

**THE ENTREPRENEURIAL MOTIVATIONS OF INFORMAL TRADERS  
IN THE EASTERN CAPE**

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**2019**

**THE ENTREPRENEURIAL MOTIVATIONS OF INFORMAL TRADERS  
IN EASTERN CAPE**

**BY**

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

**OCTOBER 2019  
Supervisor: Dr. R. Lillah**

## **ACKNOWLEDGMENTS**

We would like to express our gratitude to the following people who contributed to making this study a success. Our heartfelt gratitude is extended to:

1. Dr. R. Lillah, my supervisor for his continued patience, support, guidance, time, constructive criticism and motivation provided throughout our study.
2. Our families, especially my mother and siblings for believing in us and their continued support and encouragement.
3. All the respondents who participated in this study. Thank you for taking the time to complete the questionnaires.

## **DECLARATION**

I, Tando Sovendle, hereby declare that this treatise entitled “*The entrepreneurial motivation of informal traders in Easern Cape*” is our own work, that all sources used or quoted have been indicated and acknowledged by means of complete references, and that this treatise has not been previously submitted by us for assessment to another university or for another qualification.

TANDO SOVENDLE

October 2018

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## **ABSTRACT**

The informal sector has been viewed as both a problem and a positive action towards economic development as it contributes towards poverty alleviation, especially in less developed economies. Although informal traders are not registered for tax, they contribute towards the economy and create jobs for the unemployed. There are numerous reasons why individuals choose to participate in the informal sector as informal traders. The reasons are broadly discussed as push (being “forced”) or pull (realizing an “opportunity”) factors associated with informal trading. Despite the significance of informal trading to the economy of a country, informal traders’ activities are not accounted for in the formal economy. A closer investigation of informal traders and the reasons why they start their business could assist in providing the appropriate support mechanisms for informal trading and enhance their contribution to the economy. The primary objective of this study is to investigate the entrepreneurial motivations of informal traders in the Eastern Cape. The informal sector is described as production and exchange of legal economic goods and services that are diverted from the formal processes and authorities to escape taxes and legal compliance.

The informal sector comprises informal trading and informal employment. Informal trading describes the activities of unregistered businesses that operate on a small scale with limited resources and that are characterised by self-employment and the provision of unprotected employment. Informal trading involves retailing and service provision with a few informal traders participating in manufacturing or agriculture. Informal employment describes all jobs in business ventures trading informally. Informal traders are business owners operating illegal and unregistered business without the required permits and are individuals or a collection of individuals who establish small informal enterprises in the the pursuit of increased household income. Home-based workers, waste collectors and street vendors form part of in Home-based workers, waste collectors and street vendors form part of informal traders. Entrepreneurial motivation is what will keep an entrepreneur’s behaviour, influenced by the personal attributes, goals and the business opportunity undertaken. Primary entrepreneurial motivations are identified as pull and push factors, where pull are factors when an opportunity space is identified and taken. On the other hand, push factors individuals are driven by circumstances such as poverty to entrepreneurship.

To determine the influence of the demographic variables on entrepreneurial motivations of informal traders a hypothesised model is proposed

To investigate the entrepreneurial motivations of informal traders in the Eastern Cape, primary data was collected using a structured questionnaire for the study. A sample from a large population, South Africa, was selected using a sampling technique, convenience sampling. A total of 100 structured questionnaires were distributed and collected from informal traders. The Exploratory Factor Analysis in this study was used for testing the construct validity of the items measuring the entrepreneurial motivations of informal traders.

For testing reliability, Cronbach Alpha coefficients were calculated. Descriptive statistics were used for the analysis of the primary data from the questionnaire as a quantitative approach was taken for the describing entrepreneurial motivations of informal traders in the study. The ANOVA test was used to determine whether the selected demographic variables (*gender, age, race, education, employment status, previous employment and number of employees*) and entrepreneurial motivations of informal traders were related. Additionally, a post-hoc Tukey Test was completed to establish whether there are no significant differences between the resulting mean scores and different categories that could be identified in a particular demographic variable.

From the seven factors that returned, there was only one entrepreneurial motivation related to push factors, *destitute Conditions*. The other six factor loadings (*social support, entrepreneurial passion, social and recognition status, negative job experience, wealth creation and personal development and need for independence*) were considered pull factors relating to the entrepreneurial motivations of informal traders in the Eastern Cape.

The results revealed that *gender* has a significant influence on the level of *destitute conditions* and *need for independence of informal traders*. The analysis also revealed that *Age* has a significant influence on the level of *Destitute Conditions* and *Wealth creation and Personal development* of informal traders. *Education* had a significant influence on the entrepreneurial motivations entrepreneurial passion, *destitute*

*conditions and wealth creation and personal development of informal traders. Previous employment had a significant influence on the level of entrepreneurial passion, destitute conditions and negative job experience of informal traders. The number of employees has an influence on the level of entrepreneurial passion, destitute conditions and wealth creation and personal development from the eastern.*

Recommendations were provided, based on the empiricak results revealed. the Government to introduce policies that are specific to the informal sector and to the needs of the informal traders. Providing better working conditions, improving safety in the streets and market spaces and incentives for females is essential. Practical skills, specifically business skills should be imparted, to ensure an individual is able to make earnings through using those skills. The government and credit financial institutions should also motivate the informal traders to formalise their business by offering affordable business registration business packages and access to credit as motivation. The small business organisations, both government and private should extend their services to the informal traders.

## **CHAPTER ONE**

### **INTRODUCTION AND BACKGROUND TO THE STUDY**

#### **1.1 INTRODUCTION AND BACKGROUND OF THE STUDY**

The informal sector has been viewed as both a problem and a positive action towards economic development as it contributes towards poverty alleviation, especially in less developed economies (Kavese, 2015). Although informal traders are not registered for tax, they contribute towards the economy and create jobs for the unemployed (Statistics South Africa, 2011; Willemse, 2011:7). According to Henning and Akoob (2017), the informal sector accounts for about 28% of South Africa's Gross Domestic Product (GDP) (Henning & Akoob, 2017). In the Eastern Cape, 148 672 individuals were employed in informal businesses (Kavese 2015:9). There are many definitions of "informal traders", however, for the purpose of this research, these traders are defined as any individual who owns or works for an unregistered business (Statistics South Africa, 2011).

There are numerous reasons why individuals choose to participate in the informal sector as informal traders. The reasons are broadly discussed as push (being "forced") or pull (realizing an "opportunity") factors associated with informal trading (Webb, Bruton, Tihanji & Ireland, 2012). Entrepreneurial motivations such as independence and innovation remain key factors in the performance of informal traders and their continued existence and growth (Callaghan & Venter, 2011). Shane, Locke and Collins (2003) identified a number of entrepreneurial motivations used in previous quantitative and qualitative research. These include the need for achievement, risk-taking, tolerance for ambiguity, and locus of control, self-efficacy, goal setting, independence, drive and egoistic passion. A study conducted among informal traders in rural China found that unemployment, low quality waged jobs, rural poverty, difficulties in maintaining a formal business, poor remuneration from jobs in cities, and the desire to achieve autonomy and flexibility motivate individuals to start and operate informal businesses. In South Africa, Henning and Akoob (2017) and Kavese (2015) found that destitute conditions, entrepreneurial spirit, passion for a product, unemployment, lack of an alternative source of income and the possession of appropriate skills motivated individuals to start an informal business in the North-West and Eastern Cape Provinces. The impact of these entrepreneurial motivations may be the positive

attributes needed by the informal traders to successfully run and grow their businesses.

## **1.2 PROBLEM STATEMENT**

Due to the lack of job vacancies in the formal economy, a greater number of individuals are participating in the informal sector in South Africa (Skinner, 2005). In South Africa, informal traders are not recognised by the formal economy as the policymakers' decisions rarely have an impact on their operations and business environment (Cohen, 2010). Despite the significance of informal trading to the economy of a country, informal traders' activities are not accounted for in the formal economy (Callaghan & Venter, 2011). Thus very little is known about who informal traders are as well as why and how informal traders operate their informal businesses. A closer investigation of informal traders and the reasons why they start their business could assist in providing the appropriate support mechanisms for informal trading and enhance their contribution to the economy (European Commission, 1998; Renooy & Ivarsson, 2004).

Shane *et al.*, (2003) argue that individuals will differ in terms of their entrepreneurial motivations as they are unique. These authors also state that the differences in entrepreneurial motivation across individuals will have an influence on the entrepreneurial process. Despite this acknowledgement of the influence of individual characteristics on entrepreneurial motivation, previous research has either focussed on profiling informal traders or measuring their entrepreneurial motivation and neglects the relationships between these factors. Indeed, Callaghan and Venter (2011) emphasise that informal traders have not been studied in terms of their entrepreneurial motivations, performance and growth. Thus the problem to be investigated in this study is: which entrepreneurial motivations are displayed by informal traders in the Eastern Cape and how individual characteristics influence these motivations.

### **1.3 RESEARCH OBJECTIVES**

The sections to follow will present the primary and secondary objectives of the study.

#### **1.3.1 PRIMARY OBJECTIVE**

The primary objective of this study is to investigate the entrepreneurial motivations of informal traders in the Eastern Cape.

#### **1.3.2 SECONDARY OBJECTIVES**

The secondary objectives of the study are:

- (i) To provide an overview of the informal sector and informal traders;
- (ii) To identify the factors that motivate individuals to become informal traders;
- (iii) To measure the entrepreneurial motivations of informal traders in the Eastern Cape; and
- (iv) To investigate the relationship between selected demographic variables and the entrepreneurial motivations of informal traders in the Eastern Cape.

#### **1.3.3 METHODOLOGICAL OBJECTIVES**

The methodological objectives of the study are:

- (i) To undertake a theoretical investigation into the informal sector and the entrepreneurial motivations of informal traders;
- (ii) To propose a hypothesised model that reflects the relationships between individual characteristics (independent variables) and entrepreneurial motivations (dependent variables);
- (iii) To determine the appropriate research methodology to address the identified research problem and research objectives;
- (iv) To develop an appropriate quantitative measuring instrument to empirically test the influence of the independent of variables on the dependent variables;
- (v) To source primary data from a pre-determined sample of informal traders in the Eastern Cape, and to test the proposed hypotheses using appropriate statistical methods; and
- (vi) To provide conclusions and recommendations based on the findings of this research, which will assist in encouraging informal trading in the Eastern Cape.

## **1.4 LITERATURE REVIEW**

In this section an overview of the informal sector, informal traders, entrepreneurial motivations will be discussed. In addition the influence of demographics on the entrepreneurial motivations of informal traders is presented.

### **1.4.1 AN OVERVIEW OF THE INFORMAL SECTOR AND INFORMAL TRADERS**

In economies where the formal sector has a limited number of participants due to poor economic conditions and instability, individuals find the next best alternative, the informal sector (Boakye, 2004). According to the ILO, there are more participants in the informal sector compared to the formal sector comprising of public services and established commercial industries, (ILO 2002; Boakye, 2004). Economic activities not practised according to the formal economic framework describe the informal sector (Hart, 1985). Outlined in the definition Castells and Portes (1989:12) indicate tax evasion, unregistered business, unprotected employment and not meeting legal requirements are one of the factors that informal traders and those employed informally continue to operate outside the regulatory and policy framework. The measure of the economic activities such as production and exchange are not accounted for as the regulatory and policy institutions rules are not adhered to by the organisations in the informal economy (Pozo, 1996).

According to Chen (2007) in the informal sector, self-employed and employees participation is driven by social protection where unregistered businesses are established and small wage jobs are offered. The informal sector has attained attention due to its performance over the years. As such the continued growth identified and its resilience to exist it is now a global integration forming part of the overall economy (Chen, 2007). The barriers to entry are less experienced as it characterised of small-scale operations, no expertise required, start-up capital is less and it provides cheap labour (Becker, 2004:11). Castells and Portes (1989:12) maintain that the criteria's most relevant in the informal sector are the size of the economic activities and operating outside the government regulatory framework. Boakye (2004) identifies the informal sector characterised with poor working conditions, low-wage work, and non-stability.

The activities that do not follow the institutional frameworks are in informal employment and informal trading. Informal employment describes all job occupations in business ventures trading informally for a stipulated duration (ILO, 2000). The jobs include household domestic workers, working for formal or informal traders which do not follow legal labour practices. Informal trading in the developing countries is characterised by self-employed individuals operating as street vendors due to lack of formal employment (Llanes & Barbour, 2007:10; Becker, 2004:11).

According to Portes (1983), an exchange of goods and services occurring outside the confines of the law is referred to as informal trading. The author further stipulates what constitutes informal trading as tax evasion, operating without a license and operating in an unauthorised area. With the motive to increase household income, individuals find informal trading as the best opportunity utilising social capital to start-up as informal traders (Wade, 1988; Grooteart, 2001; Woolcock, 1998). Modupi (2017:19) defines informal traders as traders that include business owners operating illegally and unregistered business without the required permits. Among the informal traders, the exchange of favours, support and trust are identified as contributors in social capital (Lyons & Snoxell, 2004).

There is a relationship identified where an increase of informal traders in underdeveloped and developing countries is largely influenced by the increase in urban population (Lyons & Snoxell, 2004:1078; Soto, 1989). Informal traders tend to practise numerous economic activities simultaneously from selling clothes and other items, cutting hair and providing services (Hunter and Skinner, 2003:306). According to Lyons and Snoxell (2004:1078) in the whole of Africa, self-employed informal traders are at 81 percent. In the ILO (2002) in developing countries trading is largely populated by women accounting for 30-90 percent. Informal traders continuously face competition due to new entrants, increased unemployment, a lack of resources and low buying power affected by an increase in taxes (Lund & Skinner, 1989; Castells & Portes, 1989).



#### 1.4.2 AN OVERVIEW OF THE ENTREPRENEURIAL MOTIVATIONS

Entrepreneurial motivations may act as attributes that impact entrepreneurs to successfully run their business. Shane, Locke and Collins (2003) mention entrepreneurial motivations such as the need for achievement, risk-taking, tolerance for ambiguity, self-efficacy, independence and drive among others. Entrepreneurial motivation is the will that keeps an entrepreneurs behaviour, influenced by the personal attributes, goals and the business opportunity undertaken (Kuratko & Hodgetts, 2007: 131). Primary entrepreneur motivations are identified as pull and push factors, where pull are factors an opportunity space is identified and taken whereas push factors individuals are driven by circumstances such as poverty to entrepreneurship (Williams, 2007; Isaga, 2012:48).

The informal traders are strictly driven to by individual needs, with many barriers in the formal sector they are pushed to operate in the informal sector (Neuwirth, 2011). In a survey conducted by GEM (2005) 97 percent of informal traders approached were motivated by necessity to entrepreneurship. Segal, Borgia and Schoenfeld (2005:43) current work condition, poor standard of living, family needs as one of the contributing factors pushing individuals to trade informally. Family conditions, low paying jobs, struggling to find work and little salary to for the whole family are examples of push factors (Ali & Ali, 2013:59). Williams (2014:9) further argues groups that are more likely to be driven to the informal sector are women and former workers for the reason of unsatisfactory levels of income. According to GEM (2005), 25 percent of informal traders are women that are struggling to find employment in the formal sector and pressured by poverty conditions.

Informal trader's drive that stems from an opportunity is referred as a pull factor, caring its specific motivational orientation components that impact the individual behaviour (Brown & Ryan, 2003; Henning & Akoob, 2017:2). Independence, entrepreneurial drive, wealth, self-efficacy are identified as pull factors among others (Ali & Ali, 2013:59). A study by Gadar and Yunus (2009) shows some of the pull factors as business goals and the competency of having own business establishment. Competency of the informal traders relates to self-efficacy. Self-efficacy is the confidence that an individual can successfully perform key roles of an entrepreneur proficiently and belief of one's capability's potential.

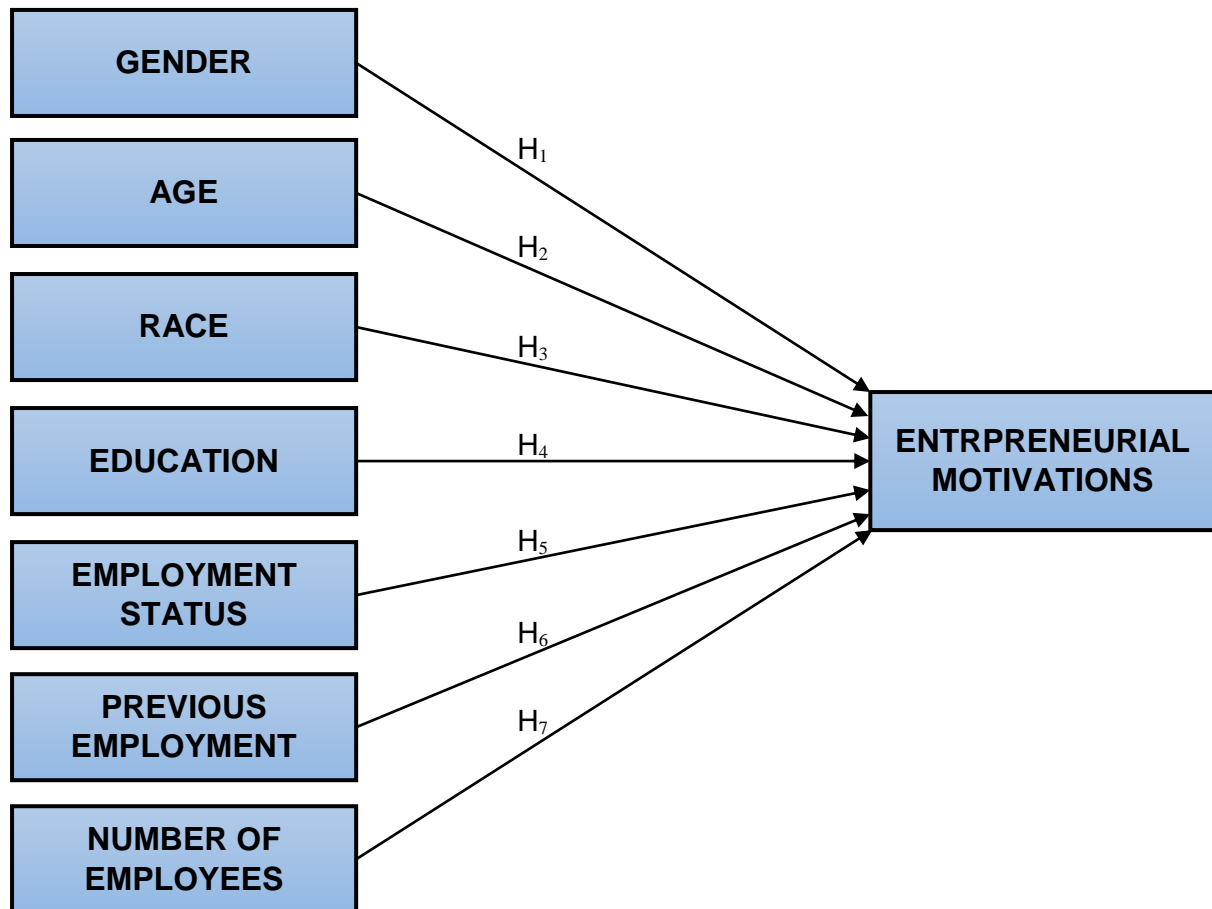
#### 1.4.3 THE INFLUENCE OF DEMOGRAPHICS ON THE ENTREPRENEURIAL MOTIVATIONS OF INFORMAL TRADERS

There is a high influence by demographics on motivations of informal traders. In striving for an improved family's livelihood, women decide to join the informal sector (Huang, Zhang, & Xue, 2018:2752). Adis, Welter, Smallbone and Isakova (2007) indicate that 297 women participated compared to 81 men in a study of individuals that established informal enterprises. Low-wage jobs and income levels prove to be undesirable for the youth in the long-run as they cannot obtain high qualifications to be considered for better-paying jobs, therefore, they resort to trading informally (Huang *et al.* 2018:2748). Majority of informal traders are part of the poorest (Chingono & Mark, 2016:59). In developing countries, early marriages result in young families and due to the lack jobs in the formal market, the pressure to provide for their family leads them to the informal sector (Chingono & Mark, 2016:59). There is a lack in the literature looking into the relationship between demographics and informal traders. Thus, a hypothesised model of the influence of demographic variables on the entrepreneurial motivations of informal traders will be developed and tested in this study.

#### 1.5 PROPOSED HYPOTHESED MODEL

In the literature seven demographic variables that could influence the entrepreneurial motivations of informal traders were identified. These demographic variables include *gender, age, race, education, employment status, previous employment* and *number of employees*. Based on this, the proposed hypothesised model of this study is illustrated in Figure 1.1.

