

**The relationship between Person-
Entrepreneurship fit, Institutional
Barriers, Perceived-Behavioural
Control and Utility of Informal Traders
in Johannesburg CBD**

Akoli Edonga

Student Number 304474

Supervisor: Dr Robert Venter

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ABSTRACT

This paper reports on the perception of the informal traders operating in the Johannesburg CBD by examining their person-entrepreneurship fit, institutional barriers and perceived behavioural control in relation to how informal traders derive utility. Data from a representative sample of respondents in the Johannesburg CBD (n=389) was analysed using Spearman's Rank Coefficient. The study revealed that person entrepreneurship fit and perceived behavioural control have a positive relationship with an informal trader's utility, while no significant relationship was found with institutional barriers. The limitations of the study are that the informal traders who took part in the study may not be as honest with their response regarding institutional barriers after the conflict with the South African Police Services that took place a few months before the data was collected. The main suggestion for future research would be to expand on the person-entrepreneurship fit and perceived behavioural control constructs. They should be examined in separate studies to gain deeper insights into how informal entrepreneurs maximise utility.

Keywords: *informal traders; South Africa; formal sector; Theory Planned Behaviour, path analysis*

DECLARATION

I, Akoli Edonga, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.



Akoli Edonga

Signed at: Cape Town

On the: 9 March 2020

DEDICATION

A dream doesn't become a reality through magic; it takes sweat, determination and hard work. Coupled with the ability to keep on rising regardless of how often you fall. I dedicate this research paper to my parents, Joel and Christine Edonga, who have taught me how to dream and reach for the stars.

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

The presence of the informal sector is felt increasingly on a global level as the informal economy's contribution to Gross Domestic Produce (GDP) grows. Medina, Jorelis and Cagnul (2017) estimate that the average size of the informal economy as a percentage of GDP in sub-Saharan Africa is 40% and growing. Literature does not provide a standard definition of the informal sector. Therefore, terms such as the shadow economy, unreported economy and black economy have been used to define this unregulated economy. In sub-Saharan Africa, informal enterprises span across a range of industries including trade, agriculture, construction, transportation and manufacturing. This sector encapsulates 60% of the labour force in urban areas in developing countries. Consequently, a definitive definition of the informal sector and related informal trade activities is required when studying this phenomenon (van Rooyen & Antonites, 2007).

The International Labour Organisation (ILO) (2002) describes the informal sector as an array of activities that are driven by two groups. The first group enters the formal sector as a coping mechanism to adverse economic conditions with limited income-generating opportunities. The trade activities of the survivalist informal traders include subsistence farming, casual jobs, multiple job holdings and temporary jobs. The second group enters the informal sector voluntarily – it is a rational decision of entrepreneurs who are avoiding government and regulatory burdens — the trade activities of the opportunist informal traders are unlicensed economic activities (tax and regulation evasion, unregistered companies and crime).

The businesses run by both groups are small-scale operations that are highly labour intensive, in competitive markets with ease of entry. The businesses are either micro-businesses with few paid employees; owner-operated businesses, sometimes run with the assistance of unpaid family members or dependant wage or contract workers (van Rooyen & Antonites, 2007). The informal sector is a dynamic environment, which, by

nature, is difficult to observe. It comprises of many aspects of social and economic theory. Given the complexity of the two identified groups and the environment in which they operate, the informal sector can be defined as an unregulated environment where the exchange of goods and services from which economic value is derived occur.

The prominence of the informal sector is contrary to the early development literature, particularly in developing countries, where the informal economy leads not only in output but also in employment. Literature and economist have proposed that one of the primary drivers of the informal sector is the need for tax and regulation evasion by its participants. Empirical research on the impact of the tax burden on the informal sector supports this notion. Studies conducted by Schneider and Williams (2013) as well as Aliyu and Sambo (2016) found an indirect and direct relationship between the tax burden and the informal sector. However, little literature exists to support tax and other drivers of the informal sector in an African context, specifically in a South African context. Against this backdrop, this research report aims to understand the appeal of the formal economy to informal traders operating in Johannesburg's CBD to provide context for the informal sector in Johannesburg.

1.2 RESEARCH CONTEXT

Across South Africa, municipalities have struggled to manage and regulate informal enterprises, especially in the metropolitan centres. Tensions between the traders and city officials have arisen over attempts by municipalities to control and formalise informal activity in metropolitan centres. However, such attempts are problematic as the traders' have limited ability to access formal workspaces. Consequently, many traders are systematically excluded from formal developments (Tissington, 2009).

Synonymous with South African metropolitan centres, the central business district of Johannesburg experienced a significant expansion in the scale of informal economic activities, particularly after the democratic transition and rapid deregulation that occurred in the 1990s. With its growth attributed to Johannesburg's role as a beacon for local and international migrants (Rogerson, 2016; Tissington, 2009, Crush 2005).

As Johannesburg continues to globalise, areas in the CBD that had been vacated due to “white flight” created opportunities for black South Africans and immigrant entrepreneurs to build businesses of their own. Over the past 20 years, it is clear that the Johannesburg CBD has become a hive of formal and informal trade networks that are linked to a number of South African Cities and townships (Grant & Thompson, City on edge: Immigrant businesses and the right to urban space in inner-city Johannesburg., 2014).

Zack (2014) and Rogerson (2000) state that the primary driver for growth in Johannesburg’s CBD is the lack of capacity in Johannesburg’s formal economy in providing job opportunities for new seekers. This nature of this growth is the rise of survivalist enterprises engaging in informal retail. Another contributing factor to the growth of Johannesburg CBD informal activity is the sizeable number of circulating informal business travellers. These are traders entering South Africa temporarily to conduct informal business within the CBD (Thompson & Grant, 2015). Additional factors contributing to the cities informal economy are an ever-flowing stream of micro-enterprises which are born out of new “demand-pull” opportunities derived from private sector linkage initiatives as well as public procurement activities (Rogerson, 2016). To a limited extent, there have also been cases of informalized formalisation. This phenomenon entails outsourcing or contracting by formal enterprises to the formal sector to avoid regulations, tax burdens and employee benefits (Rogerson, 2000).

According to the South African Cities Network (2014), there are two types of informal entrepreneurs operating in Johannesburg. The first are those who use informality as a source of income during a crisis. “Crisis” would entail, unemployment, forced retirement, financial struggles. The second group uses informality as a livelihood strategy. These are people who engage in informal activity to complement their income (from pension grants or formal employment) either because the sum they are receiving is too low or because they would like to start enterprises of their own but are unable to access resources such as capital. However, in total, the growth of the Johannesburg informal sector is generated by unemployed and poor individuals or who do not have the skills, qualifications or legal documentation to work in the formal sector. The

objective of these individuals is sustainable livelihood opportunities as opposed to the opportunistic growth-orientated business formation in response to market demands (Rogerson, 2016).

Amos Masondo (2011), former Johannesburg mayor, estimated that approximately 10% of the employment in Johannesburg is provided for by the informal economy, confirming the need to strengthen the understanding of why informal traders choose to remain in the informal sector, essentially how they derive utility. With an understanding of the motives of informal trader's policymakers and city planners can devise strategies for the formal sector to co-exist and even complement the formal economy.

To encourage the growth of the informal sector, local government was granted authority to create Informal Trading by-laws to regulate this economy. In Johannesburg, these by-laws are controlled by the City of Johannesburg and focus primarily on street traders. This approach is based on an inherently restrictive view of the "problem" of the informal economy for several reasons (Brown, 2010). Firstly, as discussed, the formal economy comprises of a range of economic activity in several locations of which street trading is just one (Fourie F. , *The South African Informal Sector: Creating jobs, reducing poverty*, 2018). Secondly, the policymakers did not consider whether "formalisation" of the informal economy was welcome by informal traders or whether transitioning informal traders into the formal fold will lead to a more desirable outcome for the traders (Peberdy, 2018; Mahadea & Zogli, 2018). Literature advances unemployment in the formal sector as a critical driver of this unregulated economy; amongst institutional factors (Schneider & Enste, 2004; Bosch & Maloney, 2004; Oguabor & Malaolu, 2013). However, literature is lacking in the sentiment of informal traders towards formality once having entered the informal economy. Next, the research is framed based on the research objective and research problem.

1.3 PROBLEM STATEMENT AND RESEARCH QUESTIONS

The informal economy is by no means a newly explored field of entrepreneurial research. However, prior research has concentrated on the viability of the small-scale enterprises that are operating in the informal economy, with much of this research focussing on the informal entrepreneurs themselves and how their make-up of motivations, capabilities and resources contributes to the success of their informal ventures. The informal economy currently exerts a significant influence on economic activity, with the link between the formal and informal economy becoming stronger through the informal economy distributing for, producing for and trading with the formal economy (Mahadea & Zogli, 2018). A number of studies contend that the informal sector is driving force for African economies (Benjamin & Mbaye, 2014; Grant, 2015). It can thus be argued that there is a need for greater knowledge generation and understanding of why informal traders do not cross over into formal trade. With the large majority of the continent's employment being sourced from the informal sector and business being conducted informally without the uses of banks. Additionally, a majority of the individuals on the continent also dwell in informal housing (Grant, 2015).

The case of informality is no different in Johannesburg, the financial capital of South Africa. Regardless of the fact, the Johannesburg is the country's economic powerhouse, the city's absorptive capacity with regards to labour is not sufficient to accommodate the number of job seekers that flock to the city (Rogerson, 2015). The informal economy of Johannesburg is significant and growing – with traders operating on the streets, formal buildings or craft markets. A survey conducted in 2013 indicates that 11% of the city's residents owned businesses, and of that number, 65% of the businesses operated in the informal sector (Peberdy, 2016). This research indicates the substantial entrepreneurship potential of this sector and probes the question of what motivates informal traders to create their ventures and continue to operate informally as opposed to formally. Additionally, are there any barriers to operating in the formal sector as only 11% of Johannesburg's residents were able to start up a viable business?

Sub-problem 1: Analyse motives of the informal traders operating in Johannesburg.

Research questions:

- Which motivators are driving informal traders to remain in the informal economy?

Sub-problem 2: Determine the barriers to entry that are preventing informal traders from moving into the formal economy.

Research question:

- What are the institutional barriers to entry of the formal economy preventing informal traders from moving into the formal fold?

Sub-problem 3: Analyse the perceived behavioural controls of informal traders regarding the formal sector.

Research question:

- What are the perceived behavioural controls preventing informal traders from moving into the formal sector?

1.4 SIGNIFICANCE AND CONTRIBUTION OF RESEARCH

Thousands of South Africans generate their primary income from discovering, exploiting and executing opportunities in the informal economy (Rolfe, Woodward, Ligthelm, & Guimaraes, 2011). Despite the economic significance of this economy both in South Africa and globally, comprehensive study on this phenomenon is missing from policy discourse and economic analysis (Fourie & Leibbrandt, 2012). A common and accepted prediction in development economics is that informal activities will disappear as development progresses. Thus, the majority of policy and analytical discussions on the informal sector are centred on the expectation of its looming downfall. Yet, in the last 40 years, conventional measures of informal activities show that this economy is far from declining – either steady or on the rise (Kanbur, 2017). Preston-Whyte and Roggeron (1991) produced the first edited volume on the informal sector in South Africa. The book released by Preston-Whyte and Rogerson intended to understand and unravel the complexities and ambiguities presented by South Africa's formal economy. The authors stated that the informal economy was discovered by policymakers and researchers in the 1970s. The focus at the time was making crude estimates of its size and categorizing informal occupations. The 1980s

brought a more mature discourse of the informal economy with an opposition between the dualist and production school of thoughts. The researchers made use of oral histories, case studies and literary sources to explore the world of informal traders. The primary objective of the research was to define the informal economy and determine its size. Rogerson (1994) notes that about 200 studies conducted in the 1990s were limited by insufficient official data sources which lead to estimates of the informal sector size that ranged from 2 million to 4 million persons.

With the introduction of the Stats SA biannual labour force survey in 2000 and the Quartly Labour Force Survey in 2008, there was improved data on employment data in the informal sector. As a result, scholars such as Bundler et al. (2001), Devy et al. (2006) and Essop and Yu (2008) were able to conduct a comprehensive analysis on the informal economy. The focus of this research was primarily to describe the total population, incomes, characteristics of the traders and sectors within the informal economy. Since then, there have been papers and essays written to further this research but the focus has been on describing the formal sector and not understanding the motives of the formal traders themselves. It is thus vital to understand the characteristics of the formal economy that prevent informal traders from progressing where it is believed that they will perform more successfully and make a more significant contribution to economic development. This study makes a two-pronged theoretical and practical contribution as outlined below.

1.4.1 Entrepreneurship Theory and Practice

The study of entrepreneurship has been dominated by what is viewed as mainstream entrepreneurship or legitimate entrepreneurship. However, over the past decade, a minor fraction of entrepreneurship scholars have started creating the theory block of how many entrepreneurs exploit opportunities partly or exclusively in an unregulated, unmonitored manner in the informal sector (Williams & Nadin, 2012). There are even fewer studies that focus on the expected trajectory of informal traders, or that endogenise informal activities alongside institutional barriers and expected monetary utility (Loayza, 2016). This study will build on much needed, limited, existing informal

entrepreneurship literature (with a South African focus), while concurrently furthering entrepreneurship as a discipline.

1.4.2 South African Policy Implications

Research centred on understanding the perceptions of informal traders towards the formal economy and the utility gained from the formal sector is relevant to South African policy makers. Especially as government dedicates itself to developing policies for this secondary economy through the National Economic Policy Development Programme. This research is even more relevant as the result of governments efforts have been an unstructured and uncoordinated policy (which is province/municipality specific) lacking national strategic and tactical aspects (Msunduzi Municipality, 2010; Okhahlamba Municipality, 2013). This research may also be useful to financial services, consulting entities and NGOs so that the actual improvement of informal entrepreneurial performance is probable.

1.5 RESEARCH SCOPE

According to Simon and Goes (2013), the research scope specifies the parameters under which the research will be conducted. Accordingly, the parameters that define the domain of this research study are the informal traders themselves operating in the Johannesburg CBD. Before defining informal trader, it is crucial to establish the environment that constitutes this form of trading as informal. Whereas the formal economy comprises of persons owning registered businesses, waged workers or contract employees who are protected by laws; the informal economy comprises of persons operating outside this realm. These persons may be self-employed or employees of small, unregistered businesses (Lund, Skinner, & Nicholson, 2000; Layoza, 2016).

Informal traders are defined in the City of Johannesburg Informal Trading By-Laws (2012) as persons selling goods or services in exchange for a financial reward in a public road or place; designated area; mobile trading stations such as caravans or light motor vehicles and kiosks. Compared to the definition of street traders or hawkers

who conduct business on roadsides or pavements; the above definition is more inclusive. The expansion of the definition of informal trade is due to spaces such as shopping malls, and linear markets are becoming popular among informal traders (Tissington, 2009). Thus, for the purposes of this research paper, informal trading is an umbrella term for all those who sell goods and services informally, irrespective of the location. The sample for this study will comprise of informal traders fitting this description.

1.6 ASSUMPTIONS

1. Informal traders in the sample will have sufficient knowledge of the English language to be able to comprehend and complete the surveys as required.
2. Respondents will complete the surveys honestly and have a sincere interest in participating in the study.

Both the issue of sufficient knowledge and honest feedback are critical to the success of the research study. The outcome of the research is based on the responses provided. If the responses are biased or incorrect, the results will be skewed and misrepresent the actual desires of formalising of the informal traders operating in the Johannesburg CBD.

1.7 CONCLUSION

In conclusion, the desire of informal traders to enter the formal sector is a topic that has not been explored extensively in entrepreneurship literature. As a result, this paper serves to explore the motivations to enter the formal economy of informal traders operating in the informal sector in Johannesburg CBD. The results of which can be used to inform further entrepreneurial research and South African policy for informal traders.

1.8 CHAPTER OUTLINE

The flow of the research paper is as follows: Chapter 1 provided an in-depth understanding of the study on the informal sector in South Africa. Chapter 2 provides an analysis of the extant literature on the perceptions and utility maximisation of informal traders to ground the study in literature. Chapter 3 is where the hypotheses will be formulated, and the conceptual model created. Chapter 4 outlines the research methodology for the study, followed by the presentation and discussion of the results in chapter 5 and 6, respectively. The research paper will then be concluded with recommendations in chapter 7.

CHAPTER 2: REVIEW OF EXTANT LITERATURE

2.1 INTRODUCTION

The literature review examines the existing body of knowledge on the dimensions of the informal traders' desire to enter the formal sector. The purpose of this review is to provide a firm theoretical foundation for the study, substantiate the presence of the research problems as well as justify that the study does contribute to the existing body of knowledge (van Wee & Banister 2016). Furthermore, this review will frame the research methods applied to the study. This will be achieved firstly, by demonstrating through literature expected utility as a proxy for the informal trader's desire to enter the formal sector or remain in the informal sector. Secondly, by critically analysing extant literature to identify salient theories and constructs on the dimensions of the desirability. The identified dimensions are perceived person-entrepreneurship fit institutional factors and perceived behavioural control.

2.2 BACKGROUND DISCUSSION

Over recent years a renewal of interest in the characteristics and form of the informal economy has been sparked. Although this phenomenon has been observed globally, it is most visible in Africa. This interest has been compelled mainly by the continuously increasing scope of the informal economy and its salient role in producing income-generating commercial prospects in emerging economies (Schneider & Williams, 2013; Altman 2007; Todaro & Smith 2015). This recent school of thought is contrary to Cassim's (1982) previous classification of the informal economy as a poverty trap that captures marginalised individuals with limited options rooted in a survivalist arena. The informal economy in Africa is regarded as a source of entrepreneurship and job creation for the continents expanding population (Meager, 2016). A study conducted by the ILO in 1972 painted the informal sector as an active income and employment provider; with prominent traits such as ease of entry, small-scale, family-owned, unregulated, competitive, reliance on indigenous resources, adaptive technology and skills often acquired outside of formal education. Subsequent studies and international

organisations have since confirmed the vital empowerment role of this sector, both in the formal and informal sector, with linkages to the formal economy and the necessity for policy to support this underground economy (Sachs, 2005; Van Rooyen & Antonites, 2007; Mahadea & Zogli, 2018).

2.3 INFORMAL SECTOR MAKE UP

Numerous dimensions of heterogeneity define and shape the informal sector in South Africa. The operating sectors of informal businesses in South Africa contrast significantly from those around the globe. In particular, the informal manufacturing sector is much more dominant in other sub-Saharan Africa countries when compared to South Africa. In turn, the national and provincial informal business profile in South Africa exhibit differences. The differences between the informal sector breakdown between Gauteng province and nationally found in the Quality of Life Survey (QoL) (2015) is relevant to the study as Johannesburg is located in Gauteng province. The QoL (2015) found that the national proportions of informal-sector entrepreneurs across sectors differ when compared to the province of Gauteng.

- Agriculture – South Africa: 0.7%, Gauteng: 1.5%
- Construction – South Africa: 10.7%, Gauteng: 5.9%
- Trade – South Africa: 54.4%, Gauteng: 47.4%
- Transport – South Africa: 6.1%, Gauteng: 3.6%
- Community and social services – South Africa: 73.1%, Gauteng: 3.5%

The QoL 2015 survey also found that although the informal sector and formal sector entrepreneurs in Gauteng operated in the same overall economic space, their sectoral profiles were different (Figure 2.1). Noteworthy, are the higher proportions of informal-sector entrepreneurs in the wholesale and retail trades as well as services, and lower proportions in sectors allied to professional qualifications and construction. This observation would be in alignment with literature supporting lack of education, qualification and skills as contributing factors to the growth of the informal economy. Among informal sector entrepreneurs, the category of wholesale and retail trade was dominated by retailers (82%), particularly those selling food. The distributions of

businesses and associated skills in the informal sector, shown in Figure 2.1, suggest possibilities for the development of informal-sector businesses in Gauteng.

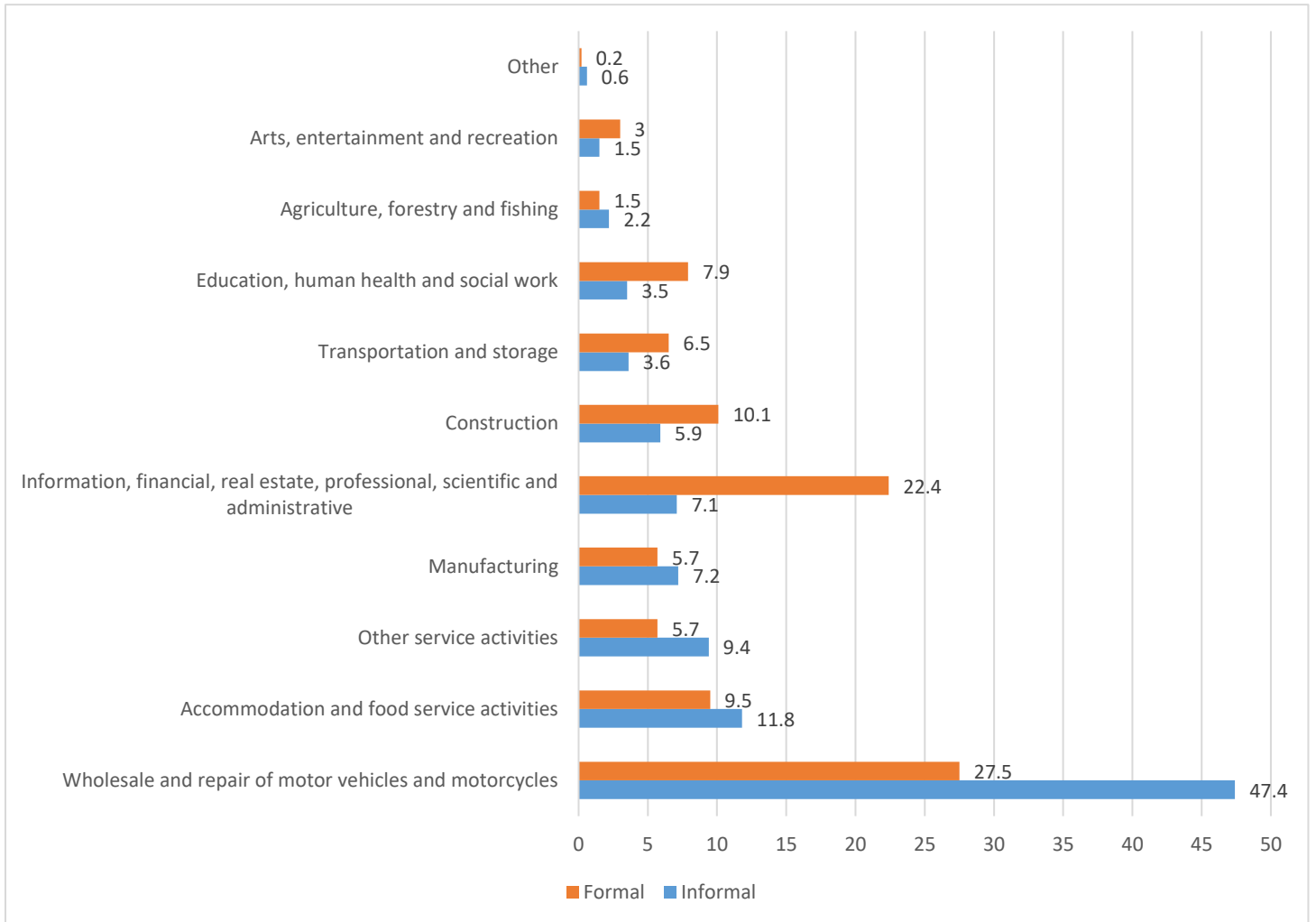


Figure 2.1: Forms of informal and formal sector businesses in Gauteng, 2015 (%)

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Source: GCRO, 2015

Table 2.1: Types of informal sector activity in Gauteng, 2015 (%)

Wholesale and retail trade	
Retail food and beverages in stores	64.8
Retail non-food items in stores stalls and markets	19.3
Wholesale	2.5
Repair and sale of motor vehicles and parts	13.2
Accommodation and food service activities	
Beverages	55.1
Restaurants and takeaways	30
Event management	14
Accommodation	1.2
Service activities	
Hairdressers, barbers and beauticians	74.1
Repair household and personal goods	12.5
Repair computers, phones and electronics	9.4
Other services	4.3
Manufacture and make goods	
Clothes and leather goods	36.2
Metal products/welding	23.4
Food	19.1
Furniture	13.8
Other	7.5

Source: GCRO, (2015)

Regarding population group distribution in the province, the QoL 2015 survey conducted from by the GCRO (2015) found that informal-sector business ownership in Gauteng was dominated by black Africans (80% of all informal-sector entrepreneurs); White (15%), Indian/Asian (4%) and Coloured (2%), made up the remainder. Black African entrepreneurs (73%) were more likely to operate their business in the informal sector than any other population group (compared to 59% of coloured, 45% of white, and 42% of Indian/Asian entrepreneurs).

Women entrepreneurs (68%) were more likely than men (63%) to operate a business in the informal sector, although women were outnumbered by men (57%) in the sector. Of those who owned a business in the informal sector, 43% were women, indicating overall male dominance in the sector (GCRO, 2015).

The majority of entrepreneurs in the informal sector were aged between 25 and 55 years (71%), with a higher proportion of informal traders falling in the below 40 age range (GCRO 2015). This is contrary to the age range of entrepreneurs in the formal sector, where the majority of entrepreneurs fell in the 40-50 range. In the QoL 2015 survey, only 2% of entrepreneurs in the informal sector had no education, while 13% had only primary education. A further third had incomplete secondary education while 30% had completed secondary school. Some 20% had post-secondary education of some kind.

The participation of international migrants in the informal entrepreneurial space has been contentious in South Africa, especially in Gauteng (Peberdy 2016). International migrants are frequently the target of sometimes deadly xenophobic attacks as they are accused of taking over and monopolising economic spaces, particularly in townships and city business districts (Peberdy 2016). In the QoL 2015 survey, international migrants comprised 16% of informal sector entrepreneurs and 12% of formal sector entrepreneurs. The remaining entrepreneurs in the informal sector had either been born in Gauteng (57%) or had moved to the province from elsewhere in South Africa (27%). International migrant entrepreneurs are, however, more likely (73%) than their Gauteng-born counterparts (63%) or internal migrant counterparts (66%) to operate in the informal sector. International migrants are slightly over-represented among business owners as they comprised 7% of respondents in the QoL 2015 survey. Still, they can in no way be said to dominate the informal sector of the province as is commonly believed.

The number of enterprises that enter the informal sector annually is high and increasing, as is the number of informal enterprises that are growing their employment (Fourie F. , 2018). The rapid development of the informal sector should not mask the difficulty of operating an informal enterprise. An analysis conducted by Rogan and Skinner (2017) using Quarterly Labour Force Survey data indicated that workers in the informal sector earned on average R1733 per month while workers in the formal sector

earned on average R5000 per month. With women earning about 25% less than their male counterparts.

As discussed above the informal sector in Gauteng chiefly consists of production and service enterprises in addition to vendors unable to commercialise opportunities in the greater formal economy. Becker (2004) has identified characteristics that define informal enterprises in Africa. Firstly, informal enterprises have low set up costs and entry requirements. Secondly, the operations are usually small scale with a few workers. The skill requirements of these workers are skills which are typically gained outside of the formal sector. Lastly, the production of goods and services is labour intensive.

The informal enterprises that have been launched can provide an incubating foundation for larger ventures in the future. Indeed, the heterogeneous nature of the informal sector dictates that not all enterprises will survive. Some might cease operating shortly after launching, some are likely to survive and remain small, and some enterprises might have growth potential (Mahadea & Zogli, 2018). If the motivations of the operators of the informal ventures that survive are understood and used to assist the informal traders, they can progress to higher levels of entrepreneurship, experience higher levels of happiness and generate more employment and possibly tax revenue (Urban et al., 2008). Thus, this unregulated sector is viewed as an evolving source of entrepreneurial activity that must be harnessed and progressed into the formal fold (Callaghan & Venter, 2011). Despite this sentiment and the vision of the National Planning Commission, South Africa's acknowledgement and understanding of informal economy activities and the motives of this phenomenon remain inadequate (Urban, Venter, & Shaw, Empirical evidence on opportunity recognition behaviours of informal traders, 2011). As a result, it is vital to develop a sound understanding of the perceptions and hence the desirability of the formal economy to informal traders.

2.3 INFORMAL ECONOMY IN SOUTH AFRICA

2.3.1 History of Street Trading in Johannesburg

Since Johannesburg was founded in 1886 through the mid-1980s, local city officials, as well as the central government, made it impossible for Black South Africans to generate and income from commercial activity. In particular, the “move-on” regulation documented in the city by-laws which required street traders to move their stands by 25m every 20 minutes ensured that it was difficult for black people seeking legal trade to take advantage of the high volumes of pedestrians on in the streets of Johannesburg (Beavon, 2004). In 1923 the Urban Areas Act was passed, enforcing total residential segregation, the elimination of freehold rights for black South Africans and their non-performance in Urban areas, as well as placing legal restrictions on the nature and location of commercial activity allowed. In response to these restrictions, several black South Africans turned to informal trading which was not prohibited by the Urban Areas Act. Informal trading allowed black South Africans to remain and work in urban areas (Beavon, 2004).

The restricted area was expanded in 1947 before the creation and establishment of the apartheid state in 1948, and further expanded again in 1954 to 192 blocks. The rationale behind the restricted trading areas was racial exclusion which was heightened from 1948 onwards. Black South Africans trading within this restricted area were permitted access before 7am and after 6pm only. Furthermore, those licensed traders operating outside the restricted zone were required to follow the move-on regulations. Therefore, during the years of segregation and apartheid, there were very few hawkers operating in the Johannesburg CBD, except for those trading on the periphery of the restricted area (Rogerson & Hart, 1989). During the apartheid era, street trading as in income-generating activity for black South African’s was thus limited. The number of licenses issued to street traders dropped significantly to curb the development of this sector. Numerous justifications were provided to explain why street trading was repressed and prevented from growing in Johannesburg; including a focus on the town to maintain order and control to ensure a healthy and safe city as

this activity was associated with chaos, crime and grime. However, by 1983, the Johannesburg CBD was a designated white-only zone, to be used for residential and commercial purposes (Rogerson, 1988). Despite these regulations, many black South African participated in street trading as a means to support their livelihoods. These street traders sold mainly fruit and vegetables, as well as other foodstuffs like sandwiches, porridge or stews that had been prepared at home or their site. Consequently, those who were caught were either harassed, violently removed, fined had their goods confiscated or imprisoned (Skinner, 2007).

In 1979 a more lax and lenient approach to informal traders in the city was driven by the Hawker Report and the National Manpower. The chief reason for the change in sentiment was a declining and stagnant economy. It is clear that the change in regulation was not born out of concern for informal traders livelihoods and merely a means to improve the economy and show that reform was taking place rather than help those in dire need of economic assistance (Beavon, 2004). The apartheid government recognised increasing urbanisation and the permanent nature of informal economic activities given the dynamics of the apartheid system. The apartheid government was hopeful that that deregulation would encourage an emerging black entrepreneurial class, which would then act as a buffer between the state and the black majority; along with creating socio-economic divisions within black society and dilute the appeal of radical agendas. This new “tolerant” approach had a significant impact on informal traders, including the founding of the African Council of Hawkers and Informal Businesses (ACHIB) in 1986, headquartered in Johannesburg. By 1988, ACHIB was advocating strongly for its members to disregard all controls that hampered trading, as they regarded all restrictions and by-laws as restrictive and unjust (Tissington, 2009).

A survey conducted in 1979 found that there were 200 to 250 street traders operating on the margins of the CBD and at fixed stands. By mid-1988 there were 7 000 licenced street traders; and by the end of the 1980s, there were approximately 14 000 legal street traders working in the municipal area of Johannesburg (Beall, Cranshaw, & Parnell, 2002). The subsequent years saw the restrictive move-on regulations

abolished and new retail enterprises developing in the city of Johannesburg. These enterprises entailed upmarket food carts worked by black individuals and owned by whites. 1991 saw the enactment of the 1991 Business Act which is national legislation. The 1991 Business Act was instrumental in removing the barrier to trade that street traders had previously faced (Motala, 2002). The Act permitted municipalities to create by-laws to regulate street trading activities, provided recommendations on how to regulate informal trade and put restrictions on how cities could restrict informal trading in their areas of jurisdiction through delineating some areas as trade free zones. The reduction of the restriction on street trading generated by this act led to an increase in informal economic activities in the Johannesburg in the 1990s (Matjomane, 2013).

As the controls prohibiting free movement within the country were lifted, more and more people entered Johannesburg to look for jobs. With the formal economy being saturated, many resorted to street trading as a means of generating income. With the rapid influx of licenced and unlicensed street traders operating in the CBD of Johannesburg, police struggled to control this new situation, resulting in tension between formal and informal traders. Due to the overcrowding of payments and rise in petty crime, white traders began to take their business and families to the northern suburbs (Tissington, 2009). The escalating political turmoil and violence resulted in an exodus of much of the office-based activity occurring in the Johannesburg CBD (including financial companies, corporations, small businesses, individual professionals and medical practitioners) to the northern suburbs of Johannesburg, particularly to areas like Sandton, Rosebank and Midrand (Beall, Cranshaw, & Parnell, 2002).

