research that is intended to assist in making the formalisation of informal businesses in South Africa and Gabon much easier.

Your cooperation and contribution to this research are highly valued and much appreciated. Your cooperation is much appreciated.

ANNEXURE B: INFORMATIONS SUR L'INTERVIEW – FRENCH

Cher M. ; Chère Mlle / Mme,

Je me nomme MALOUNGUI MOUKENDI Christal Daisy, une étudiante qui souhaite valider son Master 2 en Commerce spécialité Management, à l'Université de Witwatersrand sise à Johannesburg en Afrique Du Sud.

L'objectif de cet interview est d'obtenir des informations pour le mémoire de fin d'études que je dois soumettre afin de valider mon année. Mon sujet de mémoire vise à déterminer les facteurs qui contribuent à la transition de l'économie informelle vers l'économie formelle chez les jeunes entrepreneurs Sud-Africains et Gabonais opérant dans le secteur informel, comment ces facteurs influencent leurs décisions, et ce qui les a motivés à ouvrir une entreprise dans le secteur informel.

Les préférences des différents participants seront prises en compte, l'anonymat des participants sera préservé si c'est le souhait de ces derniers. Les données obtenues pendant cet interview seront uniquement utilisées dans le cadre de ce mémoire. Les potentiels participants ont le choix d'accepter ou de refuser de prendre part à cette étude. Aucune participation financière n'est demandée pour prendre part à cette étude et les participants seront libres de se rétracter après avoir donné leur accord.

L'interview se fera face à face et demandera 30 minutes de votre précieux temps. Vous êtes cordialement invités à prendre part à cette étude qui a pour but d'apporter des nouveaux éléments de réponses sur la formalisation du secteur informel en Afrique Du Sud et au Gabon afin de faciliter ce processus.

Votre coopération est vivement sollicitée.

ANNEXURE C: CONSENT FORM

Completed by Christal Daisy Maloungui Moukendi

I, agree to participate in this research project.

I agree to the following:

(Please circle the relevant options below)

The research study was explained to me. I understand what this study is about.	YES	NO
--	-----	----

I understand that I can volunteer to take part in the study.	YES	NO
--	-----	----

I agree that my participation will remain anonymous (my name will not be used by the researcher in their research report)	YES	NO
---	-----	----

I agree that other researchers may use the information I provide in the questionnaire I complete (depending on their own ethics clearance being obtained) but my name and any personal information will not be used or passed on.	YES	NO
---	-----	----

..... (signature)

..... (name of participant/name of legal guardian for minor participants)

..... (date)

..... (signature)

..... (name of researcher/person seeking consent)

..... (date)

ANNEXURE D : FORMULAIRE DE CONSENTEMENT

Facteurs influençant l'intention de transition vers l'économie formelle : une étude comparative des jeunes entrepreneurs informels au Gabon et en Afrique du Sud.

Christal Daisy Maloungui Moukendi

Je soussigné(e),, accepte de participer à ce projet de recherche.

J'accepte ce qui suit :

(Veuillez encercler les options pertinentes ci-dessous)

L'étude de recherche m'a été expliquée. Je comprends le sujet de cette étude.	OUI	NON
---	-----	-----

Je comprends que je peux me porter volontaire pour participer à l'étude	OUI	NON
---	-----	-----

J'accepte que ma participation reste anonyme (mon nom ne sera pas utilisé par le chercheur dans son rapport de recherche)	OUI	NON
---	-----	-----

J'accepte que d'autres chercheurs puissent utiliser les informations que je fournis dans le questionnaire (guide des entretiens) que je remplis (en fonction de leur propre autorisation éthique obtenue), mais mon nom et toute information personnelle ne seront ni utilisés ni transmis.	OUI	NON
---	-----	-----

..... (signature)

..... (nom du participant)

..... (date)

..... (signature)

..... (nom du chercheur)

..... (date)

ANNEXURE E: INTERVIEW SCHEDULE - ENGLISH

Youth informal entrepreneurs will be approached on the streets and through market events such as Rosebank Market in Johannesburg and Cap Caravane Food Market in Libreville as well as on the streets. The potential participants will be selected through section A. All participants will answer section B of the interview schedule before proceeding to section C for South African participants and section D for Gabonese participants.

SECTION A

We want to interview you as an entrepreneur to complete this research. We kindly invite you to answer the following questions as prerequisites to identify the eligible informal entrepreneurs for that study.

Prerequisite questions to select informal entrepreneurs			
1. Do you operate in the formal sector or the informal sector?	☐ Formal sector ☐ Informal sector		
2. How old are you?			
3. What business sector do you operate in?	☐ Agriculture	☐ Manufacturing	☐ Retail
	☐ Motor trade and repair services	☐ Wholesale	
	☐ Catering/Food	☐ Transport	☐ Other
4. For how long have you operated in the informal sector?	☐ 3 months or less ☐ 4 months to 2 years		
	☐ 3 to 5 years ☐ More than 5 years		

This section will be completed by informal entrepreneurs eligible to participate in the study.

