

INFORMAL ENTREPRENEURSHIP: A REVIEW AND PRIORITIZATION OF RESEARCH OPPORTUNITIES

Dr. Amon Simba

*Senior Academic Entrepreneurship and Innovation
Nottingham Business School, 50 Shakespeare Street
8th Floor Newton Building, Room 819
Nottingham, NG1 4FQ, UK, Tel: +44 (0)115 848 2203
Corresponding Author: amon.simba@ntu.ac.uk*

Dr. Nathanael Ojong

*Assistant Professor, International Development Studies
York University, 4700 Keele Street,
Toronto, On M3J 1P3, Canada
324 Founders College
Phone: 4167362100 Ext: 22866
nojong@yorku.ca*

Professor Léo-Paul Dana

*ICD Business School Paris & LUT School of Business and Management
6100 University Ave, Halifax, Nova Scotia
Canada, B3H 4R2
lp762359@dal.ca*

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Although informal entrepreneurship has attracted attention from entrepreneurship scholars, it remains under-theorized. This systematic review critically analyses, evaluates and integrates data on informal entrepreneurship gathered from studies published in eight (8) leading entrepreneurship journals. Although this form of entrepreneurship is practiced across the globe, it is generally perceived as an activity occurring in the peripheries of mainstream economics and inferior to formal entrepreneurship. This review develops essential knowledge for entrepreneurship research by theorizing informal entrepreneurship as a potent process in business formation and it establishes a future research agenda.

Keywords: Formal and informal entrepreneurship, informal economy, business development, micro-enterprises, systematic literature review.

1. Introduction

Informal entrepreneurship represents the creation of new businesses that are usually not registered legally and operate without being subject to regulations (Dau and Cuervo-Cazurra, 2014; Webb *et al.*, 2009). It can be seen as a stepping stone that enables entrepreneurially-orientated individuals to utilize their cognitive abilities in opportunity identification, recognition and exploitation (Aluko *et al.*, 2019; Rezaei *et al.*, 2013;

Siqueira *et al.*, 2016). In some way, it enables them to launch viable but informal micro-enterprises to satisfy unmet customers' economic needs (Chen and Carré, 2020; Gold, 2019). Scholarly research on entrepreneurship and economic development notes the widespread presence of informal business activity in the economies of many developing countries (see Saunoris and Sajny, 2017; Schneider and Enste, 2013) as well as industrialized countries (Corradini, 2020; Williams and Martinez, 2014). Despite the informality of their activities, these types of enterprises perform an essential economic function in which they produce legal goods and services (Bruton *et al.*, 2012; ILO, 2002; Nichter and Goldmark, 2009), create job opportunities (Desta, 2018) and sustain livelihoods (Chen and Carré, 2020).

Although informal micro-enterprises can operate unregistered for a considerable amount of time (Williams *et al.*, 2017), they tend to register higher growth rates than their counterparts who register their start-ups from inception (Kistruck *et al.*, 2015; Webb *et al.*, 2013). Informal business enterprises, especially in developing economies, contribute as much as 70 percent of the gross domestic product (GDP) (e.g., Chen and Carré, 2020; Schneider and Enste, 2000). The World Bank reported that the percentage of the economic contribution from businesses considered informal will continue to rise (World Bank, 2007). About two-thirds of enterprises in the developing world are estimated to start their businesses without formalizing their operations with a recognized institution (Autio and Fu, 2015; Nichter and Goldmark, 2009; Thai *et al.*, 2020).

Given its significance (Bu and Cuervo-Cazurra, 2020), and yet as a phenomenon that is often viewed as existing on the peripheries of mainstream economics (De Castro *et al.*, 2014), it seems important to critically appraise the growing volume of scholarly research devoted to understanding this sector. Informal entrepreneurship and its core constructs are largely missing pieces in the entrepreneurship jigsaw puzzle (Welter *et al.*, 2015). Whether as an employer of many millions of people, a critical source of products and services in unserved but burgeoning markets, or as an incubator from which businesses transition and become a core part of formal economies, advancing our understanding of this sector seems essential (Fisher, 2012; Godfrey, 2011). Accordingly, this review advances a neo-liberal perspective by depicting informal entrepreneurs and their micro-enterprises as important economic agents, in both mature and developing economies, who make rational entrepreneurship decisions (De Soto, 1989). From that perspective, it addresses the following fundamental questions:

How is informal entrepreneurship represented in the current entrepreneurship discourses?

How can it be advanced in a way that offers alternative theoretical avenues to account for the entrepreneurship processes adopted by informal entrepreneurs in creating new businesses within the informal economies of both developing and industrialized economies?

There is a need for a new research agenda geared towards a better theorization of the concept of informal entrepreneurship in a way that advances it as an essential entrepreneurship phenomenon without characterizing it as inferior to formal entrepreneurship. Informal entrepreneurship must be viewed on a continuum from formal to informal rather than characterizing it as an activity that occurs in a hidden economic sphere (Welter *et al.*, 2015). Doing so helps to account for its functionalism that is manifested through an informal activity often promoted by enablers of informal entrepreneurs and micro-enterprises such as informal investors (Elston *et al.*, 2016; Shane *et al.*, 2020), informal networks (Corradini, 2020; Webb *et al.*, 2020) and informal credit markets (Tonoyan *et al.*, 2010). Such insights are essential because informal entrepreneurship is known to aid the delivery of needed products, create job opportunities and yield economic growth and neighborhood revitalization when formal sector businesses fail to do so and public funds are too scarce to accomplish the goal (Gold, 2019; Ramadani *et al.*, 2019).

From that perspective, this study advances that informal entrepreneurship should not be perceived or characterized as an entrepreneurship act confined to the peripheries of mainstream economics, or a ghost from the dark shadows that needs to be tackled (Williams and Nadin, 2012), but as a vital entrepreneurship phenomenon essential for development and growth in both mature and developing economies. We build on Godfrey's (2011) foundational work, which emphasized the importance of the informal economy in extending an understanding of entrepreneurship processes to the disadvantaged, marginalized and economically excluded segments of society (cf., Williams *et al.*, 2017).

2. Informal Entrepreneurship Perspectives

In his early seminal contribution highlighting informal entrepreneurship in Ghana, Hart (1973) noted the absence of an "urban unemployment malaise," concluding that urban residents were not "unemployed," but that they had something to do (although often for low and unpredictable incomes). Here, the rise of informal economies can be seen as an economic system people devise locally as their means of survival and sometimes prosperity in the urban markets that spring up spontaneously to satisfy unmet needs (Hart, 2010). These social and economic acts highlight the dynamism of self-employed entrepreneurs (De Soto, 1989).

The activities of informal entrepreneurs also involve the production of a wider range of legitimate goods and services than was anticipated by the modernization perspective, which was based on the premise that informal entrepreneurship will disappear as economies modernize (Desta, 2018). Building on Hart's views on informal economies, De Soto (1989) advanced the activities of self-employed entrepreneurs and attributed the development of the informal sector, in which these entrepreneurs thrived, not only to the labor market dynamics (i.e., surplus labor), but also to costly government regulations that pushed small-scale entrepreneurs towards informal activity. He positions informal entrepreneurship as an essential phenomenon in the economic sphere. Indeed, the

International Labor Organization estimates that, globally, 62 percent of total employment is in informal economies (ILO, 2019). There are also significant variations between low- and high-income countries, ranging from 85 percent for the former to eighteen percent for the latter (ILO, 2019). In Latin America, this ranges from 25 percent in Brazil to 75 percent in Bolivia (Galdino *et al.*, 2018).

