FACTORS INFLUENCING THE PERCEIVED FINANCIAL PERFORMANCE OF INFORMAL TRADERS IN THE NELSON MANDELA BAY

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Submitted in fulfilment of the requirements for the degree of BACHELOR OF COMMERCE HONOURS: BUSINESS MANAGEMENT in the Faculty of Business and Economic Sciences at the Nelson Mandela University

October 2019

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ACKNOWLEDGEMENTS

We would like to express our gratitude to the following people who contributed to making this study a success:

- To Dr R. Lillah, our supervisor, for bestowing your knowledge and wisdom of this subject and for always being supportive and willing to give your time to provide guidance. Your continuous motivation and encouragement to produce our best work made it an absolute pleasure and honour to work with you.

- To our families, especially our parents, siblings and friends who continuously offered their support and encouragement throughout the study.

- To the respondents of the survey for their valuable time and insights, without which this study would not have been possible.

- Finally, the research team would like to thank each other. Working together during the study was an enjoyable journey of friendship, hard work, mutual support and appreciation.

DECLARATION

We, Riyaad Ismail and Ashleigh Mittens, hereby declare that this treatise entitled “Factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay” is our own work, that all sources used or quoted have been indicated and acknowledged by means of complete references, and that this treatise has not been previously submitted by us for assessment to another university or for another qualification.

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October 2019

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ABSTRACT

Although the informal economy consists of relatively small-scale economic activities, it has become a major contributor to the economic growth of various countries. Given the magnitude of the informal economy, informal traders need support provided by the government, private businesses and community. Promoting and supporting informal traders by providing financing, training programmes, business information, and consulting services can help stimulate the economy, which, in turn, can lead to the development of bigger businesses. Despite the importance of the informal economy, informal traders lack the knowledge required to establish a successful informal business and are unaware of support programmes available (if any) to assist them. In addition to the problems faced by informal traders, there is insufficient research on the growth of informal businesses and the drivers thereof. Furthermore, there is a lack of reliable statistics on the informal economy, hindering the provision of adequate assistance. Therefore, the primary objective of the study was to investigate the factors that influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay.

The informal economy is defined as the unregulated market, found in developed and developing countries, which experience limited access to formal financial and legal systems. Informal traders are those individuals, with little to no skills or education, who operate in the informal economy and mostly trade goods and services on the street sidewalk. It has been found that informal traders experience certain challenges. These include access to profitable markets, working capital and investment finance, infrastructure, and a physical premise to operate from. Furthermore, it was found that the financial performance of small businesses is dependent on the personal and demographic characteristics of the owner, as well as various internal and external factors. For the purpose of this study, the entrepreneurial ecosystem was used to identify the elements required to create a conducive environment in which informal businesses could flourish. Human capital, finance, infrastructure, support services, policy, entrepreneurial culture, and markets are regarded as the most important pillars of an entrepreneurial ecosystem. These elements were used in this study to develop a hypothesised model of the factors that influence the perceived financial performance of informal traders.

A quantitative research approach was adopted to investigate the factors influencing the perceived financial performance of informal traders. A convenience sample was drawn from informal traders based in the Nelson Mandela Bay. The study made use of the survey

methodology and a structured questionnaire to collect primary data from 100 respondents. To summarise the demographic information of the informal traders and their businesses, descriptive statistics were used. This included the mean, standard deviation, and frequency tables. Exploratory Factor Analysis (EFA) was used to test the construct validity of the items measuring the variables in this study. The factor loadings for the items were calculated, and factor loadings greater than 0.5 were deemed as sufficient evidence of validity. All the Cronbach's alpha coefficients returned were greater than 0.5, providing sufficient evidence of reliability. Thereafter, the data collected was subjected to other statistical analyses including the Pearson's product moment correlation, as well as multiple regression analysis. *Access to education and training; access to infrastructure;* and *socio-cultural aspects supporting informal trading* had a significant positive influence on *perceived financial performance*. Furthermore, *access to finance; access to support services; policies supporting informal trading;* and *access to markets* had no significant influence on *perceived financial performance*.

Given the empirical evidence, several recommendations were provided to informal traders, the government, and professional support service providers to improve the perceived financial performance of informal traders. These recommendations focused on *access to education and training*; *access to finance*; *access to infrastructure*; *access to support services*; *policies supporting informal trading*; *socio-cultural aspects supporting informal trading*; and *access to markets*.

Keywords: Informal economy, informal traders, perceived financial performance, Nelson Mandela Bay, entrepreneurial ecosystem.

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION AND BACKGROUND

The informal economy has become a major contributor to the economic growth of various countries. The informal economy consists of relatively small-scale economic activities that are conducted by individuals who are not registered taxpayers and do not register their businesses or make social security contributions (Modupi, 2017:25). Schraader, Whittaker and McKay (2010:330) reiterate that the informal economy consists of millions of microenterprises that are unregulated, unlicensed, and untaxed. Williams, Shahid and Martínez (2016:312) acknowledge that the informal economy is a substantial segment of the world's economy. The informal economy contributed 38% to sub-Saharan Africa's Gross Domestic Product (GDP), in general, (International Monetary Fund, 2017:51) and about 28% towards South Africa's GDP, in particular (Henning & Akoob, 2017:2).

Informal traders, also known as informal entrepreneurs, are those individuals who operate in the informal economy (Bhattacharya, 2019:2). Williams *et al.* (2016:312) note that the number of traders entering the informal economy, out of necessity or voluntarily, is continuously increasing around the world. Examples of informal traders include street vendors, waste-pickers, and individuals selling fruit and vegetables on the pavement (Bhattacharya, 2019:2). Horn (2011:1) states that most South Africans have either encountered, worked for, or purchased products or services from informal traders.

Bhattacharya (2019:2) defines informal employment as employees who work under short-term labour arrangements, do not receive social benefits (pension and medical aid), and are not protected by labour law. Informal employment plays a vital role in emerging (middle-income) and developing (low-income) economies (Bhattacharya, 2019:2). Informal employment makes up 71.9% (excluding agriculture) of Africa's total employment; the highest proportion compared to other developing and emerging economies (Bhattacharya, 2019:1). Furthermore, there are over 2.5 million individuals employed in the South African informal economy, accounting for 17% of the countries' total workforce (Turok, Scheba & Visagie, 2017:33). Out of these 2.5 million people, about 1.5 million are self-employed and the other 1 million are employed by informal businesses (Turok *et al.,* 2017:33). Even though this contribution is

small compared to other developing countries, the effect on employment creation and poverty alleviation should be noted (Rogan & Skinner, 2017:3; Henning & Akoob, 2017:2).

Given the magnitude of the informal sector, promoting and supporting informal traders can help stimulate the economy of any country, which, in turn, can lead to the development of bigger businesses (Dugguh, 2013:61). According to Phillip (2010:10), many factors determine the success of informal businesses and these factors should be addressed simultaneously. It is argued that it is vital for informal traders to have access to certain support provided by the government, non-government institutions, and the community, such as financing, training programmes, business information, and consulting services (Saleem, 2012:25). Becker (2004:23) states that informal businesses have growth potential if they operate in a more supportive environment. Therefore, this study will focus on the factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay.

1.2 PROBLEM STATEMENT

Despite the importance of the ever-growing informal sector, informal traders lack the knowledge required to establish a successful informal business and are unaware of support programmes available (if any) to assist them (Marais, 2008:8). The informal economy is thus characterised by low levels of education, a lack of formal training, and a lack of business management experience (Jere, Jere & Aspeling, 2014:14). Marais (2008:8) states that the training and development programmes available for small to medium businesses are not marketed or communicated adequately. This author also suggests that these programmes could be of poor quality and inaccessible.

Another challenge faced by informal traders could be their access to capital. The capital requirements and operating profits of informal traders in South Africa are large enough to justify the use of formal sector debt (Schraader *et al*., 2010:343). However, these individuals tend to be unaware of this fact and instead use personal savings for start-up capital (Jere *et al*., 2014:14). Most informal traders find formal sector debt to be inaccessible, and therefore still experience problems in terms of poor cash flow, accessing funding, and managing their finances (Jere *et al*., 2014:18).

Despite the increase of informal trading in South Africa, there has been no increase in political or legal support and the necessary infrastructure (Brown, Lyons & Dankoco, 2010:667). Turok

et al. (2017:37) support the previous statement by suggesting that South Africa's governmental policies have ignored informal businesses for over two decades. These authors further explain that informal traders struggle to operate in the informal economy, due to municipal by-laws discouraging entrepreneurial activities. Petersen, Charman and Kroll (2018:87) confirm that there is a lack of infrastructure to support informal businesses, including access to water, shelter, and electricity, which creates a challenging work environment for informal traders. Furthermore, informal businesses, such as street vendors, are mostly regarded as hindrance to society and are often harassed by the police (Tengeh & Lapah, 2013:114). Individuals operating in the informal economy also struggle to access profitable markets (Turok *et al.*, 2017:35).

In addition to the problems faced by informal traders, there is insufficient research on the factors that influence the success of the informal traders (Charman, Petersen, Piper, Liedeman & Legg, 2017:37; Benjamin, Beegle, Recanatini & Santini, 2014:4). With the definition of an informal business already suggesting a level of unrecorded information, a lack of reliable statistics on the informal economy could be expected (Jere *et al.*, 2014:4; Turok *et al.*, 2017:32). In general, information regarding the size, nature and dynamics of the informal economy are insufficient (Benjamin *et al.*, 2014:4). Horn (2011:3) found that statistics on informal traders, particularly in Africa, both at a national-level and city-level, are inadequate. Charman *et al.* (2017:37) further state that there is a significant lack of information on informal traders, especially in South African townships. Rogan and Skinner (2017:29) further note that there is a lack of literature regarding the barriers associated with informal trading and how policies implemented by government address such problems. In addition, Charman *et al.* (2017:37) found gaps in the methodologies used to research the informal economy. These authors assert that most studies focus on the informal economy at a national level, rather than focusing on the regional or local level.

Given the challenges faced by informal traders and the lack of adequate research on the informal sector, the main research question of this study is: what factors influence the perceived financial performance of informal traders in the Nelson Mandela Bay?

1.3 RESEARCH OBJECTIVES

Research objectives are clear statements that define the goals that the researchers would like to achieve during a study (Saunders & Lewis, 2012:21). The sections that follow will present the primary, secondary, and methodological objectives of this study.

1.3.1 PRIMARY OBJECTIVE

The primary objective of the study is to investigate the factors that influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay.

1.3.2 SECONDARY OBJECTIVES

The secondary objectives of this study are:

- SO^1 To provide an overview of the informal economy and the factors that influence the *perceived financial performance* of informal traders;
- SO^2 To measure informal traders' *perceived financial performance* and the factors that influence it;
- SO^3 To identify the most significant factors that influence the *perceived financial performance* of informal traders in Nelson Mandela Bay.

1.3.3 METHODOLOGICAL OBJECTIVES

In order to achieve the above-mentioned primary and secondary objectives, the following methodological objectives have been identified:

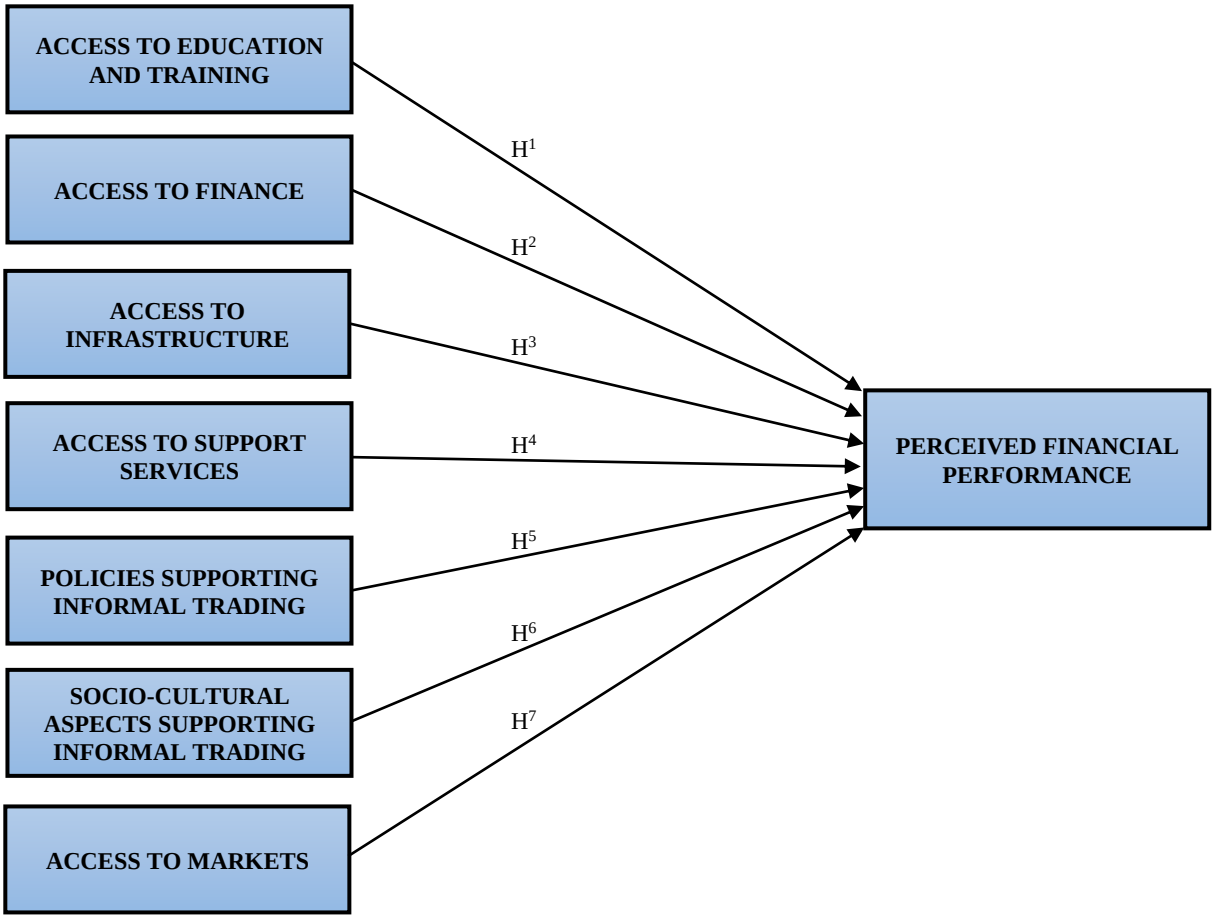
- MO^1 To undertake a theoretical investigation into the informal economy and the factors that influence the *perceived financial performance* of informal traders;
- MO^2 To propose a hypothesised model of the factors that influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay;
- MO^3 To determine the appropriate research methodology to address the identified research problem and research objectives;
- MO^4 To develop an appropriate measuring instrument (quantitative) that will be used to empirically measure the independent and dependent variables;
- MO^5 To source primary data from a pre-determined sample of informal traders in the Nelson Mandela Bay and to test the proposed hypotheses using appropriate statistical methods; and

MO[6] To provide conclusions and recommendations based on the findings of this research to improve the *perceived financial performance* of informal traders in the Nelson Mandela Bay.

1.4 PROPOSED HYPOTHESISED MODEL

The primary objective of the study was to investigate the factors that influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay. Based on the preceding literature review seven factors influencing the *perceived financial performance* of informal traders were identified, namely: (i) *access to education and training*; (ii) *access to finance*; (iii) *access to infrastructure*; (iv) *access to support services*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading*; and (vii) *access to markets*. These variables were utilised to develop the hypothesised model illustrated in Figure 1.1.

Figure 1.1: Hypothesised model: The factors influencing the perceived financial performance of informal businesses in the Nelson Mandela Bay



Source: Authors' own construct

The following hypotheses have been formulated to test the relationships proposed in the hypothesised model:

- H^1 *Access to education and training* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^2 *Access to finance* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^3 *Access to infrastructure* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^4 *Access to support services* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^5 *Policies supporting informal trading* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^6 *Socio-cultural aspects supporting informal trading* influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^7 *Access to markets* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay

1.5 RESEARCH DESIGN AND METHODOLOGY

This section will expand on how the hypothesised model, developed in the previous section, was tested by describing the research design and methodology used in this study. This will include an explanation of the research paradigm and research philosophy; the research approach; the research strategy; methodological choices; the time horizon; and the techniques and procedures adopted in this study.

1.5.1 RESEARCH PARADIGM AND METHODOLOGY

The researchers of the study made use of the research "onion" framework as a guideline on how to approach the research methodology. The research "onion" framework can be regarded as a metaphor describing all the processes of conducting a study (the layers of the onion) (Palić, Vignali, Hallier, Stanton & Radder, 2015:53). The research "onion" framework consists of the following layers (from the outside inwards): (i) the philosophies adopted by the researcher; (ii) the approach used to conduct the research; (iii) the research strategies implemented; (iv) the methodological choices made; (v) the time horizon of the study; and, in the centre of the onion,

(vi) the techniques and procedures utilised to collect and analyse data (Palić *et al.,* 2015:54). The sections to follow will further elaborate on each layer of the research onion.

1.5.1.1 RESEARCH PHILOSOPHY AND RESEARCH PARADIGM

According to Saunders, Lewis and Thornhill (2019:133), research philosophy refers to the beliefs and assumptions that relate to the development of knowledge and the nature of that knowledge in relation to research. A research paradigm is used to scrutinize social phenomena to improve the understanding of the phenomena and attempt to explain why they occur (Saunders, Lewis & Thornhill, 2009:118).

The researchers of the present study followed a functionalist paradigm and adopted the positivism philosophical stance. The researchers made use of structured questionnaires to gather data pertaining to an observable reality. The observable reality investigated in this study was the factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay. The data gathered was then objectively analysed to determine how the support affects the perceived financial performance of informal traders.

1.5.1.2 RESEARCH APPROACH

Saunders *et al*. (2009:126) identify the following three reasons why the research approach is important: (i) it allows researchers to make informed decisions concerning the research design; (ii) it aids in identifying the appropriate research strategies to use; and (iii) it allows for adaptations to the research design to avoid any constraints. There are two analytical approaches to analysing data, namely the deductive and inductive approaches (Saunders *et al.,* 2009:480).

The objective of this study was to develop hypotheses pertaining to the relationship between the independent variables (*access to education and training, access to finance, access to infrastructures, access to support service, policies supporting informal trading, socio-cultural aspects supporting informal trading,* and *access to markets*) and the dependent variable (the *perceived financial performance* of informal traders in the Nelson Mandela Bay). Therefore, the researchers followed a deductive approach. The first step in the research involved collecting information from secondary sources. This data was then used to create hypotheses, followed by the gathering of data from respondents (informal traders in the Nelson Mandela Bay) by means of structured questionnaires. The data gathered was then analysed and interpreted to

compare against the information gathered by previous studies to decide whether the hypotheses developed should be accepted or rejected.

1.5.1.3 RESEARCH STRATEGY

A researcher develops a research strategy to maintain a clear objective throughout the data collection and analysis processes (Rahi, 2017:2). Ismail (2017:142) defines a research strategy as a scientific method used by researchers to gather and analyse data to solve a specific research problem. The researchers of this study made use of a survey strategy by collecting primary data from a sample of informal traders in the Nelson Mandela Bay.

1.5.1.4 METHODOLOGICAL CHOICES

Ismail (2017:145) assert that research methodology is the manner in which social scientists conduct their research, gather their data, interpret the data, and finally present the data to answer a research question. This can be done by means of mono-methods, which includes either quantitative or qualitative methods, mixed-methods or multi-methods (a combination of quantitative and/or qualitative methods) (Palić *et al.,* 2015:44).

For the purpose of this study, the researchers made use of the quantitative research method to gather data from informal traders in the Nelson Mandela Bay. The researchers remained objective to ensure that human bias was avoided as much as possible. The results and interpretation of the data collected were then analysed using statistical methods.

1.5.1.5 TIME HORIZON

A researchers' time horizon is entirely independent of the research strategy pursued or methodology adopted (Saunders *et al*., 2009:155). Ismail (2017:147) notes that cross-sectional studies usually employ survey strategies to gather data from a population.

Taking into consideration the above discussion, a survey strategy of a cross-sectional nature was performed due to time and budgetary constraints. Multiple informal traders with various characteristics (gender, age, race, etc.) running different businesses were interviewed. These informal traders' perceptions about the factors influencing perceived financial performance (infrastructure, finance, etc.) was investigated at a particular time.

1.5.1.6 TECHNIQUES AND PROCEDURES

According to the research "onion" framework provided by Saunders *et al.* (2009:108), the final layer to consider in terms of the research processes of a study is the techniques and procedures used to collect and analyse data. The sections to follow will elaborate on the procedures and techniques used in this study.

1.5.2 DATA COLLECTION, POPULATION AND SAMPLING

For the purpose of this study, secondary and primary data was collected. Secondary data is data that was collected and interpreted by previous researchers on a semi-related topic (Walliman, 2011:70). Collis and Hussey (2014:196) explain that primary data is generated from an original source.

Asiamah, Mensah and Oteng-Abayie (2017:1607) define a population as a group of elements (depending on the topic of the study) that share one or more characteristic(s) of interest related to the study being conducted. According to Struwig and Stead (2013:115), a sampling frame is a complete list of all the possible cases within the population from which a sample can be drawn. Alvi (2016:11) defines a sample as a smaller group of elements selected from the population.

The population of this study is the 48 000 informal traders operating in the Nelson Mandela Bay (Statistics South Africa, 2019:58). A sample frame was not available for this study due to the nature of the informal economy. Due to limited financial resources, time constraints and the size of the population, the researchers of this study made use of a sample to ensure that the research study was completed efficiently.

According to Rahi (2017:3), convenience sampling is used by researchers who collect data from individuals who meet the requirements of the study and are easily accessible. The researchers of this study made use of convenience sampling to collect data from 100 informal traders in the Nelson Mandela Bay who were easily accessible. This method of sampling was used because there was no formal list of informal traders from which a sample could be drawn.

1.5.2.1 DESIGN OF THE MEASURING INSTRUMENT

For the purpose of this study, questionnaires were utilised to gather primary data from informal traders operating in the Nelson Mandela Bay. Quinlan, Babin, Carr, Griffin and Zigmund (2015:272) state that questionnaires are structured data collecting instruments which can incorporate open and closed questions, multiple-choice questions, sentence completion exercises and rating scales.

The questionnaires used in this study consisted of a cover page and three sections. The cover page included the topic of the study, the aim of the study, and all the details informing the respondent of what the study is about, that it is completely voluntary, and that they will remain anonymous. The first section (Section A) focused on gathering demographic data about the respondent (such as gender, age, education, etc.) and their business (such as years of existence, the sector they operate in, number of employees employed, etc.). These questions were asked in the form of open-ended and closed-ended questions.

The second section (Section B) focused on gathering information on the factors influencing perceived financial performance of informal traders in the Nelson Mandela Bay. As found during the literature, there are certain factors which influence the perceived financial performance of informal traders. The researchers of this study grouped the factors influencing perceived financial performance into the following categories: (i) *access to education and training*; (ii) *access to finance*; (iii) *access to infrastruc*ture; (iv) *access to support services*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading*; and (vii) *access to markets*. The third section (Section C) assessed the perceived financial performance of informal businesses in the Nelson Mandela Bay.

According to Collis and Hussey (2014:215) as well as Rahi (2017:4), Likert-type scales, also known as intensity rating scales, are commonly used in multi-item measures of observations and attitudes. These authors also state that 5-point Likert-type scales increase response rate and quality because they are easily comprehensible and gather more precise responses. To gather the information in section B and C, questions were phrased using a 5-point Likert scale.

1.5.2.2 DATA ANALYSIS

Data analysis is used to create a better understanding of the primary data collected and therefore enhance the conclusions drawn in a study (Palić *et al.*, 2015:25). This includes identifying and measuring the relationships between variables (Hair, Black, Babin & Anderson, 2014:5). In this study, descriptive statistics and inferential statistics were used. This section will further expand on the data analysis methods used in this study.

According to Heale and Twycross (2015:66), there are three types of validity which include criterion-related validity, content validity, and construct validity. For the purpose of this study, both content validity and construct validity were used. Content validity was ensured by utilising existing literature to formulate the items in the questionnaire. In addition, face validity was achieved by administering the questionnaire to experts in the Department of Business Management at the Nelson Mandela University. In terms of construct validity, exploratory factor analysis was used.

Reliability is associated with the consistency of measurement, i.e. the dependability (Heale & Twycross, 2015:66; Quinlan *et al*., 2015:274). This study made use of the Cronbach's alpha coefficient to estimate the internal consistency of the measuring instrument. After the validity and reliability of the research instrument was confirmed, descriptive and inferential statistics were calculated.

Descriptive statistics is used to describe the characteristics of and the relationships amongst the sample variables (Rubin & Babbie, 2009:620). In other words, it is used to create a summary of the observations. Descriptive statistics involves two main aspects, namely measures of central tendency and measures of dispersion, both of which were used in this study.

In order to establish the relationships between the variables within this study, Pearson's product moment correlation coefficients (r) were used. According to Choi, Peters and Mueller (2010:460), Pearson's product moment correlation coefficient is the most widely used method to calculate the relationship between two variables.

Inferential statistics were used to make conclusions about the population by means of the sample. Multiple regression analysis is an inferential statistics method that uses a multi-variate procedure to identify the relationships between a set of independent variables and a dependent

variable (Rubin & Babbie, 2009:624). For the purpose of this study, multiple regression analysis was used to test the relationships between (i) *access to education and training*; (ii) *access to finance*; (iii) *access to infrastructure*; (iv) *access to support services*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading*; and (vii) *access to markets* and the *perceived financial performance* of informal traders. From this, conclusions can be drawn about informal traders in the Nelson Mandela Bay. Statistica version 13 was used to perform the statistical analyses of the data collected in this study.

1.6 SCOPE AND DEMARCATION OF THE STUDY

The primary objective of the study was to investigate the factors that influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay. Therefore, the study focused on the specific factors that influence the performance of informal traders. Not all businesses and traders were included in this study. The sample was limited to informal traders operating in the Nelson Mandela Bay. There are various factors that influence the performance of informal businesses, but this study only focused on the following seven: (i) *access to education and training*; (ii) *access to finance*; (iii) *access to support services*; (iv) *access to infrastructure*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading*; and (vii) *access to markets*.

1.7 CONTRIBUTION OF THE STUDY

The aim of this study is to add to the existing body knowledge on the informal economy in South Africa, focusing on informal traders in the Nelson Mandela Bay. More specifically, this research will highlight the factors that influence the success of informal traders in the Nelson Mandela Bay. By doing this, the study will identify the initiatives needed to create a conducive environment in which informal businesses can flourish. These initiatives will deal with improving access to education and training; finance; infrastructure; support services; and markets as well as creating policy and socio-cultural environments that support informal trading. Each initiative will be discussed below by identifying the benefits gained by the parties involved in the provision thereof.

Formal and informal education institutions, business incubators, business mentors, and non-governmental organisations (NGOs) will benefit from this study by gaining information on how to create relevant and more focused education and training programmes. This will also assist them in improving the access to and marketing of their education and training

programmes. The study can contribute to enhancing the financial assistance provided by banks, the government, and investors by ensuring that they are tailored to suit informal traders. These potential providers of capital could also increase access to their financial products and services. This, in turn, could enhance their ability to market their financial products to informal traders. The ability of the government (specifically local municipalities such as the Nelson Mandela Metropolitan Municipality), business incubators, and NGOs to identify infrastructural needs of informal traders can be enhanced through the information provided in this study. They can ensure that they focus on critical infrastructural requirements of informal traders that will have an effect on informal business success. A contribution can be made with regard to support services provided to informal traders, including accountants, lawyers, business advisors, and financial planners. This can ensure that professional services are also tailored to the requirements of informal traders.

The study can assist governments, especially local municipalities (Nelson Mandela Bay Metropolitan), in the development of effective policies targeted at the informal economy. These could include policies supporting the establishment of informal businesses, decreasing the cost of complying with policies, and simplifying the processes of obtaining licenses and permits for informal businesses. This study can be used to enlighten society to better understand the informal economy and the importance thereof. Society will benefit from the increased employment, wealth, and standards of living created by successful informal businesses. The result is that society will benefit from a safer and healthier informal trading environment where products and services are easily accessible.

Researchers can benefit from this study by using it as a basis for their studies. The research instrument developed and validated in this study could be used to collect empirical data about the factors influencing the perceived financial performance of informal traders. This could lead to similar studies being conducted in the rest of South Africa. To conclude, if all of the above is achieved, informal traders and their businesses will flourish.

1.8 RESEARCH ETHICS

In terms of research, several institutions and professional bodies have created guidelines and codes of practice to ensure ethical conduct and accountability (Collis & Hussey, 2014:31). This study was subjected to the research ethics procedures set out by The Nelson Mandela University's Research Ethics Committee for Humans. In particular, Form E was completed to ensure no ethical issues exist (see Annexure B). In addition, research should comply with the requirements in terms of confidentiality and anonymity, voluntary consent, and the risk and rewards associated with the research.

To ensure the confidentiality of the respondents in this study, techniques such as the encryption of data files were used. Full anonymity of the respondents could not be guaranteed, however, in this study, the demographics section of the questionnaire did not ask any personal information pertaining to the respondents. The researchers also guaranteed that respondents' responses were not made public and could not be identified. This was achieved by assigning codes to the completed questionnaires. The researchers did not make use of any incentives and ensured that each respondent was well informed and understood that participation in the study was completely voluntary, with the opportunity to opt-out at any point. This study did not pose any risk to the respondents by ensuring the confidentiality and anonymity of those who voluntarily participated. Respondents who felt they were at risk of harm were given the freedom to withdraw from the study at any point in time. Furthermore, the researchers did not gain any rewards from this study, it was purely conducted to gather data necessary to perform research. In addition, no sensitive questions were asked, and the researchers acted courteously during the data collection so as not to embarrass or ridicule the respondents.

1.9 DEFINITIONS OF KEY CONCEPTS

Clear definitions of important terms used in this study will follow.

Informal economy

The informal economy refers to unregulated markets which exist in developed and developing countries.

Informal business

Informal businesses are defined as those who are not registered as a business, do not pay any tax, and employ less than five employees.

Informal trader

Informal traders are individuals with little to no skills or education, which makes it difficult for them to find jobs in the formal sector.

Informal employee

Informal employees do not have a formal written contract of employment and do not enjoy basic employment benefits such as pensions or medical aid contributions.

Entrepreneurial ecosystem

A complex system consisting of various interdependent elements within a geographic region that creates a conducive environment for entrepreneurial activities, innovation, and economic growth.

