Understanding the Urban Informal Economy in Ghana:
A Survey Report

Eben Tawiah Anuwa-Amarh
UNDERSTANDING THE URBAN INFORMAL ECONOMY IN GHANA: A SURVEY REPORT
### The Adinkra Symbols

Meaning farewell or goodbye in the Akan language of Ghana. These were the earlier symbols of language in the Akan society. The Adinkra symbols express various themes that relate to history, beliefs and philosophy of Ghana.

<table>
<thead>
<tr>
<th>ADINKRA SYMBOLS</th>
<th>MEANING</th>
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</table>
| [Image of MMERE DANE symbol] | MMERE DANE - “time changes”  
Symbol of change, life’s dynamics.  
The urban informal economy is a dynamic |
| [Image of SANKOFA symbol] | SANKOFA - “return and get it”  
Symbol of learning from the past.  
The urban informal economy offers an opportunity for operators to consistently learn from their experiences to build the requisite skill set for the future |
| [Image of WAWA ABA symbol] | WAWA ABA - “seed of the wawa tree”  
Symbol of hardness, toughness and perseverance.  
The urban informal economy provides an opportunity for operators to inculcate the values of persistence, tenacity of purpose and strength to keep going even in the face of tough challenges |
| [Image of GYE NYAME symbol] | GYE NYAME - “except for God”  
Symbol of the supremacy of God  
Operators in the urban informal economy have a fatalistic view of the reassuring presence of the Almighty in their businesses |
| [Image of AKOKO NAN symbol] | AKOKO NAN - “the leg of a hen”  
Symbol of nurturing and discipline.  
The urban informal economy is a mentoring and nurturing school for entrepreneurial development |
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“The Urban Informal Economy Report is an intellectual tour de force that combines research rigour with policy relevance. It touches on a major issue affecting developing countries. The insight that the report provides should form the basis of reflective and evidence-based policy and action to guide developing countries harness the power of the urban informal economy for economic growth. This should be required reading for senior policy makers and development practitioners.”

**Dr. Noel Tagoe**
Executive Director of Education, Chartered Institute of Management Accountants (CIMA).
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<td>BBC</td>
<td>British Broadcasting Corporation</td>
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<tr>
<td>CIMA</td>
<td>Chartered Institute of Management Accountants</td>
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<tr>
<td>CSOs</td>
<td>Civil Society Organisations</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>ECOWAS</td>
<td>Economic Community Of West African States</td>
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<tr>
<td>EDIF</td>
<td>Export Development and Investment Fund</td>
</tr>
<tr>
<td>FGD</td>
<td>Focus Group Discussion</td>
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<tr>
<td>GCE</td>
<td>General Certificate of Education</td>
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<tr>
<td>GES</td>
<td>Ghana Education Service</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>GUTA</td>
<td>Ghana Union of Traders Association</td>
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<tr>
<td>GVCTF</td>
<td>Ghana Venture Capital Trust Fund</td>
</tr>
<tr>
<td>HUEM</td>
<td>Household unincorporated enterprise with at least some market production</td>
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<tr>
<td>ICLS</td>
<td>International Conference of Labour Statisticians</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>ISIC</td>
<td>International Standard Industrial Classification of all Economic Activities</td>
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<td>IS</td>
<td>Informal sector</td>
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<td>LESDEP</td>
<td>Local Enterprises and Skills Development Programme</td>
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<td>LFS</td>
<td>Labour Force Survey</td>
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<td>MASLOC</td>
<td>Microfinance and Small Loans Centre</td>
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<td>Acronym</td>
<td>Full Form</td>
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<td>MSMES</td>
<td>Micro-Small-Medium-Sized Enterprise</td>
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<td>NBSSI</td>
<td>National Board for Small Scale Industries</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>SNA</td>
<td>System of National Accounts</td>
</tr>
<tr>
<td>SSNIT</td>
<td>Social Security and National Insurance Trust</td>
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<tr>
<td>TUC</td>
<td>Trades Union Congress</td>
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<tr>
<td>TVET</td>
<td>Technical and Vocational Education and Training</td>
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I Scope and Methodology

The overall aim of the survey was to gain a better understanding of the urban informal economy from the perspectives of its operators in Ghana. Consequently, the research sought to achieve the following four (4) main objectives, namely to:


b. Provide reliable and up to date information on the activities of enterprises in the urban informal economy for theoretical considerations, policy formulation and implementation as well as monitoring;

c. Assist the government, the private sector and civil society organisations to identify advocacy issues and various areas of assistance to the urban informal economy operators to enable them realise their full growth potential,

d. Make recommendations based on the findings of the survey.
The mixed method approach was employed for this research. Five thousand (5,000) questionnaires, targeting 1,500 employers and 3,500 employees were administered by fifty (50) trained Field Officers. The Employees questionnaires consisted of 40 questions and 89 questions for the Employers’.

The questionnaires, which were randomly administered in the twenty one (21) urban towns in the ten (10) regions of Ghana between the period of February and June, 2014, sought information on the nine (9) thematic areas. Twenty-eight (28) focus group discussions involving one hundred and forty (140) persons in the three geographical sectors of Ghana, namely Northern (Tamale), Central (Kumasi) and Southern (Tema) sectors were conducted. Fifty one persons were interviewed and four cases were studied. The interviews, focus group discussions and field observations took place over a period of eight (8) months (August, 2014 - March, 2015)

II Major Findings

Major findings were drawn around the thematic areas researched. These are summarised below:

1. Demographics
   a. Overwhelming majority of both employers and employees (98.0%) are Ghanaians. ECOWAS nationals are at a distant second (1.1%) with other nationals following in a third position (0.9%).
   b. Most (72.25%) are youth and are within the age bracket of fifteen (15) and thirty-five (35) years.
   c. A vast majority (88%) have at least basic level (Junior High School) of education.
   d. About 75.6% of employer and employee respondents earn
below the minimum wage of GH¢6.01 or US$1.83 a day. Below this amount most persons are unable to afford the basic necessities of food, shelter and potable water.

2. Business Formation
   a. It is also dominated by sole ownership enterprises (87.3%) followed by family enterprises (6.4%); partnerships (4.4%); and cooperatives (2.0%).
   b. Enterprises are concentrated in two main areas, which are Wholesale/Retail Trade and Services. They constitute 61.5% share of employment for employers and 65.2% for employees. The rest are: Manufacturing (10.6%); Food and Related Services (15.5%); Building/Construction (5.0%); Agriculture, Forestry and Fishing (2.2%); Mining and Quarrying (0.75%). In the employer major and minor sectors, Wholesale and Retail trade as well as Food and Food related Services are female dominated. The rest are dominated by males.
   c. Four main reasons were given for engaging in business in the urban informal economy, which include: preference for being one’s own boss (18.2%); absence of formal work (14.4%); additional income (13.4%); and good income opportunities (11.8%).
   d. The most preferred and intentional choice of premise is a permanent location by the road side (67.7%) for employers and 46.5% for employees. Five main reasons were given for this and they include: best location available (28.0%); good sales (22.9%); close to home (12.3%); flexibility of managing job together with family duties (8.7%); and close proximity to other businesses (2.8%).
3. **Capital Formation**
   
a. Seventy one percent of funding for start-ups, 85.2% other sources of credit long-term, 80.8% for disability, 77.9% for old age and 58.7% for solving of financial problems are mainly from personal savings, family members and friends.
   
b. Most employers (73.2%) operate bank accounts. Yet, a vast majority (73.4%) have never ever applied for a bank loan. However, for those who applied for a bank loan, the vast majority (78.6%) were successful.
   
c. Five (5) main reasons were given for the failure to secure bank loans and they include: insufficient guarantees (27.2%); incomplete documents (13.6%); insufficient capital (11.2%); complete but unconvincing documents (6.8%); and business not deemed viable (4.4%).

4. **Employment and Social Security**
   
a. Most (63.2%) are self-employed without employees and 29.5% are self-employed with employees. Those with casual/seasonal jobs constitute 3.7% and there are others who are self-employed with seasonal jobs and no employees (2.2%); and Employers who are self-employed with a seasonal jobs but with employees (1.4%).
   
b. Whereas almost 70% of employers do not offer written short term or long term employment contracts 77.6% of employees either do not have any employment contract at all or have only verbal contracts. As a result, in the event of a breach of their fundamental rights, workers are unable to exercise or defend them in court.
   
c. Majority of employers (55.6%) do not contribute to any pension scheme whilst 29.5% do.
5. **Tax and Taxation**
   a. Most (61.9%) are well informed about the need to pay taxes and (83.1%) either agree or strongly agree that people who work (earn income) must pay taxes.
   b. On the average, 14 times the proportion of respondents either agree or strongly agree as against those who either disagree or strongly disagree that people who work (earn an income) must pay taxes.
   c. Whereas most (35.0%) employers paid Value-added tax, less than a quarter paid personal income tax, depriving the state of revenue.

6. **Product and Marketing**
   a. Competition is mainly in the areas of prices (54.5%); quality (32.9%); and labour (12.5%).
   b. Majority (73.3%) sold their goods and services by cash, 23.7% by credit and 3.1% on commission. Further, most employers (73.9%) acquired their raw materials/inputs by cash 15.6% on credit, family relations (4.6%), and from friends (4.2%).

7. **Raw Materials/Input**
   a. Raw materials/inputs were sourced mainly from intermediaries (51.7%); large manufacturers (18.7%); directly from farmers (12.9%); cooperatives (9.9%); and government organizations (6.9%).
   b. High cost of raw materials/input (29.8%); transportation (20.9%); as well as lack of funds (20.5%); were three main challenges associated with acquisition of raw materials/input.
8. **Expansion of Enterprise**

a. Most employers (71.2%) believe that their enterprises have expanded since establishment and (70.2%) would still operate in the next five years. This implies that business has been good for most of them.

b. Attempts by employers at improving business can be seen in three main areas, including: reinvesting profit from business (33.5%); purchasing new equipment (21.1%); introducing new goods (19%).

c. Lack of customers (29.3%); unavailability of finance (21%); and lack of capital equipment (9.9%) top the list of reasons for the lack of growth in the informal economy.

9. **Problems and Prospects**

a. With regard to the type of assistance needed for business growth, access to loans had the least occurrence for most employees. The needs for employees are as follows: Acquisition of technical skills (28.9%); Training in organizational and financial management (25.7%); Market access (24.1%); and Access to loans (21.3%).

b. Access to loans is not part of the five most important needs of employers for business growth. Business registration is the least. The main needs include the following: access to market information (10.2%); assistance in obtaining supplies (10%); access to large business orders (9.8%); technical training (9.6%); advertising of new products/services (9.4%); access to modern machines (9.2%); organizational training and financial management (8.8%); access of loans (8.7%); Information, Communication, Technology (ICT) 8%; General education (8.6%) and business registration (7.6%).
c. The most popular association for employers are the Trade Associations (68%) and the Trades Union Congress (24%). Similarly, the most popular association for employees are the Trade Associations (52%) and the Trades Union Congress (40%)

III Recommendations
The recommendations are clustered around three (3) thematic areas namely: Strategic, Operational and Learning mechanisms. These are enumerated below:

1. Strategic Recommendations
The state and its agencies must:
   a. Continue to focus on delivering on the “basics” such as education for the youth, health, good governance and macroeconomic stability to create an empowered youth for employment generation and wealth creation.
   b. Increase inclusive and equitable access to, and participation in basic education especially for women.
   c. Provide realistic and high value addition infrastructural needs like decent enclaves with basic amenities such as electricity, water and sanitation facilities at reasonable cost.
   d. Focus on delivering a formalisation strategy at district/municipal levels to serve as a pivot for grassroots participation but continue the dialogue at the national level for comprehensive formalisation.

2. Operational Recommendations
   a. Regulatory and Policy Initiatives
      i. Entrepreneurial and financial literacy skills training must be started early enough, possibly at the junior high school level.
ii. Additionally, relevant, established and existing state institutions in education and entrepreneurship development such as National Board for Small Scale Industries (NBSSI), Local Enterprises and Skills Development Programme (LESDEP), Technical and Vocational Education and Training (TVET), capacity-building initiatives as well as incubation centres that target school leavers or others who intend to start and run their own businesses must be scaled-up.

- The incubation centres could provide the following services: (i) mentoring; (ii) basic processes and meaning of business registration; (iii) basic bookkeeping; (iv) networking activities and internet access; (v) market access information; (vi) regulatory compliance; and (vii) where and how to access start-up and working capital.

iii. The state and its agencies must also:

- Rationalise business registration and licensing regimes by reducing the required fees as well as statutory requirements to encourage business registration. This can be done, where possible, by locating desk offices from the Registrars General’s Department and other regulatory bodies in all local assemblies in Ghana to enable concurrent registration and licensing of businesses.

- Periodically embark on mobile registration exercises to take registration services to the door steps of business owners.

- Simplify tax administration by considering single tax for informal economy employers.
b. Development and Promotion of Micro-Small-Medium-Sized Enterprise (MSMES)

The state, its agencies and civil society organisations (CSOs) should identify and focus on enhancing the quality of jobs in small enterprises in the informal economy and supporting them with cost-effective and sustainable business development services, such as:

i. Management training;

ii. Enhanced access to:

• Global, national and local value chains through: (i) horizontal linkages between firms through partnerships and clustering, networks and area-based development strategies; (ii) vertical linkages between producers, suppliers and buyers.

• Markets and credit, technologies and know-how. In this way, opportunities will be created for Ghanaian enterprises to create and maintain quality jobs by improving their productivity and market share.

c. Strengthening of Social Protection Initiatives and Industrial Representation and Trade Unionism

i. The state, its agencies and CSOs should continue to educate urban informal economy workers on the need to subscribe to the voluntary Social Security and National Insurance Trust (SSNIT) as well as other insurance schemes for future income security.

ii. The Association of Ghana Industries and Ghana Chamber of Commerce must consider the following:

• Encourage of MSMEs in the informal economy to
formalise by offering advice on the need, process and benefits of formalisation;

- Promote industrial representation of SMEs to strengthen advocacy;
- Dialogue with government to change the policies that allow foreign traders to enjoy tax rebates, while domestic traders are excluded from these rebates.
- The Ghana Trades Union Congress must promote unionisation of informal economy workers and encourage them to develop relations with other affiliates.

3. **Learning Recommendations**
   The state, its agencies and CSOs should continue to collect, systematise and disseminate best practices and lessons learnt on the informal economy in Ghana.
Introduction
This chapter answers the question, “What is the research about?” It begins with a discussion on the right of every Ghanaian to work, whether formally or informally and examines why the informal economy persists in Ghana. It further considers why we should care about informal economy and outlines the objectives of the research.

1.1 Background of the study
The 1992 constitution of Ghana is an instrument for economic development and it spells out the general rights and responsibilities of citizens in the economy. Obviously, the constitution could not embody details of national policy, however, it is a good framework for economic development. The welfare of the people is the central theme of the constitution.
One of the cardinal welfare principles of the Ghanaian constitution is the right to work. Article 24(1, 4) of the constitution of Ghana affirms the right of every Ghanaian to:

“…work under satisfactory, safe and healthy conditions … without distinction of any kind. The only restrictions placed on the exercise of the right to work are those prescribed by law or those which reasonably are necessary in the interest of national security or public order or for the protection of the rights and freedoms of others’ ”

In Ghana, just like in most parts of Africa, the constitution does not make any distinction between work (or the right to work) in the formal or the informal economy. The right to work is as legitimate in the formal as in the informal economy. This was reiterated by the Vice President of Ghana, Mr. Amissah-Arthur, in his contribution to a BBC debate on the topic: “Informal Is the New Normal”, at the World Economic Forum on Africa in Cape Town on June 4, 2015.

He indicated that, even though the informal economy exists in Africa, it should not automatically be regarded as illegitimate and marginalised. This is because it is the main driver of the economies on the continent, and governments must respond with policies that recognise this fact.

The World Bank (2009) estimates that two-thirds of all workers in the world are engaged in the informal economy, with the highest

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1 See more at: http://www.myjoyonline.com/business/2015/June-4th/the-informal-sector-is-not-illegitimate-amissah-arthur.php#sthash.evLzi9cv.dpuf
occurrence in Sub-Saharan Africa. The ILO (2002) estimates that the informal economy represents about 48% of non-agricultural employment in North Africa, 51% in Latin America, 65% in Asia, and 72% in Sub-Saharan Africa. In many sub-Saharan African countries, the informal economy employs nearly nine out of ten rural and urban workers when agricultural work is included in the definition.

The trend in Ghana is no different. Over the years, public sector employment as a percentage of total employable labour force in Ghana has been declining and private formal and informal employment increasing. Statistics shows that the informal sector’s share of total employment increased from 80.5% in 1987/88 to 88.6% in 2005/06.

Current estimates indicate that the private sector is the largest employer in Ghana, accounting for 93% of the economically active persons (private informal, 86.1% and private formal, 7.0%), and the public sector accounting for only 6.3%. It is unlikely that the formal economy will be able to generate enough stable salaried work to absorb the influx of new workers.

1.1.1 Why does the informal economy persist in Ghana?
The causes of the persistence of the informal economy in Ghana are many and varied. Though not exhaustive, they are discussed as follows:

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4 Ghana Living Standard Survey 4 (GLSS IV)

5 Ghana Shared Growth and Development Agenda (GSGDA) II, 2014-2017
First, Ghanaian societies are inherently informal and this trait is pervasive in all aspects of national life including work in the economy\(^6\).

Second, the public sector, historically, has been the main source of formal work in Ghana. However, the introduction of the neo-liberal policies in Ghana in the 1980s led to a massive retrenchment of public sector workers and the role of the state in employment creation reduced considerably. The private formal economy, non-government formal sector and, particularly, the private informal economy gradually became safe havens and destinations of work and comfort for most of the retrenched and new workers.

Third, demographic dynamics is also a causal factor. For instance, urban population in Ghana has more than doubled over the past fifty (50) years from its lowest value of 23.3\% in 1960 to 53.0\% in 2014\(^7\). Ghana’s urban population is expected to reach 70.5\% by 2050. See Figure 1.

However, statistics from the latest population census (2010) data indicates that the level of urbanisation differs from region to region. Greater Accra has the highest proportion of urban population (90.5\%). This is followed by Ashanti (60.6\%) while Upper East and Upper West have the lowest proportion of urban population of 21\% and 16.3\% respectively. The rapid spatial expansion of urban boundaries has led to the encroaching of rural areas in Accra, Tema, Kumasi and Sekondi/Takoradi. Other urban cities such as Obuasi and Tamale, mirror the pattern that is observed in the four mentioned cities.

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\(^7\) World Bank Staff estimates based on United Nations, World Urbanization Prospects. 2014)
Figure 1: Pattern of urban population growth (% of total population) in Ghana: 1960-2050

Source: Adapted from World Bank Staff estimates based on United Nations, World Urbanization Prospects. 2014)

The concentration of industrial and commercial activities in Greater Accra and Ashanti may somewhat explain the relatively high proportion urban population in these regions. A great number of people who migrate to the urban towns to seek greener pastures, are mainly unskilled or semi-skilled, poor and mostly end up in the informal economy. The informal economy, thus, offers a cushion for employment and the satisfaction of the basic needs of the poor. Rapid urbanisation is, therefore, intricately linked to the upsurge in informal economy employment in Ghana.

Fourth, the preference for the payment of goods and services by physical cash rather than credit because of the generally low levels of education, suppresses traces of evidence of transaction within the financial systems, thereby, avoiding capture in national statistics. This activity renders business transactions largely informal.

Fifth, the current high rate of inflation and energy crisis are also contributory factors to the increase in the size of the informal economy. Producers, facing increasing costs due to rising inflation
and energy cost are opting for a reduction in formal employment in order to cut down cost and reduce their losses. Hamidu, 47 from Obuasi (September, 2014) alluded to this in the following statement:

“I was laid off from the mines where I have worked for almost 22 years. The company had cut down on production because of the energy crisis. I now run a provisions shop in the neighbourhood with my entitlement”.

Sixth, the burdensome: (a) regulatory regimes; (b) administrative procedures and (c) fees and financial requirements, keep most enterprises in the economy informal. There is a strong global body of evidence that supports the fact that the three factors named above, in addition to corruption, are the most direct causes of the growth of the informal economy in developing countries, including Ghana.

Over the years, academics and policy makers have assumed that, with the right mix of economic policies and resources, informal economies would be transformed into dynamic formal modern ones, absorbing more labour. Contrary to expectations, the informal economy continues to persist.

1.1.2 Why should we care about the Urban informal economy in Ghana?

There are a number of reasons why we should care about the urban informal economy in Ghana.

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8 USAID (2005). Removing Barriers to Formalization: The Case for Reform and Emerging Best Practice
First, there is a recognition that the employment sector, and more importantly, the sheer numbers of jobs in the informal economy, is key to transformational growth and poverty reduction and the consequent improvement in the standard of living.

Second, while development is seen as a process of increasing income, and consequently, improving the standards of living, it is also seen as sheltering families from adverse shocks, such as job loss, illness and disability, or natural calamity. The presence of a large portion of the Ghanaian workforce that do not have access to formal mechanisms to hedge against or mitigate these shocks is, hence, of legitimate concern to all.

Third, the absence of employment contract in the informal economy weakens the principle of social contract among citizens.

Fourth, all citizens have equal access to the provision of public services. Therefore, the state does not only need to understand opportunistic evasion of taxes and other labour legislation in the formal economy, but also in the informal economy in order to design and implement the appropriate policy and practice initiatives.

Fifth, the existence of subsystems of state institutions that coexist with, substitute for, or compete with each other is of concern not only to the formal economy, but most importantly to the informal economy because of the generally low levels of education in Ghana. Of importance is the existence of multiple state institutions in the registration process or rather lack of clarity of which state institution is responsible for business registration.

It is, therefore, important that the informal economy, as well as informal employment, be analysed to help the various stakeholders better understand these emerging issues of concern.
1.2 Objectives of the survey
Specifically, the survey sought to achieve the following objectives:


b. Provide reliable and up to date information on the activities of enterprises in the urban informal economy for theoretical considerations, policy formulation and implementation as well as monitoring.

c. Assist the government, the private sector and civil society organisations to identify advocacy issues and various areas of assistance to the urban informal economy operators to enable them realize their full growth potential.

d. Make recommendations based on the findings of the survey.

1.2.1 Definition of concepts
It is important to define the concepts used in this study to avoid ambiguities.

Age
The age of every person was recorded in completed years without adding days and months. For those persons who did not know their birthdays, the field officers estimated their ages using district, regional and national historical events at the time of their births.
**Casual employees**
These are workers normally engaged for a short period of time, sometimes for a few hours or one or two days.

**Duckers**
Duckers are those informal economy workers who do not operate from fixed locations and are, therefore, invisible. Even though they almost operate like hawkers, they are, nevertheless, registered but have fictitious addresses. They run informal enterprises in the boots and back seats of their cars and sell their products at religious gatherings, funerals and association meetings. They keep some record of their trading activities, and their earnings are often taxable, however, a large amount of their sales is not declared. (See Section 5.1.5)

**Economic activity**
This is activity which an individual does to make a living or earn income.

**Educational background**
This refers to the highest level of formal schooling the person had.

**Enterprise**
The term is used here in a broad sense, referring to any unit engaged in the production of goods or services for sale or barter. It covers not only production units, which employ hired labour, but also production units that are owned and operated by single individuals working on own account as self-employed persons, either alone or with the help of unpaid family members.

**Expenses**
These are the expenses made in the running of the business.
Focus Group
A focus group is a small central group of six to ten people who are brought together to discuss ideas openly. It is led by an experienced moderator (presiding officer). The group needs to be large enough to enable them have rich discussions but not so large that some participants will feel left out. The presiding officer develops topics in an open and unplanned manner. The goal is to have the highest number of different ideas and opinions from many different people in the time given for the discussion.

Guarantee
This refers to an official agreement to be responsible for something, such as promising to pay someone else’s debt.

Guarantor
A person who takes responsibility to pay for someone else’s debt if he or she fails to pay back a loan.

Industry
This identifies the kind of product manufactured or the kind of service provided by the business/establishment.

Innovators
Innovators, in this report, are people who operate from fixed locations and are, therefore, visible. Their earnings are at taxable levels but they do not declare all their sales. They are registered and usually use a mixture of labour and capital intensive methods in their operations. They have established markets. They have employees and provide an acceptable level of social protection. They are almost formal and can migrate fully into the formal group. (See Section 5.1.4).
Location
Location means specific position or physical space where an enterprise exists. It is also specified as a place where people live and which has a name or a locally recognised status. It includes mining camps, farms, markets, towns, cities and many other types of population groups.

Marital Status
Marital status refers to whether the respondent is married at the time of the survey or not. The question on marital status was asked only of persons 15 years and older. The selection of the age limit of 15 years was based on the average working age.

Major Enterprise
If the enterprise is engaged in more than one activity, then the major enterprise is the one that is dominant.

Minor Enterprise
If the enterprise is engaged in more than one activity, then the minor enterprise is the one that is less dominant.

Nationality
Nationality is defined as belonging legally to a particular country. A distinction is made between Ghanaians and other nationals. Ghanaian nationals are grouped into Ghanaian by birth, Ghanaian with dual nationality, and Ghanaian by naturalisation. Other nationals are grouped into ECOWAS nationals, non-ECOWAS African nationals, and non-Africans.

Number of days worked in a week
An operating day worked in week does not necessarily mean a complete 40-hour-week. It could be less than a 40-hour-week. However, items on this were recorded in whole numbers only. So if in a particular week an enterprise operated for two-and-half (2.5) days, this item was recorded as three (3) days.
Occupation
Occupation refers to the kind of work done by the person employed, irrespective of the industry or the employment status of the person.

Part-time Employees
These are workers who are not engaged full time in their jobs. They work a few hours per day and engage in other activities. For instance, these persons may work in the afternoon every day of the month, and devote their mornings to other activities.

Partnership
This is defined as the relation between persons who have agreed to share the profits of a business carried out jointly or by any one of them acting for all of them.

Population Census
The 2010 census was a real count and each person present in Ghana, whether Ghanaian or not, was counted at the place where he/she spent the census night of 26th September 2010.

Regions
These are the ten (10) administrative regions of Ghana surveyed during the 2010 population and housing census.

Survivors
Survivors are enterprise operators and/or individuals that do not operate from fixed locations. They are unregistered and are mainly hawkers, street vendors and roamers. They operate mainly in a cash economy and their earnings are usually below the minimum wage, making them non-liable for taxes. They are termed as having just enough to live on; they are at the bottom end of the value chain and are therefore highly informal. (See Section 5.1.2)
Smarters
Like Survivors, Smarters are unregistered, but unlike Survivors, they operate from semi-fixed locations and their earnings are often within tax level. A good proportion of their sales is undeclared and their trading activities are mostly done in cash. They do not offer or receive employment contracts. They possess some level of social protection. (See Section 5.1.3)

Unpaid family workers
These are members of the family who work in the business without any remuneration. These could be sons/daughters, or spouses or relatives of the owner of the business.

Year of initial operation
The year from which the enterprise started operation.

1.2.2 Structure of the report
The report is organised around nineteen (19) chapters which answer five main questions.

Chapter 1  Introduces the background, the reasons why the informal economy persists in Ghana and why we should care about it, as well as the objectives of the research.

Chapter 2  Presents a brief survey of the literature on the informal economy and employment.

Chapter 3  Summarises the approach and methodology used in this research project. It also discusses mixed method data collection approach, the research design and the mode of analysis for this research.

Chapter 4  Presents the results based on research objectives.

Chapter 5  Presents an emerging theoretical framework.
Chapter 6 Summarises the key findings and implications by way of recommendations.

Chapter 7 Suggests techniques and tools that may be used by informal economy operators to achieve desired changes.

Chapter 8 Presents the references to the research.

Chapter 9 Appendices
Appendix 1 Map of Ghana showing Surveyed Areas
Appendix 2 Field Officers’ Contact
Appendix 3 Urban Informal Economy Interview Questions
Appendix 4 Focus Group Discussions Guide and Questions
Appendix 5 Employer Questionnaire on “Urban Informal Economy in Ghana”
Appendix 6 Employee Questionnaire on “Urban Informal Economy in Ghana”

Conclusion

This chapter spelt out the objectives of the survey and sought to emphasise the right of every Ghanaian to work formally or informally under satisfactory, safe and healthy conditions without any distinction and restriction of any kind unless those prescribed by law or those which are necessary for national security and public order. It explained why the formal economy is no longer able to generate enough jobs for citizens, making the informal economy a destination of work.

It then explored the reasons why we should care about the urban informal economy, which broadly include its potential to create jobs, increase incomes and improve the standards of living of citizens. Others are the need for the following: (i) social protection; (ii) social
contract among citizens; (iii) understanding of opportunistic evasion of taxes and other labour legislation; (iv) highlighting the existence of subsystems of state institutions that coexist with, substitute for, or compete with each other; and (v) to show the intricate links between the upsurge in informal economy employment in Ghana and the issue of rapid urbanisation.
Introduction
This chapter answers the question, what do we know about the informal economy and employment? It recaps the key concepts, definitions and variables related to the informal economy.

The purpose of the literature review was to evaluate and synthesise (where possible) the various strands in the literature of the two substantive areas underlying the research project – the informal economy and informal employment. It was aimed at sensitising this researcher to possible ways of identifying, analysing and offering explanation for the data collected during the research project.

2.1 The concept of “Informality”
The concept “informality” has been on the discussion table since
the early 1970s when it was first introduced by Hart (1971)\textsuperscript{9} in his seminal work on Ghana and the subsequent publication of the Kenya Report\textsuperscript{10} by the ILO World Employment Programme in 1972. Even though enormous theoretical and empirical data have been churned out over the past four decades to explain the characteristics, causes and consequences of the phenomenon, no single definition has been found to be generally appropriate and universally acceptable. Researchers are diversely interested in the major causes associated with the rise of the informal economy.

The literature on the ‘informal economy’ is, consequently, fraught with a seeming terminological confusion\textsuperscript{11} from various points of view. It is variously and severally termed “the informal sector”\textsuperscript{12}, “the shadow economy”\textsuperscript{13}, “the black economy”\textsuperscript{14}, “the underground economy”\textsuperscript{15}, “the subterranean economy”\textsuperscript{16}, “the irregular economy”\textsuperscript{17}, “lower circuits and the peasant system of production”\textsuperscript{18}, “the invisible, hidden, submerged, non-official, unrecorded and/or Clandestine economy”\textsuperscript{19}. 

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\textsuperscript{17} (Ferman & Ferman, 1973: The structural underpinning of the irregular economy. Poverty and Human Resource Exercises, 8, 3-17.


\textsuperscript{19} U.S. Department of Labor, 1992
As a result, many researchers have given up trying to formulate a unique definition for the informal economy. Although there is no universally accepted definition, there is a broad consensus on the adoption of the term “informal economy” rather than “informal sector” as a working definition\(^{20}\). This is because informality is neither confined to particular enterprises nor to a specific segment of economic activity. Rather, informality cuts across many different sectors and productive activities of informal workers, enterprises and entrepreneurs.

### 2.1.1 Defining the informal economy

In 1993, the 15th International Conference of Labour Statisticians (ICLS) embraced a statistical definition of the informal economy in terms of economic/production units. According to the ICLS definition, (ILO:2004\(^{21}\)) informal enterprises may be broadly regarded as consisting of:

> “Units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Labour relations – where they exist – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees”.

This definition was based on the characteristics of production units (enterprise approach), rather than the characteristics of the persons involved or of their jobs (labour approach). The choice of this definition distinguishes employment in informal economy from

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informal employment. Informal economy enterprises are a subset of household unincorporated enterprises. The definition of informal economy enterprises in the 15th ICLS resolution was based on three criteria namely: (a) legal organization of the enterprises; (b) their ownership and (c) the type of accounts kept for them.

This definition did not, however, specify the level below which an enterprise might be classified as informal. It left that decision entirely to each country to decide. To unify and have a common statistical comparison between countries, the International Expert Group on Informal Sector Statistics (Delhi Group) introduced a more precise definition of the informal sector (and later informal economy) in 1997. According to the Delhi Group definition, the informal economy includes:

“Private unincorporated enterprises (quasi unincorporated), which produce at least some of their goods and services for sale or barter, have less than 5 paid employees, are not registered, and are engaged in non-agricultural activities”.

2.1.2 The definition of informal economy adopted for this study
Since Ghana does not have an operational definition of the informal economy and informal employment, the definitions adopted for this study are those provided by the International Labour Organisation (ILO) in 2002. This is because ILO’s definitions are all encompassing and clearly describe this researcher’s concept of the informal economy and employment. The ILO (2002b) defines the informal economy as:

22 Ibid
“all economic activities by workers and economic entities that are, in law or in practice, not covered or insufficiently covered by formal arrangements. Which means that their activities are either not included in law and are operating outside the formal reach of the law; or where they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs”.

This definition encompasses: own-account workers and employers employed in their own informal economy enterprises; contributing family workers, irrespective of whether they work in formal or informal economy enterprises; employees holding informal jobs, whether employed by formal economy enterprises, informal economy enterprises or as domestic workers employed by households; members of informal producers’ cooperatives; and own-account workers engaged in the production of goods exclusively for own final use by their household.

2.1.3 Defining informal employment

The ILO (2003) defines “informal employment” as the total number of informal jobs, whether carried out in formal economy enterprises, informal economy enterprises or households, during a given reference period. It covers a whole spectrum of economic activities in manufacturing, food and related services, construction, agriculture, forestry and fishing, mining and quarrying.

Given the large diversity of informal employment situations found in different countries, the ILO leaves the operational criteria for
defining informal jobs to be determined in accordance with national
circumstances and data collection objectives.

While the informal economy refers to informal enterprises, informal
employment refers to informal jobs. Employment in the informal
economy can be defined as the sum of employment in the informal
economy and of informal employment found in the formal economy.
The two concepts are not substitutable, but they are both useful for
descriptive and analytical purposes and are complementary.

Whilst an internationally accepted and operational definition of
informal economy/employment may be difficult to find, a simplified
but useful way is to define it using multidimensional indicators.

2.1.4 Multidimensional nature of informal economy/
employment
An ILO report\(^{25}\) presented a five-dimensional continuum to describe
informal employment. These are: (a) regularity status, (b) contract
status, (c) workplace status, (d) employment protection status
and (e) social protection status. The multidimensional definitions
notwithstanding, the informal economy has certain unique
characteristics. These characteristics, as presented by the OECD\(^{26}\)
and ILO\(^{27}\), are summarized below:

2.1.5 The informal economy/employment is a
multifaceted and diverse phenomena
Workers in the informal economy differ widely in terms of level,
regularity, mobility and seasonality of income as well as in employment
status. They also differ in sectors such as trade, manufacturing,

\(^{25}\) ILO (2004), Economic security for a better world, ILO Socio-Economic Security Program, International
Labour Organisation, Geneva.

\(^{26}\) OECD Working Paper No.266, Informal Employment Re-loaded by Johannes Jütting, Jante Parlevliet
and Theodora Xenogiani, January 2008.

\(^{27}\) ILO (2002b), “ILO compendium of official statistics on employment in the informal sector”, ILO STAT
construction etc., type and size of enterprise, location (urban or rural), social protection (social security contributions) and employment protection (type and duration of contract, annual leave and social protection).

The heterogeneous nature of the workers and economic units requires the implementation of several coordinated interventions adapted to the specific characteristics and the national context. Conceptually, informal economy enterprises comprise: (a) households with at least some market production; and (b) production units with low levels of organization and technology, and with unclear distinction between labour and capital or between household and production operations.

2.1.6 The informal economy/employment is not regulated but often produces legal goods and services

There is a world of a difference between the concept of the informal economy and the hidden or underground economy in Africa. Informal economy activities are not necessarily meant to deliberately evade the payment of taxes or social security contributions, or infringe on labour legislation or other regulations.

Certainly, most informal economy units are unregistered and unregulated and often do not pay taxes, benefits and entitlements to workers, thereby, posing unfair competition to formal enterprises which pay taxes and benefits to their workers. These situations obviously, deprive the government of public revenue, thereby, limiting its ability to extend social services.
Nevertheless, most workers and enterprises in the informal economy produce legal goods and services, although sometimes not in conformity with legal prerequisites, especially where there is non-compliance with registration requirements or immigration formalities. These activities should be differentiated from criminal and illegal activities, such as production and sale of illegal commodities such as illicit drugs. Illegal commodities are the subject of criminal law and are not suitable for regulation or protection under labour or commercial law.

