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Rethinking the Informal Economy in Africa:
Findings of a Survey of Microbusinesses in Ghana, Kenya and Nigeria *

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Abstract

This paper presents findings of a large-scale survey of low-income microentrepreneurs in Ghana, Kenya and Nigeria, conducted in order to understand the informality of the microenterprise sector. The findings reveal three key outcomes. First, contrary to common belief in the literature on informality, a significant portion of low-income entrepreneurs boast high educational credentials, and their businesses exhibit substantial sales revenues, in each case surpassing national averages. Surprisingly, nearly all low-income microenterprises pay some form of tax and maintain official registration with some government agencies. Second, again contrary to assumptions often made, microenterprises do not exist in a homogeneous realm of informality. Broadly defining informality envelops almost all microenterprises, yet a more nuanced definition uncovers rich heterogeneity in the nature and depth of informality. Third, far from stagnating, many microbusinesses are vibrant, dynamic and resilient. This finding is particularly important because development economics has traditionally judged informal enterprises as low in productivity and inferior to their formal counterparts, and this has had a profoundly negative impact on government policy. Thus, conventional approaches to the study of informality demand critical reassessment and a paradigm shift in conceptualizing informality and a reinvigorated perspective on the dynamics of low-income microenterprises in Africa.

Key Words: Informality, Africa, Microenterprises, Dynamism
JEL: O55, O17, Z13

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* This paper is the first of the Duke Africa Initiative Series on the African informal economy. A sequel to this paper, "Modeling Motivation, Business Practice and Dynamism of African Informal Entrepreneurs," is being circulated as a working paper. The third paper, "Multidimensional informality and dynamics of micro-businesses in Africa", is in an advanced stage of preparation. This study is supported by the Kobe University Strategic International Collaborative Research Grant (Type C Creating Joint Research). The authors are indebted to Mr. I.M. Jamal, Assistant Director, Group Sustainability of ASA-International, for overseeing the implementation of the African Informal Entrepreneurs (AIE) Survey in coordination with the Duke Team. The authors are grateful to the other members of our research team, Wangrong Deng, Patrick Crotty, and Tian Chen, all of whom made significant contributions at an earlier stage of the research. We acknowledge, with deep gratitude, support and guidance we received from Mr. Praful Patel, former Vice President of the World Bank.
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1. Introduction

There are two threads of thought in the vast literature on informal economies in Africa, each with nearly opposite views of the merits of the informal. One, espoused traditionally by development economists, sees informality through the lens of the state and the market economy—viewing informality as income-generating activities outside the regulatory framework of the state—and considers the informal sector as unproductive and inferior to the formal. The other, implicit in the views of many anthropologists and a range of other social scientists, sees informality in a more positive light, as dynamic, vibrant, and resistant to state regulation. While positive features of informality have increasingly been recognized in development economics, the disciplinary divide still remains.

This paper argues that it is time that the academic community, both economists and anthropologists, rethink the informal economy in Africa. While for decades, African governments have adopted policies to transform "inferior" informal enterprises/employment into "superior" formal enterprise, this policy has generally failed. A large-scale uplifting of informal enterprises into the formal sector—with an associated rise in firm productivity—has not materialized.

The purpose of this paper is to re-evaluate various propositions that have been widely accepted in the informal economy literature and have become orthodoxy in policy circles. For example, is it true that informal businesses do not comply with government regulations and have low productivity? Is the productivity of microbusinesses that comply with government regulations substantially higher? On the flip side of the academic divide, is it indeed the case that informal enterprises are inherently dynamic and entrepreneurial, as claimed by some anthropologists? Our view is that informal enterprises comprise such a diverse category that no blanket statements apply to all or even to most of them. We will demonstrate such diversity in this paper and discuss, in a sequel to this paper (Hamaguchi et al, 2024), how we can define informality more precisely so that meaningful characterizations of informal enterprises/employment might be offered.

The re-evaluation undertaken in this paper is quantitative and objective. Data are drawn from a survey of owner-operators of low-income microbusinesses that ASA International (ASA-I) conducted in Kenya, Ghana and Nigeria in May 2021 in partnership with Duke University's Africa Initiative (Duke-AI). The survey was largescale, with 500 respondents in each country, and comprehensive, covering key characteristics of microentrepreneurs and their businesses as defined by the literature. The impact of the coronavirus on microbusiness and their response to the pandemic was also addressed. Special care was taken to assure data quality, drawing on the expertise and networks of ASA-I's local offices.

In Section 2, we review literature on the informal economy in Africa and introduce criteria used in defining informal enterprises. In Section 3, we will briefly introduce the ASA-I-Duke survey and methods used[1], while Section 4 presents an overview of the microenterprise sector on the basis of the findings from the survey. In Section 5, we construct informality indicators from the answers given in the survey and review features of the informality of the microenterprise sector. We conclude with a summary of key findings and offer thoughts about the way forward for the study of informality of African economies (Section 6).

2. Literature review: theories and definitions

[1] For details, see Brouwer, L. and Jamal, M. I. (2024).

We begin our rethinking of African informal economies with a review of the literature. We will conclude our review by noting the findings of some contemporary anthropologists that owners of informal microbusiness are motivated by the quest for freedom, trust, and social recognition, as well as the desire to remain flexible in operating their businesses—more than by short term monetary gain. In these anthropologists' view, these non-pecuniary operating principles are the defining feature of informality and make informal enterprises conceptually distinct from formal microenterprises that operate by more conventional market principles. Noncompliance with government regulations or the small size of business may or may not be an outcome of informality. This is an empirical question that will be tested in the sequel to this paper, Hino et al (2024).

2.1 Theoretical perspectives

There are several competing theories in the literature that each attempt to account for the origins and nature of informal economies.

One, the dualist school, sees the informal sphere as a hold-over or vestige from an earlier "traditional" (subsistence/non-capitalist) economy (Ranis 2009, Wilson 2011; Obeng-Odoom and Ameyaw 2014). This traditional sphere is thought to exist alongside and separate from the formal modern capitalist sphere, with each organized according to different principles: the informal sphere prioritizing social relations and the redistribution of earnings to consumption, the formal maximizing and accumulating profit (Carr and Chen 2001; Wilson 2011; Neves and du Toit 2012). Proponents of the dualist view assume that the informal will eventually disappear, to be absorbed by the formal and supplanted by capitalist principles.

This dualist view is challenged by critics in several ways. For one, the two spheres are in most instances not so much separate as intertwined (Bayart et al. 1999; Simone 2004; Roitman 2005; Chen 2007; Obeng-Odoom and Ameyaw 2014), with traders and other informal sector workers often moving between the two, and with informal sphere products typically originating in formal sphere value chains. This suggests that the two spheres are mutually constitutive, and that informality may be endemic to capitalism (Bayart et al. 1999; Roitman 2005; Mains 2012, 2019; Obeng-Odoom and Ameyaw 2014; Eckert 2019; Hart 2020). Another critique is that the informal sphere has grown, not diminished, as global capitalism has expanded over the last 30 years (Carr and Chen 2001; Simone 2004; Chen 2007; Verick 2006; Hart 2020). Indeed, neoliberal capitalism has seen a reduction in the size of the formal sector and an expansion of the informal. Third, some see the informal economy as a solution to market failure rather than part of the problem (Potts 2007: 5; Meagher and Lindell 2013: 58). Finally, what theorists call the new or "gig" economy in the US and Europe—of increasingly flexible, part-time, sub-contracted, casual/intermittent, unprotected/no-benefits employment—resembles the workings of the informal sphere more than the formal sphere (Blunch, Canagarajah and Raju 2001: 4).

A second school, structuralist (also "neo-Marxist"), sees the two spheres as intrinsically, albeit hierarchically, linked, with the informal subordinated to and exploited by the formal. Thus, to increase competitiveness, capitalist firms in the formal economy reduce labor costs by promoting informal employment relationships, often poaching on the informal through sub-contracting and the hiring of workers informally (Chen 2007: 7; Wilson 2011: 206).[2]

[2] A related approach, more influenced by Foucault than Marx, calls into question the conceptual divide between formal/informal altogether, suggesting it is discursively constituted as a residual category by states and state agencies, NGOs, and other powerful interests, as well as by conventional economic theory (Roitman 2005; Ghezzi 2010; Bernards 2018). While this is a view we take seriously, it does not obviate the fact that once

The third school, legalist, is associated with Peruvian economist Hernando de Soto (2003). De Soto has a more positive view of informality, seeing it as a "hotbed of emerging entrepreneurs, constrained only by unnecessary, slanted, and superfluous legislation" (Wilson 2011: 207). Informal workers are here read as "counter-hegemonic," rebels against the bureaucratic legislation imposed by mercantilist states that favor elites. Informal workers evade not only government regulation but also capitalist work discipline, preferring the flexibility that job self-creation enables (de Soto 2003; Wilson 2011).

Such an upbeat reading of informality—of informal workers as rebels and revolutionaries—is seen by some, however, as a celebration of survivalist self-exploitation (Barchiesi 2019: 69). Without denying informal workers' resilience or their cleverness in eluding government control, or their success in feeding themselves and their families, or their adeptness at blending business with social relations, Barcheisi nevertheless worries that these laudatory features of the informal will seduce scholars and policy analysts into a celebration of precarity and poverty: "Isn't it great to be poor!" "They may be precarious but they're clever, entrepreneurial and happy!" (Barcheisi 2019: 71).

While these diverse theoretical views each contain partial truths, all nevertheless analyze informality in terms of classical/neoclassical economic principles. In contrast, Hirano (2021) and Ogawa (2016) see informality as distinctively African and driven in part by non-pecuniary motivations. At a Kobe-Duke symposium held in July of 2023 on the dynamism of African economies, Sayaka Ogawa (2016) stressed three principles that, for her, encapsulate the essence of informality: (i) flexibility in the face of uncertainty; (ii) the importance of social recognition; and (iii) reliance on personal trust. Misa Hirano (2021), another Kyoto anthropologist, added that informal entrepreneurs appreciate freedom. Motoki Takahashi (2023) further hypothesized that networking and affinity with neighbors' accounts for informal enterprises' apparent preference to expand horizontally rather than vertically, thus adding units of equally small size rather than scaling up. These principles are not present, or at least not prominent, in the analytical framework of classical/neo-classical economics. See Hino (2023) for a summary of conference proceedings.

The above view of informality is not unique to the authors cited above. In the anthropology literature on informality in South Africa, Neves and du Toit (2012) described the range of motivations that inform the activities of informal workers in the Western and Eastern Cape. Nevis and du Toit reported that workers were forceful and articulate in stating that their motivations for informal activity were not only to generate income and bolster food security but also to enhance social connections. Indeed, the workers appeared less motivated by business plans and the impersonal market's logic of accumulation than by social and re-distributional logics and building networks of trust.

2.2 Defining the informal economy.

British anthropologist Keith Hart's (1973) early definition and coining of the term "informal economy" in Ghana—as "income-generating activities outside the regulatory framework of the state"—remains widely-cited and relevant today (Castells and Portes 1989; Benjamin and

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brought into being, the category informal takes on a life of its own, not only as a culturally salient category in state and policy circles but also in popular consciousness. Informal street sellers in Lomé, Togo's capital, for instance, readily identify themselves as "informelle" and positively embrace the freedoms this identity affords them.

Mbaye (2012); Charmes (2012); Hansen et al. (2013a); Meagher and Lindell (2013), though it has since been expanded and nuanced.

Subsequent scholars and policy analysts have added that informal enterprises are small-scale, have limited access to liquidity, fail to keep accounts, and employ workers who labor long hours for low wages without protection, while working at the margins of the formal economy.[3] The International Labour Office (ILO) further defines informal enterprises as those that are unincorporated or unregistered.

Such mostly-negative definitions of informality, stating what the informal is *not* or suggesting the ways in which it is deficient: non-tax paying, unproductive, non-scalable – to say nothing of the negative terms used to describe it such as the "shadow" economy (Gomis-Porqueras et al 2014; Putnin and Sauka 2015), the "survival" sector (Blunch et al 2001), the "black" or "unreported" economy (Medina, Jonelis and Cangul 2016) -- not only point to the hegemonic, unmarked position of formal, state-recognized enterprise but also fail to capture the positive aspects of informal work.

However, not all researchers have held such dismissive views of the informal. A range of scholars and policy have explored ways of drawing on the strengths of informal sector enterprise and sought to enhance rather than eliminate informal economic activity. Thus, policy analyst Martha Chen (2007; 2012) sees informal economy work as a growing, permanent feature of capitalist development which should be viewed, "not as a marginal or peripheral sector but as a basic component—the base, if you will—of the total economy" (Chen 2007: 2). And Meagher and Lindell (2013: 59) insist that "new strategies are emerging among governments, development agencies, and global business to tap the energies of the informal economy through collaboration with informal networks and organizations which are giving rise to new approaches to governance and economic development."

Furthermore, the *World Development Report* 2013, "finds that the jobs with the greatest development payoffs are those that make cities function better, connect the economy to global markets, protect the environment, foster trust and civic engagement, or reduce poverty. Critically, these jobs are not only found in the formal sector; depending on the country context, but informal jobs can also be transformational" (World Bank, 2013, xiii). The report adds that, "Individuals value jobs for the earnings and benefits they provide, as well as for their contributions to self-esteem and happiness" (World Bank, 2013, p.2). In a parallel vein, in a report to the Fifth Tokyo International Conference on African Development in 2013, Hamaguchi et al (2013) called the development community to fully embrace informal sectors.

Nevertheless, dismissive views of the informal economy remain prominent among many development economists. In a recent major publication on the informal economy, the World Bank stated: "Widespread informality hampers development progress in a variety of ways. It is broadly associated with weaker economic outcomes. Countries with larger informal sectors have lower per capita incomes, greater poverty, less financial development, and weaker growth in output, investment, and productivity." (Ohnsorge, F. and Yu, S. (2022) p. xvii)

Table 1 below presents definitions of informal enterprises adopted by other more quantitative studies. It lists 12 informality criteria in the 13 sources surveyed. These definitions are

[3] Precarious, vulnerable, insecure, and uneducated are frequent descriptors of workers in the informal economy in the literature (Mead and Morrison 1996; Carr and Chen 2001; Vishwanath 2001; Avirgan et al. 2005; Verick 2006; Meagher & Lindell 2013; Benjamin et al. 2014).

essentially variations on the original Hart definition. For example, Fourie (2018) uses failure to pay consumption tax or income tax, and failure to comply with government regulations, as criteria that differentiate formal from informal enterprises. Other criteria used to define informality include firm size, registration with national institutions and maintenance of own accounts. The selection of the criteria in these studies appears somewhat ad hoc, rather than being drawn from a rigorously conceived framework.

Table 1: Criteria Used to Define Informal Enterprises in the Literature

Informality criteria	Fourie (2018 b)	ILO (2018)	Losby et al.(2002)	Losby et al. (2003)	ICLS (1993)	Kanbur (2009)	Armin et al. (2015)	Benjamin (2012)	Benjamin & Ahmado (2012)	Osei-Boateng et al. (2011)	Gelb et al (2009)	La Porta and Shleifer (2014)	Shahid et al (2020)
1 Not keeping record		Yes		Yes				Yes	Yes				Yes
2 No contract with workers			Yes									Yes	
3 Location of business								Yes	Yes				
4 Mode of accepting payments			Yes									Yes	
5 Personal relation in conducting business										Yes			
6 Personal relation for obtaining funds								Yes	Yes				
7 Not paying tax	Yes			Yes				Yes			Yes		
8 Non-compliance with government regulations	Yes					Yes							
9 Non-registration in national institutions		Yes		Yes	Yes			Yes	Yes		Yes		Yes
10 Firm size			Yes		Yes	Yes	Yes			Yes		Yes	
11 Unincorporated enterprise		Yes			Yes			Yes	Yes	Yes			Yes
12 Sell products in markets		Yes											

Note: Criteria used in each of the publications are marked "Yes".

Several points are noteworthy: (1) none of the definitions are based on a single criterion; they are all multi-dimensional; (2) a majority of the definitions are binary, that is, enterprises are seen as either informal or formal; (3) in others, informality is defined as a continuum, a matter of degree.[4] (See, for example, World Bank (2022).) Benjamin and Ahmado (2012) utilize the Cramer's V measure to capture the correlation between characteristics of informal enterprises, which further differentiates levels of informality; Shahid et al (2020) add a decision matrix to divide informality into five levels, ranking from fully formal to fully informal.

3. Data and survey methodology

Data required for our analysis are derived primarily from a survey of owner-operators of low-income microbusinesses (AIE Survey) that was conducted by the Duke University Africa imitative and ASA-International in Kenya, Ghana and Nigeria in May and June 2021.[5] ASA International's corporate database was used as a secondary source to supplement the primary data.

[4] *Depending on their circumstances, workers and units are known to move with varying ease and speed along the continuum and/or to operate simultaneously at different points on the continuum...Moreover, the formal and the informal ends of the economic continuum are often dynamically linked. Many informal enterprises have production or distribution relations with formal enterprises, supplying inputs, finished goods or services either through direct transactions or sub-contracting arrangements*" (Chen, 2017)

[5] The AEI Survey is much smaller than the World Bank's Informal Sector Survey in terms of the number of samples but more comprehensive with respect to various aspects of informality of owner-operators of microenterprises and their businesses. The World Bank's survey covers Ghana (several cities) but not Kenya or Nigeria.

The AIE Survey is largescale. Five hundred (500) respondents were selected in each country from a large pool of recipients of loans from ASA-I (over 100,000 in Kenya, 150,000 in Ghana, and more than 250,000 in Nigeria). The loan recipients were low-income (monthly income of less than $100), and they are almost exclusively female. They initially received loans of less than $100, which they were expected to use to cover working expenses and repay in three months. Upon repayment, their loan amounts were increased up to $300, and sometimes more.

A stratified random sampling methodology was employed. Data from other existing surveys were used to estimate the geographic distribution of microenterprises in each of the countries. The client base of ASA-I's regional offices was used as the sampling frame, and the number of respondents from each region was determined proportionate to the regional distribution of microenterprises in the country.

For each country, 25 loan officers were selected from local offices in the country to serve as enumerators (one or two from each local office) and 20 of their clients were assigned to each loan officer. They were trained to conduct interviews professionally, and they interviewed four respondents per week over a 5-week period.

The survey was comprehensive. Survey questions encompassed: (a) owner-operators' social and institutional attributes; (b) size, sector, revenue and other characteristics of their businesses; (c) growth, diversification and dynamism of their enterprises; and (d) compliance with government regulations, trust, and other features conventionally associated with informality. The survey questions also covered the impact of the coronavirus pandemic and their responses.

The collected responses underwent quality control at ASA-I's country head offices and were uploaded in an excel file. The files were further cleaned at ASAI's Global HQ and at Duke. Missing values in individual responses were identified, and consistency of answers across different questions was checked. Duplicate responses were identified and removed. Finally, some questions were reformatted for ease of reference in the final datafile. The cleaned dataset consisted of 1371 respondents, although the number of valid responses varied across questions, at times dipping to less than 1000.

It should be noted that special care was taken to assure data quality. Survey questions were prepared carefully by the Duke team and ASA-I's local officers to ensure that relevant issues were covered and raised in such a way that could be answered without transgressing privacy issues and sensibilities. Responses were collected through in-person interviews by each respondent's loan officer—who already knew the respondents well. Answers were transmitted by the loan officers to their local offices for review by their supervisors, and questionable answers were removed before the answers were uploaded in a survey file.

While a more open-ended random sample of all of a country's informal enterprises may provide a richer and more representative sample than ours, the reliance on ASA-I's local knowledge and business network nevertheless gave us greater assurance of data quality and a more reliable basis for quantitative manipulation and more accurate interpretation.

A caveat is in order. Our survey is not completely free of sampling bias. First, our samples are all female, because ASA-I's clients are almost exclusively female. By contrast, females and males are almost equally distributed in the samples of other national surveys of microenterprises we reviewed. Appendix A compares our survey to existing national surveys for several basic indicators, including gender distribution. Second, our samples do not cover areas in the three countries where ASA-I does not operate. While ASA-I operates in many regions and sub-regions in all three countries, it is not present in some areas.[6] However, the geographic coverage of the World Bank and other surveys we reviewed is also not complete. Finally, as shown in Table A, services and trade are over-represented in our samples for Ghana and Nigeria. In both countries, our samples show very small shares of microenterprises in agriculture and manufacturing while the shares are substantial in the national samples - 17% in Ghana and 31% in Nigeria. Needless to say, our samples all qualified to receive a loan from ASA-I; as such, our samples may have an upward bias relative to the population.

A full description of the survey design, sampling methodology, data collection process, confidentiality measures, and data clean-up procedures employed in the AIE survey as well as the Questionnaire is available in Brouwer, L and Jamal, M.I (2024).

4. Features of low-income microenterprises

We now turn to presenting the data collected by the survey, supplemented by information derived from the ASA-I's datafile. We divide the responses to survey questions into eight groups, each on related topics, and discuss notable features for each group of questions in the sub-sections that follow. Note that ASA-I's clients are all low-income microbusinesses and are not restricted to informal microbusinesses, however informality be defined. Thus, our findings in this section relate to the microenterprise sector as a whole.

4.1 Personal attributes of business owner-operators

Table 2 below summarizes responses to six questions about personal features of low-income microentrepreneurs: (a) degree of educational attainment, (b) monthly take-home income, (c) languages spoken at home, (d) adequacy of business skills (as they perceive them), (e) extent of participation in various social groups, and (f) use of information and communication technologies. Percentage distributions of answers to each question are presented for Kenya, Ghana and Nigeria separately as well as for the three countries combined.

Table 2 reveals that **commonly held perceptions about low-income microentrepreneurs in sub-Saharan Africa may need to be qualified in several ways**:

- **Microentrepreneurs in our sample are better educated than often assumed**. Three-quarters of the respondents have completed more than eight years of schooling and 15% have attended college or university. The average number of years of schooling is roughly 12 years in Kenya and Ghana and 10 years in Nigeria. They are certainly not less educated than the country's overall population.

- **Microentrepreneurs are not necessarily poor**. The median take-home income of owner-operators of microbusiness in our sample is $200 per month, double the $100

[6] ASA-I has a large presence in Kenya, Ghana and Nigeria. As mentioned above, it has roughly 100,000 clients in Kenya and over 150,000 and 250,000 in Ghana and Nigeria, respectively. It is estimated that those employed by ASA-I's clients represent 1.5 – 2.5% of total informal employment in each of the three countries. It is difficult to estimate the share of informal enterprises in the regions where ASA-I operates due to paucity of reliable data.

poverty threshold. Importantly, the highest 10% take home approximately $400 per month. This means that it is incorrect to equate microbusiness with poverty.

- **Microentrepreneurs do not appear to be as multi-lingual as often perceived**, if judged by the languages spoken at home. In Kenya, 25% of the entrepreneurs surveyed speak only their native language at home, and only 13% speak a national language at home. In Ghana, 95% speak their own language at home, with one half speaking Twi, which is widely spoken throughout the country. In Nigeria, 16% speak only English at home while 60% speak their native language only.

- Although the use of ICTs is limited, overall, **microentrepreneurs in our sample do not appear to consider themselves handicapped by their business skills**. They rank their communication skills on average at 4.25 out of 5 and writing and math at 3.7 out of 5. About 40% of microentrepreneurs in the survey consider themselves to have special skills required for running their business. Note that this is what microentrepreneurs perceive – it is not an objective measure based on testing.

- It is often assumed in the literature that microentrepreneurs are strongly connected to their own ethnic communities. We did not list ethnicity in possible responses to our questionnaire on respondent's connection with various community groups because ethnicity was considered sensitive and private in this regard. Our findings suggest that microentrepreneurs in our survey are more active in their religious groups than in other social groups.

Table 2: Personal Attributes of Business Owner-Operators

	Kenya	Ghana	Nigeria	Total	# of observations
Educational attainment					
0-5years (%)	0.00%	0.00%	22.37%	6.71%	1237
6- 8 years (%)	16.41%	25.54%	16.98%	19.64%	1237
9-11 years (%)	28.16%	39.04%	22.37%	30.07%	1237
>12 years (%)	55.43%	35.42%	38.27%	43.57%	1237
Weighted average (no of years)	11.32	10.46	9.07	10.35	1237
college/university/post-graduate school (%)	15.96%	7.95%	19.95%	14.47%	1237
Take-home income (in US dollars)					
Median	137.84	122.59	131.75	137.84	1355
Mean	229.72	199.96	165.71	201.05	1355
Lowest 10% average	36.76	35.03	9.22	35.03	1355
Highest 10% average	459.48	350.26	376.81	395.26	1355
Languages spoken at home					
Own ethnic language only (%)	25.35%	94.51%	58.75%	59.01%	1371
English only (%)	2.01%	0.21%	16.50%	5.62%	1371
Non-English nationally spoken language only (%)	11.87%	48.73%	29.50%	29.76%	1371
Both ethnic and non-ethnic languages (%)	59.56%	5.27%	24.50%	30.56%	1371
Number of languages spoken (Average)	1.81	1.22	1.30	1.46	1371
Business skills (weighted average, scale of 1 (not good at all) to 5 (very good)					
Oral communication	4.39	4.35	3.97	4.25	1232
Writing	4.04	3.22	3.73	3.68	1199
Math	3.94	3.96	3.10	3.69	1200
Good at buying/selling/negotiation (% of those answered)	54.72%	70.26%	56.62%	60.49%	1278
Have special skills for own business (%)	45.28%	29.74%	43.38%	39.51%	1278
Participation in group activity (weighted average) scale of 1 (not at all active) to 4 (very active)					
Religious group	3.42	3.13	3.23	3.26	1306
Neighborhood group	3.21	2.27	1.98	2.50	1254
Political group	2.12	1.57	1.69	1.80	1205
School friends	2.40	1.87	2.05	2.11	1221
Other	1.94	1.65	1.79	1.67	530
Use of ICT (% of all responses)					

None	7.71%	19.03%	14.44%	13.70%	1321
Phone/smartphone	89.72%	80.13%	79.53%	83.35%	1321
Tablet/laptop/PC	5.14%	2.54%	9.71%	5.53%	1321

4.2 Sector, size, revenue, stability and location

Surprising results can be found about basic features of low-income microenterprises too. Table 3 below presents: (a) in which industry categories microenterprises in our sample fall, (b) how much sales revenue microenterprises earn per month, (c) how owner-operators perceive the stability of their businesses, (d) how large or small each microenterprise is, if measured by the number of workers, including the owner, and (e) the location where microenterprises operate their business.

Table 3: Sector, Size, Revenue, Stability and Business Location

	Kenya	Ghana	Nigeria	Total	# of observations
Industry (%)					
Service	54.55%	25.90%	35.44%	38.83%	1339
Trade	43.76%	72.19%	54.94%	57.06%	1339
Manufacturing	8.46%	9.98%	12.15%	10.08%	1339
Agriculture	29.39%	24.11%	50.53%	69.06%	1339
Monthly sales revenue (in US dollars)					
Median	367.58	280.21	263.50	280.21	1344
Mean	485.64	410.14	599.35	492.21	1344
Lowest 10% (average revenue)	96.49	105.08	0	93.22	1344
Highest 10% (average revenue)	918.96	735.55	790.51	827.06	1344
Business stability					
Not at all or not stable (% of respondents)	10.97%	11.68%	1.31%	8.44%	1327
OK (% of respondents)	34.60%	26.33%	12.57%	25.32%	1327
Very stable or stable (% of respondents)	54.43%	62.00%	86.13%	66.24%	1327
Number of workers, including owner					
Median	1	1	2	2	1250
Mean	2.20	1.93	3.29	2.45	1250
Lowest 10% (average)	1	1	1	1	1250
Largest 10% (average)	4	4	6	4	1250
Business location (% of all responses)					
Commercial building	39.19%	29.68%	40.79%	36.25%	1327
Workshop in a shared area	8.47%	10.32%	25.00%	13.87%	1327
Public market with a mobile unit	23.31%	30.53%	17.11%	24.11%	1327
Street or other open space	16.31%	29.47%	9.21%	18.99%	1327
Private farm (owned or leased)	10.17%	2.11%	5.79%	6.03%	1327
Public farming or grazing land	1.91%	0.00%	0.79%	0.90%	1327
Own home	18.01%	21.05%	2.37%	14.62%	1327
Other	2.97%	2.32%	1.84%	2.41%	1327

It is noteworthy that:

- **It may be incorrect to state that low-income microenterprises are generally a one-person shop (owner plus one worker).** In our samples, the average number of employees (including owners) is 3 in Nigeria, 2 in Kenya, and a little less than 2 in Ghana.
- Monthly sales revenue of those microenterprises in our sample ranges from $260-$360 per month across the three countries. It is notable that **the highest 10% of microenterprises make revenues of more than $900 per month in Kenya, nearly $800 in Nigeria and over $700 in Ghana.**
- **The stereotypical view of the locations where low-income microbusinesses operate may need to be qualified.** In Ghana, 60% operate on a public street or in a public market with mobile units, while only 30% are located in commercial buildings. However, in Nigeria, only 25% conduct their business on a public street or public

market, while 65% do so in commercial buildings or at a workshop in shared areas. Kenya falls in between the two.

- **The instability/vulnerability of microbusiness does not appear to be a significant issue**. The proportion of microentrepreneurs who consider their business stable or very stable is 86% in Nigeria, 62% in Ghana and 54% in Kenya.
- The sector composition of microenterprises is widely different among the three countries. In Kenya, about one half of microentrepreneurs engage in trade and about the same proportion in services, while a third of them are also involved in agriculture. In Ghana, trade is the most common. In Nigeria, trade and agriculture are equally popular (about 50% each), while 35% of them also engage in services. Manufacturing accounts for a small portion of business activity in all three countries.

4.3 Owners, workers and owner-worker relations

Table 4 summarizes survey responses about: (a) the ownership pattern of microenterprises (self or with others), (b) the relationship with co-owners, (c) the relationship with workers, (d) if and how workers are paid, and (e) if workers have some form of contract for their work.

Table 4: Owners, Workers and Owner-Worker Relations

	Kenya	Ghana	Nigeria	Total	# of observations
Ownership (% distribution)					
By himself/herself	83.26%	88.72%	95.20%	88.71%	1284
With others	16.74%	11.28%	4.80%	11.29%	1284
Ownership partners % of respondents who answered 'with others'					
Family members	60.67%	72.22%	16.67%	58.04%	143
Relatives	8.99%	19.44%	50.00%	16.78%	143
Business associates	32.58%	11.11%	38.89%	27.97%	143
Other	1.12%	5.56%	0.00%	2.10%	143
Workers % of respondents who employ workers					
Family	55.50%	50.00%	20.43%	40.59%	606
Friends	11.00%	13.64%	2.17%	8.42%	606
Neighbors	6.50%	6.82%	1.30%	4.62%	606
No personal connections	42.00%	32.95%	85.65%	55.94%	606
Other	1.50%	7.39%	1.30%	3.14%	606
Form of compensation % of respondents who employ workers					
Wages	60.26%	31.40%	45.22%	46.20%	671
Stipend	2.99%	5.80%	24.35%	11.18%	671
Training/apprenticeship	9.83%	28.99%	18.26%	18.63%	671
Other experience	16.67%	8.21%	21.74%	15.80%	671
No compensation in any form	15.81%	23.19%	2.17%	13.41%	671
Other	2.99%	4.35%	0.87%	2.68%	671
Contractual relationship (% distribution)					
Yes	30.51%	31.17%	8.48%	21.80%	555
No	69.49%	68.83%	91.52%	78.20%	555

The key message from this table may be the following: **while the ownership structure is straightforward and fairly uniform across the three countries, owner-worker relations are more complex**; **it is also likely the case that the concepts of wages and contracts may not be similar to those in the West.**

- On the ownership structure, nine out of 10 low-income microbusinesses are owned by a single entrepreneur and, where it is jointly owned, three out of four co-owners are either family members or relatives, in all three countries.
- **Owner-worker relations show a mix of informal and formal relations** and contain certain puzzles. In Nigeria, almost all workers have personal connections with their respective owners and nearly all workers are compensated in some form. Yet, more than nine out of 10 workers do not have a contract. In Kenya, nearly 70% of workers

are family members or personal friends of the owners and do not have a contract. But 60% of workers are paid wages. In Ghana, about two thirds of co-workers are family members or personal friends, and do not have a contract. Nor are they paid wages.

- Apprenticeship is not prevalent in the low-income microenterprises in our database. The share of apprenticeship ranges from 10-30% among the three countries.

4.4 Buying, selling, financing and other business practices.

Table 5 below delves into the inner workings of microbusiness, much of which is rarely quantified in the literature. The table summarizes survey responses to: (a) from whom microenterprises source their materials and supplies, (b) to whom they sell their products, (c) on whom they rely in running their businesses, (d) how they get paid for their products – cash, on credit—with contract or without, (e) how they pay for materials and supplies, (f) how many of their business transactions are recorded in writing, and (g) from whom they source funds to run their business.

Table 5: Business Practices

	Kenya	Ghana	Nigeria	Total	# of observations
From whom materials/supplies are purchased (% of respondents)					
Formal/established companies (%)	17.17%	16.67%	16.67%	22.95%	1268
Traders (%)	82.61%	84.27%	84.27%	78.23%	1268
Family/friends/other personal acquaintance	5.65%	11.03%	11.03%	11.12%	1268
Others (%)	4.35%	2.11%	2.11%	4.34%	1268
To whom products are sold (% of respondents)					
Formal/established companies (%)	6.36%	4.36%	4.36%	11.72%	1323
Traders (%)	32.84%	36.17%	36.17%	38.40%	1323
Family/friends/other personal acquaintance	32.42%	28.10%	28.10%	39.08%	1323
Random customers	79.24%	68.85%	68.85%	77.10%	1323
Other	0.42%	1.74%	1.74%	1.06%	1323
Reliance on informal relations in operating business (% of respondents who answered very much or somewhat)					
Immediate family	61.44%	40.38%	34.90%	46.35%	1288
Close relatives	34.60%	30.87%	35.65%	33.47%	1225
Neighborhood community	53.17%	28.80%	47.97%	42.77%	1169
Religious group	49.53%	37.47%	42.60%	43.04%	1285
Ethnic group	38.00%	25.45%	29.01%	30.91%	1291
Government	29.68%	12.95%	5.82%	16.78%	1341
Strangers	49.89%	10.68%	15.94%	25.58%	1298
Form and timing of payment (% of respondents who answered always or usually pay in way as stated in question)					
Immediately, with cash, mobile money, card	87.80%	75.27%	73.06%	79.03%	1360
Later, without contract or collateral	16.95%	14.67%	36.51%	21.37%	1265
Later, with contract or collateral	8.48%	9.95%	23.24%	13.65%	1216
Form and timing of receipt (% of respondents who answered always or usually pay in way as stated in question)					
Immediately, with cash, mobile money, card	73.18%	59.91%	83.99%	71.64%	1280
Later, without contract or collateral	21.48%	15.85%	36.17%	23.84%	1271
Later, with contract or collateral	3.42%	4.73%	24.47%	10.17%	1258
Record keeping in writing (% distribution)					
Detailed and systematically	26.22%	19.96%	59.06%	33.33%	1320
Detailed but not systematically	24.95%	10.81%	11.17%	16.35%	1320
Keep some record	18.81%	10.81%	10.17%	13.71%	1320
Minimal	16.64%	19.54%	7.94%	15.17%	1320
No written record	13.38%	38.88%	11.66%	21.43%	1320
Sources of funds (% of all responses)					
Relatives and friends	42.73%	40.20%	9.21%	31.60%	1234
Religious or ethnic community	3.04%	4.33%	2.11%	3.16%	1234
Diasporas	2.17%	0.00%	5.53%	2.51%	1234
Mobile borrowing	49.67%	11.20%	36.05%	33.23%	1234
Bank in addition to ASA International	35.79%	42.49%	80.79%	51.78%	1234

Other	14.97%	9.67%	3.42%	9.72%	1234

It is evident that business practices of low-income microenterprises are manifold.

