

## The informal sector in eThekweni, South Africa: Challenges, opportunities and pathways to formalisation



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### ABSTRACT

*Against a backdrop of persistent unemployment and constrained access to formal labour markets, informal trading continues to function as a critical livelihood strategy for marginalised populations in South Africa. This study critically examines the challenges and opportunities associated with the informal sector in the Durban Central Business District (CBD). Adopting a qualitative descriptive design, the research explores the perspectives of three key stakeholder groups: government representatives, local communities, and informal traders. The findings reveal enduring structural, regulatory, and socio-economic barriers that hinder effective formalisation and sustainable sectoral development, despite the existence of policy interventions aimed at supporting informal economic activities. In addition, the study identifies gaps in stakeholder coordination, regulatory implementation, and urban governance that constrain the sector's contribution to inclusive economic growth. Based on these findings, the study proposes a conceptual framework to guide collaborative stakeholder engagement and enhance the developmental and economic potential of the informal sector. The study contributes to the broader discourse on urban informality, inclusive development, and policy implementation in emerging economies by providing context-specific insights into the dynamics of informal trading in urban South Africa.*

**Keywords:** Informal Economy; Formalisation; Economic Development; Unemployment



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## INTRODUCTION

In South Africa, the informal economy operates within a complex socio-economic environment characterised by high unemployment and structural inequality (Asmal et al., 2024). Although policies such as the eThekweni Informal Trade Policy were introduced to regulate and support informal trading, implementation challenges continue to undermine sustainable sectoral development. Informal traders frequently experience difficulties relating to permit systems, inadequate trading infrastructure, inconsistent law enforcement and limited stakeholder engagement (Dladla, 2020).

Existing literature has examined the socio-economic role of informal trade and the importance of formalisation in developing economies (Adom, 2017; World Bank, 2021). However, limited research has critically explored the disconnect between policy implementation, stakeholder coordination and the lived experiences of informal traders within the eThekweni Municipality. In addition, insufficient empirical attention has been given to the governance and institutional barriers affecting sustainable formalisation pathways in the Durban CBD.

This study, therefore aims to critically examine the challenges and opportunities associated with the informal sector in the eThekweni Municipality, with specific emphasis on pathways toward sustainable formalisation. The study further seeks to explore stakeholder perspectives regarding existing policies, institutional support mechanisms and barriers to formal economic participation.

The significance of the study lies in its contribution to the discourse on urban informality, inclusive economic development and policy implementation in emerging economies. By providing context-specific insights into informal trading within eThekweni Central Business District (CBD), the study proposes a conceptual framework to support more inclusive, collaborative and sustainable formalisation strategies.

## LITERATURE REVIEW

The informal economy accounts for 61 % of the global workforce and a staggering 90 % in Africa (ILO, 2022). In emerging markets and developing economies (EMDEs), the sector accounts for about 70 % of employment and contributes approximately one-third of their GDP (World Bank, 2019). The ILO (2020) reported that informal businesses account for 8 out of every 10 businesses globally (World Bank, 2019), emphasising their significance in the global economy. Monyebodi (2021) presents a compelling argument that the expansion of the South African informal economy is closely aligned with the Dualist theory of anthropologist Keith Hart. The Dualist Theory suggests that the informal economy serves as a safety-net in the absence of formal opportunities (Adom, 2020).

A recurring theme in the literature indicates that individuals in the least developed countries often participate in informal economic activities due to insufficient government support, the cumbersome and expensive registration process and a widespread reluctance to pay taxes (Maringehosi, 2021).

The ILO's (2021) study on Informality and Potential South-South Cooperation among BRICS countries highlights key trends in South Africa's informal employment sector regarding the educational qualifications of workers. Diallo, Yin and Beckline (2017) focused on evaluating the opportunities presented by the informal sector in Guinea and noted that this sector presents considerable potential for reducing poverty and promoting sustainable development, provided that the appropriate infrastructure and support systems are established through formalisation.

In the case of South Africa, Thwala (2023) argues that formalising the informal economy presents a significant opportunity for growth as documenting market-valued activities can enhance tax revenue and economic development, a trend observed globally. However, despite these contributions, the informal economy is also associated with significant structural and regulatory challenges. Informal enterprises often operate outside taxation and compliance systems, resulting in reduced state revenue and limited fiscal capacity (OECD, 2020; World Bank, 2021). The absence of regulatory oversight further undermines job quality and labour protections (ILO, 2021). In addition, persistent informality may reinforce a culture of non-compliance, where adherence to legal and regulatory standards is perceived as optional (Williams, 2023).

De Soto (1989) argues that if governments create complicated and heavy regulations, businesses will leave and operate in the informal economy to avoid these rules and the costs that come with them (World Bank 2019). Magidi and Mahiya (2021) also highlight a critical tension between the need for regulation to ensure fair business practices and the unintended consequences of overly complex regulations on entrepreneurship and economic growth.

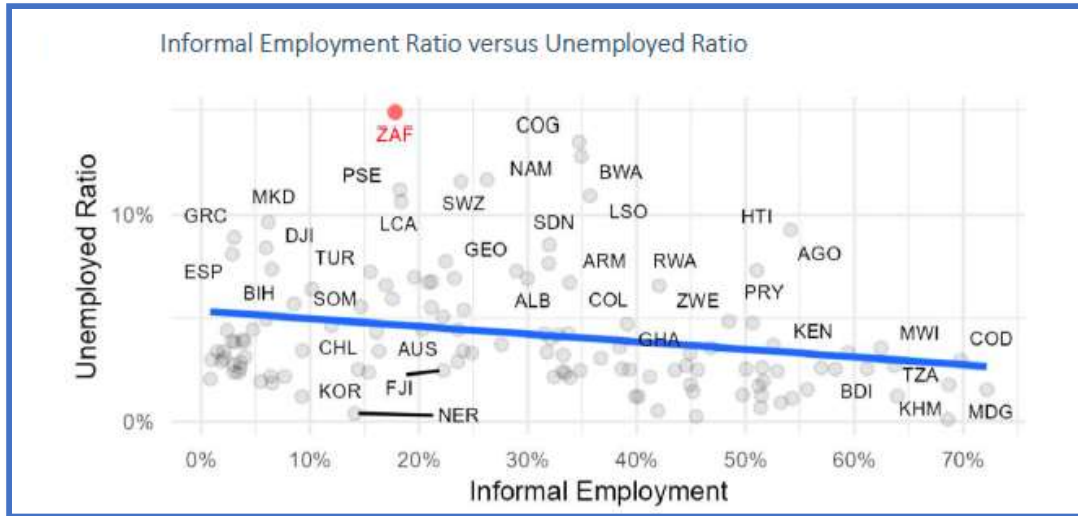
Addressing these challenges requires a shift from compliance-driven approaches toward enabling frameworks that support gradual formalisation. Formalisation should be viewed not only as a regulatory process, but as a pathway to economic inclusion through improved access to finance, infrastructure and institutional support (World Bank, 2021; ILO, 2022). When effectively implemented, formalisation can enhance productivity, strengthen livelihoods and increase government revenue (OECD, 2020; Williams, 2023).

Smith and Lomnitz (1988) emphasise the government's pivotal role in defining and regulating the informal economy, illustrating how the classification of economic activities depends on the prevailing regulatory framework. For example, gambling is a regulated and legal activity in Las Vegas, while it is prohibited in Los Angeles, resulting in different economic outcomes (London, 2021). This highlights that informality is not inherent to an activity, but is shaped by policy and regulatory choices.

### **The South African Scenario**

Asmal et al. (2024) highlight the distinctive characteristics of South Africa's labour market, noting its consistently high unemployment rate and relatively small informal sector, in comparison to other nations. The authors also argue that although Brazil faces economic growth challenges similar to South Africa's, its unemployment rate stood at 14.4% in 2021, approximately 2.5 times lower than that of South Africa. This disparity underscores the structural inefficiencies within South Africa's labour market, where the informal sector has not absorbed unemployment to the same extent as in comparable economies.

In this context, South Africa has high unemployment rates, despite a significant level of informal employment (as depicted in Figure 1), suggesting that the informal sector is not functioning effectively as a buffer for labour market exclusion.