SECTION B

Common demographic variables							
1. What is your gender?	☐ Male ☐ Female ☐ Non-Binary ☐ Prefer not to say						
2. From which country are you from?	☐ Gabon ☐ South Africa						
3. In which city do you live?	☐ Libreville ☐ Johannesburg						
4. What is your level of education?	☐ Matric Complete ☐ Matric Incomplete ☐ Diploma/Bachelor complete ☐ Diploma/Bachelor incomplete ☐ Postgraduate studies complete ☐ Postgraduate studies incomplete						
5. What is the size of your business in terms of the number of employees?	☐ 0 ☐ Micro = 5 or less ☐ Very small 6-20 ☐ Small 21-50 ☐ Medium = 51-200 ☐ Co-operative = 201 and above						
6. Where is your business located?	<table border="1"> <tr> <td>☐ Home</td> <td>☐ Street trader or Hawker</td> <td>☐ Craft Market</td> </tr> <tr> <td>☐ Container Caravan</td> <td>☐ Shopping Centre</td> <td>☐ Taxi Driver</td> </tr> </table>	☐ Home	☐ Street trader or Hawker	☐ Craft Market	☐ Container Caravan	☐ Shopping Centre	☐ Taxi Driver
☐ Home	☐ Street trader or Hawker	☐ Craft Market					
☐ Container Caravan	☐ Shopping Centre	☐ Taxi Driver					

SECTION C –

Informal Entrepreneurs in Gabon

7. Why did you start a business in the informal sector?	
8. Do you plan to join the formal sector?	☐ Yes ☐ No. Kindly explain your answer
9. For that study, entrepreneurial capital includes: - economic capital (i.e., material and financial resources) How does your desire to acquire financial resources such as money, for example, influence your choice between staying in or leaving the informal sector? -cultural capital (i.e., knowledge, skills, academic achievement) How do your skills and/or academic achievements influence your choice to join the formal sector? -social capital (i.e., relationships with friends or family, new relationships with people, social relationships) How do your friends or family's role in your business and desire to acquire new relationships affect your choice between staying in or leaving the informal sector?	

-symbolic capital (i.e., prestige, positive reputation, or status) How does your desire to run a company with prestige, positive reputation or status, for example, influence your choice between staying in or leaving the informal sector?	
10. Regulative legitimacy means “doing things correctly.” Governments or agencies require People and organisations to follow their rules and laws. Normative legitimacy means “to do things right”; otherwise, to be aligned with what society morally desires and expects you to do and what is socially acceptable. Does the desire to obtain legitimacy (by respecting the law) for your business impact your decision to continue operating in the informal sector or transition to the formal sector?	
11. How does your entrepreneurial motivation affect your choice to stay in the informal sector	

versus moving to the formal sector?	
12. For that study, institutional factors include: - political stability How does the political state of Gabon impact your choice between leaving the informal sector or continuing to operate within it? -government effectiveness How does the Gabonese government's assistance to entrepreneurs impact your choice between leaving the informal sector or continuing to operate within it? -and the rule of law. How does respect for the law and the level of corruption in Gabon impact your choice between leaving the informal sector or continuing to operate within it?	
13. Which factor(s) mainly enhance your desire to join the	

formal sector? Please justify your answer.	
14. Do you believe that any other factor besides those cited during the interview might influence your decision to transition?	

Informal Entrepreneurs in South Africa	
7. Why did you start a business in the informal sector?	
8. Do you plan to join the formal sector?	☐ Yes ☐ No. Kindly explain your answer
9. For that study, entrepreneurial capital includes: - economic capital (i.e., material and financial resources) How does your desire to acquire financial resources such as money, for example, influence your choice between staying in or leaving the informal sector? -cultural capital (i.e., knowledge, skills, academic achievement)	

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11. How does your entrepreneurial motivation affect your choice to stay in the informal sector versus moving to the formal sector?	
12. For that study, institutional factors include: - political stability How does the political state of South Africa impact your choice between leaving the informal sector or continuing to operate within it? -government effectiveness How does the South African government's assistance to entrepreneurs impact your choice between leaving the informal sector or continuing to operate within it?	

-and the rule of law. How does respect for the law and the level of corruption in South Africa impact your choice between leaving the informal sector or continuing to operate within it?	
13. Which factor(s) mainly enhance your desire to join the formal sector? Please justify your answer.	
14. Do you believe that any other factor besides those cited during the interview might influence your decision to transition?	

ANNEXURE F: ETHICAL CLEARANCE CERTIFICATE



Research Office

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)

R14/49 Moukendi

CLEARANCE CERTIFICATE

PROTOCOL NUMBER: H24/09/34

PROJECT TITLE

Factors influencing the intent to transition to the formal economy:
A comparative study of informal youth entrepreneurs in
Gabon and South Africa

INVESTIGATOR(S)

Miss C Moukendi

SCHOOL/DEPARTMENT

School of Business Sciences/

DATE CONSIDERED

27 September 2024

DECISION OF THE COMMITTEE

Approved
Risk Level: Minimal

EXPIRY DATE

23 October 2027

DATE

24 October 2024

CHAIRPERSON

A handwritten signature in black ink, appearing to be "JW", written over a horizontal line.

(Professor J Watermeyer)

cc: Supervisor: Professor R Venter

DECLARATION OF INVESTIGATOR(S)

To be completed in duplicate and **A SIGNED COPY** returned to the Secretary electronically. Unreported changes to the application may invalidate the clearance given by the HREC (Non-Medical)

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure be contemplated from the research procedure as approved I/we undertake to submit an amendment of the protocol to the Committee. **I/we agree to completion of a regular progress report. For Minimal and Low Risk studies, this is due annually on 31 December. For Medium and High Risk studies, this is due twice annually on 30 June and 31 December.**

A handwritten signature in black ink, appearing to be "C. Moukendi", written over a horizontal line.

Signature

26 October 2024

Date

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES