

Entrepreneurship and the Informal Sector: Challenges and Opportunities for African Business Development

Introduction

Intersectionality of entrepreneurship has attracted significant scholarship effort over the years (Davidson, Fielden, & Omar, 2010; Gbadamosi, 2015, 2019, 2020; George, Khayesi, & Haas, 2016; Hack-Polay, Igwe, & Madichie, 2020; Ingenbleek, 2019; Madichie, 2009; Madichie, Nkamnebe, & Ekanem, 2020; McGrath et al., 1992; Rwelamila & Ssegawa, 2014; Sospeter et al. 2014). However, the discourse of entrepreneurship has been saddled by the liability of informality and/or smallness especially when the conversation is had in the context of Africa. Such baggage are predominantly funding or credit contingent. Indeed, research has long shown that funds have been more readily available for businesses in the 'formal economy,' despite the bulk of small or informal business activities catering to a significant proportion of the population in developing countries (up to 60% in some African economies, see for example, Madichie, 2005; Madichie et al., 2020; Madichie & Nkamnebe, 2010; Minnis, 2006; Nkamnebe & Madichie, 2010).

Furthermore, the numerous independent and unregistered businesses in the informal economy across the globe have been reported to contribute as much as 60% of global economic output (Madichie et al., 2020). In the specific case of Nigeria, the International Monetary Fund (see Medina et al. 2017) indicates that the Nigerian informal economy grew at the rate of 8.5% between 2015 and 2017 and accounted for 65% of GDP. This figure had not changed much prior to the onset of the global pandemic in 2020 (Etim & Daramola, 2020). Therefore, the informal sector in Nigeria, like many other African countries, presents a significant sector that has helped to absorb unemployment in the labor market – albeit still a marginalized segment of the economy. Davies & Thurlow (2010) suggest two reasons for this marginalization. Firstly, there is a general notion of two sectors of the economy: the private sector and the public sector, neglecting the informal. Secondly, the education systems train students to be employed thus, neglecting self-employment or entrepreneurship.

It is our collective view that the neglect of the informal sector coupled with the below par attention afforded to the informal and/or self-employment sector, may have hampered African business development. In the light of these, this special issue seeks to contribute to the ongoing discussion as to how entrepreneurship in Africa can be made more sustainable, and perhaps highlight the need to consider the gray area between private and public sector dichotomy that has been the focus of previous research efforts. Prior studies in African business It is positive to note that the subject of entrepreneurship has been gaining ground in the business literature and journal outlets. The network of Kuada (2009), Spring (2009), Group Rutashobya, Allan, and Nilsson (2009), Madichie (2009), and Otoo et al. (2012) highlights the popularity of the subject matter of entrepreneurship research in the Journal of African Business. This intellectual structure of entrepreneurship research shows the use of social networks as a management theory in the contextual settings of Ghana (Kuada, 2009), Nigeria (Madichie, 2009), Tanzania (Rutashobya et al., 2009), and Niger (Otoo et al., 2012).

The knowledge base of the journal also depicts the relevance of the examination of female entrepreneurship in formal and informal sectors (Spring, 2009; Madichie, 2019; Madichie et al.,

2017). Similarly, drawing upon data from across 41 African countries covering the period from 2006 to 2013, Williams and Kedir (2017) evaluated the links between starting up unregistered and future firm performance in Africa. The widespread assumption has been that firms starting up unregistered in the informal economy suffer from poor performance compared to those starting up registered and in the formal economy.

In his bibliometric analysis of “Twenty Years of the Journal of African Business,” Kabongo (2019, p. 4) points out that although a number of works debate entrepreneurship, entrepreneurs, and small business enterprises, the financial performance of African public and private institutions is the subject of analysis of various most-cited papers. According to him, the most-studied themes could be grouped into 4 clusters – notably: Examination of the performance and infrastructure of the financial and banking institutions; Research on entrepreneurial opportunities and their implications for individual, organizational, and regional economic development; The competitiveness within the African market and the participation of African firms in global trade; and Analysis of organizations and institutions as primary units of economic and human development.