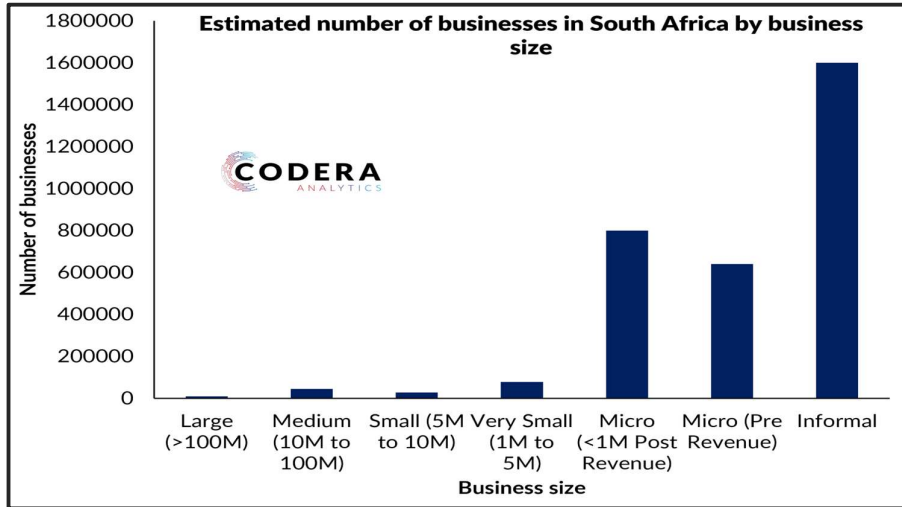


Source: World Bank, 2023a

**Figure 1**  
**Informal Employment and Unemployment Ratios**

As illustrated in Figure 1, South Africa is one of the few countries where the unemployment ratio closely matches the informality ratio, suggesting that many unemployed individuals are not transitioning into informal work, which typically serves as a safety net in other economies. This pattern highlights a structural gap in both job creation and the absorptive capacity of the informal sector. These dynamics raise concerns about the factors contributing to high unemployment, such as economic policies and educational disparities and underscore the need for targeted interventions to promote job creation and strengthen the labour market. Understanding these characteristics is essential for policymakers.

Figure 2 reveals that informal enterprises account for 50% of the total business landscape in South Africa. Most (95 %) of these enterprises generate less than one (1) million rand annually. Currently, there are about 3.2 million informal enterprises in South Africa. This figure is notably lower than the South African Revenue Service's (SARS) estimate of around 4 million registered companies (Codera,2024). This discrepancy highlights the complexities of the informal sector, where many businesses operate outside the formal economy. Only about 1 million registered companies are expected to submit tax returns, revealing a gap in tax compliance and revenue collection for the government (ILO, 2023).



Source: Codera Analytics, 2024

**Figure 2**  
**Informal Enterprises Categorised by Size**

### The Informal Economy in eThekweni, South Africa

In 2010, a study commissioned by StreetNet International projected that approximately 50,000 traders operated in Durban. In 2014, it was reported that 18% of the workforce in KwaZulu-Natal was engaged in informal enterprises (Wiego 2015). In 2019, the ILO reported a notable increase in informal employment, accounting for 26% of individuals in the Durban CBD (ILO 2019). This evidence shows an increase in informal employment in Durban since 2010, highlighting the importance of the informal sector in driving economic growth in the city (Wiego, 2020). The Durban CBD is bustling with a thriving informal sector that provides numerous job opportunities, supports livelihoods, and ensures financial stability for many individuals (Dladla 2021).

The Business Support, Tourism and Markets Unit (BSTMU) of the eThekweni Municipality (2016) provided valuable data on the impact of the informal economy on the Durban CBD. The research highlights the sector's role in enhancing economic resilience through entrepreneurship and innovation, driven by the need to create their opportunities, leading to a rich tapestry of goods and services that reflect the province's cultural diversity. While this entrepreneurial spirit enhances the vibrancy of the CBD and fosters community engagement and social unity, it discourages critical foreign investment (Edge 2016).

Table 1 encapsulates what the Business Support, Tourism and Markets Unit of the eThekweni Municipality reported on the informal economy in the eThekweni Municipality.

**Table 1**  
**The eThekweni Informal Economy**

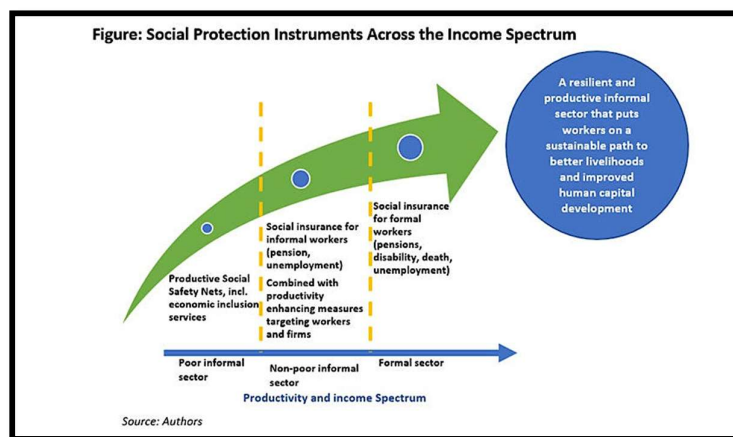
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- There are 42,700 registered informal traders.
  - Weekly earnings range from R450 to R950, resulting in an estimated annual income of R1.43 billion for legal informal traders in the city
  - The local economy gains R1.43 billion in disposable income annually.
  - Street traders usually employ 1 to 4 people.
-

- Street traders work an average 12 hours a day.
- The trading demographic is 60% women and 40% men.
- Approximately 90 percent of traders live in Durban, and 10% are from nearby areas.
- The city has imposed a three-year moratorium on new trading permits due to a recent study showing excess trading activity in eThekweni.
- The eThekweni Municipality Economy Forum addresses illegal trading by allowing vendors to operate only in designated areas with the necessary permits.

