



CHALLENGES FACED BY INFORMAL SECTOR ENTREPRENEURS: A FOCUS ON THE STREET VENDORS AT THE MBOMBELA MUNICIPALITY

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Abstract:

The informal sector is essential to solving the socio-economic problems that many countries face globally. Entrepreneurship in the informal sector accounts for 10–20% of GDP in developed countries and as much as 60% in developing countries. The informal sector in South Africa makes up roughly 5.2% of the nation's GDP and 15–17% of the total employment. Yet, research regarding the challenges that informal sector entrepreneurs encounter is still sparse, not much is known regarding ways in which these challenges can also be addressed. This qualitative study explored the challenges faced by street vendors at the Mbombela municipality. Using thematic analysis and purposive sampling, 25 street vendors were interviewed, revealing the key themes regarding the challenges encountered by informal sector entrepreneurs. The findings highlighted that the struggles of street vendors include humiliation, stigmatization, difficulties in obtaining permits due to complex procedures and educational barriers. The study also noted a lack of government support for these informal entrepreneurs. Recommendations include measures to educate street vendors on business management, technology adoption (e.g., mobile payment systems), and improving the cleanliness and safety of their operating environment. By addressing these challenges this study aims to contribute to the empowerment and development of informal sector entrepreneurship.

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1.0 INTRODUCTION

Over two-thirds of businesses worldwide began their operations in informal sector¹. Given that an unknown number of informal businesses fail to disclose their true operations, the existing body of knowledge also revealed that even greater percentages of entrepreneurs are working in the informal sector¹. Many developing countries face socio-economic problems that can be solved in large part by the informal sector². In developed countries, the informal sector accounts for 10–20% of GDP, but in developing countries, it can account for up to 60%¹. Moreover, the informal sector in South Africa contributes roughly 5.2% of the country's GDP³. The informal sector is a major source of employment in South Africa, making up between 15 -17% of total employment¹. This makes it a vital source of income for many South Africans, especially in periods of economic recession. Moreover, it has been observed that the informal sector accounts for more than 90% of all employment in other sub-Saharan nations like Zimbabwe, the Central African Republic, and the Democratic Republic of the Congo⁴.

Although a surge in entrepreneurship boosts a nation's economic well-being, entrepreneurs nevertheless confront difficult challenges when trying to operate their businesses⁵. According to Ghana's Ministry of Trade and Industry of 2012, for example, just 44% of new businesses survive for at least four years, whereas 67% of them survive for at least two years⁴. As a result, investors now view the industry as one that carries

¹ Autio, E. and Fu, K., 2015. Economic and political institutions and entry into formal and informal entrepreneurship. *Asia Pacific Journal of Management*, 32, pp.67-94.

² Autio, E. and Fu, K., 2016. Economic and political institutions and entry into formal and informal entrepreneurship. *Asia Pacific Journal of Management*, 32, pp.67-94.

³ Stats SA., 2017. Quarterly labour force survey, quarter 1: 2017.

⁴ Mago, S. and Modiba, F.S., 2022. Does informal finance matter for micro and small businesses in Africa? *Small Business International Review*, 6(1), p.e415.

⁵ Koramoah, A.O. and Abban-Ampiah, G., 2020. Challenges in the Informal Sector: A Tale of Four Successful Entrepreneurs in the Makola Market in Ghana. In *Handbook of Research on Smart Territories and Entrepreneurial Ecosystems for Social Innovation and Sustainable Growth* (pp. 346-377). IGI Global.

high level of risk⁶. For example, numerous studies⁷⁸ on challenges faced by business owners in Africa have been carried out⁹. However, there has been limited research regarding the challenges faced by entrepreneurs in the informal sector, especially in the African context. The informal sector, especially in developing countries, is crucial because it provides employment and income for many people¹⁰. In South Africa, the informal economy is a vital source of livelihood for many individuals, particularly those in marginalized areas with limited formal employment opportunities¹¹. Some informal sector entrepreneurs have achieved significant success, offering valuable insights into the unique dynamics of South Africa's informal economy¹². By examining the challenges faced by informal sector entrepreneurs, researchers can develop targeted policies, programs, and support systems to help them thrive, build sustainable businesses, and create jobs¹³. Understanding the specific challenges faced by these entrepreneurs is crucial for promoting entrepreneurship in Mbombela, combating poverty, and advancing economic development. Conclusively, this makes the challenges faced by business owners in the informal sector an essential concept, and this study aims to contribute to the existing body of knowledge by addressing

⁶ Li, C., Ahmed, N. and Qalati, S.A., 2019. Impact of gender-specific causes on women entrepreneurship: An opportunity structure for entrepreneurial women in rural areas. *Journal of Entrepreneurship & Organization Management*, 8(1), pp.1-9.

⁷ Benzing, C. and Chu, H.M., 2012. The perceived success factors and problems of small business owners in Africa. *Journal of African Development*, 14(1), pp.63-94.

⁸ Akinyemi, F. and Adejumo, O., 2017. Entrepreneurial motives and challenges of SMEs owners in emerging economies: Nigeria & South Africa. *Small*, 10(50), pp.332-357.

⁹ Nkwinka, S.E.R. and Mashau, P., 2020. Evaluating the financial challenges affecting the competitiveness of small businesses in South Africa. *Gender and Behaviour*, 18(1), pp.15151-15162.

¹⁰ Mengistu, T. and Jibat, N., 2015. Street vending as the safety-net for the disadvantaged people: The case of Jimma Town. *International Journal of Sociology and Anthropology*, 7(5), pp.123-137.

¹¹ Zogli, L.K.J., Dladla, N. and Dlamini, B., 2021. Assessing the challenges faced by informal street traders operating in Durban, South Africa. *International Journal of Entrepreneurship and Business Development*, 4(4), pp.412-417.

¹² Fourie, F., 2018. Analysing the informal sector in South Africa: Knowledge and policy gaps, conceptual and data challenges. *The South African informal sector: Creating jobs, reducing poverty*, pp.1-22.