In 1991, the inner city of Johannesburg was one of the most racially integrated areas in South Africa, with 54% of apartments occupied by white people. Though, this was short-lived. By 1996 the racial integration of 1991 had disappeared with only 5% white occupancy in the inner-city apartments. Rapidly, integration in the inner city became tantamount to slum living, poverty, crime and urban decay. From business areas (CBD and Braamfontein) to residential areas (Hillbrow, Berea, Joubert Park, Yeoville and

Bellevue), Johannesburg's inner city was labelled by many as a no-go area beset with general lawlessness.

In post-apartheid South Africa, people who were once excluded from operating or being in Johannesburg's central business district have flocked to the city and transformed the neighbourhoods in at an alarming rate. A large majority of these people are South Africans, however almost 25 per cent of the city's residents were foreign-born, with the foreigners dwelling in the majority of previously white neighbourhoods such as Yeoville and Berea (Landau & Freemantle, 2009). Despite the social exclusion and discrimination in the past, South Africa still struggles with the xenophobic attacks on migrant workers, particularly in the larger metropolitan cities like Johannesburg. Very few African migrants find an accommodating reception from their South African hosts, with 65 per cent of the South Africans indicating that it would be good if most foreigners left the country. This is largely because migrants are blamed crime, HIV/AIDS and unemployment (Leggett, 2003). As a result of the violent attacks, abuse and discrimination which migrant informal traders and individuals alike have experienced in Johannesburg, many foreigners have developed a practice of self-exclusion that which further solidifies their position as outsiders in the city (Landau & Freemantle, 2009).

2.3.2 Link between the informal and formal economy

Kieth Hart coined the term informal sector. He used it as a catch-all for small scale income generating activities taking place outside of regulatory frameworks (Hart, 1973). The majority of literature on the informal economy has focused on its relationship with the formal economy. Chen, Jhabvala & Lund (2002) summaries the relationship between the formal and informal sector into three schools of thought: The dualist, the structuralist, and the legalist. Dualists perceive the informal economy as a detached marginal sector - not directly linked to the formal sector, that provides income or a safety net for the poor (ILO, 1972). The dualist argument is that the informal sector exists or persists because economic growth or industrial development was unsuccessful in absorbing those who work in the informal sector. They conceptualise

the informal sector as a sector that includes the poor and unemployed. The tendency of dualist is to deny any direct links between the formal and informal economy, arguing that as the formal economy grows, informal workers will be automatically absorbed into the formal sector (War on Want, 2006).

Structuralists, on the other hand, perceive the informal sector as being subordinated to the formal sector (Castells and Portes, 1989). They highlight that in order to reduce their labour and input costs to increase their competitiveness, corporations and individuals (capitalists) in the formal sector seek to avoid legal employment costs and outsource petty producers and traders (neo-liberal). This school of thought is allied with Rogerson (2002), who stated that the growth of the informal sector is partly due to businesses avoiding regulations, tax burdens and employee benefits. The focus of structuralists is on vested interests in the formal economy that promote informal arrangements. Whereas, dualists concentrate on the self-employed, structuralists concentrate on informal wage workers (Wilson, 2011).

Lastly, legalists perceive informal activity, or, more explicitly, unregistered businesses, as a rational response by micro-entrepreneurs to over-regulation by government bureaucracies (de Soto, 1990). They argue that those who run businesses informally do so to reduce their costs and increase their wealth. It is merely impossible to comply with the cumbersome complex, costly and often time expensive bureaucratic processes associated with registration of their businesses. Legalists emphasise that the regulatory framework of governments towards businesses tends to favour large firms instead of small enterprises. Legal frameworks are therefore the cause of the existence of informal businesses which compels these businesses to remain small and hidden without any legal protection of their investment by the state, creating disincentives for growth and capital investment (War on Want, 2006).

In a debate on the link between the informal and formal economy, a tendency exists to conflate 1) the distinction between informal non-wage workers and informal wage-workers and b) the distinction between the links of the informal workforce with the

formal economy (or private sector) and with formal regulatory controls (or public sector). However, underlying each of the three schools of thought is an implicit model of how specific categories of the informal economy relate (or do not relate) to the formal economy and the formal regulatory environment (Chen, Jhabvala, & Lund, 2002). The structuralists focus solely on the relationship of informal waged workers, as well as petty producers and traders, with dominant economic interests while acknowledging that the government has a role to play in regulating that relationship. The legalists focus solely on the relationship of informal micro-entrepreneurs with bureaucratic or regulatory controls but acknowledge that powerful economic actors often influence bureaucrats and politicians, sometimes resulting in what are called “mercantile states”. The dualists tend to focus on micro-entrepreneurs and the self-employed, rather than informal wage-workers, and to deny the existence of direct links between the activities of the informal economy or the formal regulatory environment (Williams & Nadin, 2012).

Contrary to the dualist perspective, most segments of the informal economy have direct production, trade, or service links with the formal economy. Consider the examples of construction and industrial workers who produce under subcontracts for formal businesses or the street vendors who sell on commission for formal businesses, or the janitors who clean the offices of formal firms under a subcontract. According to Chen, Jhabvala, & Lund (2002), the real question is not whether informal wage workers or informal units have direct ties with the formal economy but what is the nature of those ties: benign, exploitative, or mutually advantageous? In the light of informal traders operating in the Johannesburg CBD, the answer is advantageous.

Informal-sector businesses in Gauteng have strong ties to the formal sector. First, and most importantly, are the links between national informal and formal sectors when the informal sector purchases supplies from the formal (Peberdy, 2018). The breakdown can be seen in Table 2.3. Secondly, are the links between international informal-sector entrepreneurs who source supplies for their informal-sector businesses from the formal sector in South Africa. The GCRO 2015 survey of informal sector entrepreneurs found that the lions share, 78%, purchased supplies for their businesses from the

formal sector (Table 2.3), while only 3% purchased goods from the informal sector. Through purchasing goods and supplies from the formal sector, informal sector entrepreneurs are contributing to the vitality of the retail, wholesale, manufacturing and agricultural sectors of the province and effectively to GDP of the country. Many formal business owners feel that the informal sector is a threat to their livelihood, in the form of “unfair” competition, mainly because informal businesses do not have to comply with business and labour laws and regulations. Yet, informal traders are promoting the growth of retail business and are, in fact facing threats to their livelihood with the increasing formalisation of township economies in the form of mall developments (Peberdy, Locating the Informal Sector in the Gauteng City-Region and Beyond, 2018). When questioned about competition from formal businesses, 35% of informal traders said that competition from large stores affected their business often and another 36% said it did so sometimes.

Table 2.2: Informal sector supply sources in Gauteng, 2014 (%)

Wholesaler	43
Supermarkets	26.2
Direct from factory	25
Fresh produce markets	19.9
Small shops/retailers in SA	13.8
Make or grow them myself	8.3
Direct from immigrants	7.4
Direct from farmers	3.4
Home province/country/another country	3.3
Other informal-sector producer/retailer	2.9
Not applicable/other	3

Source: GCRO (2015, p15)

The dualistic view has informed repression of the informal economy in South Africa by authorities and leaders (Roy, 2005; Legum, 2005). Many government officials subscribe to the notion that the informal economy is a temporary problem that will resolve itself. As a result, they have not devised adequate informal trader policies – the persistent, perseverant informal sector has proven otherwise (Matjomane, 2013). The notion of the dual economy in South Africa was present by former president Thabo

Mbeki during a state of the nation address in 2003. He postulated the co-existence of a dual economy, named the first (formal) and second (informal) economies. The second economy consists of individuals who are relegated from the first. The second economy will never integrate with the first as is made up of individuals who have been excluded from operating in the formal economy. The only solution for underdevelopment in the country is to develop the first economy, which in turn will generate jobs for the second economy (Legum, 2005). Informal trading is a growing sector, and many scholars feel that it is time for authorities to recognise this and work with street traders to devise actionable policies. Despite the progressive planning theory and reflections on informal trading, policies are still very suppressive.

2.3.3 Informal economy as a source of employment

Relative to sub-Saharan countries, the formal sector in South Africa contributes a small share of the total workforce (Cichello & Rogan, 2017). Even so, the contribution of the informal sector in South Africa should not be discounted. The informal sector is a significant source of employment, accounting for 2.5 million jobs – about 17% of total employment, as demonstrated in Table 2.4. One in six South Africans who have jobs are employed either by an informal enterprise or are self-employed in the informal sector (Fourie, 2018). The QoL 2015 survey found that 62% of informal-sector business owners were 1-person firms (owner operated). Another third employed between 1 and 5 people, 3% employed 6 and 10 people, 1% between 11 and 20 people and another 1% between 21 and 50.

Table 2.3: Informal sector employment as a factor of total employment in South Africa, 2014

	Informal Sector Employment		Employment in the informal sector		Total
	Employers	Own-account/1-person firms	Paid informal employees (paid)	Unpaid workers	
Total	313,012	1,118,091	1,055,708	41,221	2,528,032
% of Total SA Employment	2.05	7.33	6.92	0.27	16.58

Source: Rogan & Skinner, (2016, p5)

The GCRO 2015 survey of informal-sector entrepreneurs found that 35% employed other people. Less than a quarter (23%) of their employees were family members. Overall, the 545 employers in the survey employed 2025 non-family members and 589 family members. Of the 2.5 million people in the informal sector, Rogan and Skinner (2016) found that in 2014 there were 1,055,708 paid informal employees (comprising 7% of all workers) and 41,221 unpaid workers (comprising 0.3% of all workers). Nationally, the share of people employed in the informal sector rose from 16% in 2009 to 17% in 2015. In Gauteng, the share of employment in the informal sector rose from 11% in 2009 to 14% in 2015 (StatsSA 2015). However, the QoL 2015 survey found that 25% of people in work (not business owners or self-employed) were employed in the informal sector (14% full-time and 11% part-time). Of the remainder, 61% worked full-time in the formal sector and 14% part-time. The SESE 2013 found nationally that the largest sectors of employment for workers in the informal sector were trade (35%), services (26%), and construction (23%). A quarter of residents in the QoL 2015 survey were employed in the informal sector, and a further 5% had a business in the sector. Thus, it is not surprising that 30% of households received all, or part, of their household income from the informal sector. However, the value of the contribution to the household income was not specified. A third (33%) of black African households reported receiving part or all of their household income from informal employment as compared to 25% of Indian/Asian, 24% of coloured and 20% of white households. Households receiving part or all of their income from the informal sector were most likely to live in townships.

Based on the National Development Plan (NDP) released by the National Planning Commission (2012), the informal sector and domestic work are projected to generate 2 million additional jobs by 2030. Although the NDP has no specified proposals for how this will be achieved, its reliance on the informal sector in contributing to poverty reduction and economic progression is evident. Taking GDP into account, the informal sector in South Africa has contributed about 5% - 6% to GDP yearly (Statistics South Africa, 2015).

2.4 EXPECTED UTILITY

Entrepreneurship research can be categorised into three distinct classifications, namely how entrepreneurs act; what happens when entrepreneurs act; and why people choose to act as entrepreneurs (Stevenson & Jarillo, 1990). This section explores the question of why individuals choose to be entrepreneurs with a focus on the motivations behind entrepreneurial actions. Historically, research on this topic has been grounded in psychology and sociology theories. However, this paper approaches entrepreneurial behaviour from the angle of economic theory utilising the utility-maximising theory of human behaviour, whereby entrepreneurs will choose the operating sector that promises the highest expected utility (Douglas & Shepherd, 1999).

2.4.1 Genesis of Entrepreneurship through an economic lens

In an investigation on the origins and progression of entrepreneurship through the lens of economic theory, Herbert and Link (2006) uncover risk to be an integral function of the act of entrepreneurship. In the 13th century Europe, the continent's most enterprising act was the raising and selling of capital for an interest charge. Likewise, to modern money markets, the cost of capital would be reflective of the risk incurred. However, the disapproval of usury by the church resulted in religious sanctions on the borrowing and lending of money for a charge. At this stage, economics turned their focus to theological topics due to the lack of material on the entrepreneurial phenomenon. However, Herbert and Link (2009) cite that Scotus and Bernadino went against the grain to argue that merchants were entitled to reward for the risk of their labour, albeit in sums within the law. Scotus and Bernadino went on to place a high emphasis on the need for merchants to have sound judgement concerning risk and hardships of various types. The point that is firmly coming across is that the merchant's (the founding entrepreneur's) success was mostly reliant on how well he fared in overcoming risk and or legal and institutional constraints.

Posed to the classical economist, entrepreneurs assembled factors of production and took a calculated risk that the fruits of production would yield more than their cost (Say

1945; Cantillon,1931). Classical economists define as an entrepreneur is one who exercises business judgment, equilibrating the supply and demand in an economy, when faced with uncertain outcomes (van Praag, 1999). Although Cantillon made a note of uncertainty as an inherent factor in economic activity, he did not provide a deep-dive analysis of the nature of risk and uncertainty; instead, he merely highlighted the relationship between the entrepreneur and uncertainty. It was, in fact, Knight (1921) who made the distinction between risk and uncertainty in relation to entrepreneurial action.

According to van Bula (2012), Knight's states that risk refers to outcomes that can be insured and uncertainty to outcomes that cannot be insured. Granting this definition was accepted, scholars found this definition to be problematic as it fails to account for profit, the driver of entrepreneurial actions; with the likes of Kihlstrom and Lafoffont (1971) attempting to bridge the link with a formal model of entrepreneurial activity with no success. Knight Having already identified this problem developed a second theory for entrepreneurial action based on uncertainty. From this second theory, the incentive for entrepreneurial action is clear; the entrepreneur introducing innovation can earn profits. The amount of uncertainty as to whether profits will be achieved is determined principally by the trading environment: the length of production given the innovation, level of economic activity and the degree to which uncertainty has been hedged (Bula, 2012). Following from this, Knight's definition of the entrepreneur evolved to be one who deals with uncertainty attached to the exploitation of opportunities. For the purposes of this paper, the definition of uncertainty that will be used is Brooke's (2010) that emerged from his reconsideration of Knight's uncertainty, profit and entrepreneurial action theory. Brooke (2010) offers that uncertainty refers to all instances where only subjective estimates of future outcomes are possible. As such, informal traders operating in Johannesburg's CBD, facing the uncertainty of the trading environment must use their best judgement and perceptions to forecast demand and success based on their trading environment before gathering the factors of production to run their businesses. If the expected outcome is positive, only then will the trader amass the resources required to trade in a specific environment either the formal or informal sector.

2.4.2 Expected Utility Theory and Entrepreneurship

Expected Utility Theory has had a complex development, dating as far back to Bernoulli in 1738. Bernoulli (1738) tested the theory in the famous St Petersburg experiment, where he used a logarithmic utility index to compute a finite price for a gamble with an infinite expected value. Though vast, the history of Expected Utility will not be examined in this review; a proper treatment would be too lengthy and divert from the content of this section. The intention here is to introduce the topic and explain the theory. Expectancy based theories are used to examine the choice between uncertain substitute prospects through a comparison of their expected utility; the greater the expected utility, the greater the probability of the individual acting (Shah & Higgins, 1997; Mongin, 1998). Utility models of human decision-making propose that individuals will choose the course of action which promises, in prospect, the highest utility (or psychological satisfaction) — bearing in mind that some course of action may involve disutility which will offset the satisfying elements of a said course of action (Douglas & Shepherd, 2000). Literature agrees with this proposal arguing that there is a high probability of individuals choosing the option that is most certain to maximise desired outcomes (Steel & Konig, 2006).

Expectancy theory has been well utilised in entrepreneurship literature to explain the phenomenon of entrepreneurial decision-making. According to Campbell (1992), potential entrepreneurs consider the expected outcomes and probabilities of success between the rewards of an entrepreneurial opportunity and laboured work and are more likely to select entrepreneurship if it yields the higher financial gain. Eisenhauer (1995) took the discussion one step further by exploring working conditions as a component as of expected utility in addition to financial gain as has been done in this study. Douglas and Shepherd (2000) then fleshed out the theory by investigating working conditions regarding the entrepreneur's perceptions, exploring effort required, risk exposure (mainly financial) and autonomy. Consequently, Douglas and Shepherd (2000) developed a theory of entrepreneurship that to a high degree explains an individual's choice of employment environment: to be independent or an employee of an existing organisation by utilising a utility maximisation model of decision making.

An individual will choose the operating environment that promises the greatest utility maximisation of model human behaviour. In expected utility theory gains and losses are defined relative to some neutral reference point. If the informal trader perceives that he is in a domain of gain, that exceeds their reference point, they tend to be more risk-averse. When the desirability of the formal sector is higher than the informal sector, the informal trader would frame the formal sector as in the domain of gains, and graduate into the formal economy (Hsu, Wiklund, & Cotton, 2017).

In the context of informal traders, we postulate that the informal trader, being self-serving, expects to gain utility from profits (derived from the goods and services sold in the formal or informal sector). In addition, the informal trader will gain utility or disutility from work effort, risk exposure, resultant lifestyle, independence, institutional factors and ease of operating provided by the relevant sector. The degree of utility gained is influenced strongly by the informal trader's perception of control while operating in each respective environment. The utility of an entrepreneur is not only limited to monetary outcomes. Benz and Frey (2008) argue that an entrepreneur's utility is a multidimensional construct that goes beyond solely monetary measures and includes several aspects of nonmonetary entrepreneurship. This point of view is confirmed by Block, Sander & Spiegel (2015) who state that individuals consider the process, procedures and level of control that lead to an outcome, in addition to the outcome itself. This adds a new dimension to the consideration of entrepreneurial well-being than the approach that is applied in traditional economics. Individuals have a sense of self, and more precisely, are striving for a positive sense of self which is driven by their fulfilment and satisfaction.

Approached from a macroeconomic perspective, this procedural utility, work effort, risk exposure, resultant lifestyle, independence, institutional factors and control are accommodated into the utility function in addition to the utility gained from the financial outcome of the particular decision made by the entrepreneur (Block, Sander, & Spiegel, 2015). Utility can be used to predict and/or explain motivations or desirability of decision options and examine how that information affects decisions. Hence as explained above, can be used as a proxy for an informal traders' desirability of the

formal sector. In addition, in economic models, desirability functions are defined as utility functions that convert multiple responses with different units of measurements into a single commensurable objective that can be optimized, as well as analysed to understand the relationship between characteristics (Ortiz & Simpson, 2004; Salmasnia & Bashiri, 2015; Pal & Gauri, 2018).

The above discussion concentrates primarily on an individual's decision making and desirability perceptions at a point in time. Conversely, entrepreneurship is a dynamic phenomenon influenced by the interaction between the entrepreneur and the environment in which new ventures are created or developed (Robinson et al., 1991; Schmitz et al., 2017). As such, over time, the individual entrepreneur's estimates of desirability, i.e. income, work effort, risk exposure, independence, control and lifestyle and net prerequisites required by an operating environment may change. We thus suggest that the individual informal trader undergoes a constant process of opportunity re-evaluation and desirability determination that shapes his perception of entrepreneurial environments.

2.4.3 Significance of Expected Utility Theory to Informal Traders

When considering the informal sector and expected utility theory, literature has focused extensively on utility maximisation via tax evasion without the consideration of non-monetary utility deriving factors. The resounding echo is the informal economy reflects the individuals' need to evade tax payments, a formal sector activity, that diminishes income utility (Franzoni, 1998; Gcabo & Robinson, 2007; Blackburn, Bose & Capasso, 2012). However more recently Brixiova (2013) conducted a study on mobility between the two economies based on Harris and Todaro's (1970) earlier model stating that the mobility between the two sectors ceases when the expected utility in the form of wages for both the formal and informal sector is the same. Brixiova (2013) took this model a step further by adding market and working conditions to the equation. When entrepreneurship is applied to the formal sector, Brixiova's (2013) proposal for the utility between the formal sector and informal sector is concurrent with Douglas and Shepherd's (2000) theory of utility-driven entrepreneurial decision making. Hence this justifies the approach to use working conditions, effort,

independence, lifestyle, control and income to answer the question of what operating environment factors are considered desirable for informal traders operating in the Johannesburg CBD. In South Africa, between 2011 and 2015, this unregulated segment had created 184 098 jobs in comparison to the 26 098 jobs lost in the formal economy (Adcorp, 2015). It is inferring significant employment transference from the formal to the informal economy in the form of self-sustaining micro enterprises (ECESSEC, 2015). Thus another contributing factor as to why the decision to enter or remain in the informal sector must be investigated.

2.5 PERSON-ENTREPRENEURSHIP FIT

Closely linked components of entrepreneurial intention to act are attitudes, motivations, social norms, ease of action, perceived control and expected outcome. This topic has been explored widely in entrepreneurship literature, rooted in Ajzen's Theory of Planned Behaviour and Shapero's Model of the entrepreneurial event (Shapero, 1982, Ajzen 1991, Krueger, Reilly, Carsrud, 2010). Researchers of entrepreneurship literature argue that new firm creation or development is encouraged by perceptions of feasibility and desirability, of which expected outcome is a factor (Krueger and Brazeal, 1994; Krueger and Carsrud, 1993; Krueger et al., 2000, Douglas 2013). Interestingly, entrepreneurial intentions theory neglects to acknowledge opportunity heterogeneity, decreasing the generalisability to all entrepreneurial endeavours. Davidson and Wilkund (2004) contend that fully understanding entrepreneurial intentions requires consideration of both the individuals' characteristics and the environments in which they would work. By analysing the perceived fit in relation to the expected outcome of the formal sector, the study hopes to provide a better understanding of the motivations and attitudes of informal traders of the formal economy and thereby better inform entrepreneurship theory and practice in addition to South African policy.

2.5.1 Person-entrepreneurship fit

The theory of person-environment fit has existed in management literature for nearly a century. Person-environment fit theory concentrates on the antecedents and significances of compatibility between individuals and their occupations or the formal

structures that they work for when their characteristics are well-matched (Kristof, 1996). Literature suggests that persons select work environments based on several influences, comprising of their personalities, attitudes, values, abilities and various occupational dimensions – over and above influences relating to the organisational environment (Van Vianen, 2000). Individuals who experience fit experience higher levels of commitment, satisfaction, performance and have lower intention to quit their current jobs or organisations (Oh, et al., 2014). Hence, the stronger the match between the individual's characteristics and environment, the higher the utility to enter or remain in said environment. When fit theories are applied to entrepreneurship, literature suggests that environmental forces and conditions exercise substantial influence on entrepreneurial events and behaviour (Markman & Baron, 2003).

Person-entrepreneurship fit, following from person-environment fit, proposes linkages between entrepreneurship and several individual difference dimensions that are considered relevant to starting a new venture. The model suggests that these individual difference factors influence the individuals' decision to create a new venture. Hence, the higher the degree of person entrepreneurship fit, the higher the likelihood that individuals will choose to become entrepreneurs, and, perhaps, the higher their ultimate success in the entrepreneurial process (Baron & Markham, 2014). An individuals perception of fit with a form of entrepreneurship is a crucial factor contributing to entrepreneurial self-efficacy leading to entrepreneurial intention (Hsu, et al., 2018). Entrepreneurship is a long process filled with uncertainty. If the attributes of this journey in the formal sector such as work-life balance or financial stability meet the personal needs of the informal traders, then they will make the transition (Justo, DeTienne, & Sieger, 2015). Hence attitudinal outcomes, such as intention, are shaped by informal traders evaluations of internal factors and the external environment.

Person-entrepreneurship fit, unlike person-environment fit, utilises needs-supply and demands-abilities approach, which are the two most commonly accepted dimensions of person-entrepreneurship fit (Kristen-Brown, Zimmerman, & Johnson, 2005). The needs-supplies dimension of fit is the extent to which the external environment, such as a job organisation, or in the case of the informal trader, operating environment,

fulfils the needs of an individual – thus needs fulfilment is the primary driver of attitudes and behaviours. The second dimension of person entrepreneurship fit is the demands-abilities dimension, in which the extent to which demands from the external environment such as education level, and a person's ability are congruent (Cable & DeRue, 2002)

Mark and Baron (2003) used person-entrepreneurship fit as a framework to articulate the importance of individual attributes, such as self-efficacy, skill and knowledge to entrepreneurship. The fit framework has also been employed in Krueger-Ajzen theory of planned behaviour as well as Krueger-Shapero and Shapiro's model of entrepreneurial intentions. The closer the person-entrepreneurship fit, the greater the utility derived from entrepreneurship and the greater the likelihood or magnitude of venture success. Actual person-entrepreneurship fit, however, is unknown prior to engagement in the entrepreneurship process (Hsu, et al., 2018). As such, it is the perception of fit driven by needs that motivates and informal trader to either remain in the informal sector or transition to the formal sector. Due to needs-supply being the most critical form of fit from and employees' point of view, it will be the sole focus in this section, instead of demands-abilities. Demands abilities will receive more focus under the perceived behavioural control chapter. (Cable & De Rue, 2002; Kristof-Brown & Billsbery,2013).

2.5.2 Person-entrepreneurship fit and needs-supply

Needs-supply refers to the congruence between needs on one side and environmental characteristics on the other (Kristof-Brown et al., 2005). Needs-supply is illustrated by the fit between needs and supplies, giving the general perception of needs fulfilment (Edwards & Shipp, 2007). Kämpfe and Mitte (2009) believe that neither the individual's current state nor his goals are sufficient that predict fulfilment; it is more a question of the discrepancies between these. According to this perspective, the wider the gap, the greater the likelihood of negative consequences on mental and physical well-being. Conversely, the greater the match, the greater the likelihood of positive consequences such as satisfaction and fulfilment (Edwards & Shipp, 2007; Dylag et al., 2013). The

Self Determination Theory states that the three fundamental needs are competence, autonomy and relatedness. According to SDT, if individuals can satisfy their three essential psychological needs, they will develop their fullest potential and thus function optimally. The fulfilment of these needs is also mostly dependent on the environment in which these individuals are operating in (Deci & Ryan, 2000).

Achievement motivation based on Murry's (1938) fit theory indicates that entrepreneurs pursue opportunities that offer the best fit for their achievement need, and thus offer the highest utility (McClelland, 1961; Minner, 1993; Stewart and Roth, 2007; Prottass 2011). Entrepreneurs have distinct needs, which they attempt to satisfy through opportunities (supply). These opportunities tend to drive entrepreneurs to engage in activities that will maximise their needs. A match between needs and opportunity occurs when there is congruence between the entrepreneur's needs (material and psychological) and the opportunities provided by the environment in which they are found. Accordingly, informal traders with specific psychological needs would operate in the environment (formal or informal) which best satisfies their needs and hence provides them with the highest utility. It can thus be inferred that if there are various types of entrepreneurs, and if entrepreneurship is not restricting, then the preferred operating environments would differ based on utility maximisation. This is especially true as the informal trader's business develops; his perceptions of his trading environment and needs will simultaneously adjust to these developments. As the trader moves from income to growth-orientated (or vice versa), his monetary and non-monetary perceptions of utility will also change. Whether he remains in the informal sector or not will be dictated by the environment that best serves his needs (Stewart & Roth, 2007).

To better understand the meaning of needs in a working environment and determine the importance of work-related needs fulfilment, Travaglianti et al., (2017) researched work-related needs fulfilment using the needs-supply approach. The needs-supply approach to fit is an essential tool for understanding how the relationship between the individual and the environment, and how the environment has an impact on mental and overall, the wellbeing of the individual. Many conceptualisations of employment

quality exist, making it challenging to define a “good working environment’ (Burchell et al., 2013). Nevertheless, the ILO (2013) and the European Union (EU) (2009) have attempted to develop a range of indicators to define what is termed ‘a good job’. The ILO through it’s “Decent Work” concept have proposed ten indicators of employment quality, including health, wages, safety and work-life balance. The EU (2009) have proposed twenty indicators including, autonomy, wages, working time and flexibility. Scholars have also contributed to this research and have proposed employment quality including work organisation; wages and payment system; security and flexibility; skills and development; workers’ rights and social protection; employability opportunities; safety; ethics in employment; and the work-life balance (Travagianti, Babic, Pepermans, & Hansez, 2017). Based on these classifications, the below qualities have been identified as the most applicable to the informal trader operating in Johannesburg: Earnings, Employment Opportunities and Autonomy.

2.5.2.1 Earnings

According to ILO (2013) for work to be in alignment with the concept of decent work, it has to provide workers with adequate and sufficient earnings. Even though informal-sector entrepreneurship is often viewed as survivalist, the earnings of informal entrepreneurs, although relatively low, compare relatively favourably with black African incomes in the province of Gauteng (Peberdy, Locating the Informal Sector in the Gauteng City-Region and Beyond, 2018). Earnings refer to remuneration in cash and in-kind paid to employees, as a rule at regular intervals, for time worked or work done together with remuneration for time not worked, such as annual vacation, other types of paid leave or holidays. If an informal trader were to register his business and/or is an employer, then remuneration would imply the total wages after the employer makes any deductions in respect of taxes, contributions of employees’ pension schemes, life insurance premiums, union dues and other obligations of employees. Earnings also includes direct wages and salaries, remuneration for time not worked (excluding severance and termination pay), bonuses and gratuities and housing and family allowances paid by the employer directly to this employee. Earnings would also include employers’ contributions in respect of their employees paid to social security and pension schemes and also the benefits received by employees under these schemes. They include severance and termination pay as well

(ILO, 2013). In the informal sector in South Africa, one third are employees, and the two-thirds are employers. The remuneration of employers is directly dependant on the profits made from the sale of goods or services. Formalising of informal businesses and therefore, the addition of labour costs and taxation has the potential to reduce profits significantly and the utility gained from operations. The ILO (2013) found that if the earnings potential for a job, and in this case environment, is below what is perceived as adequate it, the environment will not meet the adequate objective. Thus, Earnings serves as a signal of the potential utility to be gained from an environment.

The concept of earnings as it relates to the informal sector has significant overlap with the institutional perspective. It can be further be explained by the neo-liberal approach, which says that says that high taxes and cost of labour regulations and rules drive entrepreneurs into the informal sector (Williams & Horodnic, 2016). Opposed to the common belief that informal entrepreneurship arises from necessity by marginalised populations, the neo-liberal perspective contends that the expansion of informal entrepreneurship is an indication of how many voluntarily exit the formal sector. Thus making the rational economic decision to avoid high taxes, public sector corruption, and over-burdensome regulatory system (Becker, 2004; De Soto, 1989, 2001; London and Hart, 2004; Nwabuzor, 2005). There is however a trade-off between taxes and public services: informal traders avoid taxes, regulatory penalties and minimum wage requirements at the cost of reduced access to public services for them and their employees (Loayza, 2016). From the neo-liberal perspective, informal entrepreneurs are champions over bureaucratic chains of an over-regulated state and chose to work informally to circumvent the costs, time and effort of formal registration (Perry and Maloney, 2007; Small Business Council, 2004). Informal entrepreneurship is perceived as a direct response to high taxes, the over-regulation of the market and public sector corruption (De Soto, 1989; Loayza, 2016). Due to the support from supranational agencies such as the International Monetary Fund and the World Bank, the neo-liberal approach has been accepted by many governments. Governments who have sought to tackle their informal economies by reducing taxes, combating public sector corruption and providing the market with free reign through deregulation (Perry and Maloney, 2007; Small Business Council, 2004). Neo-liberalism views the informal sector as an engine that can fuel development. Hence many micro-financing projects

have been championed by the World Bank and International Monetary Fund as a demonstration of the self-reliance that can be built within the lower-middle class. Public sector corruption will be explored in detail in section 2.6.

2.5.2.2 Employment Opportunities

Employment Opportunities refers to the quantity of labour demand and supply in an economy. It thus targets a vital aspect of the labour market conditions faced by both informal and formal workers (Travaglianti, Babic, Pepermans, & Hansez, 2017). The informal sector in South Africa provides income and a livelihood for millions of South Africans. Policy debates and the NDP tend to mention the informal sector as a source of employment for the country, regardless of their lack of action and development in this sector. Adopting the view that the informal sector has employment generation potential implies that one views informal sector work, whether self-employed as a business owner or employed by one, as the alternative to being unemployed. This is especially true in a country with 35% unemployment rate for an unemployed individual that is considering transitioning to the informal sector as they are unable to find work in the formal sector.

Scholars have generally viewed the informal sector merely, or at most as having the function to passively absorb those who have lost formal-sector jobs or providing a survivalist livelihood for those who fail to acquire such jobs. However, the informal sector should be analysed, rightfully, as a component of the South African economy and a vital part of its growth, employment and development trajectory (Burger & Fourie, 2019). Using ESE survey data Fourie (2018), address these limited perspectives. Firstly, all informal sector firms should be recognised as firms, even if they only employ one person, instead of referring to them as “own-account worker” or “self-employed” person. Secondly, firms in the formal sector are either employing or non-employing firms. This type of calcification lends to the development of enterprise-based policies. The study found that while multi-person employment firms contain 21% of the number of informal firms, they have substantial employment potential, employing 760 000 employees in the formal sector of whom 550 000 are paid in cash and the remaining paid in kind. When compared to a critical formal sector such as

mining, which in 2013 employed approximately 450 000, these numbers are considerable. Furthermore, in 2013, around 48% of informal sector workers work in employing firms.