**Figure 1.1: Hypothesised model: The influence of demographic variables on the level of entrepreneurial motivations of informal traders from Eastern Cape.**



Source: Author's own construct

- H<sub>1</sub>: *Gender* influences entrepreneurial motivations of informal traders in the Eastern Cape
- H<sub>2</sub>: *Age* influences entrepreneurial motivations of informal traders in the Eastern Cape
- H<sub>3</sub>: *Race* influences entrepreneurial motivations of informal traders in the Eastern Cape
- H<sub>4</sub>: *Education* influences entrepreneurial motivations of informal traders in the Eastern Cape
- H<sub>5</sub>: *Employment Status* influences entrepreneurial motivations of informal traders in the Eastern Cape
- H<sub>6</sub>: *Previous Employment* influences entrepreneurial motivations of informal traders in the Eastern Cape
- H<sub>7</sub>: *Number of Employees* influences entrepreneurial motivations of informal traders in the Eastern Cape.

## **1.6 RESEARCH DESIGN AND METHODOLOGY**

In this section a research design and methodology is discussed. Presenting the data collection and analysis of the study.

### **1.6.1 RESEARCH METHODOLOGY**

There are two paradigms in research methodology, interpretivism and positivism where a researcher can make a decision on which one to use (Nayak & Singh, 2015:1). According to Myers (2013), positivism focusses on facts that can be quantified and are independent of the researcher. It is described as a scientific method based on objective determinants that can be experimented and studied empirically (Mertens, 2005). Interpretivist, on the contrary, maintain that beliefs and values are considered when individuals interpret the world (Walliman, 2011:21). The positivist research paradigm will be used in this study, as it follows a quantitative approach (Burn, 2000:43)

### **1.6.2 RESEARCH DESIGN**

For the purpose of the study, a literature review will be conducted based on credible secondary. Research design provides scientific research answers following a strategy and a defined approach (Maxwell, 2012:2). Research design involves a theoretical outlook, collection of data, analysing data and validation (Crotty, 1998). The aim of the literature is to provide a theoretical background to the research and to identify possible questions to include in the quantitative research instrument. Quantitative research involves quantifying facts and using statistical methods to test the relationship between variables (Collis & Hussey 2014:5). Elaboration of data collection and data analysis follow on the next section.

#### **1.6.2.1 Data collection**

In this study, both primary and secondary data will be collected. Secondary data is data that has been collected and analysed on credible sources which are used to gain a general understanding of the research problem (Khotari, 2004:111). Secondary sources include newspaper, annual reports, business reports, textbooks and journal articles where theoretical understanding will be collected (Struwig & Stead 2013; Collis & Hussey, 2014). Primary data is the data that is collected for the first time (Khotari, 2004:95). Primary data will be collected using a structured questionnaire in the study.

The collection of primary data will depend on the population, sample frame and sample of the group studied.

A sampling method can be utilised for the conducting a survey, where a sample will be chosen which the process of determining the required small group from a large population (Pandey & Pandey, 2015:40; Walliman, 2015:94). In this study, the population will include informal traders from the Eastern Cape. Probability and non-probability are methods used when sampling for research purposes. Probability sampling includes simple random sampling, stratified sampling and cluster sampling (Walliman, 2015:96). Non-probability sampling is when researchers draw samples from a large population where random selection is not done and (Tansey, 2007:768). Types of non-probability sampling include convenience, quota, purpose and snowball sampling (Tansey, 2007:770).

A structured questionnaire will be used for the collection of primary data. In the questionnaire, there is a cover letter and two- divides of questions. In the cover letter the research topic, primary objective and requirements of participation are outlined and respondents are assured confidentiality and identities will not be revealed.

#### 1.6.2.2 Data analysis

Once primary data have been collected, it will be analysed using appropriate methods. Box, Hunter and Hunter (1978) describe data analysis as abstracting findings in the data from the noise. A validity and reliability tests are done in the process of transforming data to information (Sigh, 2017:2). Exploratory Factor Analysis will be used to test the validity of elements measuring the entrepreneurial motivations of informal traders. Cronbach Alpha coefficients will be calculated for the reliability test (Nunally, 1978:45). Descriptive statistics will be used for the analysis of the primary data from the questionnaire as a quantitative approach was taken (Walliman, 2015:114). Inferential statistics described an analysis of information for the purpose of enhancing knowledge about the large population using probability techniques will be applied in the analysis of the study (Asadoorian & Kantarelis, 2005:2). In the study, hypotheses will be developed and to test the hypotheses an Analysis of Variance (ANOVA) will be utilised. ANOVA is a process of grouping separately sources of

variability on measurements set (Girden, 2002:1). The statistical software, Statistica Version 12, will be used to analyse the data in this study.

### **1.7 SCOPE AND DEMARCATION OF THE STUDY**

In the study entrepreneurial motivations of informal traders in the Eastern Cape are investigated. Research relating informal traders in the country is lacking, regardless of its importance in the South African economy as noted above. The study focuses on the informal traders, specifically investigating the entrepreneurial motivations for trading informally. The study looked into certain demographics (gender, age, race, education, employment status, previous employment and number of employees) that influenced the entrepreneurial motivations of the informal traders. This was done by collecting data using a research instrument (questionnaire) from the sample. South Africa is populated by informal traders and Eastern Cape is no exception. The informal traders that participated were from the Nelson Mandela Bay and Mthatha and were 18 years of age and above. Because convenience sampling was used, informal traders that participated were limited to those easily accessible.

### **1.8 CONTRIBUTION OF THE STUDY**

The study focuses on a sector that has a great impact on the South African economy, particularly in the Eastern Cape. The government is continuously working on enabling people of the country, and the knowledge acquired on entrepreneurial motivations in the study can help the government to appropriately carry out its mandate by developing the working environment of informal traders. The government and local municipalities will be able to develop solutions to the challenges of informal traders and find strategies that will include informal traders in the main economy.

To achieve the prospects of the government and those of the informal traders, high standard policies and regulatory frameworks need to be formulated. To realise the objectives of the policies, policies should be formulated based on the needs of informal traders. This study can provide such information to the policy makers, helping in developing national building policies and strategies.

Informal traders themselves can be able to build an environment that will yield better operating conditions and be able to liaise with other stakeholders for mutual benefit

such as increasing possibilities of linking with formal sector. The study can be useful to informal trading associations in better understanding entrepreneurial motivations of its members, improving advocacy. Future researchers will have existing knowledge on entrepreneurial motivations, informal traders and the informal sector for future research purposes.

The study will be useful in policy makers have an in-depth understanding and workings of the informal sector and informal traders. The key stakeholders of informal trading such as government can develop supporting systems as to multiply the impact of informal trading. Further research can be done by researchers in understanding and determining more relevant entrepreneurial motivations of informal traders that drives them in to informal trading.

## **1.8 DEFINITION OF KEY CONCEPTS**

In the study the following concepts were deemed important and for more understanding, definitions are provided.

**Motivation:** is defined as the factors triggering an attitude of strong will and determination. and describes the driving force that compels individuals to act.

**Entrepreneurial motivations:** entrepreneurs are driven by internal forces that carry them starting-up and running business are known as entrepreneurial motivations.

**Push factors:** are fundamentally undesired circumstances of an individual's current situation which leads to establishing one's own informal enterprise.

**Pull factors:** positive driving forces that lead individuals to the establishment of enterprises, formal or informal trading.

**Informal sector:** informal sector refers to the economic activities that individuals engage in such as informal employment and informal characterised by ease of entry

**Informal traders:** defined as the activities of unregistered businesses that operate on a small scale with limited resources and that are characterised by self-employment and the provision of unprotected employment.

## **CHAPTER TWO**

### **ENTREPRENEURIAL MOTIVATIONS OF INFORMAL TRADERS**

#### **2.1 INTRODUCTION**

In the previous chapter, an introduction and background for the present study were presented. The problem statement and the research objectives of this study were highlighted. This chapter provides an overview of the informal economy and the entrepreneurial motivations of informal traders.

#### **2.2 AN OVERVIEW OF THE INFORMAL SECTOR AND INFORMAL TRADERS**

In this section, an overview of the following is provided: the nature of the informal sector; the theories related to the informal sector; the informal sector in the developing countries; the links between the formal and the informal sector; the nature of informal traders and the obstacles faced by informal traders.

##### **2.2.1 THE NATURE AND IMPORTANCE OF THE INFORMAL SECTOR**

The informal sector is described as production and exchange of legal economic goods and services that are diverted from the formal processes and authorities to escape taxes and legal compliance (OECD, 2002). According to Castells and Portes (1989), the informal sector is characterised by tax evasion, unregistered business, unprotected employment and not meeting legal requirements. The informal sector is also characterised by low entry barriers which have made it more attractive than operating in the formal economy and led to an increase in its size (Goto & Mano, 2012; Rauch, 1991). Poverty is one element that is highly visible in the informal sector, as entering this sector could be considered as a vehicle to generate an income (Mead & Morrisson, 1996). Matola (2002) also indicates that individuals are involved in these economic activities for survival purposes.

The informal sector includes informal trading and informal employment (Matola 2002). Informal trading describes the activities of unregistered businesses that operate on a small scale with limited resources and that are characterised by self-employment and the provision of unprotected employment (Mafukata & Kanchea, 2015). In addition, informal trading involves retailing and service provision with a few informal traders participating in manufacturing or agriculture (Matola, 2002; Lyons & Snoxell, 2005).



However, informal trading in the emerging economies remains unacknowledged by formal regulators and the government despite its socio-economic contributions (Devas, 2001). This is the case because informal trading does not generate tax income and fall beyond the scope of formal regulation (Gurtoo & Williams, 2009). Mead and Morrisson (1996) support this notion by stating that informal enterprises are un-registered, leading to firms not being pressured to meet requirements and uphold legal standards (Mead & Morrisson, 1996). This leads to tax evasion, operating without a permit or licenses and a lack of protection for informal employees (Mead & Morrisson, 1996).

Informal employment describes all jobs in business ventures trading informally (ILO, 2000). Suchard (1979) identified that the informal sector has existed in urban areas as an alternative to formal employment. Quantec Research (2011) states that the informal sector provided employment for about 2.2 million individuals in 2010 in four South African cities. Statistic South Africa (2011) revealed that approximately 46 000 people entered the South African informal sector in the first quarter of 2011.

The informal sector is important for a number of reasons, however, the economic activities occurring in this sector are rarely accounted for (Gurtoo & Williams, 2009). Gerxhani (2004) mentions that because there is no or less government regulation enforced in the informal sector Gross National Product is incorrectly measured. However, it is evident that a large number of individuals participate in the informal sector (Gurtoo & Williams, 2009). In economies where the formal sector has a limited number of participants due to poor economic conditions and instability, individuals find the next best alternative, the informal sector (Boakye, 2004). In developing countries, such as India, this number exceeds the participants of the formal sector (Economic Survey India, 2004). In addition, the sector not only benefits the bottom of the pyramid because of cheap goods and services, but it also stimulates growth and development (Suchard, 1979). Furthermore, the production and exchange occurring in the informal sector to some extent fall in the formal sector (Chen, 2007). The nature of the link varies from informal enterprises rendering services for a formal firm and a formal firm hiring informal employees for specific projects (Chen, 2007). As such the continued growth identified in the informal sector and its resilience has led to a global integration into the overall economy (Chen, 2007).

### 2.2.2 THEORIES RELATED TO THE INFORMAL ECONOMY

Three theories have been proposed that attempt to explain the informal sector. These theories include perspectives from dualist, legalist and structuralist schools of thought.

The dualist perspective recognises the informal sector as a refuge for the poor to generate income. The dualist school of thought is also referred to as the development perspective (Bonnet & Venkatesh, 2016:6). Bonnet and Venkatesh (2016:6) identified a relationship between the dualist's beliefs and the dual labour market theory that sees the labour market as consisting of the primary, secondary and criminal sector. Furthermore, the authors identify that the motives of informal traders in developed and developing countries vary. Informal traders are primarily excluded from the formal sector because of uncertain growth rates, population growth and the increasing lack of correlation between the individual's skills and what is demanded by formal employers (Bonnet & Venkatesh, 2016:6). Although dualists suggest that there is no relation between the formal and informal sector, they acknowledge that government should strive to incorporate the informal sector into the formal sector (Chen, 2012:5).

The legalists are also referred to as neo-liberals. The primary focus of the legalist is the regulation of the economy (Centeno & Portes, 2006:30). Legalists believe informal traders operate in the informal sector to avoid the costs and time associated with businesses registration (de Soto, 2000). Similarly, Chen (2012:5) states that legalists believe that the legal framework discourages individuals from operating in the formal sector causing a large portion of the population to seek refuge to the informal sector. Legalists promote the view that the government should reduce legal requirements to encourage informal traders (Chen, 2012:5).

The structuralist perspective, which is an extension of the dualist and legalist perspectives, is also known as the neo-Marxist school of thought (Bonnet & Venkatesh, 2016:6). Structuralists identify the informal sector as small-scale enterprises and employees that aim to decrease investment and labour costs, ultimately competing with formal enterprises that operate on a large scale (Castells & Portes 1989). In addition, formal businesses attempt to decrease labour costs and

improve competitive advantage by using informal businesses. This leads to the loss of jobs in the formal economy, increased competition, and the evasion of taxes and regulators (Chen, 2012). Thus, emphasis is placed on profits and employment (Castells & Portes, 1989).

### 2.2.3 THE INFORMAL SECTOR IN DEVELOPING COUNTRIES

There is a difference in the informal sectors of developed and developing countries (Cowell, 1990). The nature of a developing country allows the informal sector to grow (Becker, 2004). In most developing countries, where the economy is still characterised by the use of old technologies and semi-skilled or low-skilled employees, the informal sector thrives and prospers (Bremner, 1980). Furthermore, in developing countries poor standards of living, a lack of formal employment and an unskilled population leads to the migration of individuals to urban areas (Wilson, Velis & Cheeseman, 2006). This is noticeable by the size and growth of the informal sector in urban areas of developing countries (Gerxhani, 2003). The failure of the formal sector in developing countries to accommodate a large population, institutional regulations and job scarcity directly feeds the informal sector (Roseline, 2007). As the informal sector in developing countries is mainly a result of unemployment, an increase in production will result in the informal sector disappearing (Schneider, 2002). Given the above, Gerxhani (2004) has likened the informal sector to a survival sector.

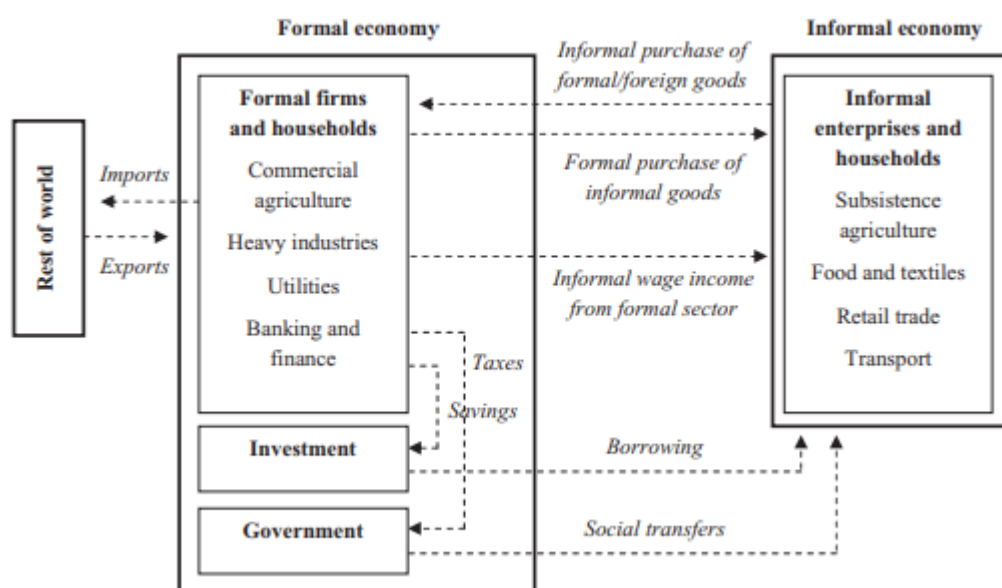
The informal sector in developing countries is characterised by small-scale economic activities as it is largely populated by small scale informal traders (Gerxhani, 2004). The income made from informal trading in developing countries is relatively low when compared with developed countries. Gerxhani (2004) further links the low income made to the reliance on human capital in the informal sector, which is characterised by low productivity technology. A study conducted amongst developing countries, revealed that most informal traders (10%-25%) are home-based workers and street hawkers (SIDA, 2004). Ganiyu, Ademola and Ani (2018) further mention that the informal sectors of developing countries are dominated by firms operating in the secondary and tertiary sector. Informal economic activities contributes 40% to the Gross National Income of developing OECD countries (Omar, 2006). This shows the expansion and prospect of the informal sector in developing countries and how it can stimulate economic growth. In developing countries, particularly in Africa, the informal

sector has grown faster than the formal sector (Ganiyu, Ademola & Ani, 2018). Claro (2012) showed the informal sector in Africa is worth \$10 trillion with 80% of the labour force employed in the informal sector. The inability to regulate and affect the informal sector is a challenge for developing countries (Chen, 2006; Guhan-Khasnobis, Kanbur & Ostrom, 2006). In developing countries, informal economic activities are far less focussed on production which could signify a problem.

#### 2.2.4 THE LINKS BETWEEN THE INFORMAL AND FORMAL SECTORS

Gerry (1978) and Singh (1994) state that the formal and informal sectors are linked and that the informal sector is dependent on the formal sector for its existence. The dependence on the formal sector is based on complementary and competitive activities (Gerxhani, 2004). These linkages may occur in terms of individual transactions, sub-sector networks and sub-contracting (Chen, 2007). In the events mentioned above, formal enterprises tend to control transactions, set the rules and terms of the exchange and make decisions independently (Chen, 2007). Arimah (2001:115) states that it is important to investigate the linkages between the formal and informal sectors because a large proportion of the urban labour force work in the informal sector; the informal sector plays an important role in providing urban-based services; the informal sector produces a significant amount of the GDP in developing countries; and the expansion of the informal sector is dependent on the nature and type of linkages between the two sectors. In addition, the increase in the demand for goods and services in the formal sector, has a positive effect on the informal sector (Lubell, 1991). Formal enterprises also outsource operational activities and create opportunities for informal businesses (Lubell, 1991). The links between the sectors is shown in the Figure 2.1 below.

**Figure 2.1: Linkages between the informal and formal sector**



Source: Davies and Thurlow (2010)

Figure 2.1 depicts different linkages that exist between the formal and informal sectors. The first linkage shown involves the trade and exchange of products and services. Chen (2007) further emphasise that many of the supply activities that occur between the sectors involve informal businesses sourcing goods from formal businesses and vice versa. The second link identified and shown in the figure is informal employment. According to Chen (2007), to decrease employment cost firms operating in the formal sector employ informal employees, which they remunerate with low wages. The third identified linkage is when informal businesses obtain finance and capital goods from the formal sector. This finance includes credit purchases and loans. Social transfers is last link between the formal and informal sectors. This linkage deals with social transfers from government, in the form of grants and pensions to informal households (Davies & Thurlow, 2010). The above-mentioned linkages agree with the links identified by the United Nations (1996) and Thomas (1995), categorising the formal and informal sector linkages into five divisions, namely economic, social or political, technological, consumption and financial.

## 2.2.5 THE NATURE OF INFORMAL TRADERS

Modupi (2017:19) defines informal traders as business owners operating illegal and unregistered business without the required permits. Mafukata and Kancheya (2015) further define informal traders as individuals or a collection of individuals who establish small informal enterprises in the the pursuit of increased household income.

Home-based workers, waste collectors and street vendors form part of informal traders (Modupi, 2017:29). Other extended activities of informal traders include supplying formal businesses and selling agricultural produce (Williams, 2014:5). Furthermore, the economic products of informal traders include agricultural produce, prepared foods and crafts which are commonly found in rural areas, urban streets and in towns (Clark, 2000). Informal traders also render various services such as cutting hair and doing domestic work (Hunter & Skinner, 2003:306).

The street traders make up a substantial proportion of the participants in the informal sector and they are visible or operate on street pavements, or near taxi ranks and central business districts (Cardno Agrisystems, 2008). In developing countries, particularly in Africa, street traders create to 10-20% of employment, with females being the majority group (WIEGO, 2012). Street traders are primarily involved in the exchange of finished goods and/or agricultural produce and service goods. These goods and services include fruits, vegetables, telephone access and snacks which are specific to street traders (Cardno Agrisystems, 2008).