¹³ Madichie, N.O., Gbadamosi, A. and Rwelamila, P., 2021. Entrepreneurship and the informal sector: challenges and opportunities for African business development. *Journal of African Business*, 22(4), pp.441-447.

this gap. The conceptual theoretical framework of the investigation will be presented first, then a summary of recently conducted research on informal sector entrepreneurship, then the methodology, an overview of the discussions, and finally the findings.

2.0 CONCEPTUAL/ THEORETICAL FRAMEWORK

2.1 An Overview of Informal Sector Entrepreneurship in South Africa.

The informal sector is a very important source of revenue for many south Africans¹⁴. In South Africa, the informal sector is a thriving but intricate aspect of the economy that offers millions of people possibilities for a living¹⁵. Black Africans make up the majority of its members, including a sizable proportion of women and young people¹⁶. The challenges faced by entrepreneurs in this industry, who frequently work in retail and wholesale, include restricted access to resources and financial services¹⁷.

Despite facing numerous challenges, entrepreneurs in this sector show remarkable 21 resilience and determination¹⁰. Informal entrepreneurs innovate, adapt, and thrive, often using technology and social media to reach new markets¹⁸. Informal sector entrepreneurs are innovators, problem-solvers and agents of social change¹⁹. They promote cultural

¹⁴ Gough, K.V., Chigunta, F. and Langevang, T., 2016. Expanding the scales and domains of (in) security: Youth employment in urban Zambia. *Environment and Planning a*, 48(2), pp.348-366.

¹⁵ Zogli, L.K.J., Dladla, N. and Dlamini, B., 2021. Assessing the challenges faced by informal street traders operating in Durban, South Africa. *International Journal of Entrepreneurship and Business Development*, 4(4), pp.412-417.

¹⁶ Fourie, F., 2018. Analysing the informal sector in South Africa: Knowledge and policy gaps, conceptual and data challenges. *The South African informal sector: Creating jobs, reducing poverty*, pp.1-22.

¹⁷ Nkonde, S.D. and Utete, R., 2024. Assessing the challenges faced by informal entrepreneurship. *EUREKA: Social and Humanities*, (4), pp.14-28.

¹⁸ Williams, C.C. and Gurtoo, A., 2011. Evaluating women entrepreneurs in the informal sector: Some evidence from India. *Journal of Developmental Entrepreneurship*, 16(03), pp.351-369.

¹⁹ Turkina, E. and Thi Thanh Thai, M., 2013. Social capital, networks, trust and immigrant entrepreneurship: a cross-country analysis. *Journal of Enterprising Communities: People and Places in the Global Economy*, 7(2), pp.108-124.

heritage, social cohesion, and economic growth, addressing issues like poverty and inequality. In most South African provinces, the informal sector is not just about survival, it is about innovation, creativity, and economic growth¹². South Africa's informal entrepreneurship sector is substantial, with an estimated 2.5 million enterprises operating in the country²⁰. These small-scale and microenterprises span various sectors, including trade, manufacturing, and services. A study conducted by²¹ alludes that unemployment, poverty, and survival needs drive informal entrepreneurship, making people to resort to informal trading as means of income. Policy interventions are necessary to support informal entrepreneurs, particularly in training, finance access, and regulatory frameworks²².

Informal entrepreneurs operate in a diverse range different businesses operating in multiple sectors²³. Black people and women comprise a significant portion of informal entrepreneurs, often motivated by supporting themselves and their families²⁴. Operating in an illegal environment, informal entrepreneurs often struggle to access government support²⁵, additionally, productivity and efficiency levels are often low, hindering growth and development. To address the challenges encountered by informal business entrepreneurs, policy interventions are necessary, including training programs, finance and

²⁰ Williams, C.C. and Gurtoo, A., 2011. Evaluating women entrepreneurs in the informal sector: Some evidence from India. *Journal of Developmental Entrepreneurship*, 16(03), pp.351-369.

²¹ Mwanga, O., 2019. Institutional logics in women entrepreneurship: narratives of learning, struggles, and compromise from Dar es Salaam, Tanzania (Master's thesis).

²² Kabamba, K.M., Mutono-Mwanza, B.G. and Haabazoka, L., An Assessment of the Effect of Management Accounting Practices on the Performance of Small and Medium Enterprises (SMEs) in Lusaka, Zambia.

²³ Rahman, M.S., 2019. Exploring socio-economic and psychological condition of street vendors of Barishal city: Evidence from Bangladesh. *American Journal of Humanities and Social Sciences*, 7(2), pp.1-15.

²⁴ Ndaba, N.P. and Reddy, K., 2024. Challenges facing street vendors in Durban and the role of the law: A means to empowering women. *African Journal of Inter/Multidisciplinary Studies*, 6(si2), pp.1-11.

²⁵ Ngomane, T.S., 2024. Enhancing Market Access for Female Farmers through the Nkomazi Farmer Production Support Unit (FPSU) in Mpumalanga, South Africa. *Journal of Public Administration and Development Alternatives (JPADA)*, 9(2), pp.87-100.

infrastructure access, and regulatory improvements²⁶. The authors further mentioned that greater recognition and support for informal entrepreneurship are crucial, including targeted policies and programs for informal entrepreneurs¹⁸.

The informal businesses particularly street vendors are primarily focused on survival and growth, with many aiming to generate enough income to support themselves and their families¹⁸. Innovation is important for many informal businesses in South Africa because they need to constantly find new ways to evolve for them to survive¹⁶. Job creation is also a significant intention for many informal businesses in South Africa, as they seek to provide employment opportunities for others in their community¹⁶. Furthermore, community development is a key aim for many informal businesses, as they seek to contribute to the development of their community and provide goods and services that meet local needs and wants²⁷.