- While the microentrepreneurs in the three countries source their materials and supplies predominantly from traders (over 80%), they sell their products to a variety of customer categories, including traders (38%), family/friends/personal acquaintances (38%), and random customers (70-80%). Low-income microenterprises do business directly with established companies in the formal sector too, although its extent is limited (less than 20% source their materials in the formal sector and about 5% sell products there). Note that many traders and random customers belong to the formal sector but many of them are not thought of as "established companies."
- For the three countries taken as a whole, microentrepreneurs rely on a variety of connections in operating their businesses. **They rely almost equally on immediate family, close relatives, neighbors, religious groups and ethnic communities.** However, the pattern differs substantially in Kenya, where more than 60% of enterprises rely on immediate family and, at the same time, 50% rely on strangers, rates much higher than in the other two countries. In general, reliance on the government is limited, particularly in Nigeria and Ghana (6% and 13%, respectively).
- The extent of record keeping is also varied. For the three countries as a whole, **keeping detailed and systematic records is somewhat common (33%) but a significant portion of our samples keep no records (20%).** Other sample microenterprises are distributed almost equally in between. There are striking differences across the three countries. 70% of the sample microenterprises in Nigeria keep detailed records, whether systematic or not, while nearly 60% keep no or minimal records. Our Kenyan samples fall in between.
- While financing is clearly a big challenge for low-income microentrepreneurs, **many of those in our survey have access to formal financial institutions** (in addition to ASA-I) and to mobile banking, in addition to sometimes being able to borrow from friends and relatives. In Nigeria, 80% of low-income micro entrepreneurs borrow from banks in addition to ASA-I, while about 40% of those surveyed do so in Kenya and Ghana. Notably, 50% and 36% of low-income micro entrepreneurs in Kenya and Nigeria, respectively, borrow via mobile banking. This means that detailed bookkeeping is not necessarily required to borrow from formal financial institutions, including ASA-I itself.
- There is not much diversity in the mode of payments and receipts. **Most of the microentrepreneurs in our samples pay suppliers immediately and are paid immediately by customers with cash, mobile money, or cards** (75–85% of the samples in Kenya and Nigeria and 60% in Ghana.) Transactions based on trust-based credit —paying or being paid later without contract or collateral, are not uncommon in Nigeria (36%) but are more limited in Kenya and Ghana (15–20%).

4.5 Relations with the state

Our survey data allows us to see to what extent Keith Hart's original observations about relations of microenterprises with the state still hold. Table 6 below shows: (a) to what extent low-income microenterprises pay taxes, if so what types, and to whom, (b) whether they register with government agencies, if so what types of registration, and to what extent they comply with those regulations, and (c) to what extent they receive support from the state, and if so what kinds of support, and, for those who receive support, how helpful it is.

Table 6: Government relations

	Kenya	Ghana	Nigeria	Total	# of observations
Payment of taxes					
Pay taxes in some form (% of all responses)	90.80%	93.82%	75.19%	87.25%	1357
Pay always or usually (% of those who pay)	80.00%	65.29%	56.71%	68.21%	1013
Type of taxes paid (% of those who pay)					
Income tax	12.16%	30.93%	4.35%	17.20%	1186
Sales tax	27.25%	49.44%	50.17%	41.32%	1186
Property tax	6.31%	6.55%	5.35%	6.16%	1186
Business permit/license/user levy	65.99%	30.25%	33.44%	44.44%	1186
Other	0.68%	0.45%	0.33%	0.51%	1186
Venue/persons to pay tax (% of those who pay tax and responded to question 2-15-2)					
Government offices	41.47%	6.41%	24.41%	24.01%	1166
Tax collectors	65.21%	90.39%	71.19%	76.16%	1166
Police officers	7.37%	0.92%	3.39%	3.95%	1166
Community organizations	0.69%	5.49%	4.07%	3.34%	1166
Security guards	0.46%	2.75%	3.05%	1.97%	1166
Other	6.68%	0.00%	0.34%	2.57%	1166
Government registration with: (% of all responses to question)					
Federal/central government agency	5.45%	0.00%	14.18%	6.62%	1193
State/provincial/local government agency	43.60%	51.06%	48.61%	47.61%	1193
Not registered with any agency	51.90%	48.94%	37.47%	46.19%	1193
Government registration for: (% of all responses to question)					
Business license	73.44%	23.53%	26.29%	40.26%	611
Property registration	17.19%	0.53%	3.45%	6.87%	611
Public utility	50.00%	44.39%	31.47%	41.24%	611
Tax payment	32.29%	49.20%	35.34%	38.63%	611
Extension or other government service	4.17%	1.60%	14.66%	7.36%	611
Other	0.00%	0.00%	0.86%	0.33%	611
Support from government					
Yes, receive support (% of all responses)	39.39%	15.86%	37.84%	30.80%	1367
Type of government support (%of those who receive support)					
Utilities	26.11%	93.24%	7.95%	31.60%	405
Cash grant/financial service	8.89%	14.86%	3.97%	8.15%	405
Security	64.44%	18.92%	49.01%	50.37%	405
Health services	48.89%	94.59%	58.94%	60.99%	405
Extension service	13.89%	14.86%	5.96%	11.11%	405
Other	2.22%	0.00%	0.00%	0.99%	405
Helpfulness of government support (% of all responses to question)					
Not at all/not very much	51.89%	6.90%	96.03%	58.39%	423
Somewhat useful/very useful	48.11%	93.10%	3.97%	41.61%	423
Compliance with government regulations					
Fully/mostly	89.37%	57.36%	49.12%	66.06%	1320
Partially	5.64%	14.07%	17.63%	12.20%	1320
Rarely/none	3.25%	23.59%	4.79%	10.83%	1320
Not Sure	1.74%	4.98%	28.46%	10.91%	1320

The data suggest that common perceptions about microenterprises in Africa, originating with Hart's study, may need to be qualified.

- **It is incorrect to presume that low-income microentrepreneurs do not pay taxes**. In the three countries combined, nine out of 10 low-income microentrepreneurs pax tax *in some form*, and of those who pay, two out of three do so always or usually. These ratios are somewhat lower in Nigeria than in Kenya or Ghana. It is important to note that taxes paid are predominantly sales tax, while a business permit/levy is paid to tax collectors (and not at government offices). It is perhaps surprising that in Ghana—where Hart carried out his study in the 1970s—as much as 30% of low-income microentrepreneurs pay income tax.
- The picture of compliance with regulatory requirements is mixed. A limited number of low-income microentrepreneurs register with federal/central governments. Hence the generally held assumption that low-income microenterprises are outside

government purview may be correct in so far as the orbit of central or federal government is concerned. However, almost 50% of the microenterprises surveyed register with regional or local agencies and about 40% register for business licenses, public utilities and tax payments. For the three countries as a whole, **only about 50% of the microentrepreneurs in the survey are not registered with any government agencies.**

- **Government support for low-income microenterprises is not strong** in any of the three countries, as generally assumed in the literature. In Ghana, only 15% of low-income microenterprises receive support from the state and basically only for utilities and health services. In Nigeria, about 40% of low-income microentrepreneurs receive support from the state, mostly in security and health services, while nearly all of them consider government support not very or not at all helpful. However, government is considered more helpful in Kenya. There, 40% receive support from government, for utilities, security and health services, and almost 50% consider the support somewhat or very helpful.

4.6 Growth and diversification

How about the basic premise that low-income microenterprises are small and do not grow? Table 7 below presents survey responses about: (a) changes in revenue of these microenterprises over the last five years, (b) extent of diversification of products they sell, and (c) whether they want to grow and what constraints they face in growing. The table also shows if their business has changed as a result of trade with China or the presence of Chinese business locally.

The data in the table indicates that it would be imprudent to presume that low-income microentrepreneurs are content with their business performance as it is, in terms of the size of their revenue or their product diversification.

- For the low-income microenterprises in the three countries as a whole, **sales revenue increased on average by 5.3% per year over the five-year period**. This is only slightly below the pace at which the GDP of emerging markets and developing economies rose in current prices over the same period (about 6% per year). For more than 20% of low-income microenterprises in the three countries, sales revenue increased by more than 30% over the five-year period, and it rose by 10-30% for more than 25% of those enterprises. Revenue growth was particularly strong in Nigeria.

- **All low-income microentrepreneurs in our sample, except a few, want to grow their business**. Unsurprisingly, they all face a number of challenges in realizing their ambition, including funding (all countries), shelter (in Ghana and Kenya) and electricity (in Nigeria), among others. What may be somewhat unexpected are: (a) 1/3 of low-income microentrepreneurs in Nigeria do not consider funding an important constraint in achieving growth, (b) in Ghana and Nigeria, many entrepreneurs do not include training opportunities and information about ICTs or the market in the list of important challenges they face, and (c) again in Ghana and Nigeria, almost no entrepreneurs appear to be looking for government services to help them grow their businesses.