Source: Edge 2016

### Enhancing Productivity in the Informal Sector

As reflected in Figure 3, the World Bank (2020) proposes a three-pronged strategy to enhance productivity in the informal sector, by emphasising the necessity of social safety net programs, innovative social insurance schemes and productivity-enhancing initiatives to grow the urban informal sector. This approach underscores the importance of integrating social protection funds with measures aimed at improving productivity, thereby enhancing the resilience of the urban informal economy against potential future disruptions.



Source: World Bank, 2020

**Figure 3**  
**Enhancing productivity in the Informal Sector**

The World Bank's (2020) strategy, as illustrated in Figure 3, aims to strengthen the informal sector of the urban sector through a multifaceted approach. This strategy highlights the critical need for robust social safety net programs, innovative social insurance schemes, and productivity-enhancing initiatives. By increasing productivity, informal businesses can transition to the formal economy, improving employee living standards. This requires strategic partnerships focused on financial inclusion and tailored financing solutions for the urban informal sector. Integrating social protection with productivity-boosting initiatives would enhance the resilience of the urban informal economy against future disruptions. This approach would guide nations toward developing a more robust and efficient informal sector, ultimately leading workers toward sustainable livelihood improvements (Guven& Karlen, 2020).

The Sustainable Development Goal 8 (SDG 8) emphasises the need for governments to implement comprehensive policies that foster productive activities and create decent jobs. This includes focusing on the formalisation of micro, small and

medium-sized enterprises (MSMEs), which are vital for economic development and job creation. Additionally, enhancing access to financial services is crucial for empowering these businesses, enabling them to grow, innovate and contribute more significantly to the economy. Access to financial services can help traders in the informal sector transition to formal operations, thereby improving their economic stability and resilience (UNDESA 2020).

The literature review served to set the foundation for understanding the informal economy, particularly the opportunities that could result from a formal economy. It became apparent that informal traders often operate in a precarious environment, where systemic barriers and a lack of institutional support exacerbate their vulnerabilities. Researchers argue that while policies may exist on paper, the practical implementation often falls short, leaving them without the necessary resources, support and recognition to thrive. It is against the above, albeit somewhat limited, literature review that this study aims to critically examine the challenges and opportunities in the informal economy, by focusing on informal businesses in eThekweni Municipality, Durban, South Africa.

## METHOD

A qualitative and descriptive approach was deemed appropriate, since the design focuses on addressing the fundamental questions of who, what, where, and how and allows for an in-depth examination of the lived experiences of informal traders, capturing their challenges, aspirations, and interactions with government officials (Mhatre & Mehta, 2023).

The eThekweni municipality covers about 2,555 square kilometers and has a population of around 4.2 million, with an unemployment rate of 21.8% (Stats SA 2022). Warwick Junction is Durban's main public transport hub, serving nearly 500,000 commuters daily and hosting 6,000 to 8,000 street vendors offering a variety of goods and services across nine markets. Its strategic location for rail, taxi and bus services has made it a hotspot for informal trading. By the late 1980s, the Municipality recognized the economic significance of informal traders, allowing them to be designated trading areas and fostering trader committees to collaborate on market sustainability, supporting an estimated 70,000 to 100,000 dependents (Dobson & Quazi, 2016). The special edition of the eThekwini Edge magazine in 2016 stated that there were 42700 informal traders in the Durban CBD, of which 60 per cent were women and 40 per cent were men.

Non-probability, also known as purposive or judgmental sampling, refers to a sampling technique in which participants are selected based on the researcher's judgment and their relevance to the study objectives (Saunders et al., 2019). This method was selected because it enabled the researcher to target participants with relevant knowledge and experience relating to the informal economy.

Table 2 presents the different categories of sample informal traders that were interviewed.