Governments attempts to introduce rules to encourage informal businesses to formalize, such as registering businesses and paying taxes, to increase tax revenue and simplify compliance²⁸. Additionally, programs protecting informal sector workers, like unemployment and health insurance, have been implemented²⁹. However, challenges persist in addressing specific needs like access to finance and skills development²⁰. Today, the government acknowledges the coexistence of formal and informal sectors and seeks to bridge the gap between them³⁰. By supporting the informal sector, the government believes it can

²⁶ Chigunta, F., Gough, K.V. and Langevang, T., 2016. Young entrepreneurs in Lusaka: Overcoming constraints through ingenuity and social entrepreneurship. In *Young entrepreneurs in sub-Saharan Africa* (pp. 67-79). Routledge.

²⁷ Ntuli, M. and Kwenda, P., 2023. Analysis of depressive symptoms between formal and informal workers in South Africa during COVID-19 crisis. *Development Southern Africa*, 40(5), pp.928-943.

²⁸ Gamieldien, F. and Van Niekerk, L., 2017. Street vending in South Africa: An entrepreneurial occupation. *South African Journal of Occupational Therapy*, 47(1), pp.24-29.

²⁹ Mago, S. and Modiba, F.S., 2022. Does informal finance matter for micro and small businesses in Africa? *Small Business International Review*, 6(1), p.e415.

³⁰ Mengistu, T. and Jibat, N., 2015. Street vending as the safety-net for the disadvantaged people: The case of Jimma Town. *International Journal of Sociology and Anthropology*, 7(5), pp.123-137.

stimulate economic growth and reduce poverty and unemployment³¹. The informal sector is a significant source of economic activity, and there is a need for policies and interventions that support informal entrepreneurs and promote their transition to the formal sector²³.

2.2 Entrepreneurs and the Government

With a variety of programs and policies, governments can significantly contribute to the growth of entrepreneurship³². In order to foster economic development, they frequently formulate long-term strategies that emphasize fostering start-ups and high-growth companies. According to the existing body of knowledge government initiatives like monetary and entrepreneurship interventions have been shown to have a favorable effect on the growth and development of entrepreneurship by fostering an institutional environment that supports entrepreneurial decision-making³³. However, there are issues in government bureaucracies where officials have trouble understanding entrepreneurial governance because of bureaucratic culture and lack of exposure³⁴. Funding to promote innovation and address market failures is another way that public institutions support entrepreneurial financing; the most effective programs are those that incorporate private investments³⁵. All things considered, government support of entrepreneurship is crucial for promoting economic growth and company expansion.

³¹ Haavik, V. and Cissé, A.W., 2024. Taxing the informal sector: Coping with Coercion in Bamako, Mali. *Development Policy Review*, 42(4), p.e12775.

³² Sipakoly, S., 2024. Impact of Government Policies on Entrepreneurial Ecosystems: A Comparative Analysis of Developing and Developed Economies. *International Journal of Business, Law, and Education*, 5(2), pp.1696-1604.

³³ Chidiebere, O.-N., Iloanya, K., & Udunze, U., 2014. Youth unemployment and entrepreneurship development: Challenges and prospects in Nigeria. *Arabian Journal of Business and Management Review (Kuwait Chapter)*, 4(4), 20–35.

³⁴ Arslan, A., Al Kharusi, S., Hussain, S. M., & Alo, O. (2023). Sustainable entrepreneurship development in Oman: a multi-stakeholder qualitative study. *International Journal of Organizational Analysis*, 31(8), 35–59.

³⁵ Daniel, L. J., de Villiers Scheepers, M. J., Miles, M. P., & de Klerk, S. (2022). Understanding entrepreneurial ecosystems using complex adaptive systems theory: Getting the big picture for economic development, practice, and policy. *Entrepreneurship & Regional Development*, 34(9–10), 911–934.

2.3 Government Regulations Concerning Entrepreneurial Ecosystems

Government regulations have a significant impact on how entrepreneurial ecosystems (EE) are shaped. Various countries take different approaches when it comes to EE development. Through supportive policies, some countries, such as the USA, China, and India, concentrate on producing outstanding unicorns³⁶. In contrast, areas such as West Java, Indonesia, prioritize funding, networking opportunities, tax incentives, and support for SMEs in order to promote entrepreneurship³⁷. The argument between the "curator" and "builder" approaches to government emphasizes the necessity of policies that are specific to each ecosystem, encouraging high-quality entrepreneurship, and taking a comprehensive approach to policymaking³⁸. Case studies like China's unicorns highlight how crucial government policies are in establishing institutional frameworks, fostering the creation of informal institutions, and putting systemic interventions into place to increase EE growth³⁹. Effective policy design and governance in EEs, such as China's high-tech zones, depend on an understanding of the complexity of policy combinations⁴⁰.

Government programs like the Made in China 2025 policy, venture capital funding support, and special economic zones have helped drive China's rapid economic growth and technical achievements⁴¹. These

³⁶ Sipakoly, S., 2024. Impact of Government Policies on Entrepreneurial Ecosystems: A Comparative Analysis of Developing and Developed Economies. *International Journal of Business, Law, and Education*, 5(2), pp.1696-1604.

³⁷ Abebe, G. K., & Gebremariam, T. A., 2021. Challenges for entrepreneurship development in rural economies: The case of micro and small-scale enterprises in Ethiopia. *Small Enterprise Research*, 28(1), 36–56.

³⁸ Arslan, A., Al Kharusi, S., Hussain, S. M., & Alo, O., 2023. Sustainable entrepreneurship development in Oman: a multi-stakeholder qualitative study. *International Journal of Organizational Analysis*, 31(8), 35–59.

³⁹ Chidiebere, O.-N., Iloanya, K., & Udunze, U., 2014. Youth unemployment and entrepreneurship development: Challenges and prospects in Nigeria. *Arabian Journal of Business and Management Review (Kuwait Chapter)*, 4(4), 20–35.

⁴⁰ Coad, A., & Srhoj, S., 2023. Entrepreneurial ecosystems and regional persistence of high growth firms: A 'broken clock' critique. *Research Policy*, 52(6), 104762.