Table 7: Dynamism of microentrepreneurs

	Kenya	Ghana	Nigeria	Total	# of observations
Revenue growth/decline over the last 5 years (% distribution)					
Decreased by 30% or more	11.76%	11.97%	4.64%	9.85%	1310
Decreased by 10-30%	25.63%	26.50%	3.83%	19.85%	1310
About the same	20.17%	19.23%	27.87%	21.98%	1310
Increased by 10-30%	22.69%	18.59%	42.08%	26.64%	1310
Increased by 30% or more	19.75%	23.72%	21.58%	21.68%	1310
Product diversification and other changes over the last 5 years (% distribution)					
Not at all	37.61%	50.21%	48.95%	45.41%	1306
Not much	17.61%	10.09%	11.58%	13.17%	1306
A little	35.87%	32.62%	15.26%	28.71%	1306
A Lot	8.91%	7.08%	24.21%	12.71%	1306
Changed business as a result of trade with China or the presence of Chinese business					
Yes (% of all responses)	18.85%	3.74%	2.18%	10.14%	1282
Plan to grow business					
Yes (% of all responses)	95.74%	97.25%	97.96%	96.91%	1359
Challenges in growing business					
None (% of all responses)	0.21%	3.96%	0.82%	0.21%	1289
Electricity (% of those with challenges)	13.83%	17.80%	62.91%	13.83%	1289
Shelter (% of those with challenges)	26.17%	33.19%	7.42%	26.17%	1289
Other infrastructure (% of those with challenges)	15.96%	19.56%	13.19%	15.96%	1289
Funds/money (% of those with challenges)	87.23%	75.82%	64.01%	87.23%	1289
Training opportunity (% of those with challenges)	19.57%	8.79%	9.62%	19.57%	1289
Information on technology or market (% of those with challenges)	25.74%	4.62%	11.54%	25.74%	1289
Government services/advice (% of those with challenges)	15.53%	2.42%	3.30%	15.53%	1289
Lack of people to employ or work with (% of those with challenges)	7.66%	2.42%	3.02%	7.66%	1289
Other	3.40%	0.66%	3.02%	3.40%	1289

- It is often stated that low-income microenterprises tend not to diversify the products they manufacture or trade as they expand their businesses. Our data suggests that this statement may be an over-simplification. While about 60% of microentrepreneurs in all three countries did not diversify their products significantly over the last five years, 40% did so somewhat or substantially. Similarly, while few low-income microentrepreneurs in Ghana and Nigeria took advantage of opportunities to trade with China or to engage with the local Chinese presence, a significant portion of microenterprises in Kenya (20%) did so.

4.7 Resiliency - impact of and response to the Coronavirus

Another question on which the views of scholars and observers differ is whether low-income microenterprises are more vulnerable to adverse shocks in the economy or are actually more resilient than established, larger enterprises in the formal sector—thanks to the flexibility provided by more informal ways in which many microenterprises operate. Table 8 sheds light on this question as it presents responses to the following: (a) to what extent the revenue of the respondent fell or rose from the onset of the coronavirus pandemic to the time when its impact was most severally felt, (b) what are the reasons for the loss or gain, (c) how far did the revenue recover or even exceed pre-pandemic levels, and (d) how long did it take to recover.

Table 8: Impact of and responses to the Coronavirus Pandemic

	Kenya	Ghana	Nigeria	Total	# of observations
Loss or gain of revenue when the impact of Coronavirus was most severe (% distribution)					
Lost by 50% or more	20.92%	14.61%	2.33%	13.24%	1261
Lost by 30 – 50%	29.92%	26.95%	26.94%	28.07%	1261
Lost by 10-30%	29.29%	37.28%	32.64%	32.83%	1261
About the same	12.55%	5.04%	24.61%	13.88%	1261
Gained by 10-30%	4.60%	5.79%	4.15%	4.84%	1261
Gained by 30-50%	1.67%	8.06%	6.22%	5.08%	1261
Gained by 50% or more	1.05%	2.27%	3.11%	2.06%	1261
Reasons for revenue loss (% of respondents who lost revenue)					
Supply chain disruption	59.14%	53.14%	34.01%	50.83%	1023
Loss of customers due to restrictions	78.68%	83.51%	71.26%	78.69%	1023
Quarantined or hospitalized	8.63%	17.54%	0.81%	10.07%	1023
Did not work	28.93%	37.70%	6.07%	26.69%	1023
Shared revenue with relatives	17.01%	17.80%	3.64%	14.08%	1023
Reasons for income gain despite Covid-19 (% of respondents who gained income)					
Diversified business/started a new business	94.87%	53.33%	30.19%	55.92%	152
Competitors left	25.64%	48.33%	49.06%	42.76%	152
Increased demand due to Covid-19	28.21%	16.67%	41.51%	28.29%	152
Gov't grant/loans/legal services	2.56%	6.67%	30.19%	13.82%	152
Recovery from the time hit worst (% distribution of those who made a recovery)					
Recovered less than 50% of the loss	4.57%	7.42%	3.09%	5.17%	1239
Recovered 50 – 70% of the loss	11.64%	20.00%	17.13%	16.22%	1239
Recovered 70 -90% of the loss	26.26%	20.00%	16.57%	21.23%	1239
Recovered almost 100%	21.46%	11.01%	0.28%	11.62%	1239
Surpassed pre-Covid level by 10-30%	18.72%	22.70%	39.61%	26.15%	1239
Surpassed pre-Covid level by 30-50%	13.47%	14.83%	22.47%	16.55%	1239
Surpassed pre-Covid level by more than 50%	3.88%	4.04%	0.84%	3.07%	1239
How long it took to return to normal (% distribution)					
Less than 3 months	27.03%	15.38%	21.18%	20.83%	576
4-9 months	54.05%	70.14%	61.76%	62.50%	576
10-12 months	18.92%	13.12%	17.06%	16.15%	576
Unable to return to normal	0.00%	1.36%	0.00%	0.52%	576
Other than Covid-19, drought, political violence and other shocks experienced (% of respondents who answered)					
Yes	33.12%	5.24%	3.02%	15.66%	1188
No	66.88%	94.76%	96.98%	84.34%	1188

Table 8 reveals an **exemplary display of resiliency**.

- Understandably, a large majority of low-income microenterprises in our sample (73%) experienced a loss of sales revenue during the pandemic, some by more than 50%, due mostly to supply chain disruptions and restrictions on the movement of customers. Importantly, however, **one quarter of the low-income microenterprises withstood the shock without a loss of revenue, with some of them increasing their sales revenue by more than 10%.** In Kenya, nearly all of the microenterprises which increased their revenue diversified their business or started a new business, while in Nigeria and Ghana, about 50% of those enterprises took advantage of opportunities created by the pandemic (such as the closure of competitors' businesses). Apparently, the microenterprises managed the shock reasonably well despite the fact that government support was minimal in Kenya and Ghana and limited in Nigeria.

- During the pandemic's recovery phase, **about 50% of low-income microenterprises in our sample regained or surpassed their pre-pandemic sales revenues**, for many of them by a large margin. It took most of them (80%) less than nine months from the time they were worst hit to return to normal business. While 20% of the microenterprises in the sample were unable to recover revenue to 70% of pre-pandemic levels, it is normal to expect some attrition from a shock of this magnitude.

- Additionally, it is interesting to note that **only 5% of microenterprises have experienced political violence, drought, or shocks other than Covid in Ghana and Nigeria, and even in Kenya, only 33% claimed as much**. This shows that low-income microenterprises in the three countries are not as exposed to those shocks as often presumed.

4.8 Satisfaction and motivation of informal entrepreneurs

Finally, are low-income microentrepreneurs satisfied with their businesses and what motivates them to own and operate a microbusiness? Table 9 below presents responses to these questions.

Table 9: Satisfaction and Motivation of Business Owner-Operators

	Kenya	Ghana	Nigeria	Total	# of observations
Happy with business (% distribution)					
Yes (%)	94.70%	97.51%	89.14%	94.21%	898
No (%)	5.30%	2.49%	10.86%	5.79%	898
Advantages of having own business (% of all responses to question)					
Full control of business	83.69%	76.50%	93.11%	84.03%	1315
Free to innovate and introduce new products	70.97%	69.40%	48.21%	63.65%	1315
Earn extra income	59.75%	47.89%	36.73%	48.82%	1315
Work from home	47.03%	47.67%	20.66%	39.39%	1315
Opportunity to develop skills	52.75%	29.71%	26.79%	37.11%	1315
Own boss	36.65%	33.26%	47.19%	38.63%	1315
Other	43.22%	33.48%	39.54%	38.78%	1315

The information from the table allows us to hypothesize that **African microentrepreneurs are generally satisfied with the business they own and operate and are motivated by the freedom that comes with owning one's own business.**

- Nearly 100% of the entrepreneurs surveyed in Ghana and Kenya say they are content. Equally, 90% of entrepreneurs in Nigeria are pleased with their businesses.

- The microentrepreneurs in our sample appear to be motivated to be owner-operators of their microbusiness largely because of the freedom they experience in being in full control of business (84% of those surveyed in the three counties) and being their own boss (38%). Being free to innovate and introduce new products is another important reason given (63%). Opportunities to earn extra income and to work from home are also important factors in owning their own business.

5. Informality of low-income microenterprises

The findings from the ASA-I-Duke Survey suggest that the low-income microenterprises we examined are as a group dynamic and resilient. The question is whether their dynamism and resilience are linked to informality. Before we get to this question in the sequel to this paper (Hamaguchi et al 2024), we need to understand the informality of low-income microenterprises. Namely, in what ways are they informal? If, for example, compliance with government regulations is to be used to define an informal enterprise, is it completely non-compliant, partially non-compliant, mostly compliant or fully compliant? How many microenterprises are informal?

In the literature, a microenterprise is defined as informal if it meets a select subset of informality criteria. We find that all microbusinesses in our sample are informal in some way but nearly half of them are not strongly informal in that they meet less than one half of the informality criteria adopted in the literature.