Perceived financial performance

Perceived financial performance refers to whether the informal business has grown in terms of profit, turnover, and employees over the past two years, and whether or not the business is financially successful and profitable.

1.10 STRUCTURE OF THE STUDY

The structure of the research will be as follows:

Chapter One: This chapter starts by introducing the topic and providing a background to the study. The chapter also includes a problem statement, the importance of the study, and the primary, secondary, and methodological research objectives. An illustration of the hypothesised model, as well as the hypotheses, are included. An explanation of the research design and methodology utilised in the study are provided.

Chapter Two: A comprehensive discussion on the topic of the informal economy and the factors influencing the perceived financial performance of informal traders will be presented. Firstly, the nature and importance of the informal economy are discussed, followed by the

theories related to the informal economy. Next, the various actors within the informal economy (informal businesses, informal traders, and informal employees) is explored. Furthermore, the motivations behind individuals' decision to operate in the informal economy and the challenges faced by informal businesses are explained, as well as the formalisation of informal businesses. This is followed by the nature of perceived financial performance and the factors influencing the financial performance of small businesses in general. Lastly, the external factors influencing the performance of informal traders are explored.

Chapter Three: This chapter includes a detailed discussion pertaining to the research design and methodology applied in the study. The chapter will include a discussion about the data collection methods utilised within the study. The statistical methods used to analyse the data collected from informal traders in the Nelson Mandela Bay will be presented in this chapter.

Chapter Four: This chapter includes a discussion on the empirical results based on the statistical analyses performed in this study. A summary of the demographic information related to the informal traders and their businesses will be provided as well as the result of the hypothesis testing.

Chapter Five: The key findings from the literature review and the empirical investigation is summarised in this chapter. This will be followed by conclusions regarding the study as well as recommendations to improve the perceived financial performance of informal traders in the Nelson Mandela Bay.

CHAPTER TWO

AN OVERVIEW OF THE FACTORS THAT INFLUENCE THE PERCEIVED FINANCIAL PERFORMANCE OF INFORMAL TRADERS

2.1 INTRODUCTION

As stated in chapter one, the primary objective of this study was to investigate the factors that influence the perceived financial performance of informal traders in the Nelson Mandela Bay. In this chapter, a literature review on the informal economy and informal traders will first be provided. The chapter continues by focusing on the nature of perceived financial performance and the factors that influence it. It concludes with a presentation of the hypothesised model to be tested in this study.

2.2 AN OVERVIEW OF THE INFORMAL ECONOMY AND INFORMAL TRADERS

This section will deal with the nature of the informal economy, the importance thereof and theories related to it. The nature of informal businesses, traders and employees will be explored and the factors influencing informal traders' decision to operate in the informal economy will be elaborated on. The section will continue by assessing the challenges faced by informal traders. Lastly, this section will explore the formalisation of businesses operating in the informal economy.

2.2.1 THE NATURE OF THE INFORMAL ECONOMY

The concept of the informal sector was first introduced in 1971 by Keith Hart while he was studying economic activities in urban Ghana (Davids, 2011:5). The informal sector was seen as a traditional economy that would disappear as modern, industrial growth was experienced (David, Ulrich, Zelezeck & Majoe, 2013:11). This has led to the informal sector being ignored and rarely supported by policymakers and governments (Becker, 2014:8). In addition, the informal sector was regarded as existing separately from the formal economy (David *et al.*, 2013:11). It consisted mostly of entrepreneurs who operated illegal and unregistered businesses to avoid regulation and tax (David *et al.*, 2013:12).

The term informal sector was later changed to the informal economy as modern industrial growth was experienced leading to an integration of the informal sector with the formal

economy (Becker, 2004:8; David *et al.*, 2013:11). Researchers realised that the informal sector was not only marginally productive but contributed a significant share of GDP and provided employment, goods, and services to lower-income groups (David *et al.*, 2013:12). The term informal economy suggests that it should not be regarded as a separate sector, but rather seen as an integral part of the formal supply chain (Becker, 2004:8). For the purpose of this study, the term informal economy will be used.

The informal economy is defined as the unregulated market, found in developed and developing countries, which experiences limited access to formal financial and legal systems (Vermaak, 2014:1185). Webb, Brunton, Tihanyi and Ireland. (2013:598) also state that informal economic activities occur beyond formal institutional boundaries which technically makes them illegal, but many individuals in society still regard it as acceptable. Webb *et al.* (2013:600) identified other terms that are used to refer to activities conducted in the informal economy such as the underground economy, shadow economy, irregular economy, unobserved economy, and hidden enterprises. For the purpose of this study, the informal economy refers to unregulated markets which exist in developed and developing countries.

Various characteristics have been associated with the informal economy. These characteristics of the informal economy can be seen in Table 2.1.

Table 2.1: Characteristics of the informal economy

CHARACTERISTICS	SOURCES
Small-scale enterprises and operations	David *et al.* (2013:14); Jamela (2013:17); Becker (2004:11)
Low productivity activities	David *et al.* (2013:14); Jamela (2013:17)
Labour-intensive methods of production	Becker (2004:11); Jamela (2013:17)
Low entry requirements in terms of capital, formal qualification, and experience	Becker (2004:11); Jamela (2013:17); Jere et al. (2014:14); Petersen et al. (2018:87)
Non-compliance with the formal laws, such as licensing, taxation, and labour	David *et al.* (2013:14); Jamela (2013:17)
Bordering on illegality and could be harbouring criminals	David *et al.* (2013:14); Chingono (2016:633)
Not included in a nation's GDP	Jamela (2013:17)
Unhealthy, exploitative and repressive	Chingono (2016:633)
Associated with the poorest and most vulnerable in society	Turok *et al.* (2017:33)
Poor access to finance	Jere et al. (2014:14); Petersen et al. (2018:87)
Poor access to infrastructure	Jere et al. (2014:14); Petersen et al. (2018:87)

The informal economy is often viewed as a problem, rather than the solution to poverty (Turok *et al.,* 2017:38). Turok *et al.* (2017:38) assert that governments should not regard the informal economy as businesses that are conducting criminal activities but should rather focus on the fact that these informal businesses are stimulating economic growth, reducing poverty and providing employment. Given this, the section to follow will discuss the importance of the informal economy.

2.2.2 THE IMPORTANCE OF THE INFORMAL ECONOMY

According to Modupi (2017:26) and Horn (2011:4), the informal economy is a major contributor to GDP, in both developing and developed countries. Bonnet and Venkatesh (2017:1) state that the informal economy contributes approximately 23% to the world's GDP. The informal economy contributes about 28% towards South Africa's total GDP (Henning & Akoob, 2017:2). Informal markets play a vital role in developing communities, providing jobs for semi-skilled individuals, and improving standards of living (Vermaak, 2014:1185). Businesses operating in the informal economy provide approximately 65% of employment in Asia, 51% in Latin America, and 72% in North and Sub-Saharan Africa (Mahadea & Zogli, 2018:2). According to Turok *et al.* (2017:33), more than 2.5 million people work in the informal economy of South Africa, which is about 17% of the total workforce. Turok *et al.* (2017:33) found that the informal economy does not only create jobs for the unemployed, but also improves their self-respect and promotes social cohesion. In addition, formal businesses regard operations within the informal economy as an important variable in their success (Henning & Akoob, 2017:2). According to Steel, Ujoranyi and Owusu. (2014:53), formal businesses, such as general stores and telecommunication companies, make use of informal traders to reach their clientele. Therefore, Vermaak (2014:1185) notes that the informal economy can be used as an indicator of the economic and political health of a country.

Steel *et al.*, (2014:53) suggest that globalisation is one of the key factors that has led to the growth of the informal economy over the past decades, contributing to the structural persistence of informal businesses and the interdependence between the informal and formal economy. Tengeh and Lapah (2013:109) assert that the fall of apartheid in South Africa is one of the key contributors to the increase of informal businesses and informal traders in South Africa. This increase was caused by the growth in African immigrants that could not find jobs in the mining or agriculture sectors, or formal economy, forcing them to become small-scale entrepreneurs operating in the informal economy (Tengeh & Lapah, 2013:109). The informal economy plays

an important role in South Africa, especially taking into consideration the high unemployment rate and the high level of poverty experienced in the country (Modupi, 2017:26). Henning and Akoob (2017:2) suggest that the informal economy should be regarded as a key component which can, if supported effectively, be used to alleviate poverty and help create sustainable livelihoods. Furthermore, with the necessary support from the government, informal businesses will be able to improve the socio-economic well-being of society (Vermaak 2014:1185). Having discussed the importance of the informal economy, the following section will elaborate on different theories which have been developed to understand the informal economy.

2.2.3 THEORIES RELATED TO THE INFORMAL ECONOMY

Four theories have been used to explain the existence of the informal economy, namely the (i) dualist perspective; (ii) legalist perspective; (iii) structuralist perspective; and (iv) voluntarist perspective. Steel *et al.* (2014:54) state that the dualist perspective views informal business activities, which provide individuals with an opportunity to generate income during a time of crisis, as unrelated to the formal economy. The dualist perspective, also known as the development perspective, suggests that due to the increase in population growth and underdeveloped industries, individuals struggle to find jobs in the formal economy and create their own opportunities to generate income (Huang, Zhang & Xue, 2018:2745). From this, it is argued that the informal economy resulted from the inability of the formal economy to provide sufficient jobs for the labour force (Huang *et al.*, 2018:2745).

The legalist perspective, also known as the neoliberal perspective, argues that individuals are forced to operate in the informal economy due to a hostile legal system and unreasonable state regulations (Steel *et al.*, 2014:54). According to the legalist perspective, legality and formality is a privilege experienced by businesses and individuals with economic and political power operating in the formal economy (Huang *et al.* 2018:2746). The rest of society earn a living through conducting business in the informal economy where there is a lack of legal support, access to infrastructure, and access to a physical location to trade from (Huang *et al.*, 2018:2747). Individuals who adopt this perspective argue that it is the responsibility of the government to develop policies and procedures that encourage informal traders to register their business and to provide them with the necessary assistance to enhance their productivity (Chen 2012:5).

According to Chen (2012:5), the structuralist perspective, also known as the neo-marxism perspective, acknowledges that there is an intrinsic link between the formal and informal economies. Formal businesses reduce their costs by making use of informal traders who ignore health and safety requirements, are not registered for tax purposes, and do not adhere to labour regulations (Huang *et al.*, 2018:2746). Formal businesses thus receive products and services at a lower price which enables them to reduce their costs and increase their profits or market share (Chen, 2012:5). Erasmus and Lehloaea (2018:21) suggest that the structuralist perspective is more focused on the inequality between large formal corporations and small informal businesses.

The voluntarist perspective suggests that individuals voluntarily decide to operate in the informal economy after weighing up the costs and benefits of trading in both the formal or informal economy (Chen, 2012:5). Huang *et al.* (2018:2747) support this notion by adding that individuals consider self-employment within the informal economy due to the advantages associated with that economy, such as avoiding certain formal regulations and not having to register for tax purposes. Some argue that this gives informal businesses an unfair competitive advantage over formal businesses (Chen, 2012:6). The following section will elaborate on the participants within the informal economy, namely informal business, informal traders, and informal employees.

2.2.4 THE NATURE OF INFORMAL BUSINESSES, INFORMAL TRADERS AND INFORMAL EMPLOYEES

Kavese (2015:8) asserts that businesses operating in the informal economy are considered to be small, micro and medium enterprises (SMMEs). Informal businesses are defined as those who are not registered as a business, do not pay any tax, and employ less than five employees (Jere *et al.*, 2014:4). Informal businesses can take on various forms, including family firms, community entrepreneurs, and self-employment (Jere *et al.*, 2014:11). These businesses are owned and operated by informal traders.

Informal traders are characterised as individuals with little to no skills or education, which makes it difficult for them to find jobs in the formal sector (Tengeh & Lapah, 2013:113). Informal traders in South Africa are characterised by having lower levels of education and lacking formal training and business management skills (Jere *et al.*, 2014:14). Modupi (2017:26) identified hawkers, vendors and substance farmers as examples of individuals who

operate in the informal economy. Tengeh and Lapah (2013:114) note that various products and services are sold by informal traders, including manufactured goods such as clothing, handmade products, and services such as shoe cleaning and hairdressing, and even the selling of insurance. Steel *et al.* (2014:53) state that informal traders prefer conducting their business in areas where there are heavy human and vehicular traffic to increase their market presence and generate sales.

Informal traders provide employment for themselves and others. Bhattacharya (2019:1) notes that compared to other developing regions, Africa has the highest proportion of informal employment (71.9% - excluding agriculture) to overall employment. According to Huang *et al.* (2018:2745), individuals employed in the informal economy can be classified as either self-employed informal traders or informal employees who are employed within informal businesses. Tengeh and Lapah (2013:113) explain that self-employed informal traders can be regarded as individuals who sell goods and services to the public without being registered as taxpayers or having a permanent infrastructure at their disposal. Informal employees do not have a formal written contract of employment and do not enjoy basic employment benefits such as pensions or medical aid contributions (Chen, 2012:7; Modupi, 2017:7). Informal employees could include domestic workers, employees of informal businesses, or casual/day workers (Chen, 2012:7). Individuals work in the informal economy for a variety of reasons. The next section will present a discussion on the factors that either force people into the informal economy or draw them towards it.

2.2.5 PUSH AND PULL FACTORS INFLUENCING INDIVIDUALS IN OPERATING IN THE INFORMAL ECONOMY

Individuals operating in the informal economy can either be necessity driven (necessity entrepreneurs) or opportunity driven (opportunity entrepreneurs) (Stephan, Hart & drews, 2015:11). Various studies, including Zali *et al.* (2013:102) and Williams and Youssef (2014:42), found that the ratio of opportunity to necessity entrepreneurs is greater in higher-income countries and that opportunity driven entrepreneurs have a greater chance of achieving success than necessity driven entrepreneurs. Necessity entrepreneurs are those individuals who regard the informal economy as the only available source of income (Webb *et al.*, 2012:607). Williams and Youssef (2014:42) add that necessity entrepreneurs are pushed into entrepreneurship in order to survive. Opportunity entrepreneurs notice the opportunities within the informal economy and decide, voluntarily, to operate within that economy (Webb *et al.*,

2012:607). Williams and Youssef (2014:42) support this by stating that opportunity entrepreneurs are pulled into entrepreneurship by choice. Individuals who decide to operate in the informal economy out of necessity are driven by push factors, and individuals doing so out of opportunity are driven by pull factors (Zali *et al.*, 2013:100).

Push factors are associated with negative conditions which force an individual to make a certain decision (Kirkwood, 2009:346). Williams and Youssef (2013:36) note that some individuals are forced to enter the informal economy due to an increase in the population and not being able to find work in the formal economy. Due to the scarcity of jobs, individuals turn to the informal economy looking for a means to generate an income, which is evident in South Africa (Huang *et al.*, 2018:2744; Horn, 2011:4). Various studies support this statement by adding that individuals might be forced to enter the informal economy due to being unemployed or not being able to find work in the formal economy (Kirkwood, 2009:349; Ademola, Akintunde, oyerinde & Ayidele, 2015:19). Kirkwood (2009:349) further suggests that family obligations can be regarded as a push factor, forcing individuals to work in the informal economy to ensure that they have flexible work hours and generate an income to support their family. Williams (2014:9) suggests that individuals with a lower level of education, females, the unemployed, and those within lower-income groups are more likely to experience push factors motivating them to operate in the informal economy out of necessity. Although there are numerous push factors forcing individuals to operate in the informal economy, there are also pull factors motivating individuals to operate in the informal economy by choice.

Pull factors are positive conditions that influence an individual to voluntarily make a certain decision (Kirkwood, 2009:346). Zali *et al.* (2013:100) further add that pull factors entice individuals to seize opportunities and become self-employed by choice. According to Williams and Youssef (2013:36), individuals exit the formal economy voluntarily and enter the informal economy to enjoy the benefits that come with it. These benefits include flexible hours, entry into the labour force, independence, and avoiding taxes and inefficient government regulations (Williams & Youssef, 2013:36). Individuals operating in the informal economy have the advantage of avoiding the cost, time, and effort of formally registering their businesses (Kirkwood, 2009:348; Williams & Youssef, 2013:36). Ademola *et al.* (2015:20) further explain that through not formalising businesses in the informal economy, individuals avoid having to pay taxes and registration fees and complying with certain policies. Williams (2014:9) states that individuals in higher-income brackets, males, middle-aged workers, those

with a higher level of education, and white-collar workers are more likely to enter the informal economy willingly. Despite the fact that some individuals enter the informal economy to take advantage of an opportunity, operating in this economy can pose a number of challenges.

2.2.6 CHALLENGES FACED BY INFORMAL BUSINESSES AND INFORMAL TRADERS

Individuals operating in the informal economy struggle to access profitable markets, finance, infrastructure, and a physical location to operate from (Turok *et al.,* 2017:35). This has a negative impact on the chances of individuals starting a successful informal business. Akpalu, Alnaa and Aglobitse (2012:513) add that the lack of access to credit and microfinance is one of the main contributors to poverty, in general, and has a negative impact on low-income households. Informal traders, who usually originate from these households, struggle to access business finance through the formal credit systems because they have no credit score; they do not meet the requirements to qualify for a loan; and they lack business and management skills (Henning & Akoob, 2017:3). These authors further explain that banks are not willing to finance informal businesses due to the high risk (associated with a lack of collateral and information that can be provided by informal traders) and administrative costs involved.

Government policies, regulations, and practices could have a significant influence on informal business. However, Turok *et al.* (2017:37) note that the South African government, in particular, has neglected these businesses. These authors state that informal traders struggle to operate in the informal economy due to municipal by-laws in South Africa discouraging such activities. These by-laws are aimed at avoiding or mitigating the negative impact that informal business could have on public health, welfare, and safety (Turok *et al.,* 2017:28). Informal businesses, such as street vendors, are mostly regarded as a hindrance to society which has led to them being classified as "illegal" businesses (Tengeh & Lapah, 2013:114). Due to this classification, informal traders often experience challenges with police who attempt to arrest them, confiscate their goods, or solicit a bribe (Tengeh & Lapah, 2013:114). Kavese (2015:35) states that informal traders require support from the government to change from survivalists into sustainable informal business owners. However, government policies are geared towards enforcing regulation, rather than creating a more suitable environment for informal business by providing positive support, access to infrastructure, and services that might enhance their productivity (Turok *et al.,* 2017:37).

Some authors assert that informal traders operate in difficult circumstances. Businesses operating in the informal economy are more exposed to health and safety hazards and have to conduct business in harsh weather conditions, for little to no income, due to a lack of infrastructure (Tengeh & Lapah, 2013:114; Henning & Akoob, 2017:4). Examples of such infrastructure include access to clean water, transport, storage facilities, communication technology, and electricity (Henning & Akoob 2017:4). Informal traders prefer a location where they can ensure market visibility, create a permanent visible presence, and gain access to high volumes of regular customers (Turok *et al.,* 2017:36). This includes locations such as public transport nodes, key tourist sights, and near retail centres (Turok *et al.,* 2017:36). Due to the limited space available at the respective locations, tension is created between competing traders to access these valuable public spaces to conduct their business (Steel *et al.,* 2014:53). This leads to the government having to impose certain regulations to establish a balance between public safety, customer convenience, and the livelihoods of the poorer residents of a country (Steel *et al.,* 2014:53). Vermaak (2014:1187) further elaborates that the hostility causes a socially stressful environment, which means that informal traders must be able to adjust to personal differences to avoid conflict.

According to Matjomane (2013:5), informal businesses are regarded as illegal businesses that experience harassment from the police and are mostly ignored by the government when policies need to be formulated. Becker (2004:23) state that it is important to note that informal businesses have growth potential if these obstacles mentioned above were removed. This can be achieved through formalising informal businesses (Becker, 2004:23).

2.2.7 FORMALISING INFORMAL BUSINESSES

Firstly, it is important to understand what formal businesses are and what is meant by the word formalisation. Abdallah (2017:123) defines formal businesses as those run by qualified entrepreneurs who pay tax for public services and that operate within and are recognised by a regulatory and legal framework. Bashe (2012:25) adds that formal businesses operate in the formal economy which comprises of regulated economic units, workers who are protected, and a formal regulatory environment.

According to Chen (2012:15), there are different notions when it comes to defining what the formalisation of the informal economy means. She further adds that there would be a difference in formalisation when referring to self-employed informal traders (entrepreneurs) and informal

employees. For self-employed informal traders, formalisation would refer to registering their business, paying taxes, and adhering to regulations (Chen, 2012:15). In terms of informal employees, formalisation refers to shifting informal workers to formal wage jobs where they have access to employee benefits such as having a secure contract and getting a contribution from their employer to their unemployment insurance fund and retirement plan. Unni, (2018:93) adds that there are two views with regards to formalising the informal economy, namely from a (i) capital viewpoint and (ii) labour viewpoint. Following the capital viewpoint, one looks at registering and taxing informal business, while the labour viewpoint focuses on gaining legal and social protection, as well as access to support services (Chen, 2012:15). In this study, formalisation refers to the procedures that are required by businesses to operate in the formal economy and takes into account the capital, as well as the labour viewpoints when exploring the benefits of formalisation.

According to Aswani (2019), individuals need to decide which legal form of business enterprise they would like to adopt when formalising their businesses. The forms of business enterprise include sole proprietorships, partnerships, or a company (Aswani, 2019). Bosch, Tait and Venter (2018:144) define a sole proprietorship as an enterprise which is owned and managed by a single individual, and that individual is personally liable for all debts of the business and enjoys all the profits. This form of business is also regarded as the easiest way for an individual to start a business and has very few formal requirements (Urban, Venter, Beder, Oosthuizen, Reddy & Venter, 2015:207). Aswani (2019) notes that since a sole proprietorship is not a separate legal entity, it is only necessary to register the business for standard legal and tax purposes. The sole proprietor must register the business for tax purposes at the South African Revenue Service (SARS) and will have to file for a business name with the Companies and Intellectual Property Commission (CIPC) in order to operate under a trade name (Aswani, 2019).

Partnerships are very similar to sole proprietorships, with the main exception being the number of owners (Aswani, 2019). Partnerships are defined as a contract between two to twenty individuals who all contribute either skills, resources or knowledge to attain a common goal (Urban *et al.* 2015:207). Bosch *et al.* (2018:146) state that the partners are jointly and severally liable for the debts of the partnership and profits are split between them. Partnerships are also simple to create and follow a similar registration procedure as a sole proprietorship. This includes registering the business at SARS for tax purposes and at CIPC in order to operate

under a trade name (Aswani, 2019). While there are no legal formalities required to form a partnership, it is advised that partners write up a partnership agreement (Bosch *et al.*, 2018:147). These authors further state that having a formal partnership agreement helps prevent misunderstandings and disputes regarding the operations of the partnership. According to Urban *et al.* (2015:207), the partnership agreement will clearly define the objective of the partnership, the contributions of each partner, the ownership of assets, and the representation right each partner holds. Therefore, a formal partnership agreement is used to protect each partner.

Urban *et al.* (2015:21) state that there are two types of companies, namely non-profit and profit companies. Non-profit companies are created for a public benefit or are targeted at cultural or social activities, while profit companies are profit-driven (Urban *et al.*, 2015:21). Companies enjoy the benefit of being a separate legal entity, which limits the personal liability of the owners and managers (Bosch *et al.*, 2018:150). Private companies are not allowed to sell their shares to the general public, whereas public companies are allowed to do so (Bosch *et al.*, 2018:150). Bosch *et al.* (2018:151) provide the following important steps to incorporate a company: (i) the company name must be reserved; (ii) a Memorandum of Incorporation (MOI) must be completed and signed by each person; and (iii) a Notice of Incorporation must be filed with the CIPC together with a copy of the MOI and the prescribed fee. According to the CIPC (2018), between one to four names can be applied for during the application process, with each name costing R50. The fees for registering a company at the time of this study varied between R125 for a private company and R475 for a non-profit company (Companies and Intellectual Property Commission, 2018).

In addition to the requirements mentioned above, entrepreneurs wishing to formalise their business should also be cognisant of the tax, labour, and general statutory requirements listed in Table 2.2.

Table 2.2: List of statutory requirements when formalising a business

STATUTORY REQUIREMENT	APPLICABLE ACTS
Income Tax	Income Tax Act
	Value-Added Tax Act
Labour Legislation	Labour Relations Act
	Basic Condition of Employment Act
	Occupational Health and Safety Act
	Employment Equity Act
	Skills Development Act
	Unemployment Insurance Act
	Compensation for Occupational Injuries and Disease Act
General Laws and Regulation	Business Names Act
	Consumer Protection Act
	By-Laws and Municipal Regulations
	Broad-Based Black Economic Empowerment Act
	Competition Act
	National Credit Act

Source: Bosch *et al.* (2018:153)

According to Williams (2014:13), formalising informal businesses would have a positive impact on both formal and informal businesses, the government, and customers. Formal businesses would no longer need to compete against informal businesses who have an unfair competitive advantage over them by not complying with regulations (Chen, 2012:6).

There are numerous advantages for informal businesses if they formalise. Some examples include having better access to capital, advice and support, being covered by legal protection, and eliminating exploitative relationships with formal businesses (Williams, 2014:13). Chen (2012:11) supports this by adding that informal traders who formalise would also enjoy the benefits of being consulted when rules and policies are formulated and have improved access to legal and support services. Informal employees will enjoy employee benefits, such as UIF contributions, health-coverage, employer-provided retirement plan, paid sick days, as well as vacation days (Losby, Kingslow & Else, 2003:45). These authors also state that better access to credit will be enjoyed when informal traders formalise which can assist them with growth.

Williams (2014:13) states that customers will benefit from informal businesses formalising because they will be able to take legal recourse against the informal businesses if poor work was conducted. They can also be more assured that the business is adhering to health and safety requirements (Williams, 2014:13).

The government will also benefit for informal businesses formalising due to generating more revenue from taxes and having greater control of the quality of jobs available (Williams, 2014:13). Losby *et al.* (2003:48) support this by stating that when informal businesses formalise, they will need to report their income, reducing risk of being caught for tax evasion and increasing revenue for the government. Bashe (2012:10) suggested that if the informal economy is formalised, more formal jobs would be created, opening South Africa up to the world market.

2.3 AN OVERVIEW OF THE FACTORS THAT INFLUENCE THE PERCEIVED FINANCIAL PERFORMANCE OF INFORMAL TRADERS

The previous section provided an overview of the informal economy and informal traders. This section will firstly provide an explanation of the nature of perceived financial performance. Thereafter, the factors that influence the performance of small businesses, in general will be explored. Lastly, the external factors influencing the performance of informal traders will be discussed.

2.3.1 THE NATURE OF PERCEIVED FINANCIAL PERFORMANCE

The nature of a business can influence how performance is defined. There are two different types of businesses, namely: "lifestyle" businesses and "entrepreneurial" businesses (Burns & Dewhurst, 2016:5). Each type of business will have different goals and objectives, and hence different measures of performance. For example, "lifestyle" businesses do not strive for growth, while "entrepreneurial" businesses are started with the intention of growth (Urban *et al.,* 2015:15; Burns & Dewhurst, 2016:5). Given this difference, each business would view success differently. Philip (2010:3) mentions that another measure of performance is related to the duration of success i.e. short term or long-term.

Another perspective on measuring performance is related to the use of objective and subjective measures. Singh, Darwish and Potočnik (2016:220) state that objective measures include the use of recorded financial data, such as financial statements. According to Vij and Bedi (2016:604), objective measures are regarded as absolute. While performance is generally related to the attainment of goals and objectives, in business terms, it can be a measure of good management and is often associated with the financial performance of the firm (Philip, 2010:2). As stated by Saleem (2012:26), small business performance can be determined either through monetary measures including ROI, sales, and profits or non-monetary measures such as

stakeholder satisfaction, company growth. employee turnover, and sustainability. According to Singh *et al.* (2016:220), "Subjective measures involve the perceptions of managers in terms of how well their firm is performing". Perceived measures of performance are based on the positive correlations between objective and subjective measures (Vij & Bedi (2016:604). These authors also note that subjective measures of performance are more commonly used in research. Iddagoda and Gunawardana (2017:90) define perceived financial performance as the economic performance of the business measured by profitability, sales growth and return on assets. For the purpose of this study, performance will be measured by the informal traders' perception of their financial performance. *Perceived financial performance* refers to whether the informal business has grown in terms of profit, turnover, and employees over the past two years and whether or not the business is financially successful and profitable.

However, small businesses in South Africa are not successful, and various factors influence their performance. In South Africa, the amount of sustainable businesses has decreased considerably over the years (Herrington, Kew & Mwanga, 2017:28). Although small-to-medium enterprises (SMEs) are a major source of employment, revenue, poverty reduction, and innovation, Asah, Fatoki and Rungani (2015:308) found that about 70% to 80% of all South African SMEs fail. This is one of the highest failure rates in the world (George, Corbishley, Khayesi, Haas & Tihanyi, 2016:382). Makina, Fanta, Mutsinziwa, Khumalo and Maposa (2015:1) also found that SMEs in South Africa have poor success rates and note that between 2005 and 2006 only 1% of SMEs survived for up to 2.5 years. This high failure rate and lack of sustainability has led to there being fewer established businesses than early-stage entrepreneurs in the country (Herrington *et al.*, 2017:29).

2.3.2 FACTORS INFLUENCING THE FINANCIAL PERFORMANCE OF SMALL BUSINESSES IN GENERAL

Many factors determine the performance of a small business and these factors should be addressed simultaneously (Philip, 2010:10). Small business performance is dependent on the personal characteristics of the owner, internal factors and external factors.

Amato, Baron, Barbieri, Belanger and Pierro (2017:11) found that individual characteristics have a positive influence on the performance of new start-ups. According to Amato *et al.* (2017:1), successful entrepreneurs can recognize promising opportunities and use them to their advantage. Belás *et al.* (2014:24) state that an individual who is conscience, observant, creative,

innovative, determined, independent, and a risk-taker has an increased possibility of becoming a successful entrepreneur. Furthermore, Farrington (2017:382) highlighted five personality traits that could be associated with small business performance, namely "extraversion, conscientiousness, openness to experience, agreeableness, and neuroticism". Individuals who display extraversion, conscientiousness, and openness to experience have been found to create successful small businesses, with openness to experience being the most influential. According to Saleem (2012:26), an individual's level of education is positively correlated with the performance of their small business. It was also found that age has no influence on the performance of the business (Saleem, 2012:26; Philip, 2010:11). Although the majority of successful small business owners are male, there has been no significant evidence to indicate that gender has an impact on the success of the business (Philip, 2010:11).