⁴¹ Daniel, L. J., de Villiers Scheepers, M. J., Miles, M. P., & de Klerk, S., 2022. Understanding entrepreneurial ecosystems using complex adaptive systems theory: Getting the big picture

regulations have encouraged business endeavors in cutting-edge industries including renewable energy, e-commerce, and artificial intelligence. However, issues with protecting intellectual property and obstacles to foreign business owners' access to markets are raised⁴². As a major center for entrepreneurship and innovation, the US demonstrated how well-suited laws like startup accelerators, research and development tax incentives, and Small Business Administration (SBA) loans are for creating an ever-changing environment for entrepreneurs. Nonetheless, there are still issues with entrepreneurs' access to reasonably priced healthcare and state-specific regulatory complexity, which point to areas where policy has to be improved⁴³. In Nigeria, government procurement preferences for indigenous companies, entrepreneurship training programs, and policies that facilitate startup access to funding all contribute to Nigeria's entrepreneurial environment⁴⁴. The Nigerian Youth Entrepreneurship Support (YES) program is one example of an initiative that has encouraged young entrepreneurs in a variety of fields, including information technology, renewable energy, and agriculture⁴⁵. Long-term entrepreneurial development is hampered by legislative uncertainties, corruption threats, and inadequate infrastructure. Lastly, Thailand has stimulated the rise of entrepreneurship through its policies supporting innovation districts, startup accelerators, and investment incentives for high-tech industries⁴⁶. Startups in advanced manufacturing, biotechnology, and robotics are supported by the

for economic development, practice, and policy. *Entrepreneurship & Regional Development*, 34(9–10), 911–934.

⁴² Madichie, N.O., Gbadamosi, A. and Rwelamila, P., 2021. Entrepreneurship and the informal sector: challenges and opportunities for African business development. *Journal of African Business*, 22(4), pp.441–447.

⁴³ Chidiebere, O.-N., Iloanya, K., & Uduze, U., 2014. Youth unemployment and entrepreneurship development: Challenges and prospects in Nigeria. *Arabian Journal of Business and Management Review (Kuwait Chapter)*, 4(4), 20–35.

⁴⁴ Sipakoly, S., 2024. Impact of Government Policies on Entrepreneurial Ecosystems: A Comparative Analysis of Developing and Developed Economies. *International Journal of Business, Law, and Education*, 5(2), pp.1696–1604.

⁴⁵ Arslan, A., Al Kharusi, S., Hussain, S. M., & Alo, O., 2023. Sustainable entrepreneurship development in Oman: a multi-stakeholder qualitative study. *International Journal of Organizational Analysis*, 31(8), 35–59.

⁴⁶ Rahman, M.S., 2019. Exploring socio-economic and psychological condition of street vendors of Barishal city: Evidence from Bangladesh. *American Journal of Humanities and Social Sciences*, 7(2), pp.1–15.

National Science and Technology Development Agency (NSTDA) and the Thailand 4.0 plan⁴⁷. However, issues with governmental stability, bureaucracy, and talent gaps make sustained entrepreneurship difficult⁴⁸.

2.4 Uncovering the Importance of Informal Sector Entrepreneurship

Informal entrepreneurship is important in economic growth and the sector creates jobs, boosts local economies, and provides a safety net for those who have been retrenched or are struggling to find formal employment. The sector is a vital component of growth for many countries, particularly in developing countries¹⁴. One of the key reasons why the informal sector is important is that it provides an income for the less fortunate, such as women, youth, and marginalized communities¹⁴. Informal sector enterprises often operate in areas where formal employment opportunities are scarce, providing a means of survival and livelihood for many individuals²³. The informal sector 23 contributes significantly to the trade and industry development and improvement in many African countries⁴⁹. The informal sector is also an important foundation for innovation and entrepreneurship, with many small-scale businesses operating in various sectors, including trade, manufacturing, and services²⁴. The sector provides a safety net for vulnerable populations, such as women, youth, and marginalized communities, and helps to reduce income inequality²⁴. In addition, the sector is a vital foundation for innovation and entrepreneurship, with many small-scale businesses operating in various subdivisions, including trade, manufacturing, and services, furthermore, the informal sector is important in reducing poverty and inequality¹⁴, it provides a safety net for vulnerable populations, such as women, youth, and marginalized

⁴⁷ Bayatan, J.T. and Palic, A.S., 2020. Economic and Social Implications and Challenges of Relocation of Street Vendors in a Highly Urbanized City. *Philippine Social Science Journal*, 3(3), pp.64-75.

⁴⁸ Sipakoly, S., 2024. Impact of Government Policies on Entrepreneurial Ecosystems: A Comparative Analysis of Developing and Developed Economies. *International Journal of Business, Law, and Education*, 5(2), pp.1696-1604.

⁴⁹ Tshikhudo, L.P. and Manenzhe, T.D., 2021. Evaluation of the profitability of vegetable and fruit street vendors in Mbombela local municipality in Mpumalanga Province, South Africa. *European Journal of Agriculture and Food Sciences*, 3(2), pp.49-52.

communities and helps to reduce income inequality⁵⁰. Moreover, this business sector is often more adaptable and resilient compared to the formal business practices, particularly in times of economic crisis⁵¹.

The findings from a study in the existing body of knowledge revealed that the informal sector also has some obstacles, such as a lack of infrastructure and social services. Additionally, informal sector enterprises often operate in a legal grey area, which can make it difficult for them to access government support and services²⁰. The informal sector is important in providing employment opportunities, promoting innovation and entrepreneurship, and reducing poverty and inequality. Informal sector enterprises are often able to respond quickly to changing market conditions, making them more agile and better equipped to navigate uncertainty⁵². The author further mentions that the informal sector plays a critical role in preserving cultural heritage and traditional practices, as many informal sector enterprises are involved in the production of handicrafts, textiles, and other cultural goods²⁷. One of the authors in the existing body of knowledge argues that the informal sector is an important source of innovation, as many informal sector enterprises are involved in the development of new goods and services⁵³.