The street traders can be categorised as static, semi-static and mobile (Jellinek, 1991). Bromley (1998) highlighted that value of urban street traders lies in the efficiency which they creat in the exchange and distribution of goods and services. Irrespective of the important contribution made by the informal sector, specifically in South Africa, the majority of informal traders are still not considered as having a major influence on the growth prospects of the economy (Teltscher, 1994; Nasser, du Preez & Herrmann, 2003).

Informal traders include immigrants, either migrating to urban cities from rural areas or individuals coming from other countries (Perberdy & Rogerson, 2003). Holness, Nel

and Bins (1999) and Perberty and Crush (1998) found that many immigrants operate in the informal sectors of East London, Johannesburg and Cape Town. The dire economic conditions in their home countries and the lack of border controls are the reasons for the high number of foreign nationals operating in the informal sector (Holness *et al.*, 1999).

#### 2.2.6 THE OBSTACLES FACED BY THE INFORMAL TRADERS

The obstacles faced by informal traders relate to establishing and operating an informal enterprise, and ultimately, formalising their enterprises.

Despite there being no formal barriers in the informal sector, to some extent individuals struggle to enter this sector. One of the main reasons for this constraint is the existence of large enterprises that are market leaders (Valodia, Lebani, Skinner & Devey, 2006). The barriers of informal are common in the environment of operation, the regulations that they have to comply with and may be caused by lack of access to finance (Cohen, 2010:282). Berker (2004) supports this putting emphasis that the main barrier to formalisation is the regulatory frameworks that demotivate informal traders). The undesired results of regulation include prolonged processes and increased costs of public service and corruption. Informal traders are automatically disqualified from most available capital and credit providers due to the nature of the informal sectors, and because the majority of informal traders are characterised by financial illiteracy (Cardno Agrisystems, 2008). According to Chingono (2016), the lack of capital injection in the informal trader's enterprises continues to slow growth and the potential to formalise their businesses. The areas that informal trader usually operate from lack infrastructure such water, electricity, refuse removal, sanitation and shelter (Cardno Agrisystems, 2008). Among other challenges the informal traders face in their operations, include the efficient channel of distribution from suppliers, skills to successfully manage the enterprise, lack permanent operational spaces, protection from crime, transport, access to capital and business support (Ngiba, Dickson & Whittaker, 2009:462-474). In the pursuit of formalisation, informal traders experience a lack of managerial skills needed for the day-to-day operations and administrative work (Kavese, 2009). These include leadership, conflict resolution, strategic management, accounting and administrative skills. Chingono (2016) further states that the lack of education of informal traders would cause enterprises not to successfully

compete in the formal sector. Informal traders are not knowledgeable about the business advisory services that can assist them in formalising their businesses. This is due to the lack of information at their disposal due to a lack of proper dissemination channels (Jere, Jere & Aspeiling, 2014).

## **2.3 AN OVERVIEW OF THE ENTREPRENEURIAL MOTIVATIONS OF INFORMAL TRADERS**

This section of the study will provide a discussion on the nature of motivation and the different motivation theories. The section will end with the differences in entrepreneurial motivations of the informal traders.

### **2.3.1 THE NATURE OF MOTIVATION**

Lai (2011) defines motivation as the factors triggering an attitude of strong will and determination. Motivation is also described as the driving force that compels individuals to act (Broussard & Garrison, 2004). Toure-Tillery and Fishbach (2011) state that motivation is related to a desire to achieve a particular goal. This supports MacCelland (1987) view that motivation is focused on the question “why” in the achievement of the goal. High performance, better work results and achievement are viewed as the best outcomes of motivation (Jackson, 1964).

Motivation is influenced either by intrinsic and (or) extrinsic factors. Intrinsic motivation refers to the internal fulfilment and pleasure of doing the activities an individual is motivated to do (Lee, 2018). Intrinsic motivation allows individuals to be more energetic and enthusiastic about the preferred activities they are performing (Lai, 2011:4). On the other hand, extrinsic motivation refers to the outside influences that lead someone to act (Levesque & Deci, 2010).

### **2.3.2 THEORIES OF MOTIVATION**

#### **2.3.2.1 Need theories of motivation**

##### **a) Maslow’s hierarchy of needs**

Maslow (1943) developed the most common theory of motivation, known as the Hierarchy of needs. The hierarchy of needs consists of five types of need, namely psychological needs, safety and security needs, belonging and love needs, self-



esteem need and self-actualisation needs. These needs are ranked in order of importance based on the urgency to satisfy the need (Beck, 2004:400; Reeve, 2005).

Psychological needs comprise the most important basic needs. The psychological needs deal with survival and are needs one cannot live without including food, air and clothing (Maslow, 1943). Some individuals consider turning to informal trading with the motive of satisfying their psychological needs. According to the Maslow's hierarchy of needs, the second type of needs are safety and security needs (Soos & Takacs, 2013). These needs are pursued once psychological needs have been satisfied. Protection and safety are continuously sought by individuals (Hellriegel *et al.*, 2012). Informal traders' motivations include protecting income for their households (Oanh, 2016).

The third level in Maslow's hierarchy of needs is concerned with affiliation needs (Hellriegel *et al.*, 2012). Stum (2001) describe affiliation needs as the need for affection, love, acceptance and a sense of belonging. The fourth level consist of self-esteem needs. Being respected, appreciated cherished describe self-esteem needs (Soos & Takacs, 2013). Self-esteem needs are influenced by internal and external factors. Internal factors comprise of self-admiration, self-love and self-respect amongst others (Hellriegel, *et al.*, 2012). External factors include how an individual is viewed by other individuals and the position they hold in society (Hellriegel *et al.*, 2012). Entrepreneurs fulfil this need by establishing enterprises where their abilities are appreciated by individuals and their social status is improved. The fifth and last level of Maslow's hierarchy of needs deals with self-actualisation needs (Soos & Takacs, 2013). The need to fully realise one's optimum potential, personal growth and personal development define self-actualisation needs (Soos & Takacs, 2013; Reeve, 2005; Oanh, 2016). The establishment and running of a business is realising their potential.

#### b) Alderfer's Existence, Relatedness and Growth (ERG) Theory

In Alderfer's ERG theory there are three needs which are existence, relatedness, and growth. The theory was primarily developed due to the limitation of Maslow's hierarchy of needs (Arnolds & Boshoff, 2002). Psychological as well as safety and security needs form the existence needs (Oanh, 2016). Relatedness needs are the motive for an individual to sustain personal affiliations (Arnolds & Boshoff, 2002). The last group

of needs, growth needs, is the motive for personal growth and development and includes Maslow's self-esteem and self-actualisation needs.

Alderfer's ERG Theory is perceived to be more effective than Maslow's hierarchy of needs as it is more specific (Robbins, 1988; Arnolds & Boshoff, 2002). Regardless of the aforementioned, these theories share certain characteristics. Oanh (2016) identifies that in the Aldefer's ERG theory an individual may be simultaneously motivated by multiple needs where others may be stronger than the rest. For example, entrepreneurs may strive to satisfy personal development needs as well as security need.

#### c) McClelland's theory of learnt needs

McClelland theory follows a different logic compared to the previously discussed needs theory. McClelland's theory suggests that life experiences influence the needs of an individual and emphasise that needs are realised over time (McClelland, 1987; Hellriegel *et al.*, 2012). According to this theory, there are three needs that motivate an individual's, namely the need for achievement, the need for affiliation and the need for power (McClellands, 1987).

The risk of failure is avoided by individuals aiming for excellence and generally having a high need for achievement (McClellands, 1987). An individual avoids a situation of low-risk as the individual perceives easily accomplished success is not true achievement and high-risk results are perceived as chance (McClellands, 1987). High achievers are competitive and believe in working hard for to fulfil their needs (McClellands, 1987). According to Othman, Ghazali and Cheng (2005), in entrepreneurship the need for achievement continues to be one of the most infleuncial need that motivate entrepreneurs. The need for achievement and eventually success influences entrepreneurial behaviour (Othman, Ghazali & Cheng, 2005). Cassidy and Lynn (1989) identified work-related principles as well as the pursuit of excellence, mastery and authority as measures of the need for achievement.

The need for affiliation refers to individuals requiring good personal relationship and being accepted by their society (McClelland, 1987). Teamwork and good relationships are some characteristics of need for affiliation (Hellriegel *et al.*, 2012; McClelland,

1987). Individuals with a need for affiliation tend to enjoy working with others (McClelland, 1987). They tend to be less interested when working on tasks that are completed individually. Entrepreneurs may establish enterprises for the opportunity to work with other people.

The need for power refers to the individual's desire for authority and influence over others (Hellriegel *et al.*, 2012). The need for power consist of two categories, namely personal and institutional power (McClelland, 1987). Influencing and directing other people is the personal need for power (McClelland, 1987). Taking charge in organising and solving people's social issues is referred to as an institutional need for power and is also known as social power.

#### 2.3.2.2 Process theories of motivation

The process motivation theory includes Skinner's reinforcement theory, Vroom's expectancy theory, and Locke's goal-setting theory.

##### a) Skinner's reinforcement theory

The reinforcement theory refers to motivation behaviour determined by rewards and punishment (Hellriegel, Slocum, Jackson, Louw, Staude, Amos, Klopper, Louw, Oosthuizen, Perks & Zindiye, 2012). The possible resulting consequences will dictate whether an individual will perform and complete an activity. Skinner suggests that an individual's behaviour that has favourable consequences tends to be repeated and behaviour that is followed by punishment is less repeated. Hackman and Oldman (1976) further put emphasis, arguing that an individual will continue with performing a certain as long as it renders positive consequences. Rewards include among others, a salary bonus, a compliment, a promotion and an increase in profits (Hellriegel *et al.*, 2012: Reeve, 2005). The entrepreneur may establish a business and maintain good behavioural principles that will have positive consequences for making high profits. Reeve (2005) and Hellriegel *et. al.*, (2012) argue that negative reinforcements are when individuals are pushed to uphold certain behaviour in an effort to avoid negative consequences.

#### b) Vroom's expectancy theory

Vroom's expectancy theory is based on an individual's behaviour that is influenced by their views, attitudes and principles when choosing activities that result in desired pleasure and the opposite (Vroom, 1964). Porter and Lawler (1968) further argued that the expected outcomes and value attached to the outcome drive an individual to take action and perform. Adamu and Shakur (2018) suggest that the theory follows desirability and feasibility concepts. The process of deciding behaviour adopted by individuals was explained by the valence-instrumentality-expectancy theory developed by Vroom. These are the three characteristics of the model and are the parts of motivation (Hellriegel *et al.*, 2012).

Valence describes the value an individual attaches to a reward or outcome. (Fudge & Schlacter, 1999; Van Erde & Thierry, 1996). Value is independent of the individual (Hellriegel *et al.*, 2012). The entrepreneur decides on the reward valued independently to establish an enterprise regardless of other individual's perceptions. According to Ilgen, Nebeker and Pritchard (1981), the consequences at times may be negative according to the statements of the theory.

Activities which ensure that desired outcomes are achieved and unpleasant outcomes are avoided describe instrumentality (Hellriegel *et al.*, 2012). The concept looks at the probabilities of the outcomes possible (Vroom, 1964). The probabilities of the outcomes can be weighed and summed, using an instrumentality score to exclude out the irrelevant outcomes. Instrumental efforts to perform and complete desired outcomes are influenced by the personal personal and external elements (Adamu & Shakur, 2018). The entrepreneur invests significant resources expecting to achieve high returns on investments. The expectancy theory is referred to as a process theory of motivation (Fudge & Schlacter, 1999).

#### c) Locke's goal-setting theory

Locke's goal-setting theory describes that the harder the goal to achieve the more effort will be devoted to accomplish (Locke & Latham, 1990, 2002). Reeve (2005) defines goals as one's planned end results accomplished through efforts and strives. Entrepreneurs start businesses with an already defined goal that has some level of accomplished that that will determine the amount of work to be done. In general, entrepreneurial seek to achieve high-level goals.

### 2.4.3 THE ENTREPRENEURIAL MOTIVATIONS OF INFORMAL TRADERS

#### 2.4.3.1 Entrepreneurial motivations in general

There are different reasons as to why individuals decide to establish own enterprises. The motives may be underlined by the individual's willingness because of self-efficacy and identifying a gap to explore in the market (Dawson & Henley, 2011). In some cases, individuals that experience disadvantaged circumstances, are motivated to survive or improve their live through entrepreneurial endeavours (Dawson & Henley, 2011). Entrepreneurial motivations act as attributes influencing entrepreneurs to successfully establish and run their micro-enterprises

Entrepreneurial motivation is what will keep an entrepreneur's behaviour, influenced by the personal attributes, goals and the business opportunity undertaken (Kuratko & Hodgetts, 2007). Entrepreneurial motivations include need for achievement, risk-taking, tolerance for ambiguity, self-efficacy, independence and drive among others (Shane, Locke & Collins, 2003).

Primary entrepreneurial motivations are identified as pull and push factors, where pull are factors when an opportunity space is identified and taken. On the other hand, push factors individuals are driven by circumstances such as poverty to entrepreneurship (Williams, 2007; Isaga, 2012:).

#### 2.3.3.2 Entrepreneurial motivations of informal traders

In this section motivational push and pull factors of informal traders are discussed and there is an elaboration on differences in entrepreneurial motivations according to demographics provided.

##### a) Push factors that motivate informal traders

Entrepreneurial motivations can be identified as push factors (Kirkwood, 2009). These push factors are from negative circumstances and situations experienced personally or surrounding externalities (Kirkwood, 2009). The push factors are fundamentally undesired circumstances of an individual's current situation which leads to establishing one's own informal enterprise (Amit & Muller, 1995). In a survey conducted by Global Entrepreneurship Monitor (2005) 97 percent of informal traders

approached were motivated by necessity into entrepreneurship. Entrepreneurs resulting from push factors are also referred to as forced entrepreneurs (Masurel, Nijkamp & Vindingi, 2004). In the previous studies of Amit and Muller (1995) entrepreneurs pushed tend not to be financially successful.

According to Kirkwood (2009:349), the need to start a business due to work-related factors is classified as a push factor. Segal, Borgia, & Schoenfeld (2005) further identify more work-related factors as having current employment that is unsatisfactory, struggling to find employment, poor levels of income and difficult work times. Segal, Borgia and Schoenfeld (2005:43) identified poor standard of living and family needs as one of the contributing factors pushing individuals to trade informally. The informal traders are strictly driven to by individual needs, with many barriers in the formal sector they are pushed to operate in the informal sector (Neuwirth, 2011).

Williams (2014) further argues that women and low income earners are more likely forced to be to the informal sector compared to other groups. According to Global Entrepreneurship Monitor (2005), 25 percent of informal traders are women that are struggling to find employment in the formal sector and pressured by poverty conditions.

#### b) Pull factors that motivate informal traders

Pull factors are positive driving forces that lead individuals to the establishment of enterprises, formal or informal trading (Segal, Borgia and Schoenfeld (2005). Different from push factors, these motives are viewed as positive (Dawson & Henly, 2012). An informal trader's reaction to an identified opportunity is referred as a pull factor, caring its specific motivational orientation components that impact the individual behaviour (Brown & Ryan, 2003; Henning & Akoob, 2017). Comfortable and flexible working times with improved income for street traders are described as pull factors Henning & Akoob, 2017). Furthermore, Spencer and Spencer (1993) identified the attributes purpose driven, personal behaviour in response to certain goals and activities describing pull factors. Competency of the informal traders relates to self-efficacy (Gadar and Yunus 2009). Self-efficacy is the confidence that an individual can successfully perform key roles of an entrepreneur proficiently and belief of one's capability's potential.

### c) Differences in entrepreneurial motivations according to demographics

The motivations for entrepreneurs differ and Franck (2012) supports, noting that women's entrepreneurial motivation differ from men. The demographics such as gender, age, education, ethnicity background and resources result in specific different motivations that are discussed below

#### (i) Gender

According to Bosma, Wennekers and Amoros (2011), the majority of women as compared to men are pushed to entrepreneurship where they establish enterprises in response to the undesired conditions. These motives at most times for women include family issues and current low-income (Akoob & Henning, 2017). The aforementioned, leads to women prioritising the social impact, flexible time and self-sufficiency rather than the profits that lead to economic prosperity in practising entrepreneurship (Reynolds & Curtin, 2008). A study in Africa showed a different finding, where women were motivated to improve financial gains more than men although women showed low belief in one's competencies in establishing and running an enterprise (Benzing & Kara, 2009).

On the contrary, there are also findings that the motivations of entrepreneurship and desired growth prospects of enterprises are not influenced by gender (Block & Sandner, 2009; Levie & Autio, 2013). In other parts of the world such as the United Kingdom, there are more men than women practising entrepreneurship (Georgellis & Wall, 2005). Regardless of the high number of women in the informal sector Mattera (1985), there is still an unfair advantage held by men in the informal sector where women are at a disadvantage due to family responsibility and safety among others. Barbato, Martino & Jacques (2009) further mention that the women are more family-focused on their entrepreneurial motivations.

## (ii) Age

Block and Sandner (2009) identified that the older entrepreneurs are to some extent forced to entrepreneurship and the younger individuals are pulled by the opportunities identified, there is a negative relation. On the contrary, a study by Kautonen (2008) indicated that the older individuals were primarily pulled to establishing and running own enterprises as compared to a few that were rather forced into seeking entrepreneurship as the next best alternative. Motivations of young females and males in the poverty-stricken areas show differences, where females are mostly pushed, and males are driven by the opportunities identified (Jayawarna, Rouse & Kitching, 2011). Older women tend to be involved with social impact enterprises. Older women in Africa indicated that the lack of skills has resulted in joining the informal sector as informal traders (Lalthapersad-Pillay, 2004).

## (iii) Education

According to Thurik, Verheul, Hessels and Van der Zwan (2010) the pushed and pulled entrepreneurs are positively influenced by education. The educated individuals of which is mostly the older males, continue to learn in their entrepreneurship endeavours (Jayawarna *et al.*, 2011). Growth prospects of enterprises are positively influenced by educational levels of its informal traders. Research data provided in the study of the Economic Planning Unit (2001) identified 14% of the entrepreneurs that had established own enterprises had higher education qualification. Lalthapersad-Pillay (2004) argue that low levels of schooling lead individuals to the survivalist sector. This is supported by Callaghan (2009) arguing that lower-wage employment is influenced by poor educational levels.

## (iv) Race and Ethnicity background

There are no previous studies focusing specifically on the pull and push factors, Stephan, Hart and Drews (2015) also identified the short-coming. Given the gap in the research, the study will focus on motivations pertaining to pull and push factors. There is a trend that Mattera (1985) identified, where white and skilled men drop the formal sector for the informal sector to establish own enterprise. The Labour Force Survey data revealed that 94% of the non-food street traders are black individuals. In the World Bank (1999) survey conducted in the Gauteng region empirically found that 94% of informal enterprises are owned by blacks.



(v) Household Income/employment status of household

The low levels of incomes both in the formal and informal sector trigger individuals to establish own enterprises. In 2012, 41% of the informal employees were receiving income below the poverty line and the formal sector had 17% (Rogan & Reynolds, 2015). Cohen (2010:286) identifies that in households headed by men there are usually two or more income earners, leading to men having higher household income. Block and Sandner (2009) empirically found that household income is positively influenced by the pull factors. The enterprise's financial performance is directly affected by the lack of resources (Jayawarna *et al.*, 2011).

(vi) Previous employment

Manning (1993:8) identified that in the informal manufacturing sector, informal traders that had businesses were either coming willingly from previous employment or had been pushed after there had been retrenched. There is little knowledge in the existing literature for previous employment of informal traders.