2.5.2.3 Autonomy

The need for autonomy as a motive for new venture creation is a widely explored topic in entrepreneurship literature. It is considered as a fixed trait, motive or need for entrepreneurship. Entrepreneurial autonomy is the most commonly listed reason for new venture creation in both developed and developing countries. (Feldman & Bolino, 2000; Dawson, Henley, & Latreille, 2009; Shir et al., 2019). Autonomy is such a significant motivator that it may even encourage some entrepreneurs to persist when their businesses are underperforming financially. The available body of knowledge on entrepreneurship shows that business owners consider themselves as having a high degree of work-related autonomy (Lange, 2012). Not only is autonomy an entrepreneurial need, but also a source of satisfaction. The majority of venture creators have stated that they enjoy deciding the business strategy, working methods, regulating their own time, and having responsibility. More relevant to the informal economy Van Gelderen and Jansen (2006) found that some business founders are motivated by “negative” freedom, which means that they dislike, or had recently experienced, a (perceived) demanding boss or stifling organisational rules. In other words, it is not just the autonomy that they like, but also the absence of a boss or rules and regulations. A second motive is creativity and self-expression. Entrepreneurial autonomy offers entrepreneurs the opportunity to work according to their own goals, values, vision, schedules, and working styles. These respondents need autonomy to do particular things or do them in a particular way. Thirdly, some respondents emphasise that autonomy provides opportunities to be in charge, to direct, gain responsibility and to lead rather than being led (Geldern & Jansen, 2006).

The principal-agent framework on incentive contracting can be used to determine how an informal trader might derive utility from the formal or informal sector. The principal-agent theory considers the motivations of informal traders (agents) to work in the best interests of society at large (formal sector) when their own best interests may be

served (Struthers & Nziku, 2017). Individuals are expected to derive greater or lesser amounts of disutility from work. Thus, it is assumed that the perception of work effort to be one of aversion, indicating that informal traders will gain more utility from less work effort in the informal sector. It is vital to define work effort as it is subjective. In the context of the informal trader, work effort is defined as the combination of the time spent on labour-intensive work, the intensity of compliance synonymous with formality such as tax returns, labour law adherence as well as relevant industry regulations (Companies and Intellectual Property Commission, 2017). If the agent is effort adverse, the principal must compensate the agent for his effort. Thus, for the effort-adverse informal traders to cross over into the formal fold, they must be significantly incentivised to supply effort denoted by a monetary reward (Hausken, 2019).

The agency-structure relationship as a means to explain entrepreneurial intentions is gaining acceptance in entrepreneurial literature, mainly when explaining the motives of informal entrepreneurs as individuals who are compelled to operate in the informal sector due to lack of options. In terms of South Africa, this sentiment is supported by the Global Entrepreneurship Monitor (GEM) (2011) Sub-Saharan Africa Regional Report, a primary source of entrepreneurship information. GEM (2011) reports the decline of the formal job market; rigid labour laws and lack of skilled labour have led to the increase in necessity-driven entrepreneurs in South Africa. (Castells and Portes, 1989; Sassen, 1997; Gallin, 2001). It is becoming the norm especially in developing economies, for informal entrepreneurs to be categorised as “necessity” entrepreneurs pushed into entrepreneurship due to their lack of choices (Reynolds, Bygarve, Auti & Hay, 2002; Maritz, 2004; Perunovic, 2005). With the exception of the GEM report, which is in effect a single source, this opinion is a priori. It has been contested in literature with Cross (1997) and Gerxhani (2004) asserting that informal entrepreneurs voluntarily decide to participate in the informal economy as they find greater independence, freedom and flexibility than the formal economy. This opinion is supported by studies conducted by Snyder (2004) and Cross (1997, 2000). Snyder conducted a study on 50 informal entrepreneurs in New York City’s East Village and discovered that the informal entrepreneurs participating in the study transition into the informal sector out of their own volition to take their careers in a new direction or seek self-realisation. Although this study was conducted in a developed market, it can be

argued that it is applicable in the South African Market. Cross's (1997, 2000) findings of street vendors in Latin America provided similar results. Given these substantial insights on the relationship between the informal sector and independence as a motive, this paper leans towards the informal trader finding a higher sense of autonomy and thus utility in the informal sector.

2.6 BARRIERS TO ENTRY OF THE FORMAL SECTOR

2.6.1 Institutional Theory

Institutional theory is the study of how several organisations, individuals and groups better secure positions and legitimacy by complying with the rules and conforming to the norms of the institutional environment (Williams & Shahid, 2016). The term institution is a collective term for formal rule sets that organisations, individuals and groups operating in an environment are expected to adhere to. These are formulated from protocols such as supervisory structures, government administrations, laws, courts, professions, and other societal and cultural norms that apply conformance pressures (DiMaggio & Powell, 1991). Ahmadi (2003) summarised that institutional theory requires one to pay attention and follow the rules, customs and cognitive-cultural aspects (the institution) as the essential elements of organising, which foster and sustain operations and permanency. The elements mentioned above have been conceptualised as the formal and informal sector. The summation is based on North's (1990) two-dimensional view of institutions. North (1990) clearly illustrates the multi-dimensional implications of institution theory in addition to its importance in an economy.

"Institutions are the rules of the game in a society or, formally, are the humanly devised constraints that shape human interaction. In consequence, they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change" (North, 1990, p. 3).

The following four points are extracted from North's (1990) conceptualisation of institutions as they relate to entrepreneurship:

- Institutions present restrictions which serve to provide a framework for political, economic, and social interactions within a society.
- Institutions produce order, thereby diminishing uncertainty in exchange.
- Institutions, combined with the traditional restrictions of economics, define and determine both individual and group choice sets, as well as transaction and production costs.
- The incentive structure in any economy is a function of institutional dynamics, as they signal the direction of economic change, which can either be growth, stagnation or decline.

Scott (1995), alternatively, highlights three elements of an institution which has named the three pillars of institutions. Scott contends that institutions are comprised of regulative, normative, and cultural elements that, when combined with associated events and resources, provide stability and meaning to social life. The regulative element comprises of rules systems, laws, and regulations as well as enforcement methods that are authorized by the government. The normative element likens institutions to specialized societies that define roles and expectations for specific groups. The cultural-cognitive element consists of accepted beliefs and values shared among individuals through social interactions that guide behaviours. In alignment with Scott's conceptualisation, Tonyan et al. (2010) highlight that institutions, therefore, have an impact on the cognitive and ethical considerations that shaping human judgment and behaviour. Institutions have a strong influence on an individual's decision making, signalling which choice is acceptable and determining which norms and behaviours are socialised into a given society. Institutions also affect organisational behaviour by restricting and defining which actions are acceptable and supportable both within and between organisations.

A country's institutional context is vitally important as it either promote or inhibit entrepreneurship. As a result, many studies have focused on analyzing the connection

between institutions and entrepreneurship (Adike, 2018). Institutions have a significant impact on the prevalence and nature of entrepreneurship in a country or a city. The institutions that surround the economic behaviour of entrepreneurs can be categorised into three groups. The first group consists of informal institutions that are embedded in social behaviours. These include norms, customs, tradition, culture, and religion. The second group consist of formal rules such as the constitution, law and property rights. The last group consists of institutions of governance. This group is concentrating on defining and enforcing contracts in the relevant laws and aligning them with contractual transactions (Aksoy, Yay, & Yay, 2017). Literature on entrepreneurship and institutions suggest that institutional environments create the conditions for individual decision-making, which plays a vital role in entrepreneurial cognition and the quality of entrepreneurship, and thus the utility gained from entrepreneurship (Acemoglu, 2005; Stenholm et al., 2013; Cumming & Zhang, 2016). The higher the quality of an institution (secure property rights, a well-functioning court system, low personal bankruptcy access to resources and financing, availability of knowledge and entrepreneurial capital) the greater level of entrepreneurship and economic activity. Institutional reforms change the quality and quantity of entrepreneurial activity by changing the environment where decisions are taken and implemented (Sobel, 2008). Just as institutions affect entrepreneurs, over time entrepreneurs also take the initiative to change the institutions that are beneficial to them; or exit these institutions to operate in reals that provide them with the highest utility (Hwang & Powell, 2005). The increasing use of institutional theory in academic research in various disciplines shows the significance of institutions in everyday decisions and actions.

2.6.2 City of Johannesburg Informal Trader Policy

Currently, South African street trading is overseen and controlled by municipal by-laws and policy at the local government level. Local government was granted this authority through The Businesses Act 72 of 1991 (Businesses Act) together with the Businesses Amendment Act 186 of 1993, provided that the by-laws are in alignment with the Bill of Rights in the Constitution (Tissington, 2009). The City of Johannesburg propagated by-laws for governing street trading in May 2004 under the Municipal Systems Trading Act. It later revised these by-laws in 2009 to an Informal Trader Policy. The 2004 by-

laws were amended with an expanded definition of informal trader. The 2009 Informal Trader Policy now includes those who sell in formal malls, linear markets and other designated areas.

Municipal by-laws may only be enforced after they are published in the official gazette of the relevant province. The Informal Trader policy of 2009 was only published in 2012 due to further revision based on a by-law feedback session facilitated by the City and attended by various stakeholders. Trader organisations raised concerns and objections about the poor feedback on the process and incorporation of their inputs. They also questioned the constitutionality, legality and appropriateness of the by-law proposals. The Metro police enforce the street trading by-laws in the inner city of Johannesburg (Mngoma, 2010). Their mandate is derived from the South African Police Service Amendment Act No 83 of 1998. Their functions include traffic policing, policing of municipal by-laws and regulations, and the prevention of crime in the City of Johannesburg (Tissington, 2009).

The purpose of the City of Johannesburg's Informal Trading Policy is to enable entrepreneurial opportunities within the informal economy, to harmonise the relationship between the informal and formal economy, as well as facilitate the migration of informal trading into the formal sector. The City of Johannesburg's Informal Trader Policy deals among other things with prohibited conduct, restricted conduct, cleanliness, signs indicating restricted and prohibited areas, removal and impoundment, vicarious responsibility of persons carrying on business, and offences and penalties (Thale, 2009). These topics can be organised into two categories of focus. The first is the protection of public buildings and monuments, traffic flow, pedestrians. The second is on maintaining general cleanliness, hygiene and safety of public spaces and order within the City. There is no mention of informal trader development, opportunity creation or a plan to migrate the informal traders into the formal sector. The City of Johannesburg recognises informal trading as an integral part of the past, present and future (Tissington, 2009). As with the formal sector, the informal sector is contributing to job creation and poverty alleviation, absorbing those who would otherwise be economically docile. The policy also recognises that informal

traders are facing many challenges, including limited infrastructure and storage; law enforcement difficulties; health and safety obligations; and diversification and consumer behaviour. The policy states that it is in an attempt to “assist this sector and alleviate some of the challenges impeding the further development of this second economy.” However, we will see below that the cities actions and policy are misaligned.

2.6.3 Institutional Barriers

Informal entrepreneurs’ function outside the borders of formal institutions, but within the borders of informal institutions, and are now required to operate within the bounds of the Informal Trading Policy of the City of Johannesburg. Informal entrepreneurs are viewed as illegal by formal institutions but are viewed as legitimate from the perspective of the values and beliefs in the informal economy, which enable them to operate informally and gain utility. The level of incongruence between the formal and informal institutions thus determines the level of informality. When the difference is significant, entrepreneurs will be more likely to operate in the informal sector as based on their beliefs, norms and values; this is the environment in which they can maximise their utility. When the formal and informal institutions are aligned, entrepreneurs will be less likely to operate informally as the utilities gained from both sectors are closely matched (Adike, 2018). The institutional level factors that are considered by entrepreneurs when deciding whether to act formally or informally are discussed below.

2.6.3.1 Government Policies

Government corruption occurs when government officials misuse institutions and use them in ways that were not intended, as a means of achieving personal gains. The danger of government corruption lies in the fact that beyond a certain level of corruption, it can reduce such institutions to be non-functioning and dysfunctional (Adike, 2018). As North (1990) observed, the institutional framework which allows entrepreneurship to flourish consists of the set of fundamental political, social and legal ground rules that establishes the basis for production, exchange and distribution. Paradoxically, these rules can be undermined by government officials, often in

collusion with those whose behaviour such institutions are supposed to regulate (Udechukwu & Mujtabi, 2013). According to Polishchuck (2012), the function of institutions particularly in developing countries like South Africa is to support markets, protect property and contracts, and ensure accountable governance in the private and public sectors and efficient delivery of social services. At the point where institutions become susceptible to corruption, the incentive to engage in informal entrepreneurship becomes higher; this entrepreneurial decision could be intentional or unintentional.

Corruption can promote informality in at least two ways. First, corruption simplifies processes in the informal sector thus make the sector more attractive than the formal sector. For instance, operating a business covertly in the informal sector may only be possible with the cooperation of corrupt government officials (Adike, 2018). Second, in the formal sector, corruption may represent an oppressive force that can make the sector unattractive and thus forcing business people out of it into the informal sector. A negative relationship has been discovered between government corruption and the informal sector. A study conducted by Friedman et al. (2000) discovered that both over-regulation and corruption amount to a higher effective tax on official activity and therefore induces firms to move into the informal economy. Government corruption reduces the confidence and trust of entrepreneurs in the public sector, driving entrepreneurs to operate informally. A weak sentiment towards the government is also a factor falling under government corruption.

Informal activity tends to be high in countries where informal entrepreneurs harbour resentment or have been let down by the state. This sentiment leads to resistance which according to Kirchgässner (2011) results from three reasons: 1) lack of perceived procedural fairness to the extent to which entrepreneurs believe they are paying their fair share compared with others; 2) lack of the perceived redistributive justice, which refers to whether entrepreneurs have access to and receive the goods and services they believe that they deserve given the taxes that they pay; 3) lack of procedural justice, which is the degree to which entrepreneurs believe that the tax authority has treated them in a respectful, impartial and responsible manner. Schneider and Williams (2013) argue that the quality of public institutions also plays a

direct role in determining the size of the informal sector. Corruption of bureaucracy and government officials is associated with greater informal activity, whereas, as ethical rules, regulations, secure property rights and contract enforceability increase the benefits of working in the formal sector. Research also shows that informal sectors are smaller in countries with a combination of fewer laws and regulations and consistent enforcement, and where there are less bribery and corruption in the economic system. This provides a further strengthens the argument for good quality institutions (Schneider & Williams, 2013).

2.6.3.2 Access to resources

Scholars have recognised that an entrepreneur's success is predicated on access to both financial and non-financial resources (Erikson, 2002; Firkin, 2003). Thus studies have turned to capital theory to explore the impact that access to resources such as economic, human, social, cultural and symbolic capital have on an entrepreneur's ability to create and grow successful businesses (Davidsson and Honig, 2003; De Carolis and Saporito, 2006; Cope et al., 2007). In terms of the informal trader resources such as knowledge of regulations, ease of registration, access to utilities and capital are key determinants of utility. They are expanded on below.

Lack of awareness of regulations is a driver of informality. McKenzie and Woodruff (2013) found that only 17% of informal entrepreneurs in Sri Lanka understood the registration process believing that it took a month to register a business while in practice it took a week or less. Similarly, in Bolivia, a McKenzie and Sakho (2010) found that 66% of unregistered enterprises did not know where to find the tax office and only 10% had heard of the commerce registry. Lack of knowledge regarding registration is a significant barrier to entry in the formal sector. Two-thirds of the informal economy cannot transition to the formal sector if they are unaware of the process. In addition, in terms of the City of Johannesburg's Informal Trading Policy, several traders when interviewed stated that a concerted effort at education and support is required concerning the by-laws, rather than the confiscation of goods and harassment when they have not been followed (Tissington, 2009). Availability of education and information on street trading by-laws is essential. Particularly, in

languages that informal traders understand and not in legal jargon. Currently, the available information is prohibitive (signs and markings), placed to deter not inform. These signs provide minimal use if they are not supported with knowledge and understanding of their purpose (Tissington, 2009). This would apply to the SARS registration process as well. Should transitioning the informal traders be a priority for the City of Johannesburg as stated in the Informal Trading Policy, then education of the formalisation process and its benefits are required. Lund et al. (2012) have suggested workshops and meetings as a form of education, where the by-laws are presented and discussed by street traders for street traders, as well as where written information is distributed regarding street trading by-laws and the formalisation process for any traders who may be considering it.

Based on studies conducted by De Sotro (1989) and later by the Small Business Council (2004) the ease of registration is a further barrier to the formal economy once entrepreneurs are aware of the formalisation process. Ease of registration covers the cost and time involved in the registration process with various authorities such as tax, home affairs and labour departments and the number of steps in the process. It is believed that by simplifying the registration process by employing methods such as reduced time and cost to register as well as reducing the number of government departments that need to be visited, informal entrepreneurs will be encouraged to formalise. South Africa was ranked 82 out of 190 countries in the Ease of Doing Business Report compiled by the World Bank (2018), with Johannesburg being the city from which data was collected. In terms of ease of starting a business, South Africa was ranked 136, with the set-up process requiring seven procedures which were completed in 45 days. These procedures include the processes entrepreneurs undergo when obtaining all requisite approvals, licenses, permits, and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

Regarding getting electricity, South Africa was ranked 112, with four procedures in the process taking 84 days to complete. The reliability of electricity of supply and transparency of tariffs index scored 0 out of 8. In terms of paying taxes, South Africa

is ranked 46, with seven payments required by businesses during the year taking 210 hours to complete payments and the necessary administration. Other factors such as getting credit, protecting minority investors, and resolving insolvency were also analysed in the report; however, the three that have been discussed above are the most relevant to the informal trader. The companies that are included in the Ease of Doing Business Report are limited liability companies. If the ease of doing business for limited liability companies in South Africa is ranked as average, then it will be sub-par for informal traders who have limited resources and are not aware of the regulations. Therefore, based on awareness, ease registration and doing business, the informal trader will gain disutility from attempting to enter the formal economy as regulation and registration are significant barriers to entry.

One of the appeals of working in the formal sector for the unemployed or those looking to support their livelihood is the low start-up costs, meaning less capital required to run or start an informal business. Due to the great diversity in size of informal businesses, segmentation is required when analysing the capital requirements of informal businesses (Lalthapersad-Pillay, 2004). Capital is required for operating expenditure (including employee costs), trading equipment, storage and rent, as well as inventory (Lighthelm & van Wyk, 2004) . Based on research conducted by Skinner (2005) and African Response (2006) trade based informal traders required between R8 000 and R10 000, spaza shops required between R2 000 and R4 000, and hawkers required between R1 000 and R2 000; with the following start-up ranges R0-500, R501-1000, R5001-R10000 and higher than R10000. As mentioned earlier, the average informal trader takes home R1733 per month; ironically, this is above the minimum loan amount of R433 to R800 that microlenders are willing to lend informal traders.

Schraader, Whittaker and Mckay (2010) found that the average capital requirement of informal traders (R3 735) was significantly higher than the average minimum amount (R875) that financial services providers were prepared to loan. Conversely, the profits generated by informal traders are sufficient to cover the financing costs accompanying formal sector financing. The monthly operating profits generated by the

informal traders were compared with the monthly financing costs accompanying formal sector financing. It was found that 88 per cent of informal traders generate sufficient operating profits to cover for the interest required with a R1 000 loan (Schraader, Whittaker, & Mckay, 2010). Despite informal traders being able to cover financing costs of formal sector loans, the question is are they willing to include formal capital to grow their businesses. The study found that informal traders are open and willing to take on formal sector loan, but they do not perceive that this form of financing is accessible to them, which is not incorrect.

Literature has found that the use of formal funding by informal traders is minimal. In a study conducted by the Wits Business School and Progressus Social Research (2006) and Skinner (2005), only 3 per cent and 3.9 per cent respectively of all respondents stated that they had used funds from a financial institution to support their ventures. The primary source of funding for informal traders in the survey were personal savings and families. High formal sector debt financing costs and initiation fees have been cited as the most common barriers to formal sector financing (Skinner, 2005). Glackin (2002) adds that the financing and initiation costs also include several hidden financial and non-financial cost, which informal traders also consider (Table 2.6).

Table 2.4: Costs Associated with micro-loans

Financial costs	Transaction costs	Psychosocial costs
Application fees	Training time	Loss of privacy
Training fees	Technical assistance time	Risk aversion
Closing costs	Travel time	Stigma
Technical assistance fees	Pledged collateral	Frustration
Child care	Equity required	
Late fees and penalties	Loss of means	
Interest	Lost wages	

Source: Wits Business School and Progressus Social Research, 2006

The unwillingness of informal traders to apply for debt financing may also be fuelled by the absence of required guarantees and that the application processes are too

complex (Skinner, 2005). Glackin (2002) cites various other causes, including perceived discrimination, regulatory and legal concerns, lacking or poor credit history, no of collateral, limited of knowledge about microloan programmes, geographic constraints and mistrust of financial institutions.

2.7 PERCEIVED BEHAVIOURAL CONTROL

2.7.1 Theory of Planned Behaviour

Entrepreneurs discover opportunities when they make a connection between acquired knowledge and the source of potential value, after which they exploit the opportunities by leveraging accumulated resources for value creation (Baron and Ensley, 2006; Sirmon et al., 2007). In the context of informal traders, entrepreneurs are individuals who evaluate, discover, and exploit trade-based opportunities. Successful informal traders have the insight to match merchant discoveries with buyers' needs, exhibiting the fortitude, knowledge and capabilities to deploy their offerings in the market profitably.

Prior to this, it has been discussed that the informal trader's utility from either the formal sector or informal sector can be attributed to the degree of person-entrepreneurship fit with the trading environment and the informal trader's perception of the institutional factors that cause barriers to entry. As such, the Theory of Planned Behaviour, which is based on subjective utility theory, can be applied to the case of the informal traders operating in Johannesburg CBD. Subjective utility theory assumes that decisions and actions are based on a rational evaluation of the probabilities and values of the outcomes associated with alternatives (Aggarwal, 2018). Thus, as discussed, informal traders will make choices which maximise positive outcomes and minimise negative ones. However, based on the Theory of Planned Behaviour, to have a complete understanding of the informal trader's motivations and intentions regarding the formal and informal sector, the perceived behavioural control of the informal trader needs to be assessed (Fishbein & Ajzen, 2010). According to the theory of planned behaviour, the probability that an individual will engage in an activity primarily depends on his or her intention/desire. The theory of planned behaviour states that three considerations guide human action. The first consideration is behavioural beliefs; these are the

individuals believes about the consequences of behaviour. Behavioural beliefs shape and have a direct influence on an individual's attitude. If the utility of an action is favourable, then the individual will have a positive attitude towards the behaviour, and a greater desire to act. If the informal trader has a negative person-entrepreneurship fit with the formal sector, then he is more likely to remain in the formal sector (Ajzen & Driver, 1992). The second consideration is normative beliefs. Internal and external factors influence decisions on actions. Normative beliefs are derived from critical people or characters around the individual and are moulded by the level of importance that is placed on the expectations of these characters. Combined, these determine the subjective norms which dictate whether an individual will behave in a certain way or not. In the case of the informal trader, the principal characters are the governments and regulators of industry (Ajzen, 1991). The last consideration is control beliefs; these are beliefs about the presence of factors that may facilitate or impede the performance of the behaviour. An individual may perceive the presence of factors, called control factors, which will impact the performance of the action and dictate the perceived behavioural control. If there is a high probability that a dominant control factor is present; the individual is likely to act in line with the control factor (Ajzen, 2002). In addition, the desire to act is influenced by the presence of adequate resources. The more resources and fewer obstacles perceived by an informal trader, the greater the perceived behavioural control and the stronger the desire to transition to the formal sector (Hardin-Fanning & Ricks, 2017).

2.7.2 Perceived Behavioural control

Following the literature on the Theory of Planned Behaviour led to the identification of the two clear facets of perceived behavioural control: Internal control and external control. Internal control concentrates on how the informal trader sees himself as being in control when it comes to transitioning to the formal sector and is primarily concerned, but not limited to the sufficiency of his skills, and the amount of discipline he has while operating his venture. External factors include but not limited to resources, institutional factors and will also shape how the informal trader behaves. As such, perceived behavioural control includes all internal and external factors subjectively perceived by

the informal trader to restrict or empower his actions. Perceived behavioural control can be measured by examining, one's ability to act, one's feeling of power in decision making, availability of resources, time and willingness (Oom Do Valle, Rebelo, Reis, & Menezes, 2005). Perceived behavioural control represents beliefs in terms of difficulty and controllability to carry out specific behaviour. It is essential to understand this construct as informal traders can misperceive their behavioural control and as such their expected utility will be built on a false sense of control and result in an uninformed action (Rosenthal, 2018).

An extension of perceived behavioural control that was explored in the person-entrepreneurship fit section is demands-ability fit. Demands-ability fit refers to the degree to which an environment or job match the abilities of the employee. Abilities consist of skills, knowledge, aptitudes, time and energies to meet the demands of the environment. Managing a business or creating a new venture is a challenging and uncertain process; often involving rejection or failure. As a result, it is crucial for entrepreneurs to anticipate the demands of a business and their fit. When entrepreneurs perceive that they possess the required ability to meet the demands of managing their businesses, they tend to be a success in said business environment, stay operating and are satisfied with their affiliation with the environment (Basit & Arshad, 2016; Boon, Den Hartog, Boselie, & Paauwe, 2011; Cable & DeRue, 2002; Kristof-Brown, Zimmerman, & Johnson, 2005).

One of the accepted explanations of perceived behavioural control is entrepreneurial self-efficacy (ESE). ESE proposes that individuals who believe that they can successfully start a new venture have an intention to do so (Chen et al., 1998; Zhao et al., 2005; Hmieleski and Corbett, 2008). However, there has been a debate as to whether the ESE influence on entrepreneurial intentions is still valid. For example, a study by von Graevenitz et al. (2010) found that after completing an entrepreneurship course, students' ESE increased but their intention to start a business decreased. The primary concern with ESE is that intention may not progress to start-up behaviour (Hsu, et al., 2018). This is because entrepreneurial behaviour, such as the start-up decision and actual actions, do not occur overnight; entrepreneurs must first have the

intention to start a business. Hsu et al. (2018) argue that the appropriateness of entrepreneurial intentions is dependent on the research question and better applied to nascent entrepreneurs. Krueger et al. (2000) approached entrepreneurial intentions from a psychological perspective and argued that intentions are an indicator of planned behaviour. Each of these approaches is centred around the self-efficacy constructs.

Self-efficacy refers to belief in one's ability to gather and successfully use the necessary resources, skills and competencies to attain a certain level of achievement on a task (Zhao, Seibert, & Hills, 2005). Literature provides evidence that self-efficacy plays a vital role in human performance in numerous situations. For example, empirical research shows that high self-efficacy is related to learning and mastering educational tasks, stress management, high academic achievement and social influence — most importantly from the present perspective — performing complicated tasks such as venture creation and operation (Bandura, 1986; Hmieleski & Baron, 2008). Based on these findings, persons with high self-efficacy are more likely to choose to become entrepreneurs than persons low in self-efficacy. This may be the case because they have greater confidence in their ability to perform new and complex tasks, to cope with stress, and to master the skills and knowledge they will need to succeed as entrepreneurs (Markman & Baron, 2003). The skills required in formal entrepreneurship requires managing bureaucratic requirements which in turn require the application of domain-specific and generic management skills. These are skills gained through tertiary education and include organisational planning, technical knowledge, leadership and human resource management. Skills that informal traders with only a secondary education at best would not have been exposed to (Lazear, 2005; Levie and Autio, 2008; Günther and Launov, 2012). Given the mismatch between the informal trader's education level and the skills required informal entrepreneurship, it is expected that the informal trader would perceive the informal sector to be a better fit (Markman & Baron, 2003). The education level of informal traders is generally lower than that of formal workers. In a survey of five African countries, Haan (2006) found that approximately half of the informal sector workers have either no education or primary education and less than five per cent have a post-secondary education. With many informal traders in South Africa entering the informal

sector due to insufficient skills and knowledge to be hired in the formal sector, based on self-efficacy, it can be concluded that they will remain in the informal sector as this is the environment in which they can best muster and implement resources.

2.8 CONCLUSION

This chapter discussed the literature supporting the variables in the study, that were used to formulate conclusions. Literature demonstrated that utility is used to predict and explain motivations or desirability of decision options. Thus making utility a suitable proxy for the informal traders desire to enter the formal sector or remain in the informal sector. Literature also revealed that person-entrepreneurship fit is a vital component to understanding how the relationship between an informal trader's needs and operating environment influence his utility through, earnings, autonomy, work effort and employment opportunities. Literature also established barriers to the formal economy and perceived behavioural control as external and internal variables affecting an informal trader's perceived utility. The next chapter will discuss the hypothesis formulated for the study, grounded in the above literature as well as the associated conceptual model.

CHAPTER 3: HYPOTHESES DEVELOPMENT AND CONCEPTUAL FRAMEWORK

3.1 INTRODUCTION

This section discusses the hypotheses development of the study, as well as the conceptual model that will be used to frame the study. The conceptual model will synthesize information provided in the literature review providing direction on the research methods of the study, such as statistical instruments and data collection.

3.2 HYPOTHESES

3.2.1 Relationship between person-entrepreneurship fit and utility of informal traders in Johannesburg

Mark and Baron (2003) found that when fit theories are applied to entrepreneurship, the operating environment and conditions are a vital factor affecting entrepreneurial events and behaviour. The stronger the person entrepreneurship fit, the higher the likelihood that individuals will choose to become entrepreneurs (Baron & Markham, 2014). An informal trader's perception of fit with a form of entrepreneurship is a crucial factor contributing to entrepreneurial intention and ultimately the decision to become an entrepreneur in the formal or informal sector (Hsu, et al., 2018).

According to Justo, DeTienne and Sieger (2015) the entrepreneurship process is not linear, requiring both the nonmonetary and monetary needs of the informal trader to be met in order for them to transition to the formal economy. The needs approach to fit is congruent with, Kristen-Brown, Zimmerman, & Johnson (2005) and Mark and Braon (2014) who contend that person-entrepreneurship fit, utilises a needs-supply approach to determine fit. Needs-supply is the extent to which the external environment, in the case of the informal trader it is the operating environment, fulfils the needs of an individual – thus needs fulfilment is the primary driver of attitudes and behaviours and indicator of utility fulfilment.

More recently, Travagianti et al. (2017) researched the need-supply approach to understand which needs are the utility maximising needs in a working environment. Based on this study, earnings, employment opportunities, and autonomy have been identified as the utility maximising needs of an informal trader operating in Johannesburg.

According to ILO (2013), for work to provide utility, it must provide workers with adequate and sufficient earnings. Earnings refer to remuneration in cash and in-kind paid regularly to employees after the necessary employee, regulatory and government deductions. If an informal trader were to register his business and/or is an employer, then remuneration would imply the total after the employer makes the necessary deductions. If the earnings potential of an environment is perceived to be inadequate, disutility will be derived from operating in said environment.

Earnings, as it relates to the informal sector, has a significant overlap with the institutional theory on informality and is demonstrated through the neo-liberal approach. Neo-liberals believe that informality is caused by the resistance to bureaucracy, over-regulation, and avoidance of financial and time costs and effort associated with the formalisation process. Informality is then a direct response to high taxes which decrease utility from earnings. (Perry and Maloney, 2007; Small Business Council, 2004; Williams & Horodnic, 2016).

Employment Opportunities refers to the number of job opportunities available in a given sector. Employment opportunities are a consideration for both informal and formal workers. (Travagianti, Babic, Pepermans, & Hansez, 2017). The informal sector in South Africa has been viewed as a passive absorber of those who are unemployable in the formal sector. However, this sector is an employment generator providing income and livelihood for millions of South Africans. According to Fourie (2018), the informal sector is a vital part of the country's growth, employment and development trajectory. Thus, those informal traders unable to find employment in the

formal sector with gain utility from the employment opportunities in the robust informal sector.

In literature, the need for autonomy has become synonymous with entrepreneurial intentions and motives (Feldman & Bolino, 2000; Dawson, Henley, & Latreille, 2009). The need for autonomy is such a salient motivator that it may even encourage entrepreneurs to continue even if businesses are underperforming. According to Van Gelderen and Jansen (2006), entrepreneurs are motivated by “negative” freedom, which means that they dislike, or had recently experienced, (perceived) demanding management or restricting organisational rules. Thus, the utility from operating in an arena without laws and regulations is a motivator for informal traders.

H1: There is a positive relationship between person-entrepreneurship fit and utility amongst informal traders in Johannesburg’s CBD

H1a: There is a positive relationship between earnings and utility amongst informal traders in Johannesburg’s CBD

H1b: There is a positive relationship between employment opportunities and utility amongst informal traders in Johannesburg’s CBD

H1c: There is a positive relationship between autonomy and utility amongst informal traders in Johannesburg’s CBD

3.2.2 Relationship between institutional barriers and utility of informal traders in Johannesburg

According to Williams & Shahid (2016), institutional theory examines how several organisations, individuals and groups comply with the rules and conform to the norms of the institutional environment in order to progress. Ahmadi (2003), based on North (1990)’s conceptualisation of institutional theory, summarised that institutional theory implies that one focuses on rules, norms, traditions and cognitive-cultural factors (the

institution) as the essential components of organising, which stimulate and maintain operations, and imply continuity or create inertia.

Scott (1995), has a three-dimensional view of institutions, which are centered on the regulative elements, the normative elements and cultural elements. These three elements, together with the associated activities and resources, provide stability and meaning to social life. The regulative dimension consists of rules systems, laws and regulations as well as enforcement mechanisms that are sanctioned by the state. The normative dimension equates institutions to professional societies that define roles and expectations for specific groups. The cultural-cognitive dimension comprises of accepted beliefs and values shared among individuals through social interactions that guide behaviours.