3.0 GAPS IN EXISTING STUDIES ON THE ECONOMIC CONTRIBUTION OF INFORMAL SECTOR ENTREPRENEURS IN SOUTH AFRICA

The South African informal sector, a vibrant network of businesses often operating outside formal regulations, significantly contributes to the

⁵⁰ Dabla-Norris, M.E., Deng, Y., Ivanova, A., Karpowicz, M.I., Unsal, M.F., VanLeemput, E. and Wong, J., 2015. Financial inclusion: zooming in on Latin America. International Monetary Fund.

⁵¹ La Porta, R. and Shleifer, A., 2014. Informality and development. *Journal of economic perspectives*, 28(3), pp.109-126.

⁵² Ngomane, T.S., 2024. Enhancing Market Access for Female Farmers through the Nkomazi Farmer Production Support Unit (FPSU) in Mpumalanga, South Africa. *Journal of Public Administration and Development Alternatives (JPADA)*, 9(2), pp.87-100.

⁵³ Madichie, N.O., Gbadamosi, A. and Rwelamila, P., 2021. Entrepreneurship and the informal sector: challenges and opportunities for African business development. *Journal of African Business*, 22(4), pp.441-447.

nation's economy and employment⁵⁴. It provides livelihoods for a substantial portion of the workforce, generates income, and contributes to the GDP, while also offering vital goods and services to communities. The South African informal business region contributes significantly to the country's economy. The informal sector contributes around 6-8% to the GDP⁵⁵. The informal sector provides employment opportunities to 18% of the country's labour force²⁸. Informal sector entrepreneurs have shown remarkable resilience and innovation. They provide employment opportunities to around 1.8 million people who were able and willing to work²⁸.

The informal sector is also crucial for entrepreneurship development, allowing entrepreneurs to start and grow businesses, creating new industries and jobs¹⁷. Additionally, it drives innovation and competitiveness in the economy. Overall, the informal sector's economic contribution is significant¹⁰. Mbombela informal sector generates an estimated R1.4 billion annually²⁴. Initiatives like training programs, access to finance and infrastructure, and social services can help unlock the sector's potential. The informal sector contribution to GDP is substantial and the potential for growth and job creation is significant²⁴.

Working in the informal sector requires resilience and adaptability, but it can also be a source of empowerment and economic opportunity for many individuals⁵⁶. Entrepreneurs in the informal sector makes goods and services to be easily accessible, drives innovation and entrepreneurship⁵⁷. Additionally, the authors add that the informal sector supports local development and community empowerment by diversifying the economy, reducing dependence on formal sector

⁵⁴ Daniel, L. J., de Villiers Scheepers, M. J., Miles, M. P., & de Klerk, S., 2022. Understanding entrepreneurial ecosystems using complex adaptive systems theory: Getting the big picture for economic development, practice, and policy. *Entrepreneurship & Regional Development*, 34(9–10), 911–934.

⁵⁵ Stats SA., 2020. Quarterly labour force survey, quarter 1: 2020.

⁵⁶ Koramoah, A.O. and Abban-Ampiah, G., 2020. Challenges in the Informal Sector: A Tale of Four Successful Entrepreneurs in the Makola Market in Ghana. In *Handbook of Research on Smart Territories and Entrepreneurial Ecosystems for Social Innovation and Sustainable Growth* (pp. 346-377). IGI Global.

⁵⁷ Valodia, I. and Francis, D., 2020. Tax and the informal economy: Lessons from South Africa. In *The Informal Economy Revisited* (pp. 92-97). Routledge.

industries, and preserving traditional skills and cultural heritage. The sector supports formal sector businesses through supply chains and other linkages¹⁸. The informal sector makes significant contributions to local development, driving economic growth and community welfare⁵⁸ it provides job opportunities for local residents, especially in areas where formal sector jobs are scarce¹⁸. The informal sector also supports community development through social networks and organizations, preserving traditional skills and cultural practices¹⁸. Informal sector 25 entrepreneurs and food hawkers enhance food security by producing and distributing fresh produce and essential goods, making them accessible to low income households⁵⁹. The informal sector is important because it also helps the formal sector in many ways, it provides goods and services that formal businesses may not offer, like traditional crafts and local food³². Informal entrepreneurs, such as local farmers, supply raw materials like agricultural products to formal businesses. Informal workers can complement formal labor¹⁸. Informal vendors and traders help formal businesses reach more customers and markets¹⁸. The informal sector fosters innovation and entrepreneurship, leading to new ideas and business models that formal businesses can adopt. It also provides a space for entrepreneurs to test and grow their ideas²⁴. The informal sector makes contributions that benefits the formal region and the entire economy⁶⁰.

The current study employed a qualitative research methodology. Purposive sampling was employed for gathering qualitative data. Purposeful sampling was employed by the researcher since it is a method that enables the collecting of qualitative responses and produces more accurate study results and insights. The street vendors in the Mbombela Municipality were the main focus of this study. By using in-depth

⁵⁸ Davies, R. and Thurlow, J., 2010. Formal–informal economy linkages and unemployment in South Africa. *South African Journal of Economics*, 78(4), pp.437-459

⁵⁹ Blankenship, D., Hollier, G., Jones, I.S. and Lovett, M.G., ASSESSING UNDERGRADUATE BUSINESS STUDENTS' SENSITIVITY TO DIVERSITY ISSUES WITHIN IN A MINORITY SERVING INSTITUTION: IMPLICATIONS FOR CONTINUOUS CURRICULUM IMPROVEMENT.

⁶⁰ Turkina, E. and Thi Thanh Thai, M., 2013. Social capital, networks, trust and immigrant entrepreneurship: a cross-country analysis. *Journal of Enterprising Communities: People and Places in the Global Economy*, 7(2), pp.108-124.

interviews, this study captured the sensitivities of street vendors' experiences, including their perceptions, attitudes, and beliefs. Qualitative research provided compliance in data collection, this means that it lets the researcher respond to emerging themes and issues. The sample size for the street vendors was 25.

