

**The perceptions of informal entrepreneurs on the impact of formalisation
in Cosmo City, Johannesburg.**

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ABSTRACT

This study explored the perceptions of informal township entrepreneurs in Cosmo City, Johannesburg, on the impact of formalisation, factors hindering them from formalising, and the support required from the government for them to transition.

Utilising an inductive, qualitative approach and a semi-structured interview guide, in-depth interviews were conducted with 16 participants operating informally across diverse industries within the informal sector. Through thematic analysis, key themes emerged from the participant's experiences.

The findings highlight the positive perception that informal township entrepreneurs have about formalisation. Despite all the structural challenges inhibiting the participants from formalising, the study found that the rest of the hindering factors were solely in their control. This study underscores the influential role policymakers have in enabling informal township entrepreneurs to formalise their enterprises.

Keywords: Formalisation, Township Economy, Informal Township Entrepreneur, Informal Township Enterprise, Government Incentives

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LIST OF ACRONYMS

<u>Abbreviation</u>	<u>Full Name</u>
CIPC	Companies and Intellectual Property Commission
Cogta	Department of Cooperative Governance and Traditional Affairs
CoJ	City of Johannesburg
GDED	Gauteng Department of Economic Development
GDP	Gross Domestic Product
GTERS	Gauteng Township Economic Revitalisation Strategy
ITE	Informal Township Entrepreneurs
SARS	South African Revenue Services
Stats SA	Statistics South Africa

CHAPTER 1. INTRODUCTION

1.1 Statement of purpose

The purpose of this qualitative study was to explore the perceptions of Informal Township Entrepreneurs (ITE) on formalisation, including hindrances and expected incentives from the government to formalise, in Cosmo City, Johannesburg.

1.2 Background of the study

Informality is imperilled by the lack of understanding of what it is, resulting in the creation of inadequate policies by policymakers (Farrell, 2004; Loayza, 2016). Informality is described by Ligthelm (2008), as unrecorded economic activities that evade official estimates and work outside of a regulatory framework (Loayza, 2016).

A great deal of literature on informal enterprise argues in favour of formalisation due to the benefits that accrue in favour of the government, including inclusive growth (Chen, 2012; Maduku & Zerihun, 2022). These benefits outweigh those of informalisation, and there is a crucial role that policymakers have in ensuring the transition (Williams, 2014; Mugisa 2022). Maduku and Zerihun (2022) posit that the government continues to overemphasise the contribution that the informal sector has on GDP post-formalisation, but the sector continues to be neglected by satisfactory economic policy formulation (Twala, 2022). Du Toit et al. (2020) accentuate the fact that the government has introduced policies and development agencies to look at stimulating and developing informal entrepreneurial efforts. Gonzalez et al. (2021) argue that these efforts have been compliance-focused, failing to ensure access to the benefits of formalisation. These authors highlight that this has resulted in the limited success of policies and programmes, discouraging the transition, and attribute this phenomenon to local governments' hesitant attitude towards informal enterprise.

Williams (2014) and Loayza (2016) highlight that the informal sector is a fundamental characteristic of underdevelopment, which is determined by the relations between government and the sector through legislation and monitoring.

The Business Act (No. 71 of 1991) signalled the reduction of restrictive laws on enterprise (Skinner, 2019), leading to a radical policy shift post-apartheid to support and promote small enterprises (Rogerson, 2000). Rogerson (2000, 2016), and Scheba and Turok (2019) acknowledge the various laws introduced to stimulate entrepreneurship and economic growth. However, these laws and programmes have been met with significant opposition from different spheres of society and enterprise, as some policies have resulted in punitive measures against the informal sector (Gonzalez et al, 2021). Rogerson (2016) and Du Toit et al. (2020) highlight the following reasons behind the failure of government policies and initiatives:

- I. Policies and programmes focusing on the needs of the government.
- II. Lack of consultation with informal entrepreneurs.
- III. Failure to understand the reality of the informal entrepreneur.
- IV. Emphasis skewed towards medium and more formal enterprises, regulating informal enterprise instead of supporting it.
- V. Insufficient implementation of strategies and resources by the government.

Chen (2012) and Mugisa (2020) agree that these challenges can be addressed through the creation of relevant regulations and policies. Through GTERS, the GDED has embarked on an audacious programme to increase its township's contribution to provincial GDP to 30% by 2030 (GDED, 2014) with CoJ (2024) focusing on prioritizing the provision of livelihoods through the informal sector. Apartheid laws restricted the development of industries in townships (Mahajan, 2014), and it is still the least desirable environment for industry (Rogerson, 2000) due to its spatial disconnection and alienation from the formal economy (Mncanca, 2023). Du Plessis (2013) highlights that such disconnect is caused by town planners' interpretations of space based on industrial cities from the 19th

century, constraining the informal sector in the townships (Masuku, 2023). Scheba and Turok (2019) highlight the huge interest in policies targeted at the development of the township economy and advocate for programmes that will reduce the leakage of resources invested in its development by creating a conducive environment that allows enterprise to thrive through the revision of existing inhibiting regulations. One such example piloted by the City of Johannesburg that has been met with challenges is the development of Cosmo City, which was built in the early 2000's with the intention of advancing job creation and economic participation within the township itself (Phosho & Gumbo, 2025), even though informal sector participation was excluded in its development (Patel, 2014).

1.3 Problem Statement

Informal township entrepreneurs continue to be marginalised by governments' efforts to formalise the informal sector (Scheba & Turok, 2019; Jha & Bag, 2019). Gonzalez et al. (2021) and ILO (2021) attribute the barriers leading to this phenomenon to efforts from the government to force the informal township entrepreneurs to be compliant, inadvertently increasing red tape for them. With informal enterprise being deliberately excluded in the development of Cosmo City (Patel, 2014), De Soto's (1989) legalistic theory highlights that informal actors will always find a way to work around a discriminative regulatory framework, and Maloney (2004) and Chen (2012) bring attention to the fact that informal actors will voluntarily operate informally if the benefits of informality far outweigh those of formality.

As a result of the red tape, at least 8% of the City of Johannesburg's population earning a living in the informal sector including Cosmo City (Cogta, 2020), are being excluded from the benefits of formalisation, limiting their ability to grow their enterprises. Therefore, understanding and addressing these inadequate policies is essential if informal township entrepreneurs are to transition from informal to formal enterprises.

1.4 Research objectives

The objective of this paper is to explore the perceptions of informal township entrepreneurs in Cosmo City on what formalisation means to them, factors inhibiting the transition, and incentives expected from the government to formalise.

The three are:

1. To explore informal township entrepreneurs' views on formalisation.
2. To explore factors that are hindering informal township entrepreneurs' from formalising.
3. To investigate the expectation of informal township entrepreneurs on government incentivisation to transition to the formal sector.

1.5 Rationale

Informal entrepreneurship has thrived and evolved over the years due to poor policies (Etim & Daramola, 2020). Though the government has introduced numerous policies and programmes intended to drive formalisation, these policies are not aligned to the actual transition process (Gonzalez et al., 2021).

Globally, effort and literature on formalisation has focused on the benefits it has in favour of governments and formal employment opportunities (Chen 2012; Williams, 2014; Mugisa, 2022). In the South African context, Maduku and Zerihun (2022) noted the same trend, including the fact that there is little literature focusing on the needs of the informal entrepreneur.

Both Rogerson (2016) and Skinner (2019) noted that laws introduced to stimulate the informal sector were subsequently amended due to their failure to address what they were intended for. This is a result of misaligned policies where the government assumes they know the needs of the informal entrepreneur (Gunhidzirai, 2023), marginalising them and taking away their voice (Jackson, 2016). By focusing on the needs of the informal township entrepreneur, this study

aimed to gain insights that will aid policymakers to develop programmes and policies that will incentivise the transition.

1.6 Delimitations of the study

This qualitative study focused on how informal township entrepreneurs view formalisation in Cosmo City, Johannesburg, hindrances to it, and the government support they require. The theoretical framework grounding this study is based on both the legalistic and voluntarist schools of thought, which form part of the foundations that influences informalisation. A non-probability sampling method was employed, and only participants operating informal enterprises were considered, as the study purely focused on in-depth abstraction of this group's insights. Data collection was restricted to semi-structured interviews, and (Braun & Clarke, 2006) thematic analysis was used as the analysis tool. Both data collection and analysis was conducted over a 3-month period.