This special issue extends prior studies (Kabongo, 2019; Zoogah, 2008; Spring & Rutashobya, 2009; Sigure 2011, 2019) in the last decade exploring how organizations in the informal sector can contribute to the economic and human development of Africa (see cluster four above), and how their competitiveness can be improved upon both within and outside the sub-region (cluster three above).

It is noteworthy, therefore, that the marginalization of the informal sector in Africa is not an across-the-board issue, as differences have been observed between indigenous and migrant businesses in Africa. For example, unlike their immigrant counterparts, indigenous Africans have tended to be slower in leveraging the potential of the wider economic system. Concerning the immigrants, research has highlighted this trend of informal businesses among two particular groups – the Chinese and the Lebanese (see for example, Madichie, 2010; Madichie & Nkamnebe, 2010; Madichie et al., 2020; Lituchy, 2019).

On the one hand, Chinese immigrant entrepreneurs have been able to respond to opportunities and challenges in the host business environment in Africa (see Ndoro, Louw, & Kanyangale, 2019; Madichie & Hinson, 2015). The Lebanese on the other hand, have demonstrated an enviable level of “tenacity and risk,” which has enabled them to shed the burden of foreignness, as shown by their entrepreneurial endeavors in West Africa (Walker, 2010; Madichie, 2005; Madichie, 2010; Ogunyankin, 2018; Igwe, Ochinanwata, & Madichie, 2020).

In the light of these, and building on the core themes on informality from the Entrepreneurship, Small Business and the Informal Sector in Africa Track of the Academy of African Business & Development (AABD) conference, the guest editors solicited manuscripts that address questions such as:

- What are the intersections between entrepreneurship and the informal economy in Africa?
- What are the opportunities and challenges of formalizing the informal economy for entrepreneurial development in Africa

- What are the leading and/or lagging entrepreneurially oriented sectors within the informal economy in Africa?
- Is informality good or bad for African entrepreneurship?
- Are there gender disparities in entrepreneurial development of Africa's informal economy?
- Does size matter in the entrepreneurship performance of firms?
- What role can entrepreneurial education play in bridging any real or perceived gaps between the formal and informal economy?

Manuscripts in this issue

Contributions to this special issue spanned geographies – from Africa (Kenya and Nigeria), the United Kingdom (London and Nottingham), and the United States (New York and Ohio) respectively. Ten institutions represented in this issue (excluding those of the guest editors) include: Jomo Kenyatta University of Agriculture and Technology Nairobi, Kenya; Alex Ekwueme Federal University Ndufu-Alike Ikwo, Nigeria; Covenant University, Ota, Nigeria; Federal University of Agriculture, Makurdi Nigeria; University of Nigeria Nsukka, Nigeria; Middlesex University, UK; University of Lincoln, UK; Nottingham Trent University, UK; Metropolitan College of New York; and Ohio University, USA.

The first paper by Ugochukwu Chinonso Okolie et al., entitled “Women entrepreneurship and poverty alleviation,” sought to further our understanding of the economic and socio-cultural context of ethnicity and gender enterprise in Nigeria. The authors conducted a qualitative study of 48 Igbo women entrepreneurs who run local basket weaving enterprise in 16 rural communities in the southeast of Nigeria. The study highlights the impact of informal entrepreneurial learning, socio-cultural and economic issues, individual values in business start-ups and development in the cities after post-primary education in an attempt to alleviate poverty in line with Sustainable Development Goal (SDG 1). Findings provide a framework of the Igbo women entrepreneurs' poverty alleviation and show evidence of a perspective of entrepreneurship for poverty alleviation that is different from the mainstream entrepreneurship literature on poverty alleviation.