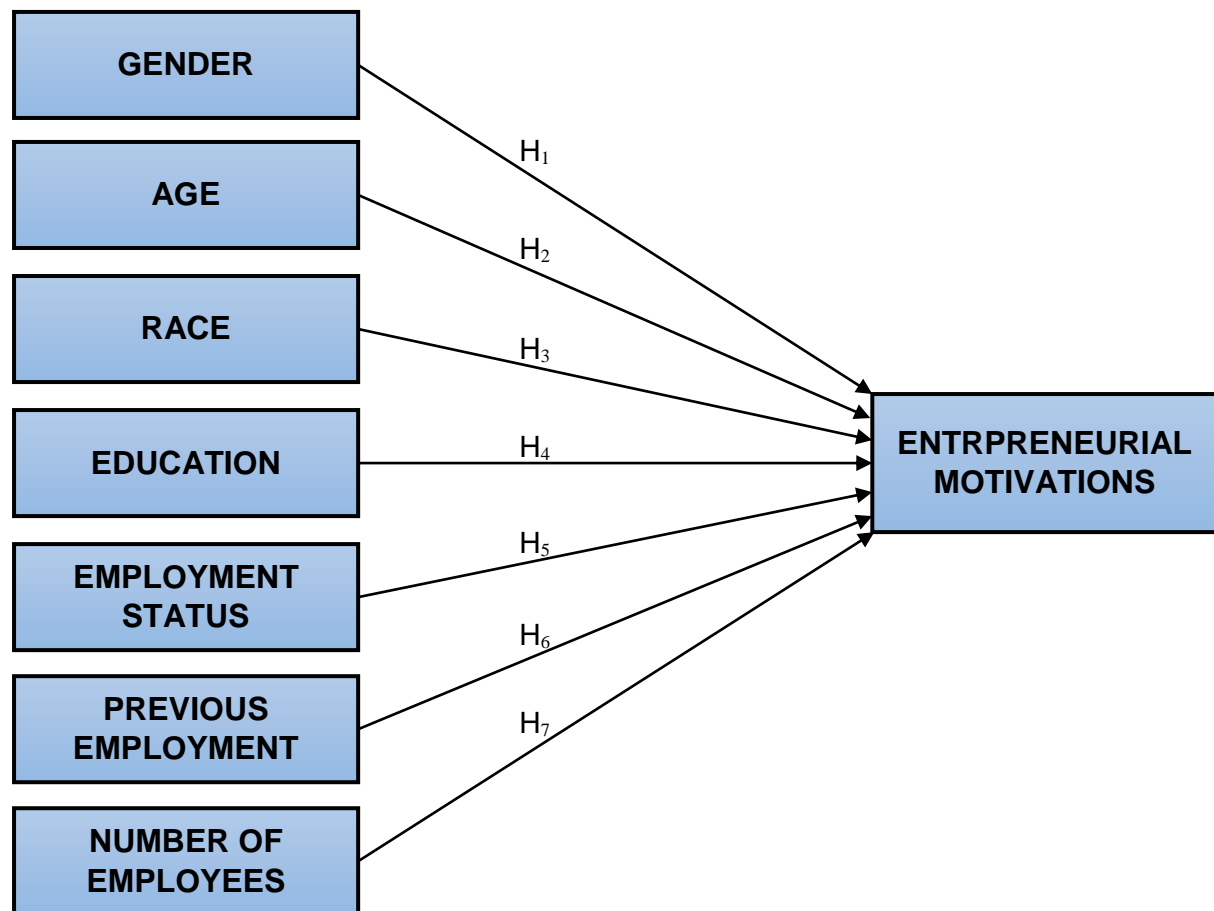
(vii) Number of employees

Previous literature does have information on the number of employees influencing entrepreneurial motivations. This study aims to contribute to the information.

## 2.4 PROPOSED HYPOTHESISED MODEL OF ENTREPRENEURIAL MOTIVATIONS.

In this study, entrepreneurial motivations of informal traders were investigated. In the literature seven possible demographic variables were identified. These demographic variables include *gender, age, race, education, employment status previous employment* and *number of employees*. To determine the influence of the demographic variables on entrepreneurial motivations of informal traders a hypothesised model is proposed. The hypothesis is illustrated in figure 2.2

**Figure 2.2: Hypothesised model: The influence of demographic variables on the level of entrepreneurial motivations of informal traders from Eastern Cape.**



Source: Author's own construct

H<sub>1</sub> *Gender* influences entrepreneurial motivations of informal traders in the Eastern Cape

H<sub>2</sub> *Age* influences entrepreneurial motivations of informal traders in the Eastern Cape

H<sub>3</sub> *Race* influences entrepreneurial motivations of informal traders in the Eastern Cape

H<sub>4</sub> *Education* influences entrepreneurial motivations of informal traders in the Eastern Cape

H<sub>5</sub> *Employment Status* influences entrepreneurial motivations of informal traders in the Eastern Cape

H<sub>6</sub> *Previous Employment* influences entrepreneurial motivations of informal traders in the Eastern Cape

H<sub>7</sub> *Number of Employees* influences entrepreneurial motivations of informal traders in the Eastern Cape.

## **2.4 SUMMARY**

In this chapter, the literature review was provided. It included a review of the informal sector and entrepreneurial motivations. The next chapter will elaborate on the research methodology and research design that will be used in this study.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 INTRODUCTION**

In the previous chapter, an overview of the informal sector and entrepreneurial motivations were provided. In this chapter, a discussion on research methodology and research design is provided.

#### **3.2 RESEARCH METHODOLOGY**

In conducting a study, a research methodology selected is decided between two research paradigms (Nayak & Singh, 2015). The philosophical framework used for the purpose of guiding how research is executed and completed describes the research paradigm. (Collis & Hussey, 2014). The two paradigms in research methodology are interpretivism and positivism, where a researcher can make a decision on which paradigm to use (Nayak & Singh, 2015:1). According to Myers (2013), positivists focus on facts that can be quantified and are independent of the researcher. It is described as a scientific method based on objective determinants that can be experimented and studied empirically (Mertens, 2005). Furthermore, Walliam (2015) argues that life realities can be validated, and hypotheses established by applying statistical models and quantitative study tools. Interpretivist, on the contrary, maintain that beliefs and values are considered when individuals interpret the world (Walliman, 2015).

Within the paradigms, there are approaches associated with each philosophical framework, the quantitative and qualitative approaches (Kumar, 2011). The quantitative approach is linked to the positivist paradigm and the qualitative, to the interpretivist paradigm. The quantitative approach is set on numerical and statistical processes for measures and not considering peoples preconceptions on finding empirical facts observed in a study for the purpose of establishing causal relations between dependent and independent variables (McEvoy & Richards, 2006; Ackroyd, 2004). The qualitative approach associated with the interpretivist paradigm considers the social constructs and concerned with human behaviours interaction with the world (Macdonald & Headlam, 2009). According to Phillip (1998) the collection of data usually by interviews if not focus groups or case studies is valuable in getting more in-depth facts of the participants. The positivist research paradigm is be used in this

study, as it is following a quantitative approach (Burn, 2000). Research methodology refers to the procedures of gathering data which range from positivistic research paradigm to a more revealing interpretivist research paradigm (Krizman, 2000).

The different forms of research methodologies related to the main research paradigms show in the table below, Table 3.1

**Table 3.1: Methodologies associated with the main research paradigms**

Positivism	Interpretivism
Experimental studies	Hermeneutics
Cross-sectional studies	Ethnography
Longitudinal studies	Participative enquiry
Surveys (using primary & secondary data)	Action research
	Case studies
	Grounded theory
	Feminist, gender, and ethnicity studies

Source: Collis and Hussey (2014)

Table 3.1, shows that the research methodologies linked to the positivist are experimental studies, cross-sectional, longitudinal studies and surveys. In the case where an independent variable is altered to observe the influence it has on the dependent variable, an experimental study is used (Collis & Hussey, 2014:60). Saunders, Lewis, and Thornhill, (2009:155) identified that cross-sectional studies, at a set time simultaneously study variables at different settings. Longitudinal studies can be used in a study overtime for the purpose of studying the changing patterns whilst the researcher has some control over the variables under study (Saunders, Lewis, & Thornhill, 2009; Adams & Schvaneveldt, 1991) Glasow (2005) argues that a survey is used research as it outlines the underlying features of the population studied. For the research methodologies in the Table 3.1, hermeneutics, ethnography, participative enquiry, action research, case studies, grounded theory as well as feminist, gender and ethnic studies are one of the research methodologies used under the interpretivist's paradigm. The interpretative approach that requires continuously developing theories whilst eliminating discrepant information and eventually considering different procedures to interpret data describes hermeneutics (Maxwell, 2004:11). The ethnography interpretivism approach focuses on a specific

culture where the group is exposed to similar life conditions, where in the study participants may be observed to acquire knowledge on behavioural patterns, language and communion of a cultural group (Haris, 1968; Creswell, 2006). The methodology research that fully involves its participants in collecting information for a study is participative enquiry (Collis & Hussey, 2014). The methodology used in research for the purpose of creating consciousness in a defined setting that is controlled is referred to as action research (Collis & Hussey, 2014). In addition, the methodology case study focusses on specific cases for the purpose of achieving complete understanding (Struwig & Stead, 2001). The ground theory is a systematic framework aimed at developing a theory by collecting and analysis and interpretation of the data (Locke, 2002). Feminist, gender, and ethnicity studies are approaches based on the views of the groups and maintaining the groups agenda, epistemology and ethical views (Cook & Fonow, 1986).

A quantitative approach will be used for the purpose of this research. The quantitative data to be collected best fits with a survey methodology. Collis and Hussey (2014) define survey methodology as a process of gathering data to be analysed statistically and generalising outcomes of a population. The entrepreneurial motivations of informal traders in the Eastern Cape were investigated using the survey methodology.

### **3.3 RESEARCH DESIGN**

Research design provides scientific research answers following a strategy and a defined approach (Maxwell, 2012:2). The research design involves a theoretical outlook, collection of data, analysing data and validation (Crotty, 1998). Krizman (2000) research design outlines the purpose of the research conducted. The research design focuses on the route to be taken to reach the research finding or results emphasising more on the logic of the research (Babbie, Mouton, Vorster & Prozesky, 2012).

#### **3.3.1 DATA COLLECTION**

In this study, both primary and secondary data was collected. According to Khotari (2004) data that has been collected and analysed on credible existing available in literature databases and internal archives sources which are used to gain a general understanding of the research problem describes secondary data. The secondary data

used in the study were reports from government agents, journals, articles, internet sources as well as academic books among others (Struwig & Stead 2013; Collis & Hussey, 2014). The aim of the literature is to provide a theoretical background to the research and to identify possible questions to include in the quantitative research instrument. The use of secondary source was to compile the literature review of the entrepreneurial motivations of informal traders. Primary data is the first-hand data that is collected for the first time on a particular population selected for the study (Khotari, 2004). Collection of primary data was done using a structured questionnaire for the study from the informal traders.

#### 3.3.1.3 Population, sample frame and sample

Defined as a methodology for gathering information, a survey may be carried through a census or sampling method (Collis & Hussey, 2014; Pandey & Pandey, 2015). Collis and Hussey (2014) define a population as subjects that fit the definition of a whole universe considered for statistical purpose in research. The information collected and gather will comprise of the population of all the informal traders in the Eastern Cape. A sample frame is a group or list of sampling units that a sample for a study can be drawn from, covered within a population (Sapsford & Jupp, 1996). For this study there is no sampling frame, the research is restricted to the data gathered from the informal traders in the Eastern Cape. The sample size comprised of fifty respondents from Mthatha and another fifty of respondents were from the Nelson Mandela Bay making the total sample size of hundred respondents.

The sample is defined as set elements from a population selected in a certain procedure (Sapsford & Jupp, 1996). Furthermore, the population of the sample that is grouped for the purpose of the study is defined (Sapsford & Jupp, 1996). A sampling method can be utilised to conduct a survey, where a sample will be chosen, following the definition that sampling refers to the specific procedure of determining the required small group from a large defined population (Pandey & Pandey, 2015:40; Walliman, 2015). In this study, the population will include informal traders from Mthatha and the Nelson Mandela Bay

### 3.3.1.2 Sampling techniques

There are two sampling techniques namely the probability sampling and non-probability sampling available for researchers to use (Nayak & Signh, 2015). Often referred to as the representative sampling, the probabilistic sampling is described as all items of a particular population which has a nonzero probability of taking part in a study (Mesa, Gonzalez, Duquia, Bonamigo & Bastos, 2016). The authors further mention that according to the probabilistic sampling all the items of the population have an equal prospect of being selected for the sample or study (Mesa *et al.*, 2016). The probabilistic sampling techniques are simple random sampling, systematic random sampling stratified sampling and cluster sampling (Mesa, 2016; William, 2015).

Non-probability sampling is when researchers draw samples from a large population where a random selection of item is unknown (Tansey, 2007). The results are at other times not generalizable to the population of the study as the sampling technique, non-probabilistic, does not provide a representative sample (Mesa *et al.*, 2016). Costs associated with using the probability sampling are for cheaper and the process is quick (Khotari, 2004). Types of non-probability sampling include convenience sampling, quota sampling, purposive sampling and snowball sampling (Tansey, 2007; Mesa *et al.*, 2016).

For this study, convenience sampling will be utilised. The sampling technique selects items that are conveniently obtainable at a given opportunity, it is also referred to as opportunity sampling and/or convenient sampling (Mesa, 2016; Alvi, 2016: Walliam, 2015). The section will look into the research instrument for collecting data.

### 3.3.1.3 Research Instrument (Questionnaire)

A tool for collecting and gathering the information that is most relevant and effective in particular research describes a research instrument (Wilkinson & Birmingham, 2003). Using the questionnaire, the researcher has more control over the data obtained compared to other different instruments as the questionnaire is developed by the researcher (Wilkinson & Birmingham, 2003). The authors Pandey, Prabhat & Pandey (2015) define a questionnaire as a collection of set and defined questions and statements constructed for the purpose collecting information from a specified sample chosen from the population of the study. Wilkinson and Birmingham (2003) identify



that the questionnaire has the advantage of collecting from the respondent's large amounts of data. Researchers prefer using questionnaires when considering costs and its ability to collecting structured and controllable data. The types of questions include the closed questions, multiple-choice questions and open-ended questions. According to Wilkinson and Birmingham (2003), for the closed questions, possible answers are given and most of the questionnaire questions are comprised of closed questions. The multiple-choice questions give options to set possible responses. Open-ended questions allow the respondents to answer without any limitations.

In the questionnaire, there is a cover letter and two- divides of questions. In the cover letter the research topic, primary objective and requirements of participation are outlined. The respondents are assured confidentiality and identities will not be revealed in the cover letter.

Section A of the questionnaire focuses on collecting demographic information of the informal traders and their businesses. The information comprised of the informal trader's gender, nationality, race, education, business-related training and previous employment. With questions regarding informal business establishments, the information sought includes the owner's particulars, the structure of the business, average sales income and business sector.

In the next section, Section B, the focus was on entrepreneurial motivations of the informal traders. Entrepreneurial motivation will be measured with a total of 53 items and of those 43 items, will specifically measure pull factors and the other 10 items will measure push factors. The questions were closed-end questions and were expressed with the Likert scale, strongly disagree (1) to strongly agree (5). The items or questions for measuring entrepreneurial motivations of the informal traders were sourced from the secondary data and 10 were self-constructed.

**Table 3.2: Items used to measure the entrepreneurial motivations of informal traders**

Code	Item	Source
PULL1	I wanted to contribute to the economy.	Self-constructed
PULL2	I wanted to provide employment for others.	(Stefanovic, Prokic & Rankovic 2010:258); (Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PULL3	there was an opportunity in the market.	(Kim-Soon, Ahmad & Ibrahim 2014:1004-1005); (Stephan, Hart, Mickiewicz & Drews 2015:24)
PULL4	I had an idea for a new product/service to sell.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PULL5	there was a shortage of (a) certain good(s)/service(s).	(David, Ulrich, Zelezeck, & Majoe, 2013)
PULL6	I wanted to improve my skills.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PULL7	I like to challenge myself.	(Stephan, Hart, Mickiewicz & Drews 2015:24); (Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PULL8	I enjoy taking risks.	(Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PULL9	I wanted to compete with others.	(David, Ulrich, Zelezeck, & Majoe, 2013)
PULL10	I wanted to invest my money.	(Kim-Soon, Ahmad & Ibrahim 2014:1004-1005); (Stephan, Hart, Mickiewicz & Drews 2015:24)
PULL11	it did not require a lot of capital.	Self-constructed
PULL12	I wanted to achieve my dream.	(Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PULL13	I wanted to increase my status in the community.	(Nsubili Isaga 2012:203-204); (Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PULL14	I wanted recognition for my accomplishments.	(Nsubili Isaga 2012:203-204)
PULL15	I wanted to continue a family tradition.	(Nsubili Isaga 2012:203-204); (Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PULL16	I wanted to have time for my family.	Self-constructed
PULL17	I want to leave a legacy for my family.	Self-constructed
PULL18	I wanted to create wealth for my family.	(Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)

Code	Item	Source
PULL19	I wanted to give my family financial security.	(David, Ulrich, Zelezeck, & Majoe, 2013)
PULL20	I wanted to use my past experience.	(Stefanovic, Prokic & Rankovic 2010:258)
PULL21	I wanted to use my past training.	(Stefanovic, Prokic & Rankovic 2010:258)
PULL22	I wanted to use my creative talent.	(Nsubili Isaga 2012:203-204); (Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PULL23	I wanted to create a job for myself.	(Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PULL24	I wanted to increase my income.	(Stefanovic, Prokic & Rankovic 2010:258)
PULL25	I wanted to create wealth for myself.	(Kim-Soon, Ahmad & Ibrahim 2014:1004-1005); (Jordaan 2014:236)
PULL26	I wanted to give myself financial security.	Self-constructed
PULL27	I wanted to be my own boss.	(Stephan, Hart, Mickiewicz & Drews 2015:24); (Stefanovic, Prokic & Rankovic 2010:258); (Kim-Soon, Ahmad & Ibrahim 2014:1004-1005); (Nsubili Isaga 2012:203-204)
PULL28	I wanted to be independent.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PULL29	I wanted to be in control of my own life.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PULL30	I wanted to have more control over my time.	(Nsubili Isaga 2012:203-204)
PULL31	I was unhappy with my previous job.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PULL32	my previous employer would not promote me.	Self-constructed
PULL33	I experienced discrimination at work.	(Nsubili Isaga 2012:203-204)
PULL34	I wanted to stay active.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PULL35	I wanted to satisfy/fulfill my own needs.	Self-constructed
PULL36	I wanted to achieve personal growth.	(Stefanovic, Prokic & Rankovic 2010:258); (Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PULL37	I have a personal interest (i.e. hobby) in this work.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PULL38	it is my passion.	Self-constructed
PULL39	I do not want to pay taxes.	Self-constructed

Code	Item	Source
PULL40	I wanted to avoid complying with laws/regulations.	Self-constructed
PULL41	I do not trust the government.	Self-constructed
PULL42	I had help from others.	(David, Ulrich, Zelezeck, & Majoe, 2013)
PULL43	I was encouraged by others.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PUSH44	it was the only way I could make a living.	(Nsubili Isaga 2012:203-204)
PUSH45	of poverty.	(David, Ulrich, Zelezeck, & Majoe, 2013)
PUSH46	I needed more money just to survive.	(David, Ulrich, Zelezeck, & Majoe, 2013)
PUSH47	I had to support my family.	(Kim-Soon, Ahmad & Ibrahim 2014:1004-1005)
PUSH48	I wanted to earn extra income.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PUSH49	I was unemployed.	(David, Ulrich, Zelezeck, & Majoe, 2013)
PUSH50	I lost my previous job.	(Nsubili Isaga 2012:203-204); (Stephan, Hart, Mickiewicz & Drews 2015:24)
PUSH51	I could not find a job.	(Nsubili Isaga 2012:203-204); (Stephan, Hart, Mickiewicz & Drews 2015:24)
PUSH52	health issues made having a regular job difficult.	(Stephan, Hart, Mickiewicz & Drews 2015:24)
PUSH53	my education/qualifications were not suited for formal employment.	(Adom, n.d.)

To collect information for the study from respondents, a questionnaire is distributed. The various distribution methods include post, telephone, online, face-to-face, group distribution and individual distribution. For this study, face-to-face distribution was utilised. The face-to-face distribution proved to be beneficial as questions were communicated fairly by the interviewer. During the face-to-face interview questions were translated in the mother tongues of the informal as some were not fluent or could read in English. Hence the interviewer assisted the respondents throughout the face-to-face interaction.

### 3.2 DATA ANALYSIS

Once primary data had been collected, it was analysed using appropriate methods. Box, Hunter and Hunter (1978) describe data analysis as abstracting findings in the data from the noise. A validity and reliability tests are done in the process of transforming data to information (Sigh, 2017:2). Exploratory Factor Analysis was used to test the validity of elements measuring the entrepreneurial motivations of informal traders. Hair, Black, Babin and Anderson (2000) specified that the minimum level considered interpretation is between 0.3 – 0.4 factor loadings. Furthermore, if the loading is to or greater than 0.5 it is practically substantial. Cronbach Alpha coefficients are calculated for the reliability test (Nunally, 1978:45). The Cronbach Alpha maintain that 0.6 – 0.7 values are the minimum level considered and specifying the popular agreed to cut off 0.7, as the measure of the reliability is between 0 – 1 (Hair *et al.*, 2000).