2.1.7 Ambiguous employment contract status and unsafe working conditions

Employment contract status in the informal economy is, often, ambiguous or disguised. Workers in the informal economy are, therefore, unable to enjoy, exercise or defend their fundamental rights in the law courts. Usually, although not in all cases, informal economy workers are exposed to inadequate, undefined workplaces, unsafe and unhealthy working conditions. They have high illiteracy levels, low levels of skills and productivity, lack access to information, markets, finance, training and technology. Additionally, they work for longer hours and do not have collective bargaining and representation rights.

2.1.8 Decent work agenda

During its 317th Session in 2013, the Governing Body of the ILO set the decent work agenda to facilitate transitions from the informal to the formal economy.

Although the informal economy is the most at risk sector, majority of workers have little or no social protection and receive little or no social security, either from their employers or from the government. Beyond traditional social security coverage, workers in the informal
economy are without social protection elements such as health care and childcare, which are particularly important for female workers. The lack of social protection is a critical aspect of the social exclusion of workers.

Promoting decent work for all workers, regardless of where they work, will fulfil the four equally important strategic objectives of the ILO’s Decent Work Agenda. These are: (1) rights at work; (2) employment promotion; (3) social protection; and (4) social dialogue. These four strategic objectives are inseparable, interrelated and mutually supportive. Failure to promote any one of them would harm progress towards the others.

2.1.9 Workers in the informal economy/employment are generally poor and vulnerable
While some persons in the informal economy earn higher incomes than those in the formal economy, most of them earn low incomes and are generally poor, leading to helplessness, exclusion, and vulnerability. Since most of them do not have secure property rights to be used as collateral, they are deprived of access to capital and credit. They are vulnerable to harassment (including sexual harassment) and other forms of exploitation and abuse, including corruption and bribery. Women, young persons, migrants and older workers are especially vulnerable to the most serious decent work deficits in the informal economy.

2.1.10 Workers in the informal economy/employment have large entrepreneurial potential and flexible work arrangements
Workers and economic units in the informal economy can and do have great entrepreneurial potential. Many of them have real business acumen, creativity, dynamism and innovation, and such potential could flourish if assisted and not burdened with a system of excessive
regulation and bureaucracy. The informal economy could also serve as an incubator for business development and an opportunity for on-the-job skills acquisition. In this regard, it can be a transitional base for accessibility and graduation to the formal economy.

The motives for involvement in the informal economy range from pure survival tactics embarked on by individuals as a result of lack of or inadequate formal jobs, to the desire for independence and flexible work arrangements and, in some cases, the prospect of profitable income-earning opportunities.

2.1.11 A summary of criteria that define the informal economy

Though not exhaustive, a summary of criteria that define the informal economy, as formulated by Harding and Jenkins (1989)\textsuperscript{28} and Gërxhani, Klarita (2005)\textsuperscript{29}, is presented below:

a. Ease of entry because of the low capital requirements.

b. Reliance on indigenous resources.

c. Labour activities which exclude contractual and legally regulated employment.

d. Small scale of operation in terms of the number of people employed, which is usually less than ten persons.

e. Unreported income which comprises the sum of all unreported taxable income.

f. Professional status (i.e. self-employed, employer, family worker, apprentice, wage employee, etc.) which distinguishes between wage employees and non-wage employees involved in the informal economy activities.

g. Non-regulation or registration, where informal economy enterprises as establishments are unregistered and unlicensed.


\textsuperscript{29} Gërxhani, Klarita, 2005. The informal sector in developed and less developed countries: A literature survey.
h. Non-capture into national statistics or GNP accounts, where non-reporting or under-reporting, escapes the social measurement apparatus, most notably the GNP accounts.

i. Autonomy and flexibility where participants choose to participate in the informal sector because of more autonomy, flexibility and freedom they find in this sector compared to the formal one.

j. Labour-intensive and adapted technology and skills acquired outside the formal schooling system.

2.1.12 The link between the formal and informal economy

The literature discusses a link between the formal and informal economy from three main points of view. These are: (i) the dualist; (ii) the legalist and (iii) the structuralist views. The dualist view sees the informal economy as not directly linked to the formal economy but rather marginal to it and subsistent in nature, providing a safety net for the poor. The legalist view sees micro entrepreneurs opting out of the over-regulation of business by government and opting to stay out of formal arrangements by going informal. Finally, the structuralist view focuses on the informal economy as a product of privileged capitalists attempting to reduce the costs of production by hiring informal labour and subordinating small and microbusinesses.

Practically, however, the duality description is misleading and does not represent the facts on the ground. A careful study of businesses in the developing world shows a continuum of firm types from the most highly informal (survival type of activities) to the most formal (registered/incorporated, tax-paying) businesses. Depending on the

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situation, businesses often traverse along this continuum, some pursuing formalisation, others dropping into informality based on cost-benefit calculations. Generally, the literature on private sector development has long underscored the inevitable link between the formal and informal economies.

Input-output linkages exist between formal and informal businesses. Formal businesses often use inputs produced by the informal economy through subcontracting arrangements such as advancing credit in the form of material to informal businesses\textsuperscript{34}. In the same manner, many hawkers, street vendors and small traders operate on behalf of larger and medium size businesses, who sell their goods on the street.

2.2 Why seek to reduce the size of the informal economy?

In figure 2\textsuperscript{35}, a statistics on the share of the informal economy in total output, where the informal economy is defined as unregistered activities, are reported.

**Figure 2: Selected size of informal economy as % of official GDP: 2006/2007**

![Graph showing selected size of informal economy as % of official GDP: 2006/2007](image)


Figure 2 depicts an inverse relationship between the size of informal economy and GDP. Countries with large informal economies such as Zimbabwe, with high informal economy contribution (e.g. 61.8%) to GDP, are poor. Inversely, countries, such as Switzerland, with small informal economy contribution (e.g. 8.5%) to GDP, are rich. There is also a direct relationship between the size of the formal economy and GDP. Countries with large formal economies also have high levels of GDP and are rich.

Although these figures do not indicate the share of people engaged in the production of this output, the number of people employed in unregistered activities is obviously closely linked to this.

Besides, while there is no conclusive evidence that formalisation is in itself a prime cause of economic growth, a large informal economy is detrimental when viewed from both a long-run economic and a socio-political perspective. A large informal economy is not conducive to the long-term provision of public goods needed for growth, nor does it permit adequate social security expenditure or the creation of a society in which businesses can trade and invest with confidence. Formal economy jobs can provide greater economic and social benefits than those in the informal economy, so greater formality may also equal better pay and protections.

Further, a large informal economy may indicate a breakdown in the social contract between citizens and the state, a sign of a state which has lost citizens’ trust in failing to deliver basic services and protections.

The contribution of the Ghanaian informal economy to its GDP is about 42.3%\textsuperscript{36}. The potential for poverty reduction could be tapped through formalising the informal economy.

\textsuperscript{36} Ibid
2.2.1 Social and economic cost of the informal economy

By its very nature, the features of the informal economy have the tendency to push people and enterprises into low productivity and poverty. For example, from the standpoint of unprotected employees, the negative characteristics of work in the informal economy dwarf its positive aspects. Since they are usually not recognised, registered, regulated or protected under labour and social protection laws, they are unable to defend their fundamental rights. Besides, they are not normally organised and, therefore, have little or no collective representation in relation to their employers.

From the point of view of employers, most of them do not enjoy secure property rights, which denies them access to both capital and credit. They also struggle to access (i) the judicial system to enforce contracts; (ii) public infrastructure and public markets; (iii) investment in bigger businesses and impede trade.

The ILO and other international development organisations had always held the view that, if the costs of moving to formality can be eased, then many informal economy businesses may volunteer to come above ground, observe labour laws, benefit from the security that access to the judicial system can give to property and contracts, as well as pay their taxes.

The transition to formality has also been a growing policy concern for many countries, including, Ghana. Currently, Ghana is aiming at producing a clear and simplified policy framework\(^{37}\) to help grow and migrate the informal economy to a formal one.

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2.2.2 Benefits of formalisation

Many reports have documented the benefits of formalising the informal economy. One of such is a publication by USAID\textsuperscript{38}. According to the said report, donors and countries should seek to reduce the size of the informal economy in order to:

i. Provide higher quality, better paid, more sustainable employment.

ii. Reinforce the social contract between citizens and their state, strengthen the reliability of agreements between firms, and build investor confidence.

iii. Broaden the tax base (potentially permitting lower taxes).

iv. Increase information available about enterprises in order to strengthen frameworks for policy advocacy; and to reduce information asymmetries and facilitate deal-making, trade and investment.

v. Reduce the cash economy and provide more resources for intermediation by the formal financial sector.

vi. Improve access to business services, formal markets, and productive resources such as capital and land.

vii. Increase the welfare of marginalised groups caught in the informal economy through confirming their rights to participate in market opportunities.

viii. Promote decent work and inclusive development.

2.2.3 Formalising the “Formalisable”

Although formalisation is necessary and desirable, it should not be expected that all informal enterprises will have the capacity and readiness to formalise. Creating the appropriate environment for formalisation may take a long time as it does not only require the building of an enabling environment with institutions, laws and regulations, but also infrastructure and education. The need to continually identify business-oriented incentives for firms to register

\textsuperscript{38} United States Agency for International Development (USAID), 2005: Removing Barriers to Formalization: The Case For Reform And Emerging Best Practice
their business in the future is equally important. One way of achieving formalisation is the removal or the lowering of the barriers that inhibit the growth of informal enterprises.

Many of the barriers that inhibit growth of informal enterprises also correlate with barriers to formalisation. Therefore, removing the barriers to growth will also remove the barriers to formalisation. Barriers to formalisation fall into several categories, including:

i. **Regulatory Barriers;** E.g. Lack of clarity between business registration and licensing and multiple registration and licensing institutions (Registrar General’s Department, Ghana Revenue Authority, Social Security and National Insurance Trust, District/Local Assembly, Social welfare)

ii. **Administrative Barriers;** E.g. Excessive paperwork, delays and overly burdensome bureaucracy.

iii. **Fees and Financial Requirements;** E.g. Taxation and Business Levies at central and local levels, basic rate (head tax), property rates, market tolls, hawkers’ license.

iv. **Corruption in Public Administration.**

v. **Socio-cultural attitudes.**

While many informal actors may make a choice about the degree of formalisation they choose, others may not be in that position or are unable to exercise that choice. For example, as per our framework (See Chapter 5), it will be easy for Innovators to formalise whilst Survivors may have difficulty formalising.

**Conclusion**

In conclusion, it can be said that perceptual similarities and differences on the definition of the informal economy have emerged over the past four decades. To some extent, the views of these perceptual approaches interact and assist in obtaining a clearer picture of how the informal economy evolved. There are, however, definitional and conceptual transitions which are summarised below:

1991: The dilemma of the informal sector in ILC discussions.

2002: A broader conception of the scale and dimension of informality with the new term “informal economy” in ILCS discussions.

2014-15: Standards setting on transitions to formality in ILCS discussions.

What makes the interaction between the different approaches interesting borders less on which perception is right. On the contrary, the interaction is enriched when the various perceptual strands are placed alongside each other to (hopefully) present a tapestry of interpretation of the informal economy.

This research project is, therefore, an invitation to take part in such an interaction.
Introduction
This chapter answers the question of “how was the research carried out?” It summarises the approach and methodology adopted for this research project as well as discusses the mode of analysis.

3.1 Approach and methodology
It is important and advantageous to deliberately make a distinction between research “method” and “methodology” before launching into empirical details. The reason, quite simply, is that the outcome of all empirical research will be partial, no matter any espoused truth claims and thus, it would be better to be clear about the biases and exclusions before launching into data collection and analysis.

Research “method” and “methodology” are often used synonymously, even though they do not mean the same thing. In academia,
“methods” are practical steps for undertaking any research. This usually includes the selection and collection of data, processing that data with certain tools (for example SPSS) to enable analysis to achieve the research objectives. Methodology, essentially, is the discussion of methods. This includes the theoretical ideas and concerns that inform the use of different methods adopted for a research.

This researcher holds the (ontological) view that social reality about the urban informal economy is more subjective than objective. It is objective to the extent that the social actors think so. Accordingly, this research was carried out within two main paradigms: (a) the interpretive paradigm focusing on how the urban informal economy is constructed and maintained, and (b) the radical humanist paradigm focusing on why it is so constructed through critical analysis.

Studies within the interpretive paradigm aim at giving voice to the various actors to construct their own interpretation and meanings. A primary concern of this researcher was to create an understanding, describe and explain what currently obtains in the urban informal economy from the point of view of the actors themselves. To achieve this objective, the researcher studied the actors within their own social contexts. As a result qualitative methods such as participant observation, interviews, focus group discussion and other close contact methods were used.

The radical humanist paradigm shares the interpretive paradigm’s view of the subjective nature of social reality but also assumes an objective reality and thus, adopts a critical or evaluative posture. Second, researchers are not theory-free. They carry their own “theoretical baggage” or a priori theories into any research setting.


40 Ibid
and interpret the data in that light. Within this context it is highly improbable (if not completely impossible) to go into a research in the informal economy with an open mind. The goal of theory here is to critique the existing social structure with the intent of changing it. Thus, in addition to utilisation of similar research methods, the radical humanist paradigm explores the use of quantitative methods, such as surveys, to study the social actors.

This researcher views the objective-subjective dimension as a continuum and not as mutually exclusive. Thus, the mixed design approach was, employed for this research.

3.1.1 Mixed research design approach
The choice of the mixed research design approach was based on its main strength of triangulation where both qualitative and quantitative methods are used to achieve research objectives. In this regard, quantitative data, acquired through questionnaire administration, provided some numbers (macro data) and qualitative data, provided micro data to explain the numbers.

3.1.2 Sample design considerations
a. The survey units

Even though the urban informal economy survey is concerned with economic units, namely enterprise and other small-scale establishments, the survey was confined to non-agricultural units, but covered a wide range of activities.

The unit of interest are units that: (a) lack formal or legal identity but are separate from the household as an economic entity; (b) do not employ regular employees; (c) are typically located in the operator’s home and without a fixed place of business; (d) are owned and operated by persons alone or in partnership as self-employment activity; (e) are micro-enterprises which, while
employing one or more regular employees, operate at a low level of technology.

In terms of economic units, an urban informal economy survey design is likely to be similar to that of a household survey. However, unlike household surveys, urban informal economy surveys are based on populations which are very heterogeneous, unevenly distributed and also less stable than typical households. Moreover, the requirements for precision and measurement differ from one category of units (type, size, sector of economic activity) to another. All these factors added to the increased complexity of the survey design, including sample selection and estimation procedures.

b. Basic design parameters
Informal economy surveys are meant to achieve different objectives. The surveys, therefore, differ in scope and coverage. For instance, in this case, it covered only urban areas and economic sectors relevant to the case of Ghana. Besides, the informal economy activity rather than the household was taken as the survey unit.

Another important design decision concerned whether or not urban areas with little or no reported informal sector activity in the frame should be included in the sample. Since this could have major cost implications for the survey, we decided to restrict the frame to regional capitals and the biggest cities/towns in the regions.

The list of Enumeration Areas of the 2010 Ghana Population and housing Census constituted the sampling frame for the survey. A multi-staged sampling design was adopted. The country was stratified into regions and urban towns. The urban towns were further divided into two broad categories. These were the ten
regional capitals and the next ten biggest towns in the region. Where the next ten biggest towns were not easily accessible because of logistical reasons, the next accessible biggest towns were considered.

The selection of the regional capitals and biggest urban towns was based on two factors: (a) the large sizes of their population and anticipated distribution of enterprises in the informal economy and (b) the likelihood of accessing a high concentration of urban informal economy workers and the spontaneous access to individuals in their workplaces, markets or on roads, in residencies and those working from home outside of the aforementioned locations.

The Primary Sampling Units were the Enumeration Areas of the 2010 population census. This is because they were the smallest well-defined geographical units for which population data reside. Sampling was, subsequently, independently carried out within each regional stratum to ensure a good spread of relevant units, thereby reducing sampling error. The unit of analysis in this research project was the enterprise, which was either a one-person or many persons enterprise. This included enterprises which operate from homes, other fixed locations and non-fixed locations.

3.1.3 Data collection methods
Data was collected through the following methods:

i. Review of relevant documents and information from web sites of relevant stakeholders.

ii. Questionnaire Survey.

iii. Interviews.

iv. Focus group discussions.

v. Field observations.

vi. Case studies.
Taken together, the collection of data from multiple sources (triangulation) enhanced reliability of the data. The data collection methods are briefly discussed below.

3.1.3.1 Review of documents
A couple of documents were examined. The documents were obtained either directly from collaborating partners or from their websites or both. The documents can be classified under two main categories including:

i. Theoretical and Conceptual Reviews of the Informal Economy by such bodies as the International Labour Organisation (ILO), Organisation for Economic Cooperation and Development (OECD) and the World Bank/Women in Informal Employment Globalising and Organising.


3.1.3.2 Recruitment and training of field officers
The research team recruited two lecturers from the polytechnics in Ghana as supervisors and diploma students as Field Officers for the questionnaire administration (see Appendix 2 for list of field officers). They underwent two days of training. On the first day, the questionnaires were discussed after which the field officers administered them among themselves. The purpose was to obtain better clarity, greater familiarity of the questions, experience, adjust content and set norms for the pilots.

3.1.3.3 Questionnaire survey design and administration
The questionnaires were designed after a thorough review of extant literature41. Within the context of the overall study, two sets of questionnaires, one for employers and the other for employees, were developed and piloted. The questionnaire for employers was the longest and took about twice as much time to administer as the

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questionnaire for the employees. (See Table 1 for the Questionnaire Distribution by Regions).

The questionnaire survey, which had closed ended questions, was used as an “intelligence gathering” or formative tool. The questionnaires were randomly administered within the period of six (6) months (February - July, 2014). The survey findings, together with the findings in the literature, constituted the starting point for interviews, focus group discussions and case studies. As a formative tool, it was used to explore various dimensions of the conditions in the informal economy.

The value, therefore, lay mainly in its potential to paint a broad picture, highlight trends and apparent relationships that were pursued at a deeper level during the interview, focus group discussions and the case studies phases. Whereas the survey responses are an aggregation and elicited macro level information, the interview, focus group discussions and case studies are real life issues and involve people at the micro level. In this case, the various methods of data collection reinforced and did not contradict each other.

In order to improve quality assurance and ensure the operational manageability of the survey, and taking into consideration time and resource constraints, a total of five thousand (5,000) questionnaires were administered. The sample size of 5,000 was considered adequate to ensure that there were sufficient sampling units for meaningful analysis and inferences about the population at regional and national levels within a marginal error of 2.5%. The questionnaires, targeting 1,500 employers and 3,500 employees were administered by fifty (50) trained Field Officers. The Employee questionnaires consisted of 40 questions and 89 questions for the Employers.

The questionnaires were administered in twenty one (21) urban towns spread across the ten (10) regions of Ghana including
the capital towns of the region. The return rate for the Employee questionnaire was 91.9% and that of Employers was 87.7%. The sample distribution and the return rates are given in Table 1. Overall, the average return rate for both employees and employers is 89.8%.

Table 1: Questionnaire distribution by regions

<table>
<thead>
<tr>
<th>Employees</th>
<th></th>
<th>Employers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>No. of Questionnaires Administered</td>
<td>No. of Usable Questionnaires Returned</td>
<td>Return Rate</td>
</tr>
<tr>
<td>Greater Accra</td>
<td>570</td>
<td>568</td>
<td>99.6%</td>
</tr>
<tr>
<td>Ashanti</td>
<td>679</td>
<td>619</td>
<td>91.2%</td>
</tr>
<tr>
<td>Brong Ahafo</td>
<td>329</td>
<td>184</td>
<td>55.9%</td>
</tr>
<tr>
<td>Central</td>
<td>311</td>
<td>303</td>
<td>97.4%</td>
</tr>
<tr>
<td>Western</td>
<td>336</td>
<td>333</td>
<td>99.1%</td>
</tr>
<tr>
<td>Northern</td>
<td>353</td>
<td>352</td>
<td>99.7%</td>
</tr>
<tr>
<td>Upper West</td>
<td>98</td>
<td>98</td>
<td>100.0%</td>
</tr>
<tr>
<td>Upper East</td>
<td>147</td>
<td>145</td>
<td>98.6%</td>
</tr>
<tr>
<td>Volta</td>
<td>301</td>
<td>295</td>
<td>98.0%</td>
</tr>
<tr>
<td>Eastern</td>
<td>374</td>
<td>298</td>
<td>79.7%</td>
</tr>
<tr>
<td>Total/Average</td>
<td>3498</td>
<td>3195</td>
<td>91.9%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014
Percentages and totals are based on responses.

3.1.3.4 Pilot study

To pre-test the questionnaire a pilot study was conducted in Accra for the Field Officers and their supervisors. The questionnaires were administered to fifty employees and fifty employers and their responses analysed manually. Feedback on the length of the

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42 More than half of the questionnaires for the Brong Ahafo region were not administered for logistical reasons. They were returned.
questionnaire, the clarity of language/expression, the sequence of sections and questions, and the strategy of ensuring high response rate, were elicited during the pilot test. The feedback was positive. A couple of suggestions were made and were incorporated into the final questionnaire. The experience gained from the pilot study helped the researcher to appreciate and plan for the challenges he was likely to face in the field.

3.1.3.5 Non-response
No adjustments were made for non-response. It was assumed that the non-response was randomly distributed. Non-response was mainly due to lack of cooperation as some did not perceive any benefit from the survey while others feared they would be targeted for harassment by the security agencies.

3.1.3.6 Interviews
Fifty-one persons were purposively selected and interviewed. Those who were selected satisfied a set of criteria, including: availability; experience and personal knowledge in the urban informal economy; willingness and ability to articulate ones views.

The interview took place over a period of five (5) months (September, 2014-March, 2015) and the participants were located in geographically distant places. Constrained by time and resources, some of the interviews were conducted over the telephone. The interviews were conducted with individuals who talked about their individual situations and key informants who provided details and specific insight about their operations in the informal economy.

In order to ensure the reliability of interviews, all interviews were transcribed, and were reviewed for accuracy by the interviewee. This was done in an effort to eliminate researcher bias. Next, they were reviewed for consistency.
3.1.3.7 Focus group discussion (FGD)

Between September and December, 2014, the research team conducted twenty-eight (28) focus group discussions involving one hundred and forty (140) persons in the three geographical sectors of Ghana, namely Northern (Tamale), Central (Kumasi) and Southern (Tema) sectors. Three sessions each were conducted with three different groups in Tamale and Kumasi. Three sessions each were conducted with four different groups in Tema. The FGDs were moderated by experienced and trained facilitators and assisted by experienced recorders who documented the proceedings of the discussions.

Each moderator and assistant had a set of kits including Guidelines for conducting the focus group discussions, questions for the discussions, note pads pens and flip charts. The FGD served to:

1. Discuss and explore issues in the research from different perspectives and in depth;
2. Highlight common concerns and conflicting interests;
3. Cross-check information that had been collected.

The following group of persons, that had participated in the quantitative surveys as well as volunteers who did not participate in the survey, took part in the focus group discussions:

i. Hawkers, Street Vendors and Roamers;
ii. General Goods (e.g. fabrics, electrical, plumbing etc.) and Food Stuff Sellers;
iii. Service Providers (e.g. Musicians, Washing Bay Operators, Mobile Phone Repairers, Transport Owners and Operators etc.)
iv. Employers (e.g. Manufacturers, Construction, Agriculture, Forestry And Fishing, Mining and Quarrying Business owners and operators);
v. Formal institutions that work with or regulate the informal economy (e.g. National Board for Small Scale Industries (NBSSI), Local Assemblies, Ghana Revenue Authority, Micro-Finance Companies, NGOs working with informal sector).
See appendix 4 for focus group discussions guide and questions.

3.1.3.8 Field observations
The conduct and behaviour of urban informal economy operators were observed and visible actions and inactions were recorded. Researcher observations, together with other sources of information (triangulated with the FGD and key informant interviews) were critical in identifying characteristic behaviour of participants which were relevant to the research.

3.1.3.9 Case study
Four cases were studied. The value of the case studies lay in their contextual and largely interpretive significance. They allowed the investigator to retain a holistic and meaningful characteristics of real-life informal economy events whilst providing local and immediate meaning to larger global and conceptual consequences.

3.2 Mode of analysis
The mode of analysis was both qualitative and quantitative. However, the analysis did not provide any causal evidence, neither did it attempt to identify significant associations between variables. The aim was to provide a basic understanding of the informal economy in Ghana and to add to as well as complement existing literature on the informal economy. It is hoped that readers would interpret the results with this caution in mind.

As a result, interview materials and documents were coded into broad substantive issues. Where issues were raised, which aroused the curiosity of the researcher, more interviews were conducted and extra information and guidance sought from documents in the substantive area. Thus, there was an iterative interplay of data gathering (using multiple methods), conceptualisation, judgment formulation and drawing of conclusions. Frequencies, percentages and contingency table analysis (or crosstabulations) were extracted for the quantitative data.
In summary, the analysis of data, the generation of arguments and formulation of judgments were done through the following steps:

a. Triangulation – where documents were examined, interviews conducted, and focus group discussions held. Each technique was used to check and cross-check data with each other to ensure data reliability and validity;

b. Synthesis – where new knowledge was sought through the combination of ideas from the extracted data and existing literature. The subsequent information were grouped into thematic areas;

c. The information, so distilled from (a) and (b) above, was further examined and reviewed for adequacy. In the event of inadequacy, appropriate action was taken to obtain additional information or comments.

Table 2 below summarises the methodological characteristics of the data collection tools used. It summarises their importance in terms of their potential for data collection, analysis, judgment formulation and potential problems encountered during the data collection effort.

Table 2: Summary of the methodological characteristics of the Data collection

<table>
<thead>
<tr>
<th>Tools</th>
<th>Potential for Data Collection</th>
<th>Potential for Analysis</th>
<th>Potential for Judgement formulation</th>
<th>Organisational problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document Analysis</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Interviews with key informants</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Questionnaire Formulation and Administration</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Focus group Discussion</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Case Studies</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>
3.2.1 Ethical considerations
Respondents were assured that all responses given during the questionnaire administration, interviews and focus group discussions were confidential. This would be kept as such by the researcher, unless a consent to do otherwise was received. To protect their identity, the names of respondents were not used in the report unless otherwise consented to.

3.2.2 Limitations of the study
This work was intended to contribute towards understanding the urban informal economy in Ghana. This study was constrained mainly by a limited budget. First, because there was no substantive budget, the ability to cover a greater number of urban towns was limited. Related to that, only few trained personnel were engaged for the interview portion of research due to limited funds. Similarly, in-depth case analysis was limited to four cases.

This is, however, only the first of a multiple-phased study. Consequently, the analysis in this report was limited mainly to frequencies and percentages with few cross tabulations. An envisaged broader research agenda will further explore the relationships between demographic characteristics such as age, gender, income, regional differences and nature of operations (namely: employment and social protection, business formation and practices, capital formation, sources of inputs, taxation, product and marketing policies, growth trends and problems and prospects).

On a more practical level, this study was limited due to its focus on the points of view of informal economy operators themselves. Subsequent phases would expand the scope to include a more extensive mix of government and non-government organisations as well as private sector organisations to reflect a broader interaction
on the informal economy. Additionally, the framework for analysing informal economy will be subjected to further research to refine it.

These limitations, nonetheless, did not in any way blunt the import of the study and the recommendations that arose out of it. This is because, steps were taken to ultimately achieve the objectives of the survey.

**Conclusion**
The methodology selected for this research sought to address multi-faceted research objectives, hence, a mixed method approach was deemed appropriate.

The use of multiple methodological techniques and the combination of the methodological paradigms, produced a triangulated view since it offered cross-validation of the data, thereby, producing a much richer research picture.
RESULTS AND DISCUSSION

Introduction
This chapter presents the findings of the survey based on research objectives and an analysis of those findings. In particular, the survey sought to achieve the following objectives, namely to:


2. Provide reliable and up to date information on the activities of enterprises in the urban informal economy for theoretical considerations, policy formulation and implementation as well as monitoring;

3. Assist the government, the private sector and civil society organisations to identify advocacy issues and various areas of
assistance to the urban informal economy operators to enable them realise their full growth potential,

4. Make recommendations based on the findings of the survey.

The chapter is, therefore, divided into the nine (9) thematic sections with descriptive statistics and empirical analysis of the findings. It is, however, important to note from the beginning, that the percentages and totals provided only give insight into the relative frequencies (counts) of responses and do not represent any economic value.

**4.1 Demographics of respondents**

Information was sought on the personal profiles (characteristics) of respondents and generalizations made about them. Respondents profiles include age, sex, and marital status, number of children, education, nationality and income.

**4.1.1 Age distribution**

Age of the respondents is one of the most important characteristics in understanding their views about the particular problems. By and large age indicates level of maturity of individuals and in that sense age becomes an important parameter for examination.

It is evident from Figure 3 that the modal age class of employee-respondents (54.6%) is 15-25 years. This is followed by the age group of 26-35 years which is 31.6%. The rest: 36-45; 46-55; 56-60 and above 60 years are 8.7%, 3.8%, 0.9% and 0.3% respectively.
There seems to be a link between age and employment status as employers are relatively older than their employee counterparts. Most employers (41.7%) are in the age group of 26-35 years. This is followed by the age group of 36-45 years which is 26.3% and the age group of 15-25, which is 16.6%. The rest are 9.7% for the age group of 46-55 and 4.0% percent for the age group of 56-60. Only a little portion of the respondents (1.7%) are above the age of 60.

The data also shows that 54.6% of the employees and 16.6% of the employers fall within the 15 and 25 age group, which is the internationally recognised youthful population. On the average however, more than a third (35.6%) of the workers (both employers and employees) are youth which is consistent with the working age of 35.3% of the population of Ghana.
By examining the age structure, it can be noticed that the modal age of employees reduces, perhaps, culminating into an increased modal age of 26-35 for employers. It is possible that after working as employees (see Figure 3) for a while and gaining some experience, some of them graduate into employers. With appropriate assistance, such as mentoring and skills development, some employees could be encouraged to become entrepreneurs and employ others as well.

Table 3: Age distribution of both employees and employers

<table>
<thead>
<tr>
<th>Average Age Group of Respondents (Both Employees and Employers)</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth (15-35)</td>
<td>72.3</td>
<td>72.3</td>
</tr>
<tr>
<td>Young adults (36-55)</td>
<td>17.5</td>
<td>89.8</td>
</tr>
<tr>
<td>Adults (Above 56)</td>
<td>10.2</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014 Percentages and totals are based on responses.

However, the Ghana Youth Policy defines “youth” as “persons who are within the age bracket of fifteen (15) and thirty-five (35)” . Within the context of the Ghana’s Youth policy, the result indicates that most of the employees (86.2 percent) and employers (58.3 percent) or a cumulative average of 72.25% of the respondents can be described as youth (Table 3).

4.1.2 Gender distribution

Gender is an important variable in any given Ghanaian social situation which is variably affected by any social or economic phenomena. Hence the variable gender was investigated for this study.

In Ghanaian social settings, households are normally headed by males. In order to avoid a male dominated survey and to ensure equal representation of females in the research, the household was not used as the unit for data collection. Consequently, any individual male or female that was available in any enterprise that was able and
willing to provide information was surveyed. Data related to gender distribution of respondents is presented in Figure 4.

Fifty-nine percent (59%) of the employees are males and forty-one percent (41%) are females. Forty-nine percent (49%) of employers are males and fifty-one percent (51%) are females.

*Figure 4: Gender distribution of employees and employers*

<table>
<thead>
<tr>
<th></th>
<th>Employee Respondent</th>
<th>Employer Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Male</strong></td>
<td>59%</td>
<td>49%</td>
</tr>
<tr>
<td><strong>Female</strong></td>
<td>41%</td>
<td>51%</td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014*

Insight from a focus group discussion, indicated that most women, choose to become self-employed with or without employees in order to have flexible arrangements associated with balancing home and income-earning roles.

### 4.1.3 Marital status

Marriage is one of the most important social institutions worldwide. Perceptions and attitudes of individuals differ by the marital status because marital relationships tend to make them a little more responsible and matured in understanding and responding to different social conditions. Marital relationships also have implications for individual decision making and influence what people can do or not do.
It is quite clear from Figure 5 that majority (70.6%) of employee respondents are either single or have never been married. This is followed by the married (23.7%), separated (2.1%), informal union/cohabitation (1.7%), divorced (1.2%) and widowed (0.7%) respectively.

Source: Field Survey, 2014
On the other hand, there are more married persons (56.4%) in the employer category than the employee category (23.7%). Further, the employer category has more separated (2.6%), divorced (2.0%) and widowed (2.5%) respondents. The employee category has more informal union/cohabitation (1.6%) responders than that of the employer category. The observed trend could be because respondents in the employer category are older and much more likely to be married (Figure 6).

4.1.4 Number of children
The data in Table 4 indicates the number of children employees have. Almost sixty seven percent (66.8%) of employees do not have children. 22.5% have 2-3; 9.5% have 3-5; 1.0% have 6-8 and 0.2% have over 9 children respectively.

Table 4: Employee – Number of children

<table>
<thead>
<tr>
<th>Number of Children</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2056</td>
<td>66.8</td>
<td>66.8</td>
</tr>
<tr>
<td>1-2</td>
<td>694</td>
<td>22.5</td>
<td>89.3</td>
</tr>
<tr>
<td>3-5</td>
<td>292</td>
<td>9.5</td>
<td>98.8</td>
</tr>
<tr>
<td>6-8</td>
<td>30</td>
<td>1.0</td>
<td>99.8</td>
</tr>
<tr>
<td>9 and above</td>
<td>6</td>
<td>0.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>3078</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014 Percentages and totals are based on responses.

The data in Table 5 indicates the number of children employers have. A little over thirty percent (31.2%) of employers do not have children. 35.1% have 2-3; 28.6% have 3-5; 4.3% have 6-8 and 0.8% have over 9 children respectively. From Tables 4 and 5, it can be observed that almost 33% of employees and 69% of employers have at least one child.
Table 5: Employer – Number of children

<table>
<thead>
<tr>
<th>Number of Children</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>404</td>
<td>31.2</td>
<td>31.2</td>
</tr>
<tr>
<td>1-2</td>
<td>454</td>
<td>35.1</td>
<td>66.3</td>
</tr>
<tr>
<td>3-5</td>
<td>370</td>
<td>28.6</td>
<td>94.9</td>
</tr>
<tr>
<td>6-8</td>
<td>56</td>
<td>4.3</td>
<td>99.2</td>
</tr>
<tr>
<td>9 and above</td>
<td>10</td>
<td>0.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1294</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014    Percentages and totals are based on responses.

4.1.5 Educational background

Education is one of the most important characteristics that affect a person’s attitudes and understanding of any particular social setting. Consequently, responses in any survey are influenced by the educational status of respondents. It is imperative, therefore, to know the educational background of the respondents. Hence the variable ‘Educational Level’ was investigated by the researcher and the data pertaining to education is presented in Figures 7 and 8.

Figures 7 and 8 show that about, 36.4 percent of respondents in the employer category were educated up to the Basic Level (Junior High School) whilst 31.1% have Senior High School level of education. This is followed by those with “No Formal Education” (14.1%), Diplomas (12.6%), Bachelors (4.4%), Masters (0.9%) and PhD (0.4%).
Within the employee category, most of the respondents (38.3%) have Senior High School level of education. This is followed by the Basic Level (31.3%), then Diplomas (17.4%), “No Formal Education” (9.6%), Bachelors (2.7%) and Masters (0.5%) respectively.

This means that, two-thirds of both employers and employees are either junior high school or senior high school leavers and were not able to progress to the tertiary level of education. The state and its agencies must, therefore, continue to focus on delivering on the
“basics” such as education to produce an empowered youth for job creation.

It is, therefore, important to introduce entrepreneurial and financial literacy skills training early enough, possibly at the junior high school level. In this way, those exiting at the basic level may be able to benefit from such a training.

Alternatively, policy makers in education and entrepreneurship development can team up to set up incubation centres for new junior high school or senior high school leavers who intend to start and run their own businesses. The incubation centres could provide the following services, among others: (i) mentoring (ii) basic processes and meaning of business registration (iii) basic book keeping (iv) networking activities and internet access (v) access market information (vi) regulatory compliance and (vii) where and how to get funding.

4.1.6 Cross tabulation of gender by ‘what is your highest level of education?’

The data on gender by level of education for employees shows that males have higher levels of education than females (See Table 6). For instance, more females (5.4%) of the employee category have no formal education than males (4.3%). From the basic level and above, more male employees have higher levels of education than females.
### Table 6. Cross tabulation of gender by what is your highest level of education for employees?

<table>
<thead>
<tr>
<th>What is your highest level of education</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal education</td>
<td>53</td>
</tr>
<tr>
<td>Basic education</td>
<td>3</td>
</tr>
<tr>
<td>Secondary education</td>
<td>8</td>
</tr>
<tr>
<td>Diploma</td>
<td>3</td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>53</td>
</tr>
<tr>
<td>Master's Degree</td>
<td>3</td>
</tr>
<tr>
<td>PhD</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>129 510 671 378 53 8 3</td>
<td>4.3% 17.1% 22.5% 12.7% 1.8% 0.3% 0.1% 58.7%</td>
</tr>
<tr>
<td>Female</td>
<td>162 424 464 146 27 7 3</td>
<td>5.4% 14.2% 15.5% 4.9% 0.9% 0.2% 0.1% 41.3%</td>
</tr>
<tr>
<td>Total</td>
<td>291 934 1135 524 80 15 6</td>
<td>9.7% 31.3% 38.0% 17.6% 2.7% 0.5% 0.2% 100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  
Percentages and totals are based on responses

Similarly, in the employers’ category, more females (9.6%) have no formal education than males (4.6%). At the basic level, more females (22.0%) have basic education than males (15.2%).

### Table 7: Cross tabulation of gender by what is your highest level of education for employers?

<table>
<thead>
<tr>
<th>What is your highest level of education</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal education</td>
<td>7</td>
</tr>
<tr>
<td>Basic education</td>
<td>2</td>
</tr>
<tr>
<td>Secondary education</td>
<td>34</td>
</tr>
<tr>
<td>Diploma</td>
<td>2</td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>9</td>
</tr>
<tr>
<td>Master's Degree</td>
<td>2</td>
</tr>
<tr>
<td>PhD</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>57 187 228 93 34 7 2</td>
<td>4.6% 15.2% 18.5% 7.6% 2.8% 0.6% 0.2% 49.4%</td>
</tr>
<tr>
<td>Female</td>
<td>118 270 161 56 15 2 0</td>
<td>9.6% 22.0% 13.1% 4.6% 1.2% 0.2% 0.0% 50.6%</td>
</tr>
<tr>
<td>Total</td>
<td>175 457 389 149 49 9 2</td>
<td>14.2% 37.2% 31.6% 12.1% 4.0% 0.7% 0.2% 100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  
Percentages and totals are based on responses
However, for the secondary education level and above, more males have better levels of education than females. See Table 7).

4.1.7 Nationality

Nationality depicts the status of belonging to a particular nation. From Figure 9, it can be seen that overwhelming majority (98.3%) of employee-respondents in the urban informal economy are Ghanaians. ECOWAS nationals are at a distant second (0.8%), followed by Africans other than ECOWAS Nationals (0.7%). Non-Africans follow with a total percentage of 0.2.

Figure 9: Employee nationality (%)

The trend is the similar for employers (See Figure 10).

An overwhelming majority (97.7%) of employer-respondents in the urban informal economy are Ghanaians. Again, ECOWAS nationals are at a distant second (1.4%) followed by Africans other than ECOWAS Nationals (0.5%). Non-Africans follow with a total percentage of 0.4.
The Nationality trends for employees and employers are similar to the nationality figures reported in the 2010 population census data. The 2010 population census data shows that 97.6 percent of the population is Ghanaian while 2.4 percent is Non-Ghanaian. ECOWAS nationals constitute the highest proportion of the non-Ghanaian population (1.7%) while other African nationals constitute 0.4 percent.

It is noteworthy that the urban informal economy is large and is dominated by Ghanaians. Any benefit of any investment within it, for example, in education and training, access to technology and basic infrastructure and its multiplying effects in economic terms, is likely to accrue directly and mainly to Ghanaians and the Ghanaian economy. The likelihood of profit leakage outside of Ghana may be limited. There is, therefore, the need to pay attention to it.

4.1.8 Average monthly income
Income plays an important role in shaping the economic conditions of an individual. The research, therefore, investigated income as variable and the data related to income of the respondents is presented in Table 8.
It is evident from Table 8 that a little below a hundredth (0.9%) of the employee respondents earn above GH¢1,000 a month (or above US$11.66 a day) with 16.4% earning below GH¢30 a month (or below US$0.35 per day). Most of the Employee respondents (21.3%) earn between GH¢51-100 a month (or US$0.59 - 1.17 per day). Cumulatively, about 75.6% earn below the poverty wage of US$2 a day. The average monthly income for both employers and employees is GH¢163.00 which works out to GH¢6.01 or US$1.83 a day.

**Table 8: Average monthly income**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Below GH¢30</td>
<td>Below US$9.09</td>
<td>Below US$0.35</td>
<td>509</td>
<td>16.4</td>
<td>16.4</td>
</tr>
<tr>
<td>GH¢31-50</td>
<td>US$ 9.39 - 15.15</td>
<td>US$0.36 - 0.58</td>
<td>473</td>
<td>15.2</td>
<td>31.6</td>
</tr>
<tr>
<td>GH¢51-100</td>
<td>US$ 15.45 - 30.30</td>
<td>US$0.59 - 1.17</td>
<td>661</td>
<td>21.3</td>
<td>52.9</td>
</tr>
<tr>
<td>GH¢101 -150</td>
<td>US$30.61 - 45.45</td>
<td>US$0.36 - 0.58</td>
<td>436</td>
<td>14.0</td>
<td>66.9</td>
</tr>
<tr>
<td>GH¢151-200</td>
<td>US$45.76 - 60.61</td>
<td>US$1.76 - 2.33</td>
<td>270</td>
<td>8.7</td>
<td>75.6</td>
</tr>
<tr>
<td>GH¢201-250</td>
<td>US$60.91 - 75.76</td>
<td>US$2.34 - 2.91</td>
<td>206</td>
<td>6.6</td>
<td>82.3</td>
</tr>
<tr>
<td>GH¢251-300</td>
<td>US$ 76.06 - 90.91</td>
<td>US$2.93 - 3.50</td>
<td>190</td>
<td>6.1</td>
<td>88.4</td>
</tr>
<tr>
<td>GH¢301-500</td>
<td>US$91.21- 151.52</td>
<td>US$3.51 - 5.83</td>
<td>218</td>
<td>7.0</td>
<td>95.4</td>
</tr>
<tr>
<td>GH¢501-1000</td>
<td>US$151.82-303.00</td>
<td>US$5.84 - 11.66</td>
<td>114</td>
<td>3.7</td>
<td>99.1</td>
</tr>
<tr>
<td>Above GH¢1000</td>
<td>Above US$ 303.00</td>
<td>Above US$11.66</td>
<td>29</td>
<td>0.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>3106</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014. Percentages and totals are based on responses.

*Bank of Ghana rate for US$1=GH¢3.30 at the time of the survey*
The World Bank, the United Nations and ILO define poverty as living below US$2 a day. Below this amount most persons are unable to afford basic needs of food and shelter or portable water. This means that three-quarters of the urban informal economy employees surveyed are poor.

4.1.9 Adequacy of income to secure the livelihood of family

The survey did not only seek information on the average monthly income of respondents but also asked a question on the adequacy of such an income to secure the livelihood of the family. Data from Figure 11 indicates that almost twenty-two percent (21.9%) of employees strongly agree or agree that their incomes are enough to secure a livelihood. 57.6% disagree or strongly disagree that their incomes are enough to secure a livelihood and 20.5% are not sure.

Figure 11: Employee – Adequacy of income to secure the livelihood of family

The observed trend is similar to that of employers. Figure 12 indicates that almost twenty-nine percent (28.8%) of employers strongly agree or agree that their incomes are enough to secure a livelihood. 53.2% disagree or strongly disagree that their incomes are enough to secure a livelihood and 17.9% are not sure. Most are surviving.

However, most informal economy operators have the ability to break out of the survival mode. To be able to go beyond the subsistence level requires other factors, such as, risk-taking preparedness, knowledge of sources of inexpensive materials, financial planning, marketing, and moral support from family members/friends (see, for instance, sections 4.3.1).

Kwesi, (January, 2015) street vendor, optimistically remarked as follows:

“We are just surviving on the streets. We can break forth to become successful citizens. Others, like Kwame “Despite” of Peace FM fame who survived on the streets, have shown us the way. We need to know about sources of inexpensive goods, smart marketing, financial planning, taking calculated risks and moral support from family members/friends. We hope to break forth one day”.
Case Study No. 1: Surviving On The Street: A Street Hawker With Subsistence Income

Akua is a 26-year-old woman with a 4-year-old daughter who lives with her aging mother. She was unable to continue with her education after primary school because of financial difficulties. She sells sachet water at one of the busiest street interchanges in Tema. She earns about GH¢5.00 (US$1.50) a day. Her working day starts at 7:00am and ends at 6:00pm. She works six days a week.

Hawking on the street poses a serious health and physical challenge to her. She gets sick often because of the intense heat from the sun and fumes from vehicles. A couple of her friends have died and others rendered incapacitated as a result of accidents on the road. She knows she cannot continue to do this work for the rest of her life. She wants to work hard, earn enough money to set up a trading post by the roadside. She pays market tolls any time she hawks in the market. She has not thought about saving for the future since she can barely survive at the moment. Thanks to the effort of the local Assemblyman, all three of them are covered under the National Health Insurance Scheme.

In spite of these challenges, she rises each morning with renewed vigour to survive and to care for her child and aging mother. According to her, “Some successful business men and women learnt how to survive on the street as hawkers and I may not be an exception”. 
4.2 Business Formation

Introduction
Business formation is the term used for the process of forming a business entity. It includes the following: enterprise registration and licensing, type of business ownership, location as well as nature of business.

4.2.1 Business registration
Being registered, in most cases, is what separates the formal economy from the informal one. The terminology, however, seem confusing, as “registration” and “licensing” are assumed to have the same meaning by the respondents. For the sake of clarity, “business registration” or incorporation means the process of giving legal recognition to enterprises, and “licensing” means sector-specific approval to engage in regulated activities. In Ghana, enterprises register with the Registrar General’s Department whilst the Local Assemblies offer licenses for specific lines of business.

In terms of business registration, the survey asked the question: Is your business registered? Table 9 presents the responses. Forty two percent (42%) of respondents indicated that their businesses are registered. 56.8% of the businesses are not registered and 1.2% of respondents do not know whether their businesses are registered or not.

Table 9: Business registration

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>541</td>
<td>42.0</td>
<td>42.0</td>
</tr>
<tr>
<td>No</td>
<td>732</td>
<td>56.8</td>
<td>98.8</td>
</tr>
<tr>
<td>Don’t know</td>
<td>15</td>
<td>1.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1288</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014
Percentages and totals are based on responses
4.2.2 Business registration with regulating institution

For those who indicated that their businesses have been registered, the survey sought further information on the institutions they have registered with. The findings are depicted in Table 10.

Clearly, approximately half (50.1%) of the respondents have registered with the District Assembly, followed by 20.3%, 17.2%, 5.8% and 3.5% with Tax Administration (Ghana Revenue Authority), Registrar General’s Department, Social Security and National Insurance Trust (SSNIT), and the Department of Social Welfare respectively. At least three percent (3.1%) don’t know the institution they are registered with.

Multiple registration and licensing (e.g. with the Registrar General’s Department, Tax Administration, District Assembly etc.) and lack of clarity about registration and licensing requirements are a source of confusion to informal economy operators. This confusion can be eliminated by ensuring that the same authority, where possible, does both enterprise registration and licensing.

Table 10: Business registration with regulating institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t know</td>
<td>22</td>
<td>3.1%</td>
</tr>
<tr>
<td>Registrar’s General Department</td>
<td>124</td>
<td>17.2%</td>
</tr>
<tr>
<td>Tax Administration</td>
<td>146</td>
<td>20.3%</td>
</tr>
<tr>
<td>SSNIT</td>
<td>42</td>
<td>5.8%</td>
</tr>
<tr>
<td>District Assembly</td>
<td>361</td>
<td>50.1%</td>
</tr>
<tr>
<td>Social Welfare</td>
<td>25</td>
<td>3.5%</td>
</tr>
<tr>
<td>Total</td>
<td>720</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses for employers only.

The benefits of registration cannot be underestimated. Beyond the compilation of data on the types and nature of businesses in Ghana,
the benefits include: making the transfer of business ownership to others possible and easy, thereby, ensuring their continuous existence; enhanced credit rating and the ability to make sound decisions based on vested authority in a board of directors or company’s officers.

However, enterprise licensing seems to be a more urgent and a local need to respondents as they are often unable to operate without it.

Korkor, a 33 year old trader at the Tema Community One Market (December 2014) noted as follows:

“What I need to operate my ‘too loo bifi’ (salted beef) business is a license from the Tema Metropolitan Assembly. Going to the Registrar General’s Department in Accra to incorporate my business is not urgent at the moment.”

Compliance with business license is, therefore, of a higher priority than with business registration (incorporation). It might be useful, therefore, to ensure that persons who want to register, do so within localities close to them and at the same place where business licensing takes place.

The most important state institution mandated for business registration is the Registrar General’s Department. However, it is not present in all the districts of Ghana. District Assemblies are found in every district of Ghana. The District Assembly is, therefore, much more easily assessable to the informal economy operators. To encourage both business registration and licensing, desk offices for the registrar general’s department and other regulatory bodies could be established in all the local assemblies in Ghana to enable concurrent registration and licensing of businesses. A back channel of data flow could then be created to the regulatory agencies. This could save time and cost to both informal economy operators and state institutions.
4.2.3 Reasons for not registering Business

In terms of business registration, the survey asked those who have not registered their businesses to provide the main reasons for NOT registering their businesses. Figure 13 depicts their responses.

Contrary to the publicly held view that informal economy operators avoid registration because of payment of taxes, the study found that just about 5 percent of respondents sampled for this study indicated that their reason for not registering is payment of taxes and the demand for accounting practices.

Most employer respondents (16.7%) do not know why they have not registered their businesses. Some (15.5%) are aware that businesses ought to be registered but did not know that it applied to them whilst 14.1% have not registered because of excessive cost.

Figure 13: Reasons for not registering business

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I don’t understand the requirements</td>
<td>6.4%</td>
</tr>
<tr>
<td>I don’t know if I have to register</td>
<td>15.5%</td>
</tr>
<tr>
<td>I do not need to register my business</td>
<td>12.1%</td>
</tr>
<tr>
<td>It could be bad for my business</td>
<td>6.0%</td>
</tr>
<tr>
<td>State will ask for taxes and accounting practice</td>
<td>4.7%</td>
</tr>
<tr>
<td>I have to pay too much to register</td>
<td>14.1%</td>
</tr>
<tr>
<td>Too many requirements to complete registration</td>
<td>12.0%</td>
</tr>
<tr>
<td>In the process of being registered</td>
<td>12.5%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>16.7%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Others cited the following reasons: “in the process of registering” (12.5%), “do not need to register” (12.1%), “too many requirements to complete registration” (12.0%).

to complete registration” (12.0%), “it could be bad for my business” (6.0%), and “state will ask for taxes and accounting practice” (4.7%), as the reasons why they have not registered their businesses.

The following also emerged from our focus group discussions in Tamale, Kumasi and Tema. Entrepreneurs: (1) thought that their businesses were too small to warrant any registration; (2) had little intention or no potential to grow and do not perceive any significant benefits from registering their businesses; (3) had not suffered any loss as a result of being informal (4) thought it was cost effective to remain informal.

These findings are similar to the results of another survey45 where almost two-thirds of informal economy firms in the Dominican Republic and 75% in Mexico said their firms were too small to make registration worth the while. Low detection probability and lack of demand for formal services were other reasons. Interestingly, 92% in the Dominican Republic indicated that their businesses had not suffered as a result of being informal, and 38% stated that they had actually benefited from being informal because of lower taxes and the avoidance of government regulations. In Argentina, 57% said their main reasons for not registering was cost.

To encourage more enterprises and workers to register, the state could take a number of steps, including intensifying its education campaign on the benefit and the need to register businesses, simplifying registration processes, lowering the cost and duration of registration.

4.2.4 Main advantages of registering business
The survey also asked respondents what they thought the main advantages of registering their business would be. Figure 14 depicts their responses.

Figure 14: Main advantages for registering businesses

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less problems with authorities</td>
<td>9.1%</td>
</tr>
<tr>
<td>I would feel more confident about my business</td>
<td>14.5%</td>
</tr>
<tr>
<td>Access to better business location</td>
<td>8.5%</td>
</tr>
<tr>
<td>Publicity</td>
<td>11.3%</td>
</tr>
<tr>
<td>Access to loans or financial assistance</td>
<td>12.4%</td>
</tr>
<tr>
<td>Eligibility for support programs</td>
<td>5.9%</td>
</tr>
<tr>
<td>Better chances to sell</td>
<td>13.0%</td>
</tr>
<tr>
<td>Don't know</td>
<td>10.6%</td>
</tr>
<tr>
<td>No advantage</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Most (19.1%) respondents thought the main advantage would be having “Less problems with authorities”. 14.5% would feel more confident about their business; 13.0% would have better chances to sell; 12.4% would have access to loans or financial assistance; 11.3% would have access to publicity; 10.6% Don’t know; 8.5% would have access to better business location; 5.9% would be eligible for support programmes; and 4.6% would have no advantage.

Focus group discussants involving regulators from District Assemblies, Tax Authorities, Registrar General’s Department and Micro Finance institutions provided further insights into the advantages that could be derived from business registration and licensing. They are enumerated below:

**Advantages of registration**

i. Easy identification of enterprises,

ii. Entitlement to the business’ name,

iii. Revenue mobilisation,
iv. Data capture of business,
v. Enhanced credibility of the business entity.

**Advantages of Licensing**

i. Authorisation of businesses,
ii. Quality and standardisation enhancement,
iii. Regulation promotion,
iv. Promotion of professionalism.

4.2.5 Enterprise registration and the number of persons employed

Figure 15 depicts the relationship between Number of persons employed and enterprise registration.

**Figure 15: Number of persons employed and enterprise registration**

There seems to be a direct relationship between the number of persons employed and enterprise registration. Enterprises with large number of employed persons tend to have a high tendency of being registered. Inversely, the tendency of non-registration decreases with increasing number of employed persons.
From figure 15, enterprise registration increases from 35.2% for sole employers to more than 75% for more than 100 employees. Conversely, non-registration of enterprises decrease with enterprises with one employee from 63.4% to 25% for enterprises with more than 100 person.

Generally, the interests of a particular group of persons are served only if they are able to negotiate from a position of strength derived from their numbers and who act collectively in pursuit of a common agenda. Consequently, members are able to negotiate for better conditions of service such as employment contract and other forms of social protection, leading eventually to enterprise registration and formalisation.

### 4.2.6 Number of businesses owned

The survey also collected data on the number of informal economy enterprises operated by each operator. Table 11 shows that an Overwhelming majority of employers (85.1%) operate only one enterprise with 12.5% operating two enterprises. A small proportion (2.3%) operates more than three informal economy enterprises.

**Table 11: Number of businesses owned**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1060</td>
<td>85.1</td>
<td>85.1</td>
</tr>
<tr>
<td>2</td>
<td>156</td>
<td>12.5</td>
<td>97.7</td>
</tr>
<tr>
<td>3</td>
<td>23</td>
<td>1.8</td>
<td>99.5</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>0.3</td>
<td>99.8</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>0.1</td>
<td>99.9</td>
</tr>
<tr>
<td>More than 5</td>
<td>1</td>
<td>0.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1245</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014  Percentages and totals are based on responses.*

### 4.2.7 Type of enterprise

The survey sought to examine where employment is most concentrated and these are presented in Figures 16, 17 and 18.
The figures show that enterprises in the urban informal economy are concentrated in two main areas. These are Wholesale/Retail Trade (average of 32.8%) and Services (average of 29.2%). Together, they constitute about 61.6% share for employer-major, 61.4% for employer-minor enterprises and 65.2% for employees. The rest are Manufacturing: average of 10.6%; Food and Related Services: average of 15.5%, Building/Construction; average of 5.0%, Agriculture, Forestry and Fishing: average of 2.2%, Mining and Quarrying: average of 0.75%.

**Figure 16: Employer - Main Enterprise**

Source: Field Survey, 2014

Similarly, employment for employees is concentrated in the same two main sectors, namely, Wholesale/Retail Trade and Services. These two main sectors are the highest (64.4%) contributors to employment in urban areas in Ghana.

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46 Ghana Living Standards Survey (GLSS6), 2014
This observation is not surprising. With the exception of wholesale enterprises where fixed locations and perhaps, electricity are required
for operation, the type of retail businesses (e.g. roaming, hawking and small sales outlets by the roadside) operated in the urban informal economy do not require major investments in terms of infrastructure (e.g. fixed location and power). This makes entry into the retail and wholesale sectors a bit easy and less complicated. Enterprises are able to start small and grow gradually depending on the managerial and financial abilities of the managers.

Afua (December 2014) from Kumasi noted thus:

“All I needed for my retail business was a tray and some few household items and I was ready to go. I will look for an appropriate location to settle down if my business grows”.

In terms of retail, the safety regime and the licensing requirements are not too difficult to surmount, hence, the ease of entry.

The low level of employment within the manufacturing sector is also not surprising and it is linked to the past weak performance of the sector within the Ghanaian economy.

In a focus group discussion in Kumasi (November, 2014) discussants noted the following:

“The high start-up capital requirement, poor infrastructure (including, water and electricity supply), limited access to long-term finance, the high cost of borrowing are some of the casual factors that militate against the manufacturing sector. Also, the continuous rise in the imports of manufactured goods pose unfair competition to the manufacturing sector”.
A way forward is to build enclaves where enterprises can be located and at reasonable cost, develop a strong local raw materials base for manufacturing, encourage financial institutions to provide long-term financing and promote and implement a public, private partnership agenda to expand infrastructural base.

It is also not surprising that the third largest employer is the food and food related services sector. Here again, investments in terms of infrastructure (e.g. location and energy), start-up and working capital as well as technology requirements are easier and less complicated. The major challenges have to do with the limited capacity to store raw materials as well as maintain food safety and public health standards. Mining and quarrying require high levels of capital investment and that explains why employment within that sector is low. The major challenge in this sector is the increasing incidence of small scale surface mining and its negative impact on the environment and host communities. A solution will be the enforcement of relevant regulations and guidelines on small scale mining.

Construction and building is also capital intensive and regulatory, financing and contractual regimes are complex. It will be helpful to reorganise such regimes in the construction sector to support indigenous enterprises for major national contracts. This will immensely fuel their ability to create decent jobs and compete locally and internationally especially in housing and roads construction.

4.2.8 Type of enterprise and gender
Table 12 indicates that, in the employees’ category, manufacturing, construction, Transportation, Services, Agriculture, Forestry and Fishing and Mining and Quarrying are dominated by males. In the employer major and minor categories, Wholesale and Retail trade as well as Food and Food related Services are female dominated.

For instance, almost 17 times the proportion of male (94.5%) employees than females (5.5%) are engaged in the Transportation
sector compared to 3.1 times females (75.9%) than males (24.1%) in the Food related Services sector. There are about 1.3 times the proportion of female (56.3% in major enterprise and 55.6% in minor enterprise) employers than males (43.7% in major enterprise and 44.4% in minor enterprise) engaged in Wholesale and Retail trade.

Table 12: Cross tabulation of type of enterprise versus gender

<table>
<thead>
<tr>
<th>Type of Enterprise</th>
<th>Employee</th>
<th>Total</th>
<th>Employer Major</th>
<th>Total</th>
<th>Employer Minor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>57.9%</td>
<td>42.1%</td>
<td>100.0%</td>
<td>65.5%</td>
<td>34.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Wholesale and Retail</td>
<td>55.8%</td>
<td>44.2%</td>
<td>100.0%</td>
<td>43.7%</td>
<td>56.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Construction/Building</td>
<td>90.2%</td>
<td>9.8%</td>
<td>100.0%</td>
<td>92.3%</td>
<td>7.7%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Transportation</td>
<td>94.5%</td>
<td>5.5%</td>
<td>100.0%</td>
<td>90.7%</td>
<td>9.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Services</td>
<td>60.3%</td>
<td>39.7%</td>
<td>100.0%</td>
<td>60.0%</td>
<td>40.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Food and Food related Services</td>
<td>24.1%</td>
<td>75.9%</td>
<td>100.0%</td>
<td>13.3%</td>
<td>86.7%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Agric, Forestry and Fishing</td>
<td>80.6%</td>
<td>19.4%</td>
<td>100.0%</td>
<td>61.5%</td>
<td>38.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>81.3%</td>
<td>18.8%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>59.0%</td>
<td>41.0%</td>
<td>100.0%</td>
<td>65.9%</td>
<td>34.1%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014
Percentages and totals are based on responses.

Similarly, about 6.5 times the proportion of female employers in major enterprises (86.7%) than males (13.3%) are engaged in the Food related Services sector. Also, 2.3 times the proportion of female employers in the minor enterprises (70.0%) than males (30.0%) are engaged in the Food related Services sector.
4.2.9 Main Reasons for engaging in Business in the Urban Informal Economy

Informal economy operators were asked the reasons why they were engaged in business. The results are presented in figure 19.

Four main reasons were cited and these are because they: (a) preferred to be their own bosses (18.2%); (b) could not get formal work (14.4%); (c) needed additional income (13.4%) and (d) felt the business provided good income opportunities (11.8%), in that order.

**Figure 19: Main reasons for engaging in business in the urban informal economy**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can combine business with household or family responsibilities</td>
<td>8.2%</td>
</tr>
<tr>
<td>Retired from another job</td>
<td>1.4%</td>
</tr>
<tr>
<td>Trained at school or in work place especially for this job</td>
<td>8.4%</td>
</tr>
<tr>
<td>Business does not require much capital</td>
<td>6.1%</td>
</tr>
<tr>
<td>I prefer to be my own boss</td>
<td>18.2%</td>
</tr>
<tr>
<td>It is a family tradition</td>
<td>4.7%</td>
</tr>
<tr>
<td>I could not get other work</td>
<td>11.3%</td>
</tr>
<tr>
<td>Business provides good income opportunities</td>
<td>11.8%</td>
</tr>
<tr>
<td>Need additional income</td>
<td>13.4%</td>
</tr>
<tr>
<td>Could not get formal work</td>
<td>14.4%</td>
</tr>
<tr>
<td>None</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014*

The topmost reason is that they want to be their own boss and this is a voluntary choice. They are the real entrepreneurs and innovators and they have high risk tolerance level. Their prime motivation is the reaching of their financial goals, whatever, they might be.

A quote from Bio (September 2014) will, perhaps, provide further explanation:
“I knew after my General Certificate of Education (GCE) Advanced Level education in 1999 that I was going to work for myself and be my own boss. I actually started by selling farm products by the highway in Sampa/Bonakire in the Brong-Ahafo Region with my father before my GCE Ordinary Level education in 1997. I currently, operate two branches of the business - one at Sampa/Bonakire and the other at Accra where I am currently based. The branch in Sampa/Bonakire is managed by three of my sisters and I run the one in Accra with three other employees. The informal economy business is not for those who are not smart as others purport. On the contrary, it is for those who are smart and want to create jobs for themselves and others. I am making enough for my sustenance and the prospects are good. I am living a fulfilling life”.

While self-employment can be tough as it comes with its own problems, stressors and setbacks, the sense of personal wealth creation, accomplishment and pride are the main reasons that were given for engaging in it in the informal economy in a focus group discussion with respondents in Kumasi (October, 2014).

Other reasons included: (a) the flexibility to work anywhere; (b) the opportunity to do the work one enjoys; (c) the prospect of creating jobs and choosing how much money one earns; (d) the opportunity of being answerable to self and no one else; and (e) the potential of leaving a legacy for children. This was amply articulated by the Proprietor of Amazing Ladies Beauty Salon and Decoration in Tamale (September, 2014) as follows:

“I wanted to work on my own and had no interest in doing government work. I had the interest and passion for hair dressing and décor. Even though I had a good GCE Ordinary
Level results to continue with an Advance Level education, I rather decided immediately to pursue a career in hair dressing and décor. I learnt from a master craftsman. I have been working on my own since 1999. I work for about 12 hours a day and six days in a week. When the market is good, I earn between GH¢ 50 (US$15) - GH¢ 100 (US$ 30) in a day. I spend about GH¢ 300 (US$90) a month to buy materials, pay rent, water, and electricity and save the rest.

I have 14 girls working with me at the moment but I have graduated more than 80 girls over the past ten years. The most satisfying part of my job is the flexibility of combining household and family chores with my business and the prospect of leaving this business for any of my four children who will like to take up the business”.

Low level of technology requirements and referrals from friends, family members and community networks are other reasons respondents gave in an interview. Teye 32 from Accra (October, 2014) commented as follows:

“A friend, who was a horticulturalist, asked whether I could assist him cut the lawn for a customer. He gave me a pair of shears and gloves. My equity was my physical strength and time. I assisted him to work for two customers. Now, he has transferred the lawn cutting business entirely to me whilst he focuses on other aspects of the horticulture business. I have nine regular customers but my income is irregular”.

The willingness to take risk must be encouraged and matched by a willingness of state agencies and venture capitalist to support them with the trust that they will succeed in their operations. Alan Webber, Co-Founding Editor, Fast Company, USA emphasised this when he noted as follows:
“If you don’t have a culture where people feel that it’s OK to take a risk, with the understanding that the risk could fail, you’re unlikely to have much innovation, and a willingness to take on risk is all about trust.”

Providing business development services in entrepreneurial, financial and management skills could greatly enhance the capacity of informal economy operators to run their enterprises effectively and efficiently.

For instance, established and existing institutions such as the Ghana Venture Capital Trust Fund (GVCTF), Export Development and Investment Fund (EDIF) and Microfinance and Small Loans Centre (MASLOC), the National Board for Small Scale Industries (NBSSI), Local Enterprises and Skills Development Programme (LESDEP), Technical and Vocational Education and Training (TVET), must be resourced to offer such services.

4.2.10 Type of premise/location
Business premise/location in this sense means spatial location which, in turn, means specific position or point in physical space where an enterprise have existence in space.

Business premise/location is regarded as one of the most important factors that effects business turnover. Figures 20 and 21 indicate that 93% of employees and 88.9% of employers operate from fixed premises/locations. 7% of employees and 11.1% of employers operate from non-fixed premises/locations.
RESULTS AND DISCUSSION

Figure 20: Business premise/location for employees (%)

Figure 21: Business premise/location for employers (%)

Source: Field Survey, 2014

Clearly, both employees and employers show a preference for permanent location for enterprises.
An SME Banking Credit Manager (March, 2015) of a bank in Accra, noted thus:

“Mapping of enterprises into physical space does not only facilitate the collection of national statistics but also makes the tracking of an enterprise’s credit history, credit rating, credit performance from different sources related to that fixed location, easier. Besides, in the event of default, enterprise owners can be tracked down to fixed locations”.

4.2.11 Fixed Premise/Location

The preferred fixed premise/location for most employee-operators is a permanent location at the road side (46.5%) See Figure 22.

**Figure 22: Fixed Premise/Location for employees**

![Bar chart showing the distribution of fixed locations]

- Permanent location: 46.5%
- Farm Gate/Landing Beach: 19.4%
- Garbage Area: 1.2%
- Trotro/Bus/Taxi station: 6.2%
- Permanent location on a market: 9.2%
- Mining site: 1.7%
- Construction site: 5.6%
- Private home: 11.1%
- Permanent location at the roadside: 19.4%

*Source: Field Survey, 2014*

This is followed by a permanent location in the neighbourhood (19.4%), then private homes (11.1%), permanent location in a market (9.2%) and Trotro/Bus/Taxi stations (6.2%). The rest are: Construction site 5.6%, Farm Gate/Landing beach: 1.2%, Mining site (0.7%) and Garbage area: 0.1%
Similarly, a permanent location at the road side (67.7%) is the dominant fixed premise/location for most employer-operators. See Figure 23. This is followed by permanent location in a market (13.9%) and private homes (6.5%). The rest are: Trotro/Bus/Taxi stations (5.6%), Construction site 4.1%, Farm Gate/Landing beach: 1.0% and Garbage area: 1.0% and mining site; 0.2%.

Figure 23: Fixed Premise/Location for employers

The operators in the informal economy are savvy enough to discern the dynamics of the market. Obviously and from their own experiences, a permanent location at the road side is the most preferred choice for a market. First, the flow of traffic gives them an indication of the potential size of the market or the addressable market. Second, the various traffic regulators such as traffic lights and cross-roads offer them the opportunity to turn that addressable market into an actual market. Third, it is a convenient and cost effective way of marketing their products.
They are not asking for huge structures but assistance with locations with basic amenities such as water and sanitation services as well as electricity to enable them ply their trades. If this can be done for the big shopping malls, “why not for us as well?” they ask.

Adwoa, a 32 year old petty trader by the roadside in Accra (February, 2015) noted thus,

> “Big shopping malls are springing up by the most important roads and street junctions, obviously, being assisted by the city authorities to do so. The big shopping malls are taking advantage of vehicular and human traffic to make sales just like we do. They are in competition with us. They mainly used to sell finished products and manufactured goods. Now they sell everything … from ‘waakye’ (rice and beans) to pepper and ginger. They even sell ‘koobi’ (salted tilapia) and coconut. Why cannot the city authorities also assist us to acquire simple locations with basic amenities?”

4.2.12 Reasons for operating in current premise/ location

The survey investigated the reason why the operators decided to locate their businesses in their current areas/spots. Table 13 presents the results.

**Table 13: Reasons for Operating In Current Premise/Location**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>It was the best location available</td>
<td>642</td>
<td>28.0</td>
</tr>
<tr>
<td>Can make good sales in this place</td>
<td>525</td>
<td>23.0</td>
</tr>
<tr>
<td>Can’t afford to rent or buy other business space</td>
<td>205</td>
<td>9.0</td>
</tr>
<tr>
<td>Can manage this job together with family duties</td>
<td>200</td>
<td>8.7</td>
</tr>
<tr>
<td>Close to my home</td>
<td>282</td>
<td>12.3</td>
</tr>
<tr>
<td>Work place is close to other similar business</td>
<td>64</td>
<td>2.8</td>
</tr>
<tr>
<td>It was the only location available</td>
<td>258</td>
<td>11.3</td>
</tr>
</tbody>
</table>
By accident & 26 & 1.1 \\
Owner of this place & 87 & 3.8 \\
Total & 2289 & 100.0 \\

*Source: Field Survey, 2014  Percentages and totals are based on responses.*

For most respondents (28.0%) said it was the best location available, followed by those who said they could make good sales in the location (22.9%), close to their homes (12.3%), it was the only location available (11.3%), cannot afford to rent or buy other business space (9.0%), can manage this job together with family duties (8.7%). Also, 3.8% owned the place, 2.8% had closer businesses around whiles 1.1% of employers got the locations by accident.

### 4.2.13 Problems at the present location/site

From Table 14, almost a third (31.2%) of employers do not have a problem at their present site. 16.1% have a problem with electricity, 11.2% with water, 10% with assembly staff, 9.8% with toilet facilities, 6.8% with quality of street, 5.6% with customers, 4.7% with car drivers, 2.7% with fellow workers and 1.9% with the police.

#### Table 14: Problems at the present location/site

<table>
<thead>
<tr>
<th>Problem</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No problem at the present site</td>
<td>597</td>
<td>31.2</td>
</tr>
<tr>
<td>Police</td>
<td>36</td>
<td>1.9</td>
</tr>
<tr>
<td>Assembly staff</td>
<td>191</td>
<td>10.0</td>
</tr>
<tr>
<td>Fellow workers</td>
<td>51</td>
<td>2.7</td>
</tr>
<tr>
<td>Customers</td>
<td>108</td>
<td>5.6</td>
</tr>
<tr>
<td>Drivers</td>
<td>91</td>
<td>4.7</td>
</tr>
<tr>
<td>Water</td>
<td>214</td>
<td>11.2</td>
</tr>
<tr>
<td>Toilet situation</td>
<td>188</td>
<td>9.8</td>
</tr>
<tr>
<td>Electricity</td>
<td>309</td>
<td>16.1</td>
</tr>
<tr>
<td>Quality of the street</td>
<td>131</td>
<td>6.8</td>
</tr>
<tr>
<td>Total</td>
<td>1916</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014  Percentages and totals are based on responses.*
Focus group discussants provided the following recommendations for improvement of the locations they operate from. These are improvement on waste collection and disposal, creation of industrial park to take care of all artisans and the demarcation of locations for informal sector players to ply their activities, among others. The establishment of decent enclaves and land banks must, therefore, be promoted and made available to the urban informal economy operators.