1.7 Definition of terms

Formalisation: Transition from an informal to a formal enterprise (Mugisa, 2022), which includes registering and obtaining licences from the necessary regulatory bodies and operating the enterprise formally.

Township: Areas deliberately designed under apartheid to function as residences for the supply of labour to white economic centres (Scheba & Turok, 2019; Mazwai, 2020)

Township Economy: Scheba and Turok (2019) describe a township as an urban area where all economic activities take place.

Informal Township Entrepreneur: a small enterprise owner whose enterprise is not legally registered or operates informally in the township to address that market (GDED, 2014; Williams, 2014).

Informal Township Enterprise: Enterprises that offer goods and services to the township markets and further from within the township (GDED, 2014).

1.8 Assumptions

- I. Participants understood the questions considering the multilingual environment in Cosmo City, Johannesburg.
- II. Participants were truthful and open in their responses.
- III. Participants took part out of their own free will.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

Prior to understanding the impact of formalisation on informal township entrepreneurs, this section discusses some of the causal theories upon which informality rests: these being the legalist, dualist, and voluntarist schools of thought.

2.2 Background discussion

There is an abundant and ever-expanding body of work on informality (Williams, 2014; Moyo, 2022), yet its misapprehension persists (Ligthelm, 2008; Chen, 2012). Moyo (2022) accentuates the two paradigms on which the current argument between formalisation and informalisation rests.

The first paradigm is that informalisation should remain a permanent feature of the economy. Cassim et al. (2015) and Mahadea and Zogli (2018) argue in its favour due to the employment opportunities it creates for the vulnerable, and it is a testing ground for new enterprises.

The second paradigm brings forward the concept that the benefits from formalisation far outweigh those of informalisation, being:

- I. Inclusive economic development and better planning capabilities.
- II. Reduced tax burden on the formal sector.
- III. Reduced competitive advantage the informal sector has on the formal sector and inefficient allocation of capital.
- IV. Access to legal protection and economic development opportunities.
- V. For consumers, ensuring products meet regulatory requirements.

2.3 Informal Township Entrepreneurs' views on formalisation

The voluntarist school of thought, which Chen (2012) succinctly encapsulated as choosing to operate informally due to the relative benefits formality would offer, influences views on formalisation. Aberra et al. (2022) posits that many informal enterprises are created out of necessity, therefore, it cannot be assumed that all will consider formalisation. Chen (2012) argues that informal entrepreneurs are keen on formalisation provided barriers are reduced. Mbeni and Yeboah (2024) support this argument, noting that these entrepreneurs need some form of handholding. The nature of informal entrepreneurship draws attention to the dualist debate, with Hart (1973) arguing that there is a clear distinction between the informal and formal sectors, and that the existence of the informal sector is a result of lack of skills. Moyo (2022) and Stats SA (2023) concur, noting that the informal sector in South Africa is characterised by low levels of formal education, skills, knowledge, and access to information, trapping informal township entrepreneurs in the informal sector.

Understanding these theories and drivers is crucial in understanding how formalisation is likely to impact the informal township entrepreneurs, as this will influence their views and voluntary formalisation.

Proposition 1

Views of informal township entrepreneurs on formalisation are dependent on the perceived benefits it provides them.

2.4 The factors that hinder informal entrepreneurs from formalisation

ILO (2021) posits that entrepreneurs in the informal sector may not have the knowledge of the benefits of formalisation and processes to be followed, raising a lack of awareness as a huge deterrent for the transition, including the limited evidence of benefits of formalisation after the transition (Gonzalez et al., 2021). Formalisation has different meanings for different parties (Chen, 2012), with the debate being around formal wages or stringent regulation on informal enterprises

(Chen, 2012; Maduku & Zerihun, 2022), subjecting informal entrepreneurs to regulatory barriers (De Soto, 1989).

With township enterprises being survivalist in nature, Hume et al. (2021) underlined the desire for formal employment, a limited growth mind-set, and unscalable business models as disincentives for enterprise growth beyond the informal sector (Farrell, 2004). These challenges create a perpetual cycle of informality, and addressing them can incentivise the transition.

Proposition 2

Lack of knowledge of the benefits of formalisation, structural barriers, and a limiting mind-set are key deterrents to formalisation.

2.5 Government incentivisation to transition to the formal sector.

Legalist theory by De Soto (1989) focuses on economic activities outside of government regulation, due to bureaucracy associated with formalising and running a formal enterprise. He advocates for the development of a legal framework that reduces bureaucracy. Conversely, South Africa has a huge focus on compliance, but little is done to incentivise it (ILO, 2021). Maduku and Zerihun (2022) found that South Africa's bureaucratic process makes it hard to register and start an enterprise, even disincentivising the establishment of new enterprises. Charman et al. (2017) and Scheba and Turok (2019) research draws attention to the plethora of existing legislation that disincentivises the formalisation of township enterprises, promoting either punitive measures or exemption by the government, resulting in the lack of development of the township economy.

Proposition 3

Policymakers can develop better policies and programmes to incentivise the transition if they know what support informal township entrepreneurs need.

2.6 Theoretical foundation

The theoretical foundation underpinning this study is rested on the adoption of dual theories, being the legalistic and voluntarist schools of thought.

The legalistic theory by De Soto (1989) highlights the impact of discriminatory regulation and policies that inhibit formalisation. Olaya et al. (2007) expanded this theory and attribute this phenomenon to governments in underdeveloped regions making decisions on incomplete information.

The voluntarist thought brings attention to the fact that informal entrepreneurs continue to operate informally due to the perceived cost of formalisation, as they will not be better off in a formal environment (Maloney, 2004). Therefore, this emphasises the need for purpose-built incentives by policymakers to incentivise the transition.

The integration of both these schools of thought provides a foundation for clarifying the impact that inadequate policies have on the decision to formalise.

2.7 Conclusion of Literature Review

Although there is a great body of research, the misapprehension of informality is still a great concern. Consequently, the priority of the government has been misdirected at creating formal jobs and informal enterprise compliance, disregarding the needs of the informal entrepreneur.

The exclusion of informal entrepreneurs is shown in the myriad of laws that inhibit the development of informal entrepreneurship in townships, reducing the likelihood of these enterprises from formalising.

CHAPTER 3. RESEARCH METHODOLOGY AND DESIGN

3.1 Research approach and paradigm

This qualitative study followed an interpretivist worldview which is inductive in nature using semi-structured interviews to collect primary data. The relevance of a qualitative approach is that it allows for deeper understanding that humans put to events (Frankel & Devers, 2000), allowing for changes as the research progresses (Saunders & Lewis, 2018). This approach allowed for greater flexibility, ensuring that rich data was collected from the informal township entrepreneurs.

According to Saunders and Lewis (2018) it is the most tool relevant in an attempt to draw valuable insights related to some phenomena. This allowed the study to explore complex phenomena and gain crucial insights from the informal township entrepreneurs perspective.

3.2 Research design

This study relied on semi-structured interviews allowing participants to freely express their views. Primary data was collected directly from the source to avoid relying on data that was not originally collected for this study.

Cross-sectional design was utilised as the preferred method, which Spector (2019) has described as the most efficient observational method for participants and the researcher. This approach facilitated the efficient conduct of in-depth interviews with the participants within the limited time period that the interviews were conducted and data analysed

3.3 Population and sample

3.3.1 Population

Stats SA (2023) estimates that 25% of the 2,3 million people earning an income in the informal sector live in Gauteng, with 80% of its population living in townships (GDED, 2014). Of these figures, Cogta (2020) estimates that 8% of Johannesburg's population earns a living in the informal sector, with Cosmo City's informal economy thriving due to the increase in the population driven by its unique mixed housing development (Phosho & Gumbo, 2024).

3.3.2 Sample and sampling method

Saunders and Lewis (2018), posit that a sample is a subgroup that the research aims to gather research data from, being informal township entrepreneurs in Cosmo City, Johannesburg. A purposive non-probability sampling technique was used as it focuses on particular characteristics of the population of interest (Rai & Thapa, 2015). This technique enabled the identification and selection of participants based on the following criteria:

1. The informal township entrepreneurs must be operating an informal enterprise within Cosmo City.
2. The enterprise must be in continuous operation for a period of no less than 3 months.
3. The informal township entrepreneur's main economic activity must be in the informal sector.