Descriptive statistics was used for the analysis of the primary data from the questionnaire as a quantitative approach was taken (Walliman, 2015:114). The descriptive statistics to be used include means, standard deviations as well as the percentage results that will be generated form the calculation of entrepreneurial motivations of informal traders from the Eastern Cape. In the study, a hypothesis was developed and to test the hypotheses an Analysis of Variance (ANOVA) was utilised. ANOVA is a process of grouping separately sources of variability on measurements set (Girden, 1992). The statistical software, Statistica Version 12, will be used to analyse the data in this study to test the entrepreneurial motivation of informal traders' relationships.

#### **4 SUMMARY**

Research methodology and research design were discussed and elaborated on. The discussions on research approaches, processes and procedures were provided. The next chapter will provide the empirical results obtained for the study.

## CHAPTER 4

### EMPIRICAL RESULTS

#### 4.1 INTRODUCTION

In the previous chapter, the explanation of the research design applied in the study was presented, outlining that the collection of the quantitative data will be done by using the survey methodology. Further providing how the analysis will be done using statistical methods. In Chapter 4, the statistical results will be presented, firstly reporting on the respondents and businesses demographic information. For the purpose of accuracy and reliability, validity and reliability will be presented and interpreted. Lastly, a descriptive and inferential statistic on the data gathered for entrepreneurial motivations of informal will be calculated and discussed.

#### 4.2 DEMOGRAPHIC INFORMATION

In the first section, Section A of the questionnaire required the informal traders to provide information about personal as well as their businesses demographic characteristics. Table 4.1 and Table 4.2 contain informal trader's personal demographics. Table 4.3 and Table 4.4 provide informal trader's business demographics.

**Table 4.1: Demographic information of informal traders**

Variable	Sample	
Gender	N	%
Male	37	37.00
Female	63	63.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>
Marital status	N	%
Single, never married	36	36.00
Married	42	42.00
Widowed	8	8.00
Divorced/separated	5	5.00
Cohabiting/living with a partner	9	9.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>

Nationality	N	%
South African	79	79.00
Nigerian	5	5.00

Zimbabwean	10	10.00
Tanzania	1	1.00
Mozambique	2	2.00
Ethiopian	1	1.00
Somalian	1	1.00
Ghanaian	1	1.00
Missing	0	0.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Race</b>	<b>N</b>	<b>%</b>
Black	98	98.00
Coloureds	2	2.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Education</b>	<b>N</b>	<b>%</b>
No schooling	5	5.00
Primary school	17	17.00
High school	60	60.00
Post Matric	17	17.00
Post graduate	1	1.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Business training</b>	<b>N</b>	<b>%</b>
Yes	23	23.00
No	77	77.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Previous employment</b>	<b>N</b>	<b>%</b>
Yes	64	64.00
No	36	36.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>

In Table 3.1 above, the overall sample indicates 100 informal traders participated, of which 37 (37%) were male and 63 (63%) females. In the sample, 36 (36%) of the informal traders were single and never married, 42 (42%) were married with 8 (8%) widowed. Divorced and separated informal traders were 5 (5%) and the 9 (9%) living with their partners. In terms of nationality, the respondents from South Africa were 79 (79%), Zimbabwe were 10 (10%), Nigeria 5 (5%) 2 (2%) respondents from Mozambique. The other nationalities which had one respondent each were Tanzania, Ethiopia, Somalia and Ghana.

In terms of race, the informal trader respondents comprised of 98 (98%) blacks and 2 (2%) coloureds. The education level of the respondents showed that informal traders with no schooling were 5 (5%), primary school 17 (17%), high school 60 (60%), post matric 17 (17%) and 1 (1%) post graduate.



Informal traders out of the total sample, 23% received business training and the majority which is 77% were not exposed to any type of business training to run a business. Sixty-four (64%) respondents were previously employed before establishing own informal businesses. The 36 (36%) from the total of the respondents were never previously employed.

Table 4.2 provides an analysis of the descriptive statistics of the respondents related to the age of respondents. In the questionnaire, an open question was used to ask the respondents age and this qualified that a mean, minimum, maximum and standard deviation be calculated to outline the sample data.

**Table 4.2: Age of informal traders**

<b>Sample</b>	<b>N</b>	<b>Mean</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Std.Dev.</b>
<b>Overall sample</b>	100	40.57	24.00	65.00	10.25

In Table 4.2 the average age of the sample was 40.57, the youngest individual from the respondents was 24 and the oldest respondent was 65 years old.

**Table 4.3: Demographics of informal businesses**

<b>Variable</b>	<b>Overall sample</b>	
<b>Founding members</b>	<b>N</b>	<b>%</b>
Alone	68	68.00
With (a) family member(s)	18	18.00
With (a) business partner(s)	9	9.00
A family member	3	3.00
Missing	1	1.00
<b>TOTAL</b>	<b>100</b>	<b>100.00</b>
<b>Structure</b>	<b>N</b>	<b>%</b>
Static	36	36.00
Semi-static	50	50.00
Mobile	13	13.00
Other	1	1.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Average sales income</b>	<b>N</b>	<b>%</b>
R0 - R350	3	3.00
R301 - R750	12	12.00
R751 - R1500	35	35.00
R1501 - R3000	18	18.00

R3001 - R6000	12	12.00
R6000 +	18	18.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Source of Capital</b>	<b>N</b>	<b>%</b>
Family/relative	23	23.00
Friends/neighbours	4	4.00
Self-funding	53	53.00
I applied for a bank loan	1	1.00
Family/relative and friends/neighbours	2	2.00
Family/relative and Self-funding	13	13.00
Friends/neighbours and Self-funding	2	2.00
Self-funding and other	1	1.00
Family/relative, friends/neighbours and self-funding	1	1.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Sector</b>	<b>N</b>	<b>%</b>
Service sector	30	30.00
Retail sector	45	45.00
Manufacturing sector	2	2.00
Agricultural sector	1	1.00
Service and retail sector	3	3.00
Service and manufacturing service	3	3.00
Service and agriculture	1	1.00
Retail and manufacturing	13	13.00
Retail and agriculture	2	2.00
<b>TOTAL</b>	<b>100</b>	<b>100</b>

In Table 4.3 (68%) of the respondents had founded their informal business alone, (18%) of the respondents founded the business with a family or relative, business started with partners were nine (9%) and the 3% of the respondents detailed that the businesses were founded only by a family member.

Thirty-six (36%) of the informal trader structures were static meaning they had premises and lock-up stalls their businesses were operating from, 50% were semi-static meaning they had to dismantle at the end of the business day, which was the majority and the mobile informal traders were 13 (13%). One (1%) respondent specified that the business has a fixed structure it operates from and also moves from one place to another.

The informal traders' businesses average sales income shows that only (3%) generate income between R0 and R350, (12%) generate average sales income between R351 and R750, (35%) between R751 and R1500, (18%) generate between R1501 and

R3000, (12%) between R3001 and R6000 and the 18% of the respondents have informal businesses generating above R6000.

The data collected from respondents showed that 23 (23%) sourced start-up capital from a family and/or relative, 4 (4%) sourced the investment from friends and/or neighbours. Most of the respondents (53%) indicated that the capital cost to start their informal businesses was self-funded. One (1%) responded had applied for a bank loan to start trading. The other 19 (19%) of the respondents had funded their start-up capital costs from more than one source.

In terms of the sectors that the informal businesses operate in, 30 (30%) operate in the service sector, the retail sector had a higher participant number with 45 (45%) informal businesses, 2 (2%) operate in the manufacturing sector and 1 (1%) in the agricultural sector. Twenty-two (22%) respondents operate in two or more sectors.

**Table 4.4 Number of employees and years in existence.**

<b>Sample</b>	<b>N</b>	<b>Mean</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Std.Dev.</b>
<b>Number of employees</b>	100	0.88	0.00	8.00	1.61
<b>Sample</b>	<b>N</b>	<b>Mean</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Std.Dev.</b>
<b>Years in existence</b>	100	9.21	0.33	38.00	7.68

In the above table, Table 4.4 in a total number of 100 informal businesses the average number of employees was (0.88), the minimum was (0.00) and the maximum number of employees employed was (8.00). Additionally, in Table 4.4 the average years that the informal business has been in was 9.21, the youngest business 0.33 years old and the oldest business was 38 years old.

#### **4.3 VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENTS-ENTREPRENEURIAL MOTIVATIONS**

In this study, factor analysis was used to determine the validity scales for measuring entrepreneurial motivations. Pull and push factors contributing to entrepreneurial motivations were analysed by conducting an exploratory factor analysis (EFA). The factor loadings that were considered acceptable for validity were greater than 0.4.

#### 4.3.1 Social Support

In table 4.5, it shows that factors (OPP43, OPP34 and 42) measure the pull factors related to entrepreneurial motivations loaded together. The factors when loaded together explained 3.04% of the variance in the data. The factor had factor loadings ranging from 0.67 to 0.72. The Cronbach Alpha coefficient of 0.69 was returned for *social support*, the Cronbach Alpha coefficient was low but still acceptable.

**Table 4.5: Validity and reliability results for *Social support***

% Variance explained: 5.74%		Cronbach's Alpha: 0.69		
Code	Item	Factor loading	Item total correl.	CA if deleted
OPP43	I was encouraged by others	0.72	0.65	0.40
OPP34	I wanted to stay active	0.71	0.39	0.73
OPP42	I had help from others	0.67	0.48	0.62

#### 4.3.2 Entrepreneurial passion

In table 4.6, the pull factors and one push factor were measured by the six items (OPP21, OPP38, OPP37, OPP22, OPP24, OPP20, and NECC5). The items were together named *entrepreneurial passion*. The factor explained 3.48% of the variance in the data. Factor loadings reported for the items were between 0.43 and 0.71. A Cronbach Alpha coefficient of 0.76 was reported, qualifying the factor to be considered valid and reliable.

**Table 4.6: Validity and reliability results for *Entrepreneurial Passion***

% Variance explained: 6.56%		Cronbach's Alpha: 0.76		
Code	Item	Factor loading	Item total correl.	CA if deleted
OPP21	I wanted to use my past training.	0.71	0.46	0.73
OPP38	It is my passion.	0.67	0.63	0.69
OPP37	I have a personal interest (i.e. hobby) in this work	0.66	0.59	0.70
OPP22	I wanted to use my creative talent	0.56	0.54	0.71
OPP24	I wanted to increase my income.	0.47	0.41	0.74
OPP20	I wanted to use my past experience	0.46	0.45	0.73
NECC5	I wanted to earn extra income.	0.43	0.24	0.77

#### 4.3.3 Destitute conditions

As seen in Table 4.8 below the four items from the total of ten for measuring necessity related to entrepreneurial motivations loaded in a single factor together. According to the characteristics of the items loaded together, the factor was named *Destitute Conditions*. The factor loadings were between 0.68 and 0.72. *Destitute conditions* explained 4.63% of the variance. A good Cronbach Alpha coefficient of 0.82 was reported, indicating that the destitute conditions are valid and reliable.

**Table 4.7: Validity and reliability results *Destitute conditions***

% Variance explained: 8.74%		Cronbach's Alpha: 0.82		
Code	Item	Factor loading	Item total correl.	CA if deleted
NECC1	it was the only way I could make a living	-0.72	0.64	0.77
NECC3	I needed more money just to survive	-0.71	0.71	0.74
NECC6	I was unemployed	-0.70	0.47	0.84
NECC2	of poverty	-0.68	0.74	0.72

#### 4.3.4 Social Status and Recognition

Six (OPP13, OPP14, OPP12, OPP17, OPP10, OPP16) items that measured pull factors relating to entrepreneurial motivations loaded together. A factor was created for the loaded items, *social status and recognition*. The factor explained 3.79% of the variance in the data. The factor loadings were between 0.53 and 0.82. A Cronbach Alpha coefficient of 0.78 was reported and the factor considered valid and reliable.

**Table 4.8: Validity and reliability results for *Social status and Recognition***

% Variance explained: 7.16%		Cronbach's Alpha: 0.78		
Code	Item	Factor loading	Item total correl.	CA if deleted
OPP13	I wanted to increase my status in the community	0.82	0.61	0.72
OPP14	I wanted recognition for my accomplishments	0.80	0.58	0.73
OPP12	I wanted to achieve my dream.	0.57	0.59	0.73
OPP17	I want to leave a legacy for my family	0.56	0.49	0.75
OPP10	I wanted to invest my money	0.53	0.47	0.76
OPP16	I wanted to have time for my family	0.50	0.42	0.77

#### 4.3.5 Negative job Experience

Table 4.10 illustrates that (OPP33, OPP31, OPP32) measure pull factors that loaded together. NECC7 that was constructed to measure necessity factors in related to entrepreneurial motivations loaded together with opportunity factors on this factor. The factor was renamed *negative job experience*. *negative job experience* explained 5.74% of the variance in the data. The factor loadings were between 0.63 and 0.78. A Cronbach Alpha coefficient of 0.75 was reported, qualifying the data to be valid and reliable.

**Table 4.9: Validity and reliability results for *Negative Job Experience***

% Variance explained: 5.74%		Cronbach's Alpha: 0.75		
Code	Item	Factor loading	Item total correl.	CA if deleted
NECC7	I lost my previous job	0.78	0.49	0.73
OPP33	I experienced discrimination at work	0.71	0.56	0.69
OPP31	I was unhappy with my previous job.	0.65	0.55	0.69
OPP32	my previous employer would not promote me	0.63	0.61	0.66

#### 4.3.6 Wealth creation and Personal development

In the table below, table 4.11 shows six opportunity factors (OPP18, OPP3, OPP19, OPP36, OPP6, and OPP25), the items loaded together measuring the opportunity factors relating to entrepreneurial motivations. The factor explained a 6.14% in the variance of the data. The factor loadings were ranging from a minimum of 0.40 to a maximum of 0.67. A Cronbach Alpha coefficient of 0.73 was reported for the factor. The Cronbach Alpha coefficient was high enough to qualify the factor as valid and reliable.

**Table 4.10: Validity and reliability results for *Wealth creation and Personal development***

% Variance explained: 6.14%		Cronbach's Alpha: 0.73		
Code	Item	Factor loading	Item total correl.	CA if deleted
OPP18	I wanted to create wealth for my family	0.67	0.53	0.68
OPP3	there was an opportunity in the market	0.65	0.45	0.70
OPP19	I wanted to give my family financial security	0.49	0.39	0.72
OPP36	I wanted to achieve personal growth	0.45	0.48	0.69
OPP6	I wanted to improve my skills	0.43	0.44	0.71
OPP25	I wanted to create wealth for myself	0.40	0.54	0.67

#### 4.3.7 Need for Independence

In Table 4.12 the items (OPP28, OPP29, OPP27, OPP30, and OPP8) that loaded together, intending to measure opportunity factors relating to entrepreneurial motivations are illustrated. The factor explained 7.39% in the variance of the data. Factor loading reported with a minimum of 0.43 to a maximum of 0.81. A Cronbach Alpha coefficient 0.79 was reported, indicating the validity and reliability of the factor measured.

**Table 4.11: Validity and reliability results for *Need for independence***

% Variance explained: 7.39%		Cronbach's Alpha: 0.79		
Code	Item	Factor loading	Item total correl.	CA if deleted
OPP28	I wanted to be independent	0.81	0.74	0.71
OPP29	I wanted to be in control of my own life	0.71	0.55	0.77
OPP27	I wanted to be my own boss	0.70	0.65	0.74
OPP30	I wanted to have more control over my time	0.56	0.57	0.76
OPP8	I enjoy taking risks	0.43	0.43	0.81

4.3.8. Operational definitions of the entrepreneurial motivations of informal traders

For the purpose of this study and the results of the validity and realiblility study operational definitions of entrepreneurial motivations are given in Table 4.12 below.

**Table 4.16: Operational definitions of the entrepreneurial motivations of informal traders**

Factor	Operational definition
Social Support	Social support is when informal traders start trading informally because they were encouraged by others, wanted to stay active and had help from others.
Entrepreneurial passion	Entrepreneurial passion is when informal traders want to start a business because of past training, passion, have a personal interest, use their creative talent, increase income, use past experience and earn extra income.
Destitute Conditions	Destitute conditions refer to informal traders starting to trade informal because it is the only way of making a living, need more money just to survive, unemployed and are poor.
Social Status and Recognition	Social Status and Recognition is when informal traders start trading informally because they want to increase their status in the community, achieve their dreams, leave a legacy their families, invest my money and have time with their families.
Negative job Experience	Negative job experience is when informal traders start trading informally due to loss of a previous job, experiencing discrimination at work, unhappy with a previous job and previous employer not promoting them.
Wealth creation and Personal development	Wealth creation and personal development is when informal traders start trading informally because they want to create wealth for their families, there is an opportunity in the market, give their families financial security, achieve personal growth, improve their skills and create wealth for themselves.
Need for Independence	Need for independence is when informal traders start trading informally because they want to be independent, in control of their own lives, be owns boss, have more control over own time and enjoy taking risks.

#### 4.4 ANALYSIS OF VARIANCE

For the purpose of running the ANOVA test, items such as nationality, age, and the number of employees were collapsed and re-constructed to fit the ANOVA requirements for running a test.



**Table 4.13: Results of a relationship between demographic variables and *Social support***

Demographic variable		MEAN	STD DEV	F	P
Gender	Male	4,00	0.61	3.28	0.07
	Female	3,71	0.84		
Demographic variable		MEAN	STD DEV	F	P
Age	24-29	3,56	1,06	0,83	0,51
	30-39	3,94	0,66		
	40-49	3,74	0,84		
	50-59	3,88	0,58		
	60-69	4,00	0,47		
Demographic variable		MEAN	STD DEV	F	P
Race	Black	3,82	0,78	0,08	0,78
	Coloureds	3,67	0,47		
Demographic variable		MEAN	STD DEV	F	P
Education	No schooling	4,40	0,28	2,35	0,06
	Primary school	3,98	0,58		
	High school	3,66	0,87		
	Post Matric	4,10	0,45		
	Post graduate	3,33			
Demographic variable		MEAN	STD DEV	F	P
Employment status	One earner	3,71	0,97	1,67	0,19
	Two earners	3,82	0,63		
	Three or more earners	4,08	0,43		
Demographic variable		MEAN	STD DEV	F	P
Previous employment	Yes	3.93	0.56	3.52	0.06
	No	3.63	1.02		
Demographic variable		MEAN	STD DEV	F	P
Number of Employees	0-2	3.78	0.84	0.64	0.53
	3-5	4.13	0.40		
	6-8	3.89	1.02		

The results of ANOVA in table 4.13 show in terms of *gender*, males have a higher mean score of 4.00 compared to females that have a mean score of 3.71. Additionally, respondents from the study agreed to the statements measuring *Social Support*. However, results from the ANOVA test revealed *gender* does not significantly influence the *Social Support*.

With regards to *age* the mean scores reported were for category 3.56; 3.94; 3.74; 3.88; 4.00 for the categories 24-29, 30-39, 40-49, 50-59 and 60-69. The mean scores clearly

indicated that respondents agreed with statements used to measure *social support*. However, there was no significant influence on *social support* by age.

In terms of *race*, blacks had a higher mean score of 3.82 and coloureds scored a mean of 3.67. *Race* comprising of the two categories blacks and coloureds agreed with statements measuring *social support*. The ANOVA test revealed that there is no relationship between *race and social support*.

With regards to *education*, the categories no schooling, primary schooling, high school, post matric and postgraduate had mean scores reported 4.40; 3.98; 3.66; 4.10 and 3.33 respectively. Additionally, the respondents in respect to all categories agreed to the statements used to measure the statements of *social support*. Furthermore, the ANOVA test revealed *education* has no significant influence on *social support*.

In Table 4.13, the results reported indicate that for the three categories one earner, two earners and three or more earners mean scores were 3.71; 3.82 and 4.08. In addition, the table further showed that the respondents agreed with statements used to measure *social support*. *Employment status* has no significant influence on *social support*.

The respondents with *previous employment* had higher mean score of 3.93 and the other category reported a mean score of 3.63. In addition, the respondents agreed to the statement measuring *social support*. However, there was no relationship revealed between *previous employment and social support*.

Lastly, with regards to *number of employees*, categories 0-2, 3-5 and 6-8 reported mean scores 3.78; 4.13 and 3.98. The mean scores of the three categories of *previous employment* indicate that the respondents agreed with the statements used to measure *social support*. The ANOVA test further revealed that *previous employment* does not significantly influence *social support*.