Institutions have a strong influence on an individual's decision making, signalling which choices are acceptable and determining which norms and behaviours are socialised into a given society. Institutions also provide the classification of acceptable behaviours for organisations (Tonyan et al.,2010). This line of thinking can also be applied to countries; a country's institutional context is vitally important in terms of its role in either promoting or inhibiting entrepreneurship. Restriction of certain activities and actions has a direct impact on utility. Thus, several studies have focused on examining the relationship between institutional contexts and entrepreneurship (Adike, 2018). The increasing popularity of institutional theory in academic research in various disciplines shows the significance of institutions in everyday utility maximising decisions and actions. Although informal traders are considered as illegal traders, it is their views, values and beliefs which allow them to work outside of institutional bounds and gain utility. The level of informality is determined, and utility gained is by the incongruence between the formal and informal (Adike, 2018).

Although informal entrepreneurs' function outside the borders of formal institutions, traders in Johannesburg are required to abide by the 2009 Informal Trading Policy for the City of Johannesburg. The policy has a three-prong function. First, to foster

entrepreneurial opportunities within the informal economy. Second, to harmonise the relationship between the informal and formal economy. Third, to facilitate the migration of informal trading into the formal sector. The implementation of this policy has been thwarted with corruption, ineffectiveness and brutal treatment of the informal traders. According to Tissington (2009), this is not surprising as the policy is prohibitive and restrictive, with the roll-out being handled by an organisation who outsourced the implementation. This act has left a sentiment of reduced confidence in the government.

Government corruption occurs when government officials misuse institutions for personal benefit. Corruption simplifies processes in the informal sector, thus making the sector more attractive than the formal sector. Additionally, in the formal sector, corruption may represent an oppressive force that can make the formal sector unattractive and thus forcing business people out of it into the informal sector. Both instances of corruption lead to utility being gained from informality due to ease of operating and avoidance of weak ethics. A negative relationship has been discovered between government corruption and the informal sector. A study conducted by Friedman et al. (2000) discovered that both over-regulation and corruption amount to a higher effective tax on official activity and therefore induces firms to move into the informal economy. Government corruption reduces the confidence and trust of entrepreneurs in the public sector, driving entrepreneurs to operate informally. A weak sentiment towards the government is also a factor falling under government corruption.

According to Kirchgassner (2011), low confidence and resentment towards the government tends to lead to greater informal activity. This concept was built on by Schneider and Williams (2013), who argue that the quality of public institutions also plays a direct role in determining the size of the informal sector. Corruption of bureaucracy and government officials and over-regulation of officials leads to greater informality and disutility from the formal sector. Lack of awareness of regulations is a driver of informality. Additionally, McKenzie and Woodruff (2013) and McKenzie and Sakho (2010) have found that in addition to government corruption, lack of knowledge regarding registration is a significant barrier to entry in the formal sector. It is difficult

to comprehend how informal traders in Johannesburg who are not aware of the City's Informal Trader Policy will also be aware of the government business registration process.

Literature has found that basic needs such as the ease of registration and access to resources are a further barrier to entry to the formal sector (de Sotro, 1989; Small Business Council 2004). Ease of registration covers the cost and time involved in the registration process with various authorities such as tax, home affairs and labour departments and the number of steps in the process. By simplifying the registration process by employing methods such as reduced time and cost to register as well as reducing the number of government departments that need to be visited, informal entrepreneurs will be encouraged to formalise. Access to resources such as electricity and capital, which in turn provides, shelter, financing of operations costs, trading facility's and inventory would also encourage informal traders to gain utility from the formal sector. The allure of the informal sector is the low start-up costs which allow one to generate an income and gain utility with limited resources (Lighthelm & van Wyk, 2004). Despite informal traders being able to cover financing costs of formal sector loans and being willing to take on the debt, they perceive that capital funding is not accessible to them; mainly because informal traders do not believe that they possess the required collateral (Skinner, 2005; Glackin, 2002).

H2: There is a negative relationship between institutional barriers and utility amongst informal traders in Johannesburg

H2a: There is a negative relationship between government policies and utility amongst informal traders in Johannesburg

H2b: There is a negative relationship between Access to resources and utility amongst informal traders in Johannesburg

3.2.3 Relationship between perceived behavioural control and utility of informal traders in Johannesburg

According to literature, perceived behavioural control can be measured by examining, one's ability to act, one's feeling of power in decision making, availability of resources, time and willingness (Oom Do Valle, Rebelo, Reis, & Menezes, 2005). Perceived behavioural control represents beliefs in terms of difficulty and controllability to carry out specific behaviour. It is essential to understand this construct as informal traders can misperceive their behavioural control and as such their expected utility will be built on a false sense of control and result in an uninformed action (Rosenthal, 2018).

H3. There is a positive relationship between perceived behavioural control and utility amongst informal traders in Johannesburg

3.3 CONCEPTUAL FRAMEWORK

Below in **Error! Reference source not found.**3.1 is the conceptualised model of an informal trader's utility of the formal economy, which motivates the trader to either remain in the informal sector or transition to the formal sector. According to Douglas and Shepherd (2000), the entrepreneurial decision is based on the sum of utility and disutility of available options. Meaning, an informal trader's positive attitude towards financial risk earnings, work effort and autonomy alone are not sufficient conditions to motivate a move to the formal sector. As operating in both the formal and informal sector require a different set of abilities, skills, knowledge, perceived control and regulatory requirements, all these factors must be considered when investigating the informal trader's desire to enter the formal sector. Thus, what is needed is a model that provides a theoretical framework for studying the antecedents of the informal trader's intention to transition into the formal sector.

The model presented below Figure 3.1, depicts what we propose to be the dimensions of an informal trader's desire or expected utility of the formal sector which are person-entrepreneurship fit, institutional barriers and perceived behavioural control.

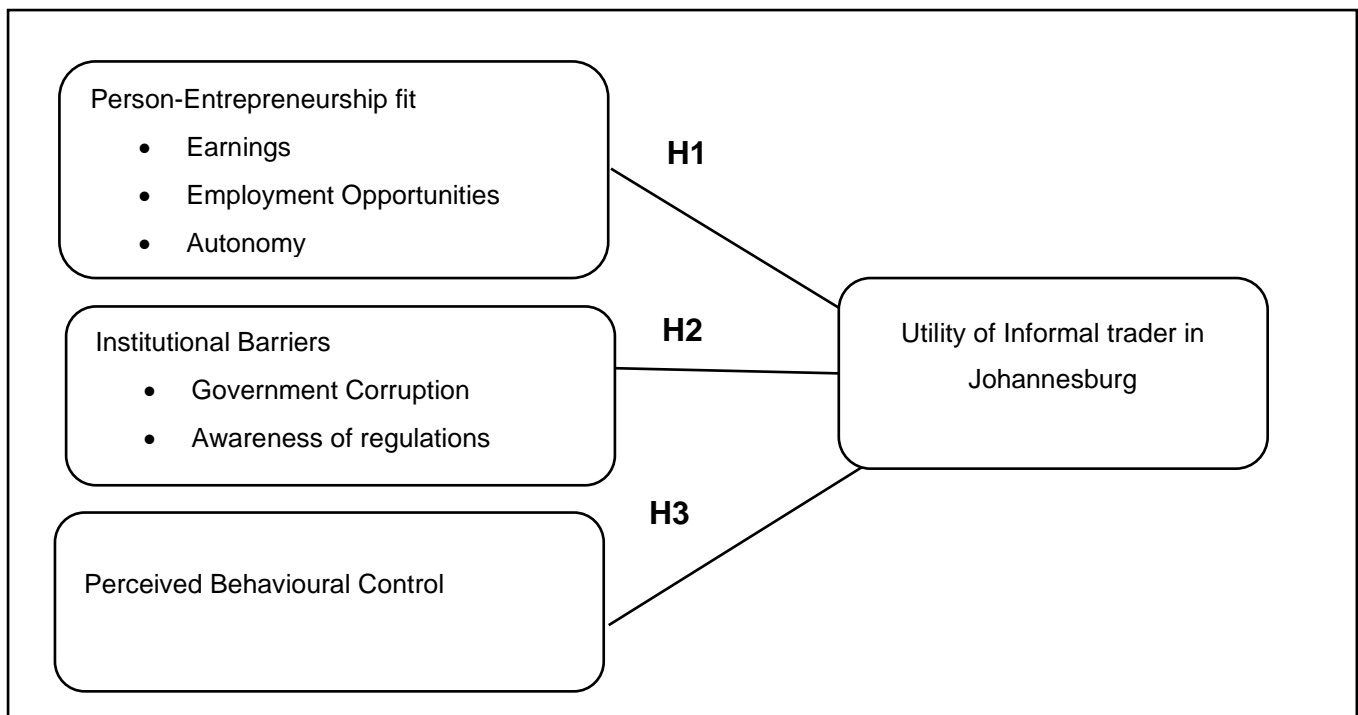


Figure 3.1: Conceptual Model

3.4 SUMMARY OF RESEARCH HYPOTHESIS

H1: There is a positive relationship between person-entrepreneurship fit and utility amongst informal traders in Johannesburg

- *H1a: There is a positive relationship between earnings and utility amongst informal traders in Johannesburg*
- *H1b: There is a positive relationship between employment opportunities and utility amongst informal traders in Johannesburg*
- *H1c: There is a positive relationship between autonomy and utility amongst informal traders in Johannesburg*

H2: There is a negative relationship between institutional barriers and utility amongst informal traders in Johannesburg

- *H2a: There is a negative relationship between government corruption and utility amongst informal traders in Johannesburg*

- *H2b: There is a negative relationship between access to resources and utility amongst informal traders in Johannesburg*

H3. There is a positive relationship between Perceived Behavioural Control and utility amongst informal traders in Johannesburg

3.5 CONCLUSION

This chapter discussed the literature behind the formulation of the hypotheses central to this study, as well as presented a conceptual model which illustrating the variables that determine the utility of an informal trader operating in Johannesburg CBD. The next chapter will explore the reach methods used to test the hypothesis

CHAPTER 4: RESEARCH METHODS

4.1 INTRODUCTION

This section outlines the methods of enquiry that were utilised to research the utility of the formal economy to informal traders operating in Johannesburg's CBD. Research methods are the procedures used to examine the research problem, particularly:

1. Which motivators are driving informal traders to remain in the informal economy?
2. What are the institutional barriers to entry of the formal economy preventing informal traders from moving into the formal fold?
3. What are the perceived behavioural controls preventing informal traders from moving into the formal sector?

Research methods for this study include (1) data collection techniques; (2) statistical techniques for measuring and analysing the data and determining the relationships between data and unknowns; (3) acknowledgement and exploration of the limitations of the overall research methodology (Kothari, 2004). The following sections explore aspects of research methods in more detail.

4.2 RESEARCH PHILOSOPHY

The research philosophy concentrates on the source, nature and development of knowledge. Essentially, the research philosophy is the assumption about the development of knowledge for a specific discipline. In each stage of the research process assumptions will be made. These include assumptions about human knowledge (epistemological assumptions), about the realities encountered in the study (ontological assumptions) and the extent to which the researcher's values influence the research process (axiological assumptions). These assumptions shape how the research questions are interpreted and the methods used to interpret the findings. A well thought out, and consistent set of assumptions will constitute a credible research philosophy, which will underpin the methodological choice, research strategy and data

collection techniques and analysis procedures of the study (Saunders, Lewis, Thornhill, & Bristow, 2019).

Two major research philosophies have been identified in the Western tradition of science, namely positivist (sometimes called scientific) and interpretivist (also known as antipositivist) (Burrell & Morgan, 2016). Positivists believe that reality is stable and can be observed and described from an objective viewpoint, i.e. without interfering with or influencing the phenomena being studied. Thus, positivists are of the opinion that only knowledge can be gained from observations, and measurements are credible. They contend that phenomena should be isolated and that observations should be repeatable (Crowther & Lancaster, 2008). According to the principles of positivism research philosophy, the research should aim to explain and predict. The research study attempts to make sense of the informal sector by explaining its occurrence and predicting whether the informal traders will remain in the informal sector or transition to the formal sector. Additionally, the research should be empirically observable via human senses. Inductive reasoning has been used to develop the hypotheses for the study to understand the barriers and motives preventing formalization. These hypotheses will be tested during the research process. The research process will be objective and unbiased, relying only on the scientific method to test the hypotheses and not common sense. Using a scientific method to answer the research questions will contribute to value-free research that is judged only by logic. As the research study follows the above positivist principles, the study is located in the positivist paradigm (Coviello and Jones, 2004).

4.2.1 Epistemology

The term epistemology (what is known to be true) is opposed by doxology (what is believed to be true). Epistemology encompasses the various philosophies of research approach. Epistemology refers to assumptions about knowledge, what constitutes acceptable, valid and legitimate knowledge, and how that knowledge can be communicated to others (Burrell & Morgan, 2016). The function of science is then the process of transforming things believed to be true into things known to be true: Doxa to episteme.

The epistemology of this paradigm, is that knowledge can be verified and confirmed or disconfirmed, meaning that theories are generated through reasoning however the validity needs to be tested empirically through observations (Bhattacharjee, 2012). The purpose of positivist research is to make time and context-free generalisations based on the outcome of the observations. In the realm of entrepreneurial research in the informal sector, most studies to date have been located in the positivist paradigm, thus further underscoring the paradigmatic location of this study. Examples of previous studies include “*An investigation of the entrepreneurial orientation, context and entrepreneurial performance of inner-city Johannesburg street traders*” (Callaghan & Venter, 2011) and “*Empirical evidence on opportunity recognition behaviours of informal traders*” (Urban *et al.*, 2011). Theories were tested empirically through observations as in the case with this study.

4.2.2 Ontology

Ontology explains the beliefs about the nature of reality and can be defined as the study of being. Ontology is centred around the question of whether social beings need to be viewed as subjective or objective (Blaikie, 2009). The ontological standpoint of the study is rooted in an objective reality, meaning that existence stems from one reality that is knowable within probability. When applied to research, this ontological position affirms that social phenomena and their implications have an existence that is autonomous of their social generators (Byrman, 2012). This ontological position is relevant to the study as the phenomenon of the utility informal of the informal traders, is determined by causes which are rooted in reality. Furthermore, the researcher and the informal traders are self-determining and do not influence each other (Hudson & Ozanne, 1998).

This perspective believes that the research process should be value-free and independent of researcher bias (Bhattacharjee, 2012). Hence independence from observation in the social world will be achieved by collecting data from informal traders using a predetermined research instrument to avoid a value-laden inquiry (Cooper, Schindler, & Sharma, 2018). Additionally, this will distance the researcher from

participant responses, which is vital to achieving neutrality as well as allow for fact and value-free judgments (Carson, Gilmore, Perry, & Gronhaug, 2001).

4.2.3 Research Approach

A research methodology is a procedure to answer the research problem systematically. The scope of research methodology is broader than research methods, including the reasoning behind the selected techniques in the context of the overall research (Kothari, 2004). The research methodology of this study is quantitative behavioural. Quantitative methods are grounded in objective measurements and the statistical and mathematical analysis of data collected through questionnaires or by manipulating historical statistical data using computational techniques. Quantitative research concentrates on collecting numerical data and generalising it across groups of people or to explain a research question (Babbie, 2010). This aim of quantitative research is to determine the relationship between an independent variable and a dependent variable within a defined population. The study sought to answer clearly defined research questions by analysing data collected using a research instrument to investigate causal relationships and predict future results concerning informal traders.

Literature has identified two approaches to scientific research, namely induction and deduction. Induction is the practice of drawing inferences based on facts or observed evidence. Deduction, on the other hand, is the practice of drawing inferences about a phenomenon or behaviour based on theoretical or logical reasons and an initial set of premises (Bhattacharjee, 2012). This study followed a deductive approach, which was implemented by using gathered data to test the theory explored in the research paper to contribute to theory building. The deductive approach is deeply embedded in empirical data; the process is likely to produce a theory that is accurate and testable (Eisenhardt & Graebner, 2007). Deduction as a research approach is consistent with the quantitative methodology as deduction deals with logic and unchanging numeric data as well as detailed convergent reasoning. Deduction is in alignment with the positivist location: taking a controlled and structured approach in conducting research by identifying a precise research topic, constructing appropriate hypotheses and

making use of statistical and mathematical techniques to uncover a single objective reality (Churchill, 1996). The deduction methodology was followed in this study.

4.2 RESEARCH DESIGN

The research design provides a framework for data collection and analysis – it is a blueprint to plan and structure the investigation to obtain the best answers to solve the research problem (Cooper, Schindler, & Sharma, 2018). The methodology of this study is to find the strength of relationships between person-entrepreneurship fit, perceived behavioural control, institutional barriers and expected utility (dependent variable). The described methodology makes the study at hand a descriptive study where the research is concerned with specific predictions and associations of variables, and a narration of facts and sample characteristics at a point in time without changing the environment of the sample. Consequently, the selected research design must be rigid, making sufficient provision for protection against bias, maximised reliability and accuracy, with due concern for the economic completion of the research study (Kothari, 2004).

As a result, this study adopted a cross-sectional research design which is often referred to as an observational study (which is in alignment with the selected positivist paradigm) (Kura, 2012). A cross-sectional design requires the researcher to observe natural occurrences without interfering and subsequently infer causation. This research design is used to determine prevalence which can be defined by the number of cases in a population at a single point in time. This applies to the research report as it is attempting to determine the utility and hence the desirability of the formal sector to informal traders which required a majority consensus to arrive at a conclusion (Mann, 2003). An advantage of the cross-sectional research design is that respondents are neither exposed nor treated, or not treated, thus eliminating ethical issues. Furthermore, only one group is evaluated, data is collected once, and multiple outcomes can be studied. Therefore the research is cost and time effective. This is highly applicable to the study, given that the research objectives require various outcomes to be studied. Additionally, the nature of the study in terms of time and monetary constraints makes a cross-sectional design relevant (Mann, 2003).

4.3 POPULATION AND SAMPLE

4.3.1 Population

Cooper and Schindler (2014) suggested that the definition for the population is the aggregate group of elements about which inferences can be made. This study's population will be all entrepreneurs operating within the informal economy in the central business district of Johannesburg. This is also the target population as it is the population that the researcher would ideally like to generalise findings of.

The foundation for the population size was determined using a street block grid estimation method used by Callaghan and Venter (2011) in their research on the informal sector in Johannesburg's CBD. According to their study, Johannesburg's CBD has approximated 224 city blocks. Twenty-three blocks were selected randomly, and the number of informal traders operating on these blocks was tallied. The results revealed that in total, 532 informal traders were working on these blocks, which allowed for the estimation of the total number of informal traders operating in the area. The estimated total in 2011 was 5 181 traders (Callaghan & Venter, 2011). To determine the number of informal traders operating in the Johannesburg CBD in 2019 the annual growth rate for the city of Johannesburg between 2011 and 2019 of 3.24% was applied to the 2011 population (World Population Review, 2020). The population of informal traders operating in the Johannesburg CBD in 2019 is thus 6 686 informal traders.

4.3.2 Sample size

A sample has been defined as a sector of the population that has been selected for a study and upon which inferences about the entire population will be made (Cooper, Schindler, & Sharma, 2018). The critical objective of sampling is to get a representative subset or a small collection of units or cases from a much broader collection or population. A sample is determined with the aim of studying the smaller group to produce accurate generalisations about the population (Taherdoost,

Sampling Methods in Research Methodology; How to Choose a Sampling Technique for Research, 2016). The Roasoft sample size calculator was used to determine the sample size of 364 respondents for the study. The Roasoft calculator considers the below factors to determine the sample size:

- The margin of error - The margin of error indicates how the amount of error that the researcher is willing to tolerate in the study. The margin of error for this study was 5%. The lower the margin of error the greater the sample size
- Level of confidence: - The level of confidence indicates the amount of uncertainty that the researcher is willing to tolerate in the study. The level of confidence for this study was 95%. The lower the level of confidence the greater the sample size
- Population size
- Response distribution - The response distribution of a given population is the distribution of frequencies of a range of different outcomes that could occur for a statistic of a population. The default response distribution of 50% was used for the study

4.3.3 Sampling Method

Sampling methods (Figure 4.1) can be divided into two categories: Probability or random sampling and Non-probability or non-random sampling. Probability sampling means that every unit in the population has an equal chance of being included in the sample. Non-probability sampling, on the other hand, is a sampling technique in which each unit in a population does not have a specifiable probability of being selected (Taherdoost, Sampling Methods in Research Methodology; How to Choose a Sampling Technique for Research, 2016).

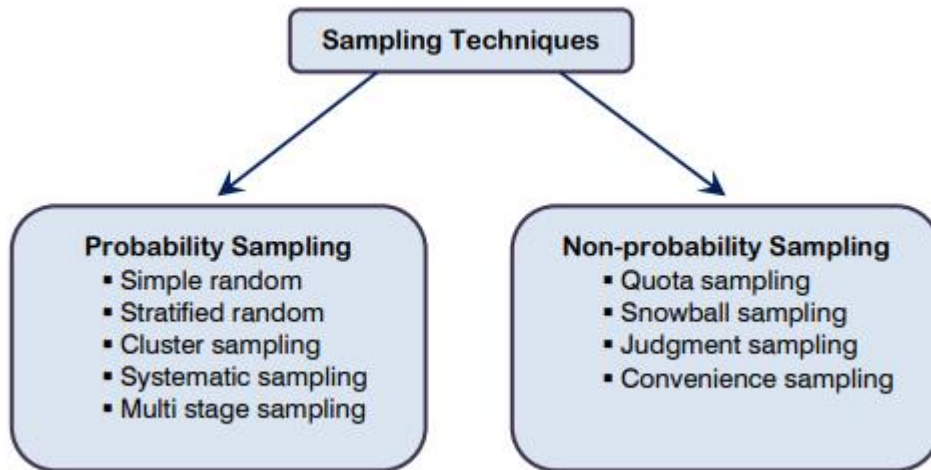


Figure 4.1: Sampling Methods

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Source: Taherdoost, 2016

The appropriate sampling method, given the nature of the study, is convenience sampling which is a non-probability sampling technique. Not only is it a cost-effective sampling method, but it is the most effective method of collecting data given the voluntary, non-committal nature of the participants. Although this sampling method has no controls to ensure precision, it is useful and relevant for a study such as this one that is testing ideas and theories. Typically, convenience sampling produces results that are overwhelmingly one-sided that the incentive to continue interviewing diminishes (Cooper, Schindler, & Sharma, 2018).

4.4 THE QUESTIONNAIRE

In this cross-sectional study structured, a predetermined questionnaire was administered. A questionnaire refers to a measurement process utilised for collecting primary data where respondents are required to answer questions relevant to the study (Field, 2009). Quantitative, quantifiable data was collected and examined for patterns and relationships. Positivism is characteristically associated with quantitative, research techniques such as questionnaires in addition to experiments. These do not require explicit philosophical commitments (Bhattacharjee, 2012). A questionnaire-type design was adopted for the study as it effectively provided answers to the research question on whether institutional barriers, person-entrepreneurship fit and perceived

behavioural control impact utility and deter informal traders from entering the formal sector. Also, the questionnaire determined whether there are relationships between the three dimensions and expected utility related to the formal sector.

A closed-ended structured questionnaire was used for this study. The questionnaire was administered personally to the respondents by research assistants. Cooper and Schindler (2014) define a questionnaire as a form containing a pre-set list of questions that are to be filled out by respondents. A structured questionnaire is a communication method of data collection as opposed to a monitoring method and is synonymous with descriptive research. A structured questionnaire requires the researcher and research assistants to question the respondents and collect their responses personally (Cooper, Schindler, & Sharma, 2018). The instrument design fostered the effective and efficient collection of the required data. As English is the most widely spoken official language in South Africa, along with the official language of business, the language of the instrument was English. The instrument included constructs according to the literature of the study, for that reason theoretical concepts will be transformed into empirical concepts that are linked to observable events that can be measured with ease (Field, 2009). A multiple-item approach was utilised to measure each construct.

The questionnaire consists of two areas, namely Section A and Section B. Section A focuses on respondent demographics. This section consists of 11 questions that are a combination of close-ended questions, including checkboxes. Section A provides insights into the respondents' age, gender, level of education and nature of operations. This data is valuable to the study as it provides the context of the individual trader as well as the potential for their business to formalise. These items were sourced and adapted from Social capital configurations for necessity-driven versus opportunity-driven entrepreneurs, by Urban (2011). Section B consists of the items that were used to investigate the constructs which are being investigated in the study. A critical review of extant literature concerning informal traders' utility determinants and attitudes towards the formal sector has led to the identification of three constructs which translate to composite dimensions of an informal trader's utility. The identified dimensions are perceived person-entrepreneurship fit, institutional barriers and

perceived behavioural control, with expected utility as the proxy for desirability. The research design of this study requires a range of reliable and valid scales being adopted from several sources to increase the generalisability of the findings. The utilisation of previously tested scales will augment the legitimacy and credibility of the research (Field, 2009). Each item, by itself, is designed to be a direct measure of the theoretical constructs being measured.

4.4.1 Expected Utility

The expected utility dimension has seven items and was designed to extract information regarding utility or disutility gained by informal traders though working in the formal sector. The importance of utility is that it is a proxy for desirability and strong determinant used in decision making. In the case of the informal traders, that would be whether to transition into the formals sector or not. The items were adapted and modified from the Measures of Core Entrepreneurial Intention Model Elements instrument developed by Linan and Chen (2009). Five-point Likert scales (from 1 = Strongly Disagree to 5 = Strongly Agree) were employed to measure responses. Likert scales allow for a more granular, fine-tuned response than alternative scales, considering the varying degrees of the response (Bhattacharjee, 2012). The standard scale for rating surveys is an interval scale. The items comprise of questions exploring personal attitude or attraction to entrepreneurship and entrepreneurial intention. The Cronbach's alpha for personal attitude is 0.893, and the Cronbach's alpha for entrepreneurial intention is 0.984, making the items valid and reliable.

Table 4.1: Adapted scales for the Utility construct

Adapted and Modified Item	Original item
Variable: Utility	
Item 1: Being an informal entrepreneur is more advantageous than disadvantages to me	Being an entrepreneur implies more advantages than disadvantages to me
Item 2: A career as an informal entrepreneur is attractive to me	A career as an entrepreneur is attractive to me
Item 3: If I had the opportunity and resource to operate in the formal sector, I would close down my informal business	If I had the opportunity and resources, I'd like to start a firm

Item 4: I get great satisfaction from operating informally	Being an entrepreneur would entail great satisfactions for me
Item 5: I would still choose to work informally if I had many options	Among various options, I would rather be an entrepreneur
Item 6: I will make every effort to remain in the informal sector	I will make every effort to start and run my own firm
Item 7: I have seriously considered registering my business	I have very seriously thought of starting a firm

4.4.2 Person Entrepreneurship fit

The person entrepreneurship fit has 14 items and was designed to extract information regarding the perceived compatibility between the informal trader and both the informal and formal sectors through the concept of needs-supply. This is vital to the study as it helps ascertain which sector bests meet the needs of the informal sectors and is thus more desirable. The items were identified and modified from the following questionnaires: need-supply fit of Cable and DeRue (2002); needs-supply academic fit of Li et al., (2012); major demands-abilities fit of Vahidi et al., (2016); entrepreneurial intentions of Venter (2014); need-supply organisation fit of Uysal (2010) and need supply internship fit of Resick, Baltes, & Shantz (2007). Five-point Likert scales (*from 1 = Strongly Disagree to 5 = Strongly Agree*) were employed to measure responses for the variables that make up person entrepreneurship fit. Each of the above instruments were tested for reliability and have Cronbach's alpha of 0.7 or higher, making the items valid and acceptable for each study. The results can be seen below:

Table 4.2: Cronbach's alphas for the original person-entrepreneurship scales

Questionnaire	Cronbach's Alpha
Needs-supply fit, Author: Cable & DeRue, 2002	0.75
Needs-supply organisation fit of Uysal (2010)	0.92
Needs-supply academic fit of Li et al. (2012)	0.83
Major needs-supply fit of Vahidi et al., (2016)	0.81
Needs-supply internship fit of Resick et al., (2007)	0.92

Table 4.3: Scales for the Person-entrepreneurship construct

Adapted and Modified Item	Original item
Variable: Earnings	

Item 1: There is a good fit between the income I receive working in the informal sector and what I am looking for in a job	-There is a good fit between what my job offers me and what I am looking for in a job (Questionnaire: need supply fit, Author: Cable & DeRue, 2002). -There is a good fit between what my major offers I and what I am looking for in a major.
Item 2: The job I currently have in the informal sector provides me with enough income to take of my needs comfortably	The job that I currently hold gives me just about everything that I want from a job (Questionnaire: need supply fit, Author: Cable & DeRue, 2002).
Item 3: If I had to pay taxes and employee benefits (medical aid and pension), I would still have enough income to take care of my needs properly.	-There is a good fit between what my job offers me and what I am looking for in a job (Questionnaire: need supply fit, Author: Cable & DeRue, 2002). -There is a good fit between what my major offers I and what I am looking for in a major.
Item 4: If I had to pay tax and employee benefits (medical aid and pension) out of my income, it would be a burden.	-This internship fulfils my needs (Questionnaire: need supply internship fit, Author: Resick, Baltes, & Shantz, 2007). -This organisation fulfils my needs (Questionnaire: need supply organisation fit, Author: Uysal Irak, 2010)
Item 5: If I were financially secure, I would continue to work in the informal sector.	If I were financially secure, I would continue with my current line of work, even if I was no longer paid. (Questionnaire: Major Demands Ability: Vahidi et al., (2016).
Variable: Employment Opportunities	
Item 1: My job in the informal sector measures up to the type of work and environment that I was seeking	-To what extent does your new job measure up to the kind of job you were seeking. (Questionnaire: perception of job fit, Author: Saks & Ashforth, 1997). -This internship measures up to the kind of internship I was seeking (Questionnaire: need supply internship fit, Author: Resick, Baltes, & Shantz, 2007). -This organisation measures up to the kind of organisation I was seeking. (Questionnaire: need supply organisation fit, Author: Uysal Irak, 2010).
Item 2: My job in the informal sector is a good match for me	-To what extent is the job a good match for you (Questionnaire: perception of job fit, Author: Saks & Ashforth, 1997). -This organisation is a good match for me (Questionnaire: need supply organisation fit, Author: Uysal Irak, 2010).
Item 3: There are more good opportunities in the informal sector than the formal sector	In my country, there are more good opportunities for the creation of new firms than there are people able to take advantage of them
Item 4: I feel that I can am doing fulfilling and satisfying work in the informal sector	- I feel that my academic goals and needs are met by this major. (Questionnaire: Major Demands Ability: Vahidi et al., (2016).

Variable: Autonomy	
Item 1: Working in the informal sector gives me enough independence and freedom to do my job without thinking about regulations.	-My employees have enough autonomy in their job to do their work without continual supervision (Questionnaire: Entrepreneurial Intentions: Venter, 2014)
Item 2: Working informally allows me to be creative and try different ways to do my job that I cannot do in the formal sector	-My business allows me and my employees to be creative and try different methods to do our job. (Questionnaire: Entrepreneurial Intentions: Venter, 2014)
Item 3: Working in the informal sector allows me to make decisions without thinking about regulations and compliance	Employees in our business are allowed to make decisions without going through elaborate justification and approval procedures (Questionnaire: Entrepreneurial Intentions: Venter, 2014).
Item 4: People who work informally can manage their own work and have more flexibility to solve problems.	Employees in our business are encouraged to manage their own work and have flexibility to resolve problems (Questionnaire: Entrepreneurial Intentions: Venter, 2014).
Item 5: Working informally allows me to save time by not doing paperwork and administration (taxes, industry compliance) that is required by a formal business	Employees seldom have to follow the same work methods or steps while performing major tasks from day to day (Questionnaire: Entrepreneurial Intentions: Venter, 2014).

4.4.3 Institutional Barriers

The institutional barriers dimension has 17 items and was designed to understand the regulatory obstacles that are blocking entry to the formal sector for informal traders by understanding their perceptions of government policies and access to resources. The items were identified and modified from GEM National Expert Survey (2008). Five-point Likert scales (from 1 = Strongly Disagree to 5 = Strongly Agree) were employed to measure responses for the variables that make up institutional barriers. The National Expert Survey was tested for reliability and had Cronbach's alpha of 0.77, making the items valid and acceptable for this study.