4.0 FINDINGS FROM THE CURRENT STUDY

Research objective: To investigate the challenges faced by the informal sector entrepreneurs.

This study employed the thematic analysis to reveal several key themes and subthemes that provided valuable insights into the experiences and challenges faced by street vendors in Mbombela municipality. The study's main theme, "challenges of Street Vendors," and its subthemes are shown in the illustration below.

Figure 1: Challenges faced by Mbombela street vendors.



A. Sub-theme 1: Economic Problems

Social and economic barriers also pose significant challenges for street vendors. The stigma associated with street vending can lead to social exclusion, making it difficult for vendors to access resources and support. Limited access to capital and financial security also hinders their ability to invest in their businesses, leading to limited growth opportunities. These connected challenges create a difficult environment of obstacles that street vendors must navigate to survive and thrive. In the study involving 25 street vendors who provide different goods and services at the Mbombela capital, it is evident that vendors often struggle financially, which makes it hard for them to grow their businesses. They have limited access to loans or savings, so they cannot easily buy new stock or invest in improvements. Participant 12, a fast-food stall owner, proved this point by replying: *"As a street food in Mbombela, I face major challenges. Despite my hard work, I struggle to make ends meet due to low profits and debt. I'm barely scraping by, and investing in my business seems like an impossible dream."*

B. Sub-theme 2: Competition from the Formal Sector

Vendors face stiff competition from others, so they must find ways to stand out. This means developing unique products and effective marketing strategies to attract customers. The findings from this current study further revealed that, because of the nature of their business and the formal sector's advantage in resources and assistance, entrepreneurs in the informal sector confront tremendous competition. These challenges include a lack of business infrastructure, restricted access to capital, and the absence of government incentives and protections. Established companies with greater resources and more developed market access compete with them as well.

Participant 17 who is an informal hair salon owner attested to this by saying: *"I face stiff competition from formal businesses that have more resources and support. It's hard to compete with their marketing budgets and fancy storefronts and finding new customers is a constant struggle. The market is saturated, and it feels like everyone is selling the same things."*

C. Sub- theme 3: Regulatory Challenges

Regulatory issues proved to be a problem for some entrepreneurs, navigating the rules and regulations can be tough for vendors. They need

to get permits and licenses, and if they don't, they risk fines or even having to close their businesses. Furthermore, this study further revealed that entrepreneurs in the informal sector encounter a number of regulatory barriers such as burdensome licensing processes, expensive compliance fees, restricted access to information regarding regulations, and uneven enforcement of regulations. These difficulties may make it more difficult for them to develop and successfully compete. This was attested by participant 24, a local photographer, by saying: *"Obtaining a license to operate in Mbombela is a frustrating and costly process. The fees are steep, and the paperwork is overwhelming. It feels like the system is designed to hinder, not help, small businesses like mine, instead of supporting us, the government seems more interested in finning and penalizing us. It's like they don't understand the struggles we face as informal sector entrepreneurs."*

D. Sub-theme 4: Access to Resources

Access to necessary resources like raw materials and technology is often limited. This can affect the quality of their products and the efficiency of their operations. A local participating second-hand clothes seller shed light on his perception: *"Access to credit is a major challenge for me. I need funding to grow my business, but banks and other financial institutions don't seem interested in supporting small 49 businesses like mine, I know I need training and support to improve my business skills, but it's hard to afford. I'm stuck in a cycle of poverty, and I don't know how to escape."* Moreover, the findings from this current study also revealed that accessing resources is extremely difficult for Mbombela's informal sector entrepreneurs, mostly because of bureaucratic procedures, strict finance requirements, and a lack of understanding. Despite their vital economic contributions, these obstacles impede their expansion and sustainability.

E. Sub-theme 5: Lack of Infrastructure

Lack of infrastructure is also a major problem for street vendors at the Mbombela capital, many vendors deal with inadequate facilities, such as proper stalls, storage, and sanitation services. This lack of basic amenities like water and electricity makes it hard for them to operate smoothly. Participant 1 attested to this by saying: *"Access to basic services like clean water and sanitation is a major challenge for me and my fellow colleagues. We are forced to operate in unsanitary conditions, which affect our health"*

and the quality of our products. The lack of electricity in the area due to load shedding means we constantly risk our products going bad from time to time”

F. Sub-theme 6: Safety and Security

Mbombela street vendors often face safety issues, including theft and harassment. These risks can affect their businesses and personal well-being. Participant 2 a roadside hairdresser reflected on her feelings: *"Crime is a constant threat in Mbombela, and I have been robbed multiple times. It's hard to feel safe when you're constantly looking over your shoulder, worried about the next attack; the police seem more interested in harassing us than protecting us. It's like we're seen as a nuisance rather than entrepreneurs trying to make a living."*

G. Sub-theme 7: Humiliation and Downgrading

Humiliation is also an obstacle because vendors are looked down upon by society, which leads to feelings of downgrading. They are seen as less educated or less desirable, impacting their self-esteem. With regards to this a fruit and vegetable seller reflected on her experience: *"despite my hard work and contributions to the local economy, I am often treated like a second-class citizen and people look down on me because a I am street vendor, and it's hard to shake off that feeling of weakness, I take pride in what I do, but it's hard to keep that pride when others don't see the value in my work. It feels like we're invisible to the rest of the town."*

H. Sub-theme 8: Environmental Challenges

Vendors also have to deal with environmental challenges like waste management and pollution. They must adapt to weather changes and find ways to manage waste effectively. Participant 6, a fruits and vegetable seller attested to this by saying: *"The weather in Mbombela is unpredictable, and it affects my business directly. Rainy days mean fewer customers, and hot days mean spoiled products. It's hard to plan for the future when you're at the mercy of the weather; litter and waste management are huge problems in Mbombela. It's hard to keep my business clean and safe when the surrounding environment is so dirty and unhealthy. I worry about the impact on my customers and my own health."* Moreover, the findings from this current study further revealed that Due to a lack of resources, infrastructure, and regulatory support, businesses in the informal sector face serious environmental issues that

frequently result in pollution and health hazards. These difficulties include exposure to toxic materials, poor waste management techniques, and limited access to sanitary facilities and clean water. They also struggle to get funds for sustainable practices and access to green technologies.