In sub-Saharan Africa, the informal economy accounts for about 66 percent of total employment (ILO, 2015), and up to 90 percent in countries such as the Democratic Republic of Congo and the Central African Republic (IMF, 2015). Attempts are often made to establish a distinction between a formal and an informal enterprise (see Nguyen *et al.*, 2014; Tian *et al.*, 2019). The former engages in legal, economic activities and abides by particular forms of national legislation (e.g., social security laws, taxation, professional groups' regulatory acts, etc.) (ILO, 2012), while the latter engages in economic activities without consideration for regulation or taxation (Desta, 2018; de Soto, 1989; Portes and Castells, 1989; Webb *et al.*, 2009). However, this transparent partition between formal and informal enterprises has been challenged by other scholarly researcher (see for example: Welter *et al.*, 2015; Williams and Shahid, 2016; Ojong, 2017).

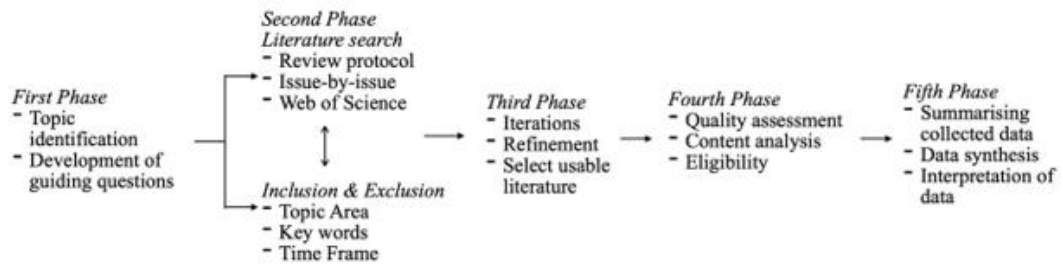
This alternative view identifies that many informal enterprises are semi- or quasi-formal in the sense that they adhere to certain types of regulatory requirements or formalization, but not others. As an example, informal enterprises in the Dominican Republic “often paid duties, fees and taxes that registered them with other levels of government, including local zones, city government and county municipalities” (De Castro *et al.*, 2014, 86). In other words, many entrepreneurs are not fully formal, just as they are not entirely informal (Chen and Carré, 2020; Williams and Shahid, 2016). The binary distinctions between formal/informal entrepreneurship represent a false logic, as increasingly, entrepreneurs can be seen to engage in some less-formal or informal activities alongside their role in the formal, structural economy (Al-Mataani *et al.*, 2017; Çakmak *et al.*, 2018). Therefore, there is ground for arguing that informal entrepreneurship must be viewed on a continuum from formal to informal rather than characterizing it as an activity that occurs in a hidden economic sphere (Welter *et al.*, 2015).

3. Methodology

Contrary to traditional/narrative literature reviews that favor critiquing and summarizing a large body of literature, this study adopts a systematic literature review approach (Cronin *et al.*, 2008; Xiao and Watson, 2019). Specifically, it follows a rigorous and well-defined strategy for searching the body of work on defined topics that have been published in leading entrepreneurship journals (see Table 1). As part of this procedure the study utilizes the *Web of Science* database. To ensure the reliability and validity of the review, the study followed a five-point strategy recommended for systematic reviews (see for example: Polit and Beck, 2004; Timmins and McCabe, 2005).

The first phase involved formulating the research questions to assist in searching the literature on informal entrepreneurship. The second step focused on developing and validating the study's chosen review protocol. This process was guided by an inclusion and exclusion criteria. For the third phase, the authors established a search criteria, which enabled them to iteratively sift through, refine and recombine key terms. This process led to the identification of relevant literature on informal entrepreneurship. In the last two phases, i.e., the fourth and fifth, the authors simultaneously assessed the quality of the literature to be included in the review, summarized, synthesized and interpreted it. Figure 1 illustrates the research strategy followed in this review.

Figure 1. Research strategy: Systemic review on informal entrepreneurship



3.1. Data collection process

To achieve the main aims of this research, data collection concentrated on eight leading entrepreneurship journals: *Entrepreneurship and Regional Development* (ERD), *Entrepreneurship Theory and Practice* (ETP), *Journal of Business Venturing* (JBV), *Journal of Small Business Management* (JSBM), *International Journal of Entrepreneurial Behavior and Research* (IJEER), *International Small Business Journal* (ISBJ), *Small Business Economics* (SBE) and *Strategic Entrepreneurship Journal* (SEJ). Table 1 provides an overview showing the number of articles and the year of publication in the selected journals covering two decades.

Table 1. An overview of publications on informal entrepreneurship in eight leading entrepreneurship journals (2000-2020)

	ETP	JBV	ERD	SBE	JSBM	SEJ	IJEER	ISBJ
2000	0	0	0	1	0	0	0	0
2001	0	0	0	0	0	0	0	0
2002	0	1	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	1	1	0	0	0
2008	0	0	0	0	0	0	0	0
2009	1	0	0	1	0	0	1	0
2010	2	0	0	1	0	0	0	0
2011	0	0	0	1	0	0	0	0
2012	0	0	3	0	0	0	1	0
2013	0	1	2	0	0	0	0	0
2014	0	3	1	0	1	3	1	0
2015	0	2	1	1	0	0	0	1
2016	1	0	1	1	0	0	1	0
2017	1	1	1	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	1	0	1	0
2020	1	1	2	1	0	1	1	0
Total	6	9	11	8	3	4	6	1
Total sum = 48								

Relying on the leading entrepreneurship journals as a vehicle for obtaining relevant data on informal entrepreneurship is consistent with previous reviews that are widely cited by scholars. For example, Christofi *et al.* (2021) focused on the top nine international business journals as the data sources they used to advance a new understanding of flexibility and agility in the international business domain. Similarly,

Foss *et al.*'s (2019) systematic literature review of women's entrepreneurship policy focused on the five top entrepreneurship research journals based on citation indices. Systematic reviews increasingly focus on leading journals because of their high quality, perceived influence and substantial contribution to their field's academic development (Burton *et al.*, 2008; Christofi *et al.*, 2021; Foss *et al.*, 2019; Judge *et al.*, 2007; Koveshnikov *et al.*, 2019).

3.2. Data selection techniques

The process for identifying relevant data on informal entrepreneurship involved an iterative issue-by-issue search. Issues in each journal contained four to five articles and were published four to ten times a year. For example, the journal of *Entrepreneurship and Regional Development* published up to ten issues per year between 2015 and 2020, and prior to that, it published six issues yearly. An iterative issue-by-issue search yielded 295 articles, of which 32 were relevant. In addition, an advanced search of the *Web of Science* database produced sixteen qualifying articles from 96 search results. The further use of the *Web of Science* database was intended to complement the issue-by-issue search and enhance the identification of relevant articles. Accordingly, the research identified 48 articles (Tables 1 and 3) with relevant treatments of informal entrepreneurship. Table 2 details the criteria used in this research for including or excluding articles.