Table 4.4: Scales for the Institutional Barriers construct

Adapted and Modified Item	Original item
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Variable: Government Policies	
Item 1: Government policies in South Africa consistently favour informal firms	In my country, government policies (e.g., public procurement) consistently favour new firms.
Item 2: The support of new and growing in businesses is a high priority for policy at the national level	In my country, the support for new and growing firms is a high priority for policy at the national government level.
Item 3: The support of new and growing informal businesses is a high priority for policy at the national level	In my country, the support for new and growing firms is a high priority for policy at the national government level.
Item 4: The support of new and growing businesses is a high priority for policy at the City of Johannesburg level	The support of new and growing businesses is a high priority for policy at the local level
Item 5: The amount of taxes in the formal sector would NOT be a burden for me	In my country, the amount of taxes is NOT a burden for new and growing firms
Item 6: Taxes and other government regulations will be applied to my informal business in a fair, understandable and consistent way	In my country, the application of taxes and other government regulations to new and growing firms is predictable and consistent.
Item 7: Managing/Coping with government rules, laws, regulations and licensing will not be a burden or difficult for me	In my country, the application of taxes and other government regulations to new and growing firms is predictable and consistent.
Item 8: I do not want to register a formal business because of the government corruption	In my country, the people working for government agencies are competent and effective in supporting new and growing firms.
Item 9: Government corruption will hurt my business if I register it.	In my country, government policies aimed at supporting new and growing firms are effective
Variable: Access to resources	
Item 1: Informal businesses can get most of the required permits and licences in about a month	In my country, most new firms can get most of the required permits or licenses within a week
Item 2: Informal businesses can get access to basic utilities (phone, water, electricity, sewer, internet) easily	In my country, it is not too expensive for a new or growing firm to get good access to communications (phone, Internet, etc.).
Item 3: I can afford the cost of basic utilities (gas, water, electricity, sewer, internet).	In my country, a new and growing firm can afford the cost of basic utilities (gas, water, electricity, sewer).
Item 4: Almost anyone who wants to register their business can find what the information, offices and resources to do it	In my country, almost anyone who needs help from government programs for a new or growing business can find what they need.
Item 5: In my country, it is easy for informal businesses to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).	In my country, it is easy for new and growing firms to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).
Item 6: Debt Funding is available for informal traders who want to formalise their business	In my country, there is sufficient debt funding available for new and growing firms.
Item 7: The lack of debt financing prevents me from formalising my business	In my country, the lack of debt funding prevents more firm creation and growth
Item 8: The cost of registering a business and paying for licences are too high for informal businesses	In my country, it is often too costly for new and growing firms to enter new markets

4.4.4 Perceived Behavioural Control

The perceived behavioural dimension has eight items and was designed to understand the extent to which informal traders believe their skills, abilities and knowledge will help them to succeed in the formal sector. The items were identified and modified from the following questionnaires demands-ability fit of Cable and DeRue (2002); demands-ability academic fit of Li et al. (2012); major demands-abilities fit of Vahidi et al., (2016); demands-ability organisation fit of Uysal (2010) and demands-abilities internship fit of Resick et al., (2007). It was demonstrated in the literature review how demands-ability fit is an extension of the perceived behavioural control, as such items for demands-ability fit have been modified from the above instruments. Five-point Likert scales (from 1 = *Strongly Disagree* to 5 = *Strongly Agree*) were employed to measure responses for perceived behavioural control. Each of the above instruments were tested for reliability and have Cronbach's alpha of 0.7 or higher, making the items valid and acceptable for each study. Results of the studies Cronbach's alphas are below

Table 4.5: Cronbach's alpha for perceived behavioural scales original scales

Questionnaire	Cronbach's Alpha
Demands-abilities fit, Author: Cable & DeRue, 2002	0.75
Demands-ability organisation fit of Uysal (2010)	0.89
Demands-ability academic fit of Li et al. (2012)	0.86
Major demands-abilities fit of Vahidi et al., (2016)	0.79
Demands-abilities internship fit of Resick et al., (2007)	0.92

Table 4.6: Scales for the Perceived Behavioural Control Scale

Adapted and Modified item	Original item
Item1: There is a very good match between the demands of running a registered business and my personal	- The match is very good between the demands of my job and my personal skills (Questionnaire demands-abilities fit, Author: Cable & DeRue, 2002). - The match is very good between the demands of my schoolwork and my personal ability (Questionnaire demands-abilities academic fit, Author: Li et al., 2012).
Item 2: My abilities and training are a good fit with the requirements of running a registered business	-My abilities and training are a good fit with the requirements of my job (Questionnaire: demands-abilities fit, Author: Cable & DeRue, 2002).

	<p>-My ability is a good fit with the requirements of my schoolwork in the faculty (Questionnaire demands-abilities academic fit, Author: Li et al., 2012).</p> <p>- My ability is a good fit with the requirements of my major ability (Questionnaire: Major Demands Ability: Vahidi et al., (2016).</p>
<p>Item 3: My personal learning ability and education provide a good match with the demands of that running a registered business would place on me</p>	<p>-My personal abilities and education provide a good match with the demands that my job places on me (Questionnaire: demands-abilities fit, Author: Cable & DeRue, 2002).</p> <p>-My personal learning ability and discipline backgrounds provide a good match with the demands that my schoolwork places on me (Questionnaire: demands-abilities academic fit, Author: Li et al., 2012).</p> <p>-My personal learning ability and discipline backgrounds provide a good match with the demands that my major places on my ability (Questionnaire: Major Demands Ability: Vahidi et al., (2016).</p>
<p>Item 4: I believe my skills and abilities match those required to run a registered business</p>	<p>-I believe my skills and abilities match those required by this major ability (Questionnaire: Major Demands Ability: Vahidi et al., (2016).</p>
<p>Item 5: I believe I have the skills and abilities to succeed in the formal sector</p>	<p>-I think I possess the skills and abilities to succeed in this organization (Questionnaire: demands-ability organization fit, Author: Uysal Irak, 2010).</p>
<p>Item 6: My business performance in the formal sector would be hurt by my hurt by a lack of knowledge with administration and regulatory compliance</p>	<p>-To what degree is your job performance hurt by a lack of expertise in the job (Questionnaire: perceived job fit, Author: Cable & Judge, 1996).</p> <p>-My job performance is hurt by a lack of expertise in the job (Questionnaire demands-abilities internship fit, Author: Resick et al., 2007).</p>
<p>Item 7: I would be able to use my talents, skills, and competencies to run a registered business successfully</p>	<p>-I am able to use my talents, skills, and competencies in my current courses in this major ability (Questionnaire: Major Demands Ability: Vahidi et al., (2016).</p>

4.4.5 The Pilot Study

The pilot study was conducted in December 2019 to identify potential problem areas and shortcomings in the research instruments and method before the full study was conducted. A pilot study can be defined as a smaller study to test the research protocols, data collection instruments and sample recruitment strategies and other research techniques in preparation for the larger study (Hassan, Schattner, & Mazza, 2006). The pilot study was conducted amongst 15 informal traders in Ekurhuleni, which is located in the East Rand of Gauteng. Ekurhuleni was the ideal pilot location for three primary reasons: The first reasons is that Ekurhuleni approximates

Johannesburg in terms of economic contribution to the Gauteng province. Secondly, based on Ekurhuleni's geographical proximity to the Johannesburg and economic strength, it is reasonable to conclude that the lived experiences of the informal trader in both cities' will be comparable (Venter, 2014). Lastly, studies based on Gauteng's informal sector tend to aggregate data from Johannesburg, Tshwane and Ekurhuleni, indicating homogeneity across these municipalities.

The questionnaire used in the pilot study was administered by the researcher. The purpose of the research was explained to the respondents before issuing them with a questionnaire, and observations were made regarding the time to complete the questionnaire and difficulty in completing the questionnaire. Based on these observations, registered businesses were used to describe formal businesses instead of the term "formal business". Aside from this change, the respondents were happy with the language and length of the questionnaire, which was 10-15 minutes.

Prior to analysis, the data was captured and cleaned by determining anomalies and making the appropriate adjustments. The Cronbach's alpha scores from the pilot study indicated that the scales were reliable and can be found in Table below 4.7.

Table 4.7: Cronbach's alphas for the pilot study

Construct	Cronbach's Alpha
Utility	0.817
Person-entrepreneurship fit	0.774
Institutional barriers	0.749
Perceived behavioural control	0.876

4.5 DATA COLLECTION PROCEDURE

Data for the study was collected using a structured questionnaire that was administered to respondents by the research assistants. Given the significant size of

the sample experienced and trained research assistants were used to collect the data timeously.

The process was as follows: before the administering of the questionnaire, the purpose and intention of the study were explained by the research assistant. The questionnaires were completed by the respondents and collected by the research assistants. If a respondent did not understand any questions in the questionnaire, the research assistants were on hand to assist. This is the ideal data collection method, where the objective of the study is to determine the prevalence of perceptions or attitudes. It provided a means where data required to measure the dimensions of the informal traders' desire to enter the formal sector was collected efficiently and effectively – directly from the respondents. Furthermore, it is a method that has been used successfully in previous studies to capture data on the informal sector (Callaghan & Venter, 2011; Urban et al., 2011). Additionally, the benefit of using this method and procedure to collect data is that the research assistants can oversee the collection of data and ensure that the required standard of data is collected accurately.

Informal traders operate on the street and are typically self-employed. Thus, the ease of accessibility to informal traders eliminates gatekeepers as a barrier to respondents as permission need only be gained from the informal traders themselves. The accessibility of the data and utilisation of a sound and proven data collection method indicated that the data collection strategy is feasible and did not hinder the study. The complete research instrument can be found in Appendix B.

4.6 DATA ANALYSIS

Data analysis involves reducing accumulated data to a manageable, workable quantity, developing summaries, pattern-seeking and the application of statistical techniques. The data that was collected for the study is interval level data. Hence various statistical measures were employed to analyse the data as well as and explore relationships among the variables (Cooper, Schindler, & Sharma, 2018). SPSS Statistics (SPSS) software was used to capture and analyses the data.

4.6.1 Significance Level

The significance level is typically selected prior to data collection for the larger study. The significance level is the probability of rejecting the null hypothesis when it is true. The most common level is 0.05, although 0.01 is also sometimes used. The level of significance chosen is largely determined by how much risk the researcher is willing to accept and the effect that this will have on choosing a false null hypothesis. The larger the level of significance, the lower the risk that the null hypothesis will be selected (Cooper, Schindler, & Sharma, 2018). The significance level for this study is set at 0.05.

4.6.2 Descriptive Statistics

Descriptive statistics are used to describe the main features of a collection of data. The aim is to summarise a sample, as such descriptive analysis involves the description of data in terms of frequencies, proportions, mean, median, quartiles, standard deviation, inter-quartile range etc. Quantitative variables, like the ones examined in this study, are measurable, continuous and numerical, e.g. age, height, weight. The descriptive statistics that were used to summarise the data in the study are distribution, central tendency and dispersion (Ross, 2014).

4.6.2.1 Measures of Central Tendency

One of the most common units used to summarise a data set is its centre. The centre is usually a single value, selected in such a way that it gives a reasonable approximation of normality. The combination of the mean is one of the most common measures of central tendency. The mean is the average; it is essentially the model of the data set, indicating the most common value. It is determined by adding all data points and dividing by the number of data points. The mean will be used in the research study to understand and predict the sentiment of the informal traders towards formality. To understand which variables best describe the person-environment fit, institutional barriers and perceived behavioural control, thus impacting the informal trader utility (Ross, 2014).

4.6.2.2 Distribution

Distribution of a data set is a function showing all the possible values or intervals of the data and their frequency. When a distribution of numerical data is organised, they're often ordered from smallest to largest and then put into graphs and charts to examine the shape, centre, and amount of variability in the data (Ross, 2014). Distribution charts were used to depict how often an observance occurred in the data. The distribution chart was also used to categorize and analyse the responses to open-ended questions such as how many hours an informal trader operated and the outcome of the registration process.

4.6.2.3 Measures of Dispersion

Measures of dispersion indicate the variability of the items. Statistically, dispersion serves two purposes. The first is that dispersion measures the variability of items among themselves. The second is that dispersion measures the variation around the average. If the difference between the value and average is high, then dispersion will be high; otherwise, it will be low. While measures of central tendency are used to estimate the "normal/average" value of a dataset, dispersion is required to measure the spread or scattering of the data. Two distinct samples may have the same median or mean, but different levels of variability or vice versa. The standard deviation method is the most widely used measure of dispersion (Ross, 2014). In the case of informal traders, the standard deviation was observed to understand the variation in the traders responses.

4.6.3 Inferential Statistics

Inferential statistics is the other branch of statistical analysis. Inferential statistics make use of random sample data taken from a population to make inferences about the population. Descriptive statistics describe what is going on with the data, while inferential statistics allow the researcher to make conclusions and generalisations about the data. Inferential statistics are useful, as with the case of the study when the researcher is unable to examine each member of the population (Ross, 2014). The tests that will be used to infer conclusions about the data are as follows: tests for

normality, factor analysis, kurtosis, Spearman rank correlation and multiple regression.

4.6.3.1 Test for Normality

Statistical errors are common in scientific literature, with about 50% of the published articles having at least one error. Many of the statistical procedures, including correlation, regression, t-tests, and analysis of variance are based on the assumption that the data follows a normal distribution (Cooper, Schindler, & Sharma, 2018). It is assumed that the populations from which the sample was taken are normally distributed. When the data is not normally distributed, it is not possible to draw accurate and reliable conclusions about the population, as such a test for normality was conducted. The most common tests for normality are the Kolmogorov-Smirnov (K-S) test and the Shapiro-Wilk test. The Shapiro-Wilk test is the preferred normality test for the study as it is the preferred test for a sample size that ranges between 7 and 2000 (Ross, 2014). The Shapiro-Wilks test rejects the hypothesis of normality when the p-value is less than or equal to 0.05. A rejected normality hypothesis allows the researcher to state with 95% confidence the data does not fit the normal distribution. Accepting the hypothesis allows the researcher to state no significant departure from normality was found (Cooper, Schindler, & Sharma, 2018). The Shapiro Wilks tests for normality was conducted before determining whether parametric or non-parametric test would be utilised. Parametric tests assume that the data is normally distributed. The results indicated that the data was not normally distributed. Thus, parametric testing is not a viable method to test the hypotheses of the study; therefore, non-parametric tests will be utilised.

4.6.3.2 Factor Analysis

Factor analysis is a data exploration technique used to reveal patterns of interrelationships among variables that are not readily apparent to confirm hypotheses. Thus, factor analysis was used to determine which variables in the perceived behavioural control, person entrepreneurship fit and institutional barriers dimensions were critical the study. Additionally, factor analysis was used to reduce the number of variables within the dimension of an informal traders utility to a manageable level.

Factor analysis can also be used to determine whether the correlation among many dependent variables may be explained by some underlying factor or factors (Ross, 2014).

4.6.3.3 Skewness and Kurtosis

Both skewness and kurtosis are measures of shape distribution. Skewness, which is a coefficient of asymmetry, provides information about the tendency of the deviations from the mean to be larger in one direction than in the other. A positive value for skewness indicates that the data are skewed to the right; a negative value indicates that the data are skewed to the left. A normal distribution has a skewness of zero (Najim, Ikonen, & Daoud, 2004).

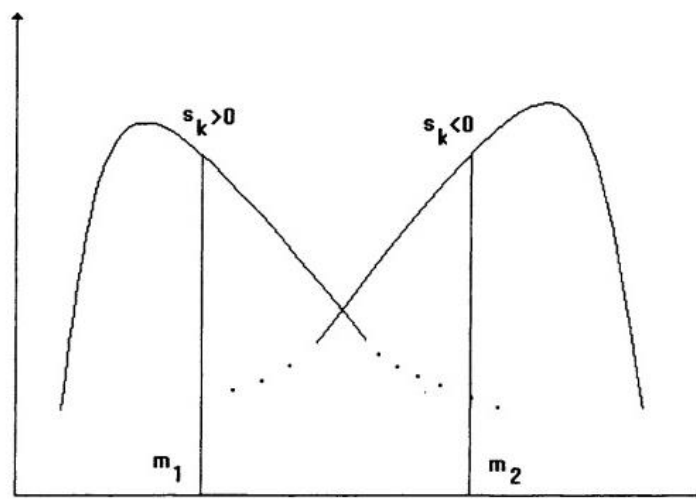


Figure 4.2: Skewness measure

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Source: Najim, Ikonen, & Daoud, 2004

4.6.3.4 Kurtosis

Kurtosis is primarily a measure of the heaviness of the tails of a distribution; essentially, kurtosis measures the peakedness of a distribution (Olive, 2014). The normal distribution has a kurtosis equal to 3. If a curve is more peaked than the normal distribution (greater than 3), it is said to be *leptokurtic*; and if it is less peaked than the normal distribution, it is said to be *platykurtic* (*less than 3*). The term “platy” means

“broad;” and in terms of shape, a platykurtic distribution has a lower, wider peak around the mean and thinner tails. Similarly, “lepto” means “slender” or “skinny” and in terms of shape, a leptokurtic distribution has a more acute peak around the mean and fatter tails (Najim, Ikonen, & Daoud, 2004).

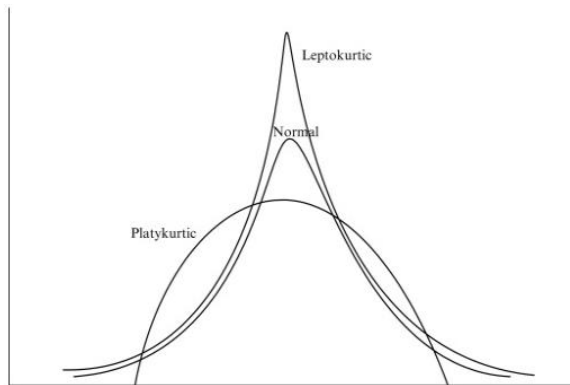


Figure 4.3: Peakedness of Frequency Distribution

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Source: Oliver, 2014

4.6.3.5 Spearman's Rank Coefficient

The Spearman's rank-order correlation is a nonparametric test that measures the strength and direction of the association between two ranked variables. Spearman's rank coefficients assume that the variables are either ordinal, interval or ratio and that the relationship between the variables is monotonic. A monotonic relationship is a relationship that does one of the following: (1) as the value of one variable increases, so does the value of the other variable; or (2) as the value of one variable decreases, the other variable value decreases. Examples of monotonic and non-monotonic relationships are presented in Figure 4.4 below.

The relationship between the informal trader's utility and the dimensions of person entrepreneurship fit, institutional barriers and perceived behavioural control were tested using Spearman's correlation coefficient. Spearman's correlation coefficient can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association, meaning as the value of one variable increases, so does the value of the

other variable. A value less than 0 indicates a negative association, meaning as the value of one variable increases, the value of the other variable decreases. The stronger the association of the two variables, the closer the Spearman's correlation coefficient, r , will be to either +1 or -1 depending on whether the relationship is positive or negative, respectively. Achieving a value of +1 or -1 means that all the data points are included on the line of best fit – there are no data points that show any variation away from this line (Ross, 2014).

Spearman's rank coefficient is interpreted as follows:

- 0.00-.019: Very weak
- 0.20-.039: Weak
- 0.40-0.59: Moderate
- 0.60-.079: Strong
- 0.80-1.0: Very strong

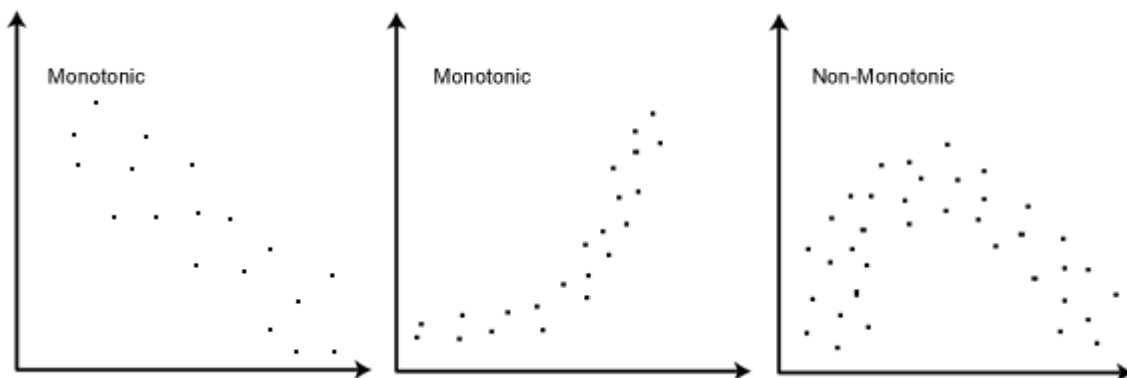


Figure 4.4: Examples of Monotonic relationships

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Source: Laerd Statistics, 2018

4.7 VALIDITY AND RELIABILITY OF RESEARCH DESIGN

Validity is the degree to which the research instrument measures what is meant to measure. Reliability is an approximation of the consistency of the measurement. By ensuring the validity and reliability of the measure used in data collection, the

researcher is ensuring the overall quality of the research process. The measurement instrument of the research must be both reliable and valid (Cooper, Schindler, & Sharma, 2018).

4.7.1 Validity

Construct validity is the degree to which inferences can legitimately be made from the operationalisation of the constructs in the study to the theoretical constructs on which that operationalisation was based (Kothari, 2004). Convergent validity and discriminant validity are the composites of construct validity. Both are required to be present for construct validity to be achieved. A pilot study was conducted with respondents in Ekurhuleni, a district in the Johannesburg area in order to . The study was conducted to test the feasibility of the research approach and improve on the research design. The scale items were also derived from previously tried and tested studies, ensuring their validity.

4.7.2 Reliability

Reliability is tested using Cronbach's Alpha, which tests an instrument to determine if it may be interpreted consistently across different situations. Reliability of the research instrument has already been established in Section 4.4 as all the Cronbach's alphas for the various scales had a score of 0.7 and greater. They are indicating a high internal consistency which intern indicates integrity and reliability (Taber, 2018).

4.8 LIMITATIONS

Limitations identify and anticipate potential weakness in a study relating to the methodology, sampling, and analysis methods. The limitations of this study are listed below:

- The nature of convenience sampling means that participation in the questionnaire is voluntary and based 100% on the participants' willingness. As a result, there is a risk of a high-non-response rate and inadequate data collection. Furthermore, the nature of the sampling method implies that the

sample may not be representative of the informal trader population in the Johannesburg's CBD.

- The recent conflict between the South African Police and informal traders in Johannesburg may result in informal traders being reluctant to assist with the study.
- There is a risk of social desirability bias, whether the respondents might be afraid or ashamed to answer questions about their perceptions about the informal sector truthfully and provide answers that they feel are socially desirable. The potential bias will be mitigated through the questioning approach, where questions will be asked less threateningly and will be contextually relevant.
- The nature of the informal economy makes it difficult to determine the sample size or population size with complete accuracy.

4.9 ETHICS

The Wits Business School requires that all research conducted by students must conform to the highest ethical standards when the study involves human subjects. Consent was acquired from the respondents prior to data collection. Participation was voluntary, and respondents were free to withdraw from the study at any time. Additional ethical clearance was granted by the University Central Ethics Committee prior to data being collected. The study followed the proposed university ethical guidelines; respondents confidentially was guaranteed as no names were collected only survey numbers for tracking purposes.

4.10 CONCLUSION

This chapter has provided a detailed account of research methods that were utilised to investigate the research problems. In summation, the ontological standpoint is rooted in objective reality, located in a positivist paradigm. A cross-sectional, survey-based research design will be adopted to examine patterns in informal traders' utility. The design is congruent with the selected research instrument and data analysis methods. Lastly, the adequate consideration has been given to the reliability, validity and limitations of the study, with measures in place for mitigation if necessary.

CHAPTER 5: RESULTS

5.1 INTRODUCTION

The purpose of the research paper is to identify and explain why informal traders in Johannesburg's CBD do not enter the formal economy. Achieved by exploring significant perceptions of informal traders concerning the formal economy and the utility that can be derived from operating in it, by examining their views on institutional barriers, perceived behavioural control and person-entrepreneurship fit. As the study is quantitative, statistical procedures were used to analyse the data. The research results are presented in this chapter. Firstly, the descriptive statistics are presented, followed by the consideration of the different scales. Lastly, the hypothesised relationships between utility and its dimensions will be tested using Spearman's Rank Coefficient.

5.2 SAMPLE CHARACTERISTICS

389 respondents took part in this study. All the questions were answered in full by all respondents; this can be attributed to the fact the questionnaire was administered by experienced and skilled research assistants who were able to clarify any unclear questions significantly contributing to the response rate.

5.2.1 Age

The minimum age of the respondents 19, with the maximum age being 62. The mean age was 40 (40.19), with the mode being 36. The age variable was further categorised into ranges to aid the analysis of this variable. Figure 5.1 below reflects the categorised distribution.

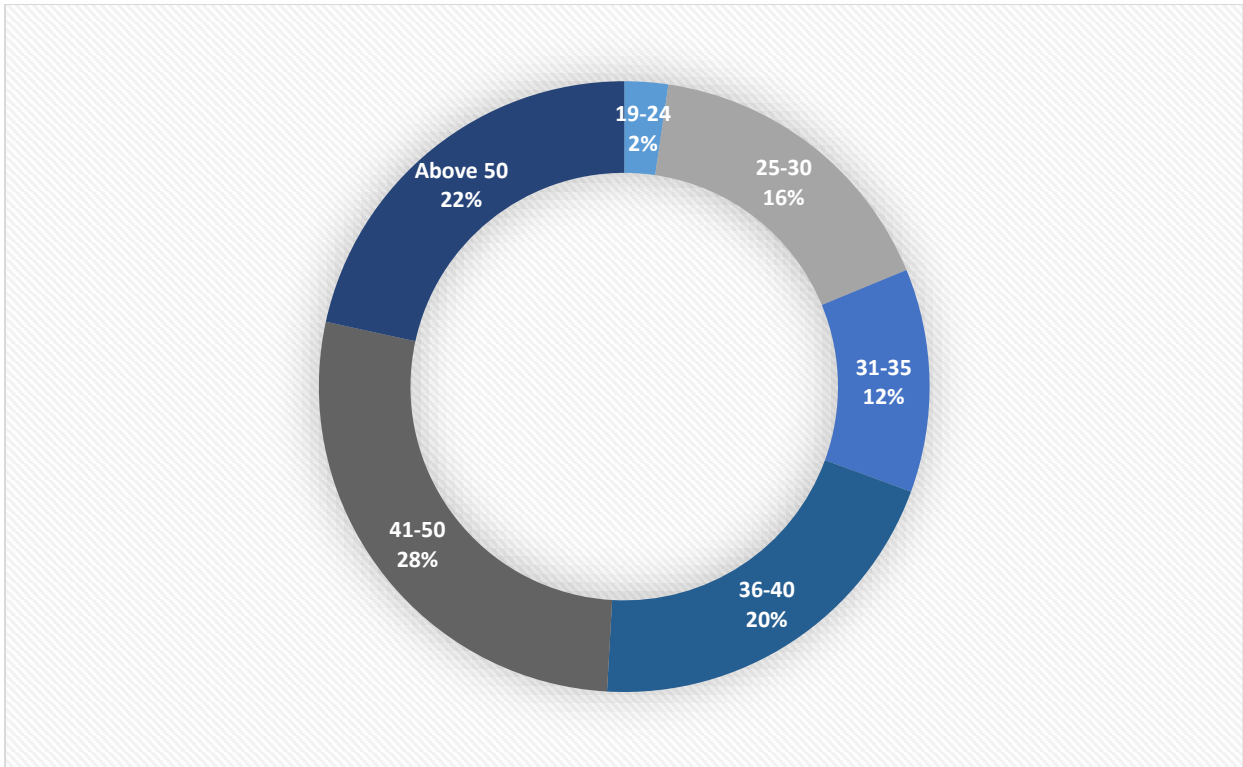


Figure 5.1: Age of Respondents

5.2.2 Gender

Most of the informal traders who took part in the study were male, 43%; while 32% of the respondents were female, with 25% of the respondents opting not to disclose their gender. The gender profile of the respondents can be seen in Figure 5.2.

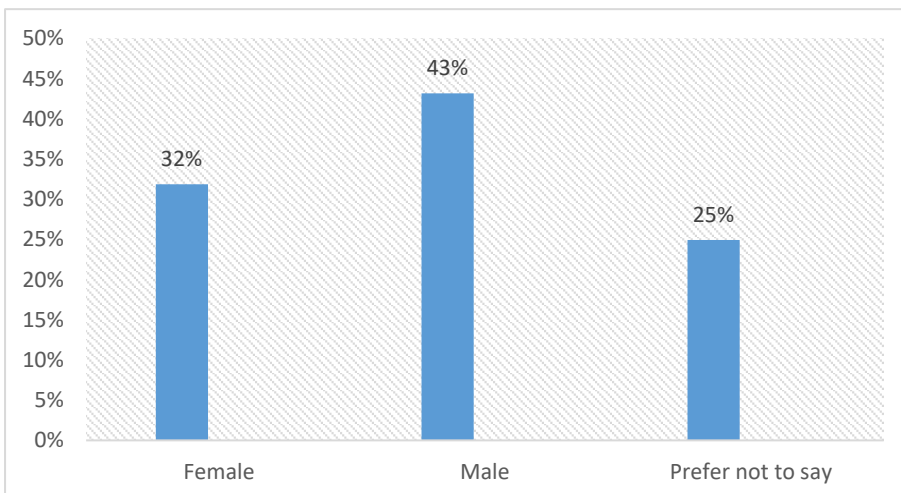


Figure 5.2: Gender distribution of respondents

5.2.3 Level of education

The highest level of education attained by the respondents was matric/high school, with 64% of the respondent completing matric. This was followed by 26% of the respondents who had not completed matric. The remaining respondents, 9.5%, had completed tertiary education.

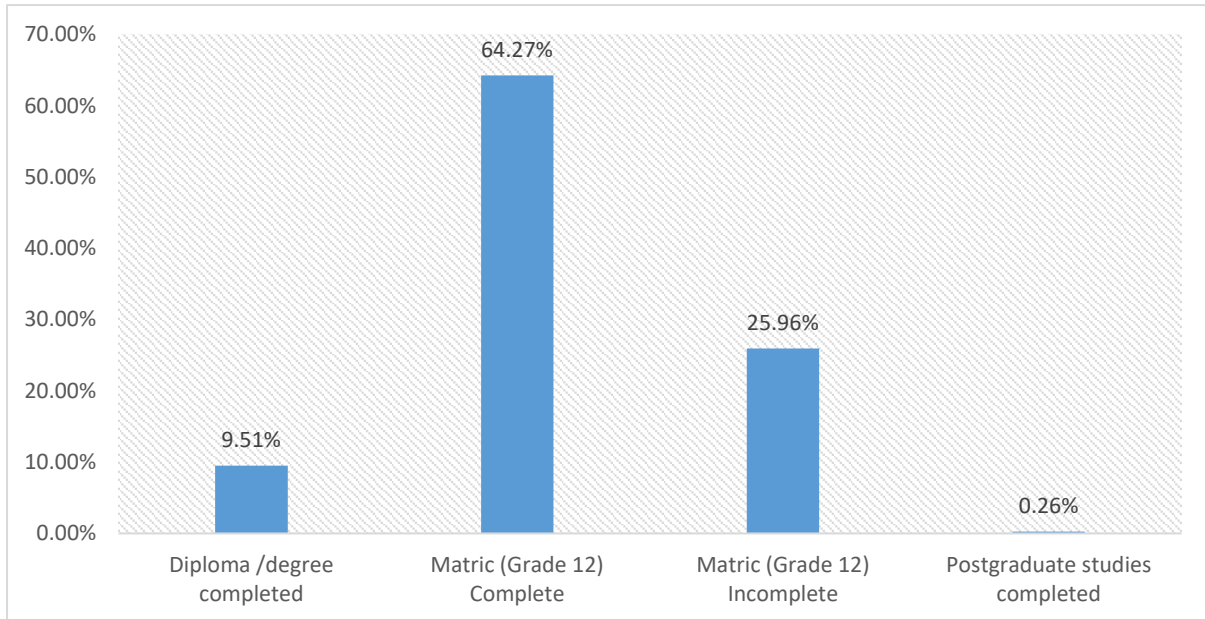


Figure 5.3: Education level of respondent

A cross-tabulation of the education level and age, Table 5.1, indicate that the younger age groups are better educated than the older age groups. A chi-square test of independence was performed to examine the relationship between age and education level. The relation between these variables was significant, $p < 0.001$.

Table 5.1: Cross-tabulation of the level of education and age

		Education			
		Below matric	Matric	Tertiary	Total
Age	19-24	1%	4%	3%	3%
	25-30	10%	15%	34%	16%
	31-35	11%	16%	26%	15%
	36-40	22%	19%	16%	19%
	41-50	33%	32%	11%	30%
	Above 50	24%	15%	11%	17%
	Total	100%	100%	100%	100%

5.2.4 Business sectors

The majority of the informal traders, 38%, operate in the retail industry. There are no close second or third challengers to the retail sector, with the remaining business sectors having a fairly even split. A full distribution of business sectors in which the informal traders operate in can be seen in Figure 5.4 below.