5.0 DISCUSSIONS

The analysis identified several key challenges that street vendors experience. Economic difficulties were a major concern, with many vendors struggling with financial instability, limited access to funds, and competition from both informal and formal businesses. The high youth unemployment rate in Mbombela has led to more young people turning to street vending for income, illustrating the unstable nature of informal work.

5.1 Regulatory Challenges

Regulatory issues were also significant. Many vendors expressed frustration with the complex processes required to obtain permits and licenses, which can discourage potential entrepreneurs and lead to penalties for those operating without them. These point to the need for local governments to adopt a more supportive stance, recognizing the important role street vendors play in the local economy. The findings from this current study revealed that informal entrepreneurs face many regulatory challenges, like getting licenses and permits. The findings from this current study are in accordance with the findings from the existing body of knowledge, which highlighted the barriers to entry and operation in the informal sector⁶¹. The study revealed that informal entrepreneurs struggle when it comes to awareness and understanding of laws and regulations pertaining to street vending⁶². The findings from this current study further revealed that Mbombela's informal sector entrepreneurs deal with a number of regulatory challenges such as high

⁶¹ Bayatan, J.T. and Palic, A.S., 2020. Economic and Social Implications and Challenges of Relocation of Street Vendors in a Highly Urbanized City. *Philippine Social Science Journal*, 3(3), pp.64-75.

⁶² Fourie, F., 2018. Analysing the informal sector in South Africa: Knowledge and policy gaps, conceptual and data challenges. *The South African informal sector: Creating jobs, reducing poverty*, pp.1-22.

compliance fees, restricted access to official financial institutions, and procedural obstacles when applying for licenses and permits. These problems prevent them from growing and developing, making it harder for them to obtain resources like loans and social safety nets and to compete with established enterprises.

5.2 Economic Problems

This study found that informal entrepreneurs face economic problems like limited access to capital and low profits. The findings revealed that street vendors struggle regarding access to credit in order to expand their business, which reflects the financial constraints many informal entrepreneurs face. The findings from this current study corroborate the findings from one of the studies in the existing body of knowledge which revealed that street vendors do not receive enough financial support, and they struggle with the lack of access to the credit facilities⁶³. Similarly, the finding from another study also revealed that street vendors encounter economic challenges and psychological stress⁶⁴. Some of these challenges stem from the fact that most of them are married and live in the slum areas and congested small rooms with too many children which is very unhygienic and congested. The findings from this current study further revealed that market competitiveness, legal and regulatory barriers, and capital availability are some of the economic challenges faced by Mbombela's informal sector business owners. Another major barrier is the lack of government assistance and restricted access to formal loans.

5.3 Infrastructure

The study shows that informal entrepreneurs face infrastructure challenges like limited access to water and sanitation facilities. One of the

⁶³ Bayatan, J.T. and Palic, A.S., 2020. Economic and Social Implications and Challenges of Relocation of Street Vendors in a Highly Urbanized City. *Philippine Social Science Journal*, 3(3), pp.64-75.

⁶⁴ Rahman, M.S., 2019. Exploring socio-economic and psychological condition of street vendors of Barishal city: Evidence from Bangladesh. *American Journal of Humanities and Social Sciences*, 7(2), pp.1-15.

studies in the existing body of knowledge found that one of the participants operating in the informal sector had to use makeshift facilities to operate their business, which highlights the infrastructure gaps many informal entrepreneurs face⁶⁵. The findings from this current study corroborate the findings from the existing body of knowledge which revealed that inadequate roads, transportation, and communication networks, as well as limited access to essential services like water, electricity, and sanitation, are among the major infrastructure issues that South African entrepreneurs in the informal sector must deal with⁶⁶. The findings further revealed that informal sector entrepreneurs struggle with the lack of access to business space. These findings are accordance with the findings from the existing body of knowledge which revealed that many informal businesses operate in informal locations with limited space for trading and storage⁶⁷.

5.4 Safety and Security

The study found that informal entrepreneurs face safety and security challenges like crime and harassment. For instance, one of the participants in this study faced harassment from local authorities, which reflects the vulnerability of many informal entrepreneurs to safety and security risks. The findings from this study corroborate the findings from a study in the existing body of knowledge, which revealed that the fear of crime and clash with other vendors is a challenge that street vendors encounter⁶⁸. Moreover, the authors further allude that the majority of the vendors agree that one of the main challenges on the streets is the police raid, which comes unexpectedly at the peak of business. These findings

⁶⁵ Coad, A., & Srhoj, S. (2023). Entrepreneurial ecosystems and regional persistence of high growth firms: A 'broken clock' critique. *Research Policy*, 52(6), 104762.

⁶⁶ Nkonde, S.D. and Utete, R., 2024. Assessing the challenges faced by informal entrepreneurship. *EUREKA: Social and Humanities*, (4), pp.14-28.

⁶⁷ Zogli, L.K.J., Dladla, N. and Dlamini, B., 2021. Assessing the challenges faced by informal street traders operating in Durban, South Africa. *International Journal of Entrepreneurship and Business Development*, 4(4), pp.412-417.

⁶⁸ Mengistu, T. and Jibat, N., 2015. Street vending as the safety-net for the disadvantaged people: The case of Jimma Town. *International Journal of Sociology and Anthropology*, 7(5), pp.123-137.

corroborate the findings revealed in this study regarding the safety and security challenges. Furthermore, the findings from this current study revealed that entrepreneurs in the informal sector confront safety and security issues because of a lack of regulations, restricted access to resources, and elevated risk. Poor working conditions, susceptibility to criminality, and restricted access to social safety nets are some of these difficulties.