The performance of a small business can also be associated with internal factors such as the size of the business, human resources employed, training and skills, the firm's ability to reduce costs and focus on core competencies, as well as the sales, marketing and entrepreneurial expertise in the business (Saleem, 2012:26). Small business owners also usually lack awareness, knowledge, experience, and expertise in information technology (Turner & Endres, 2017:38).

Furthermore, the performance of small businesses is dependent on various external factors. Philip (2010:6) adds that a firm's strategy, access to the internet, cooperation from employees, and the maturity of the business affect the performance of small businesses. Opportunities for new products or business development, the location of the business, and the ability to adapt to changing technological markets can also be seen as external factors contributing to the performance of small businesses (Saleem, 2012:26). Philip (2010:11) mentions that economic conditions affect the performance of small businesses. Small businesses often lack the necessary resources to reduce volatility and are therefore more susceptible to shocks (Moreno, Zarrias & Barbero, 2014:1527). In South Africa, SMEs fail to survive due to external factors such as volatile and uncertain environments (George *et al.*, 2016:382). Government support is also important for the performance of small businesses, particularly in developing countries (Philip, 2010:10). Saleem (2012:26) adds that other external factors such as legalities and government regulation, available infrastructure and resources, as well as competition can affect performance. According to Saleem (2012:28), third party associations, support from family and friends, as well as the availability of information all have a positive influence on the

performance of small businesses. This author also states that financial assistance and access to capital have an impact on the success of small businesses. In 2016, 67% of business closures were due to financial reasons i.e. they were not profitable or financially sustainable due to a lack of finance (Herrington *et al.*, 2017:29). Turner and Endres (2017:37) also found that the majority of small businesses fail due to a lack of capital and the inability to maintain good cash flow. This can be due to the fact that small businesses are not public companies and have to rely on financial institutions for finance (Burns & Dewhurst, 2016:24). For the purpose of this study, attention will be paid to the external factors that influence the perceived financial performance of informal traders.

2.3.3 EXTERNAL FACTORS INFLUENCING THE PERFORMANCE OF INFORMAL TRADERS

The entrepreneurial ecosystem will be used to identify the factors required to create an external environment in which informal businesses can flourish. Numerous definitions of an entrepreneurial ecosystem have been proposed by different authors. Van de Wiele (2016:17) defines an entrepreneurial ecosystem as a combination of individual elements within a region which interacts in a complex manner to foster the development and growth of innovative enterprises. An entrepreneurial ecosystem is also described as a complex system of stakeholders which is shaped by-laws, regulations as well as formal and informal institutions (SAB Foundation & Allan Gray Orbis Foundation, 2017). Stam and Spigel (2016:1) add that an entrepreneurial ecosystem consists of interdependent elements in the entrepreneurial environment that encourage the development of innovative start-ups. In addition, Mason and Brown (2014:5) assert that an entrepreneurial ecosystem can either be industry-specific or include several industries. Although an entrepreneurial ecosystem is geographically bounded, it is not confined to a specific geographic scale (Mason & Brown 2014:5).

One problem surrounding the entrepreneurial ecosystem is that there is a lack of information about the relationships and interactions between the six elements, i.e. there are no arrows indicating the direction of influence (Isenberg, 2011:7). However, this does not render the ecosystem as an inadequate concept to understand entrepreneurship development. According to Isenberg (2016:573), the multi-layered interactions between the six elements take place in a self-regulating and self-sustaining environment, favourable for entrepreneurship.

Thus, it can be deduced that an entrepreneurial ecosystem is a complex system consisting of various interdependent elements within a geographic region that creates a conducive environment for entrepreneurial activities, innovation, and economic growth. Taking this into account, an entrepreneurial ecosystem was used to identify the various factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay.

According to Mason and Brown (2014:5), there have been many variations of entrepreneurial ecosystems assessment frameworks. These frameworks vary according to their geographic level of analysis, their level of detail, and their domain focus (Aspen Network of Development Entrepreneurs, 2013:2). The nine varying approaches to assessing the entrepreneurial ecosystem are summarised in Table 2.4. In the table below, the following acronyms were used: COC (Council of Competitiveness); GEDI (Global Entrepreneurship and Development Index); 6+6 (Koltai and Company LLC - Six + Six Model); GSMA (Groupe Spécial Mobile Association); OECD (Organisation Economic Co-operation and Development); and WEF (World Economic Forum).

The frameworks presented differ in their assessments; some are conceptual frameworks and others are measurement models. The OECD conceptualises the entrepreneurial ecosystem through three factors (opportunities, skilled people and resources) and two themes (culture and regulatory framework) simplified into the respective domains presented in Table 2.3 (Aspen Network of Development Entrepreneurs, 2013:13). This author notes that OECD also provides indicators that can be used as a measuring instrument. Entrepreneurial ecosystems can be measured using objective and/or subjective measures, this includes combining objective measures of performance along with perceptions of the business environment (Aspen Network of Development Entrepreneurs, 2013:17). Furthermore, the entrepreneurial ecosystem frameworks can take place at a national and/or a regional level. The GEDI conceptualises and measures domains at a national level (German Cooperation, 2018:59).

The Babson and COC frameworks were considered for this study because they are appropriate for a local or subnational/regional level (Aspen Network of Development Entrepreneurs, 2013:2). In addition, the OECD framework was also considered when deciding which elements to use. For the purpose of this study, these three frameworks were adapted to form an entrepreneurial ecosystem assessment framework that was more suitable for the Nelson Mandela Bay at a regional level.

Table 2.3: Summary of the nine Entrepreneurial Ecosystem assessment frameworks

DOMAIN	BABSON	COC	GEDI	RAINFOREST	6+6	GSMA (ICT)	OECD	DOING BUSINESS	WEF
Human Capital	✓	✓	✓	✓	✓	✓	✓		✓
Finance	✓	✓	✓	✓		✓	✓		✓
Infrastructure	✓	✓				✓	✓	✓	✓
Support/Services / Connections	✓	✓	✓		✓	✓	✓		✓
Policy	✓	✓	✓		✓	✓	✓	✓	✓
Culture	✓	✓	✓	✓	✓	✓	✓		✓
Markets	✓		✓			✓	✓		
R&D/Innovations	✓	✓	✓	✓		✓	✓		
Quality of life		✓							
Macroeconomic conditions							✓		

Source: Aspen Network of Development Entrepreneurs (2013:3)

For the purpose of this study, the external factors that influence the success of informal traders will be seen through the various elements of the entrepreneurial ecosystem (Mason & Brown, 2014:5). As can be seen in Table 3.4, human capital, finance, infrastructure, support services, policy, entrepreneurial culture, and markets are regarded as the most important pillars of an entrepreneurial ecosystem (Mack & Mayer, 2016:2120; Van de Wiele, 2016:17; Spigel, 2017:51). Each element of the entrepreneurial ecosystem contains its own corresponding core components (Mack & Mayer, 2016:2120). The section to following will elaborate on these components.

(i) Human Capital

Jin, Madison, Kraiczy, Kellermanns, Crook, and Xi (2017:744) explain that human capital is vital for success, especially since high levels of education and skills allow entrepreneurs to handle the demands of establishing and running a business better. According to Herrington *et al.* (2017:22), individuals who were confident in their abilities to start a new business were four to six times more prone to be involved in entrepreneurial activities. According to Isenberg (2016:572), the human capital required to encourage start-ups include the available labour as well as education. Urban *et al.* (2015:55) support this by adding that human capital includes the knowledge and skills obtained through education and training. Additionally, human capital

can also refer to the level and type of education of an individual (Aspen Network of Development Entrepreneurs, 2013:11; Urban *et al*. 2015). For the purpose of this study, human capital will be operationalised as the level of access to education and training experienced by informal traders, referring to opportunities to improve their business-related knowledge, skills and capabilities.

In South Africa education and training opportunities are provided by the Small Enterprise Development Agency (SEDA) and National Youth Development Agency (NYDA). Ntsika Enterprise Promotion Agency established the Local Business Service Centres (LBSC) to assist in meeting the training needs of businesses (Tassin, 2014:23). Ntsika was also one of four organisations that launched the Manufacturing Advice Centres (MAC) to provide knowledge on how to improve businesses competitiveness at a national and international level (Tassin, 2014:23). The Tender Advice Centre (TAC), also created by Ntsika, supplied assistance and training on how to bid for government tenders in South Africa (Tassin, 2014:23). According to Tassin (2014:23), the centres launched by Ntsika were ineffective, which brought about the creation of the SEDA. The aim of SEDA was to assist SMEs to develop products and services (Tassin, 2014:27). According to Tassin (2014:28), SEDA has three branches that include SEDA Business Talk, Start, and Build that offer vital information, tools, and techniques to start and maintain a business. The National Youth Development Agency (NYDA) aims to provide mentorship, education and training, and career guidance to the youth of South Africa (The National Youth Development Agency, 2015). The National Youth Development Agency (2015) develops partnerships, conducts research on the participation of youth in society, and offers youth development programmes to mobilise South African youth. Other sources of education and training could involve business courses and seminars provided by formal and informal education institutions (Bosch *et al.*, 2018:487).

According to Becker (2004:55), a 1991 household survey of the urban and rural informal economy in Tanzania revealed that 51% of informal traders in that country only attended primary school. Contrastingly, Kavese (2015:19) reported that 7.4% of informal traders in South Africa attained a primary school education. According to Herrington and Kew (2016:36), as well as Horn (2011:4), more than a quarter (28.2% and 29% respectively) in South Africa have completed secondary education i.e. grade 12. Kavese (2015:18) noted that only 18% of South African informal traders completed grade 12, and in the Eastern Cape the number was only 15.3%. Interestingly, Mukwarami (2017:71) found that 35.5% of informal traders in the

Western Cape had this level of education. According to Herrington and Kew (2016:36), approximately 48% of informal traders in South Africa have tertiary education. However, Kevese (2015:18) and Mukwarami (2017:71) noted that only 4% of informal traders in the Eastern and Western Cape have a tertiary education.

According to Kavese (2015:15) informal economies incorporate five sectors namely, "the retail sector, the manufacturing sector, the service sector, the construction sector, and the agriculture sector". Each sector may require additional skills; however, the informal economy is dominated by business operating in the retail sector (Kavese, 2015:15). The retail industry requires a low skill level and has very low entry barriers (Kavese, 2015:20). This results in informal traders entering the economy with little to no skills or know-how. According to Ligthelm (2004:43), 90% of informal traders in South Africa received no formal training to run their business. This author further states that 70% of informal traders specifically require management skills. Kavese (2015:20) explains that informal traders require technical skills, management skills, entrepreneurial skills, and personal-maturity skills to be successful. Successful informal traders should have the ability to profit from market opportunities and take risks to create a sustainable value-creating product (Kavese, 2015:20). For the purpose of this study, education and training focused on general, marketing, financial, and inventory management, business start-up knowledge, leadership and problem-solving skills, customer service and sales skills, as well as math and reading skills.

(ii) Finance

Financial assistance is the most important external factor that influence the success of all businesses especially after the 2008 financial crisis exposed how susceptible financial institutions are to external threats (Krishnan, Nandy & Puri, 2014:1). Most governments and support organisations allocate financial resources to alleviate institutional constraints (Piza, Cravo, Taylor, Gonzalez, Musse, Furtado, Sierra & Abdelnour, 2016:12). According to Isenberg (2011:7), the finance element of the entrepreneurial ecosystem contains only one core component, namely financial capital, with several variables indicating how entrepreneurs can obtain funding, such as debt-funding, private equity partners, bank loans, and loans from family members and friends. Thus, this element refers to the available financial services which can be utilised by entrepreneurs to establish and fund their business (Aspen Network of Development Entrepreneurs, 2013:11). Stam (2017:5) supports this by adding that the finance element focuses on the accessibility and supply of finance to not only existing businesses, but new

businesses as well. Small business funding can be provided using equity financing including venture capital and angel investors, debt financing such as trade credit and non-bank financial institutional debt, bank financing, and government assistance (Abdulsaleh & Worthington, 2013:40-46). For the purpose of this study the finance element of the entrepreneurial ecosystem was seen as the access that informal traders have to various forms of finance. Access to finance refers to the extent to which informal traders have access to debt finance, equity finance, government grants, collateral security, and credit from suppliers.

In South Africa, financial assistance is mainly provided by the Small Enterprise Finance Agency (SEFA). The Industrial Development Corporation of South Africa (IDC) and Khula Enterprise Finance merged together to form SEFA in 2012 (Nieman & Nieuwenhuizen, 2014:220). The IDC funds start-up businesses and also provides loan appraisals and information on how to conduct a feasibility study (Industrial Development Corporation, 2019). The Department of Trade and Industry (DTI) established Khula Enterprise Finance, who provided financial assistance to SMEs through retail finance agencies (Tassin, 2014:23). SEFA mainly provides loans of up to R5 million for small businesses (Nieman & Nieuwenhuizen, 2014:221). The Department of Trade and Industry (DTI) (2018) explain that the Isivande Women's Fund (IWF) was developed to support and enhance the success of black and women entrepreneurs in South Africa. The IWF provides between R30 000 and R2 million worth of funding to women-owned businesses that meet their specified criteria (The Department of Trade and Industry, 2018).

The majority of South African informal traders make use of personal savings as their main source of start-up funding (Mukwarami, 2017:33; Peberdy, 2016:71; Jere *et al.*, 2014:30; Ligthelm, 2004:48). These authors also note that the second most popular source of start-up funding is relatives. Entrepreneurs who do not have sufficient personal savings to start their business and who borrow from friends and family put their financial success and personal relationships at risk (Longenecker, Petty, Palich, Hoy, Radipere, & Phillips, 2017:335). Interestingly, very few informal traders make use of Stokvels or other informal money lenders as a source of funding (Chikanda & Tawodzera, 2017:16; Peberdy, 2016:71). According to Mukwarami (2017:33) and Ligthelm (2004:48), only 12% of South African informal traders make use of Stokvels.

(iii) Infrastructure

Infrastructure regards the transport, workspaces, such as a physical market stall, storage facilities, water, and electricity (Becker, 2004:22). For the purpose of this study, *access to infrastructure* refers to the level of access that informal traders have to electricity, clean water, transport, storage facilities, shelter, a safe trading space, bathroom facilities, waste bins, and internet. In South Africa, the Pan African Infrastructure Development Fund (PAIDF) aims to develop infrastructure in the energy, transport, information technology, as well as water and sanitation sectors of South Africa (Harith 2011). SEDA's Business Grow branch also provides the infrastructure necessary for businesses to grow (Tassin, 2014:28). This specific branch of SEDA facilitates the development of business systems and offers strategies for growth and cooperative support (Tassin, 2014:28).

Shabalala (2014:97) notes that infrastructure such as clean water, electricity, toilet facilities, and workspace is important for informal traders to flourish. However, the specific infrastructural needs of informal traders vary (Shabalala, 2014:113). This fact can make it difficult for the government to allocate sufficient resources to meet the needs of informal traders. The Global Entrepreneurship Monitor (GEM) report notes that South Africa has sufficient access to physical infrastructure and services (Herrington & Kew, 2016:48). According to Shabalala (2014:18), if informal traders had access to adequate infrastructure their performance would improve due to the better working conditions.

(iv) Support services

The support services element of the entrepreneurial ecosystem includes: (i) infrastructure such as transport, logistics, telecommunications, and electricity; (ii) support services, such as accountants, lawyers, investors and advisors; and (iii) non-government initiatives such as entrepreneurship associations and contests for entrepreneurs (Isenberg, 2016:572). According to the German Cooperation (2018:29), the actors in the support element include business incubators and accelerators; Industry associations or networks; business service providers and mentors; as well as entrepreneurial initiatives such as contests and conferences. With regards to this study, infrastructure was seen as a separate element. For the purpose of this study, *access to support services* refers to the extent to which informal traders have access to legal services, tax services, accounting services, business consultants, business mentorship programmes, business incubators, and financial planners.

The South African Informal Traders Forum (SAITF) aims to mobilise traders, who face certain operational challenges, to voice their opinions on informal trading policies and decision-making processes (Matjomane, 2013:115). SAITF engages with informal traders by holding regular meetings to discuss issues that will then be passed on to higher officials such as the government (Matjomane, 2013:117). The objective of the South African National Traders Retail Alliance (SANTRA) is to support traders on policy matters so that they can contribute to both the informal economy and formal economy (Matjomane, 2013:116). SANTRA uses their influence to highlight the challenges faced by informal traders and the lack of government action in this regard (Matjomane, 2013:121). According to Tassin (2014:22), Ntsika was also launched by the DTI to offer support services to small and medium businesses.

(v) Policy

The policy element contains two core components including leadership and government (Mack & Mayer, 2016:2120). Policy, in the business environment, refers to "the rule of law, meaning legal rights which can, for instance, inhibit corruption or regulate the business registration process" (German Cooperation, 2018:12). According to Aspen Network of Development Entrepreneurs (2013:13), entrepreneurship is affected by policies regarding the tax rates, tax incentives, and the cost of establishing a business. The government can provide entrepreneurs with many support options such as financial investments and tax benefits; however, the government can also hinder the growth of entrepreneurs through legal and regulatory frameworks (Mack & Mayer, 2016:2120). The low levels of business efficiency experienced in Africa leads to governments implementing policies aimed at improving and promoting small businesses growth (McKenzie, 2011:600). Assistance provided in developing countries are usually aimed at addressing the institutional constraints that hinder the growth and success of informal traders (Piza *et al.,* 2016:12). Becker (2004:27) assert that the informal economy is here to stay and that the government should formulate the correct policies to support the businesses operating within this economy. For the purpose of this study the policy element will deal with informal traders' perception of how favourable government policies are. Therefore, *policies supporting informal trading* refers to the informal traders' perception regarding policies related to the establishment of informal businesses; labour; licenses and permits; tax; safety; land tenure customs and trade; as well as the cost of complying to and enforcement of such policies.

The National Small Business Act of 1996 was established for the development and promotion of small businesses in South Africa (Nieman & Nieuwenhuizen, 2014:217). This act aims to provide a positive enabling environment for emerging and expanding small and medium businesses (Nieman & Nieuwenhuizen, 2014:218).The Nelson Mandela Bay Metropolitan Municipality (2018) created by-laws that specify where informal traders are permitted to trade, identify the duties and responsibilities of street traders, provide a code of conduct to be followed, and stipulate the disciplinary actions to be taken for non-compliance.

Policy frameworks create incentives for entrepreneurs to start their own business (Urban *et al*., 2015:252). However, these incentives can have unforeseen results due to entrepreneurs entering the industry only to reap these benefits (Kevese, 2015:22). Small business policies and policies targeted at black empowerment increase the availability of resources needed to exploit marketplace opportunities (Urban *et al*., 2015:253). South Africa's government policies are insufficient according to the GEM (Herrington, Kew & Mwanga, 2017:104). Becker (2004:27) suggests that with the appropriate policies formulated by the government, informal businesses will stand a better chance of achieving success and growth. As previously mentioned, informal traders who formalise will enjoy the benefits of being consulted when rules and policies are formulated and have improved access to legal and support services (Chen, 2012:11). Informal employees will enjoy employee benefits, such as UIF contributions, health-coverage, employer-provided retirement plan, paid sick days, as well as vacation days (Losby, Kingslow & Else, 2003:45).

(vi) Culture

Entrepreneurial activities can be influenced by culture, which is the conventional practices and norms of society, as well as previous success stories from entrepreneurs who became global leaders in their fields and inspire the next generation of entrepreneurs (Spigel, 2017:52). Spigel (2017:52) states that success stories and societal norms as the two core components found under the culture element of the entrepreneurial ecosystem. According to Stam (2017:5), the culture element of the entrepreneurial ecosystem also refers to how society view and value entrepreneurs. For the purpose of this study, the culture element refers to the *socio-cultural aspects supporting the informal trading*, which is whether the local culture and those important to the informal trader (including family and friends) support and value informal trading, tolerates risk-taking and failure, and views informal trading as a viable career option.

There are no formal institutions that can directly provide encourage an entrepreneurial culture. This element is found within a society maintaining a culture that supports entrepreneurial activity. Socio-cultural support is influenced by the role that media plays in society (German Cooperation, 2018:29). Media such as television, social media, blogs, podcasts, role models, and influencers can create an environment that is conducive to an entrepreneurial culture (German Cooperation, 2018:29; Bosma & Kelly; 2018:15). In addition, Nieman and Nieuwenhuizen (2014:14) suggest that an environment that is entrepreneurially oriented should be encouraged by schools and educational programs, big corporations, and non-governmental organisations. However, according to the GEM report, South Africa's cultural and societal norms related to entrepreneurial activity is insufficient (Herrington *et al.*, 2017:104).

Entrepreneurial activity flourishes in a supportive culture. This is evident in those countries who view entrepreneurship as a viable career choice and also are accepting of failure (Nieman & Nieuwenhuizen, 2014:12; Urban *et al*., 2015:104). According to Bosma and Kelly (2018:15), a society that perceives entrepreneurship as an acceptable career positively influences entrepreneurial activity. These authors also state that entrepreneurs have a higher social status when operating in a society that is supportive of entrepreneurs. According to Nieman and Nieuwenhuizen, (2014:12) and Urban *et al.* (2015:104), a culture that is moderately independent and self-reliant is supportive of entrepreneurial activity and growth. Mason and Brown (2014:23) suggest that entrepreneurs will have a better chance of succeeding in a society where the following is evident: (i) the societal contributions of entrepreneurs are valued; (ii) the title 'entrepreneur' is linked to a high social status; (iii) financial success is celebrated; and (iv) failure is tolerated.

(vii) Markets

This element deals with the market opportunities available for entrepreneurs including entrepreneurial networks and early customers (Mack & Mayer, 2016:2120). In addition, access to markets refers to the availability of market information such as whether the products/services provided by the entrepreneur has a chance of succeeding (Van de Wiele, 2016:20). Entrepreneurial networks allow entrepreneurs to gain valuable resources needed to start their business and exploit opportunities (Wright, Hoskisson, Busenitz, Dial, Robbie, Chiplin & Albrighton, 2015:65). For a business, having early customers proves their product/service is viable in the market and it provides valuable customer reviews that the business can use to its advantage (Mack & Mayer, 2016:2120). For the purpose of this study, a*ccess to markets* refers

to how easily informal traders can access market information; whether or not other organisations buy from or support informal traders; the willingness of local customers to provide advice and be flexible with payment terms; and the extent to which competitors affect informal traders' performance.

The Community Chamber of Commerce in South Africa is a leading business support centre located in Johannesburg (Community Chamber of Commerce, 2018). It allows local businesses, leaders, owners, and entrepreneurs to meet daily and brainstorm ideas, explore business opportunities, discuss projects, pursue joint ventures, and form strategic alliances (Community Chamber of Commerce, 2018). The Think Coffee Club hosts meetings every weekday to meet experienced founders and members from various business and community project backgrounds (Community Chamber of Commerce, 2017). On Saturdays, the Wisdoms Centre business support workshop is held at the Community Chamber of Commerce (Community Chamber of Commerce, 2017). The South African Business Hub is an online platform for small businesses that offers courses and classes, access to academic resources, a business forum and many other resources (SA Business Hub, 2019). Forum SA offers various forums online such as the technology forum, accounting forum, general chat forum, and labour relations and legislations forum, all of which can be useful for start-ups (The Forum SA, 2019).

Small businesses often lack access to resources that are typically available to larger businesses, and therefore mostly rely on the freely available information (Phillips, 2014:129). According to Mukwarami (2017:85), 59.5% of informal traders in the Western Cape lost out on quantity discounts due to a lack of business networking. Networking gives entrepreneurs the ability to benefit from actual and potential resources by forming a network of critical relationships (Urban *et al.*, 2015:88). Business networking provides entrepreneurs with benefits including shared market information, access to different suppliers and distributors, mentorships, and the opportunity for joint buying and marketing (Nieman & Nieuwenhuizen, 2014:12). A summary of the factors that influence the perceived financial performance of informal traders can be found in Table 2.4 below.

Table 2.4: Summary of the factors that influence the perceived financial performance of informal traders

ELEMENT OF THE ENTREPRENEURIAL ECOSYSTEM	VARIABLE USED IN THIS STUDY	OPERATIONAL DEFINITION	THE ENTREPRENEURIAL ECOSYSTEM OF SOUTH AFRICA	STAKEHOLDERS, FORMAL AND INFORMAL INITIATIVES
Human Capital	Access to education and training	The level of access informal traders have to opportunities to improve their and their employees' human capital by enhancing business-related knowledge, skills and capabilities.	• Informal traders are characterised by relatively low levels of education (most studies found that they have only attended high school). • The skills required by informal traders include general, marketing, financial, and inventory management, business start-up knowledge, leadership and problem solving, customer service and sales skills, as well as math and reading skills.	The Small Enterprise Development Agency (SEDA) National Youth Development Agency (NYDA)
Finance	Access to finance	The extent to which informal traders have access to debt finance, equity finance, government grants, collateral security, credit from suppliers, finance from family and friends, Stokvels, and informal money lenders.	• Financial assistance is the most important external factor that influences the success of all businesses. • The majority of informal traders make use of personal savings as their main source of start-up funding. • Informal traders require better access to debt finance, equity finance, government grants, collateral security, and credit from suppliers.	The Industrial Development centre (IDC) The Department of Trade and Industry (DTI) The Small Enterprise Finance Agency (SEFA) The Isivande Women's Fund (IWF)
Infrastructure	Access to infrastructure	The level of access that informal traders have to electricity, clean water, transport, storage facilities, shelter, a safe trading space, bathroom facilities, waste bins, and the internet.	• there is a lack of infrastructure to support informal businesses, including access to water, shelter, and electricity, which creates a challenging work environment for informal traders.	The Pan African Infrastructure Development Fund (PAIDF) SEDA Business Grow

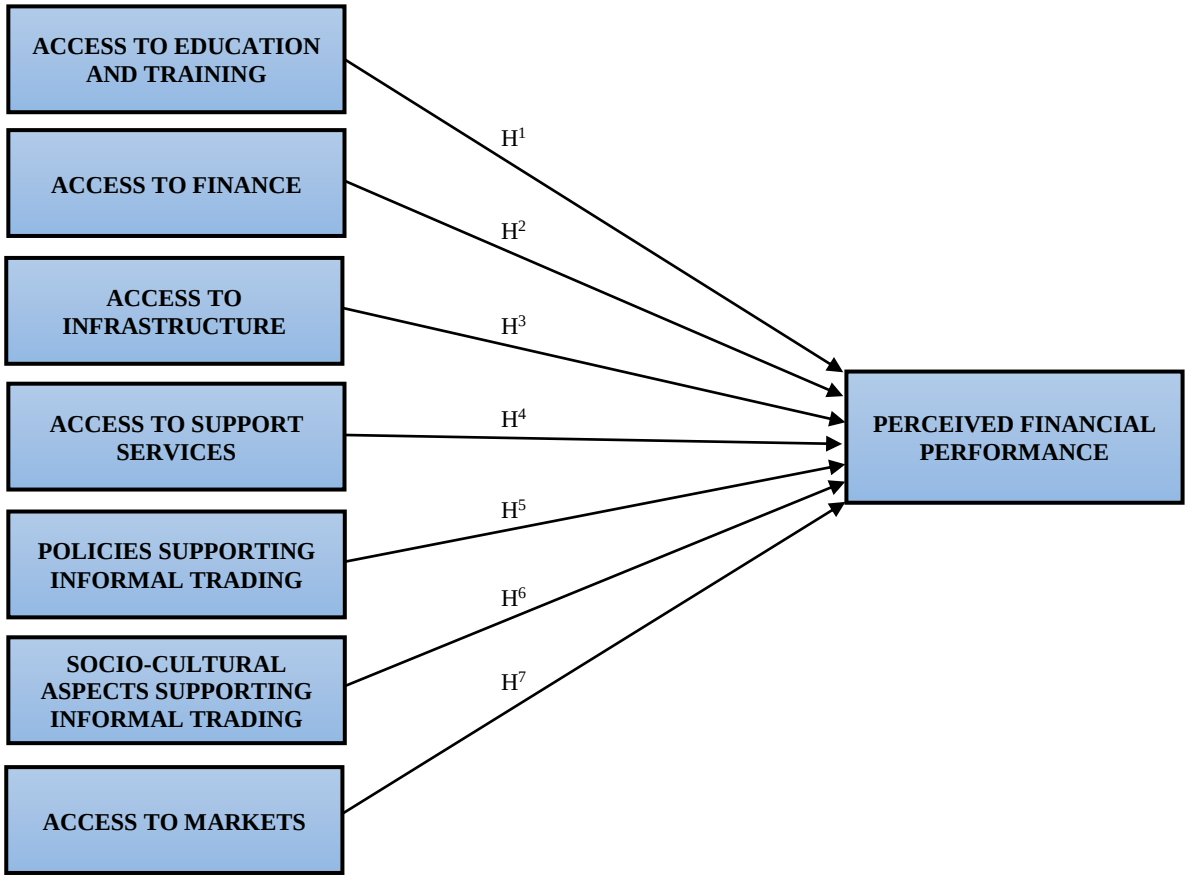
ELEMENT OF THE ENTREPRENEURIAL ECOSYSTEM	VARIABLE USED IN THIS STUDY	OPERATIONAL DEFINITION	THE ENTREPRENEURIAL ECOSYSTEM OF SOUTH AFRICA	STAKEHOLDERS, FORMAL AND INFORMAL INITIATIVES
Support services	Access to support services	The extent to which informal traders have access to legal, tax, and accounting services; business consultants, mentorships, and incubators; and financial planners, entrepreneurial networks, and non-profit organisations that promote and assist entrepreneurs.	• Informal traders are unaware of support programmes available (if any) to assist them. • Informal traders have limited access to formal financial and legal systems.	The South African Informal Traders Forum (SAITF) The South African National Traders Retail Alliance (SANTRA) The Department of Trade and Industry (DTI)
Policy	Policies supporting informal trading	The informal traders' perception regarding policies related to the establishment of informal businesses; labour; licenses and permits; tax; safety; land tenure customs and trade; as well as the cost of complying to and enforcement of such policies.	• The informal economy is defined as the unregulated market. • Despite the increase of informal trading in South Africa, there has been no increase in political or legal support. • The municipal by-laws in South Africa discourage entrepreneurial activities.	The Nelson Mandela Bay Municipality The National Small Business Act of 1996
Culture	Socio-cultural aspects supporting informal trading	Whether the local culture and those important to the informal trader (including family and friends) support and value informal trading, tolerates risk-taking and failure, and views informal trading as a viable career option.	• Informal businesses, such as street vendors, are mostly regarded as a hindrance to society.	Environment conducive to entrepreneurial activity
Markets	Access to markets	How easily informal traders can access market information; whether or not other organisations buy from or support informal traders; the willingness of local customers to provide advice and be flexible with payment terms; and the extent to which competitors affect informal traders' performance.	• Informal traders lose out on opportunities such as discounts due to their lack of business networking.	The Community Chambers of Commerce The SA Business Hub The Forum SA

Source: Authors' own construct

2.4 HYPOTHESISED MODEL

The primary objective of the study is to investigate the factors that influence the perceived financial performance of informal traders in the Nelson Mandela Bay. Based on the preceding literature review, seven factors influencing the performance of informal businesses were identified, namely: (i) *access to education and training*; (ii) *access to finance*; (iii) *access to infrastructure* (iv) *access to support services*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading*; and (vii) *access to markets*. For the purpose of this study, business performance was measured by perceived financial performance. These factors were utilised to develop the hypothesised model illustrated in Figure 2.1.