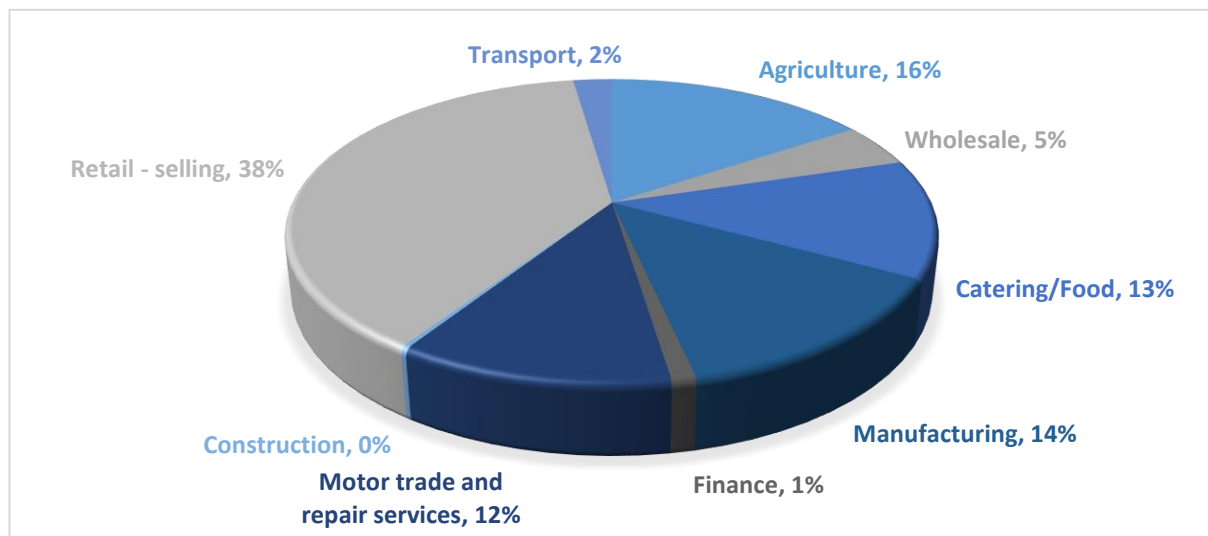


Figure 5.4: Business sectors in the informal sector

Further investigations were thus completed to gain better insights into the data. The first set of analysis was to cross-tabulate the business sector with education. As can be seen in Table 5.2 below, the sector with the highest level of informal traders is the manufacturing sector. However, retail still dominates with the greatest number of

informal traders in each education level. A chi-square test of independence was performed to examine the relationship between business sector and level of education. The relation between these variables was significant was not significant ($p = 0.2071$).

Table 5.2: Cross-tabulation business sector and education level

		Education			
		Below matric	Matric	Tertiary	Total
Business Sector	Agriculture	18%	15%	13%	16%
	Catering/Food	8%	14%	13%	13%
	Construction	0%	0%	0%	0%
	Finance	2%	0%	3%	1%
	Manufacturing	5%	15%	29%	14%
	Motor trade and repair services	10%	12%	16%	12%
	Retail – selling	50%	36%	21%	38%
	Transport	4%	2%	0%	2%
	Wholesale	4%	5%	5%	5%
	Total	100%	100%	100%	100%

When looking at a cross-tabulation of age and business sector retail dominates in all age categories, except for in the above 50 age category. In the above 50 age category, agriculture is the dominant business sector, with 32% of the respondents above the age of 50 operating in this sector. A chi-square test of independence was performed to examine the relationship between business sector and age. The relation between these variables was significant, $p < 0.001$.

Table 5.3: Cross-tabulation business sector and age categories

		Age Categories						
		19-24	25-30	31-35	36-40	41-50	Above 50	Total
Business Sector	Agriculture	0%	5%	18%	12%	15%	32%	16%
	Catering/Food	8%	15%	13%	11%	14%	11%	13%
	Construction	0%	2%	0%	0%	0%	0%	0%
	Finance	0%	0%	0%	1%	0%	5%	1%
	Manufacturing	17%	28%	10%	15%	9%	9%	14%
	Motor trade and repair services	17%	7%	12%	8%	12%	18%	12%
	Retail – selling	58%	36%	42%	48%	39%	22%	38%
	Transport	0%	2%	2%	1%	5%	0%	2%
	Wholesale	0%	7%	3%	4%	6%	3%	5%
	Total	100%	100%	100%	100%	100%	100%	100%

When business sector and gender are cross tabulated against each other in Table 5.4, it is evident that the female respondents dominate in the catering and retail sector. Whereas the male respondents dominate in all other business sectors. This cross-tabulation analysis excludes the response from respondents who preferred not to disclose their gender

Table 5.4: Cross-tabulation business sector and gender

		Gender		
		Female	Male	Total
Business Sector	Agriculture	14%	21%	18%
	Catering/Food	15%	8%	11%
	Construction	0%	1%	0%
	Finance	1%	1%	1%
	Manufacturing	13%	14%	13%
	Motor trade and repair services	10%	13%	12%
	Retail – selling	42%	33%	37%
	Transport	1%	5%	3%
	Wholesale	4%	5%	4%
	Total	100%	100%	100%

5.2.5 Size of business

In terms of the size of the business 86% of the informal traders operated micro-businesses with five or fewer employees, 12% operated very small businesses of 6-20 employees, and the remaining 2% operated small businesses with 6-20 employees.

5.2.6 Business age

Regarding the business age, 69% of the business had been operating for more than four years, 32% had been operating for less than four years. Of that 32%, 4% of those businesses had been operating for less than three months.

After cross-tabulating business age and business size in Table 5.5, it can be seen that across all business sizes, the greatest proportion of businesses have been operating

for more than four years. The same phenomenon can be observed in Table 5.6 after cross tabulating business age and level of education. A Chi-squared test revealed that there is no significant relationship between business age and business size ($p = 0.5334$); however, there is a significant relationship between business age and level of education ($p < 0.001$).

Table.5.5: Cross-tabulation of business age and business size

		Business Size			
		Micro = 5 or less	Small = 21 – 50	Very small = 6 – 20	Total
Business Age	3 months or less	4%	0%	2%	4%
	4 – 48 months	29%	0%	20%	28%
	More than 48 months	67%	100%	78%	69%
	Total	100%	100%	100%	100%

Table 5.6: Cross-tabulation of business age and education

		Education			
		Below matric	Matric	Tertiary	Total
Business Age	3 months or less	1%	3%	13%	4%
	4 – 48 months	22%	30%	29%	28%
	More than 48 months	77%	67%	58%	69%
	Total	100%	100%	100%	100%

5.2.7 Business location

Almost half, 47%, of the informal traders operated on the street as street traders or hawkers. 23% of informal traders operated in containers or caravans, and 14% and 12% operated in craft markets and formal buildings respectively. The remaining 3% operated as taxi drivers and in shopping centres.

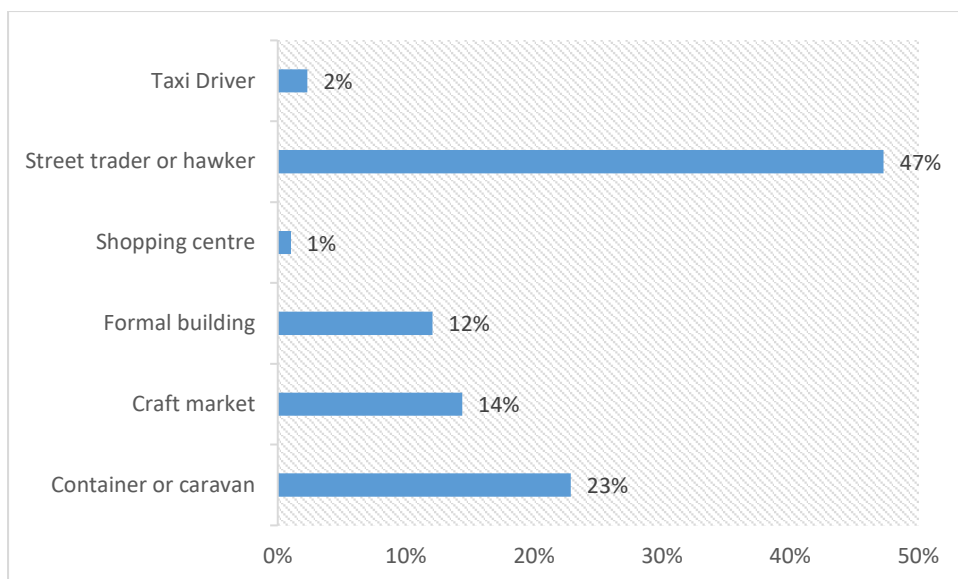


Figure 5.5: Informal trader business locations

A cross-tabulation of business location can be seen below in Table 5.7. A Chi-squared analysis revealed a highly significant relationship between business location and business sector ($p < 0.0001$)

Table 5.7: Cross-tabulation of business location and business sector

	Business Sector									
	Agriculture	Catering/Food	Construction	Finance	Manufacturing	Motor trade and repair services	Retail - selling	Transport	Wholesale	Total
Business Location										
Container or caravan	11%	57%	0%	0%	4%	64%	14%	0%	11%	23%
Craft market	0%	0%	0%	0%	94%	0%	4%	0%	0%	14%
Formal building	3%	10%	0%	100%	2%	27%	7%	0%	67%	12%
Shopping centre	2%	0%	0%	0%	0%	0%	0%	0%	17%	1%
Street trader or hawker	84%	33%	100%	0%	0%	9%	74%	0%	6%	47%
Taxi Driver	0%	0%	0%	0%	0%	0%	0%	100%	0%	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

5.2.8 Working Hours

Regarding working hours, 68% of the informal traders work between 41-80 hours per week, 29% work more than 80 hours per week and 3% work less than 40 hours per week.

5.3 OVERVIEW OF THE SCALES

In the previous section, the sample was described using demographic data. Additionally, chi-square analysis was used to examine relationships between variables. The following section uses descriptive statistics to describe the scales utilised in the study.

5.3.1 Scale items relating to utility construct

The scale items for the utility construct in Table 5.8 revealed that for most items the informal traders believe that they would gain greater utility in the formal sector, with 78% either “disagreed” or “strongly disagreed” that they have any intention of remaining informal permanently. The result also revealed that of the 11% of informal traders who have tried to register their businesses, 59% indicated that if their applications were denied, they would try again to register their businesses at a later stage. Figure 5.6 shows the outcome of the business registration applications; 75% of informal traders who had submitted applications said that they had not heard back from the registration office.

Table 5.8: Scale items for the utility construct

Scale Items	Frequency of responses					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
1. Being an informal entrepreneur is more advantageous than disadvantages to me	7%	21%	14%	35%	22%	100%
2. A career as an informal entrepreneur is attractive to me	7%	20%	11%	27%	35%	100%
3. If I had the opportunity and resources to operate in the formal sector, I would close my informal business	29%	25%	12%	22%	12%	100%
4. I get great satisfaction from operating informally	10%	17%	14%	24%	35%	100%
5. I would still choose to work informally if I had many options	8%	11%	16%	29%	36%	100%
6. I will make every effort to remain in the informal sector	7%	11%	15%	32%	34%	100%

7. I have seriously considered registering my business	6%	6%	7%	39%	42%	100%
8. I know the process to register my business	18%	5%	6%	17%	54%	100%
9. I have tried to register my business in the last year	11%	0%	0%	0%	89%	100%
11.(If application was denied) I will try to register again	59%	0%	9%	5%	27%	100%
12.I have the intention to remain informal permanently	13%	6%	13%	20%	48%	100%

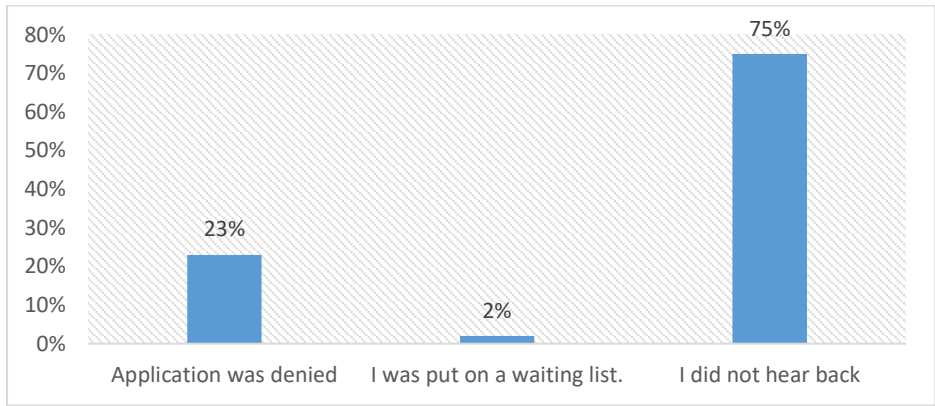


Figure 5.6: Outcome of the registration process

The mean scores for utility are fairly evenly distributed around “strongly disagree and “disagree” for most items in the scale.

Table 5.9: Descriptive statistics for the utility scale items

UTILITY				
Scale Items	Mean	Standard Deviation	Kurtosis	Skewness
1. Being an informal entrepreneur is more advantageous than disadvantages to me	2.57	1.253	-1.000	0.407
2. A career as an informal entrepreneur is attractive to me	2.39	1.334	-1.051	0.532
3. If I had the opportunity and resources to operate in the formal sector, I would close my informal business	3.37	1.411	-1.292	-0.312
4. I get great satisfaction from operating informally	2.44	1.381	-1.077	0.510
5. I would still choose to work informally if I had many options	2.26	1.276	-0.506	0.766
6. I will make every effort to remain in the informal sector	2.25	1.240	-0.400	0.795
7. I have seriously considered registering my business	1.97	1.151	0.996	1.326

8. I know the process to register my business	2.15	1.544	-0.643	0.998
9. I have tried to register my business in the last year	1.45	1.269	4.036	2.453
11.(If my application was denied) I will try to register again	3.59	1.796	-1.532	-0.610
12.I have the intention to remain informal permanently	2.17	1.423	-0.486	0.948

5.3.2 Scales for the person entrepreneurship fit construct

The person entrepreneurship fit construct can be broken down into three sub-scales: earnings, employment opportunities and autonomy. Based on the results in Table 5.10 below 64% of informal traders “strongly agreed” and “agreed” that the informal sector does not provide them with enough income to live comfortably. Furthermore, 66% said that if they had to pay tax and benefits, it would be a burden, and they would not have enough money left over to live comfortably.

With regards to employment opportunities, 67% of informal traders agreed and strongly agreed that the informal sector does not provide the type of employment environment that they were seeking. However, Q3 regarding better opportunities in the informal sector than the formal sector does not provide a strong result for either option.

The descriptive statistics for person entrepreneurship fit can be found in Table 5.11.

Table 5.10: Scale items for the person entrepreneurship construct

PERSON ENTREPRENEURSHIP FIT	Frequency of responses					
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Scale Items – Earnings						
1. There is a good fit between the income I receive working in the informal sector and what I am looking for in a job	6%	14%	14%	23%	43%	100%

2. The job I currently have in the informal sector provides me with enough income to take care of my needs comfortably	5%	15%	16%	24%	40%	100%
3. If I had to pay taxes and employee benefits (medical aid and pension), I would still have enough income to take care of my needs properly.	4%	8%	13%	32%	43%	100%
4. If I had to pay tax and employee benefits (medical aid and pension) out of my income, it would be a burden.	37%	29%	15%	13%	6%	100%
5. If I were financially secure, I would continue to work in the informal sector.	11%	14%	15%	22%	38%	100%
Scale Items - Employment Opportunities	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1. My job in the informal sector measures up to the type of work and environment that I was seeking	7%	12%	13%	25%	42%	100%
2. My job in the informal sector is a good match for me	8%	16%	15%	20%	41%	100%
3. There are more good opportunities in the informal sector than the formal sector	25%	10%	17%	22%	26%	100%
4. I feel that I am doing fulfilling and satisfying work in the informal sector	13%	9%	20%	22%	36%	100%
Scale Items – Autonomy	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1. Working in the informal sector gives me enough independence and freedom to do my job without thinking about regulations.	12%	19%	12%	21%	37%	100%
2. Working informally allows me to be creative and try different ways to do my job that I cannot do in the formal sector	12%	10%	15%	28%	35%	100%
3. Working in the informal sector allows me to make decisions without thinking about regulations and compliance	12%	16%	19%	35%	18%	100%
4. People who work informally can manage their own work and have more flexibility to solve problems.	18%	16%	22%	30%	14%	100%
5. Working informally allows me to save time by not doing paperwork and administration (taxes, industry compliance) that is required by a formal business	14%	16%	22%	31%	17%	100%

Table 5.11: Descriptive statistics for the person entrepreneurship construct

PERSON ENTREPRENEURSHIP FIT				
Scale Items – Earnings	Mean	Standard Deviation	Kurtosis	Skewness
1. There is a good fit between the income I receive working in the informal sector and what I am looking for in a job	2.16	1.279	-0.675	0.764
2. The job I currently have in the informal sector provides me with enough income to take care of my needs comfortably	2.21	1.257	-0.752	0.677

3. If I had to pay taxes and employee benefits (medical aid and pension), I would still have enough income to take care of my needs properly.	1.99	1.124	0.341	1.072
4. If I had to pay tax and employee benefits (medical aid and pension) out of my income, it would be a burden.	3.78	1.244	-0.529	-0.758
5. If I were financially secure, I would continue to work in the informal sector.	2.39	1.396	-1.002	0.586
Scale Items - Employment Opportunities	Mean	Standard Deviation	Kurtosis	Skewness
1. My job in the informal sector measures up to the type of work and environment that I was seeking	2.16	1.294	-0.478	0.854
2. My job in the informal sector is a good match for me	2.30	1.360	-0.968	0.616
3. There are more good opportunities in the informal sector than the formal sector	2.85	1.533	-1.424	0.222
4. I feel that I am doing fulfilling and satisfying work in the informal sector	2.41	1.396	-0.871	0.621
Scale Items – Autonomy	Mean	Standard Deviation	Kurtosis	Skewness
1. Working in the informal sector gives me enough independence and freedom to do my job without thinking about regulations.	2.47	1.431	-1.213	0.465
2. Working informally allows me to be creative and try different ways to do my job that I cannot do in the formal sector	2.36	1.356	-0.709	0.716
3. Working in the informal sector allows me to make decisions without thinking about regulations and compliance	2.70	1.276	-0.921	0.416
4. People who work informally can manage their own work and have more flexibility to solve problems.	2.94	1.324	-1.128	0.221
5. Working informally allows me to save time by not doing paperwork and administration (taxes, industry compliance) that is required by a formal business	2.77	1.292	-0.987	0.330

5.3.3 Scale items relating to the institutional barriers construct

The institutional barriers construct can be broken down into two sub-scales: government policies and access to resources. When taking a look at government policies, based on the results in Table 5.12 below, 54% of informal traders “strongly disagreed” and “disagreed” that government policies consistently favour informal firms. However, 65% of the respondents do not believe that government corruption will hurt their business.

With regards to access to resources, 77% of the respondents indicated that they could not get access to basic utilities, with 64% indicating that even if they could get access to basic utilities that they could not afford them. Regarding financing, 78% of the respondents “strongly disagreed” and “disagreed” that informal traders wanting to formalise their businesses can access good banking services or access to financing. The descriptive statistics for institutional barriers can be found in Table 5.13.

Table 5.12 Scale items for the institutional barriers construct

INSTITUTIONAL BARRIERS	Frequency of responses					
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Scale Items - Government Policies						
1. Government policies in South Africa consistently favour informal firms	1%	6%	39%	25%	29%	100%
2. The support of new and growing in businesses is a high priority for policy at the national level	23%	34%	20%	18%	5%	100%
3. The support of new and growing businesses is a high priority for policy at the City of Johannesburg level	25%	33%	22%	16%	4%	100%
4. The amount of taxes in the formal sector would NOT be a burden for me	7%	38%	21%	17%	18%	100%
5. Taxes and other government regulations will be applied to my informal business in a fair, understandable and consistent way	8%	33%	19%	24%	17%	100%
6. Managing/Coping with government rules, laws, regulations and licensing will not be a burden or difficult for me	9%	41%	17%	17%	17%	100%
7. I do not want to register a business because of government corruption	10%	8%	17%	48%	17%	100%
8. Government corruption will hurt my business if I register it.	12%	7%	17%	48%	16%	100%
Scale Items - Access to resources	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1. Informal businesses can get most of the required permits and licenses in about a month	0%	8%	15%	33%	44%	100%
2. Informal businesses can get access to basic utilities (phone, water, electricity, sewer, internet) easily	0%	9%	14%	38%	39%	100%
3. I can afford the cost of basic utilities (gas, water, electricity, sewer, internet).	2%	15%	19%	29%	35%	100%
4. Almost anyone who wants to register their business can find the information, offices and resources to do it	0%	13%	36%	28%	22%	100%
5. It is easy for informal businesses to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).	0%	9%	13%	33%	45%	100%
6. Debt Funding is available for informal traders who want to formalize their business	0%	10%	14%	26%	51%	100%
7. The lack of debt financing prevents me from formalizing my business	16%	26%	20%	25%	12%	100%

8. The cost of registering a business and paying for licenses are too high for informal businesses	26%	28%	29%	13%	4%	100%
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Table 5.13: Descriptive statistics for the institutional barriers construct

INSTITUTIONAL BARRIERS				
Scale Items - Government Policies	Mean	Standard Deviation	Kurtosis	Skewness
1. Government policies in South Africa consistently favour informal firms	2.25	0.981	-0.716	0.169
2. The support of new and growing in businesses is a high priority for policy at the national level	3.52	1.183	-0.801	-0.436
3. The support of new and growing businesses is a high priority for policy at the City of Johannesburg level	3.57	1.157	-0.753	-0.440
4. The amount of taxes in the formal sector would NOT be a burden for me	2.97	1.243	-1.120	-0.315
5. Taxes and other government regulations will be applied to my informal business in a fair, understandable and consistent way	2.90	1.243	-1.169	-0.110
6. Managing/Coping with government rules, laws, regulations and licensing will not be a burden or difficult for me	3.08	1.262	-1.077	-0.400
7. I do not want to register a business because of government corruption	2.46	1.158	-0.015	0.871
8. Government corruption will hurt my business if I register it.	2.50	1.185	-0.079	0.883
Scale Items - Access to resources	Mean	Standard Deviation	Kurtosis	Skewness
1. Informal businesses can get most of the required permits and licenses in about a month	1.89	0.965	-0.219	0.852
2. Informal businesses can get access to basic utilities (phone, water, electricity, sewer, internet) easily	1.92	0.935	-0.216	0.811
3. I can afford the cost of basic utilities (gas, water, electricity, sewer, internet).	2.18	1.119	-0.831	0.544
4. Almost anyone who wants to register their business can find the information, offices and resources to do it	2.40	0.981	-0.967	0.008
5. It is easy for informal businesses to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).	1.86	0.969	-0.084	0.930
6. Debt Funding is available for informal traders who want to formalize their business	1.83	1.010	-0.205	0.974
7. The lack of debt financing prevents me from formalizing my business	3.09	1.287	-1.140	-0.057
8. The cost of registering a business and paying for licenses are too high for informal businesses	3.59	1.128	-0.706	-0.365

5.3.3 Scale items for the perceived behavioural control construct

Tables 5.14 and 5.15 reflect the relevant descriptive statistics for the perceived behavioural scales.

Table 5.14: Scale items for the perceived behavioural control construct

PERCEIVED BEHAVIOURAL CONTROL		Frequency of responses				
Scale Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1. There is a very good match between the demands of running a registered business and my personal abilities	17%	37%	17%	16%	12%	100%
2. My abilities and training are a good fit with the requirements of running a registered business	17%	21%	40%	17%	5%	100%
3. My personal learning ability and education provide a good match that the demands of running a registered business would place on me	17%	18%	44%	19%	2%	100%
4. I believe my skills and abilities match those required to run a registered business	19%	20%	44%	15%	2%	100%
5. I believe I have the skills and abilities to succeed in the formal sector	20%	18%	45%	13%	4%	100%
6. My business performance in the formal sector would be hurt by my lack of knowledge with administration and regulatory compliance	2%	9%	43%	25%	20%	100%
7. I would be able to use my talents, skills, and competencies to run a registered business successfully	21%	21%	41%	13%	4%	100%

Table 5.15: Descriptive statistics for the perceived behavioural control construct

PERCEIVED BEHAVIOURAL CONTROL				
Scale Items	Mean	Standard Deviation	Kurtosis	Skewness
1. There is a very good match between the demands of running a registered business and my personal abilities	3.32	1.273	-0.904	-0.457
2. My abilities and training are a good fit with the requirements of running a registered business	3.29	1.087	-0.614	0.008
3. My personal learning ability and education provide a good match that the demands of running a registered business would place on me	3.29	1.028	-0.610	0.210
4. I believe my skills and abilities match those required to run a registered business	3.40	1.012	-0.652	0.137
5. I believe I have the skills and abilities to succeed in the formal sector	3.38	1.059	-0.552	0.036
6. My business performance in the formal sector would be hurt by my lack of knowledge with administration and regulatory compliance	2.48	0.986	-0.415	0.070
7. I would be able to use my talents, skills, and competencies to run a registered business successfully	3.42	1.080	-0.617	-0.061

5.4 CONSTRUCT RELIABILITY AND VALIDITY

When using Likert-type scales, it is vital to determine the Cronbach's alpha for internal consistency reliability for any scales or subscales that are being used in the questionnaire. The Cronbach's alpha is expressed as a number between 0 and 1; with 0 indicating no reliability, and 1 indicating perfect reliability. Cronbach's alphas of above 0.7 are accepted and considered reliable.

Reliability was initially assured by conducting a pilot study. This was conducted to identify and correct any issues resulting from the questionnaire. The results from the pilot study indicated that the scales were reliable and could be used in the larger study. The results from the larger study also indicated that the scales were reliable and adequately measured the constructs. Utility had a total of 11 items in the scale, and the overall Cronbach's alpha was 0.851. Person-entrepreneurship fit had a total of 14 items in the scale, and the overall Cronbach's alpha was 0.937. Institutional barriers had a total of 16 items in the scale, and the overall Cronbach's alpha was 0.783. Person-entrepreneurship fit had a total of 7 items in the scale and the overall Cronbach's alpha was 0.930. Therefore, all the scales for these constructs were accepted as valid and reliable.

Table 5.16: Cronbach's alpha for the study

Construct	Cronbach's Alpha
Utility	0.851
Person-entrepreneurship fit	0.937
Institutional barriers	0.783
Perceived behavioural control	0.930

Content validity refers to the degree to which an instrument is relevant to, and representative of, the targeted construct it is designed to measure. The questionnaire was designed using scales of previously tried and tested studies qualifying as being expertly reviewed and thus meets the criteria of validity.

5.5 TEST FOR NORMALITY

Various statistical methods used for data analysis assume that the data is normally distributed. These statistical methods include correlation, regression, *t*-tests, and analysis of variance. Central limit theory dictates that when sample size has 100 or more observations, violation of the normality is not considered to be an issue (Ghasemi & Zahediasl, 2012). However, in order to gather meaningful conclusions, the assumption of the normality should be followed irrespective of the sample size. If the data is not normally distributed, the resultant mean value is not a representative value of the data. Thus an incorrect selection of the representative value of a data set and further calculated significance level using this representative may result in an incorrect interpretation (Mishra, Pandey, & Singh, 2019). As such, the data is first tested for normality before deciding on the statically correct method. The Shapiro-Wilks test for normality was applied to the sample data, and the results show a significance level of 0.000, less than 0.001, indicating that the data is not normally distributed. Hence the hypotheses cannot be tested using non-parametric tests such a regression; instead, non-parametric tests should be applied.

5.6 FACTOR ANALYSIS

The scales were further validated through Exploratory Factor Analysis (EFA) using principal component analysis (PCA). PCA is used to reduce the number of variables in the data by extracting the important one from a large pool. It is expected that the scales derived from previous studies would be loaded onto a single factor (Silberring & Ciborowski, 2016). In terms of factor loadings, Tabachnick and Fidell (2014) recommend ignoring factor loadings with an absolute value of less than 0.32 (representing 10% of the shared variance). Thus factors with a loading of less than 0.30 were suppressed. The factor cut-off also prevents the possibility of cross-loadings (Birmingham City University, 2016).

5.6.1 Factor analysis of the utility scale

PCA was conducted on the 11 items of the utility scale. Q10 and Q11 were not included as they resulted in open-ended answers that were not numerical. The items

in the scale were adjusted for reliability using orthogonal rotation. The varimax method was applied.

The rotated factor analysis in Table 5.17 revealed that two components explained 76.85% of the variance in utility. Factor 1 was labelled utility due to the high loadings by the following items (not an exhaustive list): I will make every effort to remain in the informal sector; A career as an informal entrepreneur is attractive to me; Being an informal entrepreneur is more advantageous than disadvantages to me; I get great satisfaction from operating informally. This first factor explained 55.13% of the variance. The second factor derived was labelled attitudes towards informality. This factor was labelled as such due to the high loadings by the following factors: I have seriously considered registering my business; I have tried to register my business in the last year. The variance explained by this factor was 21.72%. As the scale used was derived from the personal attraction to entrepreneurship and entrepreneurial intentions sections of the Measures of Core Entrepreneurial Intention Model Elements instrument developed by Linan and Chen (2009), a two-factor loading, for scale items retained after the reliability analysis, was not unexpected.

The Kaizer-Mayer-Olkin Test (KMO) is a test that measures how suitable the data is for factor analysis by measuring the sampling adequacy of each variable in the model and for the complete model. KMO values between 0.8 and 1 indicate that the sampling is adequate. The KMO result for Utility is 0.862. Bartlett’s test for sphericity was conducted to test if the variables were related and thus suitable for structure detection. The results ($p < 0.0001$) revealed that the correlations between items were suitable for PCA and affirming the factorability of the correlation matrix.

Table 5.17: Total variance explained for the utility scale

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %

1	5.514	55.138	55.138	5.514	55.138	55.138
2	2.172	21.717	76.855	2.172	21.717	76.855
3	.515	5.147	82.001			
4	.445	4.453	86.454			
5	.394	3.941	90.395			
6	.338	3.379	93.774			
7	.236	2.359	96.133			
8	.173	1.733	97.866			
9	.136	1.358	99.224			
10	.078	.776	100.000			

The scree plot below further illustrates two factors with two points of inflection.

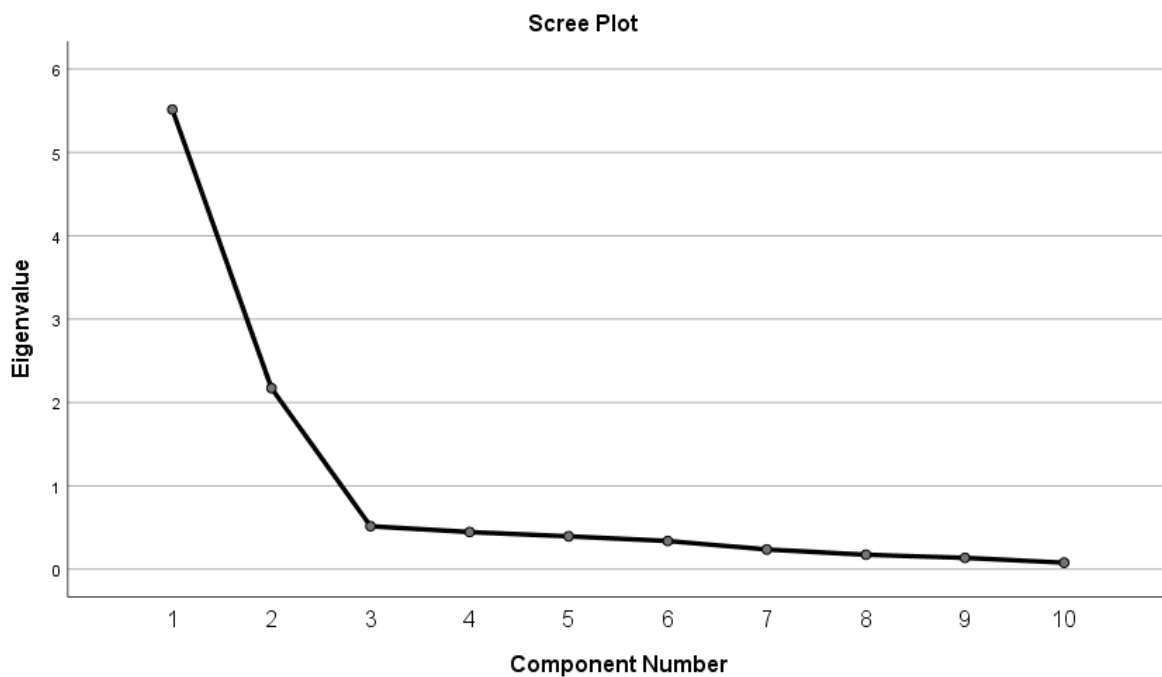


Figure 5.7: Scree plot for the utility scale

The rotated factor loadings in Table 5.18 indicate that a majority of the questions are loaded onto the utility factor with high loadings. The items that were loaded onto the attitude towards formality factor also had high loadings.

Table 5.18: Summary of PCA results for the utility scale items

	Rotated factor Loadings	
	Utility	Attitude towards formality
Q6. I will make every effort to remain in the informal sector	.909	
Q2. A career as an informal entrepreneur is attractive to me?	.901	
Q5. I would still choose to work informally if I had many options	.901	
Q4. I get great satisfaction from operating informally	.899	
Q1. Being an informal entrepreneur is more advantageous than disadvantages to me	.868	
Q12. I have the intention to remain informal permanently?	.834	
Q3. If I had the opportunity and resources to operate in the formal sector, I would close down my informal business	.822	
Q7. I have seriously considered registering my business		.896
Q9. I have tried to register my business in the last year?		.871
Q8. I know the process to register my business		.803
% of variance explained	55.138	21.717

5.6.2 Factor analysis of the person-entrepreneurship scales

PCA was conducted on the 14 items of the person-entrepreneurship fit scale. The items in the scale were adjusted for reliability using orthogonal rotation. The varimax method was applied. The rotated factor analysis in Table 5.19 revealed that 73% of the variance in utility was explained by one component, with all the factors loading onto the person entrepreneurship fit component.