4.2.14 Relocation of enterprise
As to whether or not employers wanted to relocate their enterprises, almost forty-nine percent (48.7%) did not have plans to relocate whilst 24.3% were unable to tell whether they wanted to relocate. See Table 15.

Table 15: Plans to move the enterprise out of the present

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>213</td>
<td>16.6</td>
</tr>
<tr>
<td>Yes, I have to</td>
<td>133</td>
<td>10.4</td>
</tr>
<tr>
<td>No</td>
<td>624</td>
<td>48.7</td>
</tr>
<tr>
<td>Can’t tell</td>
<td>312</td>
<td>24.3</td>
</tr>
<tr>
<td>Total</td>
<td>1282</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014 Percentages and totals are based on responses.

However, 16.6% will move the enterprise out of the present location with the remaining 10.4% saying they would like to relocate out of the present location.

For those who will remain in the same location, increased sales and limited problems with city authorities were the main assigned reasons. For those who intend to leave, lack of customers and trouble with city authorities were the assigned reasons. Those who are undecided are holding on to see whether business would be good.
4.2.15 Type of enterprise ownership
Regarding ownership, sole ownership is the dominant type (87.3%) followed in a distant second by family enterprise (6.4%), then partnership (4.4%) with cooperative (2.0%) being the least popular type of ownership. See Figure 24.

From observation, sole ownership seems to be a feature of most Ghanaian enterprises. The dominance of the sole ownership may be a positive one since the start-up costs are usually low and maximum privacy is ensured. As owners do not necessarily need to depend on others for business decisions, sole proprietors are able to take quick decisions and implement them promptly. This ability is critical to any successful business.

Figure 24: Distribution of the type of enterprise ownership

![Bar chart showing distribution of enterprise ownership types.]

Source: Field Survey, 2014

However, there are a number of challenges associated with sole ownership. These are the limited capacity to raise capital, the bearing of all the stressful responsibility of making day-to-day business decisions, the unlimited liability associated with possible debts and the diminished prospect of taking a holiday, among others.
Even though, in the case of partnerships, two heads (or more) are obviously better than one and more capital may be available for the business, there is always a risk of disagreements and friction among partners. Should partners join or leave, there will probably have to be a valuation of all the assets in the partnership and this can be costly.

Further, while in most cases, cooperators ensure limited liability, democratic management, stability and continuity, they suffer from certain limitations and drawbacks. They include: focus on the provision of services to members rather than a return on investment, lack of secrecy in business because their affairs are usually openly discussed.

4.2.16 Number of years of existence of enterprises
The survey indicates that most (30.9%) of employer respondents have been working in the informal economy for 2-5 years. This is followed by those who have been working in the informal economy for 5-10 years (22.5%), more than 10 years (18.1%), 1-2 years (17.0%) and less than a year (10.8%) respectively. See Table 16.

Table 16: Duration of existence of enterprises

<table>
<thead>
<tr>
<th>Duration</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than a year</td>
<td>138</td>
<td>10.8</td>
<td>10.8</td>
</tr>
<tr>
<td>1-2 years</td>
<td>216</td>
<td>17.0</td>
<td>27.8</td>
</tr>
<tr>
<td>2-5 years</td>
<td>394</td>
<td>30.9</td>
<td>58.7</td>
</tr>
<tr>
<td>5-10 years</td>
<td>287</td>
<td>22.5</td>
<td>81.2</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>231</td>
<td>18.1</td>
<td>99.3</td>
</tr>
<tr>
<td>Don’t know</td>
<td>8</td>
<td>0.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1274</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.
Cumulatively, 58.7% of the participants joined the sector in the last five years. In a way, this shows that the urban informal economy is growing. Also, 40.6% of the employers have been working in the informal sector for more than five years.

These figures indicate a fair degree of stability and the acquisition of the needed experience for sustainable operation of urban informal economy enterprises. This is consistent with the findings on the nature of employment (section 4.4.2) where most respondents said their work in the informal economy is a permanent one.

**4.3 Capital Formation**

**Introduction**

Capital formation, in this usage, refers to any legitimate method used for increasing the amount of capital owned or the mobilisation of capital resources for investment. Thus, capital could be “formed” in the sense of “being brought together for investment purposes” in many different ways and from different sources such as own savings, friends and relatives, banks and government, among others.

**4.3.1 Source of start-up capital**

With regard to sources of start-up capital, Table 17 shows that 52.5% comes from own savings, followed by 18.5% from assistance from friends/relatives. Banks and other financial institutions accounted for 7.9%. Whilst 5.3% came from sold assets. 5.3% said they did not need money to start their business. The rest are: 5.1% contributions from other partners, 4.8% as inheritance with the remaining 0.5% from government lending agencies and programmes.

Findings from the survey show two things: (a) the dominance of own (personal) savings and loans from friends/relatives as start-up capital; and (b) the general lack of support to the informal economy from formal financial institutions.
Table 17: Start-up Capital

<table>
<thead>
<tr>
<th>Method</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No money needed</td>
<td>83</td>
<td>5.3</td>
</tr>
<tr>
<td>Business was inherited</td>
<td>76</td>
<td>4.8</td>
</tr>
<tr>
<td>Own savings</td>
<td>825</td>
<td>52.5</td>
</tr>
<tr>
<td>Loans from friends and relatives</td>
<td>291</td>
<td>18.5</td>
</tr>
<tr>
<td>Contribution from other partner</td>
<td>80</td>
<td>5.1</td>
</tr>
<tr>
<td>Sale of assets</td>
<td>84</td>
<td>5.3</td>
</tr>
<tr>
<td>Loans from commercial banks/other financial institutions</td>
<td>124</td>
<td>7.9</td>
</tr>
<tr>
<td>Government lending agencies and programs</td>
<td>8</td>
<td>0.5</td>
</tr>
<tr>
<td>Total</td>
<td>1571</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

The dominance of own (personal) savings and loans from friends/relatives as start-up capital in the informal economy has been the trend almost everywhere in the world. (See for example Oluranti, I. (2011), Moll, B. (2010), Kaplan et al. (2007)). With regards to own (personal) savings, the informal economy operators are not obliged to answer any questions or disclose anything to a second or third party. Also, the code of honour in families, the affinity and the bonds of family relationship constitute a very powerful collateral of trust that force the repayment of loans for the implementation of business ideas.

The combined effect of personal savings and loans from friends/relatives should suggest a belief that the ideas behind the business project would work. And that in itself should be an invitation for participation in funding by the banks. The missing variable, needed by banks to complement the resources from personal savings and loans from friends/relatives with a contribution, is trust. Perhaps a quote by John Greathouse, Partner, Rincon Venture Partners, USA will offer further explanation:
“Ideas are infinite, and in the absence of competent execution, they are worth nothing … Conversely, money in pursuit of outsized returns is plentiful. Thus, if both ideas and money are abundant, what is the scarce constraint in the fundraising equation? Trust. Skilled entrepreneurs bring ideas and money together by building a bridge of trust.”

The reasons why banks shy away from start-ups are varied and many. However, in an interview with a Bank Manager in Tamale (October 2014), she identified the following reasons, among others: (i) lack of legal protection and focus of business, (ii) uncertainty about payment and protection of investment in the event that the unexpected happens, and (iii) the uncertain sense of continuity of business.

**Case Study No. 2: A Difficult Start-up, Great Prospects**

Ajo is a 30 year old graduate from the University of Ghana. Her father is a retired Civil Servant and her mother a retired trader. She is the last of 5 children. While at the university, Ajo prepared chili sauce (popularly known as shito) for her own private consumption. Her floor mates liked her chili sauce and often sold medium-sized bottles to them upon demand. In one semester, she supplied as many as sixty-five medium-sized bottles of chili sauce to her friends and made a profit of Ghc20.00 per bottle.

As a result of the seeming success of the chili sauce business and encouragement from her friends, she decided to pick it up as a business after her national service. From her own savings and seed money from her parents, she set up a chili sauce business at the backyard of her house. Even though,
her products were not initially accepted by retail shops and restaurants because her brand was unknown, her business picked up in subsequent months. She cited inadequate market research, advertisement and storage facilities as well as superior competition from similar products, poor packaging and poor pricing and cost estimation as the initial challenges her business faced.

By heeding the advice from her network of business associates, her business turned around. Being assured that the business was moving in the right direction, she secured a bank loan to expand it. She is now at the brink of paying the last instalment on her bank loan schedule. She has expanded her business by three folds and the prospects look great.

4.3.2 Bank account
From Table 18, 73.2% of employers have bank accounts whiles the remaining 26.8% do not operate a bank account.

Table 18: Bank account

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>951</td>
<td>73.2</td>
<td>73.2</td>
</tr>
<tr>
<td>No</td>
<td>348</td>
<td>26.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1299</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Percentages and totals are based on responses.

From Table 19, only 26.6% of employers indicated that they had ever applied for a bank loan. The vast majority (73.4%) had never applied for one.
Table 19: Have you ever applied for a bank loan for your business?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>346</td>
<td>26.6</td>
<td>26.6</td>
</tr>
<tr>
<td>No</td>
<td>954</td>
<td>73.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1300</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

Reasons given in a focus group discussions for not applying for Loans include the risk of losing collateral, the harassment from the banks and the shame of defaulting as well as a culture of non-borrowing.

This is how a local restaurant operator, Ama Serwa (January, 2015), put it:

“I have been saving with my bank for the past five years. The bank encouraged me on three different occasions to take a loan but I declined on each occasion. I store my money at the bank for safety reasons only. I dread the embarrassment of defaulting. I try to work with what I have. Nothing more, nothing less!”

4.3.3 Success with loan application

From Table 20, it can be seen that, for those who applied for the bank loan, a vast majority (78.6%) succeeded in obtaining them and 21.4% did not.

Table 20: Success with loan application

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>282</td>
<td>78.6</td>
<td>78.6</td>
</tr>
<tr>
<td>No</td>
<td>77</td>
<td>21.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>359</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.
4.3.2 Gender by ‘did you succeed in obtaining the loan?’

Table 21 presents a cross tabulation of gender by ‘did you succeed in obtaining the loan?’

Evidence from many studies shows that, globally, women’s access to formal finance\textsuperscript{47} compared to men is lower\textsuperscript{48}. For instance, in Kenya women access only 7 percent of formal credit\textsuperscript{49}. In Pakistan men have over three and a half times greater access to credit compared with women and 91 percent of the larger loans go to men\textsuperscript{50}.

However, it can be seen from Table 21 that a higher proportion of female employer respondents (42.6%) were successful than male employers (39.8%) in obtaining loans.

Table 21: Cross tabulation of gender by did you succeed in obtaining the loan?

<table>
<thead>
<tr>
<th>Did you succeed in obtaining the loan</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>127</td>
<td>26</td>
<td>153</td>
</tr>
<tr>
<td>Percent</td>
<td>39.8%</td>
<td>8.2%</td>
<td>48.0%</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>136</td>
<td>30</td>
<td>166</td>
</tr>
<tr>
<td>Percent</td>
<td>42.6%</td>
<td>9.4%</td>
<td>52.0%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>263</td>
<td>56</td>
<td>319</td>
</tr>
<tr>
<td>Percent</td>
<td>82.4%</td>
<td>17.6%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

More females were successful in obtaining loans than males because they, often, provided more information on the reasons why they wanted the loans than their male counterparts. The information so provided enables the banks to have an idea of their credit histories.

\textsuperscript{47} Access to finance can be broadly defined as access to financial products (e.g. deposits and loans) and services (e.g. insurance and equity products) at a reasonable cost.

\textsuperscript{48} Bardasi, et al., 2007; Demirguc-Kunt, et al., 2008;

\textsuperscript{49} Ellis et. al, 2007

\textsuperscript{50} Niethammer, 2007
or information on their financial operations and consequently, predictable income. An SME Banking Credit Manager (March, 2015) of a bank in Accra, summarised as follows:

“Our female clients are more likely to be open about the nature of their business and financial operations. As a result, our operational staff are able to glean the relevant information on their credit worthiness, thereby, enhancing their likelihood of obtaining credit”.

4.3.5 Reasons for the rejection of loan application

The reasons why the loans applications were not successful are presented in Table 22.

Table 22: Reasons for the rejection of loan

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t know</td>
<td>72</td>
<td>28.8</td>
</tr>
<tr>
<td>Incomplete documents</td>
<td>34</td>
<td>13.6</td>
</tr>
<tr>
<td>Complete but not convincing documents</td>
<td>17</td>
<td>6.8</td>
</tr>
<tr>
<td>Insufficient guarantees/Collateral</td>
<td>68</td>
<td>27.2</td>
</tr>
<tr>
<td>Insufficient initial capital</td>
<td>28</td>
<td>11.2</td>
</tr>
<tr>
<td>Activity/Enterprise was deemed not viable</td>
<td>11</td>
<td>4.4</td>
</tr>
<tr>
<td>Nobody told me (No reasons given me)</td>
<td>20</td>
<td>8.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

First and foremost, most (28.8%) of employers did not know why their applications for loans were rejected. Second, 27.2% of loan applications were rejected because of insufficient guarantees with 13.6% as a result of incomplete documents. 11.2% was due to insufficient capital, 8% were not given any reasons by the banks, 6.8% due to complete but unconvincing documents and 4.4% was rejected since activity was not deemed viable.
The purpose of a guarantee/collateral is to ensure repayment of a loan facility or a fall-back option in the event of a default. Most banks will lend against cash flow especially if the project is viable and there is history of zero or minimum non-default rate. That is why it is important to create a history of financial trustworthiness by starting a savings culture with a bank. In this way, the need for a guarantee/collateral will be obviated.

A second option is to get people located in similar areas to pool resources together to cross guarantee for each other for loan assessment. In this manner, the family and friends relationships and social norms that enforce proper behaviour designed to ensure loan repayment is re-created.

Even for unviable projects, entrepreneurs could be taken through a checklist of what makes a project viable (See Section 7.7 for a Basic Business Viability Checklist). This way, they will be able to determine whether a project is valuable or not.

So far, it has been assumed that the financier is right and those seeking loans are not right. However, sometimes the financier has to adopt a mind-set of a small scale enterprise and entrepreneur. That means adopting an altered risk profile, a different risk appetite, a higher risk tolerance level and regimes that will enable them to pilot small projects which have the potential of being scaled up. After all, most banks have trader financial resources.

Another solution is to have capital formation schemes (e.g. venture capital schemes) that entrepreneurs can hook onto (Refer to check list for accessing to venture capital in Section 7.5). All of these can be possible, if the entrepreneur can be tracked down to a fixed location or address where business development services can be rendered to them.
Overall, lack of access to credit has consequences. They include:
(a) limited capacity for business expansion; (b) restricted incomes; and (c) reliance of rudimentary technology.

4.3.6 Business registration, location, type of ownership and age of business, versus success with loan application

Table 23 is a presentation of a cross-tabulation of business registration, location, type of ownership and age of business by success with loan application.

The results show that successful loan application is related to the following factors: business registered (49.1%); non-business registration (10.5%); fixed locations (69.4%); non-fixed locations (5.9%); sole ownership (68.4%); and family, partnership and cooperative (9.9%).

Table 23: Cross-tabulation of business registration, location, type of ownership and age of business, versus success with loan application

<table>
<thead>
<tr>
<th>Is your business registered</th>
<th>Did you succeed in obtaining the loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Is your business registered</td>
<td>Frequency</td>
<td>% of Total</td>
</tr>
<tr>
<td>Yes</td>
<td>173</td>
<td>49.1%</td>
</tr>
<tr>
<td>No</td>
<td>104</td>
<td>29.5%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td>78.7%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>% of Total</td>
</tr>
<tr>
<td></td>
<td>Frequency</td>
<td>% of Total</td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td>78.7%</td>
</tr>
</tbody>
</table>
### Type of premise/location do you do your business Versus Success With Loan Application

<table>
<thead>
<tr>
<th>In which type of premise/location do you do your business</th>
<th>Did you succeed in obtaining the loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed premise</td>
<td>Yes: 118, No: 32</td>
<td>150</td>
</tr>
<tr>
<td>% of Total</td>
<td>69.4%, 18.8%</td>
<td>88.2%</td>
</tr>
<tr>
<td>Non-fixed premise</td>
<td>Yes: 10, No: 10</td>
<td>20</td>
</tr>
<tr>
<td>% of Total</td>
<td>5.9%, 5.9%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Total</td>
<td>Yes: 128, No: 42</td>
<td>170</td>
</tr>
<tr>
<td>% of Total</td>
<td>75.3%, 24.7%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

### What is the type of ownership of your business Versus Success With Loan Application

<table>
<thead>
<tr>
<th>What is the type of ownership of your business</th>
<th>Did you succeed in obtaining the loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole owner</td>
<td>Yes: 240, No: 67</td>
<td>307</td>
</tr>
<tr>
<td>% of Total</td>
<td>68.4%, 19.1%</td>
<td>87.5%</td>
</tr>
<tr>
<td>Family</td>
<td>Yes: 21, No: 4</td>
<td>25</td>
</tr>
<tr>
<td>% of Total</td>
<td>6.0%, 1.1%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Partnership</td>
<td>Yes: 10, No: 4</td>
<td>14</td>
</tr>
<tr>
<td>% of Total</td>
<td>2.8%, 1.1%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Cooperative</td>
<td>Yes: 4, No: 1</td>
<td>5</td>
</tr>
<tr>
<td>% of Total</td>
<td>1.1%, .3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Total</td>
<td>Yes: 275, No: 76</td>
<td>351</td>
</tr>
<tr>
<td>% of Total</td>
<td>78.3%, 21.7%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
What is the type of ownership of your business Versus Success With Loan Application

<table>
<thead>
<tr>
<th>What is the type of ownership of your business</th>
<th>Did you succeed in obtaining the loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Less than a year</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>% of Total</td>
<td>4.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td>1-2 years</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td>% of Total</td>
<td>6.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>2-5 years</td>
<td>72</td>
<td>22</td>
</tr>
<tr>
<td>% of Total</td>
<td>20.9%</td>
<td>6.4%</td>
</tr>
<tr>
<td>5-10 years</td>
<td>85</td>
<td>20</td>
</tr>
<tr>
<td>% of Total</td>
<td>24.7%</td>
<td>5.8%</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>73</td>
<td>12</td>
</tr>
<tr>
<td>% of Total</td>
<td>21.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>% of Total</td>
<td>.6%</td>
<td>.3%</td>
</tr>
<tr>
<td>Total</td>
<td>270</td>
<td>74</td>
</tr>
<tr>
<td>% of Total</td>
<td>78.5%</td>
<td>21.5%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Percentages and totals are based on responses.

It can also be seen that, success at obtaining loans increased by the age of business. For instance, a higher proportion of businesses that were more than two years old (66.8%) succeeded in obtaining loans than businesses that were less than two years old (11.1%).

Taken together, it would seem that the success factors needed for loan acquisition from a bank may include: business registration, location, type of ownership and age of business, security/collateral, and documentation.

An SME Banking Credit Manager (March, 2015) of a bank in Accra, summarised as follows:
“For us, the major criteria we consider in extending credit to the informal economy operations are: business objectives, documentation, location, age (years of existence of enterprise), credit and cash flow history, type of business, security/collateral, among others. Business registration is ideal, however, business operating license is sufficient”.

Previous literature has identified similar factors that inhibit the ability of informal economy enterprise owners to access bank loans. For instance, the work of Perry, G. (Ed.). (2007) cites lack of proper documentation, including those related to registration and licensing, tax compliance certificates, and audited financial statements, as reasons why banks and other formal financial institutions in Latin America are generally unwilling to grant credit to informal economy enterprises.

In spite of the fact that business registration, generally, increases the likelihood of access to loans, there is also evidence from impact evaluation studies that suggests the contrary. For example in Sri Lanka\(^5\) and Bolivia\(^6\), informal economy enterprise owners who registered their businesses were not any more likely to get a business loan. One should keep in mind that these results are country specific and explanatory factors might also be country specific. For example, in the Bolivian case, the authors noted that banks, while deciding to grant credit, did not care whether firms were registered or not; but rather focused more on whether firms had a municipal license.

4.3.7 Number and sources of loans taken
The survey also inquired about the number and sources of loans taken. The results are presented in Table 24.


The results show that the practice of sourcing loan facilities from multiple sources steadily diminished in frequency among employers. 54.5%, 24.9% and 10.5% had taken loans once, twice, three times respectively.

**Table 24: Number of loans taken**

<table>
<thead>
<tr>
<th>Number of loans Taken</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>114</td>
<td>54.5</td>
<td>54.5</td>
</tr>
<tr>
<td>2</td>
<td>52</td>
<td>24.9</td>
<td>79.4</td>
</tr>
<tr>
<td>3</td>
<td>22</td>
<td>10.5</td>
<td>90.0</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
<td>3.3</td>
<td>93.3</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>1.0</td>
<td>94.3</td>
</tr>
<tr>
<td>More than 5</td>
<td>12</td>
<td>5.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>209</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Sources of Multiple Loans

<table>
<thead>
<tr>
<th>Sources of Multiple Loans</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>All with one bank</td>
<td>26</td>
<td>31.0</td>
<td>31.0</td>
</tr>
<tr>
<td>With several banks</td>
<td>24</td>
<td>28.6</td>
<td>59.5</td>
</tr>
<tr>
<td>With banks and private lenders or family</td>
<td>34</td>
<td>40.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 24 also reveals that most (40.5%) employer respondents took multiple loans with banks and private lenders or family, 31% with one bank and 28.6% with several banks. The result shows the preference of taking one or two loans (79.4%) from a combination of banks, private lenders and family members (40.5%).

**4.3.8 Amount of loan taken**

The survey did not only examine the number and sources of loans taken but the amount taken as well. From Table 25, most (19.1%) employer respondents took a loan of GH¢2001-5000. This is followed by those who took 501-1000 (17%), GH¢1000-2000 (14.9%), GH¢101-200 (10.6%) and GH¢5001-10,000 (9.6%).
The rest are: Above GH¢10000 (7.4%); GH¢201-300 (6.4%); Below GH¢100 (6.4%); GH¢301-400 (5.3%) and GH¢401-500 (3.2%) respectively.

Table 25: Amount of loan taken

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below GH¢100</td>
<td>6</td>
<td>6.4</td>
</tr>
<tr>
<td>GH¢101-200</td>
<td>10</td>
<td>10.6</td>
</tr>
<tr>
<td>GH¢201-300</td>
<td>6</td>
<td>6.4</td>
</tr>
<tr>
<td>GH¢301-400</td>
<td>5</td>
<td>5.3</td>
</tr>
<tr>
<td>GH¢401-500</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>GH¢501-1000</td>
<td>16</td>
<td>17.0</td>
</tr>
<tr>
<td>GH¢1000-2000</td>
<td>14</td>
<td>14.9</td>
</tr>
<tr>
<td>GH¢2001-5000</td>
<td>18</td>
<td>19.1</td>
</tr>
<tr>
<td>GH¢5001-10000</td>
<td>9</td>
<td>9.6</td>
</tr>
<tr>
<td>Above GH¢10000</td>
<td>7</td>
<td>7.4</td>
</tr>
<tr>
<td>Total</td>
<td>94</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Percentages and totals are based on responses.

4.3.9 Impact of loan on business

From Figure 25, the survey showed that, for most respondents (20.4%), loan acquired increased the volume of production. 17.8% reported that it increased the volume of sales. Improvement of competitiveness/profitability (17.3%), solving of financial difficulties (12.7%), diversification of production (10.3%), utilization of less man power (8.1%), recruitment of additional manpower (7.6%) and less working time (5.7%) were the other impacts indicated.
4.3.10 **Reason for not taking loan**
Various reasons for not taking loans were also explored and these are depicted in figure 26.

From Figure 26, most (31.1%) employer respondents did not take loans because they were, simply, not interested in doing so. 24%
said interest rates were too high, 13.1% was due to complicated procedures and 11.6% because of high guarantee/collateral cost. 10.2% do not know why they did not access the loan. On the other hand, 6.3% did not go in for the loan due to short maturity period and 3.8% due to insufficient loan amount.

### 4.3.11 Other sources of credit (working capital)

The survey explored other sources of credit (or working capital) available to the urban informal economy operators.

**Table 26: Other sources of credit (working capital)**

<table>
<thead>
<tr>
<th>Source of Credit</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal savings</td>
<td>985</td>
<td>59.3</td>
</tr>
<tr>
<td>Government support</td>
<td>15</td>
<td>0.9</td>
</tr>
<tr>
<td>Susu (Informal) lender</td>
<td>231</td>
<td>13.9</td>
</tr>
<tr>
<td>Parents</td>
<td>106</td>
<td>6.4</td>
</tr>
<tr>
<td>Friends</td>
<td>152</td>
<td>9.2</td>
</tr>
<tr>
<td>Other relatives</td>
<td>171</td>
<td>10.3</td>
</tr>
<tr>
<td>Total</td>
<td>1660</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014  Percentages and totals are based on responses.*

Evidence from Table 26 suggests that personal savings accounts for 59.3% of other sources of credit and that is followed by borrowing from Susu (informal) lenders (13.9%) then relatives (10.3%), friends (9.2%), parents (6.4%) and government (0.9%).

This observation is similar to the findings in sections 4.3.1 where 52.5% of the sources of start-up capital is accounted for by own savings followed by 18.5% assistance from friends/relatives.

Most of the credit presently available to the informal economy is at the immediate end of the market and is usually unsuitable for long-term development. A medium-term policy intervention in financial
intermediation should, therefore, aim at developing specialised schemes to facilitate access of the informal economy to investible resources.

The current incentive regime, as per the Ghana Investment Act, 1994, Act 478, benefits and promotes only foreign direct investments to the detriment of local businesses, especially those in the informal economy. This is an aberration that must be corrected. In addition, the inclusion of informal economy operators in local content pacts, would not only enhance their financial viability, but also encourage them to move towards formalising their operations.

4.3.12 Has your business become better or worse compared with the past?
From Table 27, 49% of employers believed that their businesses have improved and 22.3% believe that theirs have worsened. However, 20.8% believe that things have remained the same with the remaining 7.9% not being able to tell whether it has become better or worse.

Table 27: Has your business become better or worse compared with the past?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better</td>
<td>614</td>
<td>49.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Worse</td>
<td>279</td>
<td>22.3</td>
<td>71.3</td>
</tr>
<tr>
<td>Stayed the same</td>
<td>260</td>
<td>20.8</td>
<td>92.1</td>
</tr>
<tr>
<td>Can’t tell</td>
<td>99</td>
<td>7.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1252</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

4.3.13 Region by ‘has your business become better or worse compared with the past?’
From Table 28, it can be seen that higher proportions of employers across the regions indicated that their businesses have become better compared with the past.
Table 28: Cross tabulation of region by has your business become better or worse compared to the past?

<table>
<thead>
<tr>
<th>Region</th>
<th>Frequency</th>
<th>Better</th>
<th>Worse</th>
<th>Stayed same</th>
<th>Can’t tell</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Accra</td>
<td>130</td>
<td>36</td>
<td>41</td>
<td>11</td>
<td>11</td>
<td>218</td>
</tr>
<tr>
<td>Percent of Total</td>
<td>10.4%</td>
<td>2.9%</td>
<td>3.3%</td>
<td>0.9%</td>
<td>17.4%</td>
<td></td>
</tr>
<tr>
<td>Ashanti</td>
<td>115</td>
<td>54</td>
<td>60</td>
<td>27</td>
<td>256</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>9.2%</td>
<td>4.3%</td>
<td>4.8%</td>
<td>2.2%</td>
<td>20.4%</td>
<td></td>
</tr>
<tr>
<td>Brong Ahafo</td>
<td>28</td>
<td>5</td>
<td>7</td>
<td>3</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>2.2%</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.2%</td>
<td>3.4%</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>57</td>
<td>22</td>
<td>40</td>
<td>5</td>
<td>124</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>4.6%</td>
<td>1.8%</td>
<td>3.2%</td>
<td>0.4%</td>
<td>9.9%</td>
<td></td>
</tr>
<tr>
<td>Western</td>
<td>36</td>
<td>56</td>
<td>37</td>
<td>12</td>
<td>141</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>2.9%</td>
<td>4.5%</td>
<td>3.0%</td>
<td>1.0%</td>
<td>11.3%</td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>89</td>
<td>29</td>
<td>15</td>
<td>9</td>
<td>142</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>7.1%</td>
<td>2.3%</td>
<td>1.2%</td>
<td>0.7%</td>
<td>11.3%</td>
<td></td>
</tr>
<tr>
<td>Upper West</td>
<td>27</td>
<td>2</td>
<td>12</td>
<td>5</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>2.2%</td>
<td>0.2%</td>
<td>1.0%</td>
<td>0.4%</td>
<td>3.7%</td>
<td></td>
</tr>
<tr>
<td>Upper East</td>
<td>31</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>2.5%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.4%</td>
<td>3.8%</td>
<td></td>
</tr>
<tr>
<td>Volta</td>
<td>46</td>
<td>37</td>
<td>15</td>
<td>16</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>3.7%</td>
<td>3.0%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>9.1%</td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td>55</td>
<td>32</td>
<td>27</td>
<td>6</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>4.4%</td>
<td>2.6%</td>
<td>2.2%</td>
<td>0.5%</td>
<td>9.6%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>614</td>
<td>279</td>
<td>260</td>
<td>99</td>
<td>1252</td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td>49.0%</td>
<td>22.3%</td>
<td>20.8%</td>
<td>7.9%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  
Percentages and totals are based on responses.

For instance, 10.4% of the employer respondents in Greater Accra Region indicated that their businesses have become better and 2.9% felt that their businesses have become worse. This is followed by Ashanti Region: 9.2% better, 4.3% worse and Northern Region: 7.1%
better and 2.3% worse respectively. This flies in the face of current energy crisis which have put businesses under intense pressure. This ‘better’ performance was attributed mainly to the ‘grace’ of God rather than improvement in the economy or hard work by operators in the informal economy.

Maame Akos from Kumasi (October, 2014) summed it as follows:

“Inspite of the current challenges in the economy because of the dumsor (energy crisis), my business is doing fairly well. I can attribute this only to the unmerited grace of God”

### 4.3.14 Most important business difficulties faced by urban informal economy operators

During the survey, informal economy operators were asked to mention three most important difficulties that prevented their enterprises from performing optimally.

The objective of this question was to identify the main problems affecting the various informal economy enterprises and the kind of assistance needed by these enterprises. The results are indicated in Tables 29, 30 and 31.

**Table 29: First most important difficulty**

<table>
<thead>
<tr>
<th>Difficulty</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital</td>
<td>207</td>
<td>21.1</td>
</tr>
<tr>
<td>Location</td>
<td>227</td>
<td>23.1</td>
</tr>
<tr>
<td>Type of business</td>
<td>16</td>
<td>1.6</td>
</tr>
<tr>
<td>Business documentations</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Labour</td>
<td>17</td>
<td>1.7</td>
</tr>
<tr>
<td>Marketing</td>
<td>57</td>
<td>5.8</td>
</tr>
<tr>
<td>Start-up capital</td>
<td>349</td>
<td>35.5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>40</td>
<td>4.1</td>
</tr>
<tr>
<td>------------------</td>
<td>----</td>
<td>-----</td>
</tr>
<tr>
<td>Other</td>
<td>60</td>
<td>6.1</td>
</tr>
<tr>
<td>Total</td>
<td>983</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014*  
*Percentages and totals are based on responses.*

### Table 30: Second most important difficulty

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital</td>
<td>392</td>
</tr>
<tr>
<td>Location</td>
<td>142</td>
</tr>
<tr>
<td>Skills</td>
<td>82</td>
</tr>
<tr>
<td>Qualification</td>
<td>69</td>
</tr>
<tr>
<td>Registration Process</td>
<td>91</td>
</tr>
<tr>
<td>Nepotism</td>
<td>53</td>
</tr>
<tr>
<td>Tools/Equipment</td>
<td>38</td>
</tr>
<tr>
<td>Other</td>
<td>388</td>
</tr>
<tr>
<td>Total</td>
<td>1255</td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014*  
*Percentages and totals are based on responses.*

### Table 31: Third most important difficulty

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital</td>
<td>59</td>
</tr>
<tr>
<td>Location</td>
<td>137</td>
</tr>
<tr>
<td>Type of business</td>
<td>25</td>
</tr>
<tr>
<td>Business documentations</td>
<td>18</td>
</tr>
<tr>
<td>Labour</td>
<td>37</td>
</tr>
<tr>
<td>Marketing</td>
<td>91</td>
</tr>
<tr>
<td>Start-up capital</td>
<td>64</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>75</td>
</tr>
<tr>
<td>Other</td>
<td>101</td>
</tr>
<tr>
<td>Total</td>
<td>607</td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014*  
*Percentages and totals are based on responses.*
The three topmost difficulties among the first most important difficulty are: start-up capital (35.5%), location (23.1%) and working capital (21.1%). Similarly, three topmost challenges among the second most important difficulty are: working capital (31.2%), location (11.3%) and registration process (7.3%). Again three topmost challenges among the third most important difficulty are: location (22.6%), marketing (15.0%), and infrastructure (12.4%).

Whereas start-up capital and working capital appears twice, location appears three times in the top three as topmost challenges. Clearly, location means a lot to the entrepreneurs in the urban informal economy. The fact that respondents struggle to raise capital for business start-up is not at all surprising because they are, usually, not eligible for loans from lending institutions. The reasons are numerous and some have been indicated in section 4.3.5 as insufficient guarantees, incomplete documents, complete but unconvincing documents and the non-feasibility of projects.

However, the requirement of proof of physical existence before lending by financial institutions is a strong issue. The establishment of enclaves must, therefore, be continued and made available to the urban informal economy operators at reasonable cost.

4.3.15 Solving financial difficulties

Information on how employers solved their financial problems was sought. The findings are presented in Figure 27.

Three of the most important solutions came from the following sources: (a) self (36.6%); (b) relatives and friends (22.1%) and (c) by cutting down on expenses (18.8%). The rest are: borrowing (11.9%), depending on fate (6.8%), forming partnerships (2.5%) and getting government assistance (1.3%).
This observation is consistent to the findings in sections 4.3.1 and 4.3.11 where the sources of start-up capital and other sources of credit are from own savings followed by assistance from friends/relatives with government support being the least.

### 4.3.16 Problems with state agents in the operation of business

Employers were asked about the main state agencies they had problems with and the result is presented in Table 32.

#### Table 32: Problems with state agents

<table>
<thead>
<tr>
<th>State Agency</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Administration Office/Local Assembly</td>
<td>131</td>
<td>25.5</td>
</tr>
<tr>
<td>Customs</td>
<td>37</td>
<td>7.2</td>
</tr>
<tr>
<td>Professional Inspectorate Division</td>
<td>20</td>
<td>3.9</td>
</tr>
<tr>
<td>Food and Drugs Authority</td>
<td>37</td>
<td>7.2</td>
</tr>
<tr>
<td>Standards Authority</td>
<td>13</td>
<td>2.5</td>
</tr>
<tr>
<td>Fire Service</td>
<td>3</td>
<td>0.6</td>
</tr>
<tr>
<td>Electricity Company of Ghana</td>
<td>81</td>
<td>15.8</td>
</tr>
<tr>
<td>Tax Administration/Ghana Revenue Authority</td>
<td>152</td>
<td>29.6</td>
</tr>
<tr>
<td>Police and Justice System</td>
<td>40</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>514</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014  Percentages and totals are based on responses.*
Table 32 shows that the three main state agencies they had problems with are: (a) Tax Administration/Ghana Revenue Authority (29.6%), (b) Local Administration Office/Local Assembly (25.5%) and (c) Electricity Company of Ghana (15.8%). The rest are the Police and Justice System (7.8%), customs (7.2%), Food and Drugs Authority (7.2%), Professional Inspectorate Division (3.9%), Ghana Standards Authority (2.5%) and the Fire Service (0.6%).

Some of the problems enumerated in a focus group discussion in Tema (December, 2014) include: seizure of goods or locking of shops by local authorities for selling by the roadside, undated toll receipts, “harsh attitudes” of tax collectors, and the payment of bribes and other favours if unable to comply with full tax payment or delays.