Table 2. Inclusion and exclusion criteria

Inclusion	Exclusion
- Eight (8) leading entrepreneurship journals	- Informal entrepreneurship arrangements involving large organizations or business groups
- Informal entrepreneurship and informal economy	- Year 2000 and below
- Informal entrepreneurship and institutions	- Year 2021
- Formal vs. informal entrepreneurship	- Book chapters
- Informal investors and entrepreneurship	- Conference proceedings
- Informal entrepreneurship in both developed and developing economies	

The search for relevant papers focusing on formal and informal entrepreneurship, and informal economy employed 'Boolean operators' including 'AND,' 'OR' and 'NOT' (Ely and Scott, 2007). Boolean connectors were instrumental in identifying relevant articles on informal entrepreneurship in the issues published by the selected journals (Tables 1 and 3) and from the *Web of Science* database. Various combinations of keywords (Table 2) including informal entrepreneurship 'AND' informal economy, informal entrepreneurs 'OR' informal economy, informal entrepreneurship 'NOT'

informal institutions were keyed into respective search engines to maximize search results. Phrases often associated with informality, including ‘underground economy’ and ‘illegal economy,’ were excluded from the literature search because they have connotations of criminal acts (see Losby *et al.*, 2002).

In addition, research that paid attention to institutions (e.g., Corradini, 2020; Webb *et al.*, 2020; Williams and Vorley, 2015, etc.) as either inhibitors or enablers of informal entrepreneurship were included in the sample. Moreover, studies on informal investors (e.g., Corradini, 2020; Elston *et al.*, 2016; Mason, 2009; Puffer *et al.*, 2010; Shane *et al.*, 2020, etc.) were also considered relevant. Studies on informal institutions and informal investors (Table 3) offered valuable insights into the enablers of informal entrepreneurship.

However, research that discussed the role of institutions in enabling entrepreneurship in business groups (e.g., Yiu *et al.*, 2014) as well as studies that focused on general entrepreneurship processes without considering the context of informal entrepreneurship and informal economy (e.g., Bruton *et al.*, 2010; Uzo and Mair, 2014) were excluded. Along with indexing files and themes on informal entrepreneurship using NVivo, a grid (Table 3) was utilized to categorize searched materials as recommended by Polit *et al.* (2001). The summaries in the grid provided a quick guide to information comprising key informal entrepreneurship themes, data sources, authors, type of study, etc. Such quick access to information saved time by preventing frequent sifting through the assembled dataset containing informal entrepreneurship information.

Table 3. Informal entrepreneurship data grid

Author	Journal	Type of Study	Sample	Design	Data Collection	Key Themes
Afreh, Rodgers, Verashina and Williams (2019)	IJEBR	Quantitative	15 Migrant entrepreneurs	Purposive sampling	Interviews	Opportunities and challenges
Muhammad, Ullah and Warren (2016)	IJEBR	Qualitative	16 Firms	Purposive sampling	Interviews	Decision to engage in informal entrepreneurship
Thai, Turkina and Simba	IJEBR	Quantitative	50 Nations	Panel dataset	World Value Survey (WVS) database	Interactions between informal entrepreneurial behavior and institutional pressures
Williams and Round (2009)	IJEBR	Quantitative	81 Entrepreneurs	Household survey	Survey	Varying levels of business creation in the formal vs. informal sector
Williams and Martinez (2014)	IJEBR	Quantitative	595 Small business owners	Surveying UK entrepreneurs	Survey	Informal entrepreneurs
Williams, Nadin and Rodgers (2012)	IJEBR	Mixed Methods	298 Informal entrepreneurs	Survey and Purposive	Survey and Interviews	Necessity driven, informal economy
Bradford (2007)	JSEBM	Quantitative	400 Township entrepreneurs	Township focused survey in South Africa	Survey	Informal economy; Enterprise creation
Tian, Yang and Wei (2019)	JSEBM	Quantitative	974 Nascent entrepreneurs	Panel data	Chinese Panel Study of Entrepreneurial Dynamics	Typology of informal entrepreneurship
Verreynne, Meyer and Liesch (2016)	JSEBM	Quantitative	320 Small firms	Random sampling	Survey	Complex Heterogeneous configuration of informal entrepreneurship
Bu and Cuervo-Cazurra (2020)	SEJ	Quantitative	71 Emerging market economies	Panel dataset	World Bank's Enterprise Survey (WBES)	Township Entrepreneurs, Business creation
Castro, Khavi and Bruton (2014)	SEJ	Qualitative	31 Informal firms	Case Study	Interviews	Legal formal firms, Institutional support
Lee and Chung (2014)	SEJ	Qualitative	31 Informal entrepreneurs	Purposive	Ethnography	Nascent venture, Legal business registration, Emerging economy, Compliance, Venture engagement
Webb, Ireland, and Ketchen (2014)	SEJ	Qualitative	4 articles	Meta-analysis	Conceptual	Formal-Informal dichotomy, SME strategy making, Stable and dynamic environments
Dau and Cuervo-Cazurra (2014)	JBV	Quantitative	51 countries, 259 observations	Panel data	World Bank Group Entrepreneurship Survey	Informality costs, Informal entrepreneurship, Firm informal creation
Fadahunsi and Rosa (2002)	JBV	Qualitative	7 cases	Case study	Interviews	Informal firms, Macro-meso navigation, Institutional environments
Kistruck, Webb, Sutter and Bailey (2015)	JBV	Mixed Methods	299 entrepreneurs	Purposive and Hypotheses	Interviews	Informal entrepreneurs, Informal economy, Institutional entrepreneurship
Sutter, Webb, Kistruck, Ketchen and Ireland (2017)	JBV	Qualitative	1 NGO	Single Case study	Interviews	Informal economy, Informal institutions, Entrepreneurship in the informal economy
Thai and Turkina (2014)	JBV	Quantitative	52 Countries	Panel Data	Cross-sectional database	Pro-market institutions, Formal and informal entrepreneurship
Shane, Drover, Clingingsmith and Cef (2020)	JBV	Quantitative	Investors	Randomized experiment	Experiment (fMRI)	Informal economy Entrepreneurship Illegality, Informal African businesses