The KMO result for person entrepreneurship fit is 0.956; thus, sampling adequacy was achieved as the score is greater than the minimum required score of 0.6. Bartlett's

test for sphericity ($p < 0.0001$) indicated that the correlations between items were suitable for PCA and affirming the factorability of the correlation matrix.

Table 5.19: Total variance explained for the person-entrepreneurship scale

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.140	73.998	73.998	8.140	73.998	73.998
2	.750	6.822	80.820			
3	.543	4.939	85.760			
4	.379	3.441	89.201			
5	.308	2.799	92.000			
6	.289	2.624	94.623			
7	.222	2.014	96.638			
8	.150	1.362	98.000			
9	.113	1.026	99.025			
10	.107	.975	100.000			
11	-2.498E-16	-2.271E-15	100.000			

The scree plot below further illustrates one factor with one point of inflection.

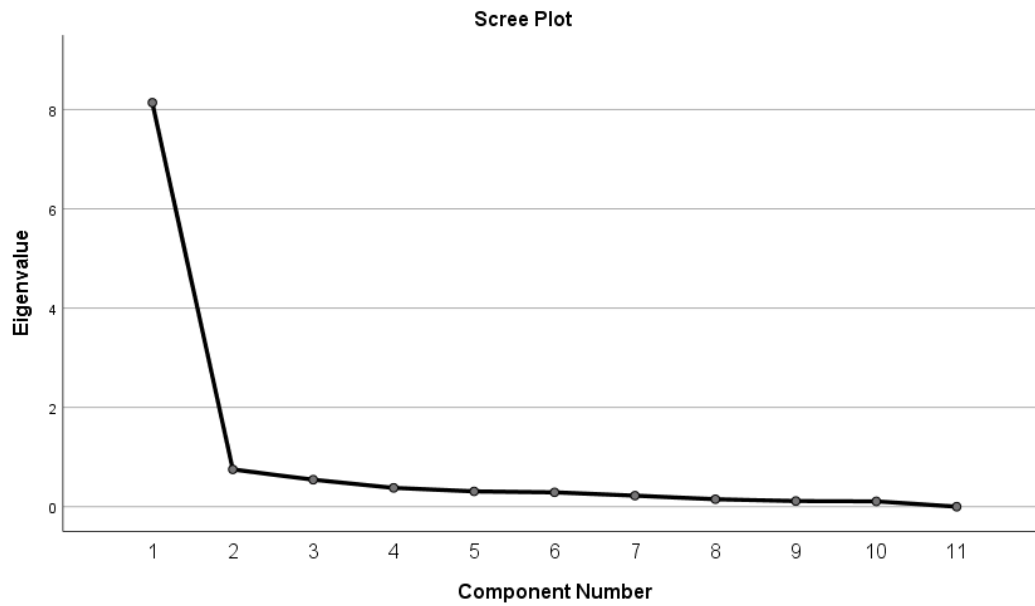


Figure 5.8: Scree plot for the person entrepreneurship scale

The rotated factor loadings (Table 5.20) indicate that all of the questions are loaded onto the person entrepreneurship fit factor with high loadings.

Table 5.20: Summary of PCA results for the person -entrepreneurship scale items

	Person Entrepreneurship Fit
Q3.1 Working in the informal sector gives me enough independence and freedom to do my job without thinking about regulations.	.917
Q3.2 Working informally allows me to be creative and try different ways to do my job that I cannot do in the formal sector	.911
Q2.4 I feel that I am doing fulfilling and satisfying work in the informal sector	.909
Q2.2 My job in the informal sector is a good match for me	.909
Q1.4 If I had to pay tax and employee benefits (medical aid and pension) out of my income, it would be a burden.	.909
Q1.2 The job I currently have in the informal sector provides me with enough income to take care of my needs comfortably	.907

Q1.1 There is a good fit between the income I receive working in the informal sector and what I am looking for in a job	.885
Q3.3 Working in the informal sector allows me to make decisions without thinking about regulations and compliance	.872
Q2.1 My job in the informal sector measures up to the type of work and environment that I was seeking	.867
Q1.5 If I were financially secure, I would continue to work in the informal sector.	.842
Q3.5 Working informally allows me to save time by not doing paperwork and administration (taxes, industry compliance) that is required by a formal business	.820
Q3.4 People who work informally can manage their own work and have more flexibility to solve problems.	.803
Q2.3 There are more good opportunities in the informal sector than the formal sector	.677
Q1.3 If I had to pay taxes and employee benefits (medical aid and pension), I would still have enough income to take care of my needs properly.	.593
% of variance explained	73.998

5.6.3 Factor analysis of the institutional barriers scales

PCA was conducted on the 16 items of the institutional barriers scale. The items in the scale were adjusted for reliability using orthogonal rotation. The varimax method was applied. The factor analysis in Table 5.21 revealed that three components explained 64 % of the variance in institutional barriers. Factor 1 was labelled policy and regulation due to the high loadings by the following items (not an exhaustive list): Managing/Coping with government rules, laws, regulations and licensing will not be a burden or difficult for me; Taxes and other government regulations will be applied to my informal business in a fair, understandable and consistent way; The amount of taxes in the formal sector would NOT be a burden for me. This first factor explained 31% of the variance. The second factor derived was labelled access to resources. This factor was labelled as such due to the high loadings by the following factors (not an exhaustive list): Informal businesses can get most of the required permits and licences in about a month; It is easy for informal businesses to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like); Informal businesses can get access to basic utilities (phone, water, electricity, sewer, internet) easily. The variance explained by this factor was 23%. The third factor

derived was labelled government support. This factor was labelled as such due to the high loadings by the following factors (not an exhaustive list): The support of new and growing in businesses is a high priority for policy at the national level; The support of new and growing businesses is a high priority for policy at the City of Johannesburg level; The cost of registering a business and paying for licences are too high for informal businesses. The variance explained by this factor was 10%. Substantively, this means that three clear patterns have been identified under institutional barriers: one for policy and regulation, one for access to resources and one for government support. All the items were identified and modified from GEM National Expert Survey (2008), when a deeper analysis if the GEM National Expert Survey Is conducted, this is not an unexpected result.

Although one factor was expected it is not unexpected that three factors emerged based on the modifications. On closer inspection, it is not entirely surprising that scale items relating to the disutility from government corruption are loaded onto the same factor, policy and regulation factor. Essentially these are strongly related to the policy and regulatory aspect of the supply or lack thereof provided in the formal sector.

The GEM National Expert Survey investigates the Entrepreneurial Framework Conditions (EFCs) on a national level by assessing the conditions that enhance or hinder businesses. EFCs are considered to be one of the most important components of any entrepreneurship ecosystem, constituting the oxygen of resources, incentives, markets and supporting institutions for the creation and growth of firms. In the survey, the government policy condition has two components: 1) Entrepreneurship as a relevant economic issue. 2) Taxes or regulations are either size-neutral or encourage new SMEs. In light of this, the policy and regulation and government support factors are justified. It is interesting to note that access to resources and policy and regulation explains the lion's share of the variance in institutional barriers with items relating to government corruption receiving negative loadings. This suggests that ease of doing business is a significant consideration of informal traders looking to formalise their businesses.

The KMO result for person entrepreneurship fit is 0.830. Thus, sampling adequacy was achieved as the score is greater than the minimum required score of 0.6. Bartlett's test for sphericity ($p < 0.0001$) indicated that the correlations between items were suitable for PCA and affirming the factorability of the correlation matrix.

Table 5.21: Total variance explained for the institutional barriers scale

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.025	31.405	31.405	5.025	31.405	31.405
2	3.684	23.027	54.431	3.684	23.027	54.431
3	1.567	9.796	64.227	1.567	9.796	64.227
4	.909	5.682	69.909			
5	.880	5.499	75.407			
6	.681	4.259	79.666			
7	.660	4.123	83.789			
8	.563	3.519	87.308			
9	.447	2.793	90.101			
10	.343	2.145	92.246			
11	.302	1.890	94.136			
12	.287	1.797	95.933			
13	.225	1.407	97.340			
14	.172	1.077	98.417			
15	.137	.859	99.276			
16	.116	.724	100.000			

The scree plot below further illustrates three factors with three points of inflection.

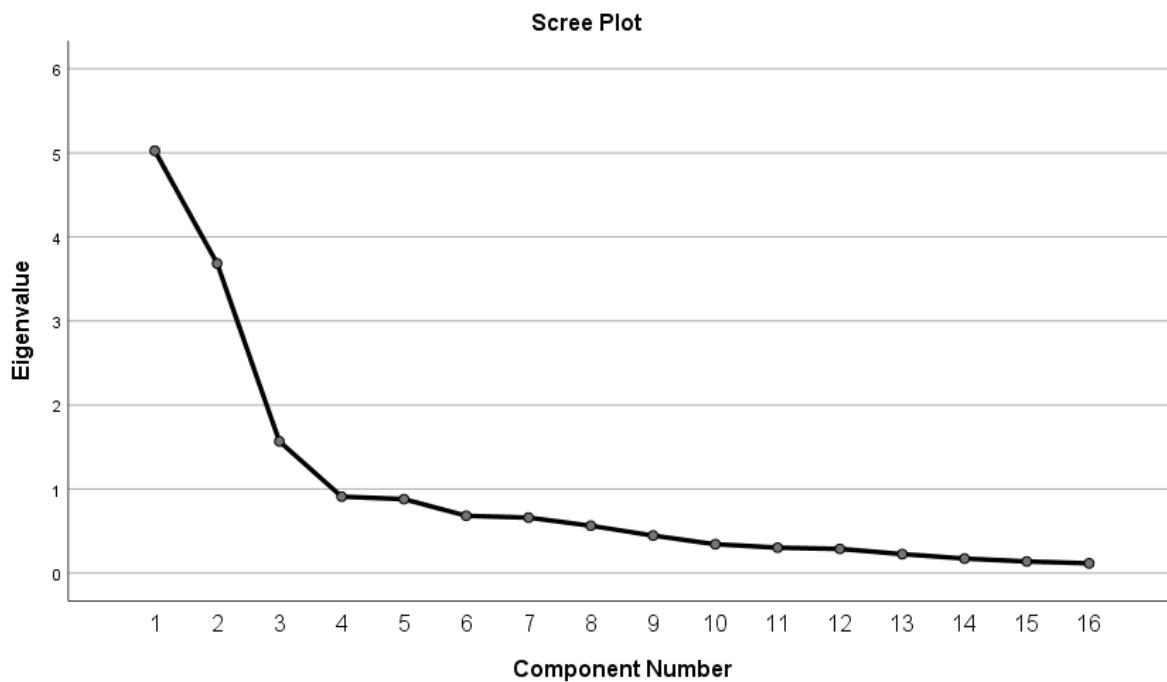


Figure 5.9: Scree plot for the institutional barriers scale

The rotated factor loadings in Table 5.22 indicate most of the questions are loaded onto the policy and regulation factor, followed by the Access to resources and Government support factors.

Table 5.22: Summary of PCA results for the person -entrepreneurship scale items

	Component		
	Policy & Regulation	Access to Resources	Government Support
Q1.5 Taxes and other government regulations will be applied to my informal business in a fair, understandable and consistent way	.865		
Q1.6 Managing/Coping with government rules, laws, regulations and licensing will not be a burden or difficult for me	.837		
Q1.8 Government corruption will hurt my business if I register it	-.830		
Q1.7 I do not want to register a business because of government corruption	-.818		

Q1.4 The amount of taxes in the formal sector would NOT be a burden for me	.805		
Q2.7 The lack of debt financing prevents me from formalising my business	.736		
Q2.1 Informal businesses can get most of the required permits and licences in about a month		.812	
Q2.5 It is easy for informal businesses to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).		.809	
Q2.6 Debt Funding is available for informal traders who want to formalise their business		.788	
Q2.2 Informal businesses can get access to basic utilities (phone, water, electricity, sewer, internet) easily		.743	
Q2.4 Almost anyone who wants to register their business can find the information, offices and resources to do it		.579	
Q2.3 I can afford the cost of basic utilities (gas, water, electricity, sewer, internet)		.513	
Q1.1 Government policies in South Africa consistently favour informal firms		.457	
Q1.2 The support of new and growing in businesses is a high priority for policy at the national level			.870
Q1.3 The support of new and growing businesses is a high priority for policy at the City of Johannesburg level			.843
Q2.8 The cost of registering a business and paying for licences are too high for informal businesses			.535
% variance explained	31.405	23.027	9.796

5.6.4 Factor analysis of the perceived behavioural control scales

PCA was conducted on the seven items of the perceived behavioural control scale. The items in the scale were adjusted for reliability using orthogonal rotation. The varimax method was applied. The rotated factor analysis in Table 5.22 revealed that 72% of the variance in utility was explained by one component. The scales were derived, without a high degree of modification to any of the items from demands-ability fit of Cable and DeRue (2002) which provided the foundation for demands-ability academic fit of Li et al. (2012), major demands-abilities fit of Vahidi et al.,

(2016); demands-ability organisation fit of Uysal Irak (2010) and demands-ability internship fit of Resick, Baltes, & Shantz, 2007). Consequently, a single factor loading for scale items retained after the reliability analysis was not unexpected.

The KMO result for person entrepreneurship fit is 0.924. Thus, sampling adequacy was achieved as the score is greater than the minimum required score of 0.6. Bartlett's test for sphericity ($p < 0.0001$) indicated that the correlations between items were suitable for PCA and affirming the factorability of the correlation matrix.

Table 5.23: Total variance explained for the perceived behavioural control scale

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.061	72.293	72.293	5.061	72.293	72.293
2	.769	10.981	83.274			
3	.459	6.555	89.830			
4	.240	3.435	93.265			
5	.184	2.635	95.899			
6	.183	2.610	98.510			
7	.104	1.490	100.000			

The scree plot below further illustrates one factor with one point of inflection.

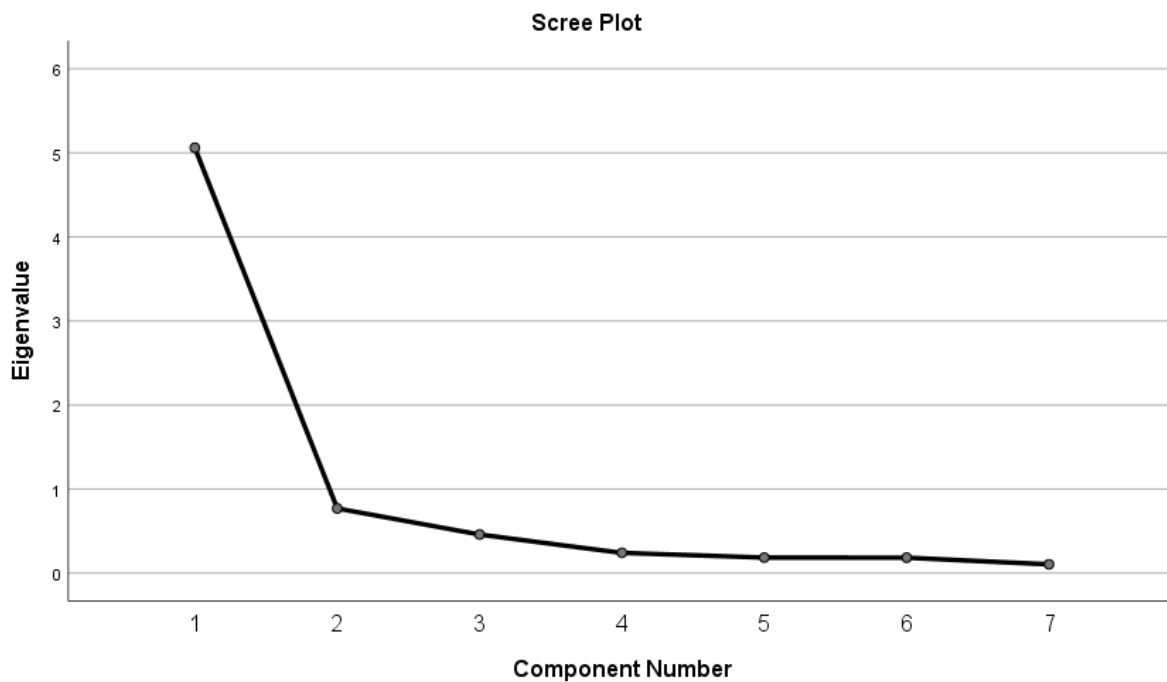


Figure 5.10: Scree plot for the perceived behavioural control scale

The rotated factor loadings were loaded onto one factor with high loadings. Since all factors were loaded onto one component, the rotation was not required.

Table 5.24: Summary of PCA results for the perceived behavioural control scale items

	Perceived Behavioural Control
	1
Q4. I believe my skills and abilities match those required to run a registered business	.939
Q3. My personal learning ability and education provide a good match that the demands of running a registered business would place on me	.918
Q7. I would be able to use my talents, skills, and competencies to run a registered business successfully	.911
Q2. My abilities and training are a good fit with the requirements of running a registered business	.907
Q5. I believe I have the skills and abilities to succeed in the formal sector	.900
Q1. There is a very good match between the demands of running a registered business and my personal abilities	.747

Q6. My business performance in the formal sector would be hurt by my lack of knowledge with administration and regulatory compliance	-0.563
% of variance explained	72.293

5.7 TESTING THE CONCEPTUAL FRAMEWORK

A hypothesised conceptual framework was provided in Chapter 3 to understand the utility and desirability of the formal sector of informal traders operating in Johannesburg CBD. Spearman's rank coefficient was used to test various relationships hypothesised in the framework. For ease of reference, the framework has been reproduced below.

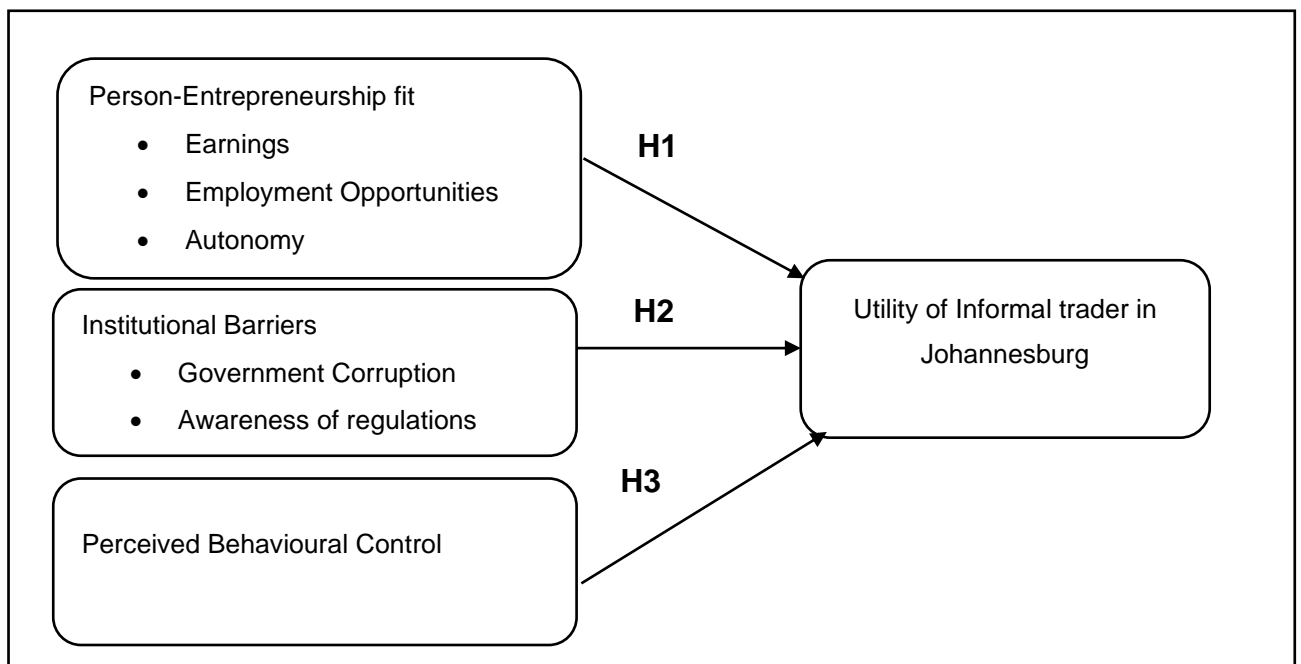


Figure 5.11: Conceptual model revisited

5.7.1 Exploring the relationship between utility and person-entrepreneurship fit

Hypothesis 1 investigated the relationship between person entrepreneurship fit and an informal trader's utility. Spearman's rank coefficient was used in order to determine the relationship between utility and person entrepreneurship fit. Below are the

hypotheses that were formulated to test hypotheses 1. The correlation coefficient for each hypothesis was considered separately below.

H1: There is a positive relationship between Person-Entrepreneurship fit and Utility amongst informal traders in Johannesburg's CBD

- *H1a: There is a positive relationship between earnings and utility amongst informal traders in Johannesburg's CBD*
- *H1b: There is a positive relationship between employment opportunities and utility amongst informal traders in Johannesburg's CBD*
- *H1c: There is a positive relationship between autonomy and utility amongst informal traders in Johannesburg's CBD*

5.7.1.1 Hypothesis 1a - Exploring the relationship between utility and earnings

H1a (null)

There is a no significant relationship between earnings and utility amongst informal traders in Johannesburg's CBD

H1a (alternate)

There is a positive relationship between earnings and utility amongst informal traders in Johannesburg's CBD

A Spearman's correlation was run to assess the relationship between utility and earnings. There was a strong positive correlation between utility and earnings, which was statistically significant, ($r = 0.777$, $p < 001$).

Table 5.25: Results of correlation between utility and earnings

			Utility	Earnings
Spearman's rho	Utility	Correlation Coefficient	1.000	.777**
		Sig. (2-tailed)	.	.000
		N	389	389
	Earnings	Correlation Coefficient	.777**	1.000
		Sig. (2-tailed)	.000	.
		N	389	389

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the above results, a significant relationship was found between the utility and earnings. Therefore, the alternate hypothesis is supported and accepted.

5.7.1.2 Hypothesis 1b - Exploring the relationship between utility and employment opportunities

1b (null)

There is no relationship between employment opportunities and utility amongst informal traders in Johannesburg's CBD

H1a (alternate)

There is a positive relationship between employment opportunities and utility amongst informal traders in Johannesburg's CBD

A Spearman's correlation was run to assess the relationship between utility and employment opportunities. There was a strong positive correlation between utility and earnings, which was statistically significant, ($r = 0.781$, $p < 0.001$).

Table 5.26: Results of correlation between utility and employment

			Utility	Employment
Spearman's rho	Utility	Correlation Coefficient	1.000	.781**
		Sig. (2-tailed)	.	.000
		N	389	389
	Employment	Correlation Coefficient	.781**	1.000
		Sig. (2-tailed)	.000	.
		N	389	389

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the above results, a significant relationship was found between utility and employment opportunities. Therefore, the alternate hypothesis is supported and accepted.

5.7.1.3 Hypothesis 1c - Exploring the relationship between utility and autonomy 1c (null)

There is a no relationship between autonomy and utility amongst informal traders in Johannesburg's CBD

H1a (alternate)

There is a positive relationship between autonomy and utility amongst informal traders in Johannesburg s CBD

A Spearman's correlation was run to assess the relationship between utility and autonomy. There was a strong positive correlation between utility and autonomy, which was statistically significant, ($r = 0.711$, $p < 0.01$).

Table 5.27: Results of correlation between utility and autonomy

			Utility	Autonomy
Spearman's rho	Utility	Correlation Coefficient	1.000	.711**
		Sig. (2-tailed)	.	.000
		N	389	389
	Autonomy	Correlation Coefficient	.711**	1.000
		Sig. (2-tailed)	.000	.
		N	389	389

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the above results, a significant relationship was found between utility and autonomy. Therefore, the alternate hypothesis is supported and accepted.

Table 5.28: Results of correlation between utility and person-entrepreneurship fit

			Utility	PEP
Spearman's rho	Utility	Correlation Coefficient	1.000	.785**
		Sig. (2-tailed)	.	.000
		N	389	389
	PEP	Correlation Coefficient	.785**	1.000
		Sig. (2-tailed)	.000	.
		N	389	389

** . Correlation is significant at the 0.01 level (2-tailed).

5.7.2 Exploring the relationship between utility and institutional barriers

Hypothesis 2 investigated the relationship between institutional barriers and an informal trader's utility. Spearman's rank coefficient was used in order to determine the relationship between utility and person entrepreneurship fit. Below are the hypotheses that were formulated to test hypothesis 2. The correlation coefficient for each hypothesis was considered separately below.

H2: There is a negative relationship between Institutional Barriers and Utility amongst informal traders in Johannesburg's CBD

- *H2a: There is a negative relationship between government policies and utility amongst informal traders in Johannesburg's CBD*
- *H2b: There is a negative relationship between access to resources and utility amongst informal traders in Johannesburg's CBD*

5.7.2.1 Hypothesis 2a - Exploring the relationship between utility and government policies

H2a (null)

There is no relationship between government policies and utility amongst informal traders in Johannesburg's CBD

H2a (alternate)

There is a negative relationship between government policies and utility amongst informal traders in Johannesburg

A Spearman's correlation was run to assess the relationship between utility and government policies. There was a moderate negative correlation between utility and government policies, which was statistically significant, ($r = -0.551$, $p < 0.001$).

Table 5.29: Results of correlation between utility and government policies

			Utility	Government Policies
Spearman's rho	Utility	Correlation Coefficient	1.000	-.551**
		Sig. (2-tailed)	.	.000
		N	389	389
	Government Policies	Correlation Coefficient	-.551**	1.000
		Sig. (2-tailed)	.000	.
		N	389	389

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the above results, a significant relationship was found between utility and government policies. Therefore, the alternate hypothesis is supported and accepted.

5.7.2.2 Hypothesis 2b - Exploring the relationship between utility and access to resources

H2b (null)

There is no relationship between access to resources and utility amongst informal traders in Johannesburg's CBD

H2b (alternate)

There is a negative relationship between access to resources and utility amongst informal traders in Johannesburg's CBD

A Spearman's correlation was run to assess the relationship between utility and access to resources. There was a weak negative correlation between utility and access to resources, which was statistically significant, ($r = -0.245$, $p < 0.01$).

Table 5.30: Results of correlation between utility and institutional barriers

		Utility	InstitutionalBarriers	
Spearman's rho	Utility	Correlation Coefficient	1.000	
		Sig. (2-tailed)	.	
		N	389	
	InstitutionalBarriers	Correlation Coefficient	-.245**	1.000
		Sig. (2-tailed)	.000	.
		N	389	389

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the above results, a no significant relationship was found between the utility and access to resources. Therefore, the alternate hypothesis is not supported and rejected.

Since there is a contrast between the results from hypothesis 2a and 2b, the Spearman's rank was run on the entire institutional barriers construct. The results are as follows:

H2 (null)

There is no relationship between institutional barriers and utility amongst informal traders in Johannesburg's CBD

H2 (alternate)

There is a negative relationship between institutional barriers and utility amongst informal traders in Johannesburg's CBD

A Spearman's correlation was run to assess the relationship between utility and institutional barriers. There was a weak negative correlation between utility and institutional barriers, which was statistically significant, ($r = -0.263$, $p < 0.001$).

Based on the above results, a no significant relationship was found between the utility and access to resources. Therefore, the alternate hypothesis is not supported and rejected.

Table 5.31: Results of correlation between utility and institutional barriers

		Utility	InstitutionalBarriers
Spearman's rho	Utility	Correlation Coefficient	1.000
		Sig. (2-tailed)	.
		N	389
	InstitutionalBarriers	Correlation Coefficient	-.263**
		Sig. (2-tailed)	.000
		N	389

** . Correlation is significant at the 0.01 level (2-tailed).

5.7.3 Exploring the relationship between utility and perceived behavioural control

Hypothesis 3 investigated the relationship between perceived behavioural control and an informal trader's utility. Spearman's rank coefficient was used in order to determine the relationship between utility and person entrepreneurship fit. Below is the hypothesis that was formulated to test hypothesis 3.

H3. There is a positive relationship between perceived behavioural control and utility amongst informal traders in Johannesburg

H3 (null)

There no relationship between perceived behavioural control and utility amongst informal traders in Johannesburg's CBD

H3 (alternate)

There is a positive relationship between perceived behavioural control and utility amongst informal traders in Johannesburg's CBD

A Spearman's correlation was run to assess the relationship between utility and employment opportunities. There was a very strong positive correlation between utility and perceived behavioural control, which was statistically significant, ($r = 0.981$, $p < 0.001$).

Table 5.32: Results of correlation between utility and perceived behavioural control

		Utility	PCB
Spearman's rho	Utility	Correlation Coefficient	1.000
		Sig. (2-tailed)	.000
		N	389
	InstitutionalBarriers	Correlation Coefficient	.981**
		Sig. (2-tailed)	.000
		N	389

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the above results, a significant relationship was found between the utility and perceived behavioural control. Therefore, the alternate hypothesis is supported and accepted.

5.8 CONCLUSION

In conclusion, the chapter described the data analysis that was used in this study. An acceptable sample was drawn from the informal traders operating in the formal sector in Johannesburg's CBD. The sample characteristics included age, gender and business particulars were analysed as well as the responses to provide an overview of the scales. On examination, the scales were found to be valid and reliable as the Cronbach's alphas were found to be reliable. Additionally, factor analysis was used to

reveal patterns of interrelationships among variables. Lastly, Spearman’s rank coefficient was used to determine if there was a relationship between the dependant and independent variables. The results revealed that the conceptual model is a good fit and person-entrepreneurship fit, institutional barriers and perceived behavioural control contribute to explaining an informal traders’ utility which determines whether he remains in the informal sector or transitions into the formal sector. The results are summarised in the Table below.

Table 5.33: Summary of research results

Hypothesis 1	H1a: There is a positive relationship between earnings and utility amongst informal traders in Johannesburg	Accepted
	H1b: There is a positive relationship between employment opportunities and utility amongst informal traders in Johannesburg	Accepted
	H1c: There is a positive relationship between Autonomy and utility amongst informal traders in Johannesburg	Accepted
Hypothesis 2	H2a: There is a positive relationship between government policies and utility amongst informal traders in Johannesburg	Accepted
	H2b: There is a positive relationship between access to resources and utility amongst informal traders in Johannesburg	Rejected
Hypothesis 3	H3. There is a positive relationship between perceived behavioural control and utility amongst informal traders in Johannesburg	Accepted

CHAPTER 6: DISCUSSION OF RESULTS

6.1 INTRODUCTION

This chapter discusses the results and conclusions of the study while also considering the limitations of the study. Chapter 1 of this study provided the context of this the study, the problem statement, the purpose of the study and established the objectives for the study. Chapter 2 reviewed the existing body of knowledge on the dimensions of the informal traders' desire to enter the formal sector: person-entrepreneurship fit, institutional barriers and perceived behavioural control. Chapter 2 provided the theoretical foundation for the study, while Chapter 3 used the theoretical framework established in chapter 2 to develop the conceptual model for the study. Chapter 4 looked at on the research methods that were used to test the research questions. Chapter 5 then presented the results using various methods of statistical analysis. This chapter, Chapter 6, will focus on interpreting the results presented in Chapter 5 and relate them to the research questions established in Chapter 1. The interpretation of results will be followed by a discussion of the limitations.

6.2 DISCUSSION OF THE FINDINGS

The study sample was 389 informal traders operating within Johannesburg's CBD. The results are discussed below.

6.2.1 Discussion of sample characteristics

6.2.1.1 Describing the sample

A total of 389 viable questionnaires were collected from the respondents. The final sample size was larger than the required sample size of 364 that was determined by the Raosoft sample size calculator. Numerous attributes of the sample are discussed below.

6.2.1.2 Age

The age distribution of the study is slightly different from the results obtained in the GCRO (2015) study, which found that the majority of the informal traders fell in the below 40 age range. The study found that 50% of the respondents were below 40 years of age and the other 50% was above 40 years of age. Compared to the higher percentage of entrepreneurs in the formal sector that are between the ages of 40 -50, this could reflect the low barriers to entry to the informal sector both for experienced and inexperienced individuals who prefer to operate informally either due to high unemployment in the formal sector or growth opportunities in the informal sector.

6.2.1.3 Gender

The gender distribution of the respondents who decided to disclose their genders is in alignment with the results of the GCRO (2015) study. The study found that the informal sector is, in fact, dominated by males. These findings negate the popular belief that the proportion of women operating in the informal sector exceeds that of men in most countries (Chen M. , 2000).

6.2.1.4 Level of education

The education distribution was somewhat in alignment with the results of the GCRO (2015) survey. The main difference between the results was reflected in the number of informal traders who had completed tertiary education. The study result found that 9.5% of the respondents had completed a tertiary education, which is about half the number reported in the GCRO (2015) results. This suggests that levels of human capital amongst informal traders are somewhat lower than expected. The cross-tabulation of age and education level reveal that the majority of respondents who have a tertiary level education was in the 25-30 age group. This indicated that these skilled individuals were driven to the informal sector due to the increasing lack of unemployment in the formal sector (Zack, 2014). Alternatively, the entry was in response to the growth opportunities in the sector (Rogerson, 2016). Another investigation would be required to determine the answer. Two-thirds of the informal traders had completed their matric education, indicating basic skills and knowledge had been attained. The cross-tabulation of age and education level reveal that the

majority of respondents who completed matric were above 36 years old suggesting that these respondents were unable to find employment in the formal sector due to their low skill level (Zack, 2014).