4.4 Employment and social security

Introduction

Employment is a relationship between two parties, usually based on a contract, one being the employer and the other being the employee. An Employee is a person who is hired to provide services to an enterprise in exchange for compensation and an employer is the one who hires the services of the employee.

4.4.1 Nature of business activity

“Nature of business activity” refers to whether one is self-employed with or without employees, or whether one is self-employed with seasonal jobs with or without employees.

The survey indicates that most employer respondents are self-employed without employees (63.2%) and 29.5% are self-employed with employees. Those with casual/seasonal jobs constitute 3.7%. The rest are those who are self-employed with seasonal jobs and no employees (2.2%) and employers who are self-employed with seasonal jobs but with employees (1.4%). See Table 33.
Table 33: Nature of business

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed with employees</td>
<td>387</td>
<td>29.5</td>
<td>29.5</td>
</tr>
<tr>
<td>Self-employed without employees</td>
<td>829</td>
<td>63.2</td>
<td>92.7</td>
</tr>
<tr>
<td>Seasonal or casual job</td>
<td>48</td>
<td>3.7</td>
<td>96.3</td>
</tr>
<tr>
<td>Self-employed with seasonal job and no employees</td>
<td>29</td>
<td>2.2</td>
<td>98.6</td>
</tr>
<tr>
<td>Self-employed with seasonal job and employees</td>
<td>19</td>
<td>1.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1312</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

It is to be expected that most people who enter the informal economy will be self-employed with or without employees. This derives primarily from two facts: (a) they want to be their own bosses; and (b) they are responding to the lack of work in the formal economy. Besides, since the dominant type of businesses are in the retail trade and services sectors, where the entry barrier is low because of the low capital requirements, it is easier to start alone and recruit employees as business expands.

The success of the self-employed, however, depends on a number of factors including, entrepreneurial skills (which are personal factors) and external or environmental factors such as supportive policy environment. Often, the environmental factors weigh more than personal factors for those living at the survival level because of their limited ability to compete. Creating a policy environment for private sector-led micro-small-medium enterprises, where most Ghanaians still work, could induce employment generation, growth and reduced poverty.

4.4.2 Nature of employment
The “Nature of Employment” simply means the conditions of the employment. It includes classification of employment, whether a job
is permanent (or full time) or part time (casual or seasonal), unpaid family worker and apprenticeship.

For employees, most of them (36.7%) said that their job in the informal economy is a permanent one and this is followed by casual work (22.8%). Apprentices (13.9%), those with seasonal jobs (12.1%), unpaid family workers (7.8%) and Domestic work (4.8%) follow in that order. See Figure 28.

**Figure 28: Nature of employment (%)**

![Chart showing distribution of employment types: Permanent informal job (36.7%), Seasonal job (12.1%), Apprenticeship (13.9%), Domestic work (4.8%), Casual job (22.8%), Unpaid family work (7.8%)]

*Source: Field Survey, 2014*

Many and varied reasons were given for the preference for the permanence of informal employment in a focus group discussion in Kumasi (October 2014). They include:

> “better long-term career development opportunities, job security, lifestyle issues which allow the informal economy operators to plan for their future, better able to manage their businesses and an end to the stress of searching for jobs”.


On the basis of the definition by the ILO, casual workers, domestic workers and contributing unpaid family workers define the very basis of informal employment. Most respondents are, therefore, truly informal workers.

4.4.3 Number of hours worked in a day
During the survey, informal economy operators were asked to state the number of hours worked in a day to determine whether they worked in accordance with the requirement of the Ghana Labour Act, 2003.

Most employees (52.6%) work between 8-12 hours a day, followed by those who work up to 8 hours a day (38.5%). The rest work for more than 12 hours a day (9.0%). See Table 34.

Similarly, from Table 35, most employers (45.4%) work between 9-12 hours a day whilst 35.8% work up to 8 hours a day, and 18.8% for more than 12 hours a day.

54 Section 33 of the Labour Act (2003) states that the hours of work of a worker shall be a maximum of eight hours a day or forty hours a week. Section 34 provides exceptions to Section 33 in the following areas:
   a) where shorter hours of work are fixed, the hours of work on the other days of the week may be proportionately longer than eight (8) hours but shall not exceed nine (9) hours a day of a total of 40 hours a week;
   b) where longer hours of work are fixed, the average number of hours of work reckoned over a period of four (4) weeks or less shall not exceed eight (8) hours per day or forty hours per week or;
   c) where longer hours of work are fixed, the average number of hours over the period of one year shall not exceed eight (8) hours per day or 40 hours per week, in the case of seasonal work.
Table 34: Employee - Number of hours worked in a day

<table>
<thead>
<tr>
<th>No. of Hours Worked</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 5</td>
<td>287</td>
<td>9.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Between 5 and 8</td>
<td>904</td>
<td>29.2</td>
<td>38.4</td>
</tr>
<tr>
<td>Between 8 and 10</td>
<td>879</td>
<td>28.4</td>
<td>66.8</td>
</tr>
<tr>
<td>Between 10 and 12</td>
<td>750</td>
<td>24.2</td>
<td>91.0</td>
</tr>
<tr>
<td>More than 12</td>
<td>278</td>
<td>9.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>3098</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

Table 35: Employer - Number of hours worked in a day

<table>
<thead>
<tr>
<th>No. of Hours Worked</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 3</td>
<td>27</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>4 to 8</td>
<td>430</td>
<td>33.7</td>
<td>35.8</td>
</tr>
<tr>
<td>9 to 12</td>
<td>580</td>
<td>45.4</td>
<td>81.2</td>
</tr>
<tr>
<td>11 to 14</td>
<td>182</td>
<td>14.3</td>
<td>95.5</td>
</tr>
<tr>
<td>More than 15</td>
<td>58</td>
<td>4.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1277</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

Clearly, most employers and employees work for more than eight hours a day. Obviously, more employers work for longer hours in a day than employees. This could probably be attributed to the fact that the businesses belong to them and they believe they need to work for longer hours to ensure success.

4.4.4 Average number of days in a week

The number of days worked in a week by employees is presented in Table 36. Most employees (78.8%) work up to 6 days a week and 21.2% work for 7 days a week. In the same vein, most employers (73.7%) work up to 6 days a week and 26.3% work for 7 days a week.
Clearly, most employers and employees work for more than five days in a week as per the requirement of the labour Act, 2003. However, more employers work for many more days in a week than employees. Employers believe that they need to work hard for longer days to be successful.

Table 36: Employee - Number of days worked in a week

<table>
<thead>
<tr>
<th>No. of Days per week worked</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>51</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>3-4</td>
<td>202</td>
<td>6.5</td>
<td>8.1</td>
</tr>
<tr>
<td>5-6</td>
<td>2208</td>
<td>70.7</td>
<td>78.8</td>
</tr>
<tr>
<td>7</td>
<td>663</td>
<td>21.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>3124</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

Table 37: Employer - Number of days worked in a week

<table>
<thead>
<tr>
<th>No. of Days per week worked</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>37</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>3-4</td>
<td>33</td>
<td>2.6</td>
<td>5.5</td>
</tr>
<tr>
<td>5-6</td>
<td>872</td>
<td>68.2</td>
<td>73.7</td>
</tr>
<tr>
<td>7</td>
<td>336</td>
<td>26.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1278</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

The findings seem to suggest that informal economy operators work for longer hours and days than those in the formal economy who usually work for eight hours a day and five days in a week.

The fact that many of the respondents are owners of the businesses themselves, appear to suggest that their businesses have become part and parcel of their lives and there is no distinction between work and leisure.
4.4.5 Number of persons employed in enterprise

Table 38 presents the number of persons employed by employers at the start of their businesses and at the time of the survey.

Clearly, sole proprietorship has reduced from 79.4% to 56.1%. Number of persons employed in the 2-4 category has increased from 15.3% to 30.7%, 5-7 by 4.9%, 8-10 by 0.9% and more than 10 by 2.0% respectively.

Table 38: Number of persons employed by employers

<table>
<thead>
<tr>
<th>With how many people did you originally start this business</th>
<th>How many people work currently in this enterprise</th>
<th>% Change between Current no. of employees from the beginning</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Persons Employed at Beginning of Enterprise</td>
<td>No. of Persons Employed at Time of Survey</td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>Per-cent</td>
<td>Cumulative Percent</td>
</tr>
<tr>
<td>Alone (0)</td>
<td>1011</td>
<td>79.4</td>
</tr>
<tr>
<td>2-4</td>
<td>195</td>
<td>15.3</td>
</tr>
<tr>
<td>5-7</td>
<td>31</td>
<td>2.4</td>
</tr>
<tr>
<td>8-10</td>
<td>19</td>
<td>1.5</td>
</tr>
<tr>
<td>More than 10</td>
<td>18</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Overall, there has been a 46.4% increase in the number of persons employed between the start of the business and the time of the survey, which is between a period of six months and two years. Respondents cited a number of reasons for this. They included: improved access to the market and incomes, improved governance and professionalisation such as licensing resulting in improving the likelihood of having easier access to capital. Others are better business knowledge resulting from firm experience, having operated
for a minimum of six months, which is a requirement for credit by most micro financing companies.

4.4.6 Number of unpaid family workers

Figure 29 presents the number of unpaid family workers employed by employers. Most employers (74.8%) have no family members working for them. This is followed in a distant second by those who have only one unpaid family worker (12.8%), then 2-4 (9.6%), 5-7 (1.6%), 8-10 (0.6%) and more than 10 (0.7%)

Figure 29 presents the number of unpaid family workers employed (%).

Source: Field Survey, 2014

In a focus group discussion meeting in Tema (December, 2014), discussants stated their preference to pay family member who work for them to avoid conflicts that may irreparably damage the entire family. This was amplified by Auntie Dede who noted as follows:

“I used to have two unpaid family members working for me. But we had many conflicts that threatened the harmony and the sense of belonging and a feeling of security in my family. I then decided to offer them what my cash flow could support and they chose to leave. Since then, I either work alone or bring in non-family members from time to time to assist with my work”.
4.4.7 Employment contract
An employment contract is agreement entered into between an employer and an employee at the time the employee is hired. It outlines the exact nature of their business relationship, and the compensation the employee would receive in exchange for specific work performed. One of the major indicators of informal employment is the absence of employment contract.

In this survey, the question was asked, “If you have employees, do you offer written contracts?” 18.4% said they offer a written contract for long term employment. This is followed by 11.7% who said they offer a written contract for short-term employment. The rest are those who offer a verbal contract for long term employment (24.0%) or for short term employment (22.3%), those who do not offer written or verbal contracts (23.5%). See Figure 30.

Figure 30: Employment contract by employers

Employees were also asked whether their employment was covered by a written contract. The findings are presented in Figure 31.
Clearly, most employees (40.4%) do not have an employment contract whilst 37.2% have a verbal contract only. 13.3% have a written contract for a long-term employment with the remaining 9% having a contract for a short-term employment.

**Figure 31: Employment contract for employees (%)**

![Bar chart showing employment contract types](image)

*Source: Field Survey, 2014*

Whereas almost 70% of employers do not offer written short term or long term employment contracts 77.6% of employees either do not have employment contract at all or have only verbal contracts.

Obviously, because of its inherently informal nature, activities of the urban informal economy, for instance, start-up and working capital, are hardly put together in a written contract. Activities are carried out mainly on the basis of trust. Informal economy owners work on the basic minimum documentation only when they engage with formal third parties like licensing institutions. It is not surprising, therefore, that employment relationships are also not necessarily formalised into contracts. Yet, the absence of employment contract weakens the principle of social contract among citizens. Workers in the informal economy are short-changed in terms of their labour rights, such as
the process of engagement and disengagement, retrenchment fees and contribution toward pension scheme.

Perhaps, running the urban informal economy entrepreneur through sample contract document (See a sample employment contract document in Section 7.1), may improve the principle of social contract among employers and employees.

4.4.8 Major problems faced with workers

Employers were asked to state the major problems they faced working with their employees. The problems are indicated in Figure 32.

**Figure 32: Major problems faced with workers**

![Bar chart showing the percentages of major problems faced by workers.]

Source: Field Survey, 2014

Most (28.3%) did not have any problem with workers whereas 26.9% had problems with worker unreliability. Inadequate skills (18.4%), unwillingness to learn (14.6%) and theft are the other major problems.
4.4.9 Plans to recruit more workers for the enterprise

Employers were asked whether they had plans to recruit more workers for the enterprise. From Table 39, 36.1% do not have plans of recruiting more workers whilst 35.7% have plans of recruiting more workers. The remaining 28.3% cannot tell if they would recruit more workers.

It is encouraging that more than a third of the employer respondents intend to recruit more workers.

Table 39: Plans to recruit more workers for the enterprise

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>455</td>
<td>35.7</td>
<td>35.7</td>
</tr>
<tr>
<td>No</td>
<td>460</td>
<td>36.1</td>
<td>71.7</td>
</tr>
<tr>
<td>Can’t tell</td>
<td>361</td>
<td>28.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1276</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

This desire must be supported through the development of schemes that support self-employment. Since most respondents are youth, it will be a good strategy to accelerate:

a. The establishment of the Youth Enterprise Support (YES) Fund to support and encourage young people to expand their businesses to become successful entrepreneurs;
b. The establishment of Job and Enterprise Centres (JEC) scheme in all regions of Ghana to offer business development advice for young entrepreneurs; and
c. The streamlining of the Ghana Youth Employment and Entrepreneurial Development Agency (GYEEDA) to perform its skills development role under the self-employment modules.
4.4.10 Problems in recruiting or finding new workers

Employers were asked whether they had problems in recruiting or finding new workers. The result is indicated in Figure 33.

Most (31.9%) did not have any problem recruiting or finding new workers. However, the following three main problems were indicated by those who did. They are: mistrust (18.0%), bad attitude of workers (14.4%) and the demand for too much money (13.1%). The rest are as follows: lack of skilled workers (8.2%), lack of motivation of workers (6.2%), low level of general education (4.4%) and where to find workers (3.8%).

Figure 33: Problems in recruiting or finding new workers

Source: Field Survey, 2014

4.4.11 Social protection coverage among respondents

The term “social protection” describes arrangements that aim to provide some form of maintenance of income and services to people to ensure that they are catered for in times of need. Social protection includes provisions made for old age such as public social security schemes as well as private or non-statutory schemes. Old age and retirement could result in loss of income and hardships.
From Figure 34, it can be observed that majority of employers (55.6%) are not contributing to any pension scheme whilst 29.5% are doing so.

**Figure 34: Provision for old age**

![Bar chart showing provision for old age]

Source: Field Survey, 2014

### 4.4.12 Type of pension

For those who indicated that they had made provision for old age, the next logical question was to specify the type of provision made. The result is indicated in Figure 35.

For most employers (56.3%), the pension provision is in the form of personal savings. Following in a distant second is SSNIT contributions (21.0%) then life insurance (15.4%) and private pension (5.2%). The rest are retirement fund (1.3%) and group insurance (0.9%).
Given that aging is a fact of life, it is necessary to provide protection against the risk of poverty in old age. This risk is particularly acute in the case of informal economy workers, due to difficulty in accessing social protection through traditional formal-sector pension schemes. Besides, the irregularity of informal employment makes it unreliable as a source of income for social insurance contributions.

It is within this context that the SSNIT Informal Sector Pension Fund was introduced to cater and provide social protection to informal economy workers. This fund must be vigorously marketed to provide informal economy workers access to social security. Besides, the contribution to a social security system such as the SSNIT could also improve the stock of investible funds available to the state or pension schemes, given the fact that over 80% of employment is within the informal economy.

### 4.4.13 Annual, sick and maternity/paternity leave

Employers were asked whether they took paid annual, sick and maternity/paternity leave as and when required. The result is indicated in Table 40. Table 40 indicates that 64.4% of employers take sick leave, 20.8% take maternity/paternity leave, with the remaining 14.9% taking annual leave.
Similarly, employees were asked whether they benefit from paid annual, sick and maternity/paternity leave as and when required. The result is presented in Table 41.

From Table 41, 34.7% of employees benefit from holidays and leaves, 53.5% do not benefit from these whilst 11.7% are unable to tell.

### Table 40: Do you take any of the following leaves?

<table>
<thead>
<tr>
<th>Leave</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual leave</td>
<td>228</td>
<td>14.9</td>
</tr>
<tr>
<td>Sick leave</td>
<td>986</td>
<td>64.4</td>
</tr>
<tr>
<td>Maternity/Paternity leave</td>
<td>318</td>
<td>20.8</td>
</tr>
<tr>
<td>Total</td>
<td>1532</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

### Table 41: Benefit from paid leave in any of the following cases: holiday, sick leave, maternity/paternity leave

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>1094</td>
<td>34.7</td>
<td>34.7</td>
</tr>
<tr>
<td>Can’t Tell</td>
<td>1687</td>
<td>53.5</td>
<td>88.3</td>
</tr>
<tr>
<td>Total</td>
<td>370</td>
<td>11.7</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>3151</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

### 4.4.14 Source of income in case of disability or long-term sickness

In the event of disability or long-term sickness, most employers (53%) would fall on: personal savings; support from family (27.8%) and life insurance (7.7%). A few (4.2%) do not have any source of income support and 3.7% would generate support from sale/renting of property with the remaining 3.6% taking up a lighter workload. See Table 42.
Table 42: Source of income would you have in case of disability or long-term sickness

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No source of income</td>
<td>79</td>
<td>4.2</td>
<td>29.5</td>
</tr>
<tr>
<td>Savings</td>
<td>992</td>
<td>53.0</td>
<td>92.7</td>
</tr>
<tr>
<td>Support from family</td>
<td>519</td>
<td>27.8</td>
<td>96.3</td>
</tr>
<tr>
<td>Sale/Renting of property</td>
<td>69</td>
<td>3.7</td>
<td>98.6</td>
</tr>
<tr>
<td>Take up another job with lighter workload</td>
<td>67</td>
<td>3.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Life insurance</td>
<td>144</td>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1870</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

Case Study No. 3: A successful local restaurant operator – Her children are her insurance

Eno Adwoa was born in 1960 at Jachie-Pramso in the Ashanti Region of Ghana. When the family earnings from the cultivation of food stuffs became insufficient, she moved to Kumasi with her family to take up other livelihood activities. She was 8 years old then. Her father secured a job at Okomfo Anoyke Hospital as a Hospital Attendant and her mother traded in vegetables in the local market.

As the eldest child, she was obliged to help her mother at the market whilst her younger brother and sister went to school. Her father passed away in 1970 and, five years later, her mother also passed away. The death of her mother offered her an opportunity to start the work of her dream - mobile food vending - selling cooked plantain and vegetable sauce.

The idea of selling cooked plantain and vegetable sauce came from her uncle who believed that, most Asantes, who have moved out of their villages to trade in the big market would
love to have their favourite cooked plantain and vegetable sauce for breakfast or even lunch. This same uncle also lent her seed money to start the business. The business was so good that she paid back in a month instead of the agreed three months. She graduated into a local restaurant operator (known in the local parlance as a ‘chop bar’ operator) five years later.

Since 1980, Eno Adwoa has been selling assorted cooked food. She has 15 workers and operates between 5:00 am and 6:00 pm and in 6 days in a week. She earns a net income of about GH¢ 1,600. The major problem she has with her workers is the high labour turnover because of the risk of working daily with and by fire.

Even though she operates a bank account, she has never taken a bank loan before. Her uncle, who gave her the seed money, strongly advised her to always work with whatever money she had and not to owe anyone. This idea has stuck with her till today. Besides, the high interest rates, the complicated procedures and the high guarantee/collateral cost became disincentives to her obtaining a bank loan. She pays a daily toll to the Local Assembly as well as a yearly business operating license. The tax administrators come around every quarter to collect taxes. She has never heard about ‘business registration’.

Eno Adwoa has been married to her 60-year-old husband for the past 40 years. Her husband works as a taxi driver, a job he has done since the early days of their marriage. She has five children – two daughters and three sons. The daughters, who are 32 and 28 are married and live with their husbands in Accra. Two of her sons, who are 26 and 23, are in the university. Her last son, 16, is in the Senior High School.
Eno Adwoa thinks that success in food vending was achieved through perseverance and hard work. To achieve this, she sells hygienically prepared food, keeps her local restaurant clean, and maintains good rapport with her customers.

She says with pride and dignity that “My children are my insurance. I am working as hard as I can, just to educate my children so that they can take care of me in the near future”.

4.5 Tax and Taxation

Introduction
Taxation, in this report, represents the sovereign right of the state to transfer resources from private to public use in order to achieve economic, social and political goals for the society. The purpose of tax is to: (i) empower government to allocate resources; (ii) enable government to provide/support social development; (iii) stabilise the economy; and (iv) encourage optimal economic growth.

A good tax system must, therefore, satisfy the principle of equity where tax is based on expected benefit and ability-to-pay. Further, both the taxpayer and the tax collecting agency should be certain about how much, when and where to pay. The method, manner, and time of payment should also be convenient to the tax payer.

4.5.1 Information about tax
This study sought to explore possible reasons for non-compliance with the payment of income tax in the urban informal economy. One such reason was an alleged lack of information about the reasons why citizens must pay taxes.

The allegation about lack of information about the reasons why citizens must pay taxes seem to be unfounded as most respondents (61.9%) either agree or strongly agree that they are well informed
about why they have to pay taxes. Only 18.1% either disagree or strongly disagree that they are well informed about the reasons why they have to pay (Table 43).

Table 43: I do feel well-informed as to why I have to pay tax

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>187</td>
<td>14.6</td>
</tr>
<tr>
<td>Agree</td>
<td>605</td>
<td>47.3</td>
</tr>
<tr>
<td>Not Sure</td>
<td>256</td>
<td>20.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>179</td>
<td>14.0</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>52</td>
<td>4.1</td>
</tr>
<tr>
<td>Total</td>
<td>1279</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

The high level of knowledge about the need to pay taxes is borne out of their own inherent ethical and civic consciousness.

A Tax Officer in Tamale (September, 2014) remarked as follows:

“In my interaction with operators in the informal economy, I can deduce that informal economy enterprise owners have average knowledge of the reasons why they must pay taxes and that knowledge is informed by their own ethical considerations and awareness of their civic responsibilities”.

4.5.2 People who work (earn income) must pay taxes

This study sought to explore whether or not respondents agreed that people who work (earn an income) must pay taxes. The results are presented in figure 36.

From Figure 36, almost twenty-seven percent (26.9%) strongly agree and 56.2% agree that people who work (earn an income) must pay taxes. Clearly, most respondents (83.1%) either agree or strongly
agree that people who work (earn an income) must pay taxes. Only 5.9% either disagree or strongly disagree.

Figure 36: People who work (earn an income) must pay taxes

This means that, on the whole, 14 times the proportion of respondents either agree or strongly agree as against those who either disagree or strongly disagree that people who work (earn an income) must pay taxes.

4.5.3 Cross tabulation of region by people who work (earn an income) must pay taxes

Similarly, the study sought to explore whether or not the acknowledgement that income earners ought to pay taxes was spread across the regions. The results are presented in Table 44. The trend is similar across the regions where higher proportions of employers indicated that people who work (earn an income) must pay taxes.

For instance, in the Ashanti region, 17.5 times the proportion of respondents (17.5%) either agree or strongly agree that people who work (earn an income) must pay taxes as against 1.0% who either disagree or strongly disagree. In the Greater Accra region: 15.3% (17 times) of the proportion as against 0.9%; Central region: 9.3% (18.6 times) as against 0.5%; and Volta region 8.4% (42 times) as against 0.2%; Upper West region: 2.3% (3.3 times) as against 0.7%;
Northern region: 7.7% (5.1 times) as against 1.5% of respondents either agree or strongly agree that people who work (earn an income) must pay taxes respectively.

Table 44: Cross tabulation of region versus people who work have to pay taxes

<table>
<thead>
<tr>
<th>Region</th>
<th>Frequency</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Accra</td>
<td>48</td>
<td>149</td>
<td>19</td>
<td>6</td>
<td>5</td>
<td>227</td>
</tr>
<tr>
<td></td>
<td>3.7%</td>
<td>11.6%</td>
<td>1.5%</td>
<td>0.5%</td>
<td>0.4%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Ashanti</td>
<td>86</td>
<td>139</td>
<td>24</td>
<td>7</td>
<td>6</td>
<td>262</td>
</tr>
<tr>
<td></td>
<td>6.7%</td>
<td>10.8%</td>
<td>1.9%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Brong Ahafo</td>
<td>9</td>
<td>33</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>0.7%</td>
<td>2.6%</td>
<td>0.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Central</td>
<td>26</td>
<td>94</td>
<td>5</td>
<td>5</td>
<td>1</td>
<td>131</td>
</tr>
<tr>
<td></td>
<td>2.0%</td>
<td>7.3%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.1%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Western</td>
<td>62</td>
<td>61</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>142</td>
</tr>
<tr>
<td></td>
<td>4.8%</td>
<td>4.8%</td>
<td>0.6%</td>
<td>0.5%</td>
<td>0.4%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Northern</td>
<td>21</td>
<td>78</td>
<td>27</td>
<td>11</td>
<td>8</td>
<td>145</td>
</tr>
<tr>
<td></td>
<td>1.6%</td>
<td>6.1%</td>
<td>2.1%</td>
<td>0.9%</td>
<td>0.6%</td>
<td>11.3%</td>
</tr>
<tr>
<td>Upper West</td>
<td>5</td>
<td>25</td>
<td>5</td>
<td>7</td>
<td>3</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>0.4%</td>
<td>1.9%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Upper East</td>
<td>18</td>
<td>23</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>1.4%</td>
<td>1.8%</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Volta</td>
<td>29</td>
<td>78</td>
<td>9</td>
<td>1</td>
<td>1</td>
<td>118</td>
</tr>
<tr>
<td></td>
<td>2.3%</td>
<td>6.1%</td>
<td>0.7%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Eastern</td>
<td>52</td>
<td>63</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>121</td>
</tr>
<tr>
<td></td>
<td>4.1%</td>
<td>4.9%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Total</td>
<td>356</td>
<td>743</td>
<td>105</td>
<td>48</td>
<td>31</td>
<td>1283</td>
</tr>
<tr>
<td></td>
<td>27.7%</td>
<td>57.9%</td>
<td>8.2%</td>
<td>3.7%</td>
<td>2.4%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014 Percentages and totals are based on responses.
4.5.4 Taxes paid

Most employers (35.0%) paid Value-added tax (VAT) especially when they buy from formal enterprises (See Table 45). Slightly less than a quarter (23.6%) pay personal income tax (PIT) followed by market tolls (16.6%) then property rates (11.7%) and basic rates (head tax) (8.4%). Hawkers’ license is the least (4.7%) paid by employers.

Table 45: I pay the following taxes

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax (PIT)</td>
<td>529</td>
<td>23.6%</td>
</tr>
<tr>
<td>Value-added tax (VAT)</td>
<td>782</td>
<td>35.0%</td>
</tr>
<tr>
<td>Basic rate (head tax)</td>
<td>189</td>
<td>8.4%</td>
</tr>
<tr>
<td>Property rate</td>
<td>261</td>
<td>11.7%</td>
</tr>
<tr>
<td>Market toll</td>
<td>371</td>
<td>16.6%</td>
</tr>
<tr>
<td>Hawkers’ licence</td>
<td>105</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2237</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

The fact that less than a quarter (23.6%) of employer respondents say they pay personal income tax is not surprising. Even though based on anecdotal evidence, there is the general view that only a quarter of eligible informal economy operators actually pay income taxes. A view by a Tax Officer in Kumasi (October, 2014) is instructive:

“I have a hunch, based on the figures I see, that only a quarter of income taxes are collected from informal economy operators. However, we do not have enough documentation about the sector to be certain about what we could potentially collect and what is actually collected and to note the variance”.
A general consensus emerged from the focus group discussions that, tax assessment on their businesses was often difficult and arbitrary. Though nearly all of them paid market tolls and other forms of levies, some conceded that they did not pay regular taxes (especially personal income tax) or did not pay at all. Other reasons for tax evasion include: unbearable rates, mistrust of government for the prudent use of tax revenue and lack of universal enforcement.

Given that a number of the informal economy operators cannot be tracked to fixed locations, the cost of tracking them is so high that it does not make the tax collection profitable. Therefore, the best approach has always been through value added taxation. Since they are purchasers who buy from formal enterprises and pay value added taxation, they, in that sense contribute to taxation. They are, however, unable to become tax collection agents for the government since they are usually not registered with the tax authorities.

Secondly, because the informal economy is a cash economy and is also associated with very little documentation, income tax assessment is problematic. Consequently, a flat rate tax system is adopted in many instances. Even though the flat rate system tends to be regressive, assessment and collection costs are lower.

4.5.5 Tax related development in everyday life
More that forty percent (40.5%) of respondents either disagree or strongly disagree that they see tax related development in their everyday life, while 34.4% either agreeing or strongly agreeing to the contrary (see Table 46).
Table 46: I See Tax related development in my everyday life

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>104</td>
<td>8.2</td>
<td>8.2</td>
</tr>
<tr>
<td>Agree</td>
<td>331</td>
<td>26.2</td>
<td>34.4</td>
</tr>
<tr>
<td>Not Sure</td>
<td>317</td>
<td>25.1</td>
<td>59.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>276</td>
<td>21.8</td>
<td>81.3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>237</td>
<td>18.7</td>
<td>99.9</td>
</tr>
<tr>
<td>Total</td>
<td>1265</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

In a focus group discussion in Tamale (September, 2014), discussants said they believe:

Taxes are collected from citizens by the government to provide public services such as schools and hospitals and lorry parks. Consequently, they considered tax as an exchange of their otherwise production or consumption power in return for social services by government:

Similar sentiments were expressed in Kumasi (October, 2014) and Tema (November, 2014), respectively.

In another focus group discussion in Tema (November, 2014), discussants passionately indicated their desire to see government focus on microeconomic stability to keep prices and taxes stable. According to them, the unbearable debt burden on the government and the consequent quest to reduce it by imposing taxes, as well as the continuous depreciation of the cedi against the major currencies, was a source of worry for those who bought their wares from neighbouring countries. The combined effect of this fiscal and monetary misalignments results in the sudden increase in the prices of goods in Ghana.
4.5.6 Problems with tax collection

The study also sought the opinion of respondents on the problems they encounter with tax collection. The results are presented in Table 47.

The results show that slightly more than a fifth (22.4%) of employers feel tax collectors have “harsh attitudes”. 21.1% said their possessions are seized/shops locked by the authorities if they are unable to pay, whilst 20% reported challenges in interaction (abrasive arguments) with tax collectors. Also, 13.7% believe that the request for national and local tax are too close for comfort, whilst 12.4% claim that they do not get any receipts for the payment of taxes. The remaining 10.4% alleged that they are asked to pay bribes or even carry out favours if unable to pay full amount and on time.

Table 47: Problems with tax collection

<table>
<thead>
<tr>
<th>Problem</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenges in interactions with tax collectors</td>
<td>321</td>
<td>20.0%</td>
</tr>
<tr>
<td>I don’t get any receipts/money goes into private pockets</td>
<td>199</td>
<td>12.4%</td>
</tr>
<tr>
<td>Harsh attitudes from tax collectors</td>
<td>359</td>
<td>22.4%</td>
</tr>
<tr>
<td>Possessions are seized/shops locked by the authorities if unable to pay</td>
<td>339</td>
<td>21.1%</td>
</tr>
<tr>
<td>Asked to pay bribes or even carry out favours if unable to pay full amount/on time</td>
<td>167</td>
<td>10.4%</td>
</tr>
<tr>
<td>Request for national and local tax too close to each other</td>
<td>219</td>
<td>13.7%</td>
</tr>
<tr>
<td>Total</td>
<td>1604</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Percentages and totals are based on responses.
4.6 Source of raw materials / inputs

Introduction
Raw materials/inputs are the basic materials used in the production of goods, services, and finished products or intermediate materials that are themselves feedstock for finished products.

4.6.1 Mode of acquisition of present equipment/tools
Information on how equipment/tools were acquired for enterprises was sought from employers. The findings are presented in Figure 37.

Clearly, most (73.9%) acquired their raw materials/inputs by cash, with 15.6% on credit. Family relations (4.6%), friends (4.2%) and acquisition from last owner (1.6%) follow in that order.

Figure 37: Mode of acquisition of present equipment/tools (%)

Source: Field Survey, 2014

4.6.2 Main suppliers of raw materials/inputs
The survey sought information on the main suppliers of raw materials/inputs. Table 48 shows that the majority of the operators (51.7%) source their raw materials/inputs from intermediaries (traders), with 18.7% from large manufacturers and 12.9% directly from farmers.
Cooperatives (9.9%) and government organization (6.9%) are the other suppliers.

**Table 48: Main suppliers of raw materials/input**

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediaries (traders)</td>
<td>675</td>
<td>51.7%</td>
</tr>
<tr>
<td>Large manufacturer</td>
<td>244</td>
<td>18.7%</td>
</tr>
<tr>
<td>From government organisation</td>
<td>90</td>
<td>6.9%</td>
</tr>
<tr>
<td>Buying cooperatives</td>
<td>129</td>
<td>9.9%</td>
</tr>
<tr>
<td>Direct from farmer</td>
<td>168</td>
<td>12.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1306</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014*  Percentages and totals are based on responses.

**4.6.3 Frequency and form of acquisition of raw materials/inputs**

As regards the frequency and form of the acquisition of raw materials/inputs, Table 49 indicates that most (25.7%) obtained raw materials/inputs on weekly basis, 23.3% on daily basis and 21.3% on monthly basis. Also, 9.4% obtained raw materials/inputs infrequently, 8.7% a few times a week and 7.9% a few times a month. Only 2% of obtained raw materials/inputs a few times a year with the remaining once in a year (1.7%).

In addition, 34.7% of employers buy raw materials/inputs in small regular quantities, 19.4% in small irregular quantities and 18.7% in medium regular quantities. Also, 15.3% buy in “bulk regular”, 7.5% in “bulk irregular” with the remaining 4.5% who buy in “medium irregular quantities”.

---

150
Table 49: Frequency and form of the acquisition of raw materials/inputs

<table>
<thead>
<tr>
<th>Frequency of Acquisition of Raw Materials/Inputs</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>296</td>
<td>23.3</td>
<td>23.3</td>
</tr>
<tr>
<td>Monthly</td>
<td>270</td>
<td>21.3</td>
<td>44.6</td>
</tr>
<tr>
<td>Weekly</td>
<td>327</td>
<td>25.7</td>
<td>70.3</td>
</tr>
<tr>
<td>Once a year</td>
<td>21</td>
<td>1.7</td>
<td>72.0</td>
</tr>
<tr>
<td>Few times a week</td>
<td>111</td>
<td>8.7</td>
<td>80.7</td>
</tr>
<tr>
<td>Few times a month</td>
<td>100</td>
<td>7.9</td>
<td>88.6</td>
</tr>
<tr>
<td>Few times a year</td>
<td>25</td>
<td>2.0</td>
<td>90.6</td>
</tr>
<tr>
<td>Infrequent</td>
<td>120</td>
<td>9.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1270</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Form of acquisition of raw materials/inputs</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small quantities regular</td>
<td>441</td>
<td>34.7</td>
<td>34.7</td>
</tr>
<tr>
<td>Small quantities irregular</td>
<td>247</td>
<td>19.4</td>
<td>54.1</td>
</tr>
<tr>
<td>Medium quantities regular</td>
<td>238</td>
<td>18.7</td>
<td>72.8</td>
</tr>
<tr>
<td>Medium quantities irregular</td>
<td>57</td>
<td>4.5</td>
<td>77.3</td>
</tr>
<tr>
<td>Bulk regular</td>
<td>194</td>
<td>15.3</td>
<td>92.5</td>
</tr>
<tr>
<td>Bulk irregular</td>
<td>95</td>
<td>7.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1272</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014  Percentages and totals are based on responses.

4.6.4 Mode of payment for raw materials/inputs
With regard to the mode of payment for materials/inputs, Table 50 indicates that most (71.6%) make payment by cash, 22.3% by cash and credit, and 5.9% on credit with the remaining 0.2% on commission.
Table 50: Mode of payment for materials/inputs

<table>
<thead>
<tr>
<th>Mode of Payment</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>903</td>
<td>71.6</td>
<td>71.6</td>
</tr>
<tr>
<td>Credit</td>
<td>74</td>
<td>5.9</td>
<td>77.4</td>
</tr>
<tr>
<td>Cash and credit</td>
<td>282</td>
<td>22.3</td>
<td>99.8</td>
</tr>
<tr>
<td>Commission</td>
<td>3</td>
<td>0.2</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1262</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Percentages and totals are based on responses.