Figure 2.1: Hypothesised model: The factors influencing the perceived financial performance of informal businesses in the Nelson Mandela Bay



Source: Authors' own construct

The following hypotheses have been formulated to test the relationships proposed in the hypothesised model:

- H^1 *Access to education and training* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^2 *Access to finance* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^3 *Access to infrastructure* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^4 *Access to support services* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^5 *Policies supporting informal trading* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^6 *Socio-cultural aspects supporting informal trading* influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay
- H^7 *Access to markets* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay

2.5 SUMMARY

The purpose of this chapter was to provide theoretical support and justification for the hypothesised relationships between the factors that influence the perceived financial performance of informal traders. The chapter commenced with an overview of the informal economy and informal traders. Thereafter, an overview of the factors that influence the perceived financial performance of informal traders was presented. The chapter to follow will include a discussion of the research design and methodology used in this study.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

In the previous chapter, a literature review was presented on the informal economy and informal traders. An overview of the factors that influence the perceived financial performance of informal traders was also provided. This chapter will expand on how the hypothesised model, developed in Chapter 2, will be tested by describing the research design and methodology used in this study. This will include an explanation of the research paradigm and research philosophy, the research approach, the research strategy, methodological choices, the time horizon, and the techniques and procedures adopted in this study.

3.2 RESEARCH DESIGN AND METHODOLOGY

The research "onion" framework was used as a guideline to approach the research process and design in this study. The research "onion" framework can be regarded as a metaphor describing all the processes of conducting a study (the layers of the onion) (Palić *et al.*, 2015:53). The research "onion" framework consists of the following layers (from the outside inwards): (i) the philosophies adopted by the researcher; (ii) the approach used to conduct the research; (iii) the research strategies implemented; (iv) the methodological choices made; (v) the time horizon of the study; and in the centre of the onion (vi) the techniques and procedures utilised to collect and analyse data (Palić *et al.*, 2015:54). The section to follow will elaborate on each layer of the research "onion" as it pertains to the present study.

3.2.1 RESEARCH PHILOSOPHY AND RESEARCH PARADIGM

According to Saunders *et al.* (2019:133), research philosophy refers to the beliefs and assumptions that relate to the development of knowledge and the nature of that knowledge. They explain that there are three fundamental research assumptions that distinguish the research philosophies from each other, namely ontology, epistemology, and axiology. Ontology is defined as a branch of philosophy concerned with how individuals regard the nature of reality (Antwi & Hamza, 2015:218). In terms of ontology, the researcher could assume that reality is characterized by social order or constant change (Antwi & Hamza, 2015:218). Epistemology concentrates on the knowledge that will be required to solve the research question and considers whether an objective or subjective approach would be best to

study social reality (Palić *et al.,* 2015:35). Saunders *et al.* (2019:134) note that axiology takes into account the influence of the researcher's as well as the respondents' values and ethics on the study that is being conducted.

It is noted by Ismail (2017:139) that there are four major types of research philosophies including positivism, interpretivism, realism, and pragmatism. Positivism assumes that only events that you can observe and measure, will result in the production of credible data, i.e. phenomenalism (Flick, 2010:69). Ismail (2017:138) further explains that researchers adopt a positivist paradigm to predict human behaviour through the combination of a deductive approach and the precise measurement of quantitative data. Interpretivism states that it is essential for the researcher to understand their role as social actors (Saunders *et* al., 2009:116). Realism is similar to positivism in that it adopts a scientific approach to the development of knowledge and can be further categorised into two types namely, direct realism and critical realism (Saunders *et al*. 2009:114). According to Flick (2010:472), pragmatism focuses on three main ideas: (i) the meaning of a concept can be found through its practical use; (ii) thought guides action; and (iii) practical consequences reveal the truth.

A research paradigm is used to scrutinize social phenomena to improve the understand of the phenomena and attempt to explain why they occur (Saunders *et al.,* 2009:118). Four classifications of paradigms are identified by Saunders *et al.* (2009:119) including: (i) the functionalist paradigm; (ii) the interpretivist paradigm; (iii) the radical structuralist paradigm; and (iv) the radical humanist paradigm. The functionalist paradigm attempts to explain the current situation from a viewpoint that is realist, i.e. it assumes that reality is what is tangible and exists independent from the researcher (Callaghan, 2017:68; Starnawska, 2017:250). In contrast, the interpretivist paradigm views reality through a subjective approach, i.e. it attempts to attach a subjective value to experiences or towards certain objects (Rahi, 2017:2). According to Callaghan (2017:84), the radical structuralist paradigm is based on an objective reality; however, it assumes a radical change perspective and therefore focuses on the systematic relationships within a realist social reality. The radical humanist paradigm, on the other hand, takes a subjective approach to develop a sociology of radical change (Callaghan, 2017:89-90).

The researchers of the present study followed a functionalist paradigm and adopted a positivist philosophical stance as defined by Callaghan (2017:68) and Ismail (2017:138). The observable reality investigated in this study was the factors that influence the perceived financial

performance of informal traders. Data was gathered and analysed objectively to determine which factors have the most influence the perceived financial performance of informal traders in the Nelson Mandela Bay.

3.2.2 RESEARCH APPROACH

Saunders *et al*. (2009:126) identify the following three reasons why the research approach is important: (i) it allows researchers to make informed decisions concerning the research design; (ii) it aids in identifying the appropriate research strategies to use; and (iii) it allows for adaptations to the research design to avoid any constraints.

There are two analytical approaches to analysing data, namely the deductive and inductive approaches (Saunders *et al.,* 2009:480). The deductive approach starts with the development of a hypothesis from existing theory, then the hypothesis is tested and lastly, a decision is made whether a hypothesis is accepted or rejected. Deductive approaches are commonly associated with quantitative research where the relationship between two or more variables is analysed (Johnson & Onwuegbuzie, 2007:18). According to Antwi and Hamza (2015:220), researchers make use of an inductive approach when they first gather data and then develop theory from the data analysis. Inductive approaches are associated with qualitative research where the researcher aims to understand the behaviour of individuals from their perspectives (Johnson & Onwuegbuzie, 2007:18).

The researchers of the present study followed a deductive approach. The objective of this study was to investigate the factors that influence the perceived financial performance of informal traders in the Nelson Mandela Bay. Thus, hypotheses were developed from existing theory and tested by assess the relationships between the independent variables *(access to education and training, access to finance, access to infrastructure, access to support services, policies supporting informal trading, socio-cultural aspects supporting informal trading,* and *access to markets)* and the dependent variable (*perceived financial performance*).

3.2.3 RESEARCH STRATEGY

A researcher develops a research strategy to maintain a clear objective throughout the data collection and analysis processes. Ismail (2017:142) defines a research strategy as a scientific method used by researchers to gather and analyse data to solve a specific research problem. Research strategies include experiments, case studies, action research, grounded theories,

ethnographies, archival research, and surveys (Rahi, 2017:2). The experimental method involves the study of casual links, such as the relationships between independent and dependent variables (Saunders *et al*., 2009:126). These authors further explain that case studies set out to describe a problem or situation by conducting an empirical investigation based on multiple data sources. Action research involves studying the interactions between practitioners and researchers to gather observational and behavioural data that will prove to be successful in other contexts (Walliman, 2011:12). Through grounded theory, the researcher attempts to predict and explain behaviour by developing an abstract theory through a process which involves several stages of data collection and analysis (Creswell, 2017:14). This author describes ethnographies as a study of a group of people in which the researcher collects data by observing how the participants interact in natural settings over a period of time. Archival research involves reporting the occurrence and prevalence of phenomena by means of administrative records and documents (Rahi, 2017:2). The survey strategy, associated with the deductive approach, is mostly used in social sciences and gathers data through interviews or questionnaires (Rahi, 2017:2). Collis and Hussey (2014:62) define a survey strategy as one that collects primary or secondary data from a sample to make inferences about the population. The researchers of this study made use of a survey strategy by collecting primary data, by means of a questionnaire, from a sample of informal traders in the Nelson Mandela Bay.

3.2.4 METHODOLOGICAL CHOICES

Ismail (2017:145) asserts that research methodology relates to the manner in which social scientists conduct their research, gather their data, interpret the data, and finally present the data to answer a research question. This can be done by means of mono-methods, which includes either quantitative or qualitative methods, mixed-methods or multi-methods (a combination of quantitative and/or qualitative methods) (Palić *et al.*, 2015:44).

Researchers who make use of quantitative research methods focus on gathering data through an objective approach using structured questionnaires (Rahi, 2017:2). Antwi and Hamza (2015:221) assert that most quantitative researchers focus on cause-and-effect relationships between independent and dependent variables, which are then used to make predictions and generalisations. The quantitative research method is usually associated with the functionalist paradigm and positivism philosophy (Rahi, 2017:2).

Qualitative research methods are used by researchers when in-depth data, from the perspectives of participants, are required about a specific topic (Rahi, 2017:2). Antwi and Hamza (2015:219) elaborate that personal contact is involved when conducting qualitative research to enable researchers to understand the personal feelings and thoughts of participants. The qualitative research method is usually associated with the interpretivist paradigm and interpretivism philosophy (Rahi, 2017:2).

Mixed-method designs provide a clear description of the phenomena being researched using a combination of quantitative and qualitative research in a single study (Palinkas, Horwitz, Green, Wisdom, Duan & Hoagwood, 2015:533). Multi-method designs, similar to mixed-method designs, make use of both qualitative and quantitative data collection using the same research paradigm (Halcomb & Hickman, 2015:3).

For the purpose of this study, the researchers made use of the quantitative research method to gather data from informal traders in the Nelson Mandela Bay. The researchers used a structured questionnaire and remained objective to ensure that human bias is avoided as much as possible. The data collected was then analysed using statistical methods to determine the relationship between the independent and dependent variables.

3.2.5 TIME HORIZON

A researchers' time horizon is entirely independent of the research strategy pursued or methodology adopted (Saunders *et al*., 2009:155). Walliman (2011:78) states that a longitudinal study is conducted by collecting data over an extended time period to observe change and development. A cross-sectional study takes a 'snapshot' at a particular time to describe phenomena or explain the relationship between variables (Saunders *et al*., 2019:155). Ismail (2017:147) notes that cross-sectional studies usually employ survey strategies to gather data from a population.

Taking into consideration the above discussion, a survey strategy of a cross-sectional nature was adopted due to time and budgetary constraints. Thus, multiple informal traders with various characteristics (gender, age, race, etc.) running different businesses were interviewed. In addition, a 'snapshot' of informal traders' perceptions about the factors that influence their perceived financial performance was taken at a particular time.

3.2.6 TECHNIQUES AND PROCEDURES

According to the research "onion" framework, the final layer to consider in terms of the research processes of a study is the techniques and procedures used to collect and analyse data (Saunders *et al.*, 2009:108). The sections to follow will elaborate on the procedures and techniques used in this study.

3.3 DATA COLLECTION

Data collection plays a vital role in the validity and reliability of a study and could influence the researcher's ability to draw credible conclusions (Palić *et al.*, 2015:25). Typically, there are three types of data sources, including primary data, secondary data, and tertiary data (Rahi, 2017:4). The answer to most research questions is found through a combination of primary and secondary data (Saunders *et al.*, 2009:258). Therefore, secondary and primary data was collected for the purpose of this study.

3.3.1 SECONDARY DATA COLLECTION

Secondary data is data that was collected and interpreted by previous researchers on a semi-related topic (Walliman, 2011:70). Palić *et al.* (2015:83) further explain that secondary data is currently available to researchers. According to Walliman (2011:79), there are two main types of secondary data including documentary sources, both written and non-written, and statistical survey data. The use of secondary data can save researchers time and money and is very useful for a comparative analysis (Saunders *et al.*, 2009:268). In this study, secondary data was collected by means of a literature review of documentary sources. According to Collis and Hussey (2014:87), "a literature review is a critical evaluation of the existing body of knowledge on a topic, which guides the research and demonstrates the relevant literature has been located and analysed". Quinlan *et al.* (2015:86) note various reasons for conducting literature reviews, including to (i) increasing knowledge about a certain topic; (ii) explore what is known and what is not known about a specific topic; (iii) find gaps within a certain field of research; and (iv) create a theoretical framework for a research study.

In this study, the availability of secondary data was limited due to the nature of the informal economy (being excluded from a nation's GDP and consisting of unregistered businesses that do not comply with formal laws) and lack of information on the topic. To conduct this literature review reputable secondary sources, such as textbooks, journal articles, and the online databases available from the Nelson Mandela University, was used.

A problem statement and comprehensive literature review were compiled to identify the gaps in the current literature. More specifically, secondary data was used to gain valuable insights into the factors that influence the perceived financial performance of informal traders. The secondary data collected was also used to create a hypothesised model dealing with the factors that influence the perceived financial performance of informal traders in the Nelson Mandela Bay. In addition, the literature review assisted in identifying and formulating items to include in the structured questionnaire, thus improving the validity and reliability of the study.

Furthermore, primary data was utilized to test the hypotheses presented in the study. The following section will elaborate on the methods for collecting primary data for this study.

3.3.2 PRIMARY DATA COLLECTION

Collis and Hussey (2014:196) explain that primary data is generated from an original source. Collecting primary data is a pivotal technique utilised in quantitative methods (Rahi, 2017:4). The sections to follow will elaborate on the population, sample frame and sample utilised in this study. It will continue with a discussing on sampling techniques and the research instrument used to collect the primary data for the study.

3.3.2.1 POPULATION, SAMPLE FRAME AND SAMPLE

Taherdoost (2016:19) identifies, among others, four stages a researcher might follow when conducting sampling, which includes: (i) clearly defining the target population; (ii) selecting a sampling frame; (iii) choosing an appropriate sampling technique; and (iv) determining the sample size required. Asiamah *et al.* (2017:1607) define a population as a group of elements (depending on the topic of the study) who share one or more characteristic(s) of interest related to the study being conducted. A population can also be regarded as the entire group of individuals or cases which the study is focussing on and from whom information is required (Alvi, 2016:10; Ryners & Tshemese, 2017:61). Taherdoost (2016:18) adds that a population is the entire set of cases from which researchers draw their samples. A population can either be homogenous, meaning that all elements are similar to each other in all aspects or heterogeneous, referring to the situation where one characteristic of the elements might differ (Alvi, 2016:10). According to Asiamah *et al.* (2017:1607), clearly defining a research population is vital because it has an impact on the credibility of the sample, sampling techniques and outcome of the research.

According to Struwig and Stead (2013:115), a sampling frame is a complete list of all the possible cases within the population from which a sample can be drawn from. A sampling frame is also defined as all the individuals from which the required data for a study can be obtained (Asiamah *et al.,* 2017:1613). There are a few problems to be aware of when using existing databases as a sampling frame, which includes that individual databases might be incomplete, out of date or inaccurate (Saunders *et al.,* 2009:214). Saunders *et al.* (2009:216) assert that the sample frame used in a study can influence the extent to which a researcher can generalise about the population using sample data.

Alvi (2016:11) defines a sample as a smaller group of elements selected from the population. Saunders *et al.* (2009:212) suggest various reasons why a sample rather than the entire population is used when conducting a study. These include the following: collecting data from the entire population might be impossible; conducting a survey on the entire population might be expensive; and the study might have time constraints (Saunders *et al.,* 2009:212). Alvi (2016:11) note that for a sample to be generalisable it must be representative of the population, meaning that the characteristics of the selected elements in the sample are similar to that of the entire target population.

The population of this study is the 48 000 informal traders operating in the Nelson Mandela Bay (Statistics South Africa, 2019:58). A sample frame was not available for this study due to the nature of the informal economy. Due to limited financial resources, time constraints and the size of the population, the researchers of this study made use of a sample to ensure that the research study is completed efficiently. The sampling technique used in this study will be explained in the next section.

3.3.2.2 SAMPLING TECHNIQUES

Taherdoost (2016:20) assert that sampling techniques can be divided into two categories, namely probability sampling (also known as representative sampling) and non-probability sampling (also known as judgemental sampling). Saunders *et al.* (2009:213) state that with probability sampling the chance of a specific case being selected from a population is known and usually equally distributed. Alvi (2016:13) suggest that in terms of probability sampling, there is a reduction in systematic errors, sampling biases are minimised, a better representative sample is produced, and inferences drawn from the sample can be generalised to the population. It is important to note that although there are so many advantages to probability sampling, there

are also disadvantages. Probability sampling can be time-consuming, expensive, and labour intensive (Alvi, 2016:13).

Probability sampling techniques include: (i) simple random sampling; (ii) stratified random sampling; (iii) cluster sampling; (iv) systematic sampling; and (v) multi-stage sampling (Taherdoost, 2016:20). Rahi (2017:3) define simple random sampling as a sampling technique where each element of the population has an equal chance of being included in the sample and researchers develop a numeric list of all sample elements by making use of a computer programme to generate random numbers. To make use of simple random sampling, several requirements must be met such as, a finite number of elements are required in the population and should be able to be listed, all elements must be mutually exclusive, and the population must be homogenous (Alvi, 2016:16). Although there is no possibility of sampling biases and the sample can be regarded as a good representation of the population, it is very costly and time consuming, requires a lot of effort, and it might not always be possible to obtain or create an exhaustive list of elements (Alvi, 2016:17).

According to Etikan and Bala (2017:2), a stratified sampling technique is utilised to obtain a representative sample when a sample is drawn from a heterogeneous population. Stratified random sampling is when the population is divided into subgroups, called strata, of homogenous elements (Etikan & Bala, 2017:2). Elements are then given an equal chance to be randomly selected for the sample (Rahi, 2017:3). Alvi (2016:22) suggests that when a stratified sampling technique is used, more reliable and detailed information is obtained.

Cluster sampling is used when a population is geographically dispersed and difficult to access at the same time (Rahi, 2017:3). Etikan and Bala (2017:2) add that this technique is best applied when the total area that a researcher wants to focus on is too large, thus requiring the researcher to divide it into smaller, more manageable groups (or clusters). Although this sampling technique is more cost-effective, the data gathered is less precise than it would have been if a simple random sampling technique was utilised (Etikan & Bala, 2017:2).

Systematic sampling is when the researcher chooses a random starting point and then the elements of the population are selected at regular intervals thereafter (Rahi, 2017:3). Alvi (2016:18) notes that the difference between systematic and simple random sampling is that with systematic sampling the elements in the population do not have an equal chance to be

included in the sample. Researchers enjoy the benefit of low cost and convenience when they make use of this sampling technique, especially when obtaining a sample from a larger population (Taherdoost, 2016:21; Etikan & Bala, 2017:2).

Multi-stage sampling is when a combination of probability sampling techniques is utilized to create the most effective and efficient approach to sampling (Etikan & Bala, 2017:2). Taherdoost (2016:20) state that although probability sampling reduces sampling bias, it is the most costly in terms of time and energy for a given level of sampling error.

With non-probability sampling, the chance of a specific case being selected from a population is not known (Saunders *et al.,* 2009:213). Taherdoost (2016:22) note that with non-probability sampling, the sample does not need to be representative of the population or randomly selected, as long as there is a clear rationale for including certain elements in the sample. Alvi (2016:14) state that non-probability techniques require less time, effort and money than probability sampling. There are some disadvantages related to utilising non-probability sampling such as a greater possibility of systematic errors and sampling biases, inferences drawn from the sample cannot be generalised to the population and the sample cannot be regarded as a good representation of the population (Alvi, 2016:14). Non-probability sampling techniques include: (i) quota sampling; (ii) snowball sampling; (iii) judgment sampling; and (iv) convenience sampling (Taherdoost, 2016:20). In quota sampling, the strata of a population are defined, and quotas are determined for sample elements from each stratum (Rahi, 2017:3).

When a researcher makes use of snowball sampling, a small number of individuals who meets the requirements to participate in the study is contacted, and the researcher then uses them as referrals to contact others (Rahi, 2017:3). Alvi (2016:33) also describes this sampling technique as the process through which one element of the population is approached and then asked to suggest other potential elements. Etikan and Bala (2017:2) add that this sampling technique is useful when a researcher has little knowledge about a group or organisation he wishes to study and contact with a small number of individuals will lead him to other applicable individuals.

Judgment sampling refers to a process through which individuals for a sample are selected by using the personal judgment of the researchers (Rahi, 2017:3). Etikan and Bala (2017:1) support this statement by adding that a researcher would select a sample that will be able to provide the best information for the objectives of the study. Although judgment sampling is

convenient and cost effective, the data gathered using this technique cannot be used to make a generalisation to the population due to the subjective approach being used (Taherdoost, 2016:23; Rahi, 2017:3).

According to Rahi (2017:3), convenience sampling is used by researchers who collect data from individuals who meet the requirements of the study and are easily accessible. This sampling technique is best utilised when the target population is defined in terms of broad categories (Alvi, 2016:29). Taherdoost (2016:22) suggest that convenience sampling is usually the most popular sampling technique among students. It is worth noting that although this is a cost effective and convenient sampling technique, the researcher may experience criticism about selection bias due to misrepresentation of the target population (Rahi, 2017:3).

Firstly, this research study aims to test a theoretical model and to generalise the results to the sample population. According to Collis and Hussey (2014:198), a larger minimum sample size is required for smaller populations than larger populations in order to make a generalisation.

Secondly, the nature of the statistical techniques that will be employed in this study requires a large sample size. Hair *et al.* (2014:21) state that in order to conduct multivariate techniques, adequate observations are required to ensure statistical power. However, a sample size too large could result in the statistical test being overly sensitive. These authors further state that a minimum sample size to do statistical analyses would be 100, and elaborates that as a general rule, a minimum of five observations is needed per variable to be analysed. A total of 71-items was used in the research instrument. Considering the general rule, the appropriate sample would be 355.

Thirdly, the sample size of this study was influenced by budgetary and time constraints. This meant that data collection had to be kept within the limits allowed by the budgetary and time constraints. Furthermore, the lack of a formal list of informal traders from which a sample could be drawn made it increasingly difficult to get into contact with respondents appropriate for the study.

The researchers of this study made use of convenience sampling to collect data from 100 informal traders in the Nelson Mandela Bay who were easily accessible. The sample size and method used was due to resource and time constraints as well as the lack of a formal list of

informal traders from which a sample could be drawn. The size of the sample complies with the minimum required stated by Hair *et al.* (2014:21) of 100 in order to use certain statistical techniques. As can be seen from Table 3.1, a total of 118 questionnaires were distributed to informal traders, where only 105 were returned. From the 105 questionnaires returned, only 100 were deemed usable for analysis. This meant the nominal response rate was 88.98%. Babbie and Mouton (2001:621) state that a response rate of 50% is adequate, 60% is good, and 70% is very good. Thus, a very good response rate was achieved with the effective response rate being 84.75%. The sample size of the study should be sufficient to satisfy the objectives of the study, conduct statistical analyses, and meet budgetary constraints.

Table 3.1: Response rate

	Number of respondents
Sample size	100
Total number of questionnaires distributed	118
Total number of questionnaires returned	105
Usable questionnaires	100
Response rate	88.98%
Effective response rate	84.75%

Source: Authors' own contruct

3.3.2.3 MEASURING INSTRUMENT (QUESTIONNAIRE)

For the purpose of this study, questionnaires were utilised to gather primary data from informal traders operating in the Nelson Mandela Bay. Quinlan *et al*. (2015:272) state that questionnaires are structured data collecting instruments which can incorporate open-ended as well as closed-ended questions. While open-ended questions provide respondents with the opportunity to answer in their way, close-ended questions provide alternative answers from which the respondents can choose to answer the questions (Neuert & Lenzner, 2019:2). Saunders *et al.* (2009:374-376) state that there are various types of closed-ended questions including list questions, category questions, ranking questions, and rating questions (Likert-type scales). Ismail (2017:142) further adds that survey questionnaires are popular because it enables researchers to gather standardised data from a sizeable population which allows for easy comparison. Furthermore, making use of a survey questionnaire also allows for the cost-effective collection of data from a large population or sample (Ismail, 2017:142).

The questionnaires used in this study consisted of a cover page and three sections. The cover page included the topic and aim of the study. In addition, respondents were made aware that

their participation is voluntary, and they may withdraw at any time. Furthermore, respondents were assured that they will remain anonymous and that the information provided by them will be kept confidential. The first section (Section A) focused on gathering demographic data about the respondents (such as gender, age, education, etc.) and their businesses (such as years of existence, the sector they operate in, number of employees employed, etc.). These questions were asked in the form of open-ended and closed-ended questions. The closed-ended questions were in the form of lists and categorical questions.

The second section (Section B) focused on gathering data about the *perceived financial performance* of informal traders in the Nelson Mandela Bay, and the factors that influence it. As found during the literature, certain external factors influence the perceived financial performance of informal traders. The researchers of this study grouped these factors in the following categories: (i) *access to education and training*; (ii) *access to finance*; (iii) *access to infrastructure*; (iv) *access to support services*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading*; and (vii) *access to markets*. The third section (Section C) assessed the performance of informal traders in the Nelson Mandela Bay by measuring their *perceived financial performance*.

According to Collis and Hussey (2014:215) as well as Rahi (2017:4), Likert-type scales, also known as intensity rating scales, are commonly used in multi-item measures of observations and attitudes. These authors also state that 5-point Likert-type scales increase response rate and quality because they are easily comprehensible and gather more precise responses. To gather the information in Sections B and C of the questionnaire, questions were phrased using a 5-point Likert scale. To measure the level of access to education and training; finance; infrastructure; and support services experienced by informal traders, a Likert-types scale ranging from (1) poor access to (5) excellent access was used. The extent to which informal traders perceive policies as supportive of informal trading was measured using a scale ranging from (1) strongly opposed to (5) strongly favourable. Lastly, to measure socio-cultural aspects supporting informal trading, access to markets and perceived financial performance a 5-point Likert scale was utilised with the number 1 denoting strongly disagree and number 5 denoting strongly agree.

It is important to provide an operational definition of each variable. Operationalising concepts is the process of defining and explaining what the researchers refer to when using those

concepts in the context of the study (Saunders *et al.*, 2009:127; Abeysekera & Dawson, 2015:21). The scale items and the operationalisation of each variable used in this study will be shown in the following sections.

(a) Access to education and training

In this study, *access to education and training* refers to the level of access informal traders have to opportunities to improve their and their employees' human capital by enhancing business-related knowledge, skills and capabilities. A 10-item scale (see Table 3.2) was used to measure informal traders' *access to education and training* with the first 5 items focusing on informal traders, and the rest on informal employees. From these 10-items, 7 was self-constructed. One item was sourced from Bashe (2012), Department of Economic Development and Tourism (2015) and Zulu (2015). The second item was sourced from Mahadea and Zogli (2018), whereas item 5 was sourced from both Willemse (2011) and Mahadea and Zogli (2018).

Table 3.2: Items measuring access to education and training

CODE	ITEMS	SOURCE
ET1	To start a business	Bashe (2012); Department of Economic Development and Tourism (2015); Zulu (2015)
ET2	Financial management	Mahadea and Zogli (2018)
ET3	Leadership	Self-constructed
ET4	Marketing management	
ET5	General management	Willemse (2011); Mahadea and Zogli (2018)
ET6	Sales	Self-constructed
ET7	Customer service	
ET8	Inventory management	
ET9	Reading	
ET10	Maths	

(b) Access to finance

In this study, *access to finance* refers to the extent to which informal traders have access to debt finance, equity finance, government grants, collateral security, credit from suppliers, finance from family and friends, stokvels, and informal money lenders. An 8-item scale (see Table 3.3) was used to measure informal traders' *access to finance* and 1 item was self-constructed. The first item was sourced from Schraader, Whittaker and Mckay (2009), Aspen Network of Development Entrepreneurs (2013) and Mahadea and Zogli (2018). Items 2 and 3 were sourced from Aspen Network of Development Entrepreneurs (2013) and item 4 from Mahadea and Zogli (2018). Items 6 and 7 were sourced from Makhetha (2010), Jere *et al.*

(2014), Peberdy, (2016), and Chikanda and Tawodzera (2017). Finally, the last item was sourced from Makhetha (2010), Peberdy (2016), and Chikanda and Tawodzera (2017).

Table 3.3: Items measuring access to finance

CODE	ITEMS	SOURCE
ATF1	Debt finance	Schraader *et al.* (2009)*;* Aspen Network of Development Entrepreneurs (2013); Mahadea and Zogli (2018)
ATF2	Equity finance	Aspen Network of Development Entrepreneurs (2013)
ATF3	Government grants	Aspen Network of Development Entrepreneurs (2013)
ATF4	Collateral security	Mahadea and Zogli (2018)
ATF5	Credit from suppliers	Self-constructed
ATF6	Family and friends	Makhetha (2010); Jere *et al*.(2014); Peberdy, (2016); Chikanda and Tawodzera (2017).
ATF7	Stokvel	Makhetha (2010); Jere, Jere and Aspeling (2014); Peberdy (2016); Chikanda and Tawodzera (2017).
ATF8	Informal money lenders (Mashonisa)	Makhetha (2010); Peberdy (2016); Chikanda and Tawodzera (2017).

(c) Access to infrastructure

In this study, *access to infrastructure* refers to the level of access that informal traders have to electricity, clean water, transport, storage facilities, shelter, a safe trading space, bathroom facilities, waste bins, and internet. A 9-item scale (see Table 3.4) was used to measure informal traders' *access to infrastructure*. These items were sourced from Willemse (2011), Bashe (2012), Aspen Network of Development Entrepreneurs (2013), Department of Economic Development and Tourism (2015), Zulu (2015) and Mahadea and Zogli (2018).