5.5 Humiliation and downgrading

This study shows that informal entrepreneurs face humiliation and downgrading, including discrimination. This highlights the social and economic marginalization many informal entrepreneurs face. The findings from this study are in accordance with the findings from the existing body of knowledge which revealed that informal sector entrepreneurs tend to feel humiliated to conduct their businesses because informal businesses may operate under conditions that compromise hygiene and safety standards⁶⁹.

5.6 Competition

The study found that informal entrepreneurs face competition challenges like limited customer base and competition from the formal sector. Moreover, this study revealed that street vendors struggle with competition because of their lack of awareness when it comes to issues such as marketing and the creation of brand awareness. The findings from this current study are in accordance with the findings from a study in the existing literature which found that street vendors have low socio-economic status which resulted from low educational level and lack of adequate skills⁷⁰. This study further revealed that due to high unemployment rates, people engage in informal sector activities as a

⁶⁹ Fourie, F., 2018. Analysing the informal sector in South Africa: Knowledge and policy gaps, conceptual and data challenges. *The South African informal sector: Creating jobs, reducing poverty*, pp.1-22.

⁷⁰ Mengistu, T. and Jibat, N., 2015. Street vending as the safety-net for the disadvantaged people: The case of Jimma Town. *International Journal of Sociology and Anthropology*, 7(5), pp.123-137.

means of making a living; this then makes the differentiation of products and services a problem because they resort to offering similar services and products, which makes competition a challenge. The findings from this study corroborate the findings in literature which outlined that informal sector entrepreneurs struggle with limited market access. According to these findings, informal businesses have limited access to larger markets and customers due to factors like social stigma and lack of resources.

5.7 Environmental challenges

The study found that informal entrepreneurs face environmental challenges like weather and pollution. One of the participant's in our study reflected on how she suffered when there was a change in weather at the Mbombela CBD. Because they have no infrastructure like tents and shelter, unfavourable weather conditions become a problem. The findings from this study corroborate the findings from the existing body of knowledge which revealed that due to issues including restricted access to resources, poor waste management infrastructure, and ignorance of environmental legislation, entrepreneurs in the informal sector face several environmental concerns. Both the informal sector and the larger community may be impacted by these issues, which can result in pollution, unsustainable resource use, and general environmental degradation⁷¹.

6.0 CONCLUSIONS AND RECOMMENDATIONS

In conclusion, this study provides a detailed overview of the challenges affecting street vendors in the Mbombela municipality. The demographic findings highlight a vibrant but vulnerable segment of the informal economy, mainly consisting of young women who face significant obstacles. While street vendors provide essential goods and services to the community, they often operate under conditions that limit their potential. The study found that street vendors face many obstacles like harassment, limited resources, and strict rules. Despite these challenges,

⁷¹ Madichie, N.O., Gbadamosi, A. and Rwelamila, P., 2021. Entrepreneurship and the informal sector: challenges and opportunities for African business development. *Journal of African Business*, 22(4), pp.441-447.

some vendors thrive due to their resilience, adaptability, and social connections. Vendors see their environment as tough but full of opportunities. They stressed the importance of social support, community help, and flexibility in the informal sector. The findings give emphasis to the need for a more supportive regulatory framework and better access to resources, including financial assistance, training, and infrastructure improvements. Recognising the contributions of street vendors can lead to more inclusive policies that benefit these entrepreneurs and enhance the overall economy of Mbombela.

This study recommends that the government through municipalities should make it easier for street vendors to get permits and follow rules, this is a crucial step in supporting street vendors. By simplifying the permit process and making rules more accessible, vendors can focus on their businesses instead of navigating bureaucracy. This could include creating a one-stop shop for permits, providing clear guidelines, and offering support for vendors who may not speak the dominant language. Based on the findings this current study recommends that access to financial resources, simplifying regulations and processes, providing support services, and fostering a pleasant business environment are the main ways to assist businesses in the informal sector in overcoming challenges. This study further recommends that simplifying registration procedures, providing tax incentives, and promoting collaborations between the formal and informal sectors are some examples of how informal sector challenges can be addressed. Initiatives for Formalization: Promote laws and regulations that give informal businesses access to financial services and legal protections while they transition toward formal status. One major issue is the absence of official recognition and regulation, which results in unequal access to necessary services and economic inequality.

Market access: Create specific trading zones with the required amenities (such as electricity and sanitary facilities) to increase market accessibility. Informal traders can operate in secure and effective conditions by investing in infrastructure such as stalls, defined trading spaces, and basic amenities. Street vendors often work in challenging conditions, without access to basic amenities like bathrooms or electricity. By improving these areas, vendors can work more comfortably and safely and attract more customers.

Structural policies for resilience: Structural regulations that fund capacity creation, support training and resources, and disseminate information will be essential to resilience. These ought to assist informal sector entrepreneurs in implementing new working practices and digital tools that address the new COVID-19 realities in the near future, like home delivery, online shopping, and teleworking.

Help street vendors get loans and grants and teach them about money management: many street vendors struggle to access capital to grow their businesses. Providing access to loans and grants can help them invest in their businesses and increase their earnings. Additionally, teaching vendors about money management can help them make the most of their funds and plan for the future.

Street vendors must be taught new skills, like marketing and using technology: street vendors may not have the same level of training or resources as other businesses. Providing training on marketing, technology, and other essential skills can help vendors reach new customers and grow their businesses. Get the community to support and appreciate street vendors: Street vendors are often overlooked or stigmatized, but they provide valuable services and contribute to the local economy. By promoting community support and appreciation, we can help vendors feel more valued and recognized. Help Street vendors work together and share ideas: street vendors often work in isolation, but by fostering collaboration and idea-sharing, we can help them learn from each other and grow their businesses. This could include creating vendor associations or cooperatives, or hosting workshops and training sessions.