Table 3. (continued) Informal entrepreneurship data grid

Martinez, Cummings and Vaaler (2015)	JBV	Quantitative	48 Developing countries	Panel dataset	Developing economies database	Economic informality, Venture funding
Khavul, Chavez, Bruton (2013)	JBV	Qualitative	57 Micro-finance entrepreneurs	Purposive	Interviews	Institutional entrepreneurship, Entrepreneurial micro-finance for the poor
Webb, Bruton, Tihanyi and Ireland (2013)	JBV	Conceptual	Existing theories	Hypothesis Testing	Secondary data	Informal entrepreneurship, Informal economy, Informal entrepreneurial activities
Williams and Nadin (2013)	ERD	Quantitative	120 entrepreneurs	Survey	UK database	Formal economy, Informal economy, Entrepreneurship practices
Smallbone and Welter (2012)	ERD	Qualitative	5 Articles	Systematic	Secondary data	Informal entrepreneurship, Informal cross border activities, Informal petty trading
Piperopoulos, Kafourou, Alivert, Liu and Au (2020)	ERD	Quantitative	11,988 Observations	Panel dataset	World Bank Enterprise Surveys	Informal entrepreneurship, Small formal firms, Institutional perspective
Pisani and Richardson (2012)	ERD	Mixed Methods	600 Interviews and 526 survey respondents	Ethnography and dataset	Interviews and surveys	Informal entrepreneurs, Informal cross-border economic activity, Undocumented and informal
Saunoris and Sajny (2017)	ERD	Quantitative	Cross-section of 61 countries	Panel Data	The Heritage Foundation database	Informal and formal entrepreneurship, Informal and formal sectors, Economic freedom
Welter, Smallbone and Pobol (2015)	ERD	Conceptual	Literature sources	Narrative	Secondary Data	Informal entrepreneurship, Informal activity, Informal sector enterprise, Informal Economy
Williams and Nadin (2012)	ERD	Qualitative	51 Nascent entrepreneurs	Maximum variation and stratified	Interviews	Formalization of informal entrepreneurship, Informal economy, Economic development
Williams and Shahid (2016)	ERD	Quantitative	300 entrepreneurs	Panel dataset	Survey	Informal entrepreneurship, Formalization of entrepreneurs, Formal enterprises
de la Chaux, and Haugh (2020)	ERD	Mixed Methods	31 UNHCR staff	Single study	Interviews and Secondary	Formal and informal institutions, Informal entrepreneurship, Informal new ventures
Nguyen, Verreynne and Steen (2014)	ERD	Quantitative	2600 Manufacturing firms	Panel dataset	Small and Medium Scale Enterprise Survey in Vietnam	Firm formalization, informal firms, Informal firms transitioned from informal to formal
Ojo, Nwankwo and Gbadamosi (2013)	ERD	Qualitative	30 Nigerian Entrepreneurs	Case studies	Interviews	Informal/illegal trade, informal economy, entrepreneurship, Informal activity
Giugale, El-Dwany and Everhart (2000)	SBE	Quantitative	Literature sources	Model testing	Secondary	Informality, Informal firms "promote" micro and small enterprises, Informal-market consumers
Sonobe, Akoten and Otsuka (2011)	SBE	Quantitative	150 Manufacturing enterprises	Field Study	Survey	Informal enterprises, Informal and formal enterprise, Informal cluster
Corradini (2020)	SBE	Quantitative	200 EU Regions	Panel dataset	Eurostat and the European Social Survey	Informal institutions on entrepreneurship, Firm formation, Informal business networks
Elston, Chen and Weidinger (2016)	SBE	Quantitative	260 urban entrepreneurs	Panel dataset	Survey	Informal capital, Venture formation, Micro firms, Informal funding
Fritsch, Bublitz, Sorgner and Wyrwich (2014)	SBE	Quantitative	20,000 Dependently employed and self-employed people	Panel Dataset	BIBB/BauA Employment survey	Institutional change and entrepreneurship, Self-employment as productive entrepreneurship
Gatewood, Brush, Carter, Greene and Hart (2009)	SBE	Mixed Methods	90 Face-to-face interviews and 235 Telephone interviews	Survey	Interviews	Informal financial markets, Informal networks, Women entrepreneurs
Зелено, Радлов, Ямская and Terjesen (2007)	SBE	Quantitative	30 Countries	Telephone and face-to-face interviews	Global Entrepreneurship Monitor (GEM) Database	capital, Informal investment activity, Informal markets, Transition economies
Bennett (2010)	SBE	Quantitative	Variables	Model testing	Secondary Data	Informal firms, Developing countries, Entrepreneurial stepping stone, Informality, Formal and informal firms
Puffer, McCarthy and Boisot (2010)	ETP	Conceptual	Theoretical dimensions	Narrative/traditional literature review	Secondary Data	Informal institutions, Formal and informal aspects of institutions, Entrepreneurs to and informal institutions, Transition economy entrepreneurs
Khavul, Bruton and Wood (2009)	ETP	Qualitative	8 Case studies	Case study	Interviews	Informal micro-enterprises, Informal economies, Informal sectors, Informality as "entrepreneurial activities, Informal businesses
Siqueira, Webb and Bruton (2016)	ETP	Quantitative	1,269,420 formal and informal small businesses	Panel dataset	2003 Urban Informal Economy Survey	Informal entrepreneurship, Informal firms, Informal entrepreneurs, Informal activities, Informal economy firms
Tonoyan, Strolmeyer, Habib and Perlit (2010)	ETP	Quantitative	2,576 firm responses	Panel dataset	The World Business Environment Survey	Entrepreneurs and small business owners, Informal institutions on business people's decisions, Informal norms of reciprocity, Informal credit market
Williams, Martinez-Perez and Kadir (2017)	ETP	Quantitative	127 Countries	Panel dataset	World Bank Group Entrepreneurship Survey	Informal entrepreneurship, Informal sector, Developing economies, Informal sector, Informal economy, Informal institutions
Webb, Khoury and Hitt (2020)	ETP	Conceptual	Variables	Models testing	Secondary Data	Formal and informal institutional voids, Entrepreneurial activity, Informal economy, Informal form of entrepreneurship, Informality
Williams and Vorley, (2015).	ISBJ	Qualitative	34 Businesses	Snowball sampling	Interviews	Formal and informal institutions, Entrepreneurship, Entrepreneurs engaging in informal activities, Informal institutions, Entrepreneurship informal, unsupportive and corrupt activities.

3.3. Integrated synthesis design

Considering that data in the informal entrepreneurship grid (Table 3) contained studies that utilized quantitative and qualitative methods, the authors were presented with several design choices (see Sandelowski *et al.*, 2006) for data analysis. Consequently, they adopted an integrated design as opposed to adopting a segregated design, which involves synthesizing qualitative and quantitative studies separately, or a contingent design characterized by being a cycle of research synthesis—a group of qualitative or quantitative studies.

Adopting an integrated design enabled the authors to combine quantitative and qualitative research on the research topic. Indeed, and considering the research focus, by