**Table 2**  
**Informal Traders in EThekweni**

Type Of Business	Position	Place	No. Of Participants
Spaza Shops, Food stalls, Beauty and textiles/Business services	Vendor/Owner	Warwick Avenue	20
Spaza Shops, Food stalls, Beauty and textiles/ Business services	Vendor/Owner	Durban Railway station	10
Spaza Shops, Food stalls, Beauty and textiles/ Business services	Vendor/Owner	CBD02 Prince Edward Street	10

departments of government as reflected in Table 3

**Table 3**  
**Government Officials**

Department	Position	Location	No. Of Participants
eThekwini Business Unit	Senior Manager	Durban	3
Trade & Invest	Senior Manager	Durban	2
Durban Chamber of Commerce & Industry	Senior Manager	Durban	2
Department of Economic Development	Senior Manager	Durban	3

Source: Compiled by Researcher, 2025

Unstructured interviews, characterised by flexibility and open-ended questions that encourage participants to express their thoughts and feelings in their own words, were deemed appropriate for data collection. This approach not only enhanced the quality of the data collected but also fostered a more empathetic and human-centred understanding of the participants' realities (Saunders et al., 2019). Face-to-face interviews were conducted to collect data from participants in the informal economy and key government officials. Tables 4 and 5 reflect the contents of the interview guide used to collect data from the informal traders and government officials, respectively.

**Table 4**  
**Interview Guide for Informal Traders**

Section	What is covered
A	Biographical information regarding informal traders and owners
B	This section gathers views on their business background and classification/products/employees
C	This section addresses the questions on survival challenges faced by informal traders in the Durban CBD and how it impacts their businesses.
D	This section gathers views on their knowledge/awareness of registering or formalising their business.
E	This section gathers views on how informal traders/owners sustain the growth/expansion of their business.
F	This section gathers views on their (any) suggestions or recommendations on how the government or other organizations could support informal traders.

Source: Compiled by Researcher, 2025

**Table 5**  
**Interview Guide for Government Officials**

No	What is covered
1	Introductions and consent
3	Questions on the impact of existing government policies and guidelines on formalising the informal economy in the Durban CBD
5	Questions on the role of innovation and creativity in the sustainability of the informal economy in the Durban CBD
6	Questions on the contribution of training and development towards human development and business sustainability of the informal economy in the Durban CBD
7	Questions on the adequacy of available finance options for informal traders/businesses in the informal economy in the Durban CBD and the contribution of these finance options towards the sustainability of the informal economy in the Durban CBD
8	Questions on the intervention strategies that can be employed by the government/to ensure the sustainability of informal businesses in the informal economy in the Durban CBD

9 Questions on the challenges faced by the government in formalising the informal economy in the Durban CBD

Source: Compiled by Researcher, 2025

Focus groups were also conducted, since they provided a platform for participants to share their perspectives, experiences and insights related to the topic at hand. This interactive format encouraged dynamic conversations, allowing participants to build on each other's ideas, challenge assumptions and explore different viewpoints. (Saunders et al., 2019). The researcher guided the discussions by posing open-ended questions and prompting participants to delve deeper into specific areas of interest. This approach not only fosters a rich exchange of ideas but also helped to uncover underlying themes, patterns and nuances that may not emerge through other data collection methods, such as surveys or individual interviews (Nyumba et al., 2018). Face-to-face interviews were conducted with three focus groups of five participants each from among the informal traders to gather insights into their views on the informal economy.

To ensure the trustworthiness of the data gathered from the participants, the researcher applied strategies to address dependability, credibility, transferability and confirmability within the study (Lincoln & Guba, 1985). ATLAS.ti was used to conduct thematic and content analysis to interpret the nuanced information gathered and extract insights into the complexities of the informal economy. Together, these methods assisted in identifying recurring patterns and themes, thereby providing a comprehensive understanding of the research phenomenon (Braun & Clarke, 2006; Saunders et al., 2019).

The research transcripts were uploaded to ATLAS.ti, where initial codes were generated based on emerging patterns in the participants' responses. Codes were then grouped into broader categories to identify dominant themes and sub-themes. This iterative process involved reading and re-reading the data to refine the coding structure and ensure accuracy. Code co-occurrence tables and network views were used to visualize relationships among themes. Themes were validated through peer debriefing and triangulation between different participant groups to ensure credibility and depth in interpretation.

Ethical clearance was obtained for the study from the University of KwaZulu-Natal research committee, thus confirming adherence to institutional guidelines and ethical standards. By ensuring voluntary participation of participants, maintaining anonymity, accommodating linguistic diversity, and securing informed consent from participants, the researcher upheld the highest ethical standards, fostering trust and integrity in the research endeavour.

**RESULT AND DISCUSSION**

Table 6 provides an overview of participant distribution and key insights from the interviews.