27 participants were identified based on their willingness to participate and the researcher's knowledge of the population. After 16 interviews, saturation was reached, aligning with Hennink and Kaiser (2022), that saturation using qualitative methods is reached between 9 to 17 interviews.

3.4 The research instruments

A semi-structured interview guide was developed to explore the views of participants, allowing them to share and capture their in-depth experiences.

The questions were divided into 5 sections: the demographic information about the participants, followed by those of the enterprise. The following 3 sections were divided into sections looking into the views of the participants, what was hindering them from formalising, and the government support they required.

The pilot phase comprised 2 participants, leading to the modification of the questions. In total, the interview guide comprised 31 questions (See Appendix A).

3.5 Procedure for data collection

Upon ethical clearance approval, individuals were approached physically at the location of their enterprises and invited to participate voluntarily (See Appendix D). Participants were subjected to the inclusion criteria set out in section 3.3.2 and required to sign a consent form (See Appendix B). Follow-ups to arrange interviews were done through WhatsApp. All interviews were conducted physically using a digital voice recorder and later transcribed verbatim for analysis.

3.6 Data analysis strategies and interpretation

Braun and Clarke's (2006) 6-step thematic analysis was employed as it allowed for systematic organisation and analysis and interpretation of data, capturing a narrative around it. Dawadi (2020) posits that this method strongly connects data to themes instead of existing theoretical interests, being a flexible tool providing a rich and complex account of data (Braun & Clarke, 2006).

Figure 1: 6 Step Thematic Analysis Guide (Braun and Clarke, 2006)

Phase	Description of the process
1. Familiarising yourself with your data:	Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.
2. Generating initial codes:	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
3. Searching for themes:	Collating codes into potential themes, gathering all data relevant to each potential theme.
4. Reviewing themes:	Checking in the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic 'map' of the analysis.
5. Defining and naming themes:	Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells; generating clear definitions and names for each theme.
6. Producing the report:	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.

3.7 Quality Assurance

3.7.1 *Transferability*

Drisko (2024), defines transferability as an abstraction process applied to data sourced from specific persons, environments, and periods to other areas that have not been researched directly. 3.3.2 to 3.6 outline the purposeful selection of participants and research design to ensure transferability. The study was ring-fenced to Cosmo City, Johannesburg.

3.7.2 Credibility

Cho and Lee (2014) recommend triangulation to reduce any researcher bias and misinterpretation of data by checking against other sources. Responses from participants were tested against existing literature and feedback from other participants.

3.7.3 Dependability

To enhance dependability, Cho and Lee (2014) recommend maintaining an audit trail. All interviews were recorded and transcribed. These records will be kept for a period of 24 months after the study, after which they will be destroyed.

3.8 Ethical considerations

Interviews were only conducted after the ethical clearance certificate was issued by the University of the Witwatersrand (See appendix C).

Participants personal information has not been disclosed and the feedback they provided will be treated as confidential.

CHAPTER 4. FINDINGS OF THE STUDY

The objective of this section is to present the findings of the study and lay a foundation for the solutions that policymakers should consider in order to incentivise formalisation.

4.1 Participants Profile

The study interviewed participants from various sectors within the township economy, including various educational levels. The participants comprised 68% foreign nationals highlighting their high participation rate in the informal sector. Lastly, 68.75% of the participants were between the ages of 31 and 50 years, with only 3 women being interviewed.

An important observation is that three participants indicated they had partially registered their enterprises, meaning they had only registered with CIPC, but not SARS and other regulatory bodies as required for the operation of their enterprises. 5 indicated they had registered with both CIPC and SARS but opted to operate informally due to the benefits being realised. Table 1 below gives an illustration of the profile of the participants.

Table 1: Participants Profile

No.	Participant	Gender	Age Group	Education Level	Nationality	Registered	Numbers of Years	Industry
1	Participant 1	Male	18 to 30	Matric	Non-South African	No	6	Clothing and shoe repair
2	Participant 2	Female	41 to 50	No completed	Non-South African	No	0,9	Retail
3	Participant 3	Male	18 to 30	No completed	Non-South African	No	3	Retail
4	Participant 4	Male	31 to 40	Matric	South African	No	9	Hair Salon
5	Participant 5	Male	31 to 40	No completed	South African	yes	15	Tattoo Parlour
6	Participant 6	Male	31 to 40	Certificate	Non-South African	yes	9	Internet Café
7	Participant 7	Male	41 to 50	Diploma	South African	No	20	Retail
8	Participant 8	Male	31 to 40	Masters	Non-South African	yes	3	Tyre Centre
9	Participant 9	Female	31 to 40	Diploma	Non-South African	No	6	Food
10	Participant 10	Male	51 to 60	No completed	Non-South African	No	3	Laundry
11	Participant 11	Female	41 to 50	Matric	South African	yes	0,3	Retail
12	Participant 12	Male	51 to 60	Degree	South African	yes	10	Internet Café
13	Participant 13	Male	41 to 50	Certificate	Non-South African	yes	11	Furniture
14	Participant 14	Male	31 to 40	Matric	Non-South African	No	2	Tyre Centre
15	Participant 15	Male	31 to 40	Diploma	Non-South African	yes	12	Appliance Repairs
16	Participant 16	Male	51 to 60	Matric	Non-South African	No	8	Food

4.2 Overview of the themes from the findings

From the data collected, 5 immersive themes emerged resulting in 11 sub-themes (See Appendix E). Themes in the below table clearly accentuate the impact of policymakers on formalisation.

Table 2: Overview of Themes

Research Objective	Phenomenon explored	Sub-themes
ITE Perception on formalisation	Impact formalisation has on the ability to manage authorities and enterprise growth.	1. Formalisation is a mechanism to deal with law enforcement. 2. Catalyst to new markets and growth.
	Lack of comparable examples of formalised township enterprises.	3. Inability to compare between formal and informal.
Exploring factors hindering formalisation	Structural Hindrances.	1. Legal Restrictions on Foreign nationals. 2. Lack of Formalisation Knowledge.

	Self-imposed hindrances.	3. Enterprise as a source of income. 4. A limiting growth mind-set.
Required government support	Government needs to ensure formalisation is with the effort.	1. Distrust in the government 2. Education and Accountability from state. 3. Localised Assistance 4. Protection from the informal sector and access to opportunities in the township.

4.3 Findings on informal township entrepreneurs' views on formalisation

This section delves into the findings of the first research objective, which aimed to explore the informal township entrepreneur's views on formalisation.

4.3.1 Impact formalisation has on the ability to manage authorities and enterprise growth.

Based on the findings, we see that formalisation has an empowering effect on the informal township entrepreneurs, as articulated in the themes below.

Sub-theme 1.1: Formalisation is a mechanism to deal with authorities.

Through the enforcement of bylaws by local authorities and harassment by the police, the informal township entrepreneurs noted that they are in a constant state of rebuilding their enterprises due to the persistent loss of capital resulting from the confiscation of their stock and equipment. The participants highlighted that the authorities' high penalties for recovering their confiscated capital further perpetuated the situation.

Participant 14: *When you are operating informally, there is a time when the police come and take your stuff, then you have to start afresh each time. Per year, maybe you lose your things maybe 3 times. They can come, take all the equipment, which means automatically you have to start again. That's the major thing that delay us from growing and formalising.*

Police request papers for the business and licence for operating and take the stuff and want a large amounts of money to release the stuff. The amount is so large it makes sense to buy new equipment.

Similar sentiments were shared by Participant 9: *Disadvantages you can lose if the authorities come at any time and take it. They come anytime. When you not formalised, there a lot of things to consider cause you running a risk. You can lose all your capital. When you have to go and get it, it's a lot of money and you can let it go.*

As a result, the informal township entrepreneurs view formalisation as a mechanism of managing local authorities and protecting their livelihoods.

Participant 16: *I understand why I must register. I looked at the situation that if I'm not registered and the metro police, when they take the stock loss, because you not registered and don't appear anywhere and they take my tools, I'm getting losses. I decided to go and register to secure myself and business.*

Sub-theme 1.2: Formalisation is a catalyst for access to markets and growth.

All the participants believed that the major benefit of formalisation would be access to larger markets and opportunities for skills and enterprise development. Most importantly, through formalisation, participants believed that it would result in better management of their enterprises, leading to greater accountability.