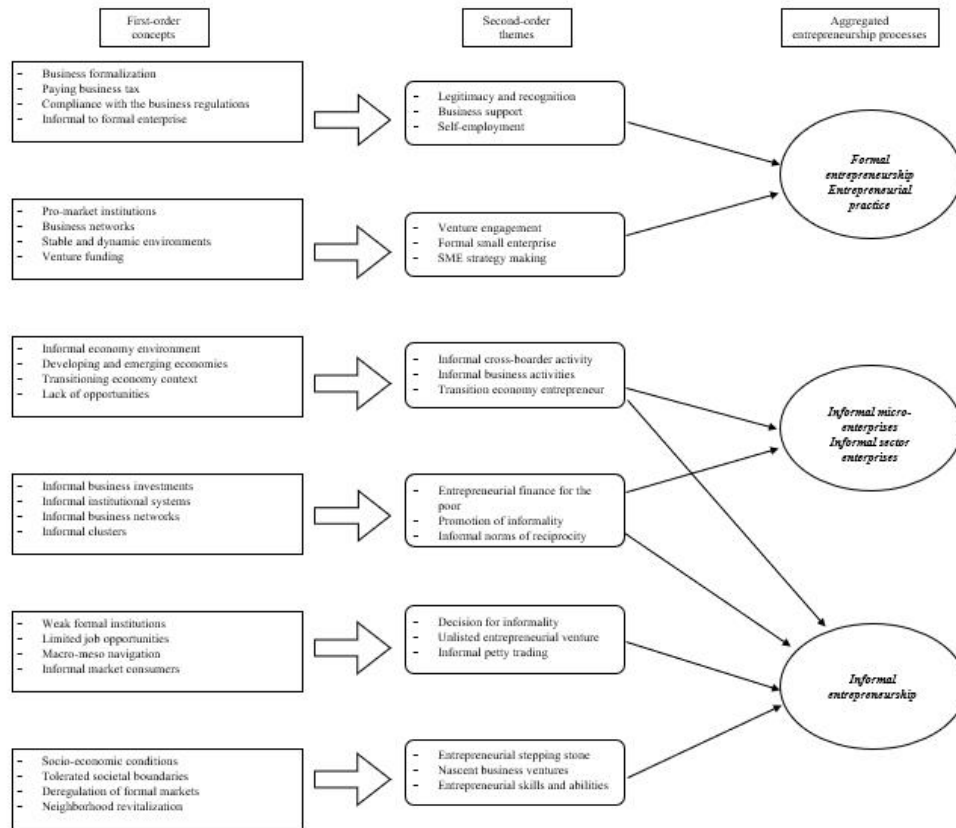
utilizing an integrated synthesis design for the analysis, the authors were able to minimize methodological differences between quantitative and qualitative studies (Sandelowski *et al.*, 2006) because studies in the grid reported findings on informal entrepreneurship that were readily transferrable into each other (Dixon–Woods *et al.*, 2006). This enabled the authors to undertake a critical interpretive synthesis (Dixon–Woods *et al.*, 2006) of the data in the grid. To increase the quality of the interpretations, the first two authors carried out the initial analysis and the third author, an accomplished scholar, validated the analysis.

3.4. Data analysis

The strategy for data analysis is consistent with an abductive process (Perry, 1998). Utilizing such a pluralistic approach, the authors were able to simultaneously draw on *priori* concepts associated with informal entrepreneurship and analyze the data coded in NVivo—which was mimicked in Table 3. From that, the authors developed a comprehensive understanding of various entrepreneurial activities that define formal and informal entrepreneurship processes. To capture individual, legal, institutional, country and environmental factors underpinning formal and informal entrepreneurship, the authors carried out first-order coding. This involved open coding based on the excerpts the authors extracted from the data and organized using different NVivo’s catalogued nodes. From these excerpts (used as coding units), the authors devised first-order concepts (Fig.2). These concepts offered insights into various conditions that led to either formal or informal entrepreneurship.

Following that, the authors utilized first-order concepts and *priori* codes derived from the literature on informal entrepreneurship to deduce second-order themes. The second-order themes detail the responses, actions and the behaviors of individuals, formal and informal institutions (investors, networks). In the final stage of coding, the authors aggregated second-order themes into three processes of entrepreneurship that corresponded to formal and informal entrepreneurship. Figure 2 illustrates a data structure depicting first-order concepts and second-order themes of the data. Data in the grid offered quantitative and qualitative evidence enabling the authors to understand better the various processes associated with informal entrepreneurship. The comprehensive dataset enabled the authors to interpret and understand informal entrepreneurship in the context of new business formation.

Figure 2. Data coding



4. Results

4.1. Classification of informal entrepreneurs

Scholarship on entrepreneurship used in this review often framed informal entrepreneurship as deviant, backward, detrimental, socially destructive and of limited economic effect (Williams and Nadin, 2013). Likewise, this body of knowledge perceived informal enterprises as less-productive (Webb *et al.*, 2020) and directly competing with formal enterprises but getting unfair cost advantages including lower prices, cheap labor and productions costs, which severely reduced the market share of their formal sector counterparts (Piperopoulos *et al.*, 2021). Moreover, this literature highlighted four broad types of informal entrepreneurs (Williams and Nadin, 2012). That is (a) entrepreneurs who have no intention of transitioning to formal businesses, (b) entrepreneurs who have an intention to formalize in the foreseeable future, (c) entrepreneurs who straddled the formal/informal spheres by operating registered

businesses and paying taxes but concealing a percentage of their income and (d) entrepreneurs who operated registered ventures that concealed a proportion of their income but were transitioning to formalization (Williams and Shahid, 2016; Williams and Nadin, 2012; Williams and Round, 2009). The neo-liberal perspective considers informal entrepreneurs as voluntary entrants taking rational economic decisions to escape from the high costs and bureaucracy of the formal economy (De Soto, 1989). Similarly, and from a post-structuralist perspective, informal entrepreneurship is seen as a lifestyle choice (Getz and Petersen, 2005), often based on examining the ‘sharing economy’ business models (Çakmak *et al.*, 2018; Guttentag, 2015).

4.2. Characteristics of informal entrepreneurs

Regarding the characteristics of informal entrepreneurs, a widely held assumption in this literature was that such entrepreneurs were clustered in marginalized populations (Martinez *et al.*, 2015; Ojo *et al.*, 2013). However, the present research demonstrated that although informal enterprises were concentrated in low-income populations, they were equally found in affluent households (Williams and Nadin, 2012) and advanced economies (Terjesen and Elam, 2012; Welter *et al.*, 2015; Williams, 2023). It was suggested that people in higher-income households used their formal jobs to establish informal enterprises (Williams and Round, 2009). Equally, it highlighted that entrepreneurs and micro-enterprises who operated fully informal were most often the younger segments of the low-income population (Williams and Shahid, 2016). This scholarly research depicted informal entrepreneurs as having low-levels of education (Afreh *et al.*, 2019; Pisania and Richardson, 2012; Siqueira *et al.*, 2016).

To some extent, a connection between informal entrepreneurs’ level of education and product quality was established. Sonobe *et al.* (2011) expressed that entrepreneurs with low-levels of education produce low-quality products. Elsewhere, studies focusing on entrepreneurship treated necessity-driven and opportunity-driven entrepreneurs as separate groups. In the former, individuals were perceived to have entered entrepreneurship out of necessity (Fritsch *et al.*, 2014; Webb *et al.*, 2013; Welter *et al.*, 2015). These individuals were seen as having no alternatives for income generation or those that were available were unsatisfactory (Williams and Nadin 2012). With the opportunity-driven, the assumption was that they were pulled (or motivated) to enter into entrepreneurship more out of choice to exploit some business opportunity (Fadahunsi and Rosa, 2002; Pisani and Richardson 2012; Ojo *et al.*, 2013). However, Williams and Round (2009) argued that the dichotomous discussion of informal entrepreneurship as necessity- or opportunity-driven needed to be more nuanced because individuals who initially operated informal enterprises out of necessity were likely to become more opportunity-driven over time.

The literature shows that multiple factors influenced the reasons why entrepreneurs and micro-enterprises chose to operate informally (Webb *et al.*, 2013). It was believed that entrepreneurs were required to register their businesses to operate formally (Siqueira *et al.*, 2016). Furthermore, the literature pointed out that although the costs of registration

in terms of time and money varied across countries, from being relatively low to quite substantial (Tian *et al.*, 2019; Tonoyan *et al.*, 2010), the act of registering a new venture potentially created unwanted costs for entrepreneurs (Khavul *et al.*, 2009; Sonobe *et al.*, 2011; Williams *et al.*, 2017).