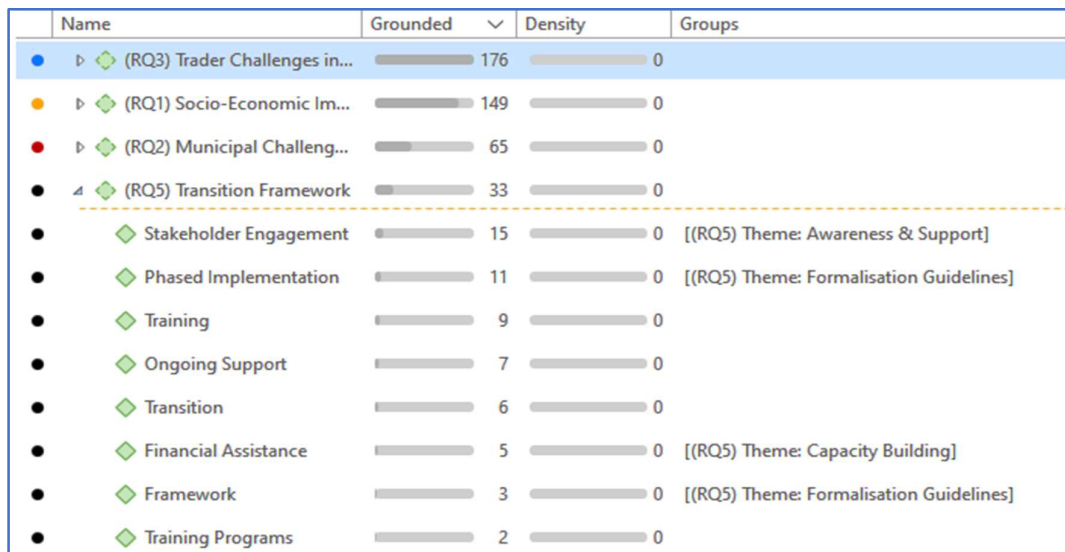
**Table 6**  
**Participant distribution and Key Insights**

Participant Group	Total Participants	% Distribution	Role	Gender	Education Level	Years of Experience	Key Insights
Government Officials	8	33.33%	Manager/ Head of Programs	5 Male, 3 Female	Various (Matric to PhD)	5 to 29 years	Discussed bureaucratic challenges, outdated policies and

							the need for better support for informal traders
Informal Traders	12	50.00%	Informal Trader	6 Male, 6 Female	Various (No School to Higher Education)	6 to 31 years	Expressed reluctance to register due to perceived lack of benefits, challenges with theft, and weather impacts
Focus Groups	4	16.67%	Focus Group Participant	Mixed	Various	Various	Discussed the socio-economic impacts of informal trade, including its potential to reduce poverty and unemployment
TOTAL	24	100%	-	-	-	-	-

Source: Research Data, 2025

The Code Summary Report depicted in Figure 4 provides an overview of the distribution of codes (and sub-codes) that emerged from the data. It outlines the frequency and context of each theme, helping to highlight the dominant issues raised by participants. This report served as a foundational tool for identifying recurring patterns relevant to the research questions.



Source: Research Data, 2025

**Figure 4**  
**Code Summary Report**

Figure 4 reveals that the highest number of grounded codes was recorded under

(RQ3) Traders' Challenges in Formalising, with 176 mentions, followed by Socio-Economic Impact (149) and Municipal Challenges (65), reflecting the core concerns raised by both informal traders and government officials. These findings indicate that the trader's experiences and the socio-economic implications of formalisation were central to participant narratives.

An interpretation of the findings by Code Group reveals that the Socio-Economic Impact theme was discussed frequently across all groups, with a fairly even spread of mentions: Focus Groups (30), Individual Government Officials (58) and Individual Informal Traders (61). This highlights that the socio-economic impacts of formalising the informal sector are acknowledged across all participants and perhaps generally across all stakeholders in the eThekweni economy.

Government Officials (47) mentioned Municipal Challenges in Formalising the Sector most often, compared to other participant groups. This was expected since these officials face these challenges directly. The Focus Groups had the lowest mentions (5), which could imply that these challenges are not as central to the group discussions, or that the eThekweni officials' viewpoints are more detailed concerning the government's challenges in attempting to formalise small businesses.

Individual Informal Traders (110) mentioned Challenges on Formalising their Businesses the most. Again, this was unsurprising as the Informal Traders are the ones who experience the challenges of formalisation most directly.

Government Officials and Individual Informal Traders discussed Policies and Procedures Currently in Place for Formalising Small Businesses more than the focus groups. This suggests that the clarity, effectiveness and impact of current policies and procedures are more pertinent to the individual experiences and perspectives of both officials and traders.