Participant 14: *Formalisation means I will be taking my business in a formal way, everything I do is in order.*

Participant 12: *The benefits of formalise is to have our structure to be more corporate, and doing things on board and not in the wrong way as compared to now, where sometimes we can jump so many lines and no one can point a finger on us because we know. But, once we formalise, we can, we sure everything goes according to plan*

In terms of the benefits of access to markets and growth, participants highlighted the following:

Participant 15: *Formalisation is a good thing because it gives you exposure to the market. Cause now I'm here, so now I'm not in exposure. A person who stays in Fourways doesn't know about me, a person in Randburg doesn't know about me unless someone once used me and referral, so once you are formal they can put you on databases and you are exposed. Formalisation is got an advantage.*

4.3.2 Challenges of comparing formal and informal township enterprises.

Even though the perception of informal township entrepreneurs on formalisation is positive, they have no credible examples of what a formalised enterprise in the township looks like.

Sub-theme 2.1: Inability to compare between formal and informal.

Due to the elevated levels of informality in the township economy and the low levels of successful enterprises to emerge from it, there are a few examples, and

it is difficult for the informal township entrepreneurs to comprehend the benefits due to a lack of exposure. Though formalisation is viewed in a positive light, this theme draws attention to a fundamental question: even with their understanding of formalisation, due to the lack of examples in the informal township entrepreneurs' environment, do they really comprehend what formalisation is?

Participant number 4: *I don't see the benefits of not being registered, maybe if I'm registered I will see the benefits. The tax part: all the money comes to me, but also, I also don't see the benefit of not paying tax, because I have not seen the difference of a registered and unregistered business. I haven't registered a business so I still want to explore. If I register, I can probably see the benefits.*

Participant 14: *As for now, I'm not sure because I've never worked in a formalised business. What I understand is that having a formal business is safer than an informal one.*

4.4 Findings on factors that hinder informal township entrepreneurs from formalising.

This section explores the second objective that focused on factors hindering informal township entrepreneurs from formalising. The study found that hindering factors were both structural and self-imposed.

4.4.1 Structural Hindrances for formalisation.

Literature debates that not all informal entrepreneurs seek to formalise, the counterargument being that they seek to do so provided they are handheld throughout the process. This theme seeks to highlight the unique structural challenges experienced by informal township entrepreneurs that hinder them from formalising.

Sub-theme 3.1: Lack of information.

Disparity, the lack of information on formalisation, and the process to be followed was a sentiment shared by all the participants. The majority of the

participants expressed that they did not have the relevant knowledge on the formalisation process and where to go to initiate it.

Participant 8: *I belong to Pakistan. There, if there is a programme for the youth or general people happening in future, they will be ads on social media, pamphlets. But here, I am on social media, I didn't see anything. I don't see anything on newspapers or news channels.*

This lack of information acts as a deterrent even for those who wish to formalise their enterprises, this is evidenced in the various responses from the participants.

Participant 4: *I went to the bank wanting to open a business bank account, and they told me I need to register and get a tax number. How it will benefit me, I don't know. I don't know where exactly to start, but I know there is a process.*

Participant 2: *Yes, but I cannot say I have a plan to register cause no one has, can tell me how to register. I don't know the process to do the thing. I have not asked anyone.*

Sub-theme 3.2: Legislative Restrictions so foreign nationals.

As far back as 2011, the Sustainable Livelihoods Foundation (2012) found that 50% of all spaza's in the informal sector were foreign-owned. Of all the foreign participants, all but two expressed frustrations with delays of their documents at Home Affairs and development programmes designed to exclude them. They believed that these delays and exclusionary measures are some of the forces driving them to remain informal.

Participant 9: *I tried a lot of times. I know the process of formalising, but I stopped because my passport had expired. When I renewed my passport, my permit had expired, so right now I'm in the process of renewing my permit. I'm still regularizing my permit.*

Participant 15: *Once you have an ID, you know where to go and you can approach them anytime. But unfortunately for us we have passports so is like I*

said, if you are a foreigner and you want business funding you have to have proper documentation

4.4.2 Self-imposed Hindrances to formalisation.

This theme highlights that not all hindrances to formalisation are external, but that some are self-imposed.

Sub-theme 4.1: The enterprise is a source of the informal entrepreneur's sustenance.

The survivalist nature of the informal enterprises operated by the informal township entrepreneurs means that all the revenue generated goes towards covering their immediate needs, leaving nothing for the formalisation of their enterprises, allowing personal circumstances to overshadow any need for them to formalise their enterprises.

Participant 10: You cannot just formalise something I did out of necessity because I just saw that opportunity that this will make me eat. It's not a business, it's a source of income.

Participant 5: Is to register the business and operate in right way. It's important but sometimes you face challenges trying to pay attention there, but once kids are involved, things get difficult. When you try to invest in the business, things happen, and you need to do them.

The trend can be associated with the fact that even though the informal entrepreneur is aware of some benefits of formalisation, these benefits do not improve their situation and do not justify formalisation.

Sub-theme 4.2: A Limiting Growth Mind-set.

A concerning trend inhibiting informal township entrepreneurs from formalising within their control is the need to invest first in the enterprise, see it grow, and then only consider formalisation. This was even after the fact that they had viewed formalisation as a means of growing their enterprises.

Participant 5: *For now, my house and family commitment, have tiles and paint that is holding me back, and I'm almost done. If it wasn't for that, I would have invested it on the other side. Need to fix online presence for more customers and the premises. Priority is marketing; if I can get that one right, I can invest in the premises and get a new roof fast. Invest first in the business then finish the process.*

Lastly, most interesting was the impact that a lack of competition had on formalisation. The study observed that the lack of competition resulted in a lack of a need to operate formally.

Participant 12: *I think it's sometimes looking at our competitors; we don't have too much challenge that forces us to operate 100% formal, because we still make the numbers we'll make even if we were formal.*

4.5 The expectation of informal township entrepreneurs on the government to incentivise formalisation

4.5.1 Government must be intentional about the formalisation of ITE

The last objective aimed to understand what type of assistance is required by informal township entrepreneurs and highlight areas that the government can focus on to incentivise the transition, as current policies are failing to ensure benefits in favour of informal township entrepreneurs (Gonzalez, et al, 2021). This is evident in the multiple policies and programmes targeted at the informal sector being constantly amended as they fail to meet the requirements they were designed for (Rogerson 2016; Du Toit, 2022).

Sub-theme 5.1: Localised Assistance.

The participants highlighted that there was a lack of accommodation by the government in their policies and programmes. As evidenced in the research conducted, informal township entrepreneurs are facing structuralist challenges trying to formalise their enterprises.

Participant 9: *I'm trying all the time; sometimes I even have to close to go and do the process and being sent pillar to post until my permits and passport expired, and I had to stop.*

In addition, the programmes and implementation strategies fail to accommodate the needs of the informal entrepreneur.

Participant 5: *Yes, I did try NYDA; they told me to come to their office and get forms, then there is school attendance, and there was hours and days which was a problem because you have to work and be in class. Business has to stop.*

This phenomenon is resulting in a call from the majority of the participants requiring assistance to be brought physically to the townships.

Participant 12: *The biggest problem is that government structures are there, but they too far from the community. We need to have people who come to the community and say, Guys, we can walk with you on this path. Come let us show you the steps too.*

Sub-theme 5.2: Lack of Trust in the Government.

Participants highlighted the extreme levels of corruption by authorities, leading to low levels of trust in the government. The resultant effect is the participant's reluctance to source or access any government assistance.

Participant 11: *I don't trust government things because you have to pay bribes, some are scams, favouritism. Even when I fill in forms, I just do it because you gave me.*

Participant 12: *Those programmes you see them on the internet and television, but the biggest problem is it happens through nepotism; if you know someone who knows someone, then its going to happen, but if you don't know anyone.*

Lastly, the lack of success stories of those who have gone through government programmes permeates to the extent that informal township entrepreneurs are not interested in government programmes as noted by Participant 12: *We read a lot of them and in most cases, these kind of opportunities we run for them once we see some of our peers or competitors in our same field or level start achieving them, but if nothing is happening to anyone close to us, we are reluctant to knock on the doors because nothing is happening amongst us, and we end consider the little thing I have because I know what is the end result of it.*

Sub-theme 5.3: Education and Government Accountability.