4.3. Context and business performance

Their ability to avoid spending funds and time to fulfil regulatory requirements, obtain appropriate licenses and certificates of operation, and cover registration fees rendered it possible for some enterprises to exist—which would not be possible otherwise (Giugale *et al.*, 2000; Nguyen *et al.*, 2014; Williams and Vorley, 2015). However, Bu and Cuervo-Cazurra (2020) found that informal enterprises suffer from informal costs, i.e., agency costs that arise from an enterprise's lack of legal status. Elsewhere, informal entrepreneurs' use of informal institutions was regarded as an appropriate and innovative adaptation in transition economies (Puffer *et al.*, 2010). That said, businesses that delayed registration subsequently out-performed their counterparts that started-up as registered; they witnessed higher average annual sales growth, higher annual employment growth and higher annual productivity growth (Williams *et al.*, 2017). Interestingly, business performance at these different levels was significantly better the longer they delayed registration (Williams *et al.*, 2017).

The literature also reported that women tended to operate informal enterprises for necessity reasons because of their assumed family responsibilities and roles, especially to their children (Khavul *et al.*, 2009; Welter *et al.*, 2015). Looking at women in entrepreneurship from a different perspective, Williams and Martinez (2014) noted that some women start their ventures informally because they view it as a hobby. In general, the extant research demonstrated that individuals in deprived communities were more inclined to start their businesses out of necessity compared with those in resource-rich communities (Abede, 2023; Muhammad *et al.*, 2016; Williams and Nadin 2012). Personal motivations were observed as changing over time as entrepreneurs and their activities developed (Williams and Round 2009) and it usually was not just one motive alone that triggered entry decisions into entrepreneurship (Fadahunsi and Rosa, 2002; Sonobe *et al.*, 2011; Welter *et al.*, 2015).

For individuals in hostile contexts, informal entrepreneurship was seen as a diversification strategy (Muhammad *et al.*, 2016) and a natural fit (Gold, 2019). Additionally, in such contexts, individuals who engaged in informal entrepreneurship were perceived as being driven by social and redistributive reasons (Williams and Round, 2009). For example, Williams and Nadin (2012) confirmed that informal entrepreneurs were not fully commercially-driven but that their motivations ranged from profit logics to social motives. From that perspective, there was a sense that individuals who operated informally in deprived communities were more socially-orientated while those in resource-rich environments were more commercially-oriented (Williams and Nadin, 2012).

Studies that focused on informal entrepreneurship using the emerging economy context framed it as a consequence of weak formal institutions and grouped these weaknesses into four categories. First, it identified formal institutional voids, such as the absence of, or poorly defined, property rights, limited or no essential utilities and poor social protection as factors that forced people into necessity-driven informal entrepreneurship as a way of enhancing their livelihoods (de la Chaux and Haugh, 2020; Kistruck *et al.*, 2015; Thai and Turkina, 2014; Williams and Shahid, 2016). Second, this body of knowledge also touched on formal institutional inefficiencies or resource misallocations by formal institutions (Afreh *et al.*, 2019; Siqueira *et al.*, 2016; Webb *et al.*, 2020; Williams and Vorley, 2015). As an example, it described what happens when formal institutions attempt to protect or maximize economic rents for elites (Fadahunsia and Rosa, 2002; Puffer *et al.*, 2010; Saunoris and Sajny, 2017). There was a suggestion in this scholarship that such efforts manifested into significantly burdensome taxes, registration, licensing regulations and costs, and acted as an entry barrier to formality for nascent entrepreneurs (Dau and Cuervo-Cazurra, 2014; Siqueira *et al.*, 2016; Szerb *et al.*, 2007; Tonoyan *et al.*, 2010; Williams and Nadin, 2012).

Nonetheless, de la Chaux and Haugh (2020) expressed that entrepreneurs flourished in complex and ambiguous institutional settings by strategically eroding and combining misaligned institutions. Third, the literature pointed to informal institutional uncertainty. It referred to a situation when technology and socio-cultural transformations outpaced changes in the ability of formal institutions to accommodate new domains of activity (Webb *et al.*, 2013; Williams *et al.*, 2017). Fourth, various studies touched on formal institutional weaknesses and their general instability as the contributors. This was because of their lack of capacity to enforce policies (De Castro *et al.*, 2014; Fadahunsi and Rosa, 2002; Piperopoulos *et al.*, 2021) and frequent changes in laws and regulations (Williams and Vorley, 2015). Such voids legitimized the acceptability of pursuing informal entrepreneurship (Fadahunsia and Rosa, 2002).

Although the literature on entrepreneurship suggests that informal entrepreneurship occurs in contexts where the business environment is less regulated (Bu and A Cuervo-Cazurra, 2020), there is recognition that 'off-the-books' business activities are also part of mainstream economics in many developed nations (see Bonnet *et al.*, 2019). For example, Williams' (2007) study focusing on the UK context found that out of 1, 320 households, 5.3 percent were early-stage entrepreneurs engaged in informal transactions, and a further 4.5 percent ran more established informal businesses. In a study of 51 countries involving eleven developed countries, Dau and Cuervo-Cazurra (2014) uncovered that 3.37 informal enterprises are created annually for every 100 people. Likewise, Autio *et al.* (2015) explained that two-thirds of enterprises start as unregistered not only in emerging and transition economies (where 0.62 informal enterprises compared with 0.37 formal enterprises are created annually for every 100 people), but also in OECD countries (where 0.62 informal enterprises compared with 0.43 formal enterprises are created annually for every 100 people). This indicates that informal entrepreneurship is pervasive and exists across developed and developing economies.

Such an observation highlights how informal entrepreneurship is essential for individuals, nations and the world. Therefore, it cannot be dismissed as a remnant of the past that will fade with modernization (Williams and Martinez, 2014).

5. Discussion

Many key insights can be drawn by further considering informal entrepreneurship processes. In addition, we want to identify priorities for future research opportunities based on gaps identified in this synthesis of the literature.

5.1. Reflections on the findings

This systematic review was intended to address two fundamental questions: (i) understanding ways in which informal entrepreneurship is represented in contemporary studies published in eight leading entrepreneurship journals and (ii) develop new informal entrepreneurship theorizations. To generate useful insights, the review engaged the formal versus informal discourse, which is heavily skewed towards business regulation as the panacea to economic development (Delma and Shane, 2004; Williams and Nadin, 2012).

In this sense, informal entrepreneurship is confined to the peripheries of mainstream economics (Gold, 2019), and yet, as a process of entrepreneurship that leads to business formation, it provides meaningful economic contributions (Bruton *et al.*, 2012; World Bank, 2007). Its contributions range from employment creation to product development and distribution (Mason *et al.*, 2009). The International Labor Organization predicts that about 2 billion global citizens—which accounts for as high as 61 percent of the world's population, live in the informal economy (ILO, 2018a). This population participates in a wide variety of economic engagements. It engages in both traditional and modern economic activities and in most branches of industry, including traditional artisan and craft production; street vending and market trading; construction and transport; manufacturing, including industrial outwork; personal and information technology services; and work intermediated by digital platforms (Chen and Carré, 2020). Through their economic activities, they make significant contributions to households, societies and economies worldwide (Chen *et al.*, 2016).