While the need for a framework to formalise the sector is acknowledged, there are very few framework structure elements. At the same time, participants might find it more challenging to articulate concrete suggestions towards building the formalisation framework.

It is also evident that the most visible challenges were those related to business and trader experiences, as well as general challenges, and to government and permits. Several significant challenge areas were identified through participant responses. A notable portion of the data pertained to general challenges, indicating that participants openly expressed the diverse and persistent difficulties they encounter in their trading environments. An equally significant number of references related to government-related challenges, underscoring the strained relationship between informal traders and governmental institutions. These challenges often revolve around regulation, lack of support, or perceived interference by authorities.

In addition, informal trader-specific challenges accounted for the highest number of mentions suggesting that informal traders face a range of operational difficulties in their daily activities. These could include financial constraints, market competition and security concerns, among others. Furthermore, the process of formalisation emerged as a distinct area of concern, particularly with respect to permits and registration. These findings reflect the bureaucratic and administrative obstacles that traders must navigate in efforts to transition from informal to formal economic participation.

With respect to resource and financial constraints, the following themes, Funding, Money, and Lack, indicate that access to financial resources and the lack thereof are significant impediments for informal traders. A number of operational challenges also became evident from the data, reflecting the everyday obstacles faced by informal traders

in their working environments. Issues related to products and storage point to difficulties in managing inventory and securing safe, reliable spaces to store goods. Additionally, the issue of space highlights the scarcity of suitable and consistent trading locations, which directly impacts traders' ability to conduct business effectively.

Another key area of concern is the policy and regulatory environment. References to policy and guidelines suggest that informal traders face significant challenges navigating the legal and regulatory frameworks that govern their activities. These frameworks are often perceived as unclear, restrictive or poorly enforced, further complicating trader's efforts to operate within the boundaries of formal economic systems.

Table 7 reveals that the socio-economic impacts and challenges faced by traders are the most discussed aspects.

**Table 7**  
**Summary of Main Themes by Participant Category**

Participant Category	Dominant Theme	Implication
Focus Groups (60)	RQ1 (30 codes)	Broad awareness of impact but limited detail on structural or policy matters.
Government Officials (213)	RQ1 & RQ2 (58 & 47 codes)	Deep institutional insights; important for understanding enablers/barriers to formalisation.
Informal Traders (205)	RQ3 (110 codes)	Direct experience of formalisation challenges - must anchor the framework around these voices.

Source: Research Data, 2025

Note: RQ - Research question

From Table 7, it is apparent that Government officials focus more on the challenges they face in the formalisation process, while informal traders also highlight more of the challenges they encounter in trying to get their businesses formalised.

Drawing on the data analysis, it may be surmised that several key insights emerge regarding the opportunities and challenges of the informal sector in the eThekweni Municipality CBD. More specifically, the findings from interviews and focus groups held with the informal traders and government officials provide empirical depth to the challenges and opportunities of formalisation in this specific context. One of the most significant insights is the overwhelming mention of "Trader Challenges" in formalising the sector. This theme garnered the highest number of coded segments, with the informal traders themselves contributing the most of these codes. This clearly indicates that the difficulties experienced by traders on the ground are the most acutely felt and frequently voiced issues in the formalisation process.

The Socio-Economic Impact of formalisation is a widely acknowledged and central theme across all participant groups. The relatively even distribution of mentions across these groups underscores a shared recognition of the potential benefits of formalisation for livelihoods, poverty reduction, and economic growth, aligning with general literature that acknowledges the positive impacts when appropriate support is established. This common ground provides a strong foundation for framing future formalisation efforts.