Table 3.4: Items measuring access to infrastructure

CODE	ITEMS	SOURCE
INF1	Electricity	Aspen Network of Development Entrepreneurs (2013); Department of Economic Development and Tourism (2015); Zulu (2015); Mahadea and Zogli (2018)
INF2	Clean water	Willemse (2011); Aspen Network of Development Entrepreneurs (2013); Department of Economic Development and Tourism (2015); Zulu (2015)
INF3	Transport	Willemse (2011); Bashe (2012); Aspen Network of Development Entrepreneurs (2013); Department of Economic Development and Tourism (2015); Mahadea and Zogli (2018)
INF4	Storage facility	Bashe (2012); Department of Economic Development and Tourism (2015); Zulu (2015)
INF5	Shelter	Willemse (2011); Department of Economic Development and Tourism (2015)
INF6	Safe trading space	Willemse (2011); Zulu (2015)
INF7	Bathroom facilities	Zulu (2015)
INF8	Waste bins	Willemse (2011)
INF9	Internet	Aspen Network of Development Entrepreneurs (2013)

(d) Access to support services

For the purpose of this study, *access to support services* refers to the extent to which informal traders have access to legal, tax, and accounting services; business consultants, mentorships, and incubators; and financial planners, entrepreneurial networks, and non-profit organisations that promote and assist entrepreneurs. A 10-item scale (see Table 3.5) was used to measure the access to support services, of which 3 was self-constructed. The first 4 items were sourced from Aspen Network of Development Entrepreneurs (2013). Item 8 was sourced from Isenberg (2010) and Van de Wiele (2015), while the last two was from Isenberg (2010).

Table 3.5: Items measuring the access to support services

CODE	ITEMS	SOURCE
SS1	Legal services	Aspen Network of Development Entrepreneurs (2013)
SS2	Tax services	
SS3	Accounting services	
SS4	Business consultants/advisors	
SS5	Business mentorships	Self-constructed
SS6	Business incubators	
SS7	Financial planner/advisors	
SS8	Network of entrepreneurial peers/contacts	Isenberg, J.D. 2010.; Van de Wiele, Z. 2015.
SS9	Non-profits/industry association that help investors and entrepreneurs' network	Isenberg, J.D. 2010.
SS10	Non-profits/industry association that promote and ally themselves with entrepreneurship	

(e) Policies supporting informal trading

For the purpose of this study, *policies supporting informal trading* refers to the informal traders' perception regarding policies related to the establishment of informal businesses; labour; licenses and permits; tax; safety; land tenure customs and trade; as well as the cost of complying to and enforcement of such policies. A 9-item scale (see Table 3.6) was used to measure *policies supporting informal trading*, of which 1 item was self-constructed. The first 3 items were sourced from Aspen Network of Development Entrepreneurs (2013). Item 4 was sourced from Cape Winelands District Municipality (2008) and Aspen Network of Development Entrepreneurs (2013). Item 5 was sourced from Zulu (2015) and item 6 from Mahadea and Zogli (2018). Item 7 was sourced from Aspen Network of Development Entrepreneurs (2013) and item 8 from Engle, Schlaegel and Dimitriadi (2011).

Table 3.6: Items measuring policies supporting informal trading

CODE	ITEMS	SOURCE
POL1	Policies supporting the establishment of informal businesses	Aspen Network of Development Entrepreneurs (2013)
POL2	Labour regulations	
POL3	Policies making it easier to obtain a license and permit for the business	
POL4	Tax breaks / Tax rates	Cape Winelands District Municipality (2008); Aspen Network of Development Entrepreneurs (2013)
POL5	Policies ensuring safety of informal traders	Zulu (2015)
POL6	Land tenure security	Mahadea and Zogli (2018)
POL7	Customs and trade regulations	Aspen Network of Development Entrepreneurs (2013)
POL8	Cost of complying with policies	Engle *et al* (2011)
POL9	Enforcement of government policies	Self-constructed

(f) Socio-cultural aspects supporting informal trading

For the purpose of this study, *socio-cultural aspects supporting informal trading* refers to whether the local culture and those important to the informal trader (including family and friends) support and value informal trading, tolerates risk-taking and failure, and views informal trading as a viable career option. A 10-item scale (see Table 3.7) was used to measure *socio-cultural aspects supporting informal trading*, of which the first 5 was self-constructed. The other 5 items were sourced from Ajzen (2013).

Table 3.7: Items measuring socio-cultural aspects supporting informal trading

CODE	ITEMS	SOURCE
SCA1	The local culture supports informal trading	Self-constructed
SCA2	The local culture tolerates risk-taking	
SCA3	The local culture tolerates failure	
SCA4	The local culture values informal traders	
SCA5	The local culture views informal trading as a viable career option	
SCA6	Most people who are important to me think that I should be an informal trader	Ajzen (2013)
SCA7	Whether I want to be an informal trader is completely up to me	
SCA8	My family approve of me being an informal trader	
SCA9	My friends approve of me being an informal trader	
SCA10	For me, being an informal trader is a good occupation	

(g) Access to markets

For the purpose of this study, *access to markets* refers to how easily informal traders can access market information; whether or not other organisations buy from or support informal traders; the willingness of local customers to provide advice and be flexible with payment terms; and the extent to which competitors affect informal traders' performance. A 9-item scale (see Table

3.8) was used to measure *access to markets*, of which 2 item were self-constructed. Item 1 was sourced from Aspen Network of Development Entrepreneurs (2013) and item 2 and 5 from Van de Wiele (2015). Items 6 and 7 were sourced from Isenberg (2010) and lastly, item 8 and 9 was sourced from Mukwarami (2017).

Table 3.8: Items measuring socio-cultural aspects supporting informal trading

CODE	ITEMS	SOURCE
ATM1	Market information is easily accessible	Aspen Network of Development Entrepreneurs (2013)
ATM2	Other businesses buy from my business	Van de Wiele (2015)
ATM3	Informal traders support each other	Self-constructed
ATM4	Informal traders buy from each other	Self-constructed
ATM5	Government buy from my business	Van de Wiele (2015)
ATM6	Local customers are willing to give advice, particularly on new products and services	Isenberg (2010)
ATM7	Local customers are willing to be flexible with payment terms to accommodate the cash flow needs	Isenberg (2010)
ATM8	Competition from shopping malls is affecting the performance of my business	Mukwarami (2017)
ATM9	Competition from other businesses is affecting the growth of my business	Mukwarami (2017)

(h) Perceived financial performance

The third section (Section C) focused on gathering data about the *perceived financial performance* of the informal traders. For the purpose of this study, *perceived financial performance* refers to whether the informal business has grown in terms of profit, turnover, and employees over the past two years and whether or not the business is financially successful and profitable. A 6-item scale (see Table 3.9) sourced from Hlongwane (2016) was used to measure the *perceived financial performance* of informal traders.

Table 3.9: Items measuring perceived financial performance

CODE	ITEMS	SOURCE
FP1	My business has experienced growth in profits over the past two years	Hlongwane (2016)
FP2	My business has experienced growth in turnover over the past two years	
FP3	My business is profitable	
FP4	I regard my business as being financially successful.	
FP5	The financial well-being of my business is secure	
FP6	My business has experienced growth in employee numbers over the past two years	

According to Saunders *et al.* (2009:363), questionnaires can either be self-administered or interviewer-administered. They differentiate between the terms by stating that self-administered is when respondents complete the questionnaires by themselves including

methods such as delivery and collection, postal, and internet questionnaires. Interviewer-administered require the interviewer to record the responses of the respondents such as during telephonic questionnaires and structured interviews (Saunders *et al.* 2009:363). According to Bowling (2005:286), the advantage of an interview-administered method is that the interviewer can be assured that the respondent fits the criteria for the study improving reliability as well as having total control over the order the questions are asked. Furthermore, with this method of collecting data, an aural approach is followed, meaning that respondents might have less time to think about the question and respond to quickly (Bowling, 2005:287).

According to Saunders *et al.* (2009:366), a self-administered method is best used when closed-ended questions are used to gather data from respondents. Bowling (2005:286) state that with this method, the pace of the interview can be slowed down, giving the respondent more time to think and answer more accurately. With self-administered methods, the interviewer cannot probe and motivate respondents to give more detailed answers, which could be a problem when the questionnaire is mostly open questions (Reja, Manfreda, Hlebec & Vehovar, 2003:174). They further state that problems of inappropriate answers and question skipping could occur when self-administered methods are utilised (Reja *et al.*, 2003:174).

For this study, a self-administered method was used to gather the data from the respondents. This was due to most of the questions being closed-questions, more specifically in the form of Likert-type scales. It was not necessary to probe or motivate the respondents to clarify or be more specific in their answers.

3.4 DATA ANALYSIS

Data analysis is used to create a better understanding of the primary data collected and therefore enhance the conclusions drawn in a study (Palić *et al.*, 2015:25). This includes identifying and measuring the relationships between variables (Hair *et al.*, 2014:5). Data is analysed for two reasons namely to describe and predict (Quinlan *et al*., 2015:359). Therefore, data analysis helps the researcher create a summary that is easier to understand and use. In this study, the descriptive statistics and inferential statistics were used to analyse quantitative data. This section will expand on the data analysis methods used in this study.

3.4.1 VALIDITY

As stated by Quinlan *et al*. (2015:274), validity is the degree to which a concept is explicitly measured. In other words, validity is the extent to which the data collection methods can achieve what they are intended to. According to Heale and Twycross (2015:66), there are three types of validity which include criterion-related validity, content validity, and construct validity. For the purpose of this study, both content validity and construct validity were used.

Criterion-related validity examines the similarity between two or more tests (Struwig & Stead, 2013:147). In other words, criterion-related validity tests how related or unrelated two tests are that measure the same variable (Heale & Twycross, 2015:66). According to Struwig and Stead (2013:147), this validity measure consists of predictive validity and concurrent validity. Predictive validity measures the predictability of a test by indicating the relationship between the score of a test (the predictor) and that of another (the criterion) administered sometime in the future (Saunders *et al.*, 2009:373; Struwig & Stead, 2013:147). In other words, the predictor should highly correlate with a future criterion (Heale & Twycross, 2015:66). Similar to predictive validity, concurrent validity also measures the relationship among the predictor and the criterion; however, in this case, both tests are conducted simultaneously (Struwig & Stead, 2013:147). Criterion-related validity can be evaluated via correlation techniques or the group differences approach (Saunders *et al.*, 2009:373).

Content validity is the evaluation of the measuring instrument to ensure that it utilises all the content of the variables used (Heale & Twycross, 2015:66). In other words, it refers to the extent to which the questions in the questionnaire adequately cover the theoretical content of the variables used in the study (Struwig & Stead, 2013:146). Face validity is a subgroup of content validity (Heale & Twycross, 2015:66). Face validity asks whether the instrument measured the correct concept reasonably (Quinlan *et al*., 2015:274). In other words, face validity is whether a test appears to measure what it claims to (Struwig & Stead, 2013:146). In this study, content validity was ensured by utilising existing literature to formulate the items in the questionnaire. In addition, face validity was achieved by administering the questionnaire to experts in the Department of Business Management at the Nelson Mandela University.

Construct validity is defined as the degree to which a test measures its intended construct variable (which cannot be observed) (Struwig & Stead, 2013:149). In other words, construct validity deals with whether or not the test measures the presence of the intended construct

(Saunders *et al.*, 2009:373). The two terms related to construct validity include convergent validity and discriminant validity (Hair *et al.*, 2014:618). Convergent validity occurs when tests that measure similar constructs are highly correlated (Struwig & Stead, 2013:150). Discriminant validity is the degree to which a construct is unique and distinguishable (Hair *et al.*, 2014:619). Discriminant validity is assessed using factor analysis. Factor analysis is defined as an interdependence technique that describes the fundamental structure of the variables used in analysis (Hair *et al.*, 2014:92). These authors further identify two types of factor analysis namely confirmatory and exploratory. For the purpose of this study, exploratory factor analysis was used. Exploratory factor analysis aims to "ascertain the most parsimonious number of interpretable factors required to explain the correlations among the observed variables, with or without underlying theoretical processes in mind" (Reio & Shuck, 2015:13). Two methods used to perform exploratory factor analysis include Q-type factor analysis and R-type factor analysis (Lani, 2010:1). Q-type factor analysis is used to place respondents with similar characteristics into groups, and R-type factor analysis is used to analyse the relationships between variables to identify groups that form undiscovered factors (Hair *et al*., 2014:91). For the purpose of this study, R-type factor analysis was used to analyse relationships between the items used to measure the independent and dependent variables. Factor loadings are used to explain the nature of a variable by identifying correlations between the variables and the factors (Hair *et al*., 2014:91). Factor loadings are ranked based on their magnitude and the minimum acceptable loading factor is 0.4 (Lani, 2010:2). For this study, factor loading greater than 0.5 will be considered significant.

3.4.2 RELIABILITY

Reliability is associated with the consistency of measurement, i.e. dependability (Heale & Twycross, 2015:66; Quinlan *et al*., 2015:274). Exclusively measuring the reliability of a questionnaire is not enough, because respondents can consistently interpret a question from a perspective that it was not intended to be seen from (Saunders *et al.*, 2009:373). Thus, the reliability of a questionnaire deals with a measure's strength, in terms of producing consistent evidence under different circumstances (Saunders *et al.*, 2009:373). Reliability can be determined by test-retest reliability, split-half reliability, and internal consistency reliability, amongst others (Heale & Twycross, 2015:67; Saunders *et al.*, 2009:373). Firstly, reliability can be assessed by comparing the collected data and data from multiple sources (Saunders *et al.*, 2009:373). Test-retest reliability is used to calculate the test's degree of reliability over a specific time period (Struwig & Stead, 2013:139). According to Struwig and Stead (2013:140),

split-half reliability occurs when the test is split into two and items are randomly spread throughout the halves. The internal consistency of a test is the degree to which it consistently measures the same construct (Heale & Twycross, 2015:67). For the purpose of this study, internal consistency reliability was used to measure the reliability of the items used in the questionnaire.

According to Cho and Kim (2014:207), the Cronbach's alpha coefficient is a test used to estimate the internal consistency of a measuring instrument. Taber (2017:1275) describes the Cronbach's alpha as "one of the most important and pervasive statistics in research involving test construction and use". This author also mentions that the use of alpha is necessary for multi-item scales. Consequently, Cronbach's alpha coefficients were calculated to assess the internal consistency of the scales used in this study. Cronbach's alpha coefficients are conveyed as a number between 0 and 1 (Tavakol & Dennick, 2011:53). According to Tavakol and Dennick (2011:54), alpha values between 0.70 and 0.95 are acceptable scores. A lower alpha score suggests that too few questions are used, there is no interrelation between questions, or the questions are too heterogeneous; whereas, a higher alpha score suggests that too many items were the same or very similar and are therefore unnecessary (Tavakol & Dennick, 2011:54). However, Nunnally (1978:45) states that a Cronbach's alpha coefficient of 0.50 or higher is regarded as satisfactory and accepted as proof of the scales reliability (Nunnally 1978:45; Salehi, Gahderi & Rostami, 2012:1306). For the purpose of this study, a Cronbach's alpha coefficient greater than 0.50 were considered as satisfactory evidence of reliability. After the validity and reliability of the research instrument were confirmed, descriptive and inferential statistics were calculated.

3.4.3 DESCRIPTIVE AND INFERENTIAL STATISTICS

Descriptive statistics are used to describe the characteristics of and the relationships amongst the sample variables (Rubin & Babbie, 2009:620). In other words, descriptive statistics is used to create a summary of the observations. Descriptive statistics involves two main aspects, namely measures of central tendency and measures of dispersion, both of which were used in this study. The central tendency of data is the centre of the data and it gives an estimate of the average value (Bernard, 2014:562). The three most important measures of central tendency in business research are the mean (the average), the median (middle-point), and the mode (most frequent) (Walliman, 2011:117). This study made use of the mean to summarise the sample data related to certain demographic variables (e.g. age, number of employees, etc.) and the

level of the independent and dependent variables. Dispersion assesses how the data is arranged around its centre (Saunders *et al*., 2009:477). Measures of dispersion include range, variance, and standard deviation (Bernard, 2014:581). This study used the standard deviation, which is the most useful measure of dispersion (Bernard, 2014:581), to assess the variability in the responses of the informal traders in the Nelson Mandela Bay. Two other types of descriptive statistics that will be used in this study include frequencies and percentages.

In order to establish the relationships between the variables within this study, Pearson's product moment correlation coefficient (*r*) was used. According to Choi, Peters and Mueller (2010:460), Pearson's product moment correlation coefficient is the most widely used method to calculate the relationship between two variables. The value of Pearson's *r* can range between -1 and 1 (Choi *et al.*, 2010:460). The sign of *r* indicates whether there is a positive or negative relationship and the absolute value of *r* represents the strength of the relationship (Choi *et al.*, 2010:460). Collis and Hussey (2014:270) explain that the correlation coefficient value can be interpreted as 1 representing a perfect positive linear association; 0 representing no linear association, and -1 representing a perfect negative linear association.

According to Gravetter and Wallnau (2011:469), the strengths of the relationships between two variables calculated by using the Pearson's product moment correlation can be according to four categories (See Table 3.9).

Table 3.10: Pearson's correlations guideline

Value of r	Strength of relationship
-1.0 to -0.5 or 1.0 to 0.5	Strong
-0.5 to -0.3 or 0.3 to 0.5	Moderate
-0.3 to -0.1 or 0.1 to 0.3	Weak
-0.1 to 0.1	None or very weak

Source: Gravetter and Wallnau (2011)

Inferential statistics were used to make conclusions about the population using sample data. Multiple regression analysis is an inferential statistics method that uses a multi-variate procedure to identify the relationships between a set of independent variables and a dependent variable (Rubin & Babbie, 2009:624). A multi-variate analysis is defined as the use of three or more variables in a single analysis (Quinlan *et al*., 2015:362). Hair *et al.* (2014:4) add that a multi-variate analysis is used to simultaneously analyse the relationship between several variables. For the purpose of this study, multiple regression analysis was used to test the

relationships between (i) *access to education and training*; (ii) *access to fina*nce; (iii) acc*ess to infrastructure*; (iv) *access to support services*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading*; and (vii) *access to markets* and the *perceived financial performance* of informal traders. From this, conclusions can be drawn about informal traders in the Nelson Mandela Bay. STATISTICA version 13 was used to perform the statistical analyses of the data collected in this study.

3.5 RESEARCH ETHICS

Ethics are the morals and principles that are established in a code of conduct (Collis & Hussey, 2014:30). In terms of research, a number of institutions and professional bodies have created guidelines and codes of practice to ensure ethical conduct and accountability (Collis & Hussey, 2014:31). According to Walliman (2011:42), research can only be valuable if it has been conducted honestly. Therefore, the results of research that was not conducted with integrity and honesty, cannot be trusted (Walliman, 2011:42).

This study was subjected to the research ethics procedures set out by the Nelson Mandela University's Research Ethics Committee for Humans. In particular, Form E was completed to ensure no ethical issues exist (see Annexure B). In addition, research should comply with the requirements of confidentiality, anonymity, and voluntary consent. Furthermore, respondents must be made aware of the potential risks and rewards associated with the research. Each of these will be discussed briefly accompanied by an explanation of how the researchers approached each ethical requirement in this study.

Confidentiality in business research refers to the researcher's ability to identify an individual's response (Babbie & Mouton, 2012:523). In other words, confidentiality is a guarantee that the information obtained from the study cannot and will not be traced back to a particular respondent (Babbie & Mouton, 2012:523). To ensure the confidentiality of the respondents in this study, data files were encrypted using passwords. Anonymity in business research refers to the inability of the researcher to identify a respondent's information or their specific response (Babbie & Mouton, 2012:523). In this study, primary data was collected by physically distributing questionnaires to respondents. This was done to ensure no confusion or language barriers occurred during the data collection process. Therefore, full anonymity of the respondents could not be guaranteed, which is generally the case for this type of research (as opposed to online research). However, in this study, the demographics section of the

questionnaire did not ask any personal information pertaining to the respondents. The researchers also guaranteed that the respondents' responses were not made public and could not be identified. This was achieved by assigning codes to the completed questionnaires.

Voluntary consent in business research is particularly important in terms of ethics because respondents should not be forced to take part in a study (Collis & Hussey, 2014:32). According to Collis and Hussey (2014:32), researchers should avoid encouraging respondents' participation through the use of incentives. This study involved human respondents and therefore must conform to ethical requirements regarding their voluntary participation. The researchers did not make use of any incentives and ensured that each respondent was well informed and understood that participation in the study was completely voluntary, with the opportunity to opt-out at any point.

According to Babbie and Mouton (2012:522), research should not cause any direct or indirect harm to its respondents whether it be physical, psychological or other. This study did not pose any risk to the respondents by ensuring the confidentiality and anonymity of those who voluntarily participated. Respondents who felt they were at risk of harm were given the freedom to withdraw from the study at any point in time. Furthermore, the researchers did not gain any rewards from this study; it was purely conducted to gather data necessary to perform the research. In addition, no sensitive questions were asked, and the researchers acted courteously during the data collection so as not to embarrass or ridicule the respondents.

3.6 SUMMARY

The purpose of chapter three was to explain the research design and methodology adopted in this study. Emphasis was placed on the various methods used to collect and analyse data in this study. In terms of the data collection methods the secondary data, population, sample frame, sample, sample technique, and measuring instrument was discussed. With regard to the data analysis techniques used in this study, the tests to assess the validity and reliability of the measurement instrument was explained. In addition, the descriptive and inferential statistics utilised to summarise the sample data and test the hypotheses of the study were elaborated on.

CHAPTER FOUR

EMPIRICAL RESULTS

4.1 INTRODUCTION

In the previous chapter, the research design and methodology utilised in this study was presented. As mentioned, a survey method was used to gather quantitative data from 100 informal traders operating in the Nelson Mandela Bay. In this chapter, the results of the statistical analyses conducted on the data gathered will be presented. Statistica version 13 was utilised to perform statistical analyses. Firstly, the demographic information pertaining to the informal trader and his/her business is reported. This is followed by the results and interpretation of the validity and reliability tests. Thereafter, the descriptive statistics for the dependent and independent variables are reported. The chapter concludes with a discussion of and the inferential statistics calculated to test the hypotheses in this study.

4.2 DEMOGRAPHIC INFORMATION

Section A of the questionnaire included questions focusing on the characteristics of the informal traders and their businesses. Figure 4.1 presents the demographic information of the informal traders in percentage form. Table 4.1 contains the descriptive statistics relating to the age and duration of previous employment of the informal traders.

Out of the 100 informal traders who participated in this study, 53% were male and 47% were female, with the majority (83%) being from South Africa. In terms of race, the majority of the informal traders questioned were black (59%). The other informal traders varied between Coloured (15%); White (15%); Asian/Indian (10%); and other (1%). The average age of the informal traders surveyed was 29.53 years with the youngest being 18 years old and the oldest 52 years old. The respondents were asked about their marital status and more than half (56%) reported being single and never having been married. Another 30% stated that they were widowed, while 26% stated that they were married. The remainder reported being either divorced/separated (20%) or living with a partner (13%). Of the 100 informal traders, 9% either stated that they attended primary school or had no schooling. A large proportion of the respondents (43%) indicated that they attended high school. The remainder had a post-matric (37%) or post-graduate (11%) qualification. Only 23% of the respondents stated that they had previous training to run a business. Half (50%) of the respondents reported being previously

employed for 4.49 years on average before starting their informal business. The shortest duration a respondent was employed before starting their informal business was 0.17 years and longest duration was 12.3 years.

Figure 4.1: Demographic information of informal traders

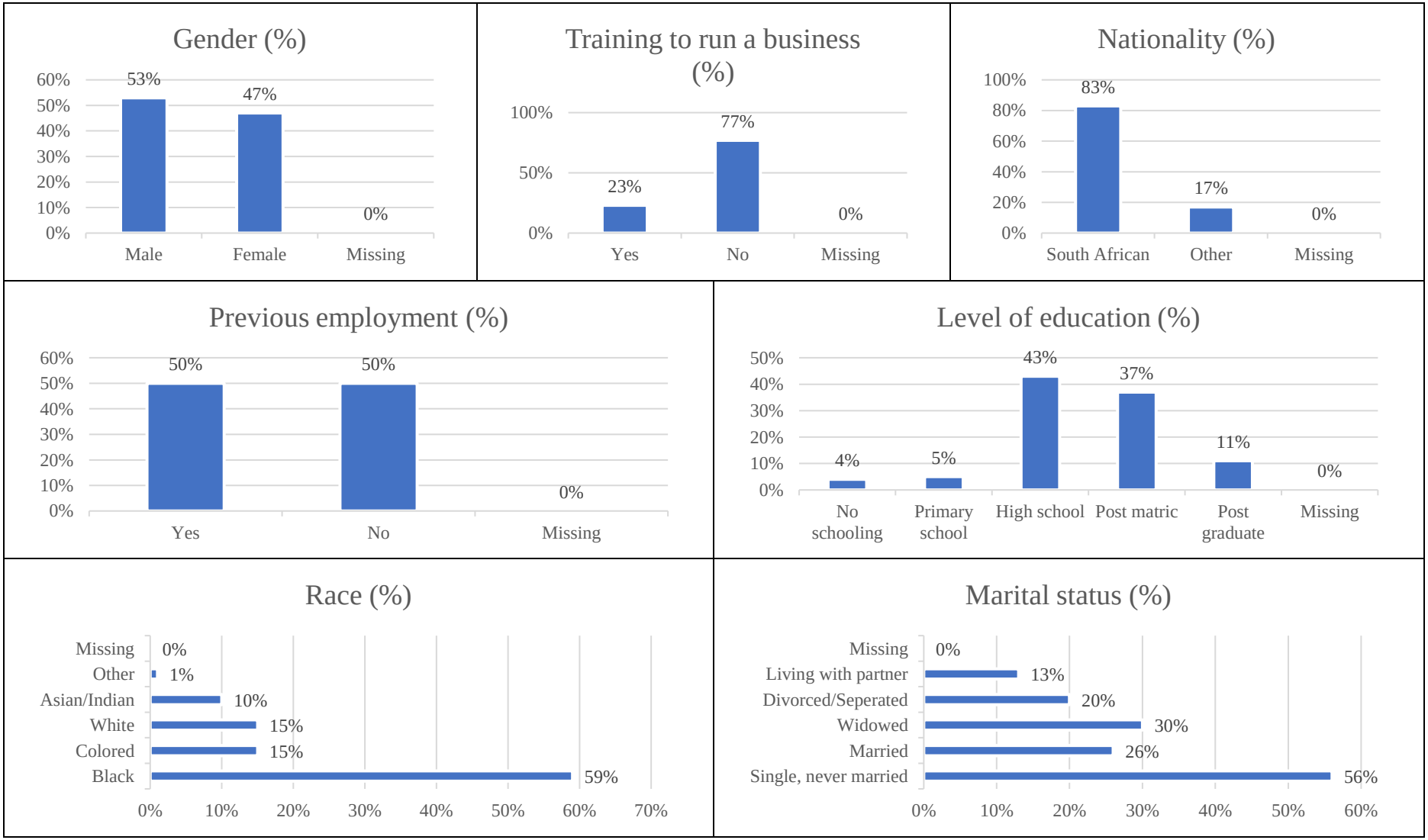


Table 4.1: Descriptive statistics of informal traders

VARIABLE	VALID N	MEAN	MINIMUM	MAXIMUM
Age	89	29.56	18.00	52.0
Duration of employment	51	4.49	0.17	13.3

Figure 4.2 illustrates the general information pertaining to the informal businesses. This includes who founded the business, the sector in which the business operates, the average monthly sales income and structure from which it is operated. Descriptive statistics about the informal business is also presented in Table 4.2. This includes information about how long the business has been in existence, how long the informal trader has been the owner of the business, the capital requirements of the business, as well as the number of employees working for the business.

More than half (57%) of the informal traders founded their business alone, while 24% started their business with a family member. A total of 5% of the respondents stated that their business was started by a family member before they joined and 9% of the respondents reported that they started their informal business with a business partner. The majority of the informal traders either operate in the service sector (39%) or the retail sector (39%). The rest of the respondents operated in the agricultural sector (12%), the manufacturing sector (7%), and other sectors (1%). In terms of average monthly sales income, 33% of the respondents reported having an average monthly sales income of above R6000. Almost half (43%) of the respondents stated that they have an average monthly sales income of between R1501 and R6000, while the remaining 23% generated less than R1500. With regard to the structure that the informal business was operated from, 36% reported being static and having a fixed lock-up market stall. Another 35% operated from a mobile structure and moved from place to place. Almost one-quarter of the respondents (24%) stated that they had a semi-static structure which they dismantled after work each day, while the remainder (2%) reported operating from other forms of structures which was not specified.

As can be seen in Table 4.2, the informal businesses were started, on average, 4.21 years ago. In addition, the informal traders operated their businesses for about 3.99 years, on average. The shortest duration a business existed was 0.17 years and the longest was 17 years. The shortest duration an informal trader in this study operated his/her business was 0.17 years and the longest was 17 years. The average start-up capital required for an informal business in this study was R16 716.21 and the most was R300 000. Moreover, the average monthly operating

capital required for an informal business was R6 469.64, while the maximum was R100 000. The least number of employees employed by the informal businesses in this study was 0 employees and the maximum were 15 employees. On average, 2.08 employees were employed by the informal businesses.

From these characteristics, one can assume a typical informal trader in the Nelson Mandela Bay to be a single black South African male in his late 20's who has attended high school but lacks the training to run a business. The typical informal business was founded by the informal trader on his own using R16 716.21 in capital; is involved in service provision or retailing; operates from a static market stall; generates an average monthly income above R6000 using R6 469.64 of operating capital; and employs 2.08 employees.