Clearly, the urban informal economy is a cash one. Panin, 42, runs a local restaurant in Takoradi (September, 2014). She said:

“We buy all our foodstuffs and fuel in cash. All our cooks, waitresses and cleaners are paid in cash at the end of every week. We also give special incentives in cash for Sunday and holiday duties”.

4.6.5 Key problems related to raw materials/inputs acquisition

Many and varied problems were enumerated in the acquisition of raw materials/inputs. These are presented in Table 51.

High cost of raw materials/inputs (29.8%) was a key problem. High transportation cost (20.9%) and lack of funds (20.5%) were other key problems. The rest are: raw materials shortage (11.5%); inability to purchase inputs in bulk in order to obtain discounts (11%); and low quality of raw materials/inputs (6.2%).
Table 51: Key problems with the acquiring raw materials

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials shortage</td>
<td>291</td>
<td>11.5%</td>
</tr>
<tr>
<td>Lack of funds to purchase them</td>
<td>517</td>
<td>20.5%</td>
</tr>
<tr>
<td>High cost of raw materials/inputs</td>
<td>753</td>
<td>29.8%</td>
</tr>
<tr>
<td>Low quality</td>
<td>157</td>
<td>6.2%</td>
</tr>
<tr>
<td>High transport costs</td>
<td>528</td>
<td>20.9%</td>
</tr>
<tr>
<td>Inability to purchase inputs in bulk in order to obtain discounts</td>
<td>279</td>
<td>11.0%</td>
</tr>
<tr>
<td>Total</td>
<td>2525</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014 Percentages and totals are based on responses.

The problems listed in Table 51 often led to: (i) increased production cost; (ii) worsened prospects of continuous supply of raw materials/inputs; (iii) a consequent decrease in turnover; and (iv) a reduced capacity to employ more hands.

Case Study No. 4: A fixed-located Mechanic seeking to expand his business

Tetteh is a 31 year old man. He is married and has two children who are aged three and one. After completing his Junior High School in 2000, Tetteh enrolled in a three-year Automobile Engineering Technology course at Tema Technical Institute, after which he did a three-year practical training with a master craftsman at the Tema Manhean. He served his master for two more years after his practical training before graduating to set up his own workshop near a transport terminal.

His uncle added up to his own personal savings as start-up capital. After working for about five years, he took a loan from the bank to purchase spare parts for his business. He has since then paid up his loan.
He has four employees and five apprentices. He does not offer written employment contracts. Rather, he offers semi-annual renewable verbal contracts. Tetteh and his employees work between 8-12 hours a day and 6 days a week. They occasionally work on Sundays as well. He earns between GH¢1,500 and GH¢2,000 a month after paying his employees.

He has acquired a business operating license from the Local Assembly. The tax administrators come around occasionally to collect taxes. He has not thought of registering his business with the Registrar General’s Department.

He is putting up a three-bedroom house in the suburb. Tetteh does not contribute to any regular pension scheme because of the irregular nature of their earnings. His family is covered, however, under the National Health Insurance Scheme.

He, sometimes, buys spare parts for his clients. He believes he has acquired the relevant experience over the past two years in the sale and marketing of spare parts and he is seeking to expand his business in those fields.

4.7 Product and Marketing Policies

Introduction
In this research, product and marketing policies are defined as the strategy by which goods or services are bought from suppliers or sold to consumers. It also includes the mode of payment and competition among enterprises.

4.7.1 To whom do you mainly sell?
The survey asked employers who they mainly sold their products and services to. Table 52 shows that most employers (62.9%) sell to individuals followed by households (19.2%), then small enterprises
(11.5%) and big enterprises (4.6%). Government buys least (1.0%) from the urban informal economy enterprises.

**Table 52: To whom do you mainly sell?**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>1193</td>
<td>62.9%</td>
</tr>
<tr>
<td>Households</td>
<td>364</td>
<td>19.2%</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>219</td>
<td>11.5%</td>
</tr>
<tr>
<td>Big enterprises</td>
<td>88</td>
<td>4.6%</td>
</tr>
<tr>
<td>Government</td>
<td>34</td>
<td>1.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1898</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014  Percentages and totals are based on responses.*

### 4.7.2 From whom do you mainly buy?

Operators of the informal economy enterprises were also asked who they bought their wares from. Table 53 presents the responses.

Majority (34.6%) bought from small enterprises, followed by individuals (32.3%), then big enterprises (26.7%), households (5.3%) and (1.0%) is from government.

**Table 53: From whom do you mainly buy?**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>556</td>
<td>32.3%</td>
</tr>
<tr>
<td>Households</td>
<td>92</td>
<td>5.3%</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>595</td>
<td>34.6%</td>
</tr>
<tr>
<td>Big enterprises</td>
<td>460</td>
<td>26.7%</td>
</tr>
<tr>
<td>Government</td>
<td>18</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1721</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014  Percentages and totals are based on responses.*
The absence of formal procurement rules and procedures, which are requirements for state and government institutions, and the inability to supply in large quantities, make informal economy enterprises unsuitable entities to buy from or sell to government institutions.

### 4.7.3 Main medium of exchange for goods and services

Employers in the urban informal economy were also asked what they considered to be the main medium of exchange for their goods and services. The results, is presented in Table 54.

Majority (73.3%), indicated that they sold their goods and services by cash, 23.7% by credit and 3.1% on commission. This trend is similar to section 4.6.4 where transactions are conducted mainly in cash.

**Table 54: Main medium of exchange for their goods and services**

<table>
<thead>
<tr>
<th>Medium of Exchange</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1224</td>
<td>73.3%</td>
</tr>
<tr>
<td>Credit</td>
<td>395</td>
<td>23.7%</td>
</tr>
<tr>
<td>Commission</td>
<td>51</td>
<td>3.1%</td>
</tr>
<tr>
<td>Total</td>
<td>1670</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2014*  
Percentages and totals are based on responses.

Since the informal economy is associated with very little documentation, assessing the credit worthiness of operators is challenging. Hence the preference of restricting payments to cash. However, operating a cash economy restricts the expansion of informal businesses whilst credit enables expansion. Within the credit system, informal economy operators tend to buy more when they do not have to pay on the spot, thus, building up revenues much more quickly when the turnaround time is reasonably short. Improved documentation could, thus, allow the extension of credit to business owners.
4.7.4 Type of competition with similar enterprises

The type of competition which exists between urban informal economy enterprises is presented in Table 55. The main areas of competition are: prices (54.5%), quality (32.9%) and labour (12.5%) respectively.

Table 55: Competition with similar enterprises

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices</td>
<td>901</td>
<td>54.5%</td>
</tr>
<tr>
<td>Quality</td>
<td>544</td>
<td>32.9%</td>
</tr>
<tr>
<td>Labour</td>
<td>207</td>
<td>12.5%</td>
</tr>
<tr>
<td>Total</td>
<td>1652</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Percentages and totals are based on responses.

4.8 Growth (Expansion) of Business

Introduction

In this research, growth (expansion) of business means planned and carefully managed expansion at the business owner’s initiative. Not all small business owners wish to expand. Those who plan expansion tend to have a different vision of the business, one in which “smallness” is not in itself a goal but a necessary starting point.

4.8.1 Expansion of enterprise

Figure 38 presents the responses about expansion of enterprise. About seventy-one percent (71.2 %) say their businesses have grown.

This phenomenon offers an opportunity for the identification and grooming of entrepreneurs and turning their enterprises into micro-small-medium-sized enterprises. Entrepreneurship has been a powerful engine of economic growth and wealth creation. Their influence can have several multiplier effects on the economy, spur innovation and foster investment.
Reasons given for expansion in a focus group discussion meeting in Tamale (September, 2014) include: improved knowledge of business operations and financial planning, better cost-profit estimations.

4.8.2 Region and enterprise growth since establishment

From Table 56, it can be seen that higher proportions of employers across the regions indicated that their businesses have grown since establishment. The highest growth occurred in the Ashanti (14.9%) and Greater Accra (12.2%) regions with the least in Upper West (3.2%) and Upper East (2.9%) regions.
Table 56: Cross-tabulation of region by has your business become better or worse compared to the past?

<table>
<thead>
<tr>
<th>Region</th>
<th>Has this enterprise grown since establishment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Greater Accra</strong></td>
<td>158</td>
<td>29</td>
</tr>
<tr>
<td><strong>Ashanti</strong></td>
<td>193</td>
<td>23</td>
</tr>
<tr>
<td><strong>Brong Ahafo</strong></td>
<td>32</td>
<td>1</td>
</tr>
<tr>
<td><strong>Central</strong></td>
<td>98</td>
<td>14</td>
</tr>
<tr>
<td><strong>Western</strong></td>
<td>91</td>
<td>20</td>
</tr>
<tr>
<td><strong>Northern</strong></td>
<td>107</td>
<td>19</td>
</tr>
<tr>
<td><strong>Upper West</strong></td>
<td>41</td>
<td>1</td>
</tr>
<tr>
<td><strong>Upper East</strong></td>
<td>38</td>
<td>7</td>
</tr>
<tr>
<td><strong>Volta</strong></td>
<td>68</td>
<td>27</td>
</tr>
<tr>
<td><strong>Eastern</strong></td>
<td>94</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>920</td>
<td>153</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

The growth was also attributed to hard work, business wits and innovation, the obsession to make sales, and the “Grace of God”. Eno Adwoa, a local restaurant operator in Kumasi (October, 2014) said:
“We have to show innovation in a consistent manner and on daily basis. We go to the customers wherever they are, sometimes to their workplaces to invite them to visit our restaurant. And taxi drivers too, we offer them amazing variety of dishes. It is a way of picking the right customers in order to make as much sales as possible. The bottom line, however, is just trust in God for success”.

4.8.3 Reasons for lack of growth (expansion) of enterprise since establishment

Those who hold the view that enterprises have not seen any growth since establishment also provided reasons to that effect. The reasons are presented in Table 57.

Lack of customers (29.3%) and unavailable finance (21%) top the list. Other reasons cited include: lack of capital equipment (9.9%), non-payment of debts (9.1%), heavy taxes and license fees (8.8%), lack of space (5.2%), irregular input supply (5.2%).

The rest are: lack of skilled personnel (4.1%) lack of management skills (3.6%) and difficult existing regulations (3.6%).

Table 57: Reasons for lack of growth since establishment

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of customers</td>
<td>106</td>
<td>29.3%</td>
</tr>
<tr>
<td>Lack of skilled personal</td>
<td>15</td>
<td>4.1%</td>
</tr>
<tr>
<td>Non-payment of debts</td>
<td>33</td>
<td>9.1%</td>
</tr>
<tr>
<td>Heavy taxes and licence fees</td>
<td>32</td>
<td>8.8%</td>
</tr>
<tr>
<td>Unavailability of finance</td>
<td>76</td>
<td>21.0%</td>
</tr>
<tr>
<td>Lack/irregular supply of inputs</td>
<td>19</td>
<td>5.2%</td>
</tr>
<tr>
<td>Lack of management skills</td>
<td>13</td>
<td>3.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>--------</td>
<td>-------</td>
</tr>
<tr>
<td>Lack of space</td>
<td>19</td>
<td>5.2%</td>
</tr>
<tr>
<td>Lack of capital equipment</td>
<td>36</td>
<td>9.9%</td>
</tr>
<tr>
<td>Difficulties with existing regulations</td>
<td>13</td>
<td>3.6%</td>
</tr>
<tr>
<td>Total</td>
<td>362</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

**Source:** Field Survey, 2014

Percentages and totals are based on responses.

4.8.4 **Current attempts at improving business**

Current attempts by employers at improving business are presented in Figure 39.

**Figure 39: Current attempts by employers at improving business**

Three main initiatives were cited. These were: (a) reinvesting profit from business (33.5%); (b) purchasing new equipment (21.1%) and (c) introducing new goods (19%). Other initiatives include: seeking loans from banks and other institutions (10%), seeking further training (9.9%) with the remaining 6.5% seeking government assistance.
4.8.5 Intention to operate enterprise in the next five years

With regard to the intention to operate business in the next five years, most respondents (70.2%) answered in the affirmative.

This finding is consistent with the permanent nature of business in section 4.4.2 Clearly, most people will stay in the informal economy for a long time.

Almost twenty-two percent (21.9%) cannot tell whether they would operate in the next five years and the remaining 7.9% would not operate in the next five years. See Figure 40.

Figure 40: Do you intend to operate this enterprise in the next five?

Respondents who wanted to operate in the next five years either thought business has been good or hoping that it will be better. For those who do not intend to operate in the next five years, debt accumulation and lack of customers were the main reasons. Those who are undecided are holding on to see whether business would pick up.
4.9 Problems and Prospects

Introduction
Within this context, problems are perceived gaps between a desired state and the status quo, and prospects are the apparent probability of bridging the said gap for advancement and success, however defined.

4.9.1 Type of help needed for business growth
Information on the type of help needed for business growth were sought from employers. From Table 58, 10.2% of employers would like to have access to market information, 10% assistance in obtaining supplies, 9.8% access to large business orders and 9.6% technical training.

The others include: advertising of new products/services (9.4%), access to modern machines (9.2%), organizational training and financial management (8.8%), and access of loans (8.7%). Also, 8.6% would need help in Information, Communication, Technology (ICT), 8% in general education with the remaining 7.6% in business registration.

Table 58: Help needed for business growth for employer

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>General education (reading, writing, calculation)</td>
<td>680</td>
<td>8.0%</td>
</tr>
<tr>
<td>Information, Communication, Technology (ICT)</td>
<td>730</td>
<td>8.6%</td>
</tr>
<tr>
<td>Technical training</td>
<td>815</td>
<td>9.6%</td>
</tr>
<tr>
<td>Training in organisational and financial management</td>
<td>746</td>
<td>8.8%</td>
</tr>
<tr>
<td>Assistance in obtaining supplies</td>
<td>848</td>
<td>10.0%</td>
</tr>
<tr>
<td>Access to modern machines</td>
<td>779</td>
<td>9.2%</td>
</tr>
<tr>
<td>Access to loans</td>
<td>738</td>
<td>8.7%</td>
</tr>
<tr>
<td>Access to market information</td>
<td>868</td>
<td>10.2%</td>
</tr>
<tr>
<td>Access to large business orders</td>
<td>833</td>
<td>9.8%</td>
</tr>
</tbody>
</table>
Table 59

<table>
<thead>
<tr>
<th>Service</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration of business</td>
<td>642</td>
<td>7.6%</td>
</tr>
<tr>
<td>Advertising of new products/services</td>
<td>800</td>
<td>9.4%</td>
</tr>
<tr>
<td>Total</td>
<td>8479</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Percentages and totals are based on responses.

In order to solve their problems, 28.9% of employees said they will acquire technical skills, followed by training in organizational and financial management (25.7%), then market access (24.1%) before seeking access to loans (21.3%). See Table 59.

The order of the choices made by employees appears logical for the following reasons:

a. Technical training is meant to provide them with the required knowledge and capabilities (competence) to operate their businesses effectively.

b. Training in organizational management would allow them to break down the entire operation of their business into doable phases. Dividing operational functions into sections will allow the operators to obtain a clearer picture of what the goals of the business are and how to successfully implement them. Financial management refers to the efficient and effective management of funds in such a manner to achieve the objectives of the business.

c. Market information is the data used to identify demand or create one for targeted marketing or product development activities.

d. Access to loan then becomes the next logical step. In terms or priorities, the sequence from the survey seem to be the right one.
Table 59: Help needed for business growth for Employee

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical training</td>
<td>2144</td>
<td>28.9%</td>
</tr>
<tr>
<td>Training in organisational and financial management</td>
<td>1909</td>
<td>25.7%</td>
</tr>
<tr>
<td>Access to loans</td>
<td>1580</td>
<td>21.3%</td>
</tr>
<tr>
<td>Access to market information</td>
<td>1788</td>
<td>24.1%</td>
</tr>
<tr>
<td>Total</td>
<td>7421</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Percentages and totals are based on responses.

4.9.2 Membership of urban informal economy enterprises to associations

The study sought to know whether or not urban informal economy operators belong to any association. Figure 41 shows that majority (74.3%) of employers do not belong to a professional organization in the domain of their business activity whilst 22.6% belong to a professional organization. The remaining 3.1% could not tell whether they belonged to any professional organization.

Figure 41: Employer - Belonging to professional organization

---

165
Figure 42: Employee - Belonging to professional organization

![Bar chart showing the percentage of employees belonging to professional organizations.](image)

Source: Field Survey, 2014

Figure 42 further shows that majority (75.3%) of employees do not belong to a professional organization in the domain of their business activity whilst 19.7% belong to a professional organizations. The remaining 5.1% cannot tell whether they belong to a professional organization or not.

4.9.3 Type of association to which informal economy enterprises belong

Figure 43 indicates that the most popular association for employers is the Trade Associations (68%), followed by the Trades Union Congress (24%) and a chamber of commerce (8%).

Analysis of the employees data shows a similar trend. See Figure 44. The most popular association for employees is the Trade Association (52%), followed by the Trades Union Congress (40%) and a chamber of commerce (8%).

A trade association, also known as an industry trade group or business association, is an organization founded and funded by businesses that operate in a specific industry. An example of a trade association is
the “chop bar keepers” or local restaurants’ association. A chamber of commerce (or board of trade) is a network of different businesses which have a common goal furthering the interests of businesses. An example is the Ghana Union of Traders Association (GUTA).

**Figure 43: Associations employers belong to**

- Chamber of Commerce 8%
- Trade Union 24%
- Trade Association 68%

**Figure 44: Associations employees belong to**

- Chamber of Commerce 8%
- Trade Union 40%
- Trade Association 52%

*Source: Field Survey, 2014*

Focus group discussants provided insight into why organising into unions for a common purpose is generally a challenge. First, because many of them are poor and focused primarily on income generation, surviving the long hours of meeting and organising is seen as too high
a cost to bear. Consequently, camaraderie, solidarity and collective action is not always a natural predisposition.

Second, their leaders are, often, subject to control by politicians. Organising into unions, therefore, becomes a disincentive.

Third, unlike the formal economy, their dispersed and mobile nature makes organizing a challenge.

Fourth, the tenets of democracy and associated organisational principles, such as code of conduct and administrative policies, are generally non-existent or, where they exist, the level of compliance is low. Organising without guiding principles deprives them of the capacity to develop goals, strategies and work plan.

Fifth, their inability to pay regular membership dues as a result of their limited and unpredictable earning capacity, inhibit their ability to bear meeting and other expenses. What is natural to them is organisation around Trade Associations which tend to focus on bread and butter issues rather than Professional Associations which focus on competence and capacity development.

Assistance from the Ghana Trades Union Congress and other civil society organisations to form local and national unions will be a welcome news.

4.9.4 Strengths/Weaknesses/Opportunities/Threats (SWOT) analysis for organizing informal economy workers

The ‘SWOT’ analysis is a tool which is used to analyse the strengths, weaknesses, opportunities and threats of particular situations. It is a useful framework for analysing and organising potential of the informal economy workers. It has to be noted that there is a certain degree of overlap in the strengths, weaknesses, opportunities and threats identified by the researcher. Thus, some strengths are also opportunities (e.g. Network of supporting partners and alliances is also an opportunity to be pursued further). Similarly, some weaknesses, if not positively managed, could become threats (e.g. political interference from political parties).
The ‘SWOT’ analysis is presented in Table 55.

**Table 60: SWOT Analysis**

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Network of supporting partners and alliances (e.g. Ghana TUC, and international bodies such as FES, ILO, WIEGO etc.)</td>
<td>1. Good level of motivation and expectations among identified informal economy associations</td>
</tr>
<tr>
<td>2. High level of experience and intervention capacity within supporting partners and alliances</td>
<td>2. Increasing local and global awareness of the informal economy in terms of policy recognition and relevance</td>
</tr>
<tr>
<td>3. Strength of dialogue and action on governance issues by identified informal economy associations</td>
<td>3. Improving official statistics/knowledge helps to build greater awareness of and positive arguments about the economic contribution of informal economy workers</td>
</tr>
<tr>
<td>4. Common and enabling bonding characteristics and identities which enhance the strength of numbers e.g. (a) regularity status (whether seasonal, casual or permanent); (b) employment status (whether employees or employers); (c) employment protection status (e.g. type and duration of contract, annual leave); (d) social protection status (e.g. social security contributions, health care, etc.);</td>
<td>4. Increase in the number of the production of education/training resources such as manuals, tool boxes and DVDs to assist the development of member-based organizations of informal workers around the world</td>
</tr>
</tbody>
</table>
(e) type and size of enterprise, location (urban or rural); and (f) type of sectors (whether services, manufacturing, construction etc.)

5. The strength of collective bargaining

5. Increasing access to legal and policy advocacy from supportive professionals such as ‘pro-bono’ lawyers or academics to advance a case for policy change

<table>
<thead>
<tr>
<th>WEAKNESSES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Political interference</td>
<td>1. High level of ignorance and/or prejudice among economic policy-makers and those that influence them about the huge economic contribution of the working poor; and about how supporting these workers are key to ‘anti-poverty’ strategies.</td>
</tr>
<tr>
<td>2. Dispersed and mobile nature makes organizing a challenge</td>
<td>2. The legislative/policy ‘blind spot’ as to what ‘informal economy’ means.</td>
</tr>
<tr>
<td>3. Absence of tradition of democratic guiding principles, such as code of conduct and administrative policies deprive informal economy workers of the capacity to develop goals, strategies and work plan.</td>
<td>3. Leadership renewal challenges</td>
</tr>
<tr>
<td></td>
<td>4. Difficulty of sustaining gains</td>
</tr>
</tbody>
</table>
4. Inability to pay regular membership dues as a result of their limited and unpredictable earning capacity, inhibits their ability to bear meeting and other expenses.

5. Lack of self-identity as ‘workers’

6. Isolation from each other
EMERGING ISSUE - IMPLICATION OF THE STUDY TO THEORY

Introduction
This chapter discusses the implication of the study to theory, and how the concept and knowledge areas are linked together to form an explanation of the nature and operations of the informal economy. It includes an emerging framework and the policy and practical considerations for, at least, the four types of enterprises found in the urban informal economy in Ghana.

5.1 Framework for analysing informal economy
Clearly, from the research and from literature, the urban informal economy in Ghana can be described as spanning a continuum between the informality and formality and not a dichotomy\textsuperscript{55}. Two parameters which are of prime importance to the urban informal economy are business registration and location (see sections 4.2.1 - 4.2.5 and sections 4.2.10 - 4.2.14).

\textsuperscript{55} See for example United States Agency for International Development (USAID), 2005: Removing Barriers to Formalization: The Case For Reform And Emerging Best Practice
5.1.1 Assumptions about the framework for analysing informal economy

The use of business registration as a parameter in the framework may be a drawback since it is less recognisable by operators in the informal economy. For example, other parameters, such as licensing and taxation, which are more recognisable could have been used. However, business registration was the preferred parameter since, in most cases, it is what separates the informal economy from the formal one.

From the survey results location means a lot to the entrepreneurs in the urban informal economy. It is that one factor that gives proof of spatial business existence and, consequently, the eligibility to financial and managerial assistance. Spatial location is considered as an aspects of formalisation by most institutions (such as the banks) that deal with the informal economy. Thus, the preference of location as a second parameter for the analysis.

Both location and registration dimensions span a continuum and do not necessarily describe a dichotomy. For example, the extreme ends of the location dimension define whether or not an informal enterprise is located in fixed identifiable physical space or in a non-fixed unidentifiable physical space. Most informal economy operators ply their trade between the fixed and non-fixed ends of the continuum. Some enterprises operate in temporary locations and fizzle into non-fixed spaces for several hours of the day or several days of the week or several weeks of the month or even several months of the year. Such enterprises, therefore operate both as roamers and businesses in fixed locations.
Table 61: Fixed or non-fixed premise/location versus is your business registered cross tabulation

<table>
<thead>
<tr>
<th>% within Fixed premise/location</th>
<th>Is your business registered</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>% within Fixed premise/location</td>
<td>45.4%</td>
<td>53.5%</td>
</tr>
<tr>
<td>% within Non-fixed premise/location</td>
<td>24.5%</td>
<td>74.5%</td>
</tr>
</tbody>
</table>

A cross tabulation of fixed or non-fixed premise/location by business registration from Table 61 shows that a few (24.5%) businesses in non-fixed locations are registered with the Registrar General’s Department but most of them (74.5%) are not. More (45.4%) of businesses located in fixed locations and are registered with the Registrar General’s Department.

Businesses in both fixed and non-fixed locations, however, indicated that they are at various stages of registration. Most of the entrepreneurs take calculated risks, along the lines of cost-benefit analysis, to determine a minimum threshold of participation in formal arrangements such as firm registration for which the costs remain lower than the benefits. Consequently, they pursue businesses registration up to the point where the marginal costs of doing so are less than the expected benefit.

Combining the two dimensions of business registration and location led to 2 X 2 matrix or a four cell model which describes four types of businesses found in the urban informal economy in Ghana (See figure 44). These are “Survivors”, “Smarters”, “Duckers” and “Innovators”. These are described below:
5.1.2 Survivors
Survivors are enterprise operators and/or individuals that do not operate from fixed locations and are, therefore, mainly hawkers, street vendors and roamers. They are generally very mobile and difficult to locate. Their enterprises are unregistered and have low entry barrier because start-up capital is usually low. They usually use labour intensive technology. They usually have low levels of education and do not keep records and mainly do cash transactions. They do not offer or receive employment contracts. Their earnings are usually below the minimum wage, which would normally not be liable for taxes. They are often considered the most disadvantaged of the urban informal economy, since they are precarious with no social protection. They are often termed subsistent and are thought to be of the bottom end of the value chain and are, therefore, highly informal.

Targeted intervention for survivors
A deliberate process of encouraging survivors to transit from subsistence into becoming innovative entrepreneurs should include the following:
i. Suspension of tax liabilities until they move above the poverty line.

ii. Encouraging social protection initiative such as saving towards retirement and old age.

iii. Encouraging safety and security initiatives.

### 5.1.3 Smarters

Like survivors, the Smarters are unregistered and have low entry barrier because start-up capital is usually low. They usually use labour intensive technology and keep irregular records. A good proportion of their sales is undeclared and their transactions are mostly done in cash. They do not offer or receive employment contracts.

Unlike survivors, Smarters operate from fixed locations and their earnings could be within tax threshold. They possess some level of social protection.

**Targeted intervention for smarters**

A deliberate process of encouraging Smarters to transition into innovative entrepreneurs should include the following:

i. Encouraging Smarters to register their businesses;

ii. Encourage low tax rates to encourage compliance;

iii. Provide business support services;

iv. Encourage them to transition into micro/small enterprises

v. Encourage social protection initiative such as saving towards retirement and old age.

### 5.1.4 Innovators

Like Smarters, Innovators operate from fixed locations and are, therefore, visible. Their earnings are usually within the tax threshold, however, a proportion of their sales is undeclared. They possess some level of social protection.
Unlike Smarters, Innovators are registered and usually use a mixture of labour and capital intensive technologies. They keep a good record of their transactions and offer employment contracts to employees. They have established market with employees and provide an appreciable level of social protection such as annual/ sick leave and social security. They are almost formal and can migrate completely into the formal regime.

They are usually micro/small enterprises and do both cash and credit transactions. Micro/small enterprises sometimes generate enough income to warrant taxation, but find it easy to escape the attention of the Ghana Revenue Authority or conceal a substantial part of their liability for tax because of their size and/or nature of their business. While the emphasis should be on bringing these enterprises into the tax net, this should inevitably be linked to the broader question of formalisation.

**Targeted intervention for innovators**

Targeted intervention should include:

i. Provision of investment and working capital, letters of credit, supplier credit as well as business development services;

ii. Gradual migration into formal regime;

iii. Encouragement to standardise their processes;

iv. Encouragement to cluster around common input-output linkages;

v. Tax design desired features that are targeted at low rates to encourage registration, minimal compliance costs and low administration costs;

vi. Encouraging social protection initiatives such as saving towards retirement and old age.

**5.1.5 Duckers**

Unlike Innovators Duckers do not operate from fixed locations. They usually go “under water” (or go out of sight) and appear at
unexpected locations to ply their trades. Even though they virtually operate like hawkers, they have, nevertheless, registered their businesses but gave fictitious addresses on the registration forms. They include a corps of young educated youth who run informal enterprises in the boots and back seats of their cars and sell their products at religious gatherings, funeral and association meetings. They either buy the products from big businesses by cash or sell on commission. Also included in this group are agents who render services such as financial services from their cars.

Like Innovators, Duckers usually use more of a labour rather than a capital intensive technology. They keep some record of their transactions. Their earnings are, often, within tax threshold, however, a vast proportion of their sales are undeclared. They possess some level of social protection but do not have stable market. They could migrate into Innovators and subsequently, into the formal regime. Comments made by a University graduate in Accra (November, 2014) is worth noting:

“I am 32 years old and I hold a bachelor’s degree in Political Science, from University of Ghana. I have a wife and a one year old daughter.

After my national service, I was unable to get a formal job. Instead of sitting at home and doing nothing flawlessly, I decided to do ‘something’, even if with a mistake or a potential of failing. My dad who is retired lent me his old car. I obtain the goods on commission from big businesses. I registered my business because my suppliers would not do business without registration. The business address I gave was not real but an address needed to be provided by all means on the application forms. My office, my shop and plant is that old car. I load the car with finished products – from electrical and electronic products, baby wares and ladies items, indeed any item
that can sell. I make my sales at gatherings such as funerals, community association meetings, old students’ meetings and the like. In this regard, I operate like a hawker.

I have been in this business for the past two years and I hope to get enough money to acquire a permanent location. For now, I do not pay personal income tax because I do not earn enough money to do so. Besides, the income flow is so erratic and irregular that it is difficult to quantify. It is not good enough to evade personal income tax. I will start paying tax when things stabilise’.

Targeted intervention for duckers
Targeted intervention should include:

i. Assisting them to acquire proper locations for their businesses
ii. Encouragement to cluster around common input-output linkages;
iii. Tax design desired features that are targeted at low rates to encourage registration, minimal compliance costs and low administration costs;
iv. Provision of investment and working capital, letters of credit, supplier credit as well as business development services;
v. Gradual migration into formal regime;
vi. Encouraging social protection initiatives such as saving towards retirement and old age.

5.1.6 Looking at the framework for analysing informal economy with the right lens
Whereas this framework provides a good analytical basis for explaining the existence of four possible categories of businesses found in the urban informal economy, it could lead a reader towards assuming that there are no overlaps between the categories.
It will be inaccurate to assume that the different categorisations of “Survivors”, “Smarters”, “Duckers” and “Innovators” are mutually exclusive and the acceptance of one set of assumptions about one categorization would lead to the rejection of the other categories. There could be overlap between the categories. The overlap could be a matter of degree, rather than a clear and undisputable distinction.

Whereas it is possible that a business may exhibit all or some of the characteristics of the other categories, most of the businesses may find “home” with dominant characteristics within a particular category.

Since all frameworks possess unique, and often, improvable assumptions about the nature of knowledge which may be held, or directly contradicted, by other frameworks, assertions made in one may be valid, or assessable, only from a position bound by those assumptions. Consequently, it is expected that this Framework will be assessed by and viewed with the lenses and assumptions made in section 5.1.1.
CONCLUSIONS AND RECOMMENDATIONS

This concluding section summarises the main findings and links them to the recommendations by showing a need for action. These are presented below:

**General findings and recommendations**
The general findings and recommendations are presented below:

**General findings**
1. The Ghanaian society is inherently informal and this trait is pervasive in all aspects of national life including the economy.
2. Even though there is no universally accepted definition of the phenomenon because of its heterogeneous nature, there is a broad consensus on the adoption of the term “informal economy” rather than “informal sector” as a working definition.
3. Enterprises are concentrated in two main areas, which are Wholesale/Retail Trade and Services.
4. The informal economy cannot and should no longer be considered as a temporary and a fleeting phenomenon. It is here to stay for a long time.

5. The informal economy represents about 48% of non-agricultural employment in North Africa, 51% in Latin America, 65% in Asia, and 72% in Sub-Saharan Africa. In many sub-Saharan African countries, the informal economy employs nearly nine out of ten rural and urban workers when agricultural work is included in the definition. It is the largest employer in Ghana, accounting for 86.1% of the economically active persons with the private formal and the public sector accounting for 7.0% and 6.3% respectively.

6. It is also dominated by sole ownership enterprises (87.3%) followed by family enterprises (6.4%); partnerships (4.4%); and cooperatives (2.0%).

7. Clearly, it has a huge potential for job and income generation because of its sheer numbers.

8. It is, therefore, key to transformational growth and poverty reduction and the consequent improvement in the standards of living and needs to be better understood by governments, donors and civil society organisations.

9. Employment contract status in the informal economy is, often non-existent, ambiguous or disguised. Workers in the informal economy are, therefore, unable to enjoy, exercise or defend their fundamental rights in court.

10. Workers in the informal economy have real business acumen, creativity, dynamism and innovation as well as great entrepreneurial potential that could be harnessed for wealth creation. The informal economy could, therefore, serve as an incubator for business development and an opportunity for on-the-job skills acquisition.

11. Most informal economy units are unregistered and often do not pay taxes, benefits and entitlements to workers, thereby, posing
unfair competition to formal enterprises which pay taxes and benefits to their workers. These situations obviously, deprive the government of public revenue, thereby, limiting its ability to extend social services.

12. However, their activities are not necessarily meant to deliberately evade the payment of taxes or social security contributions, or infringe on labour legislation or other regulations. The burdensome regulatory regimes, administrative procedures, fees and financial requirements, keep most operators in the economy informal.

13. In most cases, informal economy workers are exposed to inadequate, undefined workplaces, unsafe and unhealthy working conditions. They have high illiteracy levels, low levels of skills and productivity, lack access to information, markets, finance, training and technology. Additionally, they work for longer hours and do not have collective bargaining and representation rights.

14. The absence of formal procurement rules and procedures and the inability to supply in large quantities, make informal economy enterprises unsuitable entities for government to buy from or sell to.

15. Competition is mainly in the areas of prices, quality and labour.

16. They operate mainly in a cash economy.

17. Raw materials/inputs are sourced mainly from intermediaries (traders).

**Policy recommendation**

1. Given its importance and contribution to the economic development, the informal economy should not be ignored. Government should develop policies that support the Decent Work Agenda which addresses rights at work, employment promotion, social protection and social dialogue.
2. The state must work together with partners/stakeholders to remove barriers to enterprise growth and propose formalisation roadmap/action plan for informal economy enterprises.

**Specific findings**

Specific findings emerged around the thematic areas researched, namely, (a) Demographics, (b) Employment and Social Protection, (c) Business Formation and Practices, (d) Capital Formation, (e) Sources of Inputs, (f) Taxation, (g) Product and Marketing Policies, (h) Growth Trends and (i) Problems and Prospects. These are summarised below:

1. **Demographics**
   
a. Mainly dominated by Ghanaians
   
i. **Employer-respondents**
      - Overwhelming majority (97.7%) are Ghanaians
      - ECOWAS nationals are at a distant second (1.4%)
      - Africans other than ECOWAS nationals following in a third position (0.5%)
   
   ii. **Employee-respondents**
      - Overwhelming majority (98.3%) are Ghanaians
      - ECOWAS nationals are at a distant second (0.8%)
      - Africans other than ECOWAS nationals following in a third position (0.7)
   
   iii. The trend is similar to that of the 2010 population census data which is presented below:
      - Overwhelming majority (97.6%) of national population is Ghanaian
      - ECOWAS nationals (1.7%)

b. Most are youth and are within the age bracket of fifteen (15) and thirty-five (35) years
   
i. Most are employees (86.2 percent) and employers (58.3 percent)
   
ii. Or a cumulative average of 72.25%
Most have Junior High School (Basic level of education) qualification

i. Most employers (86%) and employees (over 90%) have at least basic level (Junior High School) of education.

ii. This confirms the notion that the basic (Junior High School) level of education is terminal for most Ghanaian youth.

d. Most earn below the poverty level wage of US$2 per day and are poor

i. About 75.6% of employer and employee respondents earn below the poverty level wage of US$2 per day. (Actual amount is GH¢6.01 or US$1.83 a day).

ii. Below this amount most persons are unable to afford the basic needs of food, shelter and portable water. This means that three-quarters of the urban informal economy employees surveyed are poor and vulnerable.