We will, first, identify the questions in the survey that correspond to the phenomena that underlie each of the informality criteria and construct informality indicators from the answers given to those questions in the survey (Section 5-1). For example, the informality indicator on compliance with government regulations will show whether the microenterprise in question complies or not: fully, mostly, partially, rarely, never. In other words, the informality indicator tells us how deeply or shallowly informal each microenterprise is in relation to that informality criterion. We will then survey informality features of the microenterprise sector, exploring which informality indicators are prevalent among microbusinesses and which are not (Section 5-2). In Section 5-3, we examine the breadth of informality in the microenterprise sector. Are most microenterprises deeply informal with respect to, say seven or eight of the 10 informality indicators, or one or two? This enables us to explore how multi-dimensional the informality of each microbusiness is.

5.1 Informality indicators

The ASA-I-Duke survey includes 10 questions that correspond directly to the phenomena associated with informality of business owner-operators or their businesses in the literature. Those 10 questions are adopted as informality indicators in this paper and are grouped under four categories: (a) ways of doing business, (b) reliance on trust, family and personal relations, (c) interactions with the state, and (d) freedom. See Table 10 below.

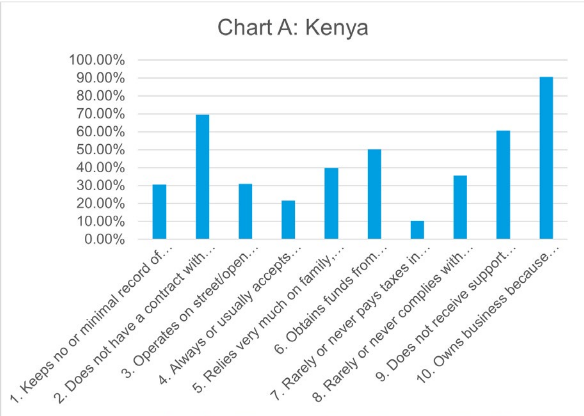
Table 10: Informality Indicators

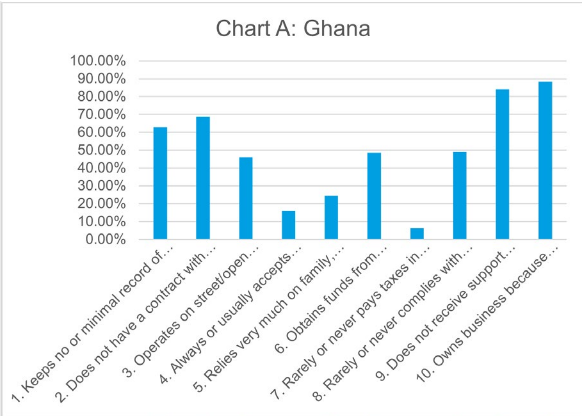
Ways of Doing Business
1. Extent of keeping record of business transactions in writing
2. Whether or not owner has a contract with workers
3. Location of business (street/open public space, public market, etc.)
Reliance on trust, family and personal relations
4. Mode of receiving payments (cash, credit on contract, credit on personal trust)
5. Reliance on family, relatives and ethnic community in conducting business
6. Extent of obtaining funds from family, relatives, ethnic community
Extent of interactions with government
7. Extent of tax payment in any form (never, rarely, etc.) 8. Extent of compliance with gov't regulations/registration with gov't agencies
9. Extent of receiving support from gov't
Freedom
10. Motivation for owning business (free in business decision, free to innovate, etc.)

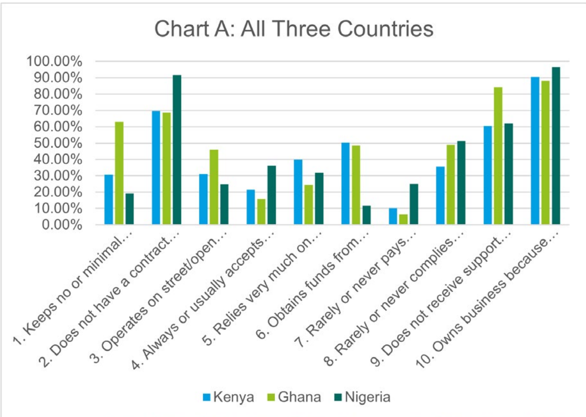
We consider an owner-operator of a microbusiness informal with respect to a particular indicator if the owner's answer indicates strong informality. For example, if she keeps no or minimal records of business transactions in writing, we consider her informal with respect to record keeping. Similarly, if she always or usually accepts payment without contract or collateral well after products are delivered, we consider her informal with respect to the mode of payment. See Table 11 below.

5.2 Nature of informality of the microbusiness sector

While we identified 10 indicators (attributes of informality), it is natural not to expect that all of the attributes are strongly present or equally present in the microbusiness sector. Table 11 below shows the percentages of survey respondents who are considered informal with respect to each of the indicators. If the percentage is high, it means that the microenterprise sector is strongly informal with respect to that indicator. The information in Table 11 is presented graphically in Chart A below.







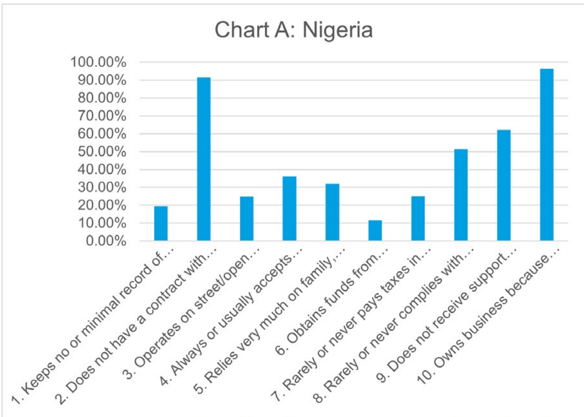


Table 11: Characteristics of Informality of low-income microenterprise
(share (%) of respondents who check X in the relevant survey question)

Variables	Kenya	Ghana	Nigeria	3 countries
Ways of doing business				
1. Keeps no or minimal record of business transactions in writing (Survey Code: X on SQ 2-29-4, 2-29-5)	30.67%	62.94%	19.30%	37.34%
2. Does not have a contract with workers (Survey Code: X on SQ 2-8-1-2)	69.49%	68.83%	91.52%	78.20%
3. Operates on street/open public space or in public market with mobile unit (Survey Code: X on SQ2-2-3 or 2-2-4)	30.99%	45.97%	24.81%	35.18%
Reliance on trust, family and personal relation				
4. Always or usually accepts payment well after products are delivered, without contract or collateral. (Survey Code: X on SQ2-20-2-1or SQ2-20-2-2)	21.48%	15.85%	36.17%	23.84%
5. Relies very much on family, close relatives or ethnic community in conducting business. (Survey Code: X on SQ1-8-1-4, 1-8-2-4 or 1-8-5-4)	39.92%	24.47%	31.90%	32.23%
6. Obtains funds from relatives/friends or ethnic/religious community (Survey Code: SQ 2-21-1 and SQ-2-21-2)	50.24%	48.59%	11.59%	37.08%
Limited interactions with government				
7. Rarely or never pays taxes in any form. (Survey Code: X on SQ2-24-2-4 or 2-24-2-5 or SQ2-24-1-2)	10.26%	6.32%	25.00%	13.19%
8. Rarely or never complies with gov't regulations, or not registered with any gov't agency. (Survey Code X on SQ2-28-4, 2-28-5, 2-26-1-4)	35.59%	48.92%	51.38%	44.79%
9. Does not receive support from gov't. (Survey Code X on 2-27-1-2)	60.61%	84.14%	62.16%	69.20%
Freedom				
10. Owns business because he/she can do what he/she enjoys doing, is free to innovate or is own boss. (Survey Code X on SQ 2-30-1, 2-30-2, 2-30-7)	90.54%	88.21%	96.50%	91.47%

Table 11 and its charts show that **freedom to operate a business, not having contracts with workers, and not receiving support from the state are three defining features of informality common to all three countries.** Freedom to operate one's own business is reported as a motivation for owning a business by about 90% or more of the entrepreneurs surveyed in each country. As discussed above, many anthropologists consider the desire to be free as a key feature of informality of African micro entrepreneurs.

Overall, however, **the nature of informality differs significantly across three countries:**

- In Ghana, over 60% of the sample microenterprises keep no or minimal written records of business transactions, while in Nigeria that percentage is less than 20%. The percentage in Kenya is 30%.
- In Ghana, the percentage of microbusinesses operating on the street or in open public space or markets with mobile units is almost 50% but that percentage is 25% in Nigeria and 30% in Kenya
- In Kenya and Ghana, about 50% of those microenterprises surveyed receive funds from relatives, friends, or their ethnic community but this figure is only 11% in Nigeria.
- In Nigeria, only 25% of microenterprises never or rarely pay tax in any form. The percentages are even smaller in Kenya (10%) and Ghana (6%).
- In Ghana and Nigeria, about 50% of sample microenterprises never or rarely comply with government regulations or do not register with government agencies. The percentage is significantly less—35%—in Kenya.

Microentrepreneurs' relations with the state are more nuanced than often portrayed. These businesses pay tax in some form, yet compliance with government regulations is mixed. It is evident that microentrepreneurs generally feel that they do not receive much support from the state.