Figure 4.2: Information pertaining to the informal business

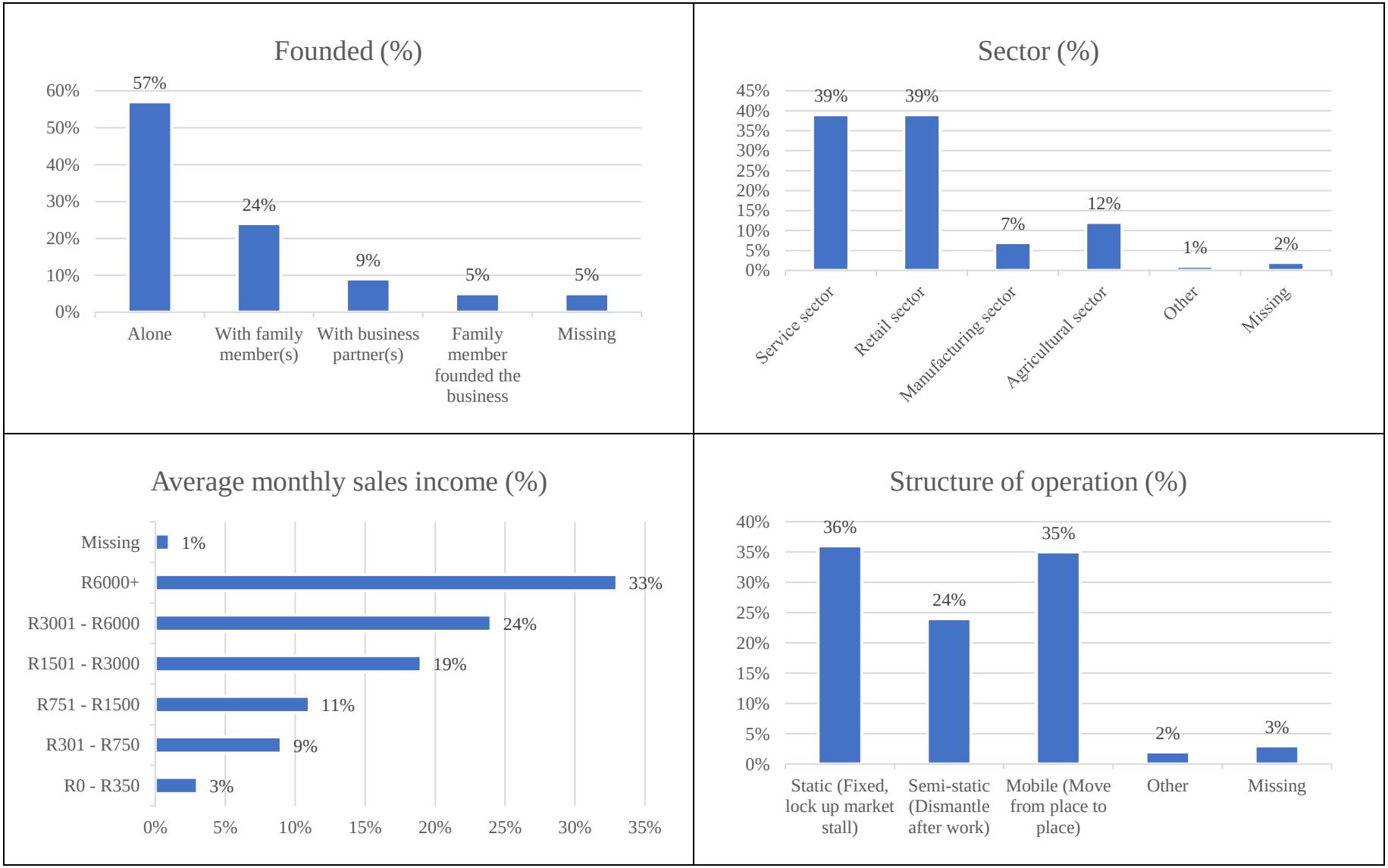


Table 4.2: Open-ended questions pertaining to the business

VARIABLE	VALID N	MEAN	MINIMUM	MAXIMUM
Years in existence	97	4.21	0.17	17.00
Years informal trader has been operating his/her business	99	3.99	0.17	17.00
Start-up capital	99	16716.21	0.00	300000.00
Operating capital per month	95	6469.64	0.00	100000.00
Number of employees	98	2.08	0.00	15.00

The section to follow will discuss the validity and reliability of the measuring instrument used in this study.

4.3 VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENT

Factor analysis was used to determine the validity of the scales utilised in this study. More specifically, tests for uni-dimensionality were conducted to determine whether the items measuring the independent and dependent variables loaded onto on factor. For the purpose of this study, factor loadings greater than 0.5 were considered acceptable for validity. To test the reliability of the scales used in this study, Cronbach's alpha coefficients were calculated. Cronbach's alpha coefficients greater than 0.5 was considered acceptable to prove reliability (Nunnally, 1978:45).

4.3.1 ACCESS TO EDUCATION AND TRAINING

All 10 of the items (ET1, ET2, ET3, ET4, ET5, ET6, ET7, ET8, ET9 and ET10) intended to measure *access to education and training* loaded onto a single factor with factor loadings between 0.58 and 0.82. Sufficient evidence of validity is thus provided for this factor as the loadings are all above the cut-off point of 0.5. In addition, *access to education and training* explained 56.24% of the variance in the data. A satisfactory level of reliability is indicated for this factor through a Cronbach's alpha coefficient of 0.91.

Table 4.3: Validity and reliability results for *access to education and training*

% VARIANCE EXPLAINED: 56.24%		CRONBACH'S ALPHA: 0.91		
CODE	ITEM	FACTOR LOADING	ITEM TOTAL CORREL.	CA IF DELETED
ET1	To start a business	0.77	0.70	0.90
ET2	Financial management	0.82	0.76	0.90
ET3	Leadership	0.80	0.72	0.90
ET4	Marketing management	0.79	0.72	0.90
ET5	General management	0.80	0.73	0.90
ET6	Sales	0.80	0.74	0.90

% VARIANCE EXPLAINED: 56.24%		CRONBACH'S ALPHA: 0.91		
CODE	**ITEM**	**FACTOR LOADING**	**ITEM TOTAL CORREL.**	**CA IF DELETED**
ET7	Customer service	0.74	0.67	0.90
ET8	Inventory management	0.75	0.67	0.90
ET9	Reading	0.58	0.53	0.91
ET10	Maths	0.61	0.55	0.91

4.3.2 ACCESS TO FINANCE

Five out of the 8 items (FIN1, FIN2, FIN3, FIN4 and FIN5) intended to measure *access to finance* loaded onto a single factor with factor loadings varying between 0.7 and 0.81. This indicates that there was sufficient evidence of validity for this factor. The other 3 items (FIN6, FIN7 and FIN8) reported low communalities (factor loadings < 0.5) and were systematically removed from further analysis. Furthermore, *access to finance* explained 39.09% of the variance in the data and returned a Cronbach's alpha coefficient of 0.83. This Cronbach's alpha coefficient indicates that the reliability of this factor is considered satisfactory.

Table 4.4: Validity and reliability results for *access to finance*

% VARIANCE EXPLAINED: 39.09%		CRONBACH'S ALPHA: 0.83		
CODE	**ITEM**	**FACTOR LOADING**	**ITEM TOTAL CORREL.**	**CA IF DELETED**
FIN1	Debt finance	0.70	0.62	0.80
FIN2	Equity finance	0.76	0.64	0.79
FIN3	Government grants	0.73	0.57	0.81
FIN4	Collateral security	0.81	0.70	0.77
FIN5	Credit from suppliers	0.74	0.61	0.80
FIN6	Family and friends	0.31	-	-
FIN7	Stokvel	0.45	-	-
FIN8	Informal money lenders	0.12	-	-

4.3.3 ACCESS TO INFRASTRUCTURE

Table 4.4 indicates that all 9 items (INF1, INF2, INF3, INF4, INF5, INF6, INF7, INF8 and INF9) intended to measure *access to infrastructure* loaded successfully onto a single factor. The factor loadings varied between 0.57 and 0.87 and *access to infrastructure* explained 54.31% of the variance in the data. With a Cronbach's alpha coefficient of 0.89, access to infrastructure is considered as valid and reliable.

Table 4.5: Validity and reliability results for *access to infrastructure*

% VARIANCE EXPLAINED: 54.31%		CRONBACH'S ALPHA: 0.89		
CODE	**ITEM**	**FACTOR LOADING**	**ITEM TOTAL CORREL.**	**CA IF DELETED**
INF1	Electricity	0.83	0.77	0.87
INF2	Clean water	0.75	0.66	0.88
INF3	Transport	0.71	0.61	0.88
INF4	Storage facility	0.71	0.61	0.88
INF5	Shelter	0.87	0.82	0.86
INF6	Safe trading space	0.75	0.67	0.88
INF7	Bathroom facilities	0.77	0.70	0.88
INF8	Waste bins	0.57	0.48	0.89
INF9	Internet	0.62	0.53	0.89

4.3.4 ACCESS TO SUPPORT SERVICES

All 10 items (SS1, SS2, SS3, SS4, SS5, SS6, SS7, SS8, SS9 and SS10) intended to measure *access to support services* loaded onto a single factor with factor loadings from 0.77 to 0.87. Thus, sufficient evidence of validity has been provided. *Access to support services* explained 67.37% of the variance of the data. A Cronbach's alpha coefficient of 0.95 was reported for this factor, indicating that it can be regarded as valid and reliable.

Table 4.6: Validity and reliability results for *access to support services*

% VARIANCE EXPLAINED: 67.37%		CRONBACH'S ALPHA: 0.95		
CODE	**ITEM**	**FACTOR LOADING**	**ITEM TOTAL CORREL.**	**CA IF DELETED**
SS1	Legal services	0.85	0.81	0.94
SS2	Tax services	0.81	0.76	0.94
SS3	Accounting services	0.83	0.79	0.94
SS4	Business consultants/advisors	0.81	0.76	0.94
SS5	Business mentorships	0.81	0.77	0.94
SS6	Business incubators	0.84	0.79	0.94
SS7	Financial planner/advisors	0.87	0.83	0.94
SS8	Network of entrepreneurial peers/advisor	0.81	0.76	0.94
SS9	Non-profits/industry association that help investors and entrepreneurs' network	0.81	0.76	0.94
SS10	Non-profits/industry association that promote and ally themselves with entrepreneurship	0.77	0.72	0.94

4.3.5 POLICIES SUPPORTING INFORMAL TRADING

Table 4.7 indicates that all 9 items (POL1, POL2, POL3, POL4, POL5, POL6, POL7, POL8 and POL9) intended to measure *policies supporting informal trading* loaded successfully onto a single factor with factor loadings varying between 0.72 and 0.86. *Policies supporting informal trading* explained 63.02% of the variance in the data. Satisfactory evidence of validity

and reliability is provided for this factor with all factor loading being above 0.5 and a Cronbach's alpha coefficient of 0.93.

Table 4.7: Validity and reliability results for *policies supporting informal trading*

% VARIANCE EXPLAINED: 63.02%		CRONBACH'S ALPHA: 0.93		
CODE	**ITEM**	**FACTOR LOADING**	**ITEM TOTAL CORREL.**	**CA IF DELETED**
POL1	Policies supporting the establishment of informal businesses	0.75	0.68	0.92
POL2	Labour regulations	0.76	0.70	0.92
POL3	Policies making it easier to obtain a license and permit for the business	0.80	0.73	0.92
POL4	Tax breaks / Tax rates	0.72	0.65	0.92
POL5	Policies ensuring safety of informal traders	0.77	0.70	0.92
POL6	Land tenure security	0.85	0.80	0.91
POL7	Customs and trade regulations	0.86	0.81	0.91
POL8	Cost of complying with policies	0.84	0.79	0.91
POL9	Enforcement of government policies	0.79	0.72	0.92

4.3.6 SOCIO-CULTURAL ASPECTS SUPPORTING INFORMAL TRADING

As can be seen in Table 4.8, 9 items (SCA1, SCA2, SCA4, SCA5, SCA6. SCA7, SCA8, SCA9 and SCA10) out of the 10 intended to measure *socio-cultural aspects supporting informal trading* loaded successfully onto a single factor. These factors loading varied between 0.59 and 0.77. These 9 items provided sufficient evidence of validity. One item (SCA3) which had a factor lower than the required 0.5, was excluded from further analysis. *Socio-cultural aspects supporting informal trading* explained 47.48% of the variance in the data. Furthermore, a Cronbach's alpha coefficient of 0.88 was reported, indicating satisfactory reliability for the factor.

Table 4.8: Validity and reliability results for *socio-cultural aspects supporting informal trading*

% VARIANCE EXPLAINED: 47.48%		CRONBACH'S ALPHA: 0.88		
CODE	**ITEM**	**FACTOR LOADING**	**ITEM TOTAL CORREL.**	**CA IF DELETED**
SCA1	The local culture supports informal trading	0.69	0.58	0.87
SCA2	The local culture tolerates risk-taking	0.59	0.48	0.88
SCA3	The local culture tolerates failure	0.36	-	-
SCA4	The local culture values informal traders	0.70	0.59	0.87
SCA5	The local culture views informal trading as a viable career option	0.74	0.65	0.87

% VARIANCE EXPLAINED: 47.48%		CRONBACH'S ALPHA: 0.88		
CODE	**ITEM**	**FACTOR LOADING**	**ITEM TOTAL CORREL.**	**CA IF DELETED**
SCA6	Most people who are important to me think that I should be an informal trader	0.70	0.63	0.87
SCA7	Whether I want to be an informal trader is completely up to me	0.76	0.66	0.87
SCA8	My family approve of me being an informal trader	0.75	0.69	0.86
SCA9	My friends approve of me being an informal trader	0.77	0.70	0.86
SCA10	For me, being an informal trader is a good occupation	0.75	0.67	0.87

4.3.7 ACCESS TO MARKETS

Only 5 (ATM2, ATM3, ATM4, ATM6 and ATM7) out of the 9 items intended to measure *access to markets* loaded onto a single factor. These 5 items had factor loadings varying between 0.53 and 0.69. The other 4 items (ATM1, ATM5, ATM8 and ATM9) had factor loading less than the required 0.5 and was thus systematically removed from further analysis. The 5 items which loaded successfully provided sufficient evidence of validity. *Access to markets* explained 25.40% of the variance in the data and reported a Cronbach's alpha coefficient of 0.61, indicating an acceptable level of reliability for this factor.

Table 4.9: Validity and reliability results for *access to markets*

% VARIANCE EXPLAINED: 25.40%		CRONBACH'S ALPHA: 0.61		
CODE	**ITEM**	**FACTOR LOADING**	**ITEM TOTAL CORREL.**	**CA IF DELETED**
ATM1	Market information is easily accessible	0.50	-	-
ATM2	Other businesses buy from my business	0.58	0.31	0.59
ATM3	Informal traders support each other	0.56	0.37	0.56
ATM4	Informal traders buy from each other	0.53	0.36	0.56
ATM5	Government buys from my business	0.41	-	-
ATM6	Local customers are willing to give advice, particularly on new products and services	0.69	0.45	0.51
ATM7	Local customers are willing to be flexible with payment terms to accommodate the cash flow needs	0.61	0.36	0.56
ATM8	Competition from shopping malls is affecting the performance of my business	0.30	-	-
ATM9	Competition from other businesses is affecting the growth of my business	0.07	-	-

4.3.8 PERCEIVED FINANCIAL PERFORMANCE

From the 6 items intended to measure *perceived financial performance*, only 5 items (FP1, FP2, FP3, FP4 and FP5) loaded onto a single factor. These items had factor loadings varying

between 0.77 and 0.84, providing sufficient evidence of validity. Item FP6 had a factor loading of 0.43 and was removed from further analysis. *Perceived financial performance* explained 56.39% of the variance in the data and had a Cronbach's alpha coefficient of 0.86, providing satisfactory evidence of reliability.

Table 4.10: Validity and reliability results for *perceived financial performance*

% VARIANCE EXPLAINED: 56.39%		CRONBACH'S ALPHA: 0.86		
CODE	**ITEM**	**FACTOR LOADING**	**ITEM TOTAL CORREL.**	**CA IF DELETED**
FP1	My business has experienced growth in profits over the past two years	0.80	0.66	0.84
FP2	My business has experienced growth in turnover over the past two years	0.84	0.72	0.82
FP3	My business is profitable	0.78	0.69	0.83
FP4	I regard my business as being financially successful	0.77	0.63	0.84
FP5	The financial well-being of my business is secure	0.82	0.69	0.83
FP6	My business has experienced growth in employee numbers over the past two years	0.43	-	-

The section to follow will elaborate on the operational definitions of each factor and indicate which operational definitions had to be reformulated.

4.3.9 OPERATIONAL DEFINITIONS

Table 4.11 presents the operational definitions of the factors in the study. The operational definitions for 4 of the factors namely *access to finance; socio-cultural aspects supporting informal trading; access to markets; and perceived financial performance* had to be reformulated.

Table 4.11: Operational definitions

FACTOR	OPERATIONAL DEFINITION
Access to education and training	In this study, *access to education and training* refers to the level of access informal traders have to opportunities to improve their and their employees' human capital by enhancing business-related knowledge, skills and capabilities.
Access to finance*	In this study, *access to finance* refers to the extent to which informal traders have access to debt finance, equity finance, government grants, collateral security and credit from suppliers.
Access to infrastructure	In this study, *access to infrastructure* refers to the level of access that informal traders have to electricity, clean water, transport, storage facilities, shelter, a safe trading space, bathroom facilities, waste bins, and internet.
Access to support services	For the purpose of this study, *access to support services* refers to the extent to which informal traders have access to legal, tax, and accounting services; business consultants, mentorships, and incubators; and financial planners, entrepreneurial networks, and non-profit organisations that promote and assist entrepreneurs.

FACTOR	OPERATIONAL DEFINITION
Policies supporting informal trading	For the purpose of this study, *policies supporting informal trading* refers to the informal traders' perception regarding policies related to the establishment of informal businesses; labour; licenses and permits; tax; safety; land tenure customs and trade; as well as the cost of complying to and enforcement of such policies.
Socio-cultural aspects supporting informal trading*	For the purpose of this study, *socio-cultural aspects supporting informal trading* refers to whether the local culture and those important to the informal trader (including family and friends) support and values informal trading, tolerates risk-taking, and views informal trading as a viable career option.
Access to markets*	For the purpose of this study, *access to markets* refers to whether or not other organisations buy from or support informal traders as well as the willingness of local customers to provide advice and be flexible with payment terms.
Perceived financial performance*	For the purpose of this study, *perceived financial performance* refers to whether the informal business has grown in terms of profit and turnover in the past two years and whether or not the business is financially successful and profitable.
* operational definition had to be reformulated	

The next section will focus on the empirical results of the study. Firstly, the descriptive statistics and results will be discussed. This is followed by the Pearson's product moment correlation coefficients and the results of the regression analysis used to test the hypotheses.

4.4 EMPIRICAL RESULTS

In order to summarise the data, descriptive statistics such as means, standard deviations, and frequency tables were used. The next section will present the discussion of the descriptive analysis.

4.4.1 DESCRIPTIVE STATISTICS

A 5-point Likert scale was utilised to gather data from respondents. For reporting purposes, the 5-point Likert-scale was collapsed into 3 categories as follows: responses from 1<= x <2.33 were either categorised as poor, opposed or disagree; responses from 2.33<= x <3.67 were either categorised as good or neutral; responses from 3.67<= x <=5 were either categorised as excellent, favourable or agree.

As can be seen in Table 4.12, the mean score reported for *access to education and training* was 2.74. About half of the respondents (52%) stated that they have good access to education and training, while 32% indicated poor access and 13% excellent access. *Access to finance* had the lowest reported mean score of 2.03 among all the factors. The majority of the respondents (61%) claimed that they have poor access to finance. Furthermore, 34% stated that they have good access and only 2% of the respondent stated excellent access. A mean score of 3.10 was reported for the factor *access to infrastructure* with most of the respondents (42%) indicating

that they have good access while 33% and 22% claimed to have excellent and poor access to infrastructure, respectively. The factor labelled *access to support services* reported a mean score of 2.25. More than half of the respondents (53%) indicated that they have poor access to support services and only 7% indicated excellent access. The other 37% indicated that they had good access to support services. For *policies supporting informal trading*, a mean score of 2.70 was reported. Just less than a third of the respondents (32%) felt that policies oppose informal trading and only 13% felt it is favourable. More than half of the respondents (52%) were neutral towards this factor.

The highest mean score (3.41) was returned for the factor *socio-cultural aspects supporting informal trading.* Although most respondents (48%) were neutral towards this factor, 41% agreed that socio-cultural aspects are in favour of informal trading and only 8% disagreed. A mean of 3.28 was reported for *access to markets.* The majority of the respondents (58%) were neutral towards this factor and 29% agreed to have access to markets. The remaining 10% disagreed to having access to markets. The factor *perceived financial performance* reported a mean score of 3.33. The majority of the respondents (58%) indicated that they were neutral, while 28% agreed that their informal business performed financially. The remaining 11% disagreed with this factor.

Table 4.12: Descriptive statistics for the overall sample (N=100)

FACTOR	MEAN	STD DEV.	POOR	GOOD	EXCELLENT	MISSING
Access to education and training	2.74	0.92	32%	52%	13%	3%
Access to finance	2.03	0.86	61%	34%	2%	3%
Access to infrastructure	3.10	0.98	22%	42%	33%	3%
Access to support services	2.25	1.05	53%	37%	7%	3%
FACTOR	**MEAN**	**STD DEV.**	**OPPOSE**	**NEUTRAL**	**FAVOURABLE**	**MISSING**
Policies supporting informal trading	2.70	0.95	32%	52%	13%	3%
FACTOR	**MEAN**	**STD DEV.**	**DISAGREE**	**NEUTRAL**	**AGREE**	**MISSING**
Socio-cultural aspects supporting informal trading	3.41	0.83	8%	48%	41%	3%
Access to markets	3.28	0.72	10%	58%	29%	3%
Perceived financial performance	3.33	0.83	11%	58%	28%	3%

Next, the Pearson's product moment correlation coefficients are presented.

4.4.2 PEARSON'S PRODUCT MOMENT CORRELATION COEFFICIENTS

Table 4.13 contains the Pearson's product moment correlation coefficients of the independent (*access to education and training, access to finance, access to infrastructure, access to support services, policies supporting informal trading, socio-cultural aspects supporting informal trading, and access to markets*) and dependent (*perceived financial performance*) variables in this study. These factors are denoted as follows in Table 4.13:

- *Access to education and training* as ET;
- *Access to finance* as FIN;
- *Access to infrastructure* as INF;
- *Access to support services* as SS;
- *Policies supporting informal trading* as POL;
- *Socio-cultural aspects supporting informal trading* as SCA;
- *Access to markets* as ATM; and
- *Perceived financial performance* as FP.

Table 4.13: Pearson's product moment correlations coefficients

FACTOR	ET	FIN	INF	SP	POL	SCA	ATM	FP
ET	1.00							
FIN	0.64***	1.00						
INF	0.56***	0.47**	1.00					
SP	0.70***	0.71***	0.61***	1.00				
POL	0.31**	0.48**	0.26*	0.55***	1.00			
SCA	0.18*	0.19*	0.21*	0.15*	0.26*	1.00		
ATM	0.11*	0.28*	0.14*	0.21*	0.19*	0.55***	1.00	
FP	0.43**	0.35**	0.43**	0.29*	0.25*	0.64***	0.35**	1.00

Marked correlations are significant at ($p<0.05$)
***Strong: -1.0 to -0.5 or 0.5 to 1.0
**Moderate: -0.5 to -0.3 or 0.3 to 0.5
*Weak: -0.3 to -0.1 or 0.1 to 0.3

As can be seen in Table 4.13, *access to education and training* reported a significant positive correlation ($p<0.05$) with 4 independent variables. The r-values for *access to finance* (r=0.64); *access to infrastructure* (r=0.56); and *access to support services* (r=0.70) reflected a strong correlation with *access to education and training*. Based on the r-value of *policies supporting*

informal trading (r=0.31) there was a moderate correlation with *access to education and training.*

Furthermore, the independent variable *access to finance* also reported a significant positive correlation ($p<0.05$) with 4 other independent variables. These variables include *access to infrastructure* (r=0.47); *access to support services* (r=0.70); *policies supporting informal trading* (r=0.48); and *access to markets* (r=0.28). Based on these r-values, *access to finance* reported a strong correlation with *access to support services*, moderate correlations with *access to infrastructure* and *policies supporting informal trading*, and a weak correlation with *access to markets*.

In addition to the positive correlations mentioned above, *access to infrastructure* showed a significant positive relationship ($p<0.05$) with 3 other independent variables. A strong correlation was evident with *access to support services* (r=0.61), while there were weak correlations with *policies supporting informal trading* (r=0.26) and *socio-cultural aspects supporting informal trading* (r=0.21).

Access to support services reported a significant positive correlation ($p<0.05$) with 2 other variables not mentioned previously. These variables include *policies supporting informal trading* (r=0.55) and *access to markets* (r=0.21). Based on the r-values, a strong correlation exists between *access to support services* and *policies supporting informal trading.* Furthermore, a weak correlation was reported between *access to support services* and *access to markets.*

The variable *policies supporting informal trading* returned a significant positive correlation ($p<0.05$) with 1 other independent variable not previously mentioned, namely *socio-cultural aspects supporting informal trading* (r=0.26). This r-value indicates a weak correlation between the 2 variables.

Socio-cultural aspects supporting informal trading returned a significant positive correlation ($p<0.05$) with 1 other independent variable not mentioned previously. A*ccess to markets* had an r-value of 0.55, indicating a strong correlation with *socio-cultural aspects supporting informal trading*.

Finally, the dependent variable *perceived financial performance* had significant positive correlations with all the independent variables. Table 4.13 illustrates that only 1 strong correlation was reported with *socio-cultural aspects supporting informal trading* (r=0.64). Moreover, a moderate correlation was indicated between *perceived financial performance* and 4 other independent variables, including *access to education and training* (r=0.43); *access to finance* (r=0.35); *access to infrastructure* (r=0.43); and *access to markets* (r=0.35). Based on the r-values of *access to support services* (r=0.29) and *policies supporting informal trading* (r=0.25), *perceived financial performance* had a weak correlation with these two independent variables.

The section to follow will present the results from the regression analysis.

4.4.3 RESULTS OF THE HYPOTHESIS TESTING

This study hypothesised that the *perceived financial performance* of an informal business is highly dependent and influenced by 7 independent variables. These variables included *access to education* (H^1); *access to finance* (H^2); *access to infrastructure* (H^3); *access to support services s* (H^4)*; policies supporting informal trading* (H^5); *socio-cultural aspects supporting the informal economy* (H^6); and *access to markets* (H^7).

Table 4.14: Regression analysis

R= .73827419 R^2= .54504879 Adjusted R^2= .50926611 F(7,89)=15.232 p<.00000 Std.Error of estimate: .58321						
N=97	b*	Std.Err.	b	Std.Err.	t(89)	p-value
Intercept			0.29	0.36	0.81	0.42
ET	0.28	0.11	0.25	0.10	2.49	0.01
FIN	0.10	0.11	0.09	0.11	0.87	0.38
INF	0.23	0.09	0.20	0.08	2.45	0.02
SP	-0.21	0.13	-0.16	0.10	-1.57	0.12
POL	0.03	0.09	0.03	0.08	0.33	0.74
SCA	0.54	0.09	0.54	0.09	5.98	0.00
ATM	0.01	0.09	0.01	0.10	0.08	0.94

Table 4.14 indicates that the overall regression model was significant ($F(7,89)=15.232$ $p<0.05$) and the independent variables explained 55% of the variance in *perceived financial performance* ($R^2=0.55$). However, only 3 of the 7 independent variables had a positive significant influence on *perceived financial performance*. *Socio-cultural aspects supporting informal trading* had the largest influence on *perceived financial performance* (p=0.00;

b*=0.54). The second most influential variable was *access to education and training* (p=0.01; b*=0.28). The last variable reported to have a significant positive influence on the *perceived financial performance* of an informal business was *access to infrastructure* (p=0.02; b*=0.23). The other independent variables, namely *access to finance* (p=0.38; b*=0.1), *access to support services* p=0.12; b*=-0.21), *policies supporting informal trading* (p=0.74; b*=0.03) and *access to markets* (p=0.94; b*=0.01) did not have a significant influence on perceived financial performance. Although not statistically significant, it is still interesting to note that the factor *access to support services* could have a negative influence on *perceived financial performance* (p=0.12; b*=-0.21).

Given the results of the regression analysis, 3 of the 7 hypotheses can be accepted. These 3 hypotheses deal with *access to education and training* (H^1)*; access to infrastructure* (H^3)*;* and *socio-cultural aspects supporting informal trading* (H^6). Furthermore, the hypotheses dealing with *access to finance* (H^2); *access to support services* (H^4); *policies supporting informal trading* (H^5); and *access to markets* (H^7) were rejected.

4.6 SUMMARY

In this chapter, the empirical results of the study were presented. It included a section where the demographic information of the informal traders was reported and a typical informal trader and informal business in the Nelson Mandela Bay was described. This was followed by the results of the validity and reliability tests. The chapter concluded with a discussion of the results of the descriptive and inferential analyses. The chapter to follow will present a summary of the study, conclusions drawn from the results and relevant recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In the previous chapter, the empirical results were presented. This chapter will provide an overview of the study. It will also provide a brief description of the research objectives, research design and methodology. Thereafter, the main findings from the literature review and empirical investigation will be presented. Thereafter, the empirical results of the study will be interpreted, and conclusions will be drawn. Furthermore, recommendations will be offered on how the factors influencing the perceived financial performance of informal traders can be improved. This chapter will conclude with the contributions of the study, the shortcomings and recommendations for future research, as well as a self-reflection provided by the team.

5.2 OVERVIEW OF THE STUDY

In Chapter One, the topic was introduced and a background to the study was sketched. The problem statement presented in this chapter highlighted the lack of awareness of and access to the current support programs available for informal traders. Informal traders lack accesses to education and training, finance, infrastructure, support services, and markets. Moreover, it mentions the lack of political and socio-cultural aspects supporting informal trading. Furthermore, the problem statement emphasised the gaps in the literature regarding the informal economy, more specifically of South Africa. This problem statement aided in generating the primary objective of the study was to investigate the factors that influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay. Based on the introduction and problem statement, the hypothesised model was developed by utilising variables of the entrepreneurial ecosystem which included seven factors found to influence the *perceived financial performance* of informal businesses. These factors included: (i) *access to education and training*; (ii) *access to finance*; (iii) *access to infrastructure* (iv) *access to support services*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading*; and (vii) *access to markets*. Primary data was then utilized to test the hypotheses presented in the study.

In chapter Two, a comprehensive discussion on the topic of the informal economy and the factors influencing the perceived financial performance of informal traders was presented. Firstly, the nature and importance of the informal economy was discussed, followed by the theories related to the informal economy. Next, the various actors within the informal economy (informal businesses, informal traders, and informal employees) were explored. Furthermore, the motivations behind individuals' decision to operate in the informal economy and the challenges faced by informal businesses were explained, as well as the formalisation of informal businesses. This was followed by the nature of perceived financial performance and the factors influencing the financial performance of small businesses, in general. Lastly, the external factors influencing the performance of informal traders were explored.

Chapter Three explained how the hypothesised model, developed in chapter 2, was tested by providing a detailed discussion pertaining to the research design and methodology applied in the study. The chapter included a discussion about the data collection methods utilised within the study. The statistical methods used to analyse the data collected from informal traders in the Nelson Mandela Bay was presented in this chapter.

Chapter Four presented the results of the statistical analyses conducted in this study. Firstly, the demographic information pertaining to the informal trader and business was reported. This was followed by the results and interpretation of the validity and reliability tests. The chapter concluded with a discussion of the descriptive and inferential statistics utilised in this study.