The consensus amongst the participants is that for their enterprises to grow, they need government assistance with education to better manage their enterprises.

Participant 2: *If they teach me, it will be a good opportunity to teach me. If I'm selling vegetables. If they give me a space and loan me capital to buy more stock and give me courage to do these things and pay back that money, they give me power to do that. I will work hard, training me to work and run my business so I don't eat the money but continue to invest in my business.*

Participant 9: *Opportunity to educate ourselves on how to grow our business and how to keep it running. Entrepreneurs basically do everything for themselves.*

With this education and other support, the participants are expecting some form of handholding and some level of accountability from the government.

Participant 11: *Also come back and check what you are still lacking cause they giving us money. They cannot just throw funds and walk away like they always do; that is why we have many things that are not going well. They give you money and you buy groceries cause we are hungry.*

Participant 12: *The problem is no one to walk with us, tell us to come to their offices, some funding will say this the money will give in for funding, but for the next 6 months we will monitor you to achieve your thing and after we see things are running smoothly, we leave you to run your thing you have the capabilities you can run in your own.*

Sub-theme 5.4: Protection from the informal market.

Existing literature has magnified the impact of how big enterprises have impacted informal enterprises in townships. Surprisingly, the research found that the participants did not want protection from big enterprises, but rather, the informal sector after transitioning and viewed it as a threat that needs to be monitored.

Participant 12: *We look at look metro; they get to these informal traders outside and take they stuff, but not getting a solution because this is an everyday problem. So we look at that, but, are they doing that to give us a chance to get bigger and better? It's a matter of it happening, but we know the next day they will be there. Government doesn't have a plan for informal traders.*

Participant 4: *I don't see the law encouraging the business to formalise, because I can register a business similar to another business, and we all doing the same; business is operating registered or not. I don't see any advantages*

4.6 Summary of key findings

Although the impact of formalisation might be foreign to many informal township entrepreneurs due to the lack of examples in their environment, participants had an overwhelmingly positive view of it. For the participants, formalisation means the ability to protect their source of income and grow their enterprises.

Apart from structural factors hindering them, the rest of the obstacles are within their control, and there is a clear need for a change in mind-set. Lastly, a huge takeaway from the research conducted is the need for accommodative policies

that enable the formalisation of informal enterprises and provide an environment that will allow them to grow after the transition.

CHAPTER 5. DISCUSSION

5.1 Introduction

The study examined the perception of informal township entrepreneurs on formalisation, also looking at what was hindering them from formalising and the government support they need. The study took place in Cosmo City, Johannesburg, which was developed as a mixed-use township that would integrate people from all income groups into one community (Patel, 2014). Despite the reconstruction initiatives by government to promote and develop informal entrepreneurs (Rogerson, 2000), including GDED (2014) plans to expand the productive activities of township enterprises, the Johannesburg municipality deliberately excluded Cosmo City's informal sector during its establishment, even though the township's initial population worked in it (Patel, 2014), making it a prime area for this study.

The study successfully gathered immersive data from the participants, enabling an understanding of formalisation from the informal township entrepreneurs' perspective.

5.2 Discussion of informal township entrepreneurs' perceptions on formalisation

Through the immersive interviews conducted, it is clear that informal township entrepreneurs view formalisation in a positive light, even though the township lacked crucial examples of what a formalised township enterprise looks like, due to them leaving as soon as they succeeded (Du Toit et al, 2020). Therefore, as Mugisa (2022) had eluded to the fact that informal entrepreneurs had low technical skill and business knowledge required to operate their enterprises, formalisation is a beacon of hope as it opens up opportunities for skills development to grow their enterprises, protecting their livelihoods and addressing punitive measures by the authorities against them, asserting the view that informal township entrepreneurs view formalisation from the perspective of the benefits it will offer them.

5.3 Discussion on hindrances of formalisation

Examining the challenges faced by the informal township entrepreneurs hindering them from formalising, with the exception of the lack of information and legislative restrictions on foreign nationals, the study found factors hindering formalisation were in the control of the informal township entrepreneurs. The informal enterprise being the main source of income and the need to see it grow before formalising it overshadowed any commitment to formalise, reinforcing Aberra et al. (2022) view that not all informal entrepreneurs want to formalise. This perspective is further reinforced by the absence of aggressive competition, which discourages the need for formalisation and formal operation. This action contradicted the view shared by all participants that formalisation meant access to bigger markets and growth for the enterprises. The logic observed was to invest, grow, and then formalise, highlighting a pragmatic approach to formalisation also observed by (Karki & Madden, 2020). These findings also reemphasise the causal theory on which the voluntarist school of thought rests. Even though formalisation was viewed as a good thing, it is evident that it does not offer them the necessary perceived benefits that will motivate them to formalise immediately.

The finding also brought forward structural challenges that inhibit the informal township entrepreneurs from formalising. The lack of information on formalisation is attributed to the government not doing enough to ensure informal township entrepreneurs are informed where to go to get help (Maduku & Zerihun, 2022). Lastly, lack of action and deliberate exclusion by the government, ignoring the fact that South Africa is a destination of choice for African and Asian entrepreneurs (Ntema, 2016), many of whom are entering the country on temporary visas (Moyo et al., 2016), are being forced structurally to eke out a living informally. Legislation and restrictive employment policies provide for the informal sector to be the only means of income for foreign nationals (Crush & McCordic, 2017). Informality is a result of the relationship between government and the sector. Failure to recognise the economic contribution of foreign entrepreneurs, along with the failure to allow them to operate formally has resulted in the proliferation of foreign-owned informal enterprises providing

supporting evidence to De Soto (1989) theory that informality will always find a way around regulation. As a result, the government is losing out on the opportunity to formalise these enterprises.

5.4 Discussion on the assistance required by informal township entrepreneurs from Government

The research determined that there is a huge gap between governments' formalisation plans and what the informal township entrepreneurs need, resonating with existing literature that the voices of the informal sector are not being heard (Jackson, 2016). Williams (2014) stresses that formalisation is the most feasible option for informal entrepreneurs and suggests a tailor-made approach to deal with the barriers inhibiting them from formalising. From the findings of this study, the fact that informal township entrepreneurs had to close their enterprises to complete the process, that government structures were far from the township and that the formalisation process was not clearly defined for the informal township entrepreneur, there is a clear need for tailor-made assistance to be brought to their doorsteps to guide them through the transition.

Findings from Maduku and Zerihun (2022) reveal the fact the corruption has evolved into a sunk cost for enterprises seeking to formalise. Their study highlights the role that public servants play in disincentivising the formalisation of enterprises. This study also found that the prevalence of corruption has eroded the trust that informal township entrepreneurs have in the government and programmes earmarked to assist them. The informal township entrepreneurs have highlighted their lack of business management skills and the need for training for their enterprises to grow. Therefore, the informal township entrepreneurs are seeking training and greater accountability from the government related to the assistance allocated to them. The participants are clear that they want to be continuously monitored to ensure that resources allocated to them are used correctly and constantly trained until they get to a point where they can function on their own.

Furthermore, the informal township entrepreneurs themselves see the informal sector as a threat and seek government protection from it once they have formalised. GDED (2014) noted the influx of well-organised foreign nationals and shopping malls owned by large corporates as threats to informal township entrepreneurs. This notion is not deceptive, but this study found that the true competition for informal township entrepreneurs were other informal township entrepreneurs competing in the same space. Due to the small size of most of these informal enterprises, they seek protection and better access to their immediate markets, as formalisation provides a competitive advantage in a highly saturated informal market (Karki & Madden 2020).

CHAPTER 6. CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

Inadequate policies continue to marginalise the contribution of informal township entrepreneurs to the formal economy. The objective of this study was to explore the perceptions of these entrepreneurs on formalisation to enhance the existing literature on informal entrepreneurship in Cosmo City, Johannesburg. Furthermore, the study intended to give crucial insights to policymakers to enable them to develop policies and programmes that will incentivise formalisation for the informal township entrepreneurs.

To achieve this objective, the study looked at the views of the informal township entrepreneurs finding that even though there were no credible examples of formalised enterprises in the township, formalisation was a catalyst for growth and protection of their income as it helps deal with punitive measures from authorities. Furthermore, the study looked at what hindered informal township entrepreneurs from formalising and operating formally finding that hindrances were both structural and self-imposed. Lastly, the study looked at what government support is required to incentivise the informal township entrepreneurs to formalise and it was clear that informal township entrepreneurs needed tailor made solutions brought to their doorstep, highlighting the crucial role of policy makers to enable such solutions.