The results in Table 4.13 indicate that most of the respondents from the various demographic variable investigated are in agreement with the statements measuring *social support*. In other words, the respondents were motivated by being encouraged by others, wanting to stay active and help from others. Against this background, the

hypothesis stating that there is a relationship between demographic variables and entrepreneurial motivations of Eastern Cape informal traders is rejected in terms of *social support*. The findings suggest that there is no relationship identified between the demographic variables, *gender, age, race, education, employment status, previous employees and number of employees*.

**Table 4.14: Results of a relationship between demographic variables and Entrepreneurial Passion**

Demographic variable		MEAN	STD DEV	F	P
Gender	Male	3.43	0.81	1.94	0.17
	Female	3.66	0.78		
Demographic variable		MEAN	STD DEV	F	P
Age	24-29	3.57	0.66	0.37	0.83
	30-39	3.52	0.90		
	40-49	3.66	0.74		
	50-59	3.47	0.85		
	60-69	3.92	0.65		
Demographic variable		MEAN	STD DEV	F	P
Race	Black	3.57	0.80	0.41	0.52
	Coloureds	3.93	0.38		
Demographic variable		MEAN	STD DEV	F	P
Education	No schooling	3.43	0.66	5.58	0.00
	Primary school	3.09	0.78		
	High school	3.54	0.75		
	Post Matric	4.18	0.62		
	Post graduate	4.83			
Demographic variable		MEAN	STD DEV	F	P
Employment status	One earner	3.47	0.85	1.07	0.35
	Two earners	3.56	0.87		
	Three or more earners	3.78	0.49		
Demographic variable		MEAN	STD DEV	F	P
Previous employment	Yes	3.76	0.71	10.33	0.00
	No	3.25	0.85		
Demographic variable		MEAN	STD DEV	F	P
Number of Employees	0-2	3.49	0.81	3.64	0.03
	3-5	4.27	0.50		
	6-8	3.72	0.67		

In Table 4.14 ANOVA test revealed that *education* had a significant impact ( $p < 0.05$ ) on the level of *destitute conditions* for Eastern Cape informal traders. The highest mean score revealed was for post graduates at 4.83 for *entrepreneurial passion*. The other categories no schooling, primary schooling, high schooling and post matric revealed mean scores of 3.43; 3.09; 3.54 and 4.18 respectively. The informal traders that were neutral to the statements measuring *entrepreneurial passion* included those with no schooling and primary schooling only. The categories that had means indicating they agree to the statements that measure *entrepreneurial passion* were high school, post matric and post graduates. The Post hoc Tukey test was powerful enough to reveal exactly where the differences lie between the levels of *education*, identifying exactly at no schooling and post matric ( $p = 0.00$ ) also for high school ( $p = 0.02$ ).

In terms of *previous employment*, the ANOVA test revealed that there is a significant impact ( $p < 0.05$ ) on *entrepreneurial passion*. ANOVA revealed the mean scores for *destitute conditions* 3.76 and 3.25 for the categories yes and no respectively. According to the mean scores the respondents contradict each other, those that were *previously employed* agreed with the statements of *Destitute Conditions* and those with no *previous employment* were neutral.

ANOVA test revealed *number of employees* has a significant impact of ( $p < 0.05$ ) on the *entrepreneurial passion* of Eastern Cape informal traders. In addition, the mean scores reported for the categories 0-2, 3-5 and 6-8 as 3.49; 4.27 and 3.72 respectively. According to the mean scores, the informal traders from the Eastern Cape agree with the statements measuring *entrepreneurial passion*. The post hoc Tukey test was powerful enough to reveal the pairwise differences lie between 0-2 employees and 6-8 employees ( $p = 0.02$ ).

With regards to *gender*, the ANOVA revealed the mean scores for male 3.43 and females 3.66. The males were neutral about the statements that measured *entrepreneurial passion* and females agreed. However, *gender* does not significantly influence *entrepreneurial passion*.

In terms of *age*, mean scores reported for categories 24-29, 30-39, 40-49, 50-59 and 60-69 were 3.57; 3.52; 3.66; 3.47 and 3.92. The mean scores clearly indicate that majority of the respondents agreed with statements measuring *entrepreneurial passion* statements. One category, 50-59, expressed neutrality. In addition, the ANOVA test revealed that there is no relationship between *age and entrepreneurial passion*.

With regards to *race*, in Table 4.14 the reported mean scores for *entrepreneurial passion* were 3.57 and 3.93 for blacks and coloureds respectively. This indicated that coloureds are more influenced by *entrepreneurial passion* compared to Blacks. In addition, the mean scores indicate that the respondents agreed with the statements used to measure *entrepreneurial passion*. However, *race* does not significantly influence *entrepreneurial passion*.

In terms of *employment status*, the ANOVA test revealed for *entrepreneurial passion*, the mean scores for one-earner, two earners and three or more earners mean scores were 3.49; 4.27 and 3.72 respectively. The mean scores indicate that the respondents are in agreement with the statements that are measuring *entrepreneurial passion*. The *employment status* does not significantly influence *entrepreneurial passion*.

The results from the table clearly indicate that the majority of the respondents from the various demographic variables investigated agree with statements used to measure *entrepreneurial passion*. This is evidence that respondents from the study are pulled to informal trading by *entrepreneurial passion*. Against this background, the hypothesis stating a relationship between the demographic variables and entrepreneurial passion. The conditions are accepted for *education, previous employment and number of employees*. Furthermore, the hypotheses dealing with *gender, age, race and employment status* cannot be accepted.

**Table 4.15: Results of the relationship between demographic variables and *Destitute Conditions***

Demographic variable		MEAN	STD DEV	F	P
Gender	Male	3.04	1.11	10.05	0.00
	Female	3.67	0.86		
Demographic variable		MEAN	STD DEV	F	P
Age	24-29	3.00	1.01	3.03	0.02
	30-39	3.25	1.07		
	40-49	3.60	0.85		
	50-59	4.03	0.75		
	60-69	3.19	1.25		
Demographic variable		MEAN	STD DEV	F	P
Race	Black	3.43	1.01	0.01	0.92
	Coloureds	3.50	1.06		
Demographic variable		MEAN	STD DEV	F	P
Education	No schooling	3.77	1.24	3.34	0.01
	Primary school	3.62	1.00		
	High school	3.57	0.83		
	Post Matric	2.68	1.24		
	Post graduate	3.00			
Demographic variable		MEAN	STD DEV	F	P
Employment status	One earner	3.66	1.03	2.63	0.08
	Two earners	3.40	0.89		
	Three or more earners	3.06	1.06		
Demographic variable		MEAN	STD DEV	F	P
Previous employment	Yes	3.24	1.03	7.20	0.01
	No	3.78	0.86		
Demographic variable		MEAN	STD DEV	F	P
Number of Employees	0-2	3.56	0.91	12.26	0.00
	3-5	2.09	1.20		
	6-8	2.00	0.75		

Table 4.15 ANOVA revealed that *gender* had a significant impact ( $p < 0.05$ ) on *destitute conditions*. Females had a higher mean of 3.67 than their male counterparts 3.04. According to the mean score's females agreed with the statements used to measure *destitute conditions* while males were neutral.

The ANOVA results also revealed that *age* had a significant impact ( $p < 0.05$ ) on the entrepreneurial motivation, *destitute conditions*. The mean scores for *destitute condition* for the *age* categories 24-29 years, 30-39 years, 40-49 years, 50-59 years and 60-69 years were 3.00; 3.25; 3.60; 4.03 and 3.19, respectively. The respondents between the ages of 24-29 years, 30-39 years, and 60-69 years were neutral and those between ages 40-49 years and 50-59 years are in agreement with the statements measuring *destitute conditions*. The post hoc Tukey HSD test revealed that a pairwise difference exists between the respondents who were between the ages of 24-29 years and 50-59 years ( $p = 0.02$ ).

Furthermore, the ANOVA test revealed that *education* had a significant impact on ( $p < 0.05$ ) on the level of *destitute conditions* for Eastern Cape informal traders. The mean scores reported for the categories no schooling, primary school, high school, post matric and post graduate were 3.77; 3.62; 3.57; 2.68 and 3.00, respectively. These mean scores indicate that the informal traders that had no schooling, primary schooling only or high schooling agreed with the statements used to measure *destitute conditions*. However, the respondents with a post matric and post graduate education were neutral. The post hoc Tukey HSD test was powerful enough to indicate pairwise differences among the different *education* categories. More specifically, pairwise differences were identified between the respondent who had a post matric education and those who only had a primary school education ( $p = 0.04$ ) as well as those who had a high school education ( $p = 0.01$ ).

The ANOVA results in Table 4.15 indicates that that *previous employment* had a significant impact ( $p < 0.05$ ) on *destitute conditions*. The mean scores reported for the respondents who were employed before starting their own business was 3.24 and for those who were not employed before starting their business was 3.78. According to the mean scores reported, the former was neutral while the latter agreed with statements measuring *destitute conditions*.

The ANOVA results in Table 4.15 revealed that *number of employees* had a significant impact ( $p < 0.05$ ) on *destitute conditions*. Mean scores of 3.56; 2.09 and 2.00 were returned for the categories 0-2 employees, 3-5 employees and 6-8 employees, respectively. The mean scores indicate that most of the categories did not agree with

the statements used to measure *destitute conditions*. In addition, the informal businesses who employed between 0-2 employees agreed with the statements measuring *destitute conditions*. The post hoc Tukey HSD test indicated that a pairwise difference exists between the informal businesses who employed 0-2 employees and those who employed 3-5 employees ( $p = 0.00$ ). Another pairwise difference was identified between the informal business who employed 0-2 employees and those who employed 6-8 employees ( $p = 0.02$ ).

With regards to *race*, the ANOVA results in Table 4.15 show *destitute conditions* had the mean scores 3.43 and 3.50 for blacks and coloureds respectively. In addition, the mean scores indicate that coloureds were more motivated by *destitute conditions* compared to blacks. Thus, the coloured mean score indicated that they agree with the statements of *destitute conditions* and blacks were neutral. There is no relationship reported between *race* and *destitute conditions*.

Lastly, ANOVA revealed the mean scores for *destitute conditions* 3.66; 3.40 and 3.06 for the categories one earner, two earners and three or more earners respectively. The mean scores clearly indicate that respondent with households that have one earner agreed with statements of *destitute conditions* and the other groups held a neutral view. *Employment Status*, however, does not have a significant influence on *Destitute Conditions*.

In the results reported above, the majority of the respondents from the various demographic variables investigated agree with statements of *destitute conditions*. This indicates that the respondents are motivated or pushed into entrepreneurship as informal traders by *destitute conditions*. Against this background, the hypothesis stating there is a relationship between the demographic variables and the *destitute conditions* is accepted for *gender, age, race, education, previous employment and number of employees*. In addition, hypotheses dealing with *race and employment status* cannot be accepted.



**Table 4.16: Results of the relationship between demographic variables and  
*Social Status and Recognition***

Demographic variable		MEAN	STD DEV	F	P
Gender	Male	3.77	0.76	0.01	0.92
	Female	3.79	0.73		
Demographic variable		MEAN	STD DEV	F	P
Age	24-29	3.77	0.45	0.99	0.42
	30-39	3.71	0.80		
	40-49	3.98	0.56		
	50-59	3.57	0.99		
	60-69	3.96	0.92		
Demographic variable		MEAN	STD DEV	F	P
Race	Black	3.79	0.74	0.75	0.39
	Coloureds	3.33	0.00		
Demographic variable		MEAN	STD DEV	F	P
Education	No schooling	3.70	0.77	1.60	0.18
	Primary school	3.51	0.97		
	High school	3.76	0.72		
	Post Matric	4.13	0.40		
	Post graduate	4.00			
Demographic variable		MEAN	STD DEV	F	P
Employment status	One earner	3.69	0.77	2.28	0.11
	Two earners	4.00	0.67		
	Three or more earners	3.71	0.45		
Demographic variable		MEAN	STD DEV	F	P
Previous employment	Yes	3.89	0.68	3.93	0.05
	No	3.59	0.81		
Demographic variable		MEAN	STD DEV	F	P
Number of Employees	0-2	3.80	0.69	3.06	0.05
	3-5	4.27	0.31		
	6-8	3.11	1.90		

In terms of *gender*, the mean scores in Table 4.16 indicated that females had the highest mean score of 3.79 and their counterparts had a mean score of 3.77. Additionally, the mean scores clearly indicate that respondents, both male and female were in agreement with the statements measuring *social status and recognition*.

However, *gender* does not have a significant influence on *social status and recognition*.

With regards to *age*, respondents between the ages 40-49 had the highest mean score of 3.98 and the lowest, 3.57 reported for 50-59. For the rest of the other categories, 24-29, 30-39, and 60-69 means scores reported were 3.77; 3.71 and 3.96 respectively. The mean scores clearly indicate that the respondents from the study are in agreement with the statements used to measure *social status and recognition*. However, there is no relationship between *age and social status and recognition*.

The blacks scored a higher mean of 3.79 compared to coloureds 3.33, this could be because of the high number of black respondents. Additionally, black respondents agreed with the statements used to measure *social status and recognition* statements and coloured were neutral. Furthermore, the ANOVA test revealed that *race* does not have significant influence over *social status and recognition*.

With regards to *education*, mean scores reported were 3.70; 3.51; 3.76; 4.13 and 4.00 for the categories no schooling, primary school, high school, post matric and post graduates. The mean scores for *education* indicate that respondents agreed with the statements used to measure *social status and recognition*. Furthermore, ANOVA revealed that *education* does not have a significant influence on *social status and recognition*.

The category, two earners, had the highest mean of 4.00 with regards to *employment status*. The rest of the categories, one-earner and three or more earners reported the mean scores 3.69 and 3.71 respectively. Respondents from the study entrepreneurial motivation of informal traders agree with the statements used to measure *social status and recognition*. However, there is no significant influence on social status and recognition by employment status.

In terms of *previous employment*, the respondents with *previous employment* had a higher mean score of 3.89 and those with no previous work had a mean score of 3.59. The respondents from the study agreed with the statements measuring *social status*

*and recognition* according to the mean scores. ANOVA revealed that *previous employment* does not significantly influence *social status and recognition*.

Table 4.16 further indicates that respondents from the category 3-5 scored the highest mean score of 4.27. While the lowest mean score reported from the category 6-8 was 3.11. One other category, 0-2 scored had a mean score of 3.80. According to the resulting mean scores, respondents with ages between 0-5 agreed with the statements measuring *social status and recognition*. The category 6-8 expressed neutrality towards the statements used to measure *social status and recognition*. However, the demographic variable Number of employees does not significantly influence *social status and recognition*.

In the results reported above, the majority of the respondents from the various demographic variables investigated agree with statements of *destitute conditions*. This indicates that the respondents are motivated or pushed into entrepreneurship as informal traders by *destitute conditions*. Against this background, the hypothesis stating there is a relationship between the demographic variables and the *destitute conditions* is accepted for *gender, age, race, education, previous employment and number of employees*. In addition, hypotheses dealing with *race and employment status* cannot be accepted.

**Table 4.17: Results of the relationship between demographic variables and  
*Negative Job Experience***

Demographic variable		MEAN	STD DEV	F	P
Gender	Male	2.91	0.80	2.78	0.10
	Female	2.59	0.99		
Demographic variable		MEAN	STD DEV	F	P
Age	24-29	2.67	1.00	0.48	0.75
	30-39	2.83	0.86		
	40-49	2.72	1.07		
	50-59	2.46	0.78		
	60-69	2.63	1.01		
Demographic variable		MEAN	STD DEV	F	P
Race	Black	2.70	0.94	0.07	0.80
	Coloureds	2.88	0.53		
Demographic variable		MEAN	STD DEV	F	P
Education	No schooling	2.90	1.18	0.27	0.90
	Primary school	2.60	0.92		
	High school	2.75	0.96		
	Post Matric	2.56	0.85		
	Post graduate	3.00			
Demographic variable		MEAN	STD DEV	F	P
Employment status	One earner	2.49	1.12	2.29	0.11
	Two earners	2.85	0.77		
	Three or more earners	2.94	0.65		
Demographic variable		MEAN	STD DEV	F	P
Previous employment	Yes	3.04	0.84	30.50	0.00
	No	2.10	0.77		
Demographic variable		MEAN	STD DEV	F	P
Number of Employees	0-2	2.69	1.00	0.62	0.54
	3-5	2.31	0.87		
	6-8	2.42	0.63		

Table 4.17 revealed that *previous employment* had a significant impact ( $p < 0.05$ ) on the level of *negative job experience* for the Eastern Cape informal traders. The mean scores reported for the categories yes and no for *negative job experience* were 3.04 and 2.10. The previously employed respondents from the study were neutral with the statements that measured *negative job experience* and those that had no employment, disagreed.

In terms of *gender*, Table 4.17 shows the reported mean scores of 2.91 and 2.59 for males and females respectively. According to the mean scores, the respondents from the study were neutral regarding the statements that measured the statements of *negative job experience*. *Gender* does not significantly influence *negative job experience*.

Table 4.17 further reported that *negative job experience* had the mean scores 2.67; 2.83; 2.72; 2.46 and 2.63 for the *age* categories 24-29, 30-39, 40-49, 50-59 and 60-69. The mean scores clearly indicate that the respondents from the study are neutral with the statements used to measure *negative job experience*. In addition, *age* does not have a significant influence on *negative job experience*.

With regards to *race*, the reported mean scores were 2.70 and 2.88 for blacks and coloureds respectively. In addition, the mean scores indicated that the respondents from both categories, black and coloureds were neutral, regarding the statements measuring *negative job experience* statements. *Race* does not have a significant influence on *negative job experience*.

The mean scores reported for *negative job experience* with regards to *education* were 2.90; 2.60; 2.75; 2.56 and 3.00 for the categories no schooling, primary school, high school, post matric and post graduates. The mean scores indicate that the respondents are neutral with statements measuring *negative job experience*. In addition, *education* does not significantly influence *negative job experience*.

In terms of *employment status*, the mean scores for *negative job experience* were 2.49; 2.85 and 2.94 for the categories one earner, two earners and three or more earners respectively. This indicates that the Eastern Cape informal traders from this study were neutral regarding the statements used to measure the *negative job experience*. In addition, this indicates that there is no relationship between *employment status* and *negative job experience*.

Lastly, with regards to *number of employees* the reported mean scores for *negative job experience* were 2.69; 2.31 and 2.42. The mean scores showed that the respondents from the category 0-2 were neutral regarding the statements used to

measure *number of employees* and the other categories, 3-5 and 6-8 disagreed. In addition, the *number of employees* does not have a significant influence on *negative job experience*.

Against this background, the hypotheses stating there is a relationship between demographic variables and *negative job experience* is accepted for *previous employment*. However, the hypotheses dealing with *gender, age, race, education, employment status* and *number of employees* cannot be accepted.

**Table 4.18: Results of the relationship between demographic variables *Wealth creation and Personal development***

Demographic variable		MEAN	STD DEV	F	P
Gender	Male	4.25	0.59	3.78	0.05
	Female	4.04	0.50		
Demographic variable		MEAN	STD DEV	F	P
Age	24-29	4.26	0.55	2.97	0.02
	30-39	4.19	0.56		
	40-49	4.19	0.44		
	50-59	3.73	0.53		
	60-69	4.17	0.47		
Demographic variable		MEAN	STD DEV	F	P
Race	Black	4.13	0.55	0.94	0.33
	Coloureds	3.75	0.12		
Demographic variable		MEAN	STD DEV	F	P
Education	No schooling	4.10	0.30	3.39	0.01
	Primary school	3.98	0.60		
	High school	4.04	0.54		
	Post Matric	4.51	0.39		
	Post graduate	4.67			
Demographic variable		MEAN	STD DEV	F	P
Employment status	One earner	4.01	0.57	1.36	0.26
	Two earners	4.17	0.53		
	Three or more earners	4.22	0.49		
Demographic variable		MEAN	STD DEV	F	P
Previous employment	Yes	4.17	0.48	1.32	0.25
	No	4.04	0.64		
Demographic variable		MEAN	STD DEV	F	P
Number of Employees	0-2	4.05	0.54	8.39	0.00
	3-5	4.73	0.22		
	6-8	4.72	0.19		

In Table 4.18 ANOVA revealed that *age* has a significant impact ( $p < 0.05$ ) on the level of *wealth creation and personal development* of Eastern Cape informal traders. ANOVA revealed that the category 24-29 had the highest mean score of 4.26 and 50-59 had the lowest mean score of 3.73. For the rest of the categories 30-39, 40-49 and 60-69 ANOVA reported the mean scores 4.19, 4.19 and 4.17 respectively. According to the reported mean scores, the respondents from the study indicated that they are in agreement with the statements that measure *wealth creation and personal development*. The post hoc Tukey test was powerful enough to indicate the pairwise differences at the five percent level among the different *age* categories. More specifically, the pairwise difference identified between the 50-59 and 24-29 ( $p=0.03$ ). The second pairwise difference identified was between 50-59 and 30-39 ( $p= 0.03$ ) as well as those with ages 40-49 ( $p=0.04$ )

Furthermore, the ANOVA test revealed that *education* has a significant impact ( $p < 0.05$ ) on the level of *wealth creation and personal development* of Eastern Cape informal traders. In addition, the mean scores reported by ANOVA were 4.10; 3.98; 4.04; 4.51 and 4.67 for the categories no schooling, primary school, high school, post matric and post graduate respectively. The mean scores indicate that the informal traders agree with statements measuring *wealth creation and personal development*. The post hoc Tukey test was powerful enough to identify the pairwise differences at the five percent level among the *education* categories. Specifically, the pairwise difference was identified between the respondents with levels of education in high school and post matric only ( $p=0.03$ ).