6.2.1.5 Business sectors

Although the offerings of the informal sector are diverse, the retail sector tends to dominate with 38% of the informal traders selling goods. After the retail sector, no one sector was a dominant challenger with the distribution being evenly split between motor trade, manufacturing, catering/food and wholesale. A cross-tabulation between business sector and education level revealed that retail dominated in the below matric and matric categories. This is probably because the operating in the retail sector does not require a high degree of skills or knowledge as opposed to the manufacturing sector.

6.2.1.6 Size of business

Fourie (2018) believes that the number of enterprises that enter the informal sector is high and increasing, as is the number of enterprises that are growing their employment. The results revealed that 86% of the informal traders operated micro-businesses with five or fewer employees, 12% operated very small businesses of 6-20 employees, and the remaining 2% operated small businesses with 6-20 employees. Without knowing how many new employees were hired by each type of business in the last year, it is difficult to comment on Fourie's findings. However, it is possible to conclude that the informal sector is a significant source of employment regardless of if the firm one-man firm or has several employees Fourie (2018).

6.2.1.7 Business age

Regarding the business age, 69% of the business had been operating for more than four years which is higher than the 32% reported by the GCRO (2015) survey. The cross-tabulation of business age with size and education level reveal the same results. This points to the longevity of businesses operating in the informal sector. The longevity could either be due to the sustainable growth opportunities in the informal

sector or the sustainable livelihood opportunities provided in the informal sector for those unable to find employment in the formal sector. Additional parameters would need to be examined to determine the drivers of longevity in the informal sector.

6.2.1.8 Business Location

Almost half, 47%, of the informal traders operated on the street as street traders or hawkers. 23% of informal traders operated in containers or caravans, and 14% and 12% operated in craft markets and formal buildings respectively. The remaining 3% operated as taxi drivers and in shopping centres. These results speak to the low costs, resources and barriers required to operate in each business location.

6.2.3 Discussion of results from descriptive statistics

6.2.3.1 Utility

The frequency statistics for the utility scale indicate that the majority (on average 60%) of the informal traders perceive that they would gain a greater utility from operating formally. It is interesting to note that despite this sentiment, that 81% of the respondents admitted that they had not seriously considered registering their businesses, although this appears to be the long-term objective. These results lean towards the school of thought that the informal sector is a transient economy due to the barriers to entry of the formal sector. With that being said, although the nature of the utility results lean towards the informal economy being transient, it is important to note that in its transient state the informal economy still accounts for 2.5 million jobs, about 17% of total employment, in South Africa (Fourie, 2018); and contributed to about 6% of GDP on a yearly basis (Statistics South Africa, 2015). Thus, significant utility and value are being provided by this sector as has been found in the literature (SESE, 2013; GCRO 2014a; Rogan & Skinner, 2016) and probably the reason that 81% have not considered transitioning to the formal sector. Additionally, it is probably that the informal traders do not want to acknowledge that they are actually gaining great utility from the informal sector due to the negative stigma associated with working informally. The informal sector is commonly believed to inhabit poor individuals with little to no education who turn to the informality to survive (Bonnet, Vanek, & Chen,

2019). However, the results indicate the opposite. 69% of the informal traders have been operating in the informal sector for more than 4 years further strengthening the argument that informal traders do indeed gain significant utility from the informal sector.

6.2.3.2 Person entrepreneurship fit

The person entrepreneurship fit construct was broken down into three sub-scales: earnings, employment opportunities and autonomy. The results revealed that the majority of informal traders, 67%, believe that the informal sector does not provide them with enough income to live comfortably. Yet, 66% said that if they had to pay tax and benefits in the formal sector, it would be a burden and they would not have enough money left over to live comfortably. Thus, it seems that the benefits of perceived higher earnings in the formal sector are offset by the burden of taxes and benefits. The ILO (2013) found that if there is an incongruence between the earnings potential for an operating environment, and what is perceived as adequate it, the operating environment will not meet the adequate objective. Hence no action will be taken as utility will not be increased.

With regards to employment opportunities, 67% of the respondents indicated that the informal sector does not provide the type of employment opportunities that they were seeking. Contrastingly, the result of the question regarding whether there are better opportunities in the formal sector than the informal sector is fairly balanced and neutral. This again ties into the possible barriers to the formal sector.

In terms of autonomy, the results revealed that informal traders do not perceive a greater sense of entrepreneurial independence and control in the informal sector. These results contest the arguments put forth Cross (1997) and Gerxhani (2004) asserting that informal entrepreneurs voluntarily decide to participate in the informal economy as they find greater independence, freedom and flexibility than the formal economy.

6.2.3.3 Institutional barriers

The institutional barriers construct can be broken down into two sub-scales: government policies and access to resources. When taking a look at government policies, based on the results, 54% of informal traders do not believe that government policies consistently favour informal firms. This could also contribute to why informal traders have not considered registering their business. While informal traders believe that government policies are not in their favour – they are also of the mind that government corruption will not be a hindrance to the growth if their ventures were to register their business.

With regards to access to resources, the informal traders indicated that getting access to basic utilities is an issue due to both accessibility and affordability. Additionally, informal traders are struggling to get access to financing and banking services (which is a requirement for a registered business to facilitate payments between SARS and companies). The informal traders also indicated that they could not afford licences or business registration costs. With the perception being that if they could afford them, they would not be able to get them timeously. The issue of access to resources will surely lead to a disutility from operating formally as the appeal of the informal sector is the low start-up costs and resource requirements Becker (2004). The operations are usually small scale with over half of the respondents operating as street traders which requires little resources other than the products or services being sold. Hence, in this light, it is clear as to why informal traders prefer to operate informally.

6.2.3.4 Perceived behavioural control

The frequency statistics for the perceived behavioural control scale revealed that the informal traders have a neutral sentiment with regards to their ability to manage the bureaucratic requirements of managing a registered business. It is possible that informal traders have never considered their efficacy with regards to the operating in the formal sector as they have not considered registering their businesses at all.

6.3.4 Discussion of results from inferential statistics

This section discusses the results of the inferential statistics, namely Spearman's rank coefficient was used to evaluate the relationship between utility and its dimensions: person-entrepreneurship fit, institutional barriers and perceived behavioural control. All tests were performed at a 95% confidence interval.

6.3.4.1 The relationship between utility and person-entrepreneurship fit

The first hypothesis was based on theoretical formulations and hypothesised that there is a positive relationship between utility and person-entrepreneurship fit. The hypothesis was tested by examining the relationship between utility and the variables that constitute person entrepreneurship fit, namely earnings, employment opportunities and autonomy. The results indicate that there is a significant correlation between utility and person-entrepreneurship fit. Utility had a strong positive relationship to earnings ($r = 0.777$), employment opportunities ($r = 0.781$) and autonomy ($r = 0.777$). The results of this study force acceptance of the alternate hypothesis for H1.

The results are in alignment with the literature that states the stronger the match between the informal trader and an operating environment, the higher the utility to enter or remain in said environment. Literature suggests that environmental forces and conditions exercise substantial influence on entrepreneurial events and behaviour (Markman & Baron, 2003; Kristen-Brown, Zimmerman, & Johnson, 2005). Thus, as can be seen from the results above, environmental forces such as earnings, employment opportunities and autonomy have a strong positive influence on the utility and thus desirability of an operating environment for informal traders. An individual's perception of fit with a form of entrepreneurship is a vital contributing influence to entrepreneurial self-efficacy leading to entrepreneurial intention and thus action (Edwards & Shipp, 2007; Justo, DeTienne, & Sieger, 2015). The descriptive statistics revealed that informal traders are indeed gaining utility from the informal sector but perceive that greater utility can be gained from the formal sector if there were no barriers to entry. This school of thought is supported by Hsu et al., (2018) who believes

that attitudinal outcomes such as intention are shaped by evaluations of environmental factors and the probabilities associated with them.

The scales for person entrepreneurship fit were based on previous studies that utilised the needs-supply framework for understanding person-entrepreneurship fit. In order to convince the informal traders to change their behaviour and encourage them to register their businesses, the formal sector has to be attuned to their needs and ensure that they are being met. Hsu et al. (2018) stated that actual person-entrepreneurship fit is unknown prior to engaging in the entrepreneurial process. However, based on the results of the study, it is not required to understand the actual person-environment fit of an informal trader. Instead, it is important to understand its drivers and the impact that they will have on utility. Individuals are utility-maximizing beings, who will choose the options that are certain to maximise their desired outcomes (Steel & Konig, 2006).

- **The relationship between utility and earnings (H1a)**

The results revealed that there is a strong positive relationship between earnings and utility. Hence the higher the earnings from an activity, the higher the derived utility. In literature, earnings have been defined as remuneration either in cash or in-kind paid to employees for time worked or services provided. If an informal trader were to register his business, his earnings potential would decrease due to the tax and employee benefits that would be paid out of his current salary. The findings of this research are in alignment with the ILO (2013) study that found that if the earnings potential of an environment is below what is perceived as adequate it, the environment will be perceived as inadequate for utility maximisation. These findings are also in alignment with the neo-liberal perspective which argues that the growth of informal entrepreneurship is an indication of individuals making the rational economic decision to avoid high taxes that will erode their earnings and thus utility (Becker, 2004; De Soto, 1989, 2001; London and Hart, 2004; Nwabuzor, 2005).

Loayza (2016) contents that there are in fact, trade-offs. Although higher earnings are gained by operating informally due to no taxes and employee costs, there is also

reduced access to public services for entrepreneurs and their employees. This trade-off could be the reason why some of the informal traders felt that there were better opportunities in the formal sector. Nonetheless, the results support the literature and views of the World Bank, International Monetary fund and governments who have sought to tackle their informal economies by reducing taxes to increase earnings.

- **The relationship between utility and employment opportunities (H1b)**

The results revealed that there is a strong positive relationship between employment opportunities and utility. Hence the higher the employment opportunities, the greater the probability of an informal trader operating in the said environment as this is the environment that will provide them with the greater utility. As Travaglianti, Babic, Pepermans, & Hansez (2017) noted, the quantity of labour demand and supply in an economy is a market consideration for both informal and formal workers. It is then no surprise that the result determined that there is a strong positive correlation between utility and employment opportunities for informal traders operating in Johannesburg's CBD. Thus, by currently operating in the informal sector, the informal traders are indicating that the informal sector has employment generation potential. This sentiment is mirrored by the NDP who consider the informal sector to be a source of livelihood and income for millions of South Africans.

Literature has generally viewed the informal sector as an economy that passively absorbs those who have lost formal-sector jobs or providing a survivalist livelihood for those who fail to acquire such jobs. However, this result proves otherwise. The informal sector is a vital component of the South African economy, providing utility maximising employments opportunities and is such a vital part of the countries growth and employment (Fourie F. , 2018). In order for informal traders to transition to the formal economy, the utility from formal employment opportunities should surpass those of informal opportunities. An analysis conducted by Fourie (2018) emphasises that this is not the case. When looking at the change in employment metrics between 2012 and 2013, Fourie (2018) found that 94 000 existing informal sector firms expanded employment and created about 150 000 new jobs. 31 % were multi-person

firms and the. Most importantly, 63% were one person-firms just a year earlier. This stat strongly opposes the notion that one-person enterprises are purely survivalist in nature with no entrepreneurial ambition or employment potential. Of these firms that created jobs, 21% of them were entrant firms. 250 000 were one-person firms, and 50 000 were multi-person entrant firms; together, they created 380 000 jobs in the first 12 months of operation. This total is comparable to the 420 000 jobs that were created in the mining sector in that same year. Further confirmation of the informal sector as an employment powerhouse creating utility through employment opportunities.

- **The relationship between utility and autonomy (H1c)**

The results revealed that there is a strong positive relationship between autonomy and utility. Hence the higher the sense of independence and control provided from an operating environment, the greater the utility derived by the informal trader. Literature has found that business owners consider themselves as having a high degree of work-related autonomy. Not only is autonomy an entrepreneurial need, but also a source of satisfaction and hence utility (Lange, 2012). The findings in literature are consistent with the results of the study. Regarding the informal economy, Van Gelderen and Jansen (2006) found that it is not just the autonomy that informal traders like, but also the absence of a boss or rules and regulations. The results of the study confirm these findings.

6.3.4.2 The relationship between utility and institutional barriers

The second hypothesis was based on theoretical formulations and hypothesised that there is a negative relationship between utility and institutional barriers. The hypothesis was tested by examining the relationship between utility and the institutional barriers variables as it relates to formalisation, namely government policies and access to resources. The results indicate that there is a weak significant correlation between utility and person-entrepreneurship fit. Utility had a moderate negative relationship to government policies ($r = -0.551$) and weak negative

relationship with access to resources ($r=-0.245$) — the results of this study force a rejection of the alternate hypothesis for H2.

The findings of the study are not in alignment with the findings in literature. Literature states that the level of incongruence between the rules and regulations of formal and informal institutions determines the level of informality. When the difference is significant, entrepreneurs will be more likely to operate in the informally as there are little to be no barriers to operating, and they can best maximise their utility (Adike, 2018). Although a weak negative relationship was found between utility and informality, it is not sufficient to support these findings. The negative relationship to access to resources has had a strong impact on the results. Access to resources could not be a consideration towards utility maximisation as the informal traders are used to operating with minimal resources such as lack of financing, utilities and banking sources (Schraader, Whittaker, & Mckay, 2010). As it stands, they are gaining utility without these resources and will continue to do so whether they are operating formally or informally.

- **The relationship between utility and government policies (H2a)**

A moderate negative relationship was found between utility and government policies. Indicating that the more stringent regulations and government policies are, the less utility derived by informal traders. Literature has found that the institutional framework which allows entrepreneurship to flourish, encompassed a set of fundamental political, social and legal ground rules that establishes the basis for production, exchange and distribution. At times these rules can be undermined by the government themselves, which lead to disutility (Udechukwu & Mujtabi, 2013). When institutions become susceptible to corruption, and restrictive regulations, the incentive to engage in informal entrepreneurship becomes higher. These findings are also supported by the study.

Corruption can promote informality in at least two ways. First, corruption simplifies processes in the informal sector, thus making the sector more attractive than the formal sector. For instance, operating a business covertly in the informal sector may

only be possible with the cooperation of corrupt government officials (Adike, 2018). Second, in the formal sector, corruption may represent an oppressive force that can make the sector unattractive and thus driving business people out and into the informal sector. A negative relationship has been discovered between government corruption and the informal sector. A study conducted by Friedman et al. (2000) discovered that both over-regulation and corruption amount to a higher effective tax on official activity and therefore induces firms to move into the informal economy. Government corruption reduces the confidence and trust of entrepreneurs in the public sector, driving entrepreneurs to operate informally. A weak sentiment towards the government is also a factor falling under government corruption.

- **The relationship between utility and access to resources (H2b)**

A weak negative relationship was found between utility and access to resources, indicating that although there is a relationship between the variables, it is not statistically significant. This is contrary to literature. De Sotro (1989) and the Small Business Council (2004) found that the ease of registration and lack access to resources is a significant barrier to the formal economy thus decreasing the utility of operating in said sector. Literature has found that by simplifying the registration process, informal entrepreneurs will be encouraged to formalise. However, the results of the study find that ease of registration and access to resources, in effect, do not have a significant impact on an informal trader's utility when they are considering formalisation. Schraader, Whittaker, and McKay (2010) have also considered access to capital and banking as a resource that would contribute to an informal trader's utility. Although the results indicate that this is not the case, it is undeniable that these resources would help grow and strengthen an informal trader's operations.

6.3.4.3 The relationship between utility and perceived behavioural control

The third hypothesis was based on theoretical formulations and hypothesised that there is a positive relationship between utility and perceived behavioural control. The results indicate that there is a significant correlation between utility and perceived behavioural control. Utility had a very strong positive relationship to perceived

behavioural control ($r = 0.981$) — the results of this study force acceptance of the alternate hypothesis for H3.

Perceived behavioural controls are beliefs about the presence of factors which will impact an individual's decision to act. If there is a high probability a dominant control factor is present; the individual is likely to carry out the action in line with the control factor. In addition, the desire to perform an action is influenced by the presence of adequate resources. The more resources and fewer obstacles perceived by an informal trader, the greater the perceived behavioural control and the stronger the perceived utility and intention to transition to the formal sector. The demands-abilities fit extension or perceived behavioural control is in alignment with the findings of the study. Literature has found that when entrepreneurs perceive that they possess the required skills and knowledge to meet the demands of managing their businesses, greater success and satisfaction are experienced, and the entrepreneurs tend to remain operating in that environment (Basit & Arshad, 2016; Boon, Den Hartog, Boselie, & Paauwe, 2011; Cable & DeRue, 2002; Kristof-Brown, Zimmerman, & Johnson, 2005).

Managing a business or creating a new venture is a challenging and uncertain process; often involving rejection or failure. When dealing with compliance and regulations, a certain type of skill set is required. If informal traders do not believe that they can manage, then they perceive that they will gain a disutility from operating formally (Chen et al., 1998; Zhao et al., 2005; Hmieleski and Corbett, 2008).

On the contrary, Hsu et al. (2018) argue that the appropriateness of entrepreneurial intentions is dependent on the research question and better applied to nascent entrepreneurs as opposed to incumbent entrepreneurs. However, Zhao, Seibert, & Hills (2005) argue that perceived behavioural control also includes the ability to gather and successfully use the necessary resources in addition to skills and competencies. This, however, not in alignment with the results of the study, which found that access to resources has a weak relationship with utility and hence once propensity to act. Resources aside, the skills required in formal entrepreneurship such as managing bureaucratic requirements are skills gained through tertiary education (Lazear, 2005;

Levie and Autio, 2008; Günther and Launov, 2012). We have found that the majority of informal traders do not possess such an education. Given the mismatch between the informal trader's education level and the skills required informal entrepreneurship, it is expected that the informal trader would perceive the informal sector to be a better fit as he would gain a disutility from operating informally (Markman & Baron, 2003). As many informal traders in South Africa are entering the informal sector due to insufficient skills and knowledge to be hired in the formal sector, based on the results in the study, it can be concluded that they will remain in the informal sector as this is the environment in which they perceive that they can best use their current skills and knowledge.

This point of view is confirmed by Block, Sander & Spiegel (2015) who state that individuals consider the process, procedures and level of control that lead to an outcome, in addition to the outcome itself. This adds a new dimension to the consideration of entrepreneurial well-being than the approach that is applied in traditional economics. Individuals have a sense of self, and more precisely, are striving for a positive sense of self which is driven by their fulfilment and satisfaction.

6.3 CONCLUSION

Informal traders are a vibrant set of creative entrepreneurs who are making a significant contribution to South Africa's economy. The focus on this chapter was to discuss the results of the study and determine the outcome of the research questions, and assess the significance of the results when compared to the theory and literature that was used to establish the research questions. The study revealed that person entrepreneurship fit and perceived behavioural control have a positive relationship with an informal trader's utility, while no significant relationship was found with institutional barriers. The next chapter concludes the study, explores its limitations and proposes recommendations for future studies.

CHAPTER 7: CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

South Africa, like many developing countries, is characterised by a dual economy, where the robust and dynamic informal sector co-exists with a struggling formal economy. While the size of the informal economy is widely appreciated, and its contribution to GDP is slowly gaining recognition, little research has been conducted into understanding its prevalence in a South African context. The purpose of this research paper is to develop insights into the existence of the informal economy by evaluating the motives of the informal traders in Johannesburg. Identify any barriers to entry preventing informal traders in Johannesburg from moving into the formal fold. As well as evaluate the perceived behavioural control of informal traders regarding the formal sector. This chapter will conclude the study by first reviewing the contribution of the study to South African policy and entrepreneurship theory. Secondly, the studies limitations will be explored. Thirdly recommendations for future research will be made.

7.2 CONTRIBUTION

The study presented a new perspective than that of social, management and economic science when it comes to understanding the factors that drive an informal trader to remain in the informal sector or transition into the formal economy. Previous research on the informal sector has focused on the viability of the small-scale enterprises as well as entrepreneurial theories such as human capital, social capital and entrepreneurial intentions. 2.5 million South Africans generate their incomes, family livelihoods and employment from discovering, exploiting and executing opportunities in this economy (Rolfe, Woodward, Ligthelm, & Guimaraes, 2011). It is thus critical to understand the attributes of the formal economy that prevent informal traders from progressing where it is believed that they will perform more successfully and make a more significant contribution to economic development.

7.2.1 Theoretical and practical implications

The study of entrepreneurship has been dominated by what is viewed as mainstream entrepreneurship or legitimate entrepreneurship. Thus, the body of knowledge on how many entrepreneurs exploit opportunities in the informal sector is very limited (Williams & Nadin, 2012). There are even fewer studies that focus on the motivating factors that drive informal traders to informality (Loayza, 2016). This study has built on the much needed, limited, existing informal entrepreneurship literature (with a South African focus), while concurrently furthering entrepreneurship as a discipline. This study used a utility-maximizing model to understand how informal traders make decisions. This study drew from psychology, management theory and economics to determine the 3 drivers of utility for an informal trader: Person-entrepreneurship fit, institutional barriers and perceived behavioural control. The study found that an informal trader's utility is positively related to his person-entrepreneurship fit and perceived behavioural control, while having a weak negatively relationship to institutional barriers. Hence institutional barriers are not as significant person-entrepreneurship fit and perceived.

By adjusting the earning potential, autonomy and employment opportunities in the formal sector to make them more appealing to entrepreneurs; while reducing certain barriers such as improving the skills and knowledge of these entrepreneurs so that their perception of control is increased, they will be enticed to enter the formal sector. Alternatively, the implication is that if these factors are adjusted in the informal sector, the informal traders can gain a greater utility while working informally where they are already established. Although the informal traders will not contribute to the economy through the payment of taxation, through greater utility, they will contribute through employment creation, formal sector linkages and poverty reduction.

7.2.2 South African Policy Implications

This research is relevant to South African policymakers as it focuses on understanding the perceptions of informal traders towards the formal economy and the utility gained from the formal sector. Recently the informal sector has been named as a national source of income and employment by way of the National Economic Policy Development Programme. This research is relevant and has real implications for

governments as they begin to develop policies for this secondary economy (Fourie F. , The South African Informal Sector: Creating jobs, reducing poverty, 2018). Particularly more so now as the result of these efforts have been unstructured and lack and informed strategy on the national level (Msunduzi Municipality, 2010; Okhahlamba Municipality, 2013). Additionally, this research may also be useful to financial services and consulting entities, and NGOs such as WEIGO who work specifically with informal traders. With this knowledge, they can better understand informal entrepreneurs and devise strategies and improvement plans accordingly.

7.3 LIMITATIONS OF THE STUDY

There are two key limitations of the study. The first is that in 2019 there was a conflict between the South African Police Services (SAPS) in the Johannesburg CBD. During August of 2019, the informal traders operating in South Africa's CBD s attacked SAPS officers who were confiscating goods believed to be counterfeit. The informal trader attacks did not deter SAPS, and there were subsequent informal trader raids. As a result, informal traders may not be as honest with their answer regarding institutional barriers and their views on government and regulations. Secondly, the informal trader's may not be forthcoming with their answers, in general. Informal traders may not provide honest responses as a result of the social desirability bias associated with informal trading

7.4 RECOMMENDATIONS FOR FUTURE STUDIES

The main suggestion for future research would be to expand on the person-entrepreneurship fit and perceived behavioural control constructs. They should be examined in separate studies to gain deeper insights into how informal entrepreneurs maximise utility. This study has also shown that informal traders are, in fact, gaining utility from operating informally and making a significant economic and social contribution in Johannesburg. Future studies can also dig deeper into government policies as they relate to informal traders. Although there was a weak negative relationship between utility and institutional barriers; there was a moderate negative relationship between utility and government policy. This bears some consideration.

Future studies then should not focus on what should be done to formalise this business, but rather what can be done to amplify and strengthen the utility that is currently being derived from informality.

7.5 CONCLUSION

The informal sector in South Africa provides great opportunities for economic growth and poverty alleviation. This study has revealed that informal traders have the propensity to enter the formal sector if their utility will be maximised. By understanding the dilemma facing the informal traders, policy makers could change the economic landscape of South Africa. The objective of this study was to evaluate the motives of the informal traders in Johannesburg. Identify any barriers to entry preventing informal traders in Johannesburg from moving into the formal fold; and evaluate the perceived behavioural controls of informal traders regarding the formal sector. This was achieved using a tried and tested research approach and through statistical analysis. The study found that the motive that are driving informal traders are earnings, autonomy and employment opportunities. Government policies were significant barriers; however, the institutional barriers as a construct itself was not significant. Lastly, there is a significant positive relationship between perceived behavioural controls and utility.

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APPENDIX

APPENDIX A

INFORMAL TRADER CONSENT FORM

INFORMAL ECONOMY RESEARCH INFORMED CONSENT FORM PURPOSE AND BENEFITS THE

A student at the wits business school is conducting a questionnaire for a research report. This questionnaire is to learn about the perceptions and desirability of the formal sector for informal traders based in the Johannesburg CBD. By taking part in this study, you will assist us to identify why informal traders have not moved into the formal fold.

PROCEDURES

The questionnaire will take about 15 – 20 minutes to complete.

PRIVACY POLICY

Any information provided by respondents will be safeguards and protected. The researcher is the only individual who will have access to the information provides. In the interest of protecting responder safety no names or personal information has been requested, a number has been used instead (merely for record keep purposes).

SAFETY ISSUES

No risks or hazards have been identified that will hard respondent who take part in this questionnaire. Neither have any benefits been identified.

RESPONDENT RIGHTS

You, as the respondent are participating in this questionnaire out of your own volition and not out of cohesion. Should you feel uncomfortable with any of the question, it is well within your right to decline to answer. You also have the right to end participation in the questionnaire at any moment that you choose.

WHOM TO CONTACT IF YOU HAVE BEEN HARMED OR HAVE ANY CONCERNS

This research has been approved by the Wits Business School. If you have any complaints about ethical aspects of the research or feel that you have been harmed in any way by participating in this study, please contact the Research Office Manager at the Wits Business School, Mmabatho Leeuw. Mmabatho.leeuw@wits.ac.za

If you have concerns or questions about the research, you may call my academic research supervisor Rob Venter on 0117178090

If you have any questions about this questionnaire, you may call the researcher Akoli Miriam Edonga on 0765449206 or email her at m.a.edonga@gmail.com

RESPONDENT AGREEMENT

The informal trader questionnaire has been explained to me. I am participating in this questionnaire out of my own volition and not out of cohesion. I know I can end my participation in this questionnaire at any time that I choose. I am aware that I may contact the researcher contact Akoli Miriam Edonga on 0765449206 or email her at m.a.edonga@gmail.com if I have any questions regarding the questionnaire. I have not received any funds for participation, nor have any provisions of funds been made in the even that I am harmed during the research process

Respondent signature _____
Date _____

Interviewer signature _____
Date _____

APPENDIX B

Survey No: _____

RESEARCH INSTRUMENT

Instructions: A study is being conducted to understand the utility of informal traders operating in Johannesburg's CBD. Please read the following instructions to each section of questions carefully so that you will be able to answer the survey to the best of your ability.

JOHANNESBURG INNER-CITY INFORMAL TRADER SURVEY

SECTION A

Section 1: Common demographic variables				
1. What is your gender?	<input type="checkbox"/> Male	<input type="checkbox"/> Female		
2. How old are you?				
3. How many years have you been in Johannesburg?				
4. Are you of South African origin?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
5. What level of education have you completed? You may tick more than one answer if it applies to you	<input type="checkbox"/> Matric Incomplete	<input type="checkbox"/> Matric Complete	<input type="checkbox"/> Diploma /degree completed	<input type="checkbox"/> Postgraduate studies completed
6. What business sector do you operate in?	<input type="checkbox"/> Agriculture	<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Retail	<input type="checkbox"/> Motor trade and repair services
	<input type="checkbox"/> Wholesale	<input type="checkbox"/> Catering/Food	<input type="checkbox"/> Transport	
7. Size of business in number of employees	<input type="checkbox"/> Micro = 5 or less	<input type="checkbox"/> Very small = 6 – 20	<input type="checkbox"/> Small = 21 – 50	<input type="checkbox"/> Medium = 51 – 200
	<input type="checkbox"/> Co-operative = 201 and above			
8. Business Age	<input type="checkbox"/> 3 months or less	<input type="checkbox"/> 4 – 48 months (4 years)	<input type="checkbox"/> More than 48 months (4 years)	
9. Business location	<input type="checkbox"/> Street trader or hawker	<input type="checkbox"/> Craft market	<input type="checkbox"/> Container or caravan	
	<input type="checkbox"/> Shopping centre	<input type="checkbox"/> Taxi driver		
10. How many hours do you work in a day?				
11. How many days do you work per week?				

SECTION B

Utility					
1. Being an informal entrepreneur is more advantageous than disadvantages to me	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
2. A career as an informal entrepreneur is attractive to me	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
3. If I had the opportunity and resource to operate in the formal sector, I would close down my informal business	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
4. I get great satisfaction from operating informally	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
5. I would still choose to work informally if I had many options	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
6. I will make every effort to remain in the informal sector	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
7. I have seriously considered registering my business	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
8. I know the process to register my business	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
9. I have tried to register my business in the last year	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
10.1 (If yes) What was the outcome					
10.2 (If the application was denied) I will try to register again in the next 6 - 12 months.	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
10.3 (If no) I plan to remain informal permanently	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Not sure		

Person Entrepreneurship Fit					
Earnings					
1. There is a good fit between the income I receive working in the informal sector and what I am looking for in a job	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
2. The job I currently have in the informal sector provides me with enough income to take care of my needs comfortably	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
3. If I had to pay taxes and employee benefits (medical aid and pension), I would still have enough income to take care of my needs properly.	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
4. If I had to pay tax and employee benefits (medical aid and pension) out of my income, it would be a burden.	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
5. If I were financially secure, I would continue to work in the informal sector.	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
Employment Opportunities					
1. My job in the informal sector measures up to the type of work and environment that I was seeking	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
2. My job in the informal sector is a good match for me	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree

3. There are more good opportunities in the informal sector than the formal sector	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
4. I feel that I can am doing fulfilling and satisfying work in the informal sector	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
Autonomy					
1. Working in the informal sector gives me enough independence and freedom to do my job without thinking about regulations.	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
2. Working informally allows me to be creative and try different ways to do my job that I cannot do in the formal sector	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
3. Working in the informal sector allows me to make decisions without thinking about regulations and compliance	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
4. People who work informally can manage their own work and have more flexibility to solve problems.	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
5. Working informally allows me to save time by not doing paperwork and administration (taxes, industry compliance) that is required by a formal business	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree

Institutional Barriers					
Government Policies					
1. Government policies in South Africa consistently favour informal firms	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
2. The support of new and growing in businesses is a high priority for policy at the national level	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
3. The support of new and growing informal businesses is a high priority for policy at the national level	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
4. The support of new and growing businesses is a high priority for policy at the City of Johannesburg level	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
5. The amount of taxes in the formal sector would NOT be a burden for me	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
6. Taxes and other government regulations will be applied to my informal business in a fair, understandable and consistent way					
7. Managing/Coping with government rules, laws, regulations and licensing will not be a burden or difficult for me	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
8. I do not want to register a formal business because of the government corruption	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
9. Government corruption will hurt my business if I register it.	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
Access to resources					
1. Informal businesses can get most of the required permits and licences in about a month	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
2. Informal businesses can get access to basic utilities (phone, water, electricity, sewer, internet) easily	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree

3. I can afford the cost of basic utilities (gas, water, electricity, sewer, internet).	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
4. Almost anyone who wants to register their business can find what the information, offices and resources to do it	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
5. In my country, it is easy for informal businesses to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
6. Debt Funding is available for informal traders who want to formalise their business	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
7. The lack of debt financing prevents me from formalising my business	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
8. The cost of registering a business and paying for licences are too high for informal businesses	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree

Perceived Behavioural Control					
1. There is a very good match between the demands of running a registered business and my personal abilities	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
2. My abilities and training are a good fit with the requirements of running a registered business	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
3. My personal learning ability and education provide a good match with the demands of that running a registered business would place on me	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
4. I believe my skills and abilities match those required to run a registered business	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
5. I believe I have the skills and abilities to succeed in the formal sector	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
6. My business performance in the formal sector would be hurt by my hurt by a lack of knowledge with administration and regulatory compliance	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
7. I would be able to use my talents, skills, and competencies to run a registered business successfully	<input type="checkbox"/> Strongly Disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Neutral	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree

APPENDIX C

ETHICAL CLEARANCE CERTIFICATE



Private Bag 3 Wits, 2050
Fax: 0270865535224
Tel: 02711 7173582

Reference: Ms Jennifer Mgolodela
E-mail: jennifer.mgolodela@wits.ac.za

Miss MA Edonga
Room 26-213
Wits Junction
Junction Avenue
2193
South Africa

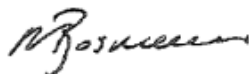
08 December 2016
Person No: 304474
PAG

Dear Miss Edonga

Master of Management in Entrepreneurship and New Venture Creation: Approval of Title

We have pleasure in advising that your proposal entitled *The formal economy as perceived by informal traders operating in Johannesburg's CBD* has been approved. Please note that any amendments to this title have to be endorsed by the Faculty's higher degrees committee and formally approved.

Yours sincerely



Mrs Marike Bosman
Faculty Registrar
Faculty of Commerce, Law & Management