Although their activities are informal, they serve as the primary source of income for many households, helping to reduce hunger and reduce poverty (ILO, 2018a). Most importantly, an informal approach to business helps actors perform important roles in producing goods and services for both domestic and international markets, preserving local culture and social life (Chen and Carré, 2020). Thus, such evidence showing tangible benefits calls into question the rationale for continually broad-brushing informality in business as somehow an art of the dark shadows embedded in the informal economy or a ghost that needs to be tackled (Williams and Nadin, 2012).

The economic frameworks currently dominating analytical and policy analysis need to be revised (Kanbur, 2017). They take too aggregated a view of informality in business,

yielding inaccurate policy analysis and prescriptions. Such aggregative approaches represent a misguided view of informal entrepreneurship, which perceives it as a lump and a problem that must be resolved (Webb *et al.*, 2009). Thus, this study argues that taking a disaggregated perspective is not only a better description of reality, it helps break clear from mindsets that associate informality in business with the legacy of an earlier mode of production (Chen and Carré, 2020; Kanbur, 2017). Just like formal business activities, there are disadvantages to informal entrepreneurship, and it is a substantial common misconception to suggest that informal entrepreneurship is detrimental to the economy (Dau and Cuervo-Cazurra, 2014). The demonstrable importance of informality in business unequivocally demands new and integrated entrepreneurship perspectives that challenge the status quo while advancing entrepreneurship research in meaningful ways (see Zahra, 2007). Also, considering the pervasiveness of informal entrepreneurship across global regions, there is merit in research that captures and conveys how it can be applied as an instructive guidance for new business formation and development.

Activities occurring in the informal economy sector are arguably the seedbeds for more substantial ventures in the future (Welter and Smallbone, 2009). In this sense, informal entrepreneurship is a stepping stone for informal, nascent entrepreneurs, and informal micro-enterprises (Siqueira *et al.*, 2016). That is, it allows them to test their ventures' viability (Rezaei *et al.*, 2013; Smallbone and Welter, 2006) before scaling them. Thus, as opposed to expending significant amounts of energy in suppressing informal entrepreneurship, more efforts should be directed towards positioning informal entrepreneurship in such a way that helps to complete the missing pieces of the entrepreneurship jigsaw puzzle (Welter *et al.*, 2015). In keeping with that logic, the authors contend that the new theorization they offer in this systematic literature provides meaningful theoretical avenue(s) for inspiring scholarly attention on the positive aspects of informal entrepreneurship. Accordingly, the new theorizations of informal entrepreneurship articulated in Figure 3 have profound implications for entrepreneurship, particularly for academics, business practitioners and entrepreneurship policy-makers.

For entrepreneurship scholars, the new theorizations imply that further studies on the manifestation of informal entrepreneurship in new business development in the informal economy sector(s) of various global regions are needed; thus, enriching entrepreneurship research (Bruton *et al.*, 2021; Zahra, 2007). For business practitioners, they provide an understanding of the context in which informal entrepreneurship is conceived and thrives. Regarding policy-makers in both developing and developing economies, it encourages them to devise and develop plans for supporting enterprises in the informal economy. Such plans may involve new policy formation reflecting the continuum of informal entrepreneurship as a priority instead of categorizing it under the illegitimate business activity banner. This also includes innovative ways of tackling tax non-compliance, which is a significant concern for policy-makers (Williams and Krasniqi, 2017) and creating a conducive institutional environment, especially in post-conflict contexts (see, e.g., Krasniqi and Williams, 2019). Through such efforts, decision makers may have

some success in understanding the elusive world of informality while learning from its complex character.

5.2. Toward new theorizations of informal entrepreneurship

In much of the discourse on formal vs. informal entrepreneurship, informality is portrayed as a standard feature of less-developed or less-modernized contexts (Welter *et al.*, 2015). With economic development and modernization, in the advanced world, the authors believe such transformations provide a natural and inevitable diminution of informal entrepreneurship. Notably though, since the turn of the new millennium, scholarly works (e.g., Schneider and Enste, 2013; Thai and Turkina, 2014) started to recognize that the informal sector in general, and informal entrepreneurship in particular (Gold, 2019; Ramadani *et al.*, 2019), is extensive, enduring and expanding in global regions (Chen and Carré, 2020).

From a political-economic perspective (see Castells and Portes, 1989; Ram *et al.*, 2017), informal economic activities are seen as a congenital feature of advanced capitalism. Thus, the authors perceive this as a direct refutation of the assumption that informal entrepreneurship is some minor diminishing business activity confined to the global economic landscape's peripheries (Welter *et al.*, 2015) and the recognition of the need for new theorizations to explain its persistence and growth. Accordingly, Figure 3 provides new theorizations to articulate informal entrepreneurship's role, function and value in new business formation and socio-economic transformation.

Figure 3. Interacting features of informal entrepreneurship

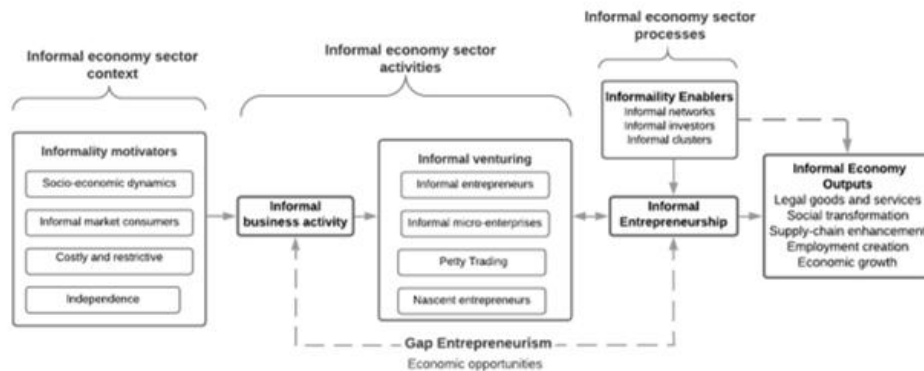


Figure 3 suggests that the informal sector is a context that endures and even flourishes. This is because of social, informal market consumers and legal patterns reflected in existing economic conditions that include global competition, high rates of unemployment, costly and restrictive regulations, and the inability of established firms to adapt to ever-changing environments. These conditions make starting, launching and operating unregistered businesses efficient, flexible and more responsive than is possible among regulated endeavours (Chen and Carré, 2020; Gold, 2019). Moreover, such

conditions explain the increasing volume of informal business activity (De Soto, 2001; ILO, 2018a; Krasniqi and Williams, 2019; Minard, 2009) in many global regions. This and the authors' assumption about the rise of informal entrepreneurship are grounded in Portes and Haller's (2005) paradox of state control.