The sections to follow will provide a brief overview of the research objectives of this study and highlight in which chapters the respective objectives were achieved. Furthermore, a summary of the research design and methodology will be presented.

5.3 RESEARCH OBJECTIVES

As previously mentioned, the primary objective of the study is to investigate the factors that influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay.

The secondary objectives formulated to achieve the primary objective of this study were as follows:

- SO^1 To provide an overview of the informal economy and the factors that influence the *perceived financial performance* of informal traders;
- SO^2 To measure informal traders' *perceived financial performance* and the factors that influence it;
- SO^3 To identify the most significant factors that influence the *perceived financial performance* of informal traders in Nelson Mandela Bay.

Table 5.1 summarises the methodological objectives used to achieve the above-mentioned primary and secondary objectives:

Table 5.1: Achieved methodological objectives of the study and relevant chapters

	METHODOLOGICAL OBJECTIVES	CHAPTERS IN WHICH THE OBJECTIVES WERE ACHIEVED
MO^1	To undertake a theoretical investigation into the informal economy and the factors that influence the *perceived financial performance* of informal traders	Chapter 2
MO^2	To propose a hypothesised model of the factors that influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay	Chapter 2
MO^3	To determine the appropriate research methodology to address the identified research problem and research objectives	Chapter 3
MO^4	To develop an appropriate measuring instrument (quantitative) that will be used to empirically measure the independent and dependent variables	Chapter 3
MO^5	To source primary data from a pre-determined sample of informal traders in the Nelson Mandela Bay and to test the proposed hypotheses using appropriate statistical methods	Chapter 3 and 4
MO^6	To provide conclusions and recommendations based on the findings of this research to improve the *perceived financial performance* of informal traders in the Nelson Mandela Bay.	Chapter 5

5.4 RESEARCH DESIGN AND METHODOLOGY

In this section, a summary of the research design and methodology utilised in this study will be presented. This will be followed by a discussion on the methods of data collection as well as the means of data analysis used.

This study made use of the research "onion" framework as a guideline on how to approach the research process and design. The research "onion" framework consists of the following layers (from the outside inwards): (i) the philosophies adopted by the researcher; (ii) the approach used to conduct the research; (iii) the research strategies implemented; (iv) the methodological choices made; (v) the time horizon of the study; and in the centre of the onion (vi) the techniques and procedures utilised to collect and analyse data (Palić *et al.*, 2015:54).

The researchers of the present study followed a functionalist paradigm and adopted a positivism philosophical stance as defined by Callaghan (2017:68) and Ismail (2017:138). The researchers made use of structured questionnaires to gather data pertaining to an observable reality. The observable reality investigated in this study was the factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay. The data gathered was then objectively analysed to determine how the support affects the perceived financial performance of informal traders. The researchers followed a deductive approach throughout the study.

The researchers of this study made use of a survey strategy by collecting primary data from a sample of informal traders in the Nelson Mandela Bay. A survey strategy of a cross-sectional nature was performed due to time and budgetary constraints. Multiple informal traders with various characteristics (gender, age, race, etc.) running different businesses were interviewed. These informal traders' perceptions about the factors influencing the perceived financial performance (infrastructure, finance, etc.) were investigated at a particular time.

For the purpose of this study, the researchers made use of the quantitative research method to gather data from informal traders in the Nelson Mandela Bay. The researchers remained objective to ensure that human bias was avoided as much as possible. The results and interpretation of the data collected were then analysed using statistical methods.

The sections to follow will elaborate on the procedures and techniques used in this study to collect and analyse data.

5.4.1 DATA COLLECTION

In this study, both primary and secondary data was obtained. Secondary data was used to gain valuable insight into the factors influencing the perceived financial performance effecting informal businesses. The secondary data collected was also used to create a hypothesised model evaluating the factors influencing the perceived financial performance of informal businesses in the Nelson Mandela Bay. In addition, the literature review assisted in identifying and formulating items to include in the structured questionnaire.

In this study, the availability of secondary data was limited due to the nature of the informal economy and lack of information on the topic. To conduct this literature review secondary sources were used. These included reputable online sources such as Google Scholar, textbooks, journal articles, and databases available on the Nelson Mandela University library site, including EMERALD INSIGHT and EBSCOhost.

As previously mentioned, the hypothesised model depicting the seven factors influencing the success of informal businesses was based on secondary data collection. The main purpose of this study was to assess the factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay.

The population of this study is the 48 000 informal traders operating in the Nelson Mandela Bay (Statistics South Africa, 2019:58). A sample frame was not available for this study due to the nature of the informal economy. Due to limited financial resources, time constraints and the size of the population, the researchers of this study made use of a sample to ensure that the research study is completed efficiently. The researchers of this study made use of convenience sampling to collect data from 100 informal traders in the Nelson Mandela Bay who were easily accessible. This method of sampling was used because there is no formal list of informal traders from which a sample could be drawn. A total of 118 questionnaires were distributed, with only 105 being returned (nominal response rate = 88.98%). From these 105 questionnaires, only 100 were deemed usable for statistical analyses (effective response rate = 84.75%).

For the purpose of this study, questionnaires were utilised to gather primary data from informal traders operating in the Nelson Mandela Bay. The questionnaires used in this study consisted of a cover page and three sections. The cover page included the topic of the study, the aim of the study, and all the details informing the respondent of what the study is about, that it is completely voluntary and that they will remain anonymous. The first section (Section A) focused on gathering demographic data about the respondent (such as gender, age, education, etc.) and their business (such as years of existence, the sector they operate in, number of employees employed, etc.). These questions were asked in the form of open-ended and close-ended questions. The second section (Section B) focused on gathering information on the factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay. As found during the literature there are certain factors which influence the perceived financial performance of informal traders. The researchers of this study grouped factors influencing perceived financial performance in the following categories: (i) *access to education and training*; (ii) *access to finance*; (iii) *access to infrastructure*; (iv) *access to support services*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading*; and (vii) *access to markets*. The third section (Section C) assessed the success of informal businesses in the Nelson Mandela Bay through their *perceived financial performance*.

5.4.2 DATA ANALYSIS

Data analysis was used to create a summary of the primary data collected. In this study, descriptive statistics and inferential statistics were used. This section will further expand on the data analysis methods used in this study.

For the purpose of this study, both content validity and construct validity were used. Content validity was ensured by utilising existing literature to formulate the items in the questionnaire. In addition, face validity was achieved by administering the questionnaire to experts in the Department of Business Management at the Nelson Mandela University. Factor analysis was used to determine the validity of the scales utilised in this study. For the purpose of this study, factor loadings greater than 0.5 were considered acceptable for validity. To test the reliability of the scales used in this study, Cronbach alpha's coefficients were calculated. Cronbach alpha's coefficients greater than 0.5 was considered acceptable to prove reliability.

After the validity and reliability of the research instrument was confirmed, descriptive and inferential statistics were calculated. In this study, measures of central tendency and measures of dispersion were used. To summarise the sample data related to certain demographic variables (e.g. age, number of employees, etc.) and the level of the independent and dependent variables this study made use of the mean. The standard deviation was used to assess the variability in the responses of the informal traders in the Nelson Mandela Bay. Two other types of descriptive statistics that were used in this study included frequencies and percentages. Inferential statistics were used to make conclusions about the population by means of the sample.

For the purpose of this study multiple regression analysis was used to test the relationships between (i) *access to education and training*; (ii) *access to finance*; (iii) *access to infrastructure*; (iv) *availability of support services*; (v) *policies supporting informal trading*; (vi) *socio-cultural aspects supporting informal trading;* and (vii) *access to markets* and the business success of informal traders. From this, conclusions can be drawn about informal traders in the Nelson Mandela Bay. STATISTICA version 13 was used to perform the statistical analyses of the data collected in this study.

In the sections to follow the main findings from the literature review and the empirical investigation will be presented.

5.5 MAIN FINDINGS FROM THE LITERATURE REVIEW

The purpose of this chapter was to provide theoretical support and justification for the hypothesised relationships between the factors influencing perceived financial performance and *perceived financial performance*. The chapter commenced with an overview of the informal economy and informal traders. This was followed by an overview of the factors that influence the perceived financial performance of informal traders. The findings from each section will be presented below.

5.5.1 AN OVERVIEW OF THE INFORMAL ECONOMY AND INFORMAL TRADERS

The concept of the informal sector was first introduced in 1971 (Davids, 2011:5) and was regarded as existing separately from the formal economy (David *et al.,* 2013:11). It consisted mostly of entrepreneurs who operated illegal and unregistered businesses to avoid regulation and tax (David *et al.,* 2013:12). The term informal sector was later changed to the informal

economy as modern industrial growth was experienced leading to an integration of the informal sector with the formal economy (Becker, 2004:8; David *et al.*, 2013:11). While many definitions of the informal economy exist, for the purpose of this study, the informal economy referred to unregulated markets which exist in developed and developing countries. The informal economy is characterised by small-scale enterprises and operations; low productivity activities; labour-intensive methods of production; low entry requirements; non-compliance with formal laws; activities bordering on illegality; exclusion from the nation's GDP; unhealthy, exploitative and repressive activities; and an association with the poorest and most vulnerable in society.

The informal economy is a major contributor to the economies of both developing and developed countries (Horn 2011:4; Modupi 2017:26). The informal economy contributes about 28% towards South Africa's total GDP (Henning & Akoob, 2017:2). Informal markets play a vital role in developing communities, providing jobs for semi-skilled individuals, and improving standards of living (Vermaak, 2014:1185). According to Turok *et al.* (2017:33), more than 2.5 million people work in the informal economy of South Africa, which is about 17% of the total workforce. In addition, formal businesses regard operations within the informal economy as an important variable in their success (Henning & Akoob, 2017:2). Tengeh and Lapah (2013:109) assert that the fall of apartheid in South Africa is one of the key contributors to the increase of informal businesses and informal traders in South Africa. The informal economy plays an important role in South Africa, especially taking into consideration the high unemployment rate and the high level of poverty experienced in the country (Modupi, 2017:26).

Four theories have been used to explain the existence of the informal economy. The dualist perspective, also known as the development perspective, suggests that due to the increase in population growth and underdeveloped industries, individuals struggle to find jobs in the formal economy and create opportunities to generate income (Huang *et al.*, 2018:2745). The legalist perspective, also known as the neoliberal perspective, argues that individuals are forced to operate in the informal economy due to a hostile legal system and unreasonable state regulations (Steel *et al.*, 2014:54). According to Chen (2012:5), the structuralist perspective, also known as the neo-marxism perspective, acknowledges that there is an intrinsic link between the formal and informal economies. The voluntarist perspective suggests that

individuals consider self-employment within the informal economy due to the advantages associated with that economy (Huang *et al.* 2018:2747).

The informal economy consists of informal business, informal traders and informal employees. Informal businesses are defined as those who are not registered as a business, do not pay any tax, and employ less than five employees (Jere *et al.*, 2014:4). These businesses are owned and operated by informal traders. Informal traders in South Africa are characterised by having lower levels of education and lacking formal training and business management skills (Jere *et al.*, 2014:14). Informal traders provide employment for themselves and others. According to Huang *et al.* (2018:2745), individuals employed in the informal economy can be classified as either self-employed informal traders or informal employees who are employed within informal businesses. Tengeh and Lapah (2013:113) explain that self-employed informal traders can be regarded as individuals who sell goods and services to the public without being registered as taxpayers or having a permanent infrastructure at their disposal. Informal employees do not have a formal written contract of employment and do not enjoy basic employment benefits such as pensions or medical aid contributions (Chen, 2012:7; Modupi, 2017:7).

Individuals operating in the informal economy can either be necessity driven (necessity entrepreneurs) or opportunity driven (opportunity entrepreneurs) (Stephan *et al.*, 2015:11). Necessity entrepreneurs are those individuals who regard the informal economy as the only available source of income (Webb *et al.*, 2012:607). Williams (2014:9) suggests that individuals with a lower level of education, females, the unemployed, and those within lower-income groups are more likely to experience push factors motivating them to operate in the informal economy out of necessity. Opportunity entrepreneurs notice the opportunities within the informal economy and decide, voluntarily, to operate within that economy (Webb *et al.*, 2012:607). Williams (2014:9) states that individuals in higher-income brackets, males, middle-aged workers, those with a higher level of education, and white-collar workers are more likely to enter the informal economy willingly. Despite the fact that some individuals enter the informal economy to take advantage of an opportunity, operating in this economy can pose a number of challenges.

Individuals operating in the informal economy struggle to access profitable markets, finance, infrastructure, and a physical location to operate from (Turok *et al.*, 2017:35). Government

policies, regulations, and practices could have a significant influence on informal business. However, Turok *et al.* (2017:37) state that informal traders struggle to operate in the informal economy due to municipal by-laws in South Africa discouraging such activities. Informal businesses, such as street vendors, are mostly regarded as a hindrance to society which has led to them being classified as "illegal" businesses (Tengeh & Lapah, 2013:114).

Businesses operating in the informal economy are more exposed to health and safety hazards and have to conduct business in harsh weather conditions, for little to no income, due to a lack of infrastructure (Tengeh & Lapah, 2013:114; Henning and Akoob, 2017:4). Due to the limited space available at the respective locations, tension is created between competing traders to access these valuable public spaces to conduct their business (Steel *et al.,* 2014:53). Becker (2004:23) states that informal businesses have growth potential if they are formalised.

Formal businesses operate in the formal economy which comprises of regulated economic units, workers who are protected, and a formal regulatory environment (Bashe, 2012:25).Unni, (2018:93) adds that there are two views with regards to formalising the informal economy, namely from a (i) capital viewpoint and (ii) labour viewpoint. In addition, individuals need to decide which legal form of business enterprise they would like to adopt when formalising their businesses (Aswani 2019). The forms of business enterprise include sole proprietorships, partnerships, or a company (Aswani, 2019). In addition to choosing an appropriate form of business enterprise entrepreneurs should also be cognizant of the tax, labour, and general statutory requirements that should be adhered to when formalising their business. According to Williams (2014:13), formalising informal businesses would have a positive impact on both formal and informal businesses, the government, and customers.

5.5.2 AN OVERVIEW OF THE FACTORS THAT INFLUENCE THE PERCEIVED FINANCIAL PERFORMANCE OF INFORMAL TRADERS

The nature of a business can influence how performance is defined (Urban *et al.,* 2015:15; Burns & Dewhurst, 2016:5). Philip (2010:3) mentions that performance could also be related to the duration of success i.e. short term or long-term. Another perspective on measuring performance is related to the use of objective and subjective measures. Objective measures include the use of recorded financial data, such as financial statements, whereas "subjective measures involve the perceptions of managers in terms of how well their firm is performing" (Singh *et al.,* 2016:220). For the purpose of this study, performance was measured using a

subjective measure. *Perceived financial performance* referred to whether the informal business has grown in terms of profit, turnover, and employees over the past two years, and whether or not the business is financially successful and profitable.

Many factors determine the performance of a small business and these factors should be addressed simultaneously (Philip, 2010:10). Small business performance is dependent on the personal characteristics of the owner, internal factors and external factors. For the purpose of this study, attention was paid to the external factors that influence the performance of informal traders. The entrepreneurial ecosystem was used to identify various external factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay. Numerous definitions of an entrepreneurial ecosystem have been proposed by different authors. For the purpose of this study, entrepreneurial ecosystem is a complex system consisting of various interdependent elements within a geographic region that creates a conducive environment for entrepreneurial activities, innovation and economic growth.

According to Mason and Brown (2014:5), there have been many variations of entrepreneurial ecosystems assessment frameworks. These frameworks vary according to their geographic level of analysis, their level of detail, and their domain focus (Aspen Network of Development Entrepreneurs, 2013:2). Entrepreneurial ecosystems can be measured using objective and/or subjective measures, this includes combining objective measures of performance along with perceptions of the business environment (Aspen Network of Development Entrepreneurs, 2013:17). The Babson, COC, and OECD frameworks were considered appropriate for this study. These three frameworks were adapted to form an entrepreneurial ecosystem assessment framework that was more suitable for the Nelson Mandela Bay at a regional level. Human capital, finance, infrastructure, support services, policy, entrepreneurial culture, and access to markets are regarded as the most important pillars of an entrepreneurial ecosystem (Mack & Mayer, 2016:2120; Van de Wiele, 2016:17; Spigel, 2017:51). For the purpose of this study, the elements of the entrepreneurial ecosystem were conceptualised and operationalised as follows:

- **Human capital:** the level of access informal traders have to opportunities to improve their and their employees' human capital by enhancing business-related knowledge, skills and capabilities.

- **Finance:** the extent to which informal traders have access to debt finance, equity finance, government grants, collateral security, credit from suppliers, finance from family and friends, Stokvels, and informal money lenders.
- **Infrastructure:** the level of access that informal traders have to electricity, clean water, transport, storage facilities, shelter, a safe trading space, bathroom facilities, waste bins, and the internet.
- **Support services**: extent to which informal traders have access to legal, tax, and accounting services; business consultants, mentorships, and incubators; and financial planners, entrepreneurial networks, and non-profit organisations that promote and assist entrepreneurs.
- **Policy**: the informal traders' perception regarding policies related to the establishment of informal businesses; labour; licenses and permits; tax; safety; land tenure customs and trade; as well as the cost of complying to and enforcement of such policies.
- **Culture**: whether the local culture and those important to the informal trader (including family and friends) support and value informal trading, tolerates risk-taking and failure, and views informal trading as a viable career option.
- **Markets:** how easily informal traders can access market information; whether or not other organisations buy from or support informal traders; the willingness of local customers to provide advice and be flexible with payment terms; and the extent to which competitors affect informal traders' performance

5.6 MAIN FINDINGS FROM THE EMPIRICAL INVESTIGATION

Chapter 4 presented a summary of the demographic information of the informal traders questioned in the study. The sample consisted of 100 informal traders in the Nelson Mandela Bay. The typical informal trader in this study was a single black South African male in his late 20's, who has attended high school but lacked training to run a business. The typical informal business was founded by the informal trader on his own using R16 716.21 capital; is involved in service provision or retailing; operates from a static market stall; generates an average monthly income above R6000 using R6 469.64 operating capital; and employs 2.08 employees.

Table 5.2 presents a summary of the validity and reliability of the measuring instrument. For 7 out of the 8 factors (ET, FIN, INF, SP, POL, SCA, and FP) the Cronbach's alpha coefficient was of satisfactory nature. The factor *access to markets* returned a Cronbach's alpha coefficient

of 0.61, indicating acceptable reliability. Sufficient evidence of validity was reported with all items intending to measure their respective factors loading onto single factors. These factors include *access to education and training* (10-items); *access to infrastructure* (9-items); *access to support services* (10-items); and *policies supporting informal trading* (9-items). Furthermore, to measure *access to finance,* 8-items were used but only 5 loaded onto a single factor with sufficient evidence of validity. Only 9-items out of the 10 intending to measure *socio-cultural aspects supporting informal trading* loaded onto a single factor indicating sufficient evidence of validity. Additionally, to measure the factor *access to markets*, 9-items were used. From the 9-items, only 5-items loaded onto a single factor with sufficient evidence of validity. Finally, 6-items were used to measure *perceived financial performance,* whereby only 5-items loaded onto a single factor.

Table 5.2: Summary of the validity and reliability of the measuring instrument

CODE	FACTOR	ITEMS	CRONBACH'S ALPHA
ET	Access to education and training	10	0.91
FIN	Access to finance	8	0.83
INF	Access to infrastructure	9	0.89
SS	Access to support services	10	0.95
POL	Policies supporting informal trading	9	0.93
SCA	Socio-cultural aspects supporting informal trading	10	0.88
ATM	Access to markets	9	0.61
FP	Perceived financial performance	6	0.86

For reporting purposes, the 5-point Likert-scale was collapsed into 3 categories as follows: responses from 1<= x <2.33 were either categorised as poor, opposed or disagree; responses from 2.33<= x <3.67 were either categorised as good or neutral; responses from 3.67<= x <=5 were either categorised as excellent, favourable or agree.

The mean scores reported for *access to education and training*, *access to infrastructure,* and *access to markets* were 2.74, 3.10, and 3.28, respectively. This indicates that most of the informal traders in this study (52%, 42% and 58%respectively) perceived that they had good access to education and training opportunities as well as infrastructure and were neutral regarding their access to markets. The mean scores returned for *access to finance* and *access to support services* were 2.03 and 2.25, respectively. These mean scores suggest that the majority of the informal traders who participated in this study (61% and 53% respectively), perceived that they had poor access to finance and support services. For policies and socio-cultural aspects supporting informal trading mean scores of 2.70 and 3.41 were reported. This

shows that most of the informal traders in the present study were neutral about whether or not policies and socio-cultural aspects support informal trading. Finally, *perceived financial performance* reported a mean score of 3.33. The majority of the respondents (58%) were unsure whether or not their business performed financially.

With regards to the Pearson's product moment correlation coefficients showed strong significant correlations (0.5<r>1.0) between the following factors:

- *Access to education and training* and *access to finance* (r=0.64);
- *Access to education and training* and *access to infrastructure* (r=0.56);
- *Access to education and training* and *access to support services* (r=0.70);
- *Access to finance* and *access to support services* (r=0.71);
- *Access to infrastructure* and *access to support services* (r=0.61);
- *Access to support services* and *policies supporting informal trading* (r=0.55);
- *Socio-cultural aspects supporting informal trading* and *access to markets* (r=0.55); and
- *Socio-cultural aspects supporting informal trading* and *perceived financial performance* (r=0.64).

Furthermore, moderate significant correlations (0.3<r>0.5) were reported between the following factors:

- *Access to education and training* and *policies supporting informal trading* (r=0.31);
- *Access to education and training* and *perceived financial performance* (r=0.43);
- *Access to finance* and *policies supporting informal trading* (r=0.48);
- *Access to finance* and *perceived financial performance* (r=0.35);
- *Access to infrastructure* and *perceived financial performance* (r=0.43); and
- *Access to markets* and *perceived financial performance* (r=0.35).

Lastly, a weak significant correlation (0.1<r>0.3) were reported between the following factors:

- *Access to finance* and *access to markets* (r=0.28);
- *Access to infrastructure* and *policies supporting informal trading* (r=0.26);
- *Access to infrastructure* and *socio-cultural aspects supporting informal trading* (r=0.21);
- *Access to support services* and *access to markets* (r=0.21);
- *Access to support services* and *perceived financial performance* (r=0.29);

- *Policies supporting informal trading* and *socio-cultural aspects supporting informal trading* (r=0.26); and
- *Policies supporting informal trading* and *perceived financial performance* (r=0.25).

As can be seen in Table 5.3, 3 of the 7 hypotheses in this study were accepted. These 3 hypotheses dealt with *access to education and training* (H^1)*; access to infrastructure* (H^3)*;* and *socio-cultural aspects supporting informal trading* (H^6). Furthermore, the hypotheses dealing with *access to finance* (H^2); *access to support services* (H^4); *policies supporting informal trading* (H^5); and *access to markets* (H^7) were rejected.

Table 5.3: Summary of hypotheses

	HYPOTHESES	DECISION
H^1	*Access to education and training* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay	Accepted
H^2	*Access to finance* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay	Rejected
H^3	*Access to infrastructure* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay	Accepted
H^4	*Access to support services* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay	Rejected
H^5	*Policies supporting informal trading* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay	Rejected
H^6	*Socio-cultural aspects supporting informal trading* influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay	Accepted
H^7	*Access to markets* influences the *perceived financial performance* of informal traders in the Nelson Mandela Bay	Rejected

The section to follow includes the conclusion of the study.

5.7 CONCLUSIONS

The primary objective of the study was to investigate the factors that influence the *perceived financial performance* of informal traders in the Nelson Mandela Bay. This was empirically achieved by testing how the elements of the entrepreneurial ecosystem influence the perceived financial performance of informal traders in the Nelson Mandela Bay.

Most of the informal traders perceived that they had good access to education and training as well as infrastructure. The largest proportion of the informal traders in this study were also neutral regarding their access to markets. This implies that the informal trader in the Nelson Mandela Bay perceived that they had a good level of access to opportunities to improve their and their employees' human capital by enhancing business-related knowledge, skills and capabilities. In addition, the informal traders had good access to electricity, clean water,

transport, storage facilities, shelter, a safe trading space, bathroom facilities, waste bins, and internet. Moreover, the informal traders were unsure about the fact that other organisations buy from or support them and whether or not customers were willing to provide them with advice and be flexible with payment terms. The perception of good access to education and training could be due to acquiring reading and maths skills while attending high school. Informal traders could have obtained leadership, general management, customer service, and sales skills from their previous employment which was used to establish and run their informal business. Furthermore, informal traders have good access to infrastructure because they are strategically positioned where they can ensure market visibility and gain access to high volumes of customers. Informal traders make use of static stalls to ensure that they always have access to the necessary public infrastructure. Informal traders have a neutral view regarding having access to markets which could be a result of not having the necessary skills and knowledge to network. Informal traders were unsure if other businesses or the government bought from their business. This could be because they have no way of knowing when a customer buying from them is from the government or a different business. They also do not have a way of measuring whether competition from other businesses affects their business performance or growth. Although having perceived access of good to education and training, as well as infrastructure, it could be better. As seen, informal traders are only neutral towards having access to markets; thus, it should be improved.

In addition, the majority of the informal traders perceived that they had poor access to finance and support services. This means that the informal traders in this study had poor access to debt finance, equity finance, government grants, collateral security, and credit from suppliers. The informal traders also experienced poor access to legal, tax, and accounting services; business consultants, mentorships, and incubators; and financial planners, entrepreneurial networks, and non-profit organisations that promote and assist entrepreneurs. Financial assistance is regarded as the most important external factor influencing the success of all businesses, which is why it is unacceptable that informal traders still experience poor access to financial assistance. This is exacerbated by the fact that most require a lot of start-up capital (R16 716.21). It is disheartening that informal traders have to make use of personal savings to start their business. This is due to having no collateral security, which makes it increasingly difficult to obtain any debt financing from the formal economy. The lack of access to government grants could be from having insufficient knowledge of where to search and how to apply for these grants and would influence their ability to obtain government grant finance. In addition, support services

discriminate against informal businesses by opting to rather work with formal businesses. They do not provide sufficient or appropriate services focusing on informal businesses. This is due to informal businesses not having enough profits to pay for these services. There could also be a lack of awareness by informal traders regarding the support services that are available to them. Informal traders perceived their access to finance and support services as poor; thus, improvements need to be made in order to enhance their access.

In terms of policies and socio-cultural aspects supporting informal trading, most of the informal traders were neutral about whether or not these two external factors support informal trading. This shows that informal traders in the Nelson Mandela Bay were undecided on whether or not policies related to the establishment of informal businesses; labour; licenses and permits; tax; safety; land tenure; customs and trade; as well as the cost of complying to and enforcement of such policies support their businesses. Furthermore, informal traders are unsure if the local culture and those important to them support and value informal trading, tolerate risk-taking, and view informal trading as a viable career option. The perspective for both, policies and culture supporting informal trading, contradicts the study conducted by Harrington *et al.* (2017:104) stating that South Africa's policies, culture, and societal norms related to informal trading is inefficient. This perception regarding policies supporting informal trading could be due to the informal economy being unregulated. This means that the policies currently in place are not making a large enough impact for informal traders to notice whether or not it is favourable to their business. Informal traders are unsure whether or not the local culture supports and appreciates them due to low publicity regarding informal businesses, especially focusing on their contribution and success. Moreover, they are undecided whether their family and friends approve of them being an informal trader because they founded their business alone without the help of family members, partners or partners. Informal traders are neutral regarding the policies and socio-cultural aspects supporting informal trading; thus, it should be improved.

Finally, the majority of the respondents were unsure whether or not their business performed financially. This implies that the informal traders who participated in this study were unsure whether or not their business experienced growth in terms of profit and turnover and was financially successful and profitable. Due to their lack of education and skills, they did not have the necessary knowledge on how to create financial statements to analyse the performance of their business. This perception can also be due to the fact that they do not regard financial

performance as a tool to measure the success of their business. Informal traders' perception of their financial performance is neutral; however, it could be improved.

Pearson's product moment correlation coefficients showed strong positive correlations between *access to education and training* and *access to finance* and *access to infrastructure.* This implies that informal traders who had better opportunities to improve their and their employees' human capital by enhancing business-related knowledge, skills and capabilities also experienced better access to finance and infrastructure. This is due to informal traders having more knowledge on how to create effective business plans which financial institutions, operating in the formal economy, require when applying for financial assistance. In addition, having better knowledge and awareness of your environment would allow informal traders to take advantage of workspaces near public infrastructure.

Access to support services also had strong positive relationships with *education and training, access to finance, access to infrastructure*, and *policies supporting informal trading*. This means that the informal traders who had more access to legal, tax, and accounting services; business consultants, mentorships, and incubators; as well as financial planners, entrepreneurial networks, and non-profit organisations that promote and assist entrepreneurs also had better access to education and training, finance, and infrastructure. These informal traders also perceived *policies* to be more favourable towards informal trading. This is because formal banks are more willing to provide financial services to businesses who are apart of business incubators. In addition, business incubators also provide a secure workspace with the necessary infrastructure included. Furthermore, business mentors and consultants provide informal traders with the knowledge and skills required to establish and operate a successful business. When informal traders have access legal, tax and accounting services, they perceive the costs of complying with policies as favourable, because they have the ability to budget and save for such costs.

In addition, *socio-cultural aspects supporting informal trading* were strongly and positively correlated with *access to markets* and *perceived financial performance*. This suggests that informal traders who perceived the local culture and those important to them as supportive of informal trading, tolerant of risk-taking, and accepting of informal trading as a viable career also had better access to markets and experienced more financial performance. When the local culture supports informal trading, the community will be more inclined to support and buy

from them. This increase in support leads to growth in profits and turnover. This correlation is in line with previous studies (Nieman & Nieuwenhuizen, 2014:12; Urban *et al*., 2015:104; Bosma & Kelly 2018:15) who assert that a culture that supports and encourages entrepreneurial activity leads to informal traders being more financially successful.

Furthermore, moderate positive correlations were reported between *policies supporting informal trading* and *access to education and training* and *access to finance*. This indicates that those informal traders who viewed policies related to business establishment; labour; licenses and permits; tax; safety; land tenure; customs and trade; as well as compliance costs and law enforcement as favourable also had more *access to education and training* and finance. If it was easier to obtain a license and permit for informal businesses, more informal traders would obtain such formal business documents; and therefore, formal financial institutions would be more inclined to provide them with financial support. Moreover, the incentives regarding forming informal businesses encouraged more entrepreneurs from the formal economy, who are assumed to have better education and training, to enter the informal economy.