2. Business Formation

a. Mainly Licensed by Local Assemblies (Business Operating Licenses)

i. Approximately half (50.1%) of them have Business Operating Licenses from Local Assemblies;

ii. Registration with Ghana Revenue Authority (Tax Administration) 20.3%;

iii. Registration with the Registrar General’s Department (17.2%);

iv. SSNIT (5.8%); and

v. Department of Social Welfare (3.5%).

b. Reasons for not registering businesses include:

i. Ignorance (15.5%);

ii. Excessive cost (14.1%);

iii. “In the process of registering” (12.5%);

iv. “Thought registration was not necessary” (12.1%);
v. Excessive paper work (12.0%);
vi. “Too many requirements” (12.0%);
vii. “State will ask for taxes and accounting practice” (4.7%).

c. There was general awareness of the main advantages of registering businesses which include:
i. Less problems with authorities (19.1%)
ii. Feel more confident about business (14.5%)
iii. Better chances of selling (13.0%)
iv. Access to loans or financial assistance (12.4%);
v. Access to publicity (11.3%);
vi. Access to better business location (8.5%);
vii. Eligibility for government support programmes (5.9%).

d. Overwhelming majority of employers operate only one enterprise
i. Most employers (85.1%) operate only one enterprise with 12.5% operating two enterprises. A small proportion (2.3%) operate more than three enterprises.

e. Enterprises are concentrated in two main areas - Wholesale/Retail Trade and Services
i. Together, Wholesale/Retail Trade and Services constitute an average of 61.5 % share for employer major/minor enterprise and 65.2% for employees;
ii. Manufacturing: average of 10.6%; Food and Related Services: average of 15.5%, Building/Construction; average of 5.0%, Agriculture, Forestry and Fishing: average of 2.2%, Mining and Quarrying: average of 0.75% follow in that order.

f. Four main reasons were given for engaging in business in the urban informal economy. These which include:
i. Preference being one’s own boss (18.2%);
ii. Absence of formal work (14.4%);
iii. Additional income (13.4%);
iv. Good income opportunities (11.8%).
g. Most preferred and intentional choice of premise is a permanent location by the road side
   i. Permanent location by the road side (67.7%) for employers and (46.5%) for employees

h. Five main reasons given for preferred location include:
   i. Best location available (28.0%),
   ii. Good sales (22.9%),
   iii. Close to home (12.3%),
   iv. Flexibility of managing job together with family duties (8.7%)
   v. Closer businesses around (2.8%)

i. Four main problems with preferred location
   i. Electricity (16.1%),
   ii. Water (11.2%),
   iii. Local Assembly staff (10%),
   iv. Sanitary facilities (9.8%)

j. Dominated by sole ownership enterprises
   i. Sole ownership (87.3%)
   ii. Family enterprise (6.4%),
   iii. Partnership (4.4%)
   iv. Cooperative (2.0%)

3. **Capital Formation**
   a. Funding for start-up, other sources of credit, long-term disability, old age and the solving of financial problems is mainly from personal savings, family members and friends
   i. Start-up capital is mainly from own savings and family members/friends and account for 71.0% of total contribution;
   ii. Personal savings and support family members/friends account for 85.2% of other sources of credit;
   iii. Personal savings and support family members/friends account for 80.8% of funding for long-term disability;
iv. Provisions for old age is mainly from own savings and family members/friends and account for 77.9% of total contribution;
v. To solve financial problems most employers fell back on personal savings and support family members/friends accounting for 58.7% of total contribution.

b. Most operate bank accounts but only a few did actually apply for bank loans
i. Most employers (73.2%) operate bank accounts and a vast majority (73.4%) have never ever applied for a bank loan.
ii. However, for those who applied for a bank loan, the vast majority (78.6%) were successful.

c. Those who were unsuccessful with bank loan applications gave five (5) main reasons for the failure and they include:
i. Insufficient guarantees (27.2%);
ii. Incomplete documents (13.6%);
iii. Insufficient capital (11.2%);
iv. Complete but unconvincing documents (6.8%);
v. Business not deemed viable (4.4%).

d. Impact of loan was felt in five main areas, including:
i. Increased volume of production (20.4%);
ii. Increased volume of sales (17.8%);
iii. Improved competitiveness/profitability (17.3%);
iv. Solved financial difficulties (12.7%) and
v. Diversification of production (10.3%).

e. Not every urban informal economy employer was interested in obtaining loans. Assigned reasons include:
i. Lack of interest (31.1%);
ii. High interest rates (24.0%);
iii. Complicated procedures (13.1%); and
iv. High guarantee/collateral cost (11.6%).

f. Employers had problems with three main state agencies and they include:
   i. Tax Administration/Ghana Revenue Authority (29.6%);
   ii. Local Administration Office/Local Assembly (25.5%);
   iii. Electricity Company of Ghana (15.8%)
   iv. The Fire Service is the state agency the urban informal operators have least problems with (0.6%).

4. **Employment and Social Security**
   a. Differ widely in terms of nature, regularity and seasonality of employment. Most are self-employed and without employees
      i. Most are self-employed without employees (63.2%) and 29.5% are self-employed with employees.
      ii. Those with casual/seasonal jobs constitute 3.7% and there are others who are self-employed with a seasonal jobs and no employees (2.2%); and
      iii. Employers who are self-employed with a seasonal jobs but with employees (1.4%).

   b. Most employees and employers work between 8-12 hours a day and up to 6 days a week
      i. Most employees (52.6%) work between 8-12 hours a day followed by those who work for more than 12 hours a day (9.0%).
      ii. Similarly, most employers (45.4%) work between 8-12 hours a day whilst 19.8% for more than 12 hours a day.
      iii. Most employees (78.8%) work up to 6 days a week most employers (73.7%) work up to 6 days a week.

   c. Most employers do not offer written short term or long term employment contracts
i. Whereas almost 70% of employers do not offer written short term or long term employment contracts 77.6% of employees either do not have employment contract at all or have only verbal contracts;

ii. As a result, in the event of a breach of their fundamental rights, workers are unable to exercise or defend them in court.

d. Four major problems with employees include:
   i. Worker unreliability (26.9%);
   ii. Inadequate skills (18.4%);
   iii. Unwillingness to learn (14.6%); and
   iv. Theft (11.8%).

e. Five major problems associated with recruiting or finding new workers include:
   i. Mistrust (18.0%);
   ii. Bad attitude of workers (14.4%);
   iii. Demand for too much money (13.1%);
   iv. Lack of skilled workers (8.2%);
   v. Lack of motivation among workers (6.2%);
   vi. Lack of general education (4.4%).

f. Majority of employers do not contribute to any pension scheme
   i. Majority of employers (55.6%) do not contribute to any pension scheme whilst 29.5% do.

5. **Tax and Taxation**
   a. Most are well informed about the need to pay taxes and agree that people who work (earn income) must pay taxes
   i. Most respondents (61.9%) either agree or strongly agree that they are well informed about the need to pay taxes. Only 18.1% either disagree or strongly disagree.
ii. Similarly, most respondents (83.1%) either agree or strongly agree that people who work (earn income) must pay taxes. Only 5.9% either disagree or strongly disagree.

b. Most employers paid Value-added tax but less than a quarter paid personal income tax. Taxes paid include:
   i. Most employers (35.0%) paid Value-added tax (VAT) especially when they buy from formal enterprises;
   ii. Less than a quarter (23.6%) pay personal income tax (PIT);
   iii. Market tolls (16.6%).

c. There were some challenges with tax collection and collectors and they include:
   i. “Harsh attitudes” of tax collectors (22.4%);
   ii. Seized possessions and /locked up shops by the authorities if they are unable to pay (21.1%);
   iii. Abrasive arguments (20%);
   iv. Request for national and local tax are too close for comfort (13.7%)
   v. No receipts (12.4%)
   vi. Allegation of bribery or favours if unable to pay full amount of taxes and on time (10.4%).
   vii. There was a general consensus that tax assessment is often difficult and arbitrary. Though some pay market tolls and other forms of levies, some conceded that they do not pay regular income taxes or do not pay at all.

6. **Product and Marketing**
   a. The absence of formal procurement rules and procedures and the inability to supply in large quantities, make informal economy enterprises unsuitable entities for government to buy from or sell to.
i. Most employers (62.9%) sold to individuals followed by households (19.2%), then small enterprises (11.5%) and big enterprises (4.6%). Government buys least (1.0%) from the urban informal economy enterprises.

ii. Majority (34.6%) bought from small enterprises, followed by individuals (32.3%), then big enterprises (26.7%), households (5.3%) and government (1.0%).

b. Competition is mainly in the areas of prices, quality and labour.
   i. Prices (54.5%);
   ii. Quality (32.9%); and
   iii. Labour (12.5%).

c. Operate mainly in a cash economy
   i. Majority (73.3%) sold their goods and services by cash, 23.7% by credit and 3.1% on commission;
   ii. Most employers (73.9%) acquired their raw materials/inputs by cash with 15.6% on credit, family relations (4.6%), friends (4.2%).

7. Raw Materials/Inputs
   a. Raw materials/inputs were sourced mainly from intermediaries (traders)
      i. Majority (51.7%) sourced their raw materials/inputs from intermediaries (traders);
      ii. Large manufacturers (18.7%) and directly from farmers (12.9%);
      iii. Cooperatives (9.9%);
      iv. Government organizations (6.9%).
   
b. Raw materials/inputs are obtained mainly on daily, weekly and monthly basis
      i. Most obtained raw materials/inputs on weekly basis (25.7%);
ii. Daily basis (23.3%);
iii. Monthly basis (21.3%).
iv. Once in a year (1.7%).

c. Raw materials/inputs obtained mainly in small regular and irregular quantities
   Most employers obtained raw materials/inputs in:
   i. Small regular quantities (34.7%);
   ii. Small irregular quantities (19.4%);
   iii. Medium regular quantities (18.7%);
   iv. Bulk regular quantities (15.3%);
   v. Bulk irregular quantities (7.5%)

d. High cost of raw materials/inputs transportation as well as lack of funds were three main challenges associated with acquisition of raw materials/inputs
   i. High cost of raw materials/inputs (29.8%);
   ii. High transportation cost (20.9%);
   iii. Lack of funds (20.5%);
   iv. The rest are: raw materials shortage (11.5%); inability to purchase inputs in bulk in order to obtain discounts (11%); and low quality of raw materials/inputs (6.2%).

8. Growth of Establishment
   a. Most employers believe their enterprises have grown since establishment and would still operate in the next five years
      i. Most employers (71.2%) believe their enterprises have grown since establishment
      ii. Would operate business in the next five years (70.2%).
   b. Attempts by employers at improving business can be seen in three main areas:
      i. Reinvesting profit from business (33.5%);
      ii. Purchasing new equipment (21.1%);
      iii. Introducing new goods (19%).
c. Lack of customers and unavailability of finance top the list of reasons for the lack of growth of enterprise
   i.  Lack of customers (29.3%);
   ii. Unavailability of finance (21%);
   iii. Lack of capital equipment (9.9%).

9. Problems and Prospects
   a. As regards the type of assistance needed for business growth, access to loans had the least occurrence for most employees. The needs are as follows for most employees:
      i. Acquisition of technical skills (28.9%);
      ii. Training in organizational and financial management (25.7%);
      iii. Market access (24.1%);
      iv. Access to loans (21.3%).

   b. Access to loans is not part of the five most important needs of employers for business growth. Business registration is the least
      The main needs include the following:
      i. Access to market information (10.2%);
      ii. Assistance in obtaining supplies (10%);
      iii. Access to large business orders (9.8%);
      iv. Technical training (9.6%);
      v. Advertising of new products/services (9.4%),
      vi. Access to modern machines (9.2%),
      vii. Organizational training and financial management (8.8%),
      viii. Access of loans (8.7%), Information, Communication, Technology (ICT) 8%,
      ix. General education (8.6%),
      x. Business registration (7.6%).
c. Majority of employers and employees prefer Trade Associations to professional organizations

i. Majority (74.3%) of employers do not belong to a professional organization in the domain of their business activity whilst 22.6% do;

ii. Majority (75.3%) of employees do not belong to a professional organization in the domain of their business activity whilst 19.7% do;

iii. The most popular association for employers are the Trade Associations (68%) and the Trades Union Congress (24%)

iv. The most popular association for employees are the Trade Associations (52%) and the Trades Union Congress (40%).

**Specific Recommendations**

The specific recommendations are clustered around three (3) thematic areas namely: Strategic, Operational and Learning recommendations. These are enumerated below:

1. **Strategic Recommendations**

   a. The state and its agencies must focus on delivering on the “basics” such as:

      i. Ensuring good governance by deepening the practice of democracy, improving the rule of law and access to justice; reducing corruption and economic crimes and accelerating the establishment of special development zones, among others;

      ii. Improving macroeconomic stability by focusing on effective and efficient fiscal policy management as well as ensuring price and exchange rate stability;

      iii. Increasing inclusive and equitable access to, and participation in basic education especially for women;

      iv. Improving access to basic health care especially for the informal economy operators;
v. Providing realistic and high value addition infrastructural needs such as energy and water.

b. The relevant government ministries, departments and agencies must:
   i. Scale up capacity-building initiatives in the management and governance of informal economy and related interventions;
   ii. Focus on delivering a formalisation strategy at district/municipal levels to serve as a pivot for grassroots participation but continue the dialogue at the national level for comprehensive formalisation.

2. Operational Recommendations
   1. Regulatory and Policy Initiatives
      a. Entrepreneurial and financial literacy skills must be started early enough, possibly at the junior high school level.
      b. Additionally, relevant, established and existing state institutions in education and entrepreneurship development such as National Board for Small Scale Industries (NBSSI), Local Enterprises and Skills Development Programme (LESDEP), Technical and Vocational Education and Training (TVET) must scale up capacity-building initiatives by setting up more incubation centres for new junior high school or senior high school leavers who intend to start and run their own businesses. The incubation centres could provide the following services, among others: (i) mentoring; (ii) basic processes and meaning of business registration; (iii) basic book keeping; (iv) networking activities and internet access; (v) access market information; (vi) regulatory compliance; and (vii) where and how to access start-up and working capital.
c. The state and its agencies must also:
i. Review and reduce paperwork as well as registration and licensing fees and statutory requirements for the informal economy to encourage business registration.

ii. Ensure that licensing is restricted to those activities that pertain to and justified on health, safety, environmental, consumer protection or other grounds.

iii. Review and beef up the capacity of local assemblies to implement policies on licensing and registration and take steps to plug gaps between centrally-approved initiatives and local capabilities.

iv. Where possible locate desk offices from the registrar general's department and other regulatory bodies in all local assemblies in Ghana to enable concurrent registration and licensing of businesses.

v. Streamline the tax administration by considering single taxes for informal economy employers.

vi. Wage an awareness/education campaign on the need and the processes involved in business registration. This may help to reduce the number of unregistered businesses and pave the way for voluntary formalisation.

vii. Embark on mobile registration exercises periodically to take the registration services to the door steps of businesses.

viii. Work together with partners/stakeholders to remove barriers to enterprise growth and propose formalisation roadmap/action plan.

ix. Strengthen proactive communications of activities with government agencies by giving informal economy operators a voice in the policy process to
strengthen their capabilities. This could be done, for example, by translating the registration laws into local languages and promoting them through seminars, durbars and radio discussions. Informal economy businesses would then be able to air their concerns to the general public and policy-makers, for a discussion and possible solutions.


The state, its agencies and civil society organizations should identify and support small enterprises in the informal economy with cost-effective and sustainable business development services, such as:

a. Management training;

b. Enhancing their access to:
   i. Global, national and local value chains. This can be accomplished through at least two means: (i) horizontal linkages between firms through partnerships and clustering, networks and area-based development strategies; and (ii) vertical linkages between producers, suppliers and market buyers;

   ii. Markets and credit, technologies and know-how. In this way, opportunities will be created for Ghanaian enterprises to create and maintain quality jobs by improving their productivity and market share.

3. Strengthening of Social Protection Initiatives

The state, its agencies and civil societies should continue to educate urban informal economy workers to subscribe to the voluntary Social Security and National Insurance Trust (SSNIT) as well as other insurance schemes for future income security.
4. Industrial Representation and Trade Unionism
   a. The Association of Ghana Industries and Ghana Chamber of Commerce must consider the following:
      i. Encourage of enterprises in the informal economy to formalise by offering advice on need, process and benefits of formalisation;
      ii. Promote industrial representation of informal economy enterprises to strengthen its voice in advocacy;
      iii. Dialogue with government to change the policies that allow foreign traders to enjoy tax rebates, while domestic traders are excluded from these rebates.
   b. The Ghana Trades Union Congress must promote unionisation of informal sector workers and encourage them develop relations with other affiliates.

3. **Practice considerations for owners of informal economy enterprises**
   For informal enterprise owners who are able and willing to formalise, a number of tools and techniques such as recommended in chapter 7 for consideration. For example, to enhance their formalisation processes and make them more viable, they should take into account the following:
   a) Strengthening the principle of social contract by introducing employment contracts and social protection into their operations (see section 7.1 for a sample employment contract).
   b) Building a saving culture by opening and operating bank accounts (see section 7.2 for a sample checklist for bank accounts opening and section 7.4 for Six Easy Steps of Opening a Bank Account).
   c) Creating a credit history to show they are worthy, which would be helpful in the event of the application for a loan.
(see section 7.3 for credit checklist of the information that lenders typically request). A bank account is a good way of developing a credit worthiness trail.

d) Starting a process of actual and constant payment of taxes to contribute towards the provision of public services (see 7.6 for a Sample Tax Lodgement Checklist for SMEs including informal economy operators).

e) Checking on the successful progress of their businesses from time to time to ensure long-term and sustainable survival (see section 7.7 for a Sample Basic Business Viability Checklist).

4. **Learning Recommendations**

The state, its agencies and civil societies should continue to collect, systematise and disseminate best practices and lessons learnt on the informal economy in Ghana.
Tools and techniques address the issue of the implementation of policy to achieve desired changes. In this chapter, sample documentations and checklists as well as methods, processes or procedures that might be followed to make informal economy enterprises more viable are recommended. They include sample employment contract, steps of opening a bank account in Ghana, a check list for accessing to venture capital.

7.1 Sample employment contract
The following is a sample employment contract for guidance:
This employment contract is entered into by will between (Name and Address of employer) - herein after referred to as “the employer” and (Name and Address of employee) - herein after referred to as “the employee”.

1. **Commencement**
   This contract will begin on ____________________________ and continue until terminated as set out in clause 9.

2. **Assignment and Position**
   a. Your position in the organization will be ____________________________
   b. The place of work will be ____________________________
   c. You may be transferred to another location as circumstances require and this will be discussed and agreed with you.

3. **Responsibilities and Tasks**
   Your responsibilities and duties are outlined below. However, other duties may be assigned to you from time to time depending on the changing nature of the job. Job descriptions:
   a. 
   b. etc

4. **Working Hours and Lunch Break**
   Your normal working hours will be from_________a.m. to__________p.m.
   on Mondays to Fridays and from _____________a.m. to_____________p.m.
   on Saturdays.
   The employee agrees to a lunch break of one hour/30 minutes per day.

5. **Overtime**
   Overtime will only be worked out and paid as agreed to between the parties, from time to time.

6. **Leave**
   The employee is entitled to _____________days paid leave after every 12 months of continuous service.

7. **Sick leave**
   The employee is to notify the employer as soon as possible in case of his/her absence from work through illness. Paid sick leave will be granted based on the recommendation of a certified medical doctor.
8. Compensation and mode of disbursement

Your total compensation for all services rendered will be Ghana cedis_____. The mode of disbursement will be settled in consultation with you.

9. Termination of contract

The employee’s services may be terminated any time during the period of employment, without notice, on the following grounds:

i. if it is found that the employee has failed to carry out his/her responsibilities as outlined in the Job Description above;

ii. in the event of the closure of business;

iii. any action or intended action which may be regarded as fraudulent shall be considered grounds for dismissal.

iv. This Agreement can be terminated by either party, giving 2/5/14 calendar days’ notice in advance or payment in lieu of notice period.

v. Notice must be given in writing.

vi. In the case where an employee is illiterate notice may be given verbally.

10. Maternity/Paternity Leave

The employee will be entitled to ____________ days maternity/paternity leave without pay; or

The employee will be entitled to ____________ days maternity/paternity leave (Select as appropriate) con ____________pay.

11. Deductions from remuneration

Except for tax and social security purposes, the employer may not deduct any monies from the employee’s wage unless the employee has agreed to this in writing on each occasion.

Acknowledgement

I acknowledge that I understand that it is my responsibility to comply with the provisions contained in this employment contract and any revisions made to it.

EMPLOYEE’S FULL NAME (printed): __________________________

EMPLOYEE’S SIGNATURE: ________________________________

DATE: ______________
(In cases where an employee is illiterate or does not read English sufficiently well to understand the employment contract, an interpreter/translator shall interpret/translate the document to the employee, providing explanation where necessary).

I have read the employment contract to ____________________ and explained it in the ____________________language and he/she appeared to understand and agree with the contents of the employment contract before appending his/her signature hereto.

INTERPRETER/TRANSLATOR’S NAME: ________________________________
INTERPRETER/TRANSLATOR’S SIGNATURE: ______________________________
DATE: ______________________

7.2 Sample checklist for documentation needed for bank accounts opening

Below is a checklist of the information that Banks will typically request from each person for the opening of a Bank Account. Banks Accounts transactional accounts that adds value to informal economy businesses. Save time by gathering this information before you open a Bank Account.

Target Market
Individuals, Business entrepreneurs and Small enterprises

Benefits
Periodic bank statements, increased access to loan, issue of bank identification card.

<table>
<thead>
<tr>
<th>Documents Required For Bank Accounts:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Application form duly completed and signed</td>
</tr>
<tr>
<td>2 Two passport size photographs</td>
</tr>
</tbody>
</table>
3 Proof of Identification: (any one)
   a. Voters ID Card
   b. Driving License
   c. Passport
   d. Or credible Photo Identity card issued by the current Employer

4 Proof of Location: (any one)
   a. Electricity Bill
   b. Water Bill
   c. Telephone bill (Landline)

5 Opening balance

### 7.3 Sample credit application document checklist

Below is a checklist of the information that lenders typically request from each person who applies for a personal loan or line of credit. Save time by gathering this information before you apply for a loan.

<table>
<thead>
<tr>
<th></th>
<th>Personal and Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Name Date of Birth</td>
</tr>
<tr>
<td></td>
<td>Father’s Name</td>
</tr>
<tr>
<td></td>
<td>Mother’s Maiden Name</td>
</tr>
<tr>
<td></td>
<td>Date of birth</td>
</tr>
<tr>
<td></td>
<td>House Number</td>
</tr>
<tr>
<td></td>
<td>Current Mailing Address (if different from residential address)</td>
</tr>
<tr>
<td></td>
<td>Previous address (if you’ve lived at current less than three years)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Documents Required For Bank Loan</th>
</tr>
</thead>
</table>
### Application Form

- **Application form duly complete and signed**
- **Proof of Identification: (any one)**
  1. Photo Identity card issued by the current Employer
  2. Voter ID Card
  3. Driving License
  4. Passport
- **Proof of Location: (any one)**
  1. Electricity Bill
  2. Water Bill
  3. Telephone bill (Landline)
- **Original/Certified copy of the latest salary slips for the past 3 months. (Salaried Persons)**
- **Personal Asset & Liability statement (in Bank’s format)**
- **Bank Account Statement for the last 6 months. (in case of Other Bank)**
- **Loan account statement for last six months (if availed from any Bank)**
- **Guarantor forms along with net worth proof / income proof. (if applicable)**
- **Undertaking for remittance of monthly instalment, wherever feasible.**

### Loan Information

- **Type of loan you are applying for**
- **Loan Amount**
- **Preferred Payment date**

---

### 7.4 Six easy steps of opening a bank account in Ghana

A bank account for enterprises in the urban informal economy is necessary for at least two reasons, namely:

- **It is a way of storing and saving money**
- **It is a good way of developing a credit history, which could come in handy in the event of the application for a loan.**

Below are simple generic steps that might be followed in the opening of a bank account.
## Step 1: Choose the bank with whom you want to do business

In Ghana, there are several different banks that offer financial banking services to satisfy various needs. As long as you are 18 or older, opening a bank account is relatively a straightforward matter. You may consider the following factors: 

(a) Choose a bank which has a good reputational history. You may know this from colleagues. Some banks have longer hours of work and depending on your schedule, such an arrangement might be preferable. The bank chosen can also depend on whether a branch location is nearby or whether branches are widespread. 

(b) If you live in a big city, you are likely to have access to many banks and branches that are easily accessible. In that situation, simply choose the one that is conveniently located and probably near to your own location. However, if you live in a smaller city or village, your banking options will be limited by what banks operate in the area.

## Step 2: Choose the type of bank account you need

There are many different types of bank accounts and they serve different purposes. Some of these accounts are: Current Account, Saving Account and corporate accounts. A current account is useful for those who need a place to park their earnings and seek to withdraw money on a regular basis. A savings account is also used to store money but cannot be accessed frequently. Instead, money sits in the account and accrues interest. Corporate accounts are transactional accounts used by entrepreneurs and large organisations for their business needs.

There are several types of savings accounts available in Ghana such as Recurring Account, Fixed Deposit Account and the offerings will depend on the bank you choose. So a decision regarding the type of account to be opened must be taken.

## Step 3: Visit the bank of your choice to complete an application

Scout your community to check the bank nearest you. At the bank, ask a bank officer for a bank account application form. Complete the form and return it to the bank officer. You will need to have a valid form of identification such as a driver’s license, a government-issued identification card or a current passport. A copy of your pay slip and/or a letter from your employer confirming your employment will also be necessary. If you are self-employed, provide evidence of your income to show that you will, in fact, have money to put in the account.
Step 4  **Give references for opening of your bank account**

The bank may require references or introduction of the prospective account holder by any of the existing account holders for that type of account. The introducer may introduce you by signing his specimen signature in the column meant for the purpose. In an event where the introducer is an illiterate, a physical and verbal introduction may be enough for some banking institutions. The reference or introduction is required to safeguard the interest of the bank.

Step 5  **Wait for the approval of the application for bank account**

Shortly after submitting the application, the bank officer will verify the proposal form. If the officer is satisfied, then he/she will clear the proposal form. Your bank account will then be created. This is so long as there are no problems with the information you provided in the application.

Step 6  **Deposit initial amount in newly opened Bank Account**

After getting the proposal form cleared, deposit the necessary amount into the accounts. After depositing the initial money, the bank will provide you with a passbook, a chequebook and pay in slip book in the case of savings account. In the case of fixed deposits, a fixed deposit receipt is issued. In the case of current account, a chequebook and a pay in slip book is issued. For recurring account, the passbook and a pay in slip book is issued.

### 7.5 Sample check list for accessing to venture capital

The following are processes and procedures of investment with a Venture Capital Fund Company (VCFC) Limited:

<table>
<thead>
<tr>
<th>SMEs seeking for funding should initially submit the following documentation to any of the VCFC:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 A comprehensive business plan with three (3) year projections</td>
</tr>
<tr>
<td>2 Audited financial reports for the past three years where applicable</td>
</tr>
<tr>
<td>3 Tax clearance certificate (a must)</td>
</tr>
</tbody>
</table>

---

56 Courtesy of Ghana Venture Capital Fund Company (VCFC) Limited.
4 Incorporation papers (if applicable)
5 Any other information that may be requested
6 Once an application is submitted, the following processes and procedures are initiated:
7 Analysis, Evaluation and Due Diligence by Fund Manager,
8 Initial (desktop) Review: Review of business plan and other documentation including Incorporation
9 Second Round Review: verification of claim, Visit to facility, Authentication, Title search, etc.
10 Due Diligence- Legal, Technical and Financial.

All these processes are necessary because with venture investment no collateral or security is required against the investment. A Term Sheet is negotiable and if agree by both Fund Manager and Business Promoter, it is submitted to the Investment Committee of the VCFC for decision. The Term Sheet spells out:

a. Structure and method of financing to be provided to the Investee company equity, quasi-equity or combination.
b. Responsibilities and Obligations on both sides.
c. Percentage of share ownership for the investment by the venture finance company.

The Investment Committee either approves or rejects the application. If approved, Final Due diligence to ascertain current status of the potential Investee company. If there is no material change in the business since the application was filed, then the agreement is signed. The Disbursement of funds is subject to Conditions Precedent that is, corrections required to be made by Business Promoter in the business before start of injection of Venture Money. The Disbursement of Funds is done by draw-down method based upon approved business plan. This method reduces incidence of funds in the hands of business owner to avoid misapplication of fund. An Exit format is agreed by parties in the Investment Agreement. The Exit strategies include:

c. IPO on the Ghana Stock Exchange.

**Monitoring Process**
This involves post investment periodic visits to client and submission of monitoring reports by client. This allows the Fund Manager to verify and ascertain progress for achieving targets and benchmarks by investee company.
7.6 Sample tax lodgement checklist for SMEs including informal economy operators

Refer to this checklist to make sure that your taxes are in order and accurately lodged.

<table>
<thead>
<tr>
<th>Income</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Income from sales and services rendered to customers</strong></td>
<td><strong>1. Loans</strong></td>
</tr>
<tr>
<td>a. List of receivables</td>
<td>Records of all liabilities</td>
</tr>
<tr>
<td>b. If not available, the Tax Officer will help you to create one</td>
<td>(If documentation is not available, the Tax Officer will help you to create one through an interview with you or may direct you to a professional for assistance)</td>
</tr>
<tr>
<td>through an interview with you or may direct you to a professional</td>
<td><strong>2. Business expenses</strong></td>
</tr>
<tr>
<td>for assistance)</td>
<td>Complete list of business expenses</td>
</tr>
<tr>
<td>c. Reconciled cashbook</td>
<td>(If documentation is not available, the Tax Officer will help you to create one through an interview with you or may direct you to a professional for assistance)</td>
</tr>
<tr>
<td>d. (If not available, the Tax Officer will help you to create one</td>
<td></td>
</tr>
<tr>
<td>through an interview with you or may direct you to a professional</td>
<td></td>
</tr>
<tr>
<td>for assistance)</td>
<td></td>
</tr>
<tr>
<td>e. Bank records</td>
<td></td>
</tr>
<tr>
<td>f. (If available)</td>
<td></td>
</tr>
<tr>
<td><strong>2. Income from investments</strong></td>
<td></td>
</tr>
<tr>
<td>(If available)</td>
<td></td>
</tr>
</tbody>
</table>

7.7 Sample basic business viability checklist

The viability of a business is measured by its long-term survival, and its ability to have sustainable profits over a period of time while also meeting its commitments to business creditors. If a business is viable, it is able to survive for many years, because it will continue to make profit year after year. The longer a business stays profitable, the better its chances of remaining viable.

Answer the questions below as honestly as possible. You may also want to invite one or two other persons to help you complete this checklist. A “YES” to most of the questions will give a positive indication about the viability of your business.
### Business Viability Checklist

<table>
<thead>
<tr>
<th>Checklist</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource Checklist</td>
<td>Do you have the requisite experience and skill set for the business?</td>
</tr>
<tr>
<td>Start-up Funds Checklist</td>
<td>What will your start-up cost be? Every business has some expenses at the start for equipment, rent or just basic marketing materials. You will need these estimates to help you obtain a loan or know how much you will need from your own savings.</td>
</tr>
<tr>
<td>Timing Checklist</td>
<td>Do you expect your business to be seasonal? If so, time your opening to the strongest consumer demand. Timing is crucial, especially for an upstart. Opening an ice-cream shop during the hot and dry seasons (January-March) may be a good idea but may not be so good during the cold and wet seasons (June-July).</td>
</tr>
<tr>
<td>Market Readiness Checklist</td>
<td>Do you have some information about the relevant market to carve out and maintain a market share and make revenue assumptions?</td>
</tr>
<tr>
<td>Sales Readiness Checklist</td>
<td>a. Do you have a profile of your target customers and a target list of prospects?</td>
</tr>
<tr>
<td></td>
<td>b. Have you identified all of the stages and of the selling cycle and their duration?</td>
</tr>
<tr>
<td></td>
<td>c. Is this fully reflected in your forecast and revenue assumptions?</td>
</tr>
<tr>
<td>Competitor Checklist</td>
<td>a. Do you have a market entry advantage compared to your potential competitors?</td>
</tr>
<tr>
<td></td>
<td>b. Have you identified all of your key competitors and how their strengths and weaknesses compare to yours and how you can form strategic partnerships where necessary?</td>
</tr>
</tbody>
</table>
7.8 Strategies to reduce informality in the Ghanaian economy

The strategies to reduce informality in the Ghanaian economy should aim at capturing data on businesses through the registration of economic activities. The strategies should lead to the following:

a) Increased voluntary compliance with business registration of enterprises.

b) Improved monitory and evaluation capacity of the relevant agencies especially the National Development Planning Commission.

c) Strengthened sanctions regime.

d) Better and enhanced cooperation of related agencies through sharing of information.

e) Increased public awareness.

1. Activities Already Undertaken To Reduce Informality In The Ghanaian Economy Informal Sector Pension Scheme in 2005

Social Security and National Insurance Trust (SSNIT) introduced the Informal Sector Pension Scheme on pilot basis in May 2005.
as a voluntary contributory pension scheme. It was designed principally for workers in the informal sector, providing members with benefits that are based exclusively on their contributions. National Trust Holding Company Limited (NTHC) took over management of the SSNIT Informal Sector Pension Scheme in 2012.

2. **Reforms at the Registrar-General’s Department (RGD) in 2005**

In 2005 a reform Programme was put in place by the Registrar-General’s Department to ensure an efficient and effective administration to provide customer friendly registration services and the compilation of accurate and timely data for National Planning, the business community and the public at large. The reform process is ongoing. Some of the expectations envisaged in these reforms are:

a. An appropriate business registration and filing regime
b. Reduction in the time and cost of registering businesses
c. Decentralization of RGD in the regions of Ghana to make it more accessible
d. Collaboration with Revenue Agencies (Registrar-General’s Department, Revenue Agency Governing Board and the Tax Identification Number centre) to improve the quality of business data capture.

3. **Integration of the Revenue Agencies in 2009**

In December 2009, the three tax revenue agencies, the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat were merged in accordance with Ghana Revenue Authority Act 2009, Act 791. The Ghana Revenue Authority (GRA) thus replaces the revenue agencies in the administration of taxes and customs duties in Ghana. It is envisaged that the integration of the Revenue
Agencies will bring the following benefits to taxpayers and tax administration, among others:

a. Reduced administrative and tax compliance cost
b. Promote voluntary compliance
c. Improved departmental information flow
d. Enhanced revenue mobilisation
e. Professional and friendly client services
f. Apply modern technology in tax administration

4. **Street Addressing System in 2010**

The street addressing system involves naming streets and then numbering the properties along them. It is, therefore, an exercise which makes it possible to locate a parcel of land, property or dwelling on the ground. It is meant to ensure the efficient delivery of Municipal services and easy identification of businesses, thereby, enhancing easy access to businesses. The street addressing system is still ongoing.

7.9 **Responsible agencies and agencies for coordination of formalisation strategies**

The institutions that have direct or indirect responsibility for both formal and informal economy enterprises and organisations responsible for directly reporting the developments to the state should be charged to implement the formalization strategies within specific time period. The institutions are as follows:

a. Ministry of Finance
b. Ministry of Local Government and Rural Development
c. Ministry of Trade and Industry
d. Ministry of Communication
e. Ministry of Justice and Attorney-General
f. Ministry of Environment Science and Technology
g. Ministry of Employment and Social Welfare
h. Ministry of Youth and Sports
i. Ministry of Gender, Children and social protection
j. Ministry of Food & Agriculture
k. Ministry of Education
l. Trade Union Congress
m. Ministry of State at the Presidency in-charge of Public-Private Partnerships
n. Presidential Priority Projects Coordinator
o. Ghana Revenue Authority
p. Registrar general’s Department
REFERENCES


De Mel, Suresh, David McKenzie and Christopher Woodruff (2012),


Ghana Youth Policy, 2010.


REFERENCES


Mc Gee, T.G. (1973), *Hawkers in Hong Kong. A Study of Policy and Planning in a Third World City.* University of Hong Kong, of Hong Kong.