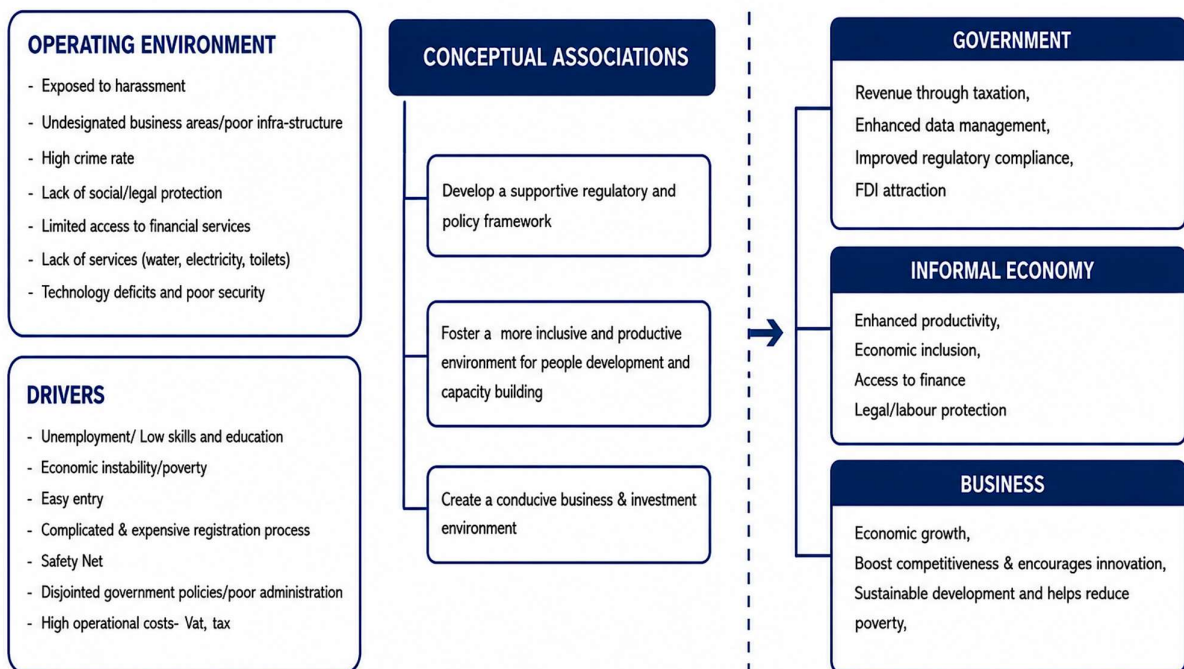
In contrast, Municipal Challenges in formalising the informal sector were primarily highlighted by Government Officials. This asymmetrical insight suggests that the institutional hurdles, such as lack of coordination among departments or insufficient expertise, are more visible and articulated by those within the municipal structure.

This finding strongly points to a policy-practice disconnect and a significant gap in communication and understanding regarding the regulatory environment between the

municipality and the informal trading community. Policies may exist theoretically, but their practical application and accessibility to traders are limited. Overall, the findings reveal that while the broad importance and potential positive impacts of a formalization of the informal sector are widely recognized, the lived experience of challenges, particularly from the traders' perspective, is paramount.

In summary, by distilling key relevant information from the research findings, it is possible to formulate a conceptual framework as illustrated in Figure 5 to capture the current state of the informal sector and map a path to formalisation, which is driven by strategic interventions, highlighting possible benefits resulting therefrom. The conceptual framework identifies a set of influencing factors that shape the outcomes. Key among these are the challenging operating environment faced by informal traders, the tax obligations introduced through formalisation, government regulations that may either support or restrict business operations and the broader economic conditions that define the market landscape. These contextual and structural influences interact in complex ways, informing the everyday realities of informal traders mapping their path toward maximising economic participation and socio-economic development.

**Figure 5**  
**Conceptual Framework**



Source: Developed by the researcher, 2025

### CONCLUSION AND SUGGESTIONS

The research findings revealed critical insights into the socio-economic dynamics influencing the informal sector in eThekweni. Some key challenges include regulatory barriers, limited access to finance and infrastructural constraints. However, participants expressed a strong interest in formalisation, provided it is inclusive and supportive. These findings lay the groundwork for developing a practical, context-driven formalisation framework.

There is a notable divide in the discussion and understanding of municipal

challenges, existing policies and future transition strategies between government actors and informal traders. This points to the need for future frameworks to be deeply rooted in addressing trader challenges, informed by government insights and co-created through inclusive, participatory processes to bridge the identified gaps and ensure relevance and feasibility.

To enhance the sustainability and formalisation of the informal sector, the study recommends that municipalities adopt more inclusive and collaborative policy implementation approaches that actively involve informal traders in decision-making processes. Simplified business registration systems, improved access to affordable finance and the development of designated trading infrastructure could significantly strengthen the operating environment for informal traders. In addition, targeted training and capacity-building initiatives focusing on entrepreneurship, financial literacy and digital inclusion may assist traders in transitioning toward sustainable formal economic participation.

The study further recommends stronger coordination between municipalities, private sector stakeholders and development agencies to support informal businesses through integrated support mechanisms and inclusive economic development programmes. Greater policy consistency, improved communication and transparent permit processes are also necessary to build trust between government institutions and informal traders.

Future research could adopt comparative studies across different municipalities in South Africa to evaluate varying formalisation strategies and their effectiveness. Quantitative research involving larger samples may also provide broader insights into the socio-economic contribution of the informal economy. Furthermore, future studies could explore the role of technology, digital trading platforms and financial inclusion mechanisms in supporting the long-term sustainability and formalisation of informal enterprises.

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