This section highlights the study's implications, limitations, and recommendations for policymakers and future research.

6.2 Implications of the Study

Through inductive research, this paper has asserted the notion that policymakers need to do more to incentivise the transition from informal to formal. Of significant importance is the fact that informal township entrepreneurs are embracing of formalisation, and most of the factors hindering them are within their control. This creates the perfect foundation upon which policymakers can develop targeted

policies and programmes to assist the informal township entrepreneurs to formalise.

6.3 Limitations and future studies

To further enhance existing literature on informal entrepreneurship in Cosmo City, Johannesburg, this study observed the following limitations and recommends that these areas be considered in future studies:

1. Considering that the study was only conducted in Cosmo City, the study cannot assume that the views shared by the participants are the same for all other informal township entrepreneurs in other townships.
2. The high participation rate of foreign nationals in the study gives a view of the significant role that they play within the informal sector. As a result, only three women participated in the study, as the foreign women needed the approval of their husbands to participate.

Considering these limitations stated above, the study recommends future research for the:

1. Considering that the study was only conducted in Cosmo City and findings by Abera et al. (2022), that views on formalisation change from city to city, it is recommended that similar studies be conducted with participants in other townships.
2. Due to the low levels of women's participation in the study and the limited immersive feedback from women participants, it is recommended that opinions and views of more women be gathered in future studies.

3. Due to the high participation of foreign nationals and the fact that government programmes addressing formalisation are specifically earmarked for South African nationals. It is recommended that future studies include a higher level of participation of South African nationals to gain further insights from their perspective.

6.4 Recommendation for the findings

Considering the findings observed, this paper recommends that policymakers create policies that will ensure that:

1. Education on formalisation and the process to be followed is made easy by bringing government business centres to the township, including effective localised marketing and knowledge campaigns.
2. Provide adequate resources to empower local township entrepreneurs through business management training to enable them to grow their enterprises.
3. Ensuring that there is no leakage of capital in the township economy by amending regulations to reduce barriers that prevent the establishment of formal enterprises, ensuring they can grow and enjoy the benefits of formalisation.
4. Improve legislation that enables and incentivises foreign nationals to formalise their enterprises, as these could grow to be big enterprises one day.
5. Incentivise informal township entrepreneurs who are delaying the formalisation of their enterprises through self-imposed hindrances by increasing the benefits of formalisation for this group.
6. Ensuring state programmes developed to assist informal township entrepreneurs are planned, executed well, and resourced adequately. This should include skilled professionals that are

appointed to monitor the programmes, ensuring they achieve their intended purpose.

7. Eliminate corruption and ensure greater accountability amongst state officials to build trust, ensuring that informal township entrepreneurs actively attempt to access all the government and private sector programmes developed to assist them to ensure that their enterprises grow and enjoy the benefits of formalisation.

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APPENDIX A: Interview Guide

Section 1 Demographic Information

1. Please provide your name and surname?
2. Please indicate your gender?
 - a. Female
 - b. Male
 - c. Other
3. Please indicate your age group?
 - a. 18 to 30
 - b. 31 to 40
 - c. 41 to 50
 - d. 51 to 60
 - e. 61 and above
4. Please indicate your highest level of school Completed?
 - a. Not completed
 - b. Matric
 - c. Diploma
 - d. Degree
 - e. Honours Degree
 - f. Masters or PHD
5. Please indicate your race and nationality?

a. Race

- i. European
- ii. African
- iii. Asian
- iv. Coloured
- v. other

b. Nationality

- i. South African
- ii. To provide information (Other)
- iii. If Other, what South African language are you fluent in

6. How many other businesses do you own and how long have you owned them?
7. Are all these businesses informal?
8. In the past, have you attempted to formalize your enterprise and how did you experience the process?

Section 2: Demographic information about the enterprise

1. Please provide a brief description of what your enterprise does?
2. How many years have you been running the enterprise?
3. When you started your business, was it necessity driven or did you spot an opportunity in the market?

Section 3: Questions relates to the first objective, views of formalisation

1. In your own words, what do you understand about the term formalization?
2. Are you aware of the process that needs to be followed when formalizing your enterprise?
3. In your view, what are the benefits and disadvantages of formalization?
4. What are the benefits that your enterprise derives from remaining/operating informally?
5. What benefits do you believe your enterprise can derive if it were to formalize?
6. Do you intend on formalizing your enterprise and when?
7. Do the benefits stated above have an influence on your intention to formalize?
8. If answer is yes for question 5, please indicate the factors or challenges that are currently inhibiting you from formalizing your enterprise?
9. If answer is yes for question 5, please indicate the factors influencing this decision.
10. What indicator will determine if your business is ready for formalization?

Section 4: 2nd Objective being; Factors hindering formalization.

(Sub Objective 2) To explore views on what hindering formalisation.

11. What are the factors that you believe are hindering your business from formalization?
12. What challenges do you currently experience from operating an informal enterprise?

13. What factors do you believe hinder you from formalizing your enterprise?

a. Please list each factor and explain why?

i. Is it related to your education level, Business Model, Scalability, Government support etc?

14. Do you believe your level of education is a factor that hinders you from formalizing your enterprise?

Section 5: In this section, the question aims to get insight on what the informal sector requires from government for them to be incentivized to formalize their enterprises.

(Sub Objective 3) To investigate the expectation of informal entrepreneurs on government incentivization to transition to the formal sector.

15. Are you aware of any government support programmes for informal and small enterprises, where and how to access them?

16. What are your views on government support programmes for informal and small and informal enterprises?

17. Have you tried to access any government support and how was the experience?

18. Currently, how is current legislation and programmes hindering you from formalizing your enterprise?

19. What support do you require from the government to allow you to formalize your enterprise?

20. What do you expect government should do after you have formalized your business to ensure to enjoy the benefits of formalization?

APPENDIX B: Consent Form

Research Participation Consent Form

Title of project: **Perceptions of Informal Entrepreneurs on the impact of formalisation in Gauteng townships.**

Name of researcher **Lester Molea**
Master's in Business Administration Wits Business School

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 the interview may be audio recorded	YES	NO
I agree that direct quotations from my interview may be used by the researcher in their research report	YES	NO
I agree that my participation will remain anonymous (my name or other identifying data 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 my interview (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)
..... (date)

..... (signature)
..... (name of researcher)
..... (date)

APPENDIX C: Clearance Certificate

Graduate School of Business Administration
University of the Witwatersrand, Johannesburg



Wits Business School Ethics Committee
Constituted under the University Human Research Ethics Committee (Non-Medical)

Ethics Clearance Certificate

Ethics protocol number: WBS/BA0709667P/372

This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below).

Project title	Perceptions of informal entrepreneurs on the impact of formalisation in Gauteng's townships
Investigator / Researcher	Mr Lester Moles
Nature of Project	MBA (Research Article)
Decision of the Committee	Approved, provided stakeholders and participants are guaranteed confidentiality.
Issue Date of Certificate	16/07/2024
Expiry date	Date of submission of the project / research report
Chairperson	Dr Ayanda Magida ☎ +27 11 717 3933 ✉ ayanda.magida@wits.ac.za

Declaration by Researcher

One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.

I fully understand the conditions under which I am authorized to carry out the abovementioned research and guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I undertake to resubmit the protocol to the Committee.

Signature

19/07/2024

Date:

APPENDIX D: Participation Information Sheet



Sculpting global leaders

Dear Sir / Madam

My name is Lester Molea. I am a Masters student/staff member in 0709667P at the University of the Witwatersrand, Johannesburg. My supervisor is Dr. Jabulile Msimango-Galawe I am conducting a research study about Informal Entrepreneurs and the transition to formal enterprise. The study title is Informal Entrepreneurs perceptions on the impact of formalisation in Gauteng townships.

I am inviting you to take part in an interview. If you decide to take part, your participation in this research study will last about 45 minutes. The interview will take place at a place convenient to you in person at during working hours or any other time slot we've agreed to.

With your permission, I would like to audio record the interview This data will be stored OneDrive cloud and only I and the examiner will have access to the recording for a period of 2 years and deleted once the 2-year period lapses. Only the researcher and the examiner will have access to the data.