The ANOVA test revealed that the variable *number of employees* has a significant impact ( $p < 0.05$ ) on the level of *wealth creation and personal development* of Eastern Cape informal traders. The mean scores reported were 4.05; 4.73 and 4.72 for the categories 0-2, 3-5 and 6-8 respectively. The mean scores clearly indicate that the respondents agree with statements used to measure *wealth creation and personal development*. The post hoc Tukey test was powerful enough to identify the pairwise difference at the five percent level among the *number of employees* categories. The pairwise differences were specifically between the categories 0-2 and 3-6 ( $p=0.00$ ) of *number of employees*.

In terms of *gender*, the reported mean scores 4.25 and 4.04 for males and females, indicating that males were more motivated to informal trading by *wealth creation and personal development* compared to their counterparts. In addition, the respondents, both male and female according to the mean scores agreed to the statements used to measure *wealth creation and personal development*. Furthermore, *gender* does not have a significant impact on *wealth creation and personal development*.

ANOVA revealed *race* does not have a significant influence on *wealth creation and personal development*. In addition, the mean scores 4.13 for blacks and 3.7) for coloureds were reported. The mean scores revealed that both of the race categories agree with the statements used to measure *wealth creation and personal development*.

In the table, Table 4.18, the mean scores reported for the categories one earner, two earners and three or more earners were 4.01; 4.17 and 4.22. According to the mean scores, respondents agree with statements that were used to measure *wealth creation and personal development*. ANOVA further revealed that *employment status* does not significantly influence *wealth creation and personal development*.

Lastly, with regards to *previous employment*, ANOVA reported the mean scores *wealth creation and personal development* were 4.17 and 4.04, for categories yes and no respectively. The mean scores clearly show that the respondents agree with the statements of *wealth creation and personal development*. In addition, ANOVA did not reveal any significant relationship with the statements of *wealth creation and personal development*.

According to the mean scores presented in Table 4.18, all of the informal traders in the study from various demographic variables investigated agree with the statements measuring *wealth creation and personal development*. Against this background, hypotheses stating that there is a relationship between the demographic variables and Wealth Creation and Personal development is accepted for *age, education and number of employees*. In addition, hypotheses dealing with *gender, race, employment status, previous employment* cannot be accepted.



**Table 4.19: Results of the relationship between demographic variables and *Need for Independence***

Demographic variable		MEAN	STD DEV	F	P
Gender	Male	4.39	0.60	4.03	0.05
	Female	4.16	0.56		
Demographic variable		MEAN	STD DEV	F	P
Age	24-29	4.25	0.46	0.91	0.46
	30-39	4.22	0.71		
	40-49	4.40	0.50		
	50-59	4.07	0.51		
	60-69	4.13	0.46		
Demographic variable		MEAN	STD DEV	F	P
Race	Black	4.25	0.59	0.01	0.91
	Coloureds	4.20	0.28		
Demographic variable		MEAN	STD DEV	F	P
Education	No schooling	4.16	0.55	2.10	0.09
	Primary school	3.90	0.77		
	High school	4.30	0.53		
	Post Matric	4.41	0.46		
	Post graduate	4.40			
Demographic variable		MEAN	STD DEV	F	P
Employment status	One earner	4.17	0.71	0.64	0.53
	Two earners	4.30	0.42		
	Three or more earners	4.32	0.54		
Demographic variable		MEAN	STD DEV	F	P
Previous employment	Yes	4.23	0.62	0.08	0.78
	No	4.27	0.51		
Demographic variable		MEAN	STD DEV	F	P
Number of Employees	0-2	4.24	0.60	2.37	0.10
	3-5	4.70	0.21		
	6-8	4.47	0.61		

In Table 4.18, the ANOVA results indicate that *gender* has a significant impact ( $p < 0.05$ ) on the level of *need for independence*. The mean scores revealed by ANOVA of *need for independence* were 4.39 and 4.16 for males and females respectively. According to the mean scores both males and female respondents from the study agree with the statements measuring *need for independence*.

According to the ANOVA test results, *age* does not have a significant influence on *need for independence*. In addition, the results reported mean scores of 4.25; 4.22; 4.40; 4.07 and 4.13 for the categories 24-29, 30-39, 40-49, 50-59 and 60-69. Thus, the respondents from the study are in agreement with the statements that measure Need for Independence.

The ANOVA test revealed the *need for independence* mean scores 4.25 and 4.20 for the categories blacks and coloureds respectively. High mean scores indicate that respondents are agreeing with statements measuring *need for independence*. There is no significant influence on the *need for independence* by *race*.

The ANOVA report indicated that *education* does not have a significant relationship with the *need for independence*. The reported mean scores were from  $(3.90 \leq \bar{x} \leq 4.41)$  clearly indicating that informal traders from the Eastern Cape agree with statements of *need for independence*. The Education categories, no schooling, primary schooling, high school, post matric and post graduate averages were 4.16; 3.90; 4.30; 4.41 and 4.40 respectively.

With regards to *employment status*, the ANOVA test revealed the mean scores 4.17; 4.30 and 4.32 for one-earner, two earners and three or more respectively. The mean scores indicate that informal traders agree with the statements measuring *need for independence*. However, the ANOVA test further revealed that the *employment status* has no significant influence on *need for independence*.

The results of the ANOVA test in Table 4.18 revealed that the *previous employment* had no significant influence on *need for independence*. Eastern Cape informal traders that had no previous employment had a higher mean score of 4.27 and the group with the lower mean score 4.23 were previously employed. Thus, the informal traders from the study agree with the statements that measured *need for independence*.

In terms of *number of employees*, the category 3-5 had the highest mean score of 4.70, compared to the lowest mean score of 4.24 for 0-2. The other category 6-8 had a mean score of 4.47. The mean scores indicate that respondents strongly agreed to the statements measuring *need for independence*. The number of employees has no

significant influence on *need for independence* according to the ANOVA test. Against this background, the hypotheses stating that there is a relationship between the demographic variables and *need for independence* is accepted for *gender*. However, a hypotheses dealing with *age, race, education, employment status, previous employment* and *number of employees*.

#### **4.4 SUMMARY**

In this chapter the empirical findings were presented. The sample description, validity and reliability results, descriptive statistics and the analysis of variance were discussed. In the next chapter, summary of the study, conclusions, and recommendations will be presented.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS.**

#### **5.1 INTRODUCTION**

In the previous chapter, the empirical findings of the study were discussed and presented. In chapter 5, the overview of the study will be outlined. Highlighted in the overview will be the research objectives and research design of the study. Additionally, the finding of the literature review and empirical will be discussed.

#### **5.2 RESEARCH OBJECTIVES**

As outlined in Chapter One, the primary objective of this study is to investigate the entrepreneurial motivations of informal traders in the Eastern Cape. The secondary objectives are as follows:

- To provide an overview of the informal sector and informal traders;
- To identify the factors that motivate individuals to become informal traders;
- To investigate the relationship between motivation variables and the reason why stay in the same sector;
- To measure the entrepreneurial motivations of informal traders in the Eastern Cape; and
- To investigate the relationship between selected demographic variables and the participants of informal traders.

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

Methodological Objectives	Chapters in which objectives are achieved
To undertake a theoretical investigation into the entrepreneurial motivations of informal traders	Chapter 2
To propose a theoretical framework (Hypothesis model) that reflects the relationship between the independent variables and the dependent variable of informal traders, from which the hypothesis will be suggested.	Chapter 2
To determine the approach research methodology that addresses the identified research problem and research objectives	Chapter 3
To develop an appropriate measuring instrument which is quantitative that will be used to empirically test the influence of the independent of variables on the dependent variables	Chapter 3
To source primary data from a pre-determined sample informal traders in the Eastern Cape, and to statistically analyse the data, as well as test the proposed hypothesis	Chapter 4
To provide conclusions and recommendations based on the findings of this research, which will assist	Chapter 5

### **5.3 RESEARCH DESIGN AND METHODOLOGY**

#### **5.3.1 RESEARCH METHODOLOGY.**

In conducting a study, a research methodology selected is decided between two research paradigms (Nayak & Singh, 2015). The philosophical framework used for the purpose of guiding how research is executed and completed describes the research paradigm. (Collis & Hussey, 2014). The two paradigms in research methodology are interpretivism and positivism, where a researcher can make a decision on which paradigm to use (Nayak & Singh, 2015:1). According to Myers (2013), positivists focus on facts that can be quantified and are independent of the researcher. It is described as a scientific method based on objective determinants that can be experimented and studied empirically (Mertens, 2005). Furthermore, Walliam (2015) argues that life realities can be validated, and hypotheses established by applying statistical models and quantitative study tools. Interpretivist, on the contrary, maintain that beliefs and values are considered when individuals interpret the world (Walliman, 2015).

According to Phillip (1998) the collection of data usually by interviews if not focus groups or case studies is valuable in getting more in-depth facts of the participants.

The positivist research paradigm is to be used in this study, as it is following a quantitative approach (Burn, 2000). Research methodology refers to the procedures of gathering data which range from positivistic research paradigm to a more revealing interpretivist research paradigm (Krizman, 2000).

### 5.3.2 RESEARCH DESIGN

Research design provided scientific research answers following a strategy and a defined approach (Maxwell, 2012:2). The research design involved a theoretical outlook, collection of data, analysing data and validation (Crotty, 1998). Krizman (2000) research design outlines the purpose of the research conducted. The research design focuses on the route to be taken to reach the research finding or results emphasising more on the logic of the research (Babbie, Mouton, Vorster & Prozesky, 2012).

#### 5.3.2.1 Data collection

In this study, both primary and secondary data was collected. According to Khotari (2004) data that has been collected and analysed on credible existing available in literature databases and internal archives sources which are used to gain a general understanding of the research problem describes secondary data. The secondary data used in the study were reports from government agents, journals, articles, internet sources as well as academic books among others (Struwig & Stead 2013; Collis & Hussey, 2014). Primary data is the first-hand data that is collected for the first time on a particular population selected for the study (Khotari, 2004). Collection of primary data was done using a structured questionnaire for the study from the informal traders.

#### 5.3.2.2 Data analysis

Once primary data had been collected, it was analysed using appropriate methods. Box, Hunter and Hunter (1978) describe data analysis as abstracting findings in the data from the noise. A validity and reliability tests are done in the process of transforming data to information (Sigh, 2017:2). Exploratory Factor Analysis was used to test the validity of elements measuring the entrepreneurial motivations of informal traders. Cronbach Alpha coefficients are calculated for the reliability test (Nunally, 1978:45). Descriptive statistics was used for the analysis of the primary data from the questionnaire as a quantitative approach was taken (Walliman, 2015:114). In the

study, a hypothesis was developed and to test the hypotheses an Analysis of Variance (ANOVA) was utilised. ANOVA is a process of grouping separately sources of variability on measurements set (Girden, 1992).

## **5.4 MAIN FINDINGS FROM THE LITERATURE**

In Chapter Two, detailed presentation literature reviews on the informal sector and informal traders, entrepreneurial motivations and entrepreneurial motivations of informal traders were provided. In this section, the overview of the literature review will be presented.

### **5.4.1 AN OVERVIEW OF THE INFORMAL SECTOR**

The informal sector is described as production and exchange of legal economic goods and services diverting from the formal processes and authorities to evade taxes and legislation of operations (OECD, 2002). According to Castells and Portes (1989), the informal sector is characterised by tax evasion, unregistered business, unprotected employment and not meeting legal requirements. One reason for this is the ease of entering the informal sector compared to the high entry barriers experienced in the formal sector (Goto & Mano, 2012). The informal sector includes informal trading and informal employment (Matola 2002). Informal trading describes the activities of unregistered businesses that operate at a small scale with limited resources and are characterised by self-employment and the provision of unprotected employment (Mafukata & Kancheya, 2015). Informal employment describes all job occupations in business ventures trading informally (ILO, 2000).

### **5.4.2 OVERVIEW OF AN INFORMAL TRADER**

Modupi (2017:19) defines informal traders as business owners operating illegally and unregistered business without the required permits. Mafukata and Kancheya (2015) further define informal traders as individuals or collection of individuals that for the pursuit of better and increased household income will establish small informal enterprises having low-wage workers. Informal traders have certain characteristics needed to be able to operate in their establishments. According to Krause (2003) for operating the enterprise successfully and with a positive financial performance the informal trader needs to have qualities such as personal drive, entrepreneurial mindset, risk-taker, need for achievement, self-efficacy and continuous learning.

These qualities help build, grow and sustain the informal traders' entrepreneurial endeavours. There is a relationship identified where an increase of informal traders in underdeveloped and developing countries. It is largely influenced by the increase in urban population (Lyons & Snoxell, 2004:1078; de Soto, 1989). Informal traders include street vendors or traders. The informal traders include immigrants, either migrating to urban cities from rural areas or individuals coming from other countries populating the informal sector (Perberdy & Rogerson, 2003).

#### 5.4.3 OVERVIEW OF ENTREPRENEURIAL MOTIVATIONS

Lai (2011) defined motivations as the factors triggering an attitude that of strong will and determination. Motivation is influenced by factors which can either be intrinsic and extrinsic. Intrinsic motivation refers to the internal fulfilment and pleasure of doing the activities an individual is motivated to do (Lee, 2018). The motives may be underlined by the individual's willingness because of self-efficacy and primarily identifying a gap to explore in the market (Dawson & Henley, 2011). In other cases, the individuals experiencing disadvantaged situations the motive to survive or change results in entrepreneurial endeavours (Dawson & Henley, 2011). Entrepreneurial motivations act as attributes influencing entrepreneurs to successfully establish and run their micro-enterprises. Entrepreneurial motivations can be identified as push factors (Kirkwood, 2009).

### 5.5 MAIN FINDINGS FROM THE EMPIRICAL INVESTIGATION.

The respondents and businesses demographic information collected were presented in Chapter Four. The sample of Eastern Cape informal traders comprised of 100 respondents. The majority of respondents were black, married females between the ages of 40-49 with high school education level and no business training. The majority of respondents are South Africa citizens.

According to the findings from the study, informal traders' businesses mostly were established by one individual, were semi-static, with a monthly average income between R751-R1500 operating in the retail sector. The majority had funded the start of their informal businesses.



Provided in the table below, Table 5.2, are the summarised results of the validity and reliability of the measuring instrument. Primarily, the measuring instrument had a total of 53 items used to measure entrepreneurial motivations of the informal traders. From the total of 53 items, 43 items were specifically intended for the measurement of pull factors in relation to entrepreneurial motivations and the other 10 items were constructed for the purpose of measuring push factors related entrepreneurial motivations. To test validity the exploratory factor analysis (EFA) was performed. There were seven factors returned and measured significant with factor loadings greater than 0.4. From the seven factors that returned, there was only one entrepreneurial motivation related to push factors, *destitute Conditions*. The other six factor loadings (*social support, entrepreneurial passion, social and recognition status, negative job experience, wealth creation and personal development and need for independence*) were considered pull factors relating to the entrepreneurial motivations of informal traders in the Eastern Cape.

Table 5.2 shows the seven factors returned were all reliable with Cronbach Alpha between 0.69 – 0.82. *Destitute Conditions* returned the highest Cronbach Alpha of 0.82. Five other factors, *entrepreneurial passion, social status and recognition, negative job experience, wealth creation and personal development and need for independence* returned Cronbach Alpha results of 0.76, 0.78, 0.75, 0.72 and 0.79 respectively and were considered acceptable. Social support had the lowest Cronbach Alpha of 0.69 is considered to be sufficient.

**Table 5.2 Summary of the validity and reliability results**

No.	Factor	Number Items	Cronbach Alpha
1	Social Support	3	0.69
2	Entrepreneurial Passion	7	0.76
3	Destitute Conditions	4	0.82
4	Social Status and Recognition	6	0.78
5	Negative Job Experience	4	0.75
6	Wealth Creation and Personal Development	6	0.72
7	Need for Independence	5	0.79

Descriptive statistics relating to entrepreneurial motivations of the informal traders in the study were calculated using the data collected from the sample. The ANOVA test was used to determine whether the selected demographic variables (*gender, age,*

*race, education, employment status, previous employment and number of employees*) and entrepreneurial motivations of informal traders were related. Additionally, a post-hoc Tukey Test was completed to establish whether there are no significant differences between the resulting mean scores and different categories that could be identified in a particular demographic variable.

According to the ANOVA test results, there were no significant relationships with the demographic variables in the study and the level of Social support of the Eastern Cape informal traders. ANOVA test revealed that *education* had a significant impact on the level of *destitute conditions* for Eastern Cape informal traders. The Post hoc Tukey test was powerful enough to reveal exactly where the differences lie between the levels of education, identifying exactly at no schooling and post matric also for high school. The highest mean score revealed was for post graduates for *entrepreneurial passion*. The informal traders that were neutral to the statements measuring *entrepreneurial passion* included those with no schooling and primary schooling only. The categories that had means indicating they agree to the statements that measure Entrepreneurial Passion were high school, post matric and post graduates.

In terms of *previous employment*, the ANOVA test revealed that there is a significant impact on *entrepreneurial passion*. According to the mean scores the respondents contradict each other, those that were *previously employed* agreed with the statements of *destitute conditions* and those with no previous employment were neutral.

ANOVA test revealed *number of employees* has a significant impact on the *entrepreneurial passion* of Eastern Cape informal traders. The post hoc Tukey test was powerful enough to reveal the pairwise differences lie between employees and 6-8 employees. According to the mean scores, the informal traders from the Eastern Cape agreed with the statements measuring *entrepreneurial passion*.

It was identified that *gender* had a significant impact on the level of *destitute conditions*. Females had a higher mean of 3.67 than their male counterparts 3.04. According to the mean score's females agreed with the statements used to measure *destitute conditions* while males were neutral.

The ANOVA results also revealed that Age had a significant impact on the entrepreneurial motivation, *destitute conditions*. The post hoc Tukey HSD test revealed that a pairwise difference exists between the respondents who were between the ages of 24-29 years and 50-59 years. The respondents between the ages of 24-29 years, 30-39 years, and 60-69 years were neutral and those between ages 40-49 years and 50-59 years agree with the statements measuring *destitute conditions*.

The ANOVA test indicated that *education* had a significant impact on the level of *destitute conditions* for Eastern Cape informal traders. The post hoc Tukey HSD test was powerful enough to indicate pairwise differences among the different *education* categories. More specifically, pairwise differences were identified between the respondent who had a post matric education and those who only had a primary school education as well as those who had a high school education. Respondents with no schooling had the highest mean score.

The ANOVA test results indicate that *previous employment* had a significant impact on *destitute conditions*. According to the mean scores reported, those with *previous employment* were neutral while the other respondents agreed with statements measuring *destitute conditions*. Respondents with no previous employment had a higher mean score.

It was found that the ANOVA test results revealed that the *number of employees* had a significant impact on *destitute conditions*. The post hoc Tukey HSD test further proved that a pairwise difference exists between the informal businesses who employed 0-2 employees and those who employed 3-5 employees. One other pairwise difference was identified between the informal business who employed 0-2 employees and those who employed 6-8 employees.

It was revealed by the ANOVA test that there are no significant relationships between the demographic variables and the level of *social status and recognition*. The number of employees between 3-5 had the highest mean score. ANOVA test revealed that *previous employment* had a significant impact on the level of *negative job experience* for the Eastern Cape informal traders. The previously employed respondents from the

study were neutral with the statements that measured *negative job experience* and those that had no employment, disagreed.

