

STRATEGIES FOR SUPPORTING INFORMAL SECTOR ENTREPRENEURSHIP IN MBOMBELA LOCAL MUNICIPALITY

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INTRODUCTION

The informal sector plays a pivotal role in the global economy, contributing significantly to GDP and employment, especially in developing regions. The International Labour Organization reports that over 60% of the world's workforce is part of the informal economy. In countries of the third world, this sector can account for between 25% and 65% of GDP, with Sub-Saharan Africa being a notable contributor (Simba & Tajeddin, 2023). South Africa, facing a high poverty and unemployment rate, relies heavily on its informal sector, which employs around 3 to 5 million people and provides a vital source of income and services, particularly in townships (Khambule, 2022). The informal sector in South Africa, encompassing an estimated 2.9 million businesses (Statistics South Africa, 2019), grapples with a strikingly high failure rate. Moos and Sambo's research (2018) underscores this, revealing an alarming 80% failure rate within the first 5 to 10 years of establishment.

This concerning trend of business failures within the informal sector is driven by multi-faceted factors and challenges. Challenges such as limited access to finances and credit, inadequate infrastructure, a dearth of business skills and training, stringent regulations, constrained market entry, and vulnerability to economic fluctuations (Etim & Daramola, 2020) contribute significantly to this problem. Understanding these difficulties within the Mbombela Local Municipality holds paramount importance for fostering economic inclusivity and reducing poverty. This insight then becomes the cornerstone for devising strategies that can support the sector's growth without compromising its inherent flexibility and autonomy. The fundamental questions to this study are therefore:

- What strategies can be implemented to support informal sector entrepreneurship in Mbombela Local Municipality?
- How do the challenges faced by informal sector entrepreneurs in Mbombela Local Municipality affect their ability to establish and grow their businesses?
- What are the perceptions about the effectiveness of the identified strategies in supporting informal sector entrepreneurship in Mbombela Local Municipality?
- How can the strategies be effectively implemented?

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In addressing these questions, strategies that could be effectively implemented to support the growth and sustainability of the informal sector were explored. In this paper, Mbombela Local Municipality serves as a microcosm for understanding the dynamics of informal sector entrepreneurship in South Africa. In this region, a significant portion of entrepreneurial activities thrive beyond formal regulations and oversight. By uncovering the challenges, experiences, and perspectives of informal entrepreneurs, it equips the government, stakeholders, and policy makers with invaluable insights. These insights serve as a foundation for crafting targeted strategies tailored to the sector's unique needs. Empowering the government and local authorities in this manner facilitates more effective integration of informal entrepreneurs into the broader economy.

Despite its potential, the informal sector faces significant obstacles that impede its growth and sustainability (Ali & Kamraju, 2023). By closely examining these challenges and exploring viable strategies for support, this research endeavours to enhance the understanding of informal sector entrepreneurship and pave the way for more inclusive economic development strategies. Through this focused approach, the study hopes to stimulate further research and action to empower informal entrepreneurs, ensuring their vital role in the economy is recognised and nurtured. While prior research (example Ngomane, 2020; Tshikhudo & Manenzhe, 2021) has shed light on the challenges encountered, this paper goes beyond by exploring not just the problems but also potential solutions and their viability. It offers a distinct, localised viewpoint, presenting innovative strategies that could drive growth within the informal sector in this specific region. The next section presents an overview of literature related to this paper.

LITERATURE REVIEW

This section provides a comprehensive exploration of the existing literature concerning informal sector entrepreneurship. It starts by conceptualising informal sector entrepreneurship, revealing its contributions, challenges, and the strategies aimed at supporting and fostering its growth. The chapter scrutinises the impact of local government initiatives, capacity building efforts, financial support, and stakeholder engagement within the realm of informal sector entrepreneurship, ultimately concluding in a delineation of the theoretical framework guiding this study.

Informal Sector Entrepreneurship

According to the International Labour Organization (ILO), the informal sector encompasses economic activities not adequately covered by formal arrangements, whether in practice or by law. This delineation positions informal sector entrepreneurship at the crossroads of legitimacy and legality (Musara & Nieuwenhuizen, 2020). This complex environment highlights the delicate balance that informal sector entrepreneurs navigate between adhering to the law and gaining societal acceptance (Musara & Nieuwenhuizen, 2020).