The authors assume the position that an increase in the regulation of economic activity in any context—developing or developed country context, does not necessarily equate to reduced informal entrepreneurship; instead, such controls unintentionally contribute to its expansion because they create opportunities for profitable violation of state rules (Portes and Haller, 2005). This is consistent with the neo-liberal views that perceive increased informal venturing, for example, as a representation of resistance to state over regulation and a rational economic tactic pursued by informal entrepreneurs, micro-enterprises and nascent entrepreneurs (Packard *et al.*, 2012). This economic rationale lies at the heart of informal entrepreneurship and is further enhanced by the informality enablers that include informal networks, informal investors and the informal investors through the resources (e.g., financial resources) they make available to support informal entrepreneurship (Corradini, 2020; Webb *et al.*, 2020).

Our assumptions about informality enablers (Figure 3) build on Portes and Haller's (2005) argument that networked communities accustomed to relying on their own devices for survival and suspicious of official intervention are more likely to view the organization of informal enterprise as a normal part of life and involvement in the informal economy sector as a justifiable form of resistance. This study argues that such communities can sustain regular economic transactions in “frontier” situations where little official regulation exists (Portes and Haller, 2005). Both the informal and formal contexts support similar entrepreneurial cognitions, and an instinctive entrepreneurial spark is likely to start in the informal spheres before joining the formal market without being illegal or criminal at any point in time (Ramadani *et al.*, 2019).

Economists (e.g., Fairlie, 2002) have acknowledged that the entrepreneurial skills of those engaging in informal entrepreneurship acquired through the informal economy are applicable in the running of legitimate enterprises with noticeable economic significance, articulated as informal economy outputs in Figure 3, comprising legal goods and services (Bruton *et al.*, 2012), social transformation, supply chain enhancement and economic growth (Dana *et al.*, 2018). Moreover, the behaviors of those individuals who engage in informal business activity exhibit genuine or innate entrepreneurial orientation (entrepreneurism) and their ventures can serve as social laboratories for assessing their entrepreneurship orientations and thus, develop a better understanding of their entrepreneurship processes often contrasted with formal entrepreneurship (Etemad, 2015a). The behaviors and the nature of the interactions of the informal economy actors can be explained using Williams' (1987) transaction cost economics ideas on bounded rationality and opportunism.

Concerning bounded rationality, our assumptions about informal entrepreneurship align with both Simon's (1961) and Williams' (1987) views that bounded rationality has reference to intended rational. Thus, the authors perceive that informal economy actors

engage in informal entrepreneurship to deal with costly and restrictive state regulations (Chen and Carré, 2020) and are interested in their independence or freedom. From an informal economy perspective, assumptions about opportunism or informal entrepreneurship can become a self-fulfilling prophecy whereby the opportunistic behaviors of the informal economy actors will increase with sanctions and incentives imposed to curtail such behaviours (Ghoshal and Moran, 1996).

5.3. Gap in the literature and future research opportunities

This systematic review identified several knowledge gaps in the extant literature on informal entrepreneurship published in leading journals. First, the infrequent focus (also noted by Dau and Cuervo-Cazurra, 2014) on informal entrepreneurship confirmed our initial doubts about its under-theorization, convincing the authors that it is not only necessary but it is long overdue. Moreover, in the formal vs. informal economy debate, informal entrepreneurship was often considered as being in the peripheries of mainstream economics (Welter *et al.*, 2015; William and Nadin, 2012) and yet informal entrepreneurs and micro-enterprises employed similar business strategies and used the same entrepreneurial skills and abilities in searching for, and in developing, economic opportunities (Fairlie, 2002; Gold, 2019). Informal entrepreneurship occurs because of the normal processes of identifying, recognizing and exploiting an opportunity (Chen and Carré, 2020). This denotes the entrepreneurial orientation of the individuals who engage in informal entrepreneurship.

Like those who engage in formal entrepreneurship, informal entrepreneurs also draw on previous experiences, knowledge and contacts (Welter *et al.*, 2015) to support their business creation process. Because of this, there is ground for justifying the need for a new theory of informal entrepreneurship to account for the entrepreneurship processes of these economic actors and to better articulate the nature and form of their processes that lead to new business formation. Such an approach is consistent with Zahra (2007), who expressed that theory development is central to advancing entrepreneurship as a scholarly field. Moreover, developing indigenous/contextualized theories provides alternative theoretical avenues to help develop entrepreneurship research (cf., Bruton *et al.*, 2021).

Second, the dismissal of informal entrepreneurship as a form of illegal and unregulated business activity occurring in the peripheries of mainstream economics (Williams and Nadin, 2012; Welter *et al.*, 2015) has contributed to its under-theorization. Third, the over-emphasis on its informality rather than its functionalism eschews its role, function and values in new business formation, economic development and social transformation debates. Thus, with knowledge on informal entrepreneurship currently scattered in leading journal, this systematic literature review is a serious attempt to inspire more research and debate on this widespread and important entrepreneurship phenomenon.

6. Concluding Remarks

This systematic literature review has argued that forming a business as a direct result of engaging in the informal economy should not equate to inferiority, but it should be understood theoretically and further developed. This is because informal entrepreneurs and informal micro-enterprises can flourish and are an essential component of economic development, especially in under-served societies. The study also demonstrated there is more to this. It illustrated how there is a mutual relationship between formal and informal entrepreneurship. Indeed, informal entrepreneurship utilizes entrepreneurship skills and helps micro-entrepreneurs identify opportunities and exploit them in the same way as those who engage in formal entrepreneurship. Informal entrepreneurs play an essential role in economies, especially in the developing world, by not only delivering needed products but by also producing economic growth and neighborhood revitalization when formal sector businesses fail to do so and public funds are too scarce to accomplish the goal. The study has shown that engaging in informal entrepreneurship is a rational economic decision central to entrepreneurship (De Soto, 1989). Moreover, informal entrepreneurship must be viewed on a continuum from formal to informal rather than characterizing it as an activity that occurs in a hidden economic sphere (Welter *et al.*, 2015).

Arguably, the observations provided in this study offer alternative perspectives about the economic significance of informal entrepreneurship contrary to the widely held assumption that it will rapidly disappear with the advent of the modern formal economy (Geertz, 1963). Indeed, the market solutions informal entrepreneurs offer through the types of goods and services they produce form an essential component of global economics. This confirms that informal entrepreneurship plays a significant role in many global regions and it should no longer be side-lined (Thai and Turkina, 2014). Proposed theorizations (Figure 3) provide an essential instrument for harnessing, nurturing and deploying the transformative power of informal entrepreneurship for economic and entrepreneurship development.

Like any other research, this systematic literature review has limitations. Considerable research on informal entrepreneurship is scattered in entrepreneurship-oriented journals that are less esteemed than the ones chosen for data collection. As such, there may be other essential views on informal entrepreneurship that are not represented in this research. Nonetheless, the authors believed that the greatest effect on most academic specialties comes from high-quality journals (e.g., Burton *et al.*, 2008; Judge *et al.*, 2007).

Finally, this study offer opportunities for future research on informal entrepreneurship. The authors see potential in future research focusing on informality in business. From that perspective, it is plausible to suggest that quantitatively designed research should investigate the informal economy sector with a particular focus on the economic contributions of informal entrepreneurs and micro-enterprises, especially in developing economies. Thus, such quantifiable evidence can inspire policy development

initiatives targeted at informal entrepreneurship. Doing so will offer much-needed incentives and direction for harvesting its potential.

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