5.3 Multi-dimensionality

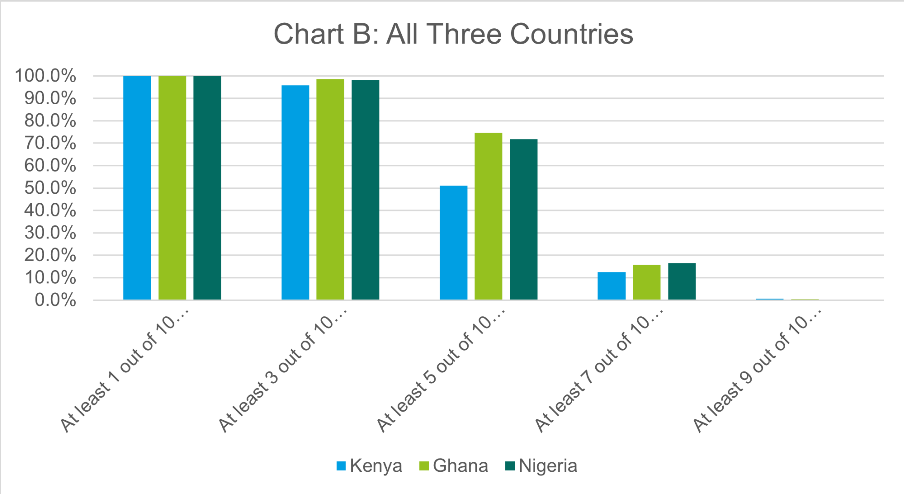
As shown above, informality is not a matter of black or white but is defined by a range of characteristics. Some business owner-operators may be informal with respect to only one or two of the 10 informality indicators listed in Table 11, while others are informal in many more ways. The range of informality and the percentage of respondents that meet those criteria are presented in Table 12 below.

Table 12: Ranges of informality

(Percentage of respondents in ranges of informality)

Respondents are informal according to:	Kenya	Ghana	Nigeria	3 countries
At least **1** out of 10 indicators/variables	100.00%	100.00%	100.00%	100.00%
At least **3** out of 10 indicators/variables	95.83%	98.63%	98.19%	97.50%
At least **5** out of 10 indicators/variables	50.96%	74.57%	71.84%	65.34%
At least **7** out of 10 indicators/variables	12.50%	15.81%	16.61%	14.89%
At least **9** out of 10 indicators/v2riables	0.64%	0.34%	0.00%	0.34%

Nearly all of the entrepreneurs in the survey are informal with respect to at least three of the 10 informality indicators. In all three countries, most of the microenterprises are in the mid-range in terms of multi-dimensionality—that is they are informal in 4-6 of 10 indicators (67 % – 77% in each country). Only 15% are informal in relation to seven or more indicators. Thus, we may conclude that low-income owner-operators of microbusinesses are all informal in some way but only a small percentage of the microenterprises are informal if those meeting most of the indicators are considered informal. See also Chart B below.



A corollary of the above observation is that **the choice of informality criteria critically affects the assessment of the prevalence of informality in a microenterprise sector**. For example, if compliance with government regulation alone is used to define an informal microenterprise (rarely comply or not at all comply), only about 1/3 of microenterprises would be considered informal in all three countries. On the other hand, if an informal enterprise is defined by the desire to be free to manage his/her enterprise alone, nearly 2/3 of microenterprises would be considered informal, again in all three countries. See Appendix Table A.

6. Conclusion – Moving Forward

Many of our findings– about the features of low-income micro entrepreneurs and the microenterprises they operate - are at odds with the conventional wisdom cited in the literature. We found that owner-operators of the low-income microenterprise sector in Kenya, Ghana and Nigeria were better educated and made higher incomes than commonly assumed. Low-income micro entrepreneurs in Kenya, Ghana and Nigeria also usually paid some form of tax and kept some degree of accounts. Those we surveyed did not feel they were particularly handicapped by poor skill sets—weak math or writing skills, lack of familiarity with ICTs—and they felt that their training and background were adequate to the job at hand.

Our survey respondents also overwhelmingly described their business as stable rather than precarious and most of them were satisfied with the businesses they own and operate. It is not simply that many earn income substantially above the poverty threshold and consider that they have adequate skills but also that, as own-business operators, they have a degree of autonomy and independence that they would not have had if working for others. Indeed, such a desire for freedom—to be one's own boss, to create one's own market, to decide with whom to work, to innovate in times of crisis and emergency—seems to be a key motivation in bringing them to own their own business.

Another key finding of the paper is that categorizing a **microenterprise as informal is highly sensitive to the definition of informality used.** If one of the earliest definitions of informal enterprises—that they operate beyond the purview of the state—is strictly applied, only a small portion of the microenterprise sector would be informal. A majority of microenterprises are in the mid-range of informality in terms of the number of informality criteria met, but some are hardly informal. In short, low-income microenterprises are diverse in the nature of their informality. No stereotyped view of informal microenterprises should be invoked, particularly when policy to support informal enterprise is under consideration.

Finally, **our study has dissected the nuanced dynamics of African low-income microenterprise sector**. By acknowledging such intricacy, we open the door to comprehending other enigmatic facets of informal businesses on the continent: their inherent small scale, their tenacious resistance to scaling up, and their proclivity for horizontal rather than vertical growth.

Moving forward, **a bold future research agenda beckons**, extending far beyond the sequel to this paper. The imperative now is to embark on a systematic investigation, delving into the very essence of informality. It is time to test the resilience and universality of the identified features that define the informal economy – the dynamic trio of flexible scheduling, autonomy, and dense sociality in the workplace. A burning question: Are these characteristics more potent catalysts in driving African workers towards informality than precarity and daily privation?

This is not just a call to action; **it is a call to redefine the very theoretical foundations of informal business in Africa.** There is an emerging view among anthropologists and other social scientists that key attractions of the informal are its everyday flexibility and its proximate sociality (proximity to the social). Whether ambulant—endlessly circulating in crowded markets or along busy streets to sell their wares—or whether seated next to a dozen other informal sellers at the edge of the market, informal workers cherish the ether they inhabit: the banter/gossip/commentary about friends and passers-by, and the mutual aid of traders they are able to draw on in satisfying customer need beyond one's own stock, in loaning money or change to a neighbor. Such sociality is the lubricant that fuels much African social life more generally. What could be better than to bring such into the workplace, to be able to socialize while working and trading?

Some observers may consider the above perspectives nostalgic and romantic. Nevertheless, we feel that beginning the work of theorizing informal business from this set of premises could, if successful, not only dispatch to the dustbin all those assumptions that have long dominated studies of informality but also **open a new analytic imaginary and inaugurate a new set of research questions.**

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Appendix

Table A. Distribution of the number of microenterprises by informality criteria category and by the number of criteria met.

GHANA											
The number of informal criteria met	record	contract	venue	payment method	rely on family	funds from friends	rarely pay tax	rarely comply	support from gov't	freedom	The number of enterprises (%)
1	0	0	0	0	0	0	0	0	0	0	0.0%
2	0	0	0	0	0	0	0	0	0	4	0.9%
3	10	3	7	0	4	4	0	0	3	19	5.4%
4	17	13	23	4	12	17	0	6	4	41	9.7%
5	55	10	26	9	29	44	5	50	0	76	18.3%
6	63	7	72	20	25	33	7	58	3	82	18.5%
7	25	0	24	9	13	19	8	27	0	31	6.7%
8	9	0	9	6	11	13	10	13	0	14	3.0%
9	1	0	1	1	1	1	0	1	0	1	0.2%
10	0	0	0	0	0	0	0	0	0	0	0.0%
Total	180	33	162	49	95	131	30	155	10	268	465

NIGERIA											
The number of informal criteria met	record	contract	venue	payment method	rely on family	funds from friends	rarely pay tax	rarely comply	support from gov't	freedom	The number of enterprises (%)
1	0	0	0	0	0	0	0	0	0	0	0.0%
2	0	0	1	0	0	3	0	0	0	5	1.3%
3	0	5	3	17	0	7	0	1	2	25	6.5%
4	2	5	4	30	10	2	1	6	0	46	11.8%
5	4	1	3	7	24	3	19	30	2	51	13.0%
6	27	0	28	3	43	4	52	79	1	97	25.3%
7	20	0	19	2	22	8	12	29	2	30	8.3%
8	12	0	10	0	12	0	4	13	0	13	3.3%
9	0	0	0	0	0	0	0	0	0	0	0.0%
10	0	0	0	0	0	0	0	0	0	0	0.0%
Total	65	11	68	59	111	27	88	158	7	267	400.00

KENYA											
The number of informal criteria met	record	contract	venue	payment method	rely on family	funds from friends	rarely pay tax	rarely comply	support from gov't	freedom	The number of enterprises (%)
1	0	1	0	0	0	0	0	0	0	0	0.3%
2	0	6	1	2	1	7	0	0	0	8	4.1%
3	2	9	6	9	6	18	0	11	0	38	15.5%
4	12	13	33	10	31	28	3	34	21	85	30.3%
5	20	8	25	13	31	20	3	28	1	56	20.3%
6	29	4	24	10	29	17	10	34	1	46	16.6%
7	22	0	15	8	20	11	6	18	0	26	9.0%
8	8	0	7	3	8	2	5	8	0	9	3.1%
9	2	0	1	1	2	2	2	2	0	2	0.7%
10	0	0	0	0	0	0	0	0	0	0	0.0%
Total	95	41	112	56	128	105	29	135	23	270	471