INFORMAL SECTOR ENTREPRENEURSHIP IN SOUTH AFRICA

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INTRODUCTION

Global interest in entrepreneurship surged in the early 1980s, driven by the recognition of small and medium-sized enterprises as crucial vehicles for tackling high unemployment rates (Woldegiorgis, 2020). This shift underscored entrepreneurship's role in economic revitalisation and the fostering of innovation and resilience within national economies (Kostakis & Tsagarakis, 2022). Sanusi (2023) posits that entrepreneurship forms the bedrock of national competitiveness and advantage, highlighting its pivotal position in shaping economic policies and strategies. This growing emphasis on entrepreneurship has led governments and institutions to prioritise policies that support it and its expansion. As a result, entrepreneurship is not only seen as a pathway to job creation but also as a key driver of economic diversification and long-term prosperity (Coulibaly et al., 2018). In this context, entrepreneurship is increasingly viewed as a critical element in ensuring the adaptability and competitiveness of economies in an ever-changing global landscape.

South Africa boasts a vibrant mix of informal entrepreneurship, shaped significantly by the nation's unique socio-economic landscape. The informal sector thrives primarily on unregistered businesses, often driven by necessity rather than opportunity, with many entrepreneurs entering this space due to limited formal employment opportunities (Musara & Nieuwenhuizen, 2020; Nwankwo & Chendo, 2023). While these enterprises play a crucial role in providing livelihoods and addressing unemployment, they operate in stark contrast to the formal sector, particularly in terms of regulation, access to resources, and government support (Nason & Bothello, 2023). The informal sector offers flexibility and resilience in the face of economic challenges. Moreover, as the sector continues to grow, there is increasing recognition of the need for policies that bridge the gap between the informal and formal economies, facilitating greater integration and ensuring that these entrepreneurs receive the necessary support to thrive (Musara & Nieuwenhuizen, 2020). This shift is critical for fostering a more inclusive and sustainable entrepreneurial ecosystem in the country.

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Table 1: Definitions of Informal Entrepreneurs

Sources	Definition
Mkubukeli & Tengeh (2016); Hilson & Maconachie (2020)	Small-scale miners are regarded as survival entrepreneurs, and as illegal miners.
Chen (2012)	The informal sector refers to the production and employment that take place in unincorporated small or unregistered enterprises. Informal employment relates to employment without legal and social protection – both inside and outside the informal sector; and the informal economy refers to all units, activities, and workers so defined and the output from them.
Muneku (2018)	In most cases, people who earn a living through self-employment are not on payrolls and thus are not taxed.
Shapiro (2015)	Informal entrepreneurship refers to an economic sector where firms and workers produce legal, market-based goods and services but circumvent government regulations. The sector accounts for an essential share of economic activity, ranging from 8% of gross domestic product in some developed countries to almost 70% of gross domestic product in some developing countries.

Source: Authors

The informal sector is a testament to South Africans' grit and entrepreneurial spirit in the face of economic hardship (Qali, 2021) And despite its lack of formal recognition, it is crucial for livelihoods, especially in urban areas. Informal entrepreneurs are primarily street vendors, home-based businesses, and small-scale operators operating outside the formal regulatory and taxation framework (Lakemann & Lay, 2019; Sarker et al., 2019). The informal economy is where poor people work, and become self-employed despite having only low business skills. Table 1 identifies different researchers' definitions of informal entrepreneurs in different sectors.

All the statements provided in Table 1 regarding the classification of informal entrepreneurs share a common characteristic. Each interpretation highlights some form of exclusion: exclusion from social security, gross domestic product estimates, and the productive resources usually accessible to larger enterprises.

TYPES OF INFORMAL ENTREPRENEURS

The types of informal entrepreneurs who operate in the informal sectors are basic survivalist entrepreneurs, subsistence entrepreneurs and necessity entrepreneurs. Basic survivalist entrepreneurs operate an informal business until they find a formal sector job. Thus, they operate their business to survive by selling services and products with a very small profit margin to earn an income for the basic survival of their families.