REFERENCES


World Bank Staff Estimates Based on United Nations World Urbanisation Prospects. 2011)

Appendix 1 - Map of Ghana showing surveyed areas.
## Appendix 2 - Field Officers’ Contact

<table>
<thead>
<tr>
<th>No</th>
<th>Region</th>
<th>Name</th>
<th>Telephone Contact</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Upper East</td>
<td>Yussif Musah Sarko</td>
<td>0203866895, 0276898920</td>
<td>Bolgatanga Polytechnic, P.O. Box 767</td>
</tr>
<tr>
<td>2</td>
<td>Upper East</td>
<td>Nuhu Karim</td>
<td>0246000367</td>
<td>Upper East Region, Bawku, Hse no C205, Daduri</td>
</tr>
<tr>
<td>3</td>
<td>Upper East</td>
<td>Rashid Nazir</td>
<td>0246415688</td>
<td>Hse No D12 Dagmeo, Bolgatanga</td>
</tr>
<tr>
<td>4</td>
<td>Upper West</td>
<td>Mohammed Dumbu</td>
<td>0201657685</td>
<td>FEDEX, Wa Branch</td>
</tr>
<tr>
<td>5</td>
<td>Upper West</td>
<td>Kuudo Taabi Raymond</td>
<td>0201388027</td>
<td>FEDEX, Wa Branch</td>
</tr>
<tr>
<td>6</td>
<td>Northern</td>
<td>Abdulai Dawuni Aminu</td>
<td>0249889436</td>
<td>BLK A, CY 14, Choggu Yapalsi, Tamale</td>
</tr>
<tr>
<td>7</td>
<td>Northern</td>
<td>Abubakari Abdul Hafiz</td>
<td>0249889920</td>
<td>CY 266 BLK B, Choggu Yapalisi, Tamale Northern Region</td>
</tr>
<tr>
<td>8</td>
<td>Northern</td>
<td>Baba Nashiru</td>
<td>0248298167</td>
<td>B545 Sakasaka, Tamale</td>
</tr>
<tr>
<td>9</td>
<td>Northern</td>
<td>Inusah Baba Musah</td>
<td>0240724113</td>
<td>B545 Sakasaka, Tamale</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Adam Amin</td>
<td>0208538547</td>
<td>Plot no 86 A, Choggu, Tamale</td>
</tr>
<tr>
<td>11</td>
<td>Eastern</td>
<td>Samuel Mantey</td>
<td>0240129300</td>
<td>Okroase Experimental School, Suhum, P.O. Box 144</td>
</tr>
<tr>
<td>12</td>
<td>Eastern</td>
<td>Godfred Oppong Asare</td>
<td>0242285624</td>
<td>Koforidua Polytechnic, Adehyie Hostel</td>
</tr>
<tr>
<td>13</td>
<td>Eastern</td>
<td>Simon Johnson Adika</td>
<td>0249445032</td>
<td>House no KW/B 138 Koforidua Adweso Street (Abase)</td>
</tr>
<tr>
<td>14</td>
<td>Eastern</td>
<td>Innocent Kwame Sowu</td>
<td>0247844267</td>
<td>C/o Muntari Mohammed, Muktar Universal Hostel, Koforidua</td>
</tr>
<tr>
<td>15</td>
<td>Eastern</td>
<td>Kelvin Boateng Gyadu</td>
<td>0540716067</td>
<td>Okroase Experimental School, Suhum, P.O. Box 144</td>
</tr>
<tr>
<td></td>
<td>Region</td>
<td>Name</td>
<td>Phone Number</td>
<td>Institution and Address</td>
</tr>
<tr>
<td>---</td>
<td>----------</td>
<td>--------------------</td>
<td>--------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>16</td>
<td>Western</td>
<td>Robert Amoah</td>
<td>0273542034</td>
<td>Takoradi Polytechnic, P.O. Box 256</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>Uras Eshun</td>
<td>0548383143</td>
<td>Nhyira Hotel Takoradi</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>Justice Nana</td>
<td>0243439297</td>
<td>Takoradi Polytechnic,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Effirin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>Shadrack Dougan</td>
<td>0571088717</td>
<td>Takoradi Hse no 59A, Effia-Kuma Night Market</td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>Joshua Andoh</td>
<td>0204504388</td>
<td>Takoradi Polytechnic, Pink Hostel</td>
</tr>
<tr>
<td>21</td>
<td>Central</td>
<td>Patrick Godfred</td>
<td>0269675373</td>
<td>Cape Coast Polytechnic, P.O. Box AD 50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mensah</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td>Mavis Briamah</td>
<td>0244937477</td>
<td>Cape Coast Polytechnic, P.O. Box AD 50</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td>Aaron Tony</td>
<td>0244728659</td>
<td>Cape Coast Polytechnic, Department of Building</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Turkson</td>
<td></td>
<td>Technology, P.O. Box AD 50</td>
</tr>
<tr>
<td>24</td>
<td></td>
<td>Ernestina Grant-</td>
<td>0548049665</td>
<td>Cape Coast Polytechnic, Marketing Department</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Esilfie</td>
<td></td>
<td>P.O. Box AD 50</td>
</tr>
<tr>
<td>25</td>
<td>Volta</td>
<td>Lanyo Kofi Gilbert</td>
<td>0246518605</td>
<td>Ho Polytechnic, P.O. Box 217</td>
</tr>
<tr>
<td>26</td>
<td></td>
<td>Eric Yao Asinyo</td>
<td>0204740582</td>
<td>Ho Polytechnic, Love All Hostel Room 5</td>
</tr>
<tr>
<td>27</td>
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Appendix 3 - Urban Informal Economy interview questions

1. What is your Age?
2. What is your highest level of your education?
3. How many children do you have?
   Now, let’s talk more about the details of your informal work.
   I will like to learn as much as I can about this.
4. How did you start your business?
5. Are you self-employed or you work for someone else?
6. If self-employed, do you have workers? How may? Who are/ were your primary customers or clients?
7. How did you acquire you start-up capital?
8. Where is your work located?
9. Why did you chose to work from your location?
10. Tell me more about the location
    Do you have electricity, water, toilet facilities? What other facilities do you have?
11. What sort of informal work do/did you do?
12. Is it a full time or part time job?
13. How did you first start out working informally in this line of work?
14. How long have you done this particular kind of work?
15. What do you like best about working informally? What are the greatest benefits?
16. What do you like least about working informally? What are the biggest problems?
17. In a typical week, how many hours do/did you work informally?
18. Is your business registered? Why or why not?
19. Who are/were your primary customers or clients?
20. How are/were you paid? Paid in cash, by check or through some other arrangement?
21. Could you estimate what you make from this work in a typical month?
22. Or, when you think of your total income, how much of it comes from this work? Is it one-half, one-quarter, etc.? Please give examples.
23. Do you have a bank account?
24. Have you ever taken a bank loan? (Probe about the processes involved and the nature of loan where necessary)
25. Have you made provision for retirement? If yes what sort of provision have you made?
26. Do you pay tax? If yes in what form? If no, why?
27. Have you made any provision for old age/future and for emergencies? Why or why not? (Probe about the nature of saving where necessary).
28. Do/Did you take/receive any benefits through your informal work, such as health insurance, sick days or vacation/leave days?
29. Any other thing that you would want me to know?

Appendix 4 - Focus group discussions guide and questions

Introduction
Thanks for agreeing to be part of the focus group. We appreciate your willingness to participate.

Purpose of this group discussions
The purpose of this Group Discussions is to help us better understand the reasons why people work informally — I’m referring here to any job such as sale of general goods and services, sale of food stuffs and agricultural products, street vending and hawking; art, crafting and pottery; welding and blacksmithing; drinking bar and local restaurant operations (chop bars); porters and undeclared domestic work - that you do to earn a living.
The discussions are in three (3) parts and we may do one part at a time, then take a break and come back later till we complete the parts.

Before we begin, I would like you to know everything you share with us today will be kept absolutely confidential. We have already surveyed 5,000 persons in all the regions of the country and will be conducting about 30 focus group discussions around the country and interview over 50 people. So your experiences will be combined with the answers others have given. No names will be used in the report.

**Ground rules**
1. **We want you to do the talking.**
   We would like everyone to participate.
   I may call on you if I do not hear from you for a while.
2. **There are no right or wrong answers**
   Every person’s experiences and opinions are important.
   Speak up whether you agree or disagree.
   We want to hear a wide range of opinions.
3. **What is said in this room stays here**
   We want folks to feel comfortable sharing when sensitive issues come up.
4. **We will be tape recording the group**
   We want to capture everything you have to say.
   We don’t identify anyone by name in our report.
   You will remain anonymous.

**Questions**

**Part 1**
1. In which enterprise do you operate in?
   Probe: List as many type of enterprises as possible
2. What was your main reason for engaging in this business?
   Probe:
3. Did you start working for yourself immediately or started with someone else and left to be on your own?
4. If you started somewhere, why did you leave to be on your own?
   Probe: why? Why?
5. What are the benefits of being an informal sector participant?
6. What benefits does the informal sector provide to people in town?
7. Some people think that the informal sector work is a solution to job creation. What do you think about this?
   Probe: Why? How?
8. In your opinion, in what way is the informal sector helping to solve the unemployment problem?
   Probe: Why? How? For whom?
9. What kind of assistant would you need to enable you generate more jobs for yourselves and others?
   Probe:
   a. In terms of fostering relationships with suppliers, customers, investors, employees and the community within which the organisation operates. Give examples.
   b. In terms of providing access to resources such as raw materials, financial resources, security of supply, quality and cost. Give examples.
   c. What type of risks do informal sector operators face and how can they be minimised? Give examples.

Part 2
1. Where do you operate your business?
2. Why do you operate in your present location?
3. What would you say is the nature of the Facilities/infrastructure you operate in?
   a. Probe: What about water and electricity?
   b. Probe: What about sanitation/environmental Conditions?
c. Probe: Use of toilets and water facilities, Waste disposal etc.
d. General health conditions

4. What recommendations would you make for the improvement of the condition of your location

5. If the government were to build a marketplace in town, would you be interested in having a place for your business? Why?

6. Enumerate 3-5 most important difficulties in starting your enterprise?

7. Where do you obtain your materials/goods from?

8. What factors determine where you obtain your materials/goods from?

9. How do you pay for your materials/goods?
   a. Cash?
   b. Cheque?
   c. Barter?
   d. Any other?

10. Have you ever received any advice from any government organization on how to use and maintain inputs/tools/machines?

11. Have you ever received any advice from any other organization on how to use and maintain inputs/tools/machines?

12. Enumerate the key problems related to raw material/input acquisition for your enterprise

13. How do you manage these problems?

14. What type of competition do you have with other enterprises like yours and in which products or services?
   Probe:
   a. At price level?
   b. At quality differentiation level?
   c. Labour?
   d. Other specify)
15. What five measures would you like government to introduce to assist you to improve your enterprise (start with most important)
   a. Do you belong to any association or group?
   b. If “yes” do you have to pay a membership fee?
   c. If “yes”, how much do you have to pay per year?
16. What are the advantages of this association/group, if any?
17. Apart from buying you products and service, do government and formal private sector operators relate with you in anyway? Mention nature of relationship
   Probe:
   Subcontracting relationship? Tax? SNNIT? Any other?

PART 3
1. Did you visit any government office at the time you wanted to start your business? I mean Assembly, Registrar General’s Department, Tax Office etc?
2. If you visited, why did you visit? For what purpose?
3. Do you know of any regulations from say, the Assembly, Registrar General’s Department, Tax Office etc that you have to comply with?
   a. Please list them
4. Which of these regulations are difficult to comply with?
5. Are there regulations that govern your enterprise that you are not happy/comfortable with?
   a. Which ones?
6. Do you think you need to register your business as a company?
7. Do you know where companies are registered?
8. If you do, please mention the name of the organization/department where companies are registered
   a. Facilitator: Please list any name they mention where correct or not
9. Why do you think you need to register your business? Would you derive any benefits from registering your business?

10. What do you think hinders you from registering your business?
    Probe:
    a. Problems of capacity such as:
       i. Low level of education/literacy?
       ii. Lack of knowledge and information o processes of registration
       iii. Temporary nature of their businesses,
    b. Perceived corruption of government officials
    c. Lack of clarity between business registration and licensing
    d. Excessive paper work, Delays/bureaucracy
    e. Security concerns (Suspected leakage of personal wealth to organized criminals)

**Further Risks Associated with your work**
11. What are the risks associated with your work?
12. List as many as possible
    a. Risks associated with your location?
    b. Risks associated with your safety and security?
    c. Risks associated with fire?
    d. Risks associated with your health and physical well-being?
13. Any recommendations on:
    a. Risks associated with your location?
    b. Risks associated with your safety and security?
    c. Risks associated with fire?
    d. Risks associated with your health and physical well-being?
14. Have you made any provision for old age/future?
15. If yes, which type of provision have you made? (Multiple answers possibility)

**Tax Issues**
16. People who work have to pay taxes. What do you think about this statement? (Agree? Disagree? Why or Why not?)
17. Do feel well informed as to why you have to pay tax? Why or why not?
18. Do you see tax related development in your community? If so, name a few?
19. Do you pay any taxes at all?
   [Probe: e.g. Personal income?, Basic rate (head tax)?, Market toll?, Hawkers’ license?]
20. How often do you pay these taxes?
22. Any other thing that you would want me to know?

**Facilitator’s Summary**
Express sincerest gratitude to participants for agreeing to be part of the focus group and further express appreciation for their willingness to participate.

Analyse and synthesise the focus group data. Make a copy of the transcript after it has been cleaned and labelled. Working on a large table, cut entries into separate strips and run a glue stick over the back. Categorise by sticking entries onto separate sheets of paper labelled with broad headings. Re-categorise as until you are satisfied with your groupings. Enter into a Word document.

Once focus group findings are organised in the synthesised format they are ready for reporting. If a more formal report is required, findings can be written up in a narrative format that includes an executive summary, background section, methods used, major findings, conclusions, and recommendations.
Appendix 5 - Employer questionnaire on “Urban Informal Economy in Ghana

Employers/Self- Employed Only

Date: February 2014
Region: __________________________________________________________________________

City: __________________________________________________________________________

Dear Respondent,

Your views, experiences and participation in this interview are important for the success of this study. We aim to gather reliable data needed for informed decisions on the welfare of workers and their families in the informal economy. Therefore the information given by you will help to improve your life.

It will enable us to propose new regulations that will affect the informal economy to help reduce poverty, achieve inclusive and sustainable development in Ghana.

Your knowledge, perceptions and suggestions are, therefore, greatly desired. We are aware that you are pressed for time. We will, however, thank you very much in advance for your consideration in taking some few minutes off your schedule to complete the following questionnaire.

The information provided will be handled confidentially and all respondents will stay anonymous.

Thank you very much.
### A  Personal Information

1. **What is your age?** (Single answer only)
   - □ 15-25
   - □ 26-35
   - □ 36-45
   - □ 46-55
   - □ 56-60
   - □ above 60

2. **What is your gender?** (Single answer only)
   - □ Male
   - □ Female

3. **What is your marital status?** (Single answer only)
   - □ Single/Never married
   - □ Married
   - □ Separated
   - □ Informal Union/Cohabitation
   - □ Divorced
   - □ Widowed

4. **How many children do you have?** (Single answer only)
   - □ 0
   - □ 1-2
   - □ 3-5
   - □ 6-8
   - □ 9 and above

5. **What is your highest level of education?** (Single answer only)
   - □ No formal education
   - □ Basic education (primary to JHS/JSS)
   - □ Secondary education (SHS/vocational/technical school)
   - □ Diploma
   - □ Bachelors degree
   - □ Masters degree
   - □ Post graduate (e.g. PhD.)
   - □ Other (please specify):

6. **What is your nationality?** (Single answer only)
   - □ Ghanaian
   - □ ECOWAS National
   - □ American
   - □ African, other than ECOWAS National
   - □ European
   - □ Asian

7. **What is your personal average monthly income?**
   (after business expenses. Single answer only)
   - □ Below GH¢30
   - □ GH¢31 - 50
   - □ GH¢51 - 100
   - □ GH¢101 - 150
   - □ GH¢151 - 200
   - □ GH¢201 - 250
   - □ GH¢251 - 300
   - □ GH¢301 - 500
   - □ GH¢501 - 750
   - □ GH¢751 – 1000
   - □ GH¢1001 – 1250
   - □ GH¢1251 – 1500
   - □ GH¢1501 – 1750
   - □ GH¢1751 – 2000
   - □ Above GH¢2000

8. **The income is enough to secure the livelihood of my family.**
   (Single answer only)
   - □ Strongly agree
   - □ Agree
   - □ Not sure
   - □ Disagree
   - □ Strongly disagree

### B  Employment And Social Security

9. **What is the nature of your business activity?** (Single answer only)
   - □ Self-employed with employees
   - □ Self-employed without employees
   - □ Seasonal or casual job
   - □ Self-employed with seasonal job and no employees
   - □ Self-employed with seasonal job and employees

10. **Do you have apprentices?**
    (Please state ‘No apprentice’ or the number of apprentice)
    - □ Yes
    - □ No apprentices
    - If you have apprentice: How many?
      - □ 1
      - □ 2
      - □ 3
      - □ 4
      - □ 5
      - □ 6
      - □ 7
      - □ 8
      - □ 9
      - □ 10
      - □ More than 10
11 | **How many hours in the day do you work on average?**  
(Single answer only)  
☐ Up to 3   ☐ 4 to 8   ☐ 9 to 12   ☐ 11 to 14   ☐ more than 15

12 | **How many days in the week do you work on average?**  
(Single answer only)  
☐ 1   ☐ 2   ☐ 3   ☐ 4   ☐ 5   ☐ 6   ☐ 7

13 | **With how many people did you originally start this business?**  
(Single answer only)  
☐ Alone   ☐ 2-4   ☐ 5-7   ☐ 8-10   ☐ More than 10

14 | **How many people work currently in this enterprise?**  
(Single answer only)  
☐ 1   ☐ 2-4   ☐ 5-7   ☐ 8-10   ☐ 11-20   ☐ 21-50   ☐ 51-100   ☐ more than 100

15 | **Number of unpaid family workers**  
(Single answer only)  
☐ None   ☐ 1   ☐ 2-4   ☐ 5-7   ☐ 8-10   ☐ More than 10

*If in question 9 you answered “Self-employed without employees” please skip questions: 16-20 and continue with question 21*

16 | **If you have employees, do you offer written contracts?**  
(Multiple answers possible)  
☐ Yes, I offer a written contract for long term employment  
☐ Yes, I offer a written contract for short-term employment  
☐ No, but I offer a verbal contract for long term employment  
☐ No, but I offer a verbal contract for short term employment  
☐ No, I don’t offer written or verbal contracts  
☐ Other (please specify):  

17 | **On average, how long do workers work for your business?**  
(Single answer only)  
☐ Less than 6 month   ☐ between 6 and 12 month   ☐ between 1 and 2 years   ☐ more than 2 years

18 | **How much on average do you pay your workers a month?**  
(Single answer only)  
☐ Below GH¢30   ☐ GH¢31 - 50   ☐ GH¢51 - 100  
☐ GH¢101 - 150   ☐ GH¢151 - 200   ☐ GH¢201 - 250  
☐ GH¢251 - 300   ☐ GH¢301 - 500   ☐ GH¢501 - 750  
☐ GH¢751 – 1000

19 | **What are the major problems you have with workers?**  
(Multiple answers possible)  
☐ Unreliability   ☐ Inadequate skills   ☐ Theft   ☐ Unwillingness to learn  
☐ Other (please specify):  

20 | **20. How do you solve these problems?**

21 | **Do you have plans to recruit more workers for the enterprise?**  
(Single answer only)  
☐ Yes   ☐ No   ☐ Can’t tell
### 22
**I have following problems in recruiting or finding new workers:**
(Multiple answers possible)
- Lack of motivation of workers
- Lack of skilled workers
- Workers ask for too much money
- Missing trust
- Other (please specify):
- Low level of general education
- I don’t know where to find workers
- Bad attitude of workers
- No problems

### 23
**Have you made any provisions for your old age or are you covered by any pension scheme?**
(Please state ‘Yes’ or ‘No’/’Can’t tell.’ Single answer only)
- Yes
- No
- Can’t tell

### 24
**If ‘Yes’ to question 23, which type of pension fund are you covered by?**
(Multiple answers possibility)
- SSNIT
- Private pension
- Life insurance
- Group Insurance
- Retirement Fund
- Personal Savings

### 25
**Do you take any of the following?**
(Multiple answers possibility)
- Annual leave
- Sick leave
- Maternity/Paternity leave

### 26
**What source of income would you have in case of disability or long-term sickness?**
(Multiple answers possible)
- Savings
- Support from family
- Sale/Renting of property
- Take up another job with lighter work
- Life insurance
- No source of income
- Other (please specify):

### C Business Formation

#### 27
**Is your business registered?**
- Yes
- No
- Don’t know
**If ‘Yes’, with which of the following institutions?**
(Multiple answers possible)
- Registrar’s General Debt
- Tax administration
- SSNIT
- District assembly
- Social welfare
- Don’t know

#### 28
**If ‘No’ to question 27: What is the main reason for NOT registering your business?**
(Multiple answers possible)
- In the process of being registered
- Too many requirements to complete registration
- I have to pay too much to register
- State will ask for taxes and accounting practice
- It could be bad for my business
- I do not need to register my business

#### 29
**In your opinion, what is/would be the main advantage of registering your business?**
(Multiple answers possible)
- Better chances to sell
- Eligibility for support programs
- Access to loans or financial assistance
- Publicity
- Access to better business location
- No advantage
- I would feel more confident about my business
- Less problems with authorities
- Don’t know
### Questionnaire Responses

**30. How many businesses do you run?** (Please state number)
- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [ ] 5
- [ ] More than 5

**31. What type of enterprise are you running?** (Multiple answers possible)

**Main Business**
- [ ] Manufacturing
- [ ] Wholesale & Retail trade
- [ ] Construction/Building
- [ ] Transportation
- [ ] Service
- [ ] Food & Food related Services
- [ ] Agric, Forestry & Fishing
- [ ] Mining & Quarrying

**Minor Business**
- [ ] Manufacturing
- [ ] Wholesale & Retail trade
- [ ] Construction/Building
- [ ] Transportation
- [ ] Service
- [ ] Food & Food related Services
- [ ] Agric, Forestry & Fishing
- [ ] Mining & Quarrying

**32. In which type of premise/location do you do your business?** (Please state main location and sub-location. Single answer only)

**Fixed premise/location**
- [ ] Permanent location at the roadside
- [ ] Customers home
- [ ] Construction site
- [ ] Mining site
- [ ] Permanent location on a market
- [ ] Trotro/Bus/Taxi station
- [ ] Garbage area
- [ ] Farm gate/ landing beach

**Non-fixed premise/location**
- [ ] Hawking
- [ ] Vehicle (car, truck, motor bike, bike)
- [ ] Improvised post on a market

**33. Why did you decide to operate your business in this area/spot?** (Multiple answers possible)
- [ ] It was the best location available
- [ ] Can make good sales in this place
- [ ] Can’t afford to rent or buy other business space
- [ ] Can manage this job together with family duties
- [ ] Close to my home
- [ ] Work place is close to other similar business
- [ ] It was the only location available
- [ ] By accident
- [ ] Owner of this place

**34. Who owns the business premise?** (Single answer only)
- [ ] Self/I am the owner
- [ ] Rented
- [ ] Cooperative
- [ ] Don’t know

**35. I have problems with the following at the present site:** (Multiple answers possible)
- [ ] No problem at the present site

**36. I have to pay money/bribe to be able to work at this spot/area to the following persons:** (Multiple answers possible)
- [ ] No money/bribe needed
- [ ] Local ‘boss’
- [ ] Other public workers
- [ ] Police, Traffic police
- [ ] Assembly staff
- [ ] Other (please specify):

**37. What is the type of ownership of your business?** (Single answer only)
- [ ] Sole owner
- [ ] Family
- [ ] Partnership
- [ ] Cooperative
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<th>Question</th>
<th>Options</th>
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<tr>
<td>38 For how long have you been doing this business?</td>
<td>(Single answer only)</td>
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<td>□ Less than a year □ 1-2 years □ 2-5 years □ 5-10 years □ More than 10 years □ Don’t know</td>
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<tr>
<td>39 What was your main reason for engaging in this business?</td>
<td>(Multiple answers possible)</td>
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<td>□ Could not get formal work</td>
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<td>□ I need additional income</td>
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<td>□ Business provides good income opportunities</td>
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<td>□ I could not get other work</td>
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<td>□ It is a family tradition</td>
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<td>□ I prefer to be my own boss</td>
</tr>
<tr>
<td></td>
<td>□ Business does not require much capital</td>
</tr>
<tr>
<td></td>
<td>□ Trained at school or in work place especially for this job</td>
</tr>
<tr>
<td></td>
<td>□ Retired from another job</td>
</tr>
<tr>
<td></td>
<td>□ Can combine business with household or family responsibilities</td>
</tr>
<tr>
<td></td>
<td>□ None</td>
</tr>
<tr>
<td>40 What type of bookkeeping and account practice do you keep for this business?</td>
<td>(Single answer only)</td>
</tr>
<tr>
<td></td>
<td>□ Detailed formal accounts (books)</td>
</tr>
<tr>
<td></td>
<td>□ Detailed formal accounts</td>
</tr>
<tr>
<td></td>
<td>□ Simplified accounting format required for tax</td>
</tr>
<tr>
<td></td>
<td>□ Informal records for own use</td>
</tr>
<tr>
<td></td>
<td>□ No written records are kept</td>
</tr>
<tr>
<td>41 How did you get the money to start/join the business?</td>
<td>(Multiple answers possible)</td>
</tr>
<tr>
<td></td>
<td>□ No money needed</td>
</tr>
<tr>
<td></td>
<td>□ Business was inherited</td>
</tr>
<tr>
<td></td>
<td>□ Own savings</td>
</tr>
<tr>
<td></td>
<td>□ Loans from friends and relatives</td>
</tr>
<tr>
<td></td>
<td>□ Contribution from other partner</td>
</tr>
<tr>
<td></td>
<td>□ Sale of assets</td>
</tr>
<tr>
<td></td>
<td>□ Loans from commercial banks/other financial institutions</td>
</tr>
<tr>
<td></td>
<td>□ Government lending agencies and programs</td>
</tr>
<tr>
<td></td>
<td>□ Other (please specify):</td>
</tr>
<tr>
<td>42 Do you have a bank account?</td>
<td>(Please state ‘Yes’ or ‘No’)</td>
</tr>
<tr>
<td></td>
<td>□ Yes  □ No</td>
</tr>
<tr>
<td>43 Have you ever applied for a bank loan for your business?</td>
<td>(Please state ‘Yes’ or ‘No’)</td>
</tr>
<tr>
<td></td>
<td>□ Yes  □ No</td>
</tr>
<tr>
<td>44 If ‘Yes’ to question 43: did you succeed in obtaining the loan?</td>
<td>(Please state ‘Yes’ or ‘No’)</td>
</tr>
<tr>
<td></td>
<td>□ Yes  □ No</td>
</tr>
<tr>
<td>Question</td>
<td>Options</td>
</tr>
<tr>
<td>----------</td>
<td>---------</td>
</tr>
</tbody>
</table>
| 45 If ‘Yes’ to question 44: what was the impact of the loan on your business? (Please state ‘Yes’, ‘No’ or ‘Can’t tell’) | Increase in the volume of production □ Yes □ No □ Can’t tell  
Diversification of production □ Yes □ No □ Can’t tell  
Increase of the volume of sales □ Yes □ No □ Can’t tell  
Improvement of competitiveness/profitability □ Yes □ No □ Can’t tell  
Recruitment of additional manpower □ Yes □ No □ Can’t tell  
Working less time □ Yes □ No □ Can’t tell  
Utilization of less manpower □ Yes □ No □ Can’t tell  
Financial difficulties □ Yes □ No □ Can’t tell |
| 46 If ‘No’ to question 44: what was the main reason why your application was rejected? (Multiple answers possible) | □ Incomplete documents  
□ Complete but not convincing documents  
□ Insufficient guarantees/Collatera  
□ Insufficient initial capital  
□ Activity/Enterprise was deemed not viable  
□ Nobody told me □ Don’t know |
| 47 If you have never applied for a bank loan, what was the main reason? (Multiple answers possible) | □ I am not interested in getting a loan  
□ Procedures are too complicated  
□ Interest rates are too high  
□ Amount of loan offered is insufficient  
□ Guarantee/collateral asked for is too much  
□ Maturity period is too short □ Don’t know |
| 48 Apart from the bank and financial institutions, where else did you secure any credit for your business? (Multiple answers possible) | □ Personal savings  
□ Government support  
□ Susu (informal) lender  
□ Parents  
□ Friends  
□ Other relatives  
□ Other (please specify): |
| 49 On a scale of 1-10: How do you assess the performance of your business at present? (Single answer only): 1= Very Bad, 10= Very Good | □ 1 □ 2 □ 3 □ 4 □ 5 □ 6 □ 7 □ 8  
□ 9 □ 10 □ Don’t know/ Can’t tell |
| 50 Has your business become better or worse compared with the past? (Single answer only): | □ Better □ Worse □ Stayed the same □ Can’t tell |
| 51 What were the THREE most important difficulties in starting your enterprise? (Write in descending order of importance. 1= most important) | □ 1. □ 2. □ 3.
### Questionnaire:

<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>52</strong> If you had financially problems, how did you overcome them? (Multiple answer possible)</td>
<td>☐ Assistance from friends and relatives ☐ Formed partnership ☐ Borrowed money ☐ Government assistance ☐ By cutting expenses ☐ Fate took care of it ☐ I helped myself</td>
</tr>
<tr>
<td><strong>53</strong> Within the past 12 months, did you borrow money for use in your business operations? (Please state ‘Yes’ or ‘No’)</td>
<td>☐ Yes ☐ No</td>
</tr>
<tr>
<td><strong>54</strong> If ‘Yes’ to question 53: how many loans did you take out? (Please state the number of loans taken)</td>
<td>☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ More than 5</td>
</tr>
<tr>
<td><strong>55</strong> Have you ever taken multiple loans? (Please state ‘Yes’ and the sub-group, or ‘No’/’Can’t tell.’ Multiple answers possible)</td>
<td>☐ Yes ☐ No</td>
</tr>
<tr>
<td><strong>56</strong> Have you ever had any problems with state agents in the exercise of your business? (Multiple answer possible)</td>
<td>☐ Yes ☐ No ☐ Can’t tell</td>
</tr>
<tr>
<td><strong>57</strong> How did you acquire your present equipment/tools?</td>
<td>☐ By credit (fully/partially) ☐ Cash (fully) ☐ From a friend ☐ Family relation ☐ Took them over from the last owner ☐ Other (please specify):</td>
</tr>
</tbody>
</table>
| **58** Who are the main suppliers of your raw materials/inputs? (Rank in descending order of importance with 1= most important, 5= least important) | ☐ Intermediaries (traders) ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5  
☐ Large manufacturer ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5  
☐ From government organization ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5  
☐ Buying cooperatives ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5  
☐ Direct from farmer ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 |
<table>
<thead>
<tr>
<th>59</th>
<th><strong>How often do you mostly obtain inputs?</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Daily [ ] Monthly [ ] Weekly [ ] Once a year [ ] Few times a week [ ] Few times a month [ ] Few times a year [ ] Infrequent [ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>60</th>
<th><strong>In what form do you mostly buy your raw materials?</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small quantities regular [ ] Small quantities irregular [ ] Medium quantities regular [ ] Medium quantities irregular [ ] Bulk regular [ ] Bulk irregular [ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>61</th>
<th><strong>How do you mostly pay for the inputs?</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash [ ] Credit [ ] Cash and credit [ ] Commission [ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>62</th>
<th><strong>State the key problems related to raw material/input acquisition for your enterprise:</strong> (Multiple answer possible)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Raw materials shortage [ ] Lack of funds to purchase them [ ] High cost of inputs (raw materials) [ ] Low quality [ ] High transport costs [ ] Inability to purchase inputs in bulk in order to obtain discounts [ ]</td>
</tr>
</tbody>
</table>

**F**

**Tax And Taxation**

<table>
<thead>
<tr>
<th>63</th>
<th><strong>People who work have to pay taxes</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly agree [ ] Agree [ ] Not sure [ ] Disagree [ ] Strongly disagree [ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>64</th>
<th><strong>I do feel well informed as to why I have to pay tax</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly agree [ ] Agree [ ] Not sure [ ] Disagree [ ] Strongly disagree [ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>65</th>
<th><strong>I see tax related development in my everyday life</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly agree [ ] Agree [ ] Not sure [ ] Disagree [ ] Strongly disagree [ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>66</th>
<th><strong>I pay the following taxes</strong> (Please state ‘Yes’ or ‘No’)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Personal income tax (PIT) [ ] Yes [ ] No [ ] Don’t know [ ]</td>
</tr>
<tr>
<td></td>
<td>Value-added tax (VAT) [ ] Yes [ ] No [ ] Don’t know [ ]</td>
</tr>
<tr>
<td></td>
<td>Basic rate (head tax) [ ] Yes [ ] No [ ] Don’t know [ ]</td>
</tr>
<tr>
<td></td>
<td>Property rate [ ] Yes [ ] No [ ] Don’t know [ ]</td>
</tr>
<tr>
<td></td>
<td>Market toll [ ] Yes [ ] No [ ] Don’t know [ ]</td>
</tr>
<tr>
<td></td>
<td>Hawkers’ license [ ] Yes [ ] No [ ] Don’t know [ ]</td>
</tr>
</tbody>
</table>
### How often do you pay these taxes?

(Please state ‘Daily’, ‘Monthly’, and so on)

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Daily</th>
<th>Weekly</th>
<th>Monthly</th>
<th>Quarterly</th>
<th>Yearly</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax (PIT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value-added tax (VAT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic rate (head tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market toll</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hawkers’ license</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Which frequency of payment do you prefer?

(Please state ‘Daily’, ‘Monthly’, and so on)

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Daily</th>
<th>Weekly</th>
<th>Monthly</th>
<th>Quarterly</th>
<th>Yearly</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax (PIT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value-added tax (VAT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic rate (head tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Market toll</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hawkers’ license</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### I have the following problems with tax collection

(Please state ‘Yes’ or No)

- Challenges in interactions with tax collectors: Yes/No
- Don’t get any receipts/money goes into private pockets: Yes/No
- Harsh attitudes from tax collectors: Yes/No
- Possessions are seized/shops locked by the authorities if unable to pay: Yes/No
- Asked to pay bribes or even carry out favours if unable to pay full amount/on time: Yes/No
- Request for national and local tax too close to each other: Yes/No
<table>
<thead>
<tr>
<th><strong>G</strong> Product And Marketing Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>70</strong> To whom do you mainly sell? (Multiple answers possible)</td>
</tr>
<tr>
<td>☐ Individuals ☐ Households ☐ Small enterprises</td>
</tr>
<tr>
<td>☐ Big enterprises ☐ Government ☐ Other (please specify):</td>
</tr>
<tr>
<td><strong>71</strong> From whom do you mainly buy? (Multiple answers possible)</td>
</tr>
<tr>
<td>☐ Individuals ☐ Households ☐ Small enterprises</td>
</tr>
<tr>
<td>☐ Big enterprises ☐ Government ☐ Other (please specify):</td>
</tr>
<tr>
<td><strong>72</strong> How do you mostly sell your goods and services? (Multiple answers possible)</td>
</tr>
<tr>
<td>☐ Cash ☐ Credit ☐ Commission ☐ Other (please specify):</td>
</tr>
<tr>
<td><strong>73</strong> What type of competition do you have with other enterprises like yours and in which products or services? (Multiple answers possible)</td>
</tr>
<tr>
<td>☐ Prices ☐ Quality ☐ Labour ☐ Other (please specify):</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>H</strong> Growth Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>74</strong> Has this enterprise grown since establishment? (Please state ‘Yes’, ‘No’ or ‘Can’t tell’)</td>
</tr>
<tr>
<td>☐ Yes ☐ No ☐ Don’t know</td>
</tr>
<tr>
<td><strong>75</strong> If ‘No’ to question 74: please specify why: (Multiple answer possible)</td>
</tr>
<tr>
<td>☐ Lack of customers ☐ Lack of skilled personal</td>
</tr>
<tr>
<td>☐ Non-payment of debts ☐ Heavy taxes and license fees</td>
</tr>
<tr>
<td>☐ Unavailability of finance ☐