Ayodotun Stephen Ibidunni et al., in their examination of the performance of informal SMEs and the contingent role of the business environment, used a survey research design based on data from 296 entrepreneurs who operate informal SMEs in Nigeria to conclude that entrepreneurial competencies, especially organizing, conceptual, learning, strategic, opportunity, and risk-taking competencies, are essential for achieving higher innovation performance. The study also points out that the entrepreneurship environment is becoming more endogenous as entrepreneurs, through their entrepreneurial competencies, have started to gain control over it.

Another interesting contribution in this issue is whether human capital, gender and resource mobilization was going against the norm in the African context. In that study, Ikenna Uzuegbunam et al., examined how entrepreneurial human capital affects the resource mobilization process in new ventures, specifically the likelihood of using informal ties (i.e. family and friends) in their hiring process. Building on human capital arguments, these authors theorized that the higher the entrepreneur's formal educational attainment, the greater the likelihood that they will go against the norm of hiring through informal ties. Ultimately the study highlights the need for entrepreneurship education with an emphasis on a regional management education drive.

Taken from the perspective of the leather industry in Kenya, Simon Kamuri, in the third paper, explored entrepreneurial orientation as a cognitive construct attributable to individuals and its relationship with innovation and performance from an industry ecosystem perspective. The study adopted a mixed sampling of members of a leather industry association and key decision-makers as informants of firms in Kenya's leather industry. The findings revealed that Entrepreneurial orientation showed validity as a second-order latent construct comprising three cognitive dimensions, namely vision for growth, opportunity recognition and calculated risk-taking. The factors established here could therefore find application in entrepreneurship training, practice and policy intervention to build entrepreneurial ecosystems for competitiveness in a globalized economic order.

Ignatius Ekanem et al., in their study on "The Effect of Militancy on Local and Informal Enterprises in Developing Countries: Evidence from Niger Delta," highlight how Militancy is a continuing process in many developing regions where entrepreneurial activities in the informal economy have the potential to transform lives leading to sustainable development through local initiatives. Often militancy originates in protest against global encroachment and defending the livelihoods of local communities. Yet this leads to detrimental effects on such initiatives. The study focuses on small and medium sized enterprises in the Niger Delta in Nigeria and looks at how the lessons learned may be used in other developing regions facing similar issues. Findings suggest how violent conflict resulting in adverse impact on enterprise development can be mediated by collective actions.

Conclusions

It has been a rewarding experience editing this special issue with diverse insights from authors across Africa, Europe and North America and representing a range of universities to explore some of the challenges of African Business and how these may be addressed. It was interesting to review most of the finally accepted article at least twice. The topics all coalesced around the special issue call on "Entrepreneurship and the Informal Sector: Challenges and Opportunities for African Business Development." The contributions covered conversations and/or debates around Gender – notably Women entrepreneurship and poverty alleviation; Entrepreneurial Human Capital, Gender and Resource Mobilization in Sub-Saharan Africa; Competencies and Performance – notably, Entrepreneurial Competencies and the Performance of Informal SMEs; Entrepreneurial Orientation, Innovation and Performance of Value-system Actors, and the growing levels of Militancy and their impact on Local and Informal Enterprises in Developing Countries. Collectively, the papers not only do justice to some of the conversations had

at the conference for which this journal is the official outlet, but also contribute to the ongoing conversations on African Business Development. Going forward we would like to see manuscripts covering entrepreneurship and strategy in the informal sector in Africa; entrepreneurial marketing at the nexus of the African informal economy; entrepreneurship and the sustainable development goals in Africa; Gender, Enterprise and the Informal sector in Africa; Informal entrepreneurial education and African Business Development; Sectoral analysis of African entrepreneurship; Intersections of employment practices in the informal and formal sector enterprises in Africa; The

informal sector and the African project failure syndrome; Entrepreneurship and the African Continental Free trade Area; and Best practice cases on entrepreneurship and the informal sector in Africa.

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