During the research activity, I will need to ask for some personal information about you, including Age group, Race, Nationality, Education level, name and surname.

The interview will be confidential and anonymous. When I share the results of the research study, I will not include your name or anything else that could identify you. With your permission, other researchers may use the data collected from this research study, but your name and any personal information will not be used or passed on.

If you decide to take part in the research study, it should be because you want to volunteer. You do not have to take part. You can stop being in the study at any time. You do not have to answer any questions if you do not want to. You will not get any direct benefits if you choose to join the research study. You will not lose any services, benefits or rights you would normally have if you decide not to join. Taking part in the research study will not cost you anything. You will not be paid for being in this research study.

The risks for this research study are no more than what happens in everyday life OR some of the questions asked may make you feel sad or upset. If this happens, I will stop the interview and continue another time

This research study will be written up as a research report. The report will be available on the university library website. If you would like to receive a summary of this report, I will be happy to send it to you.

If you have any questions during or afterwards about this research study, feel free to contact me or my supervisor on the details listed below. If you have any concerns or complaints about the ethical procedures of this research study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za

Yours sincerely,
Lester Molea

Researcher Contact Details:

Email: 0709667p@students.wits.ac.za,
Cellphone: 083 200 6536

Supervisor:

Dr. Jabulile Msimango-Galawe
Email: jabulile.msimango-galawe@wits.ac.za
Landline: 011 717 3980

APPENDIX E: Coding

Theme	Sub-Themes	Codes	Data Extract
<u>Theme 1:</u> Impact on formalisation on law authorities, enterprise growth	<u>Sub-Theme 1.1</u> Formalisation is a mechanism to deal with law enforcement.	1. No clear understanding of benefits of formalisation. 2. Legal Protection. 3. Police Harassment. 4. Means to mitigate capital losses due to confiscations	P10: Not quite sure what benefits I would get because I don't have any idea how I'm going to benefit and how things are going. P14: Safer in the sense of crime and security and you don't have a problem with the police if you are running a formal business, P14: It's better to be heard out by the police if you are formalized, but it takes time for an informal business to be attended to, sometimes they ignore you. P14: When you are operating informally, there is a time when the police come and take your stuff, then you have to start afresh each time. Per year, maybe you lose your things maybe 3 times. They can come, take all the equipment, which means automatically you have to start again. That's the major thing that delay us from growing and formalising. Police request papers for the business and licence for operating and take the stuff and want a large amounts of money to release

			the stuff. The amount is so large it makes sense to buy new equipment. P14: When you are formal they come with information they don't come with harassment; they just tell you this business is allowed in the area P16: <i>I understand why I must register. I looked at the situation that if I'm not registered and the metro police, when they take the stock loss, because you not registered and don't appear anywhere and they take my tools, I'm getting losses. I decided to go and register to secure myself and business</i> P2: understand If its registered, you don't have fear if you are in your business, if criminals come and destroy this I cannot go and report it because I don't have papers it's not registered. It's for me only and not government I cannot be protected. If its registered I going to be protected and I can go and report it. P2: Now I'm selling here and if I'm registered and there is a site that you get opportunity, it will be given to the registered people first before you give other people. It will protect us again P9: <i>Disadvantages you can lose if the authorities come at any time and take it. They come anytime. When you not formalised, there a</i>
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			<i>lot of things to consider cause you running a risk. You can lose all your capital. When you have to go and get it, it's a lot of money and you can let it go.</i>
	<u>Sub-Theme 1.2</u> Catalyst to new markets and growth	1. Enterprise development opportunities. 2. Access to new markets. 3. Better structured enterprise and accountability	P11: I did it because I want my business to grow, have my own website. The name of my business is M Product supply because I want to manufacture them myself cause now I am buying them from someone. Because I intend on doing it myself, maybe it will be easy for me if they want certificates that you doing this and this, that is why I registered it so that in future if I meet someone who can help me P4: I want to formalize my business to be able to get opportunity to open it at the mall P14: I think my business will be better cause now I can't rent a bigger place, public space like those malls. Obviously in a big mall they will want everything to be formal, so for now I'm running at a small scale, I cannot grow my business whilst I'm running informally P12: The benefits of formalise is to have our structure to be more corporate, and doing things on board and not in the wrong way as compared to now, where sometimes we can jump so many lines

			and no one can point a finger on us because we know. But, once we formalise, we can be sure everything goes according to plan P7: I don't see disadvantages because when you are formal you have access to markets. We not just taking about customers walking by. Once you grow bigger you have access to larger markets locally, internationally operating at a larger scale not the corner. P15: <i>Formalisation is a good thing because it gives you exposure to the market. Cause now I'm here, so now I'm not in exposure. A person who stays in Fourways doesn't know about me, a person in Randburg doesn't know about me unless someone once used me and referral, so once you are formal they can put you on databases and you are exposed. Formalisation is got an advantage.</i> P15: Other extent it helps you with management of your business, when you flop you can go back and see where did I go wrong because you have things in writing. P14: Formalizations means I will be taking my business in a formal way, everything I do is in order.
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<u>Theme 2</u> Lack of Comparisons	<u>Sub-Theme 2.1</u> Inability to compare between formal and informal	1. No comparable example of a formalised enterprise in their environment.	P4: <i>I don't see the benefits of not being registered, maybe if I'm registered I will see the benefits. The tax part: all the money comes to me, but also, I also don't see the benefit of not paying tax, because I have not seen the difference of a registered and unregistered business. I haven't registered a business so I still want to explore. If I register, I can probably see the benefits.</i> P14: <i>As for now, I'm not sure because I've never worked in a formalised business. What I understand is that having a formal business is safer than an informal one.</i>
<u>Theme 3</u> Structural Hindrances	<u>Sub-Theme 3.1</u> Lack of Formalisation Knowledge	1. Lack of readily available public information on formalisation.	P8: <i>This the first time you are improving my knowledge, we have to register our workers also and I will talk to my partner also. If it is a bad thing in eyes of law definitely we are guilty. If it's a necessity than definitely we will register. I don't want to be guilty in the eyes of law.</i> P8: <i>I belong to Pakistan. There, if there is a programme for the youth or general people happening in future, they will be ads on social media, pamphlets. But here, I am on social media, I didn't see anything. I don't see anything on newspapers or news channels.</i>

			P1: I am not aware of how it is stopping me. If I can get the information and my documents, I can register P1: I don't know the process to register what is required, if money is required, I need the information P3: I just don't know the process to be followed P4: <i>I went to the bank wanting to open a business bank account, and they told me I need to register and get a tax number. How it will benefit me, I don't know. I don't know where exactly to start, but I know there is a process.</i> P4: Lack of Knowledge P11: What stopped me at the time from registering my business is because I did not know that I had to register it. P2: I don't have someone to show me the way to register. I believe that if I register I will have benefits P2: <i>Yes, but I cannot say I have a plan to register cause no one has, can tell me how to register. I don't know the process to do the thing. I have not asked anyone.</i>
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	<u>Sub-Theme 3.2</u> Legal Restrictions on Foreign nationals	1. High foreigner participation in the informal sector. 2. Lack of proper papers and bureaucracy in obtaining them. 3. No benefits being extended to foreigners by the state. 4. Exclusionary policies by the state	P9. As a foreigner when you go out to look for help, you know you are foreigner and you cannot access government anything. You are limited already. P9. Its legal and give you piece of mind, recognized by the government. You can also grow, growth is currently limited and it's not easy starting another one cause this one is informal. P9: <i>I tried a lot of times. I know the process of formalising, but I stopped because my passport had expired. When I renewed my passport, my permit had expired, so right now I'm in the process of renewing my permit. I'm still regularizing my permit.</i> P10: You first have to do your thing and correct papers to access benefits, right now I don't have the correct paper to quality. P8: My side I don't want to see were government is giving us the benefits, main thing we don't have time. My big brother who has been working here 20 years. P8: They want to give us free headache from documents sites like asylums, we get negative response from government and zero % respect, but we giving big revenue to government Respect as foreigners we are not animal not humans.
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			P14: they gave us their accounts. the part that made us not continue with project, they were even offering loans, but it was for South Africa citizens. P16: I don't see what help they can give me cause the just want my SARS money. How much do I make here? By birth I'm a foreigner even though I'm a naturalized citizen. P15: Sometime the immigration laws, you can apply visa, you can apply business its unfortunately is you want to apply for a business visa you need to have R5m of bank account records. Some law aren't favorable, but some are right. I think if they revisit that law and see what you have to look favorably for Africans. P15: <i>Once you have an ID, you know where to go and you can approach them anytime. But unfortunately for us we have passports so is like I said, if you are a foreigner and you want business funding you have to have proper documentation</i>
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<u>Theme 4</u> Self-imposed hindrances	<u>Sub-theme 4.1</u> Enterprise as a source of income	1. Mind-set that the enterprise is small. 2. Means of sustenance the enterprise provides. 3. lack of perceived benefits they obtain if they formalise vs sustenance.	P10: No I have not tried to formalize it because it's just a small business, if I were to expand I would formalize it, but I am doing it just so I can eat. P10: <i>You cannot just formalise something I did out of necessity because I just saw that opportunity that this will make me eat. It's not a business, it's a source of income</i> P10: My own opinion, I wanted to expand, but from what is happening, I don't see it expanding anytime soon. If I had seen it growing in the first year, I would have opened another one and register a company and it would be the one running the whole thing I would be banking and not keeping the money at home. P5: <i>Is to register the business and operate in right way. It's important but sometimes you face challenges trying to pay attention there, but once kids are involved, things get difficult. When you try to invest in the business, things happen, and you need to do them.</i>
	<u>Sub-Theme 4.2</u> Limited Growth Mind-set	1. Mind-set that the enterprise is small. 2. Allow personal circumstances to	P5: There are no benefits I need to fix it especially when it comes to marketing for customers. Need to get more money to invest in the business. If I formalize, will get regular customers and referrals, allow you to have specials