ANOVA indicated that *age* has a significant impact on the level of *wealth creation and personal development*. The post hoc Tukey test was powerful enough to indicate the pairwise differences at the five percent level among the different age categories. More specifically, the pairwise difference identified between the 50-59 and 24-29. The second pairwise difference identified was between 50-59 and 30-39 as well as those with ages 40-49. The respondents from the study indicated that they agree with the statements that measure *wealth creation and personal development*.

A relationship between *education and wealth creation and personal development* was identified in the ANOVA test results. The post hoc Tukey test was powerful enough to identify the pairwise differences at the five percent level among the *education* categories. Specifically, the pairwise difference was identified between the respondents with levels of education in high school and post matric only. The mean scores indicated that the informal traders agreed with statements measuring *wealth creation and personal development*.

The ANOVA test revealed that the variable *number of employees* has a significant impact on the level of *wealth creation and personal development*. The post hoc Tukey test was powerful enough to identify the pairwise difference at the five percent level among the *number of employees* categories. The pairwise differences were specifically between the categories 0-2 and 3-6 of *number of employees*.

In the results returned by the NOVA test, Gender had a significant impact on the level of Need for Independence. The mean scores revealed by the ANOVA test showed that males had a higher mean score compared to females.

Below is the Table 5.3, showing the summary of hypotheses for entrepreneurial motivations of informal traders

**Table 5.3 Summary of hypotheses for entrepreneurial motivations of informal traders.**

	Hypotheses	Entrepreneurial Motivation	Decision
H <sub>1</sub>	Gender influences entrepreneurial motivations of informal traders in the Eastern Cape	Destitute Conditions and Need for Independence	Accepted
		Social support, Entrepreneurial Passion, Social Status and Recognition, Negative Job Experience, Wealth creation and Personal development	Rejected
H <sub>2</sub>	Age influences entrepreneurial motivations of informal traders in the Eastern Cape	Destitute Conditions and Wealth creation and Personal development	Accepted
		Social support, Entrepreneurial Passion, Social Status and Recognition, Negative Job Experience and Need for Independence	Rejected
H <sub>3</sub>	Race influences entrepreneurial motivations of informal traders in the Eastern Cape	Social support, Entrepreneurial Passion, Destitute Conditions, Social Status and Recognition, Negative Job Experience, Wealth creation and Personal development and Need for Independence	Rejected
H <sub>4</sub>	Education influences entrepreneurial motivations of informal traders in the Eastern Cape	Entrepreneurial Passion, Destitute Conditions and Wealth creation and Personal development	Accepted
		Social support, Social Status and Recognition, Negative Job Experience and Need for Independence	Rejected
H <sub>5</sub>	Employment Status influences entrepreneurial motivations of informal traders in the Eastern Cape	Social support, Entrepreneurial Passion, Destitute Conditions, Social Status and Recognition, Negative Job Experience, Wealth creation and Personal development and Need for Independence	Rejected
H <sub>6</sub>	Previous Employment influences entrepreneurial motivations of informal traders in the Eastern Cape	Entrepreneurial Passion, Destitute Conditions and Negative Job Experience	Accepted
		Social support, Social Status and Recognition, Wealth creation and Personal development and Need for Independence	Rejected
H <sub>7</sub>	Number of Employees influences entrepreneurial motivations of informal traders in the Eastern Cape	Entrepreneurial Passion, Destitute Conditions and Wealth creation and Personal development	Accepted

		Social support, Social Status and Recognition, Negative Job Experience and Need for Independence	Rejected
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In Table 5.3, the hypotheses, Gender influences entrepreneurial motivations of informal traders in the Eastern Cape, is accepted for Destitute Conditions and Need for Independence. On the other hand, the hypotheses are rejected for Social support, Entrepreneurial Passion, Social Status and Recognition, Negative Job Experience, Wealth creation and Personal development. With regards to the hypotheses, Age influences entrepreneurial motivations of informal traders in the Eastern Cape, it is accepted for Destitute Conditions and Wealth creation and Personal development and rejected for Social support, Entrepreneurial Passion, Social Status and Recognition, Negative Job Experience and Need for Independence. For the hypotheses, Education influences entrepreneurial motivations of informal traders in the Eastern Cape, table 5.3 shows that it accepted Entrepreneurial Passion, Destitute Conditions and Wealth creation and Personal development.

However, the hypotheses rejected Social support, Social Status and Recognition, Negative Job Experience and Need for Independence. The results in the study indicate that the hypotheses, Previous Employment influences entrepreneurial motivations of informal traders in the Eastern Cape, is accepted for Entrepreneurial Passion, Destitute Conditions and Negative Job Experience. This hypothesis is rejected for Social support, Social Status and Recognition, Wealth creation and Personal development and Need for Independence. With regards to the hypotheses, Number of Employees influences entrepreneurial motivations of informal traders in the Eastern Cape, it is accepted for Entrepreneurial Passion, Destitute Conditions and Wealth creation and Personal development and rejected for Social support, Social Status and Recognition, Negative Job Experience and Need for Independence. Lastly, the hypotheses stating that Race and Employment Status influences entrepreneurial motivations of informal traders in the Eastern Cape is rejected for the entrepreneurial motivations this study.

## 5.6 CONCLUSIONS

The investigation entrepreneurial motivations of informal traders in the Eastern Cape was a primary objective. To achieve this, a test was done to determine whether the demographic variables influence entrepreneurial motivations of informal.

In the results generated, it was revealed that Gender had no influence on the level of Social support, Entrepreneurial Passion, Social Status and Recognition, Negative Job Experience, Wealth creation and Personal development of entrepreneurial motivations. The test further revealed that Gender has a significant influence on the level of Destitute Conditions and Need for Independence of informal traders. Female informal traders from this study have a higher mean score compared to males. These results reveal that females were more motivated to start trading informally because it was the only way of making a living, needed more money just to survive, and were unemployed and poor. The authors, Bosma, Wennekers and Amoros (2011) agree by stating that the majority of women as compared to men are pushed to entrepreneurship where they establish enterprises in response to the undesired conditions. In addition, the results showed that males are motivated by wanting to be independent, in control of their own lives, be owns boss, have more control over own time and enjoy taking risks.

With regards to Age, the analysis indicated that it had no influence on the level of Social support, Entrepreneurial Passion, Social Status and Recognition, Negative Job Experience and Need for Independence of entrepreneurial motivations. The analysis also revealed that Age has a significant influence on the level of Destitute Conditions and Wealth creation and Personal development of informal traders. The informal traders with the ages 50-59 indicated that they are pushed by destitute conditions more, compared to the rest of the other age categories. This mean score means the informal traders that are aged 50-59 indicated that they were motivated to start their businesses because it was the only way of making a living, needed more money just to survive, were unemployed and poor. This is supported by Block and Sandner (2009) as it was identified that the older entrepreneurs are to some extent forced to entrepreneurship and the younger individuals are pulled by the opportunities identified, there is a negative relation. In terms of Wealth Creation and Personal Development, the informal traders aged 50-59 had the lowest mean when compared to the other ages. These results showed that they were motivated by an opportunity in the market,

giving their families financial security, achieving personal growth, improving their skills and creating wealth for themselves. Block and Sandner (2009) agree that younger individuals are pulled by the opportunities identified, there is a negative relation.

The results of the study suggest that Education does not have a significant influence on Social support, Social Status and Recognition, Negative Job Experience and Need for Independence of entrepreneurial motivations. Education had a significant influence on the entrepreneurial motivations Entrepreneurial Passion, Destitute Conditions and Wealth creation and Personal development of informal traders. The informal traders with a postgraduate level of education had the highest mean score, this means these individuals were more motivated by past training, passion, had a personal interest, using their creative talent, increase income, use past experience and earn extra income. The literature does indicate that the growth prospects of educated individuals for their enterprises are positively influenced by educational levels (Jayawarna *et al.*, 2011). Meaning that past training and past experience were beneficial for these informal traders.

Informal traders with no schooling had the highest mean score, agreeing that they started to trade informally because it was the only way of making a living, need more money just to survive, were unemployed and are poor. The other reason for this could be that individuals that are less educated tend to not find employment in the formal sector. Furthermore, Callaghan (2009) supports this, adding that the lower wage employment is influenced by poor educational levels. Informal traders with primary education had the lowest mean, meaning they were less motivated by creating wealth for their families, seeing an opportunity in the market, giving their families financial security, achieving personal growth, improving their skills and creating wealth for themselves. This is supported by Lalthapersad-Pillay (2004), arguing that low levels of schooling lead individuals to the survivalist sector.

In the analysis, Previous Employment had no significant influence on the level of Social support, Social Status and Recognition, Wealth creation and Personal development and Need for Independence Social support, Social Status and Recognition, Wealth creation and Personal development and Need for Independence of informal traders. Additionally, the results showed that Previous Employment had a



significant influence on the level of Entrepreneurial Passion, Destitute Conditions and Negative Job Experience of informal traders. Informal traders with previous employment had a higher mean score, indicating that they may have found it hard to stay in their employment because of the entrepreneurial passion that was pulling them.

These results showed that they were motivated to use their past training, passion, had a personal interest, use their creative talent, increase income, use past experience and earn extra income. Informal traders that had no previous employment had a higher mean score for destitute conditions. This means that because they were not employed and had no income, these informal traders were more motivated because it was the only way of making a living, they needed more money just to survive, were unemployed and poor. Destitute conditions refer to informal traders starting to trade informal because it is the only way of making a living, need more money just to survive, unemployed and are poor. The mean scores indicated that the previously employed individuals were more motivated by Negative Job Experience than those with no previous employment. This means that that they were motivated to start trading informally due to loss of a previous job; experiencing discrimination at work; unhappy with a previous job and previous employer not promoting them than the other group.

Lastly, the test results revealed that the Number of Employees had no significant influence on the level of Social support, Social Status and Recognition, Negative Job Experience and Need for Independence of informal traders. On the other hand, the Number of Employees has an influence on the level of Entrepreneurial Passion, Destitute Conditions and Wealth creation and Personal development from the Eastern Cape. Informal traders with Number of Employees 3-5 had the highest mean compared to other age groups. This means that the informal traders from the study were motivated by past training, passion, a personal interest, their creative talent, increased income, past experience and earn extra income. In terms of Destitute Conditions, results showed that the informal traders with 0-2 employees had the highest mean score than others. These results indicate that the informal traders from this study were more motivated because it was the only way of making a living, they needed more money just to survive, were unemployed and poor. The mean score results show that the number of employees 0-2 had the lowest mean and the others relatively close. The informal traders from this study indicate that to be able to have

created wealth and develop personally, their businesses must grow and this is shown by high mean scores in 3-5 and 5-8, indicating a high number of employees. They recognised that they are more motivated by the creation of wealth for their families; there is an opportunity in the market; give their families financial security; achieve personal growth; improve their skills and create wealth for themselves.

## **5.7 RECOMMENDATIONS.**

Eastern Cape is a province characterised by high unemployment, impoverished rural areas and semi-urban areas and few formal sector opportunities. Due to these characteristics, individuals, specifically informal traders from this study were motivated to start trading informally to fight destitute conditions, create financial security, escape un-full-filling jobs, want to be independent and pursue their entrepreneurial passion. To fully be able to achieve these goals, a business environment that is conducive, allowing growth to occur should exist. This can be done by the government to introduce policies that are specific to the informal sector and to the needs of the informal traders. In drafting these policies, informal traders, informal sector associations and other relevant organisations should be consulted. This will help policy decision-makers to draft policies that speak to the nature of informal traders.

In the study, females represent a higher percentage of informal traders. The study does suggest that females are particularly more motivated by creating financial security for their families, having more time to spend with family and leaving a legacy for their families. It is clear that female's motivations are rooted in uplifting their families and the community, it is therefore important for the government, specifically local municipalities to focus more of its resources to female informal traders. Providing better working conditions, improving safety in the streets and market spaces and incentives for females is essential.

The study suggests that informal traders are illiterate and do not have business training. This may be one of the leading reasons why informal traders do not realise growth in their business. Business training for informal traders should be offering, specifically focusing on business skills and cash flow management. One other important aspect that should be considered is the basic education curriculum. Practical

skills, specifically business skills should be imparted, to ensure an individual is able to make earnings through using those skills.

Informal traders experience difficulty in accessing financial support from the formal sector. This is due to informal traders not recording business transactions, operating their business with no bank account or choose to use own personal account. Business administration and financial business workshops need to be brought to the informal traders, aiming at showing them the value of formalising their businesses. The government and credit financial institutions should also motivate the informal traders to formalise their business by offering affordable business registration business packages and access to credit as motivation. The small business organisations, both government and private should extend their services to the informal traders. Organisations such as Eastern Cape Development Corporation, Small Enterprise Development, National Youth Development Agency and LifeCo Unlimited. Implementation of the formalisation process should lead to protected labour, supported growth for the informal traders, fair trade and more business opportunities.

## **5.8 SHORTCOMINGS OF THE RESEARCH**

During the present study, there were numerous limitations evident. Limiting the contributions intended in reporting more knowledge on informal traders and the entrepreneurial motivations influencing of the informal traders in the Eastern Cape. In terms of the focus of the study, the influence of the motivations in starting to trade informally was limited to motivations only. External factors such as the state of the economy and social conditions were not investigated. In addition, the focus on motivation was specific to pull and push factors influencing informal traders.

The population of informal traders in the study was based on two areas, Mthatha and the Nelson Mandela Bay with a maximum population of 100 participants. This resulted in the generalisation done about the informal traders, as the sampling technique used was convenient sampling. There is no existing database of informal traders in the Eastern Cape for a possible sample frame. The responses of informal traders were limited to the questions that were in the research instrument, limiting informal traders from providing new information about entrepreneurial motivations.

## **5.9 SUGGESTIONS FOR FUTURE RESEARCH**

Future studies should focus on investigating more factors that influence informal traders in starting businesses in the informal sector, the study was only focusing on motivation. These possible factors could include socio-economic issues, technologies, geographic areas and involvement of government or relevant organisations among others.

The respondents from the study were only from two geographic areas in the Eastern Cape. Future studies should include more areas in the Eastern Cape and possibly cover the whole country. This will have a more accurate representation of the informal traders' entrepreneurial motivations. Random sampling technique should be used to avoid limitations when generalising. Additionally, an informal trader database should be developed to have an existing sample frame. The research instrument used limits the information collected from the respondents, consider using more open questions.

## **5.10 SELF-REFLECTION**

This study allowed the researcher to gain a valuable understanding of the informal sector and informal traders, informal trading and entrepreneurial motivations of informal traders in the Eastern Cape and in general. In addition, greater knowledge by the researcher was achieved on how the demographic variable in the study influence the entrepreneurial motivations of informal traders investigated.

In the process of collecting data, the researcher experienced first-hand how informal traders operate on a daily basis. The hard work, determination, eagerness and consistency are quite evident. During the interacting with them, the researcher was able to truly see that they indeed have entrepreneurial qualities and that is what is making them continue regardless of the undesired conditions they face. There is small business knowledge they use such as defining target groups, strategically choosing a business area and prioritise the needs of the customer.

In collecting primary and secondary data, analysing the collecting data, interpreting results and the overall academic writing, the researcher was able to learn an important skill, scientific research.

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## ANNEXURE A

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

**Summerstrand South Campus**  
**DEPARTMENT OF BUSINESS MANAGEMENT**

**June 2019**

**Dear Respondent (informal trader)**

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

**Topic:** Informal trading in Eastern Cape.  
**The Aim:** To investigate informal trading in Eastern Cape.

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

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

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

Yours Faithfully  
Dr R Lillah (Supervisor)



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## SECTION A: GENERAL INFORMATION

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

1. Please indicate your **gender**.

Male		1
Female		2

2. Please indicate your **nationality**.

South African		1
Mosotho		2
Other, please specify:		3

3. Please indicate your **race group**.

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

4. Please indicate your **age**:

_____ years
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5. Please indicate your **level of formal education**.

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

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

Yes		1
No		2



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

Yes		1
No		2

8. How long has your **business been in existence?**

_____ years _____ months
--------------------------

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

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

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

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

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

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

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

--

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

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

## SECTION B: ENTREPRENEURIAL MOTIVATIONS

Please indicate (with an "X") the extent to which you agree or disagree with each of the following **statements dealing with why you started your business**. The columns are graded from 1 to 5. The number 1 denotes strong disagreement with the statement, and at the other end of the scale, 5 denotes strong agreement with the statement.

	I started my own business because...	Extent of agreement				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I wanted to <b>contribute to the economy</b> .	1	2	3	4	5
2	I wanted to <b>provide employment for others</b> .	1	2	3	4	5
3	there was an <b>opportunity in the market</b> .	1	2	3	4	5
4	I had an idea for a <b>new product/service to sell</b> .	1	2	3	4	5
5	there was a <b>shortage of (a) certain good(s)/service(s)</b> .	1	2	3	4	5
6	I wanted to <b>improve my skills</b> .	1	2	3	4	5
7	I like to <b>challenge myself</b> .	1	2	3	4	5
8	I <b>enjoy taking risks</b> .	1	2	3	4	5
9	I wanted to <b>compete with others</b> .	1	2	3	4	5
10	I wanted to <b>invest my money</b> .	1	2	3	4	5
11	it <b>did not require a lot of capital</b> .	1	2	3	4	5
12	I wanted to <b>achieve my dream</b> .	1	2	3	4	5
13	I wanted to <b>increase my status in the community</b> .	1	2	3	4	5
14	I wanted <b>recognition for my accomplishments</b> .	1	2	3	4	5
15	I wanted to <b>continue a family tradition</b> .	1	2	3	4	5
16	I wanted to <b>have time for my family</b> .	1	2	3	4	5

	I started my own business because...	Extent of agreement				
		Strongly	Disagree	Neutral	Agree	Strongly
17	I want to <b>leave a legacy</b> for my family.	1	2	3	4	5
18	I wanted to <b>create wealth</b> for my family.	1	2	3	4	5
19	I wanted to <b>give my family financial security</b> .	1	2	3	4	5
20	I wanted to <b>use my past experience</b> .	1	2	3	4	5
21	I wanted to <b>use my past training</b> .	1	2	3	4	5
22	I wanted to <b>use my creative talent</b> .	1	2	3	4	5
23	I wanted to <b>create a job</b> for myself.	1	2	3	4	5
24	I wanted to <b>increase my income</b> .	1	2	3	4	5
25	I wanted to <b>create wealth</b> for myself.	1	2	3	4	5
26	I wanted to <b>give myself financial security</b> .	1	2	3	4	5
27	I wanted to <b>be my own boss</b> .	1	2	3	4	5
28	I wanted to <b>be independent</b> .	1	2	3	4	5
29	I wanted to <b>be in control of my own life</b> .	1	2	3	4	5
30	I wanted to <b>have more control over my time</b> .	1	2	3	4	5
31	I was <b>unhappy</b> with my previous job.	1	2	3	4	5
32	my <b>previous employer</b> would not promote me.	1	2	3	4	5
33	I <b>experienced discrimination</b> at work.	1	2	3	4	5
34	I wanted to <b>stay active</b> .	1	2	3	4	5
35	I wanted to <b>satisfy/fulfill my own needs</b> .	1	2	3	4	5
36	I wanted to <b>achieve personal growth</b> .	1	2	3	4	5
37	I have a <b>personal interest</b> (i.e. hobby) in this work.	1	2	3	4	5
38	it is my <b>passion</b> .	1	2	3	4	5
39	I <b>do not want to pay taxes</b> .	1	2	3	4	5
40	I wanted to <b>avoid complying with laws/regulations</b> .	1	2	3	4	5
41	I <b>do not trust the government</b> .	1	2	3	4	5
42	I had <b>help from others</b> .	1	2	3	4	5
43	I was <b>encouraged by others</b> .	1	2	3	4	5
44	it was the <b>only way</b> I could make a living.	1	2	3	4	5
45	of <b>poverty</b> .	1	2	3	4	5
46	I <b>needed more money</b> just to survive.	1	2	3	4	5
47	I had to <b>support my family</b> .	1	2	3	4	5

	I started my own business because...	Extent of agreement				
		Strongly	Disagree	Neutral	Agree	Strongly
48	I wanted <b>to earn extra income</b> .	1	2	3	4	5
49	I was <b>unemployed</b> .	1	2	3	4	5
50	I <b>lost my previous job</b> .	1	2	3	4	5
51	I <b>could not find a job</b> .	1	2	3	4	5
52	<b>health issues</b> made having a regular job difficult.	1	2	3	4	5
53	my <b>education/qualifications were not suited</b> for formal employment.	1	2	3	4	5

THANK YOU VERY MUCH FOR YOUR PARTICIPATION