The regression results revealed that 3 out of the 7 independent variables had a significant positive influence on the *perceived financial performance* of informal businesses. *Socio-cultural aspects supporting informal trading* had the largest influence on *perceived financial performance* (p=0.00; b*=0.54). This implies that a socio-cultural environment where the local culture and those important to the informal trader support and value informal trading, tolerate risk-taking, and view informal trading as a viable career will lead to informal businesses performing financially. In an environment where the informal economy is celebrated, the community will support and buy from informal businesses, leading to an increase in profit and turnover. When the informal economy is regarded as a positive contributor in society, the support provided from various actors (formal businesses, community, and government) will improve; thus, increasing financial success. This finding is in line with previous studies who asserted that entrepreneurial activities would flourish in a culturally supportive environment (Nieman & Nieuwenhuizen, 2014:12; Urban *et al.*, 2015:104).

The second most influential factor was *access to education and training* (p=0.01; b*=0.28). This indicates that informal traders with better access to opportunities that could improve their and their employees' human capital by enhancing business-related knowledge, skills and

capabilities were more likely to experience financial performance. Informal traders who have better access to education and training regarding general, financial, and marketing management, as well as business establishment, and leadership skills, and who can also ensure that their employees have better access to sales, customer service, inventory management, reading and maths skill will have increased financial performance. There are various reasons for this. Informal traders with a higher level of education and training tend to have more knowledge and skills regarding establishing and operating a successful business. These skills could assist them in better managing their resources, as well as better measuring their performance. If informal traders have better education and training, they will be more likely to make calculated decisions, taking risk and reward into account. This result supports Jin *et al.* (2017:744) and Kavese (2015:20) who found that high levels of education and skills would allow an entrepreneur to be more successful and provide them with the knowledge on how to capitalise on market opportunities.

The last factor reported to have a significant positive influence on *perceived financial performance* was *access to infrastructure* ($p=0.02$; $b^*=0.23$). This implies that better access to electricity, clean water, transport, storage facilities, shelter, a safe trading space, bathroom facilities, waste bins, and internet will lead to improved financial performance for informal traders. When informal traders operate in a secure location, their goods are protected from theft resulting in a reduction in operating cost, increasing financial performance. This result validates the previous research conducted by Shabalala (2014:97) and Herrington and Kew (2016:48) who argued that access to infrastructure is important for informal traders to flourish.

Furthermore, the results of the regression analysis indicated that 3 of the 7 hypotheses could be accepted. These 3 hypotheses dealt with *access to education and training* (H^1)*; access to infrastructure* (H^3)*;* and *socio-cultural aspects supporting informal trading* (H^6). Furthermore, the hypotheses dealing with *access to finance* (H^2); *access to support services* (H^4); *policies supporting informal trading* (H^5); and *access to markets* (H^7) were rejected. Therefore, in this study *access to finance* did not have a significant influence on the *perceived financial performance* of informal traders. This does not correlate Krishnan *et al.* (2014:1) who suggested financial assistance being the most important type of assistance for all businesses. Furthermore, one could assume that the informal traders questioned within this study regarded *access to support services* as an expense, thus resulting in a negative correlation with *perceived financial performance*. Lastly, neither *access to markets* nor *policies supporting informal*

trading reported a significant influence on the *perceived financial performance* of informal traders. This could be due to the fact that most informal traders do record who buys from their business and the level of competition that they experience; therefore, they do not regard having accessible marketing information as influencing their financial performance. Furthermore, informal traders do not strictly adhere to policies regarding the informal economy, thus changes in policies are not seen as influential on their financial performance. Informal traders will make their business work whether or not they have a permanent workspace. This result challenges the statement by Wright *et al.* (2015:65) that entrepreneurs who have better access to markets are able to gain valuable resources needed to start their business and exploit opportunities.

The section to follow will include recommendations based on the finding within this study.

5.8 RECOMMENDATIONS

Based on the findings of this study several recommendations on how informal traders, as well as the government, non-government, and the community, can create a conducive environment for informal businesses. The recommendations will regard *access to education and training; access to finance; access to infrastructure; access to support services; policies supporting informal trading, socio-cultural aspects supporting informal trading, and access to markets.*

(i) *Access to education and training*

The majority of the respondents in this study had secondary education. Entrepreneurial-based subjects should be present at high schools to better equip the youth to manage a business should they enter either the informal or formal economy as entrepreneurs. Secondary level education institutions should also teach more practical skills in school (financial, inventory management, and problem-solving skills) as theoretical training cannot be implemented into the day to day realities of their business. Moreover, it is recommended that formal businesses establish in-service training where informal traders are invited to enhance their practical skills. Government initiatives in South Africa, SEDA and NYDA, should ensure that the support that they provide focuses on the above-mentioned practical skills. The Nelson Mandela Bay Metropolitan Municipality should make a conscious effort to invest in business training for entrepreneurs in the informal economy. Furthermore, they should promote the development of entrepreneurship, especially in underprivileged communities. Additionally, training on how to create a basic business plan, that could be presented to the bank when applying for a loan, would be beneficial. Actions to improve the financial literacy of current informal traders to

ensure that they have better knowledge to understand and acquire debt financing should be put in place.

(ii) ***Access to finance***

Access to finance is a major challenge faced by informal traders. Informal traders with better access to finance could experience a greater chance of growth. Therefore, it is recommended that banks and other formal financial institutions implement a micro-financing service designed to facilitate the needs of informal traders. These micro-finances could assist informal traders with their start-up capital and operating costs. A reason that informal traders cannot acquire a bank loan is a lack of collateral security to offer the banks in the formal economy. Banks should develop a collateral system where they are more lenient with regards to the collateral required by informal traders if they possess certain skills and training. Banks should offer variable interest rates depending on the needs and risk factor of the informal businesses. A funding directory can be established to assist informal traders in searching and accessing the most appropriate financing for their business needs.

Furthermore, informal traders can improve their chance of accessing finance by first identifying the type of finance that they require; gaining knowledge of where to look for finance; approaching multiple lenders; and exploring alternative forms of funding such as Crowdfunding and Stokvels. Therefore, it is recommended that informal traders consider approaching the IDC, the DTI, SEFA, and IWF for financial assistance. Stokvels are a good alternative to borrowing from relatives, friends or banks. Informal traders should pursue the use of Stokvels for start-up capital and future financial stability. It can also create independence and teach financial management skills.

(iii) ***Access to infrastructure***

Lack of infrastructure to support informal businesses, including access to water, shelter, and electricity creates a challenging work environment. Therefore, it is recommended that these infrastructures be provided at locations known to be trading areas of informal traders. In order to do this, formal trading spaces should be provided by SEDA where informal traders can rent a static stall at an affordable cost. Informal traders without a secure storage location are at risk of theft and crime. The government should implement better strategies to deal with crime within the country, especially in the areas that informal traders are located. It can also be beneficial if a central location is established where informal traders can operate in a safe and

enclosed environment which can be locked at the end of the day. Furthermore, it is recommended that informal traders be strategic with regards to the location of their business.

(iv) ***Access to support services***

Due to the perceived separation of the informal and formal economy, informal traders typically do not make use of legal and tax services, lawyers, accountants, and business mentorships. This is detrimental because in this study it was found that *access to support services* had a positive relationship with *access to education and training, access to finance, access to infrastructure*, and *policies supporting informal trading*. Therefore, it is recommended that support services make their services more accessible to informal traders and assist them to enhance their performance. Rules should be in place within organisations to ensure that discrimination towards informal traders is eradicated and that they are treated equally to formal businesses. From the empirical results, it was found that there was a negative correlation between *access to support services* and *perceived financial performance*. This is assumed to be because the respondents regard support services as an expense which would decrease their profits. Thus, it is important that the support services are provided at an affordable rate for informal traders.

(v) ***Policies supporting informal trading***

policies supporting informal trading are not sufficient for informal traders to flourish; therefore, the following recommendations concern improving policies surrounding informal trading. This is done to achieve better suited and more effective policies regarding the informal economy Policies for the establishment of informal businesses and obtaining a permit for such business should be more favourable towards traders. This can be done by ensuring that the application process of obtaining a business license and permit is easier. Furthermore, documentation required for this process should be available in multiple languages and should consist of less paperwork. Policymakers must consider the opinions of various stakeholders, specifically informal traders when decisions regarding the informal economy are formulated. The costs of complying with current policies should be decreased in order to place less financial strain on informal traders and further encourage traders to enter the informal economy. In addition, tax rates should better accommodate the income fluctuations of informal traders. When policies are formulated, less focus should be on deterrence measures forcing informal traders into the informal economy, but rather on incentives to motivate them to formalise their business.

(vi) ***Socio-cultural aspects supporting informal trading***

With the factor *socio-cultural aspects supporting informal trading* having the most influence on the *perceived financial performance* of informal businesses, this can be regarded as the most important factor. Thus, one can argue that if the perception of informal traders is shifted towards being a vital asset to the community and economy, the other elements supporting informal traders should improve as well.

The culture and perspective surrounding informal trading as a viable career option must change. Informal trading should instead be celebrated within the South African culture so that people are more inclined to support local informal traders, thus contributing to the upliftment of the community. This can be done by providing more positive media focusing on the success stories of informal traders. Informal traders should be encouraged to work together and support one another, by sharing workspaces and transport, to increase their business performance. It can be recommended that the community consider buying from informal traders, if and when possible, rather than just buying from formal businesses.

(vii) ***Access to markets.***

The sustainability of a business can be influenced by the availability of market information. Informal traders should thus be encouraged to form viable and reliable distribution networking. It is recommended that informal traders form a group to buy the same products in high quantity in order to receive discounts from wholesalers and suppliers. Additionally, informal traders should be encouraged to form trader associations or strategic alliances and create an environment where traders support and buy from one another. In addition, it is recommended that market information, such as where to purchase craft materials at the lowest price, be made available and delivered on platforms that are easily accessible to informal traders. These platforms include newspapers, business incubators billboards, and social media. Informal traders should support one another by sharing valuable information such as price deals on goods. Informal traders can recommend that customers make use of other informal traders.

5.9 CONTRIBUTIONS OF THE STUDY

The aim of this study was to add to the existing body of knowledge on the informal economy in South Africa, focusing on informal traders in the Nelson Mandela Bay. More specifically, this research highlighted the factors influencing perceived financial performance of informal traders in the Nelson Mandela Bay. By doing this, the study identified the initiatives needed to

create a conducive environment in which informal businesses can flourish. These initiatives will deal with improving access to education and training; finance; infrastructure; support services, and markets, as well as creating policy and socio-cultural environments that support informal trading. Each initiative will be discussed below by identifying the benefits gained by the parties involved in the provision thereof.

Formal and informal education institutions, business incubators, business mentors, and non-governmental organisations (NGOs) will benefit from this study by gaining information on how to create relevant and more focused education and training programmes. This will also assist them in improving the access to and marketing of their education and training programmes. The study can contribute to enhancing the financial assistance provided by banks, the government, and investors by ensuring that they are tailored to suit informal traders. These potential providers of capital could also increase access to their financial products and services. This, in turn, could enhance their ability to market their financial products to informal traders. The ability of the government (specifically local municipalities such as the Nelson Mandela Bay Municipality), business incubators, and NGOs to identify infrastructural needs of informal traders can be enhanced through the information provided in this study. They can ensure that they focus on critical infrastructural requirements of informal traders that affect informal business success. A contribution can be made with regard to support services provided to informal traders, including accountants, lawyers, business advisors, and financial planners. This can ensure that professional services are also tailored to the requirements of informal traders.

The study can assist governments, especially local municipalities (Nelson Mandela Bay Municipality), in the development of effective policies targeted at the informal economy. These could include policies supporting the establishment of informal businesses, decreasing the cost of complying with policies and simplifying the processes of obtaining licenses and permits for informal businesses. This study can be used to enlighten society to better understand the informal economy and the importance thereof. Society will benefit from the increased employment, wealth, and standards of living created by successful informal businesses. The result is that society will benefit from a safer and healthier informal trading environment where products and services are easily accessible.

Researchers can benefit from this study by using it as a basis for their studies. The research instrument developed and validated in this study could be used to collect empirical data about the factors influencing perceived financial performance of informal traders. This could lead to similar studies being conducted in the rest of South Africa. To conclude, if all of the above is achieved, informal traders and their business will flourish.

The following section will elaborate on the shortcomings of the study. Furthermore, the following section will make recommendations for future research regarding the factors influencing the *perceived financial performance* of informal traders.

5.10 SHORTCOMINGS OF THE RESEARCH AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study attempted to make a number of important contributions to the body of knowledge regarding the informal economy and informal traders. However, several limitations need to be highlighted. This study only included informal traders in the Nelson Mandela Bay. The perceptions of the informal traders used in the study might not be an accurate representation of the entire informal trader population in South Africa. Therefore, the generalisations made from the results are only applicable to informal traders within this geographical area. Future research should expand the research boundaries to include respondents from multiple geographic areas. This will provide a more accurate representation of the informal traders in South Africa and produce generalisable results.

The questionnaire in this study used English as the primary language and also made use of technical jargon throughout which could have been misunderstood by the respondents leading to unreliable results. Therefore, future researchers should create questionnaires with this in mind and eliminate language barriers by creating multiple questionnaires in various languages with less technical jargon.

Moreover, the researchers' use of the non-probability convenience sampling technique added to the difficulty of generalising the findings to the entire population of informal traders in South Africa. Therefore, the results in this study should be carefully scrutinised and caution should be taken when making inferences to the population. It is recommended that future research make use of a comprehensive database such as a sampling frame, making it possible to use probability sampling techniques. However, due to the nature of the informal economy, a

sampling frame that includes all informal traders in South Africa is unavailable. Therefore, future researchers should attempt to compile such a database and make use of probability sampling techniques. This will also enable future researchers to draw representative samples of informal traders to further ensure the results are generalisable. This will also remedy the challenges faced while collecting data due to the fact that there is no formal list of where all informal traders in South Africa are located.

In addition, the researchers only investigated the assistance needs of informal traders. It is possible that the success of informal traders could be influenced by other factors. Future researchers should explore a wider range of factors. Another study can be conducted with a different measure of success, other than *perceived financial performance*. This could include other intangible factors such as happiness, customer satisfaction, employee satisfaction, etc.

Further limitations of this study emerged from the use of Isenberg's Entrepreneurial Ecosystem to generate the factors that influenced the success of informal traders. There is a lack of information about the relationships and interactions between the Ecosystems' six elements, i.e. there are no arrows indicating the direction of influence. Future research should reconsider and perhaps redevelop some of the elements in the Entrepreneurial Ecosystem to better suit the informal economy.

Another limitation of the study is that the researchers asked informal traders about their perceptions of the factors influencing perceived financial performance. Therefore, the informal traders might have inflated their responses due to social desirability bias. To reduce this possibility, future researchers could make use of different research methods. Obtaining data from multiple sources over time could provide a more accurate picture of the factors influencing the perceived financial performance of informal traders.

Finally, the lack of previous research on informal traders in South Africa limited the extent of the literature review. Previous research related to the specific assistance needs of informal traders was limited. Thus, future research should focus on expanding and furthering the knowledge base of the perceived financial performance of informal businesses. Furthermore, it is recommended that various research initiatives be established to gain better insights on the requirements of individuals operating in the informal economy.

5.11 SELF-REFLECTION BY THE RESEARCH TEAM

The present study has allowed the researchers to develop a greater understanding of the informal economy, informal trading, the entrepreneurial ecosystem and the assistance required by informal traders in the Nelson Mandela Bay.

Through personal interactions, the researchers discovered that informal traders work together and help each other as a community and contribute to society. These individuals have taught themselves how to keep their business running throughout the years without the help of formal training. For a number of years, informal traders have managed to earn an income in an environment that is not conducive to a typical small business. The researchers were surprised at the amount of start-up capital needed as well as the relatively good returns from sales revenue that informal traders received.

In general, the researchers found that their initial perception regarding an informal trader has changed after this study. Before this study, the researchers would typically imagine an individual of a certain demographic profile selling hand-crafted products on the pavement, whereas this was not the case. Instead, a large portion of the respondents were individuals with greater financial and infrastructural support operating out of their homes, either daily or on the weekends, and was not initially their main source of income.

In addition to the insights gained regarding informal traders, the researchers also acquired knowledge of scientific research and academic writing. In order to build a compelling argument, the researchers were required to develop and improve certain skills. These skills include developing and testing a hypothesis, gathering and analysing primary and secondary data, and interpreting empirical data. Apart from these academic skills, other personal skills were gained including teamwork, sacrifice, time management, dedication, and the ability to work under pressure.

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ANNEXURE A: TURNITIN REPORT

Final Treatise Word

ORIGINALITY REPORT

19%	5%	3%	17%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to Nelson Mandela Metropolitan University Student Paper	4%
2	Submitted to Eiffel Corporation Student Paper	1%
3	Submitted to Mancosa Student Paper	1%
4	Submitted to University of Johannsburg Student Paper	1%
5	Submitted to Regenesys Business School Student Paper	1%
6	Submitted to University of the Western Cape Student Paper	1%
7	S. M. Farrington. "Psychological well-being and perceived financial performance: An SME perspective", South African Journal of Business Management, 2017 Publication	<1%
	Submitted to University of Witwatersrand	

ANNEXURE B: ETHICS FORM

NELSON MANDELA
UNIVERSITY

FACULTY OF BUSINESS AND ECONOMIC SCIENCES

ETHICS CLEARANCE FOR TREATISES / DISSERTATIONS / THESES

Instructions:

- Should be completed by supervisor and student
- Must be signed off by student, supervisor and HoD
- Submit completed form to Ms Lindie van Rensburg
- Please ensure that the research methodology section from the proposal is attached to this form
- ***Please note that by following this Proforma ethics route, the study will NOT be allocated an ethics clearance number***

FACULTY: Business and Economic Sciences

SCHOOL / DEPARTMENT: Business Management

I, Lillah, R. the supervisor for Ismail, R. (216094577) and Mittens, A.J. (216025885) candidates for the degree of Bcom Honours Business with a treatise/dissertation/thesis entitled, **Factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay,** considered the following ethics criteria *(please tick the appropriate block):*

		YES	NO
1.	Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?		X
2.	Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		X
2.1	Are subjects/participants/respondents of your study:		
2.1.1	Children under the age of 18?		X
2.1.2	NMMU staff?		X
2.1.3	NMMU students?		X
2.1.4	The elderly/persons over the age of 60?		X
2.1.5	A sample from an institution (e.g. hospital/school)?		X
2.1.6	Handicapped (e.g. mentally or physically)?		X
3.	Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		X
3.1	Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		X

4.	Will the participant's privacy, anonymity or confidentiality be compromised?		X
4.1	Are you administering a questionnaire/survey that:		
4.1.1	Collects sensitive/identifiable data from participants?		X
4.1.2	Does not guarantee the anonymity of the participant?		X
4.1.3	Does not guarantee the confidentiality of the participant and the data?		X
4.1.4	Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		X
4.1.5	Will create doubt whether sample control measures are in place?		X
4.1.5	Will be distributed electronically via email (and requesting an email response)? Note: • If your questionnaire **DOES NOT** request respondents' identification, is distributed electronically and you request respondents to return it *manually* (print out and deliver/mail); **AND** respondent anonymity can be guaranteed, your answer will be NO. • If your questionnaire **DOES NOT** request respondents' identification, is *distributed via an email link and works through a web response system (e.g. the university survey system); **AND*** respondent anonymity can be guaranteed, your answer will be NO.		X
5.	Do you wish to publish an article from this study and submit to an accredited Journal?		X

*Please note that if **ANY** of the questions above have been answered in the affirmative **(YES)** the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.*

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.

SUPERVISOR(S) — DATE: 28/10/19

HEAD OF DEPARTMENT — DATE: 28/10/2019

STUDENT(S) — DATE: 28/10/19

ANNEXURE C: MEASURING INSTRUMENT (QUESTIONNAIRE)

• PO Box 77000 • Nelson Mandela University
• Port Elizabeth • 6031 • South Africa
• http://www.nmmu.ac.za/busman

NELSON MANDELA UNIVERSITY

Summerstrand South Campus
DEPARTMENT OF BUSINESS MANAGEMENT

August 2019

Dear Respondent (Informal trader)

The Business Management Honours students at the Nelson Mandela University have been instructed to complete the following project.

Topic: Factors influencing the perceived financial performance of informal traders in the Nelson Mandela Bay.

The Aim: The primary objective of the study is to investigate the factors that influence the perceived financial performance of informal traders in the Nelson Mandela Bay.

Students are required to gather the necessary information from **informal traders in Nelson Mandela Bay**. The informal trader should be over the age of 18 years as well as own and run an informal business in Nelson Mandela Bay.

It would be greatly appreciated if you could respond to the following questions so as to assist the students in the completion of this project. The questionnaire **should take about 20 to 30 minutes** to complete. There are no right or wrong answers. Only your honesty and the perceptions you hold are important.

All information will be treated in the strictest confidence and you are under no obligation to participate. Please note that the information obtained will be used for research and publication purposes only and you may withdraw from the study at any time. The final report will not include any identifying information. Please feel free to contact me if you have any queries. Your participation in the project will be most appreciated.

Yours Faithfully

Dr R Lillah (Supervisor)
Department of Business Management
Nelson Mandela University
Email: Riyaadh.Lillah@mandela.ac.za
Tel: +27 (0) 415042157

SECTION A: GENERAL INFORMATION

Please mark your selection to the following questions with an "X"

1. Please indicate your **gender.**

Male		1
Female		2

2. Please indicate your **marital status.**

Single, never married		1
Married		2
Widowed		3
Divorced/separated		4
Cohabiting/living with partner		5

3. Please indicate your **nationality (for statistical purposes only).**

South African		1
Other, please specify:		2

4. Please indicate your **race group (for statistical purposes only)**.

Black		1
Colored		2
White		3
Asian/Indian		4
Other, please specify:		5

5. Please indicate your **age**: _____ years

6. Please indicate your **level of formal education**.

No schooling		1
Primary school (Grade 1 - Grade 7)		2
High school (Grade 8 - Grade 12)		3
Post matric (e.g. Higher certificate, Diploma, Degree)		4
Post graduate (e.g. Honours, Masters, Doctorate)		5

7. Have you received any **training to run a business?**

Yes		1
No		2

8. If yes, please specify the **source of training:**

_____

9. Were you **employed before starting your own businesses?**

Yes		1
No		2

10. If yes, please **specify how long you were employed:** _____years _____months

11. How long has your **business been in existence?** _____years _____months

12. **Who founded the business** which you are currently operating?

I founded it alone.		1
I founded it with (a) family member(s).		2
I founded it with (a) business partner(s).		3
A family member founded the businesses.		4
Other, please specify:		5

13. How long have you been **operating your business?** _____years _____months

14. What **amount of capital** was **required to start your business?** R

15. What **amount of capital** is **required to operate your business every month?** R

16. What is the **average monthly sales income** from your business?

R0 - R350		1
R301 - R750		2
R751 - R1500		3
R1501 - R3000		4
R3001 - R6000		5
R6000 +		6

17. Which **sector** does your business operate in (choose all relevant options)?

Service sector		1
Retail sector		2
Manufacturing sector		3
Agricultural sector		4
Other, please specify:		5

18. What is your **primary/main business activity?**

_____

19. What **structure are you operating your business from?**

Static (fixed, lock up market stall/kiosk)		1
Semi-static (dismantle after working hours)		2
Mobile (move from place to place)		3
Other, please specify:		4

20. Why have you **located your business at this spot?**

_____

21. How many **employees** are **working in your business?**

22. Do you feel **happy** in general? (Select a number which best seems to describe your feelings?)

1	2	3	4	5	6	7	8	9	10

SECTION B: SMALL BUSINESS ASSISTANCE

Please **indicate** (with an "X") **the extent to which you have access to the following education and training opportunities**. The columns are graded from 1 to 5. The number 1 denotes poor access, and at the other end of the scale, 5 denotes excellent access.

	Education and training	**Extent of access**				
		Poor access	**Fair access**	**Good access**	**Very good access**	**Excellent access**
	For employer and managers					
1	To start a business (Business planning)	1	2	3	4	5
2	Financial management (Accounting, budgeting, etc.)	1	2	3	4	5
3	Leadership	1	2	3	4	5
4	Marketing management (Sales, advertising and distribution)	1	2	3	4	5
5	General management (Planning, leading, organising and control)	1	2	3	4	5
	For employees					
6	Sales	1	2	3	4	5
7	Customer service (Communication)	1	2	3	4	5
8	Inventory management	1	2	3	4	5
9	Reading	1	2	3	4	5
10	Maths	1	2	3	4	5

Please **indicate** (with an "X") **the extent to which you have access to the following financial services**. The columns are graded from 1 to 5. The number 1 denotes poor access, and at the other end of the scale, 5 denotes excellent access.

	Finance	**Extent of access**				
		Poor access	**Fair access**	**Good access**	**Very good access**	**Excellent access**
1	Debt finance (getting a micro-loan)	1	2	3	4	5
2	Equity finance (having someone invest in your business such as angel investors or family and friends)	1	2	3	4	5
3	Government grants	1	2	3	4	5
4	Collateral security (Guarantee, surety, assurance, deposit)	1	2	3	4	5
5	Credit from suppliers	1	2	3	4	5
6	Family and friends	1	2	3	4	5
7	Stokvel	1	2	3	4	5
8	Informal money lenders (Mashonisa)	1	2	3	4	5

Please **indicate** (with an "X") **the extent to which you have access to the following infrastructure**. The columns are graded from 1 to 5. The number 1 denotes poor access, and at the other end of the scale, 5 denotes excellent access.

	Infrastructure	**Extent of access**				
		Poor access	**Fair access**	**Good access**	**Very good access**	**Excellent access**
1	Electricity	1	2	3	4	5
2	Clean water	1	2	3	4	5
3	Transport (to get your good to the place where you sell them)	1	2	3	4	5
4	Storage facility	1	2	3	4	5
5	Shelter	1	2	3	4	5
6	Safe trading space	1	2	3	4	5
7	Bathroom facilities	1	2	3	4	5
8	Waste bins	1	2	3	4	5
9	Internet	1	2	3	4	5

Please **indicate** (with an "X") **the extent to which you have access to the following support professions**. The columns are graded from 1 to 5. The number 1 denotes poor access, and at the other end of the scale, 5 denotes excellent access.

	Support professions	**Extent of access**				
		Poor access	**Fair access**	**Good access**	**Very good access**	**Excellent access**
1	Legal services	1	2	3	4	5
2	Tax services	1	2	3	4	5
3	Accounting services	1	2	3	4	5
4	Business consultants/advisors	1	2	3	4	5
5	Business mentorship	1	2	3	4	5
6	Business incubator (Networking, business basics, marketing assistance, ICT, etc.)	1	2	3	4	5
7	Financial planner/advisor	1	2	3	4	5
8	Network of entrepreneurial peers/contacts	1	2	3	4	5
9	Non-profits/industry association that help investors and entrepreneurs network	1	2	3	4	5
10	Non-profits/industry association that promote and ally themselves with entrepreneurship	1	2	3	4	5

Please **indicate** (with an "X") **the extent to which you perceive the following to be favourable to your business**. The columns are graded from 1 to 5. The number 1 denotes strongly oppose (against), and at the other end of the scale, 5 denotes strongly favour.

	Policies supporting the informal economy	**Level of favourability**				
		Strongly opposed	**Somewhat opposed**	**Neutral**	**Somewhat favourable**	**Strongly favourable**
1	Policies for the establishment of informal businesses	1	2	3	4	5
2	Labour regulations	1	2	3	4	5
3	Policies to obtain a license or permit for the business	1	2	3	4	5
4	Tax breaks / Tax rates	1	2	3	4	5
5	Policies ensuring safety of informal traders	1	2	3	4	5
6	Land tenure security	1	2	3	4	5
7	Customs and trade regulations	1	2	3	4	5
8	Cost of complying with policies	1	2	3	4	5
9	Enforcement of government policies	1	2	3	4	5

Please **indicate** (with an "X") **the extent to which you agree with the following statements**. The columns are graded from 1 to 5. The number 1 denotes strongly disagree, and at the other end of the scale, 5 denotes strongly agree.

	Social-cultural aspects	**Extent of agreement**				
		Strongly disagree	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
1	The local culture supports informal trading	1	2	3	4	5
2	The local culture tolerates risk taking	1	2	3	4	5
3	The local culture tolerates failure	1	2	3	4	5
4	The local culture values informal traders	1	2	3	4	5
5	The local culture views informal trading as a viable career option	1	2	3	4	5
6	Most people who are important to me think that I should be an informal trader	1	2	3	4	5
7	Whether I want to be an informal trader is completely up to me	1	2	3	4	5
8	My family approve of me being an informal trader	1	2	3	4	5
9	My friends approve of me being an informal trader	1	2	3	4	5
10	For me, being an informal trader is a good occupation	1	2	3	4	5

Please **indicate** (with an "X") **the extent to which you agree with the following statements**. The columns are graded from 1 to 5. The number 1 denotes strongly disagree, and at the other end of the scale, 5 denotes strongly agree.

	Markets	**Extent of agreement**				
		Strongly disagree	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
1	Market information is easily accessible	1	2	3	4	5
2	Other businesses buy from my business	1	2	3	4	5
3	Informal traders support each other	1	2	3	4	5
4	Informal traders buy from each other	1	2	3	4	5
5	Government buys from my business	1	2	3	4	5
6	Local customers are willing to give advice, particularly on new products and services	1	2	3	4	5
7	Local customers are willing to be flexible with payment terms to accommodate the cash flow needs	1	2	3	4	5
8	Competition from shopping malls is affecting the performance of my business	1	2	3	4	5
9	Competition from other businesses is affecting the growth of my business	1	2	3	4	5

SECTION C: SMALL BUSINESS SUCCESS

Please **indicate** (with an "X") **the extent to which you agree with the following statements**. The columns are graded from 1 to 5. The number 1 denotes strongly disagree, and at the other end of the scale, 5 denotes strongly agree.

	Perceived financial performance	**Extent of agreement**				
		Strongly disagree	**Disagree**	**Neither agree or disagree**	**Agree**	**Strongly agree**
1	My business has experienced growth in profits over the past two years	1	2	3	4	5
2	My business has experienced growth in turnover over the past two years	1	2	3	4	5
3	My business is profitable	1	2	3	4	5
4	I regard my business as being financially successful.	1	2	3	4	5
5	The financial well-being of my business is secure	1	2	3	4	5
6	My business has experienced growth in employee numbers over the past two years	1	2	3	4	5

THANK YOU VERY MUCH FOR YOUR PARTICIPATION