		overshadow the need to formalise. 3. Lack of competition. 4. temporary nature of enterprise operations	P5: <i>For now, my house and family commitment, have tiles and paint that is holding me back, and I'm almost done. If it wasn't for that, I would have invested it on the other side. Need to fix online presence for more customers and the premises. Priority is marketing; if I can get that one right, I can invest in the premises and get a new roof fast. Invest first in the business then finish the process.</i> P4: Yes, and now I'm ready. I'm done renovating and expanding the saloon. It was small and I expanded it and now I'm thinking of registering it and open a business account. P12: <i>I think it's sometimes looking at our competitors; we don't have too much challenge that forces us to operate 100% formal, because we still make the numbers we'll make even if we were formal.</i> P12: I think as well in our region; our competitors are very few so it gives us leverage to even start next month. I think that is our disadvantage, once we can have completion in our face, its gone change. P2: No I have not attempted to register. This is not my place, I just asked if I can use this corner, it's not permanent.
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Theme 5 Government needs to ensure formalisation is with the effort	<u>Sub-Theme 5.1</u> Localised Assistance	1. Assistance to be brought to the doorstep of the ITE. 2. The assistance to be tailor-made to the needs of the ITE	P13: To make people aware of certain things that are important, they must come to the people and address them, if they don't come, how will they know. P5: Its good for other business thoughts I have, Problem is that you have to attend school which is challenge for me. P5: <i>Yes, I did try NYDA; they told me to come to their office and get forms, then there is school attendance, and there was hours and days which was a problem because you have to work and be in class. Business has to stop</i> P12: <i>The biggest problem is that government structures are there, but they too far from the community. We need to have people who come to the community and say, Guys, we can walk with you on this path. Come let us show you the steps too.</i> P12: The problem is no one to walk with us, tell us to come to their offices, some funding will say this the money will give in for funding, but for the next 6 months we will monitor you to achieve your thing and after we see things are running smoothly, we leave you to run your thing you have the capabilities you can run in your own
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			P9: <i>I'm trying all the time; sometimes I even have to close to go and do the process and being sent pillar to post until my permits and passport expired, and I had to stop</i>
	<u>Sub-theme 5.2</u> Lack of trust in the government	1. Corruption and Bribery leading to lack of trust. 2. Despondent Informal entrepreneur who have lost trust in the system	P11: I don't trust government things because you have to pay bribes, some are scams, favoritism. Even when I fill in forms I just do it because you gave me same: P12: <i>We read a lot of them and in most cases, these kind of opportunities we run for them once we see some of our peers or competitors in our same field or level start achieving them, but if nothing is happening to anyone close to us, we are reluctant to knock on the doors because nothing is happening amongst us, and we end consider the little thing I have because I know what is the end result of it</i> P12: <i>Those programmes you see them on the internet and television, but the biggest problem is it happens through nepotism; if you know someone who knows someone, then its going to happen, but if you don't know anyone.</i>

	<u>Sub-Theme 5.3</u> Education and Accountability from state.	1. Requirement for training opportunities. 2. Requirement for great accountability by the state when allocating funds and programmes. 3. Requirement to be guided through the formalisation process	P9: Opportunity to educate ourselves on how to grow our business and how to keep it running P10: Only thing I require is the right information and help me go through it, travel the same road with me I will do it. P13: More knowledge about business, education educating us cause when you are running a business you are supposed to grow. P5: Education to run and manage the business. P4: Only if I need assistance from them at that time, if they can assist me that's when I will enjoy the benefits of being formalized. See the difference been a formal and informal business. Being checked every time. Business management education, access to money to ensure business is successful. P11: but even though they explained that I need to do filing and what what, I don't have the education and training to run a formal business, I still running it informally. P11: <i>Also come back and check what you are still lacking cause they giving us money. They cannot just throw funds and walk away like they always do; that is why we have many things that are not going well. They give you money and you buy groceries cause we are hungry.</i>
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			P7: More awareness campaigns on formalization. P2: <i>If they teach me, it will be a good opportunity to teach me. If I'm selling vegetables. If they give me a space and loan me capital to buy more stock and give me courage to do these things and pay back that money, they give me power to do that. I will work hard, training me to work and run my business so I don't eat the money but continue to invest in my business.</i>
	<u>Sub-Theme 5.4</u> Protection from the informal sector and access to opportunities in the township.	1. low entry barriers increase competition in the informal sector. 2. Protection from the informal sector.	P4: <i>I don't see the law encouraging the business to formalise, because I can register a business similar to another business, and we all doing the same; business is operating registered or not. I don't see any advantages</i> P11: Now we inside the rank, but there are people selling outside the rank, but according to the law they don't want people selling on the street. Sometimes the police come and clean them, next thing they just pass and they collect bribes

			P12: <i>We look at look metro; they get to these informal traders outside and take they stuff, but not getting a solution because this is an everyday problem. So we look at that, but, are they doing that to give us a chance to get bigger and better? It's a matter of it happening, but we know the next day they will be there. Government doesn't have a plan for informal traders.</i>
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APPENDIX F: Consistency Matrix

Research Title: Informal Entrepreneurs perceptions on the impact of formalisation in Gauteng townships.						
<u>Sub objective</u>	<u>Literature Review</u>	<u>Propositions</u>	<u>Research Question</u>	<u>Keywords</u>	<u>Source of Data</u>	<u>Analysis</u>
RO 1 (SO1): To explore views of informal township entrepreneurs on formalisation	Chen (2012) Abera et al. (2022) Mbena & Yeboah (2024)	Views of ITE on formalisation are dependent on their situation and the perceived benefits it promises to provide.	RQ 1: What do informal entrepreneurs define as formalisation?	formalisation	Interviews Section 3: Q1 to Q10	Thematic
RO 2 (SO2): To explore factors hindering formalisation	Chen (2012) Mugisa (2022) Gonzalez et al (2021) Hume et al., (2021)	Lack of knowledge, and entrepreneurial mind-set, structural barriers, and benefits of formalisation are key deterrents to formalisation.	RQ 2: What is preventing informal township entrepreneurs from formalising	process of formalisation	Interviews Section 4: Q11 to Q14	Thematic
RO 3 (SO 3): To explore what incentive government must provide so entrepreneurs can formalise	De Soto (1989) Mugisa (2022)	Lack of knowledge, and entrepreneurial mind-set, structural barriers, and benefits of formalisation are key deterrents to formalisation.	RQ 3: What state incentives do the informal entrepreneurs need to derive in order for them to be to formalise?	Government Incentives	Interviews Section 5: Q15 to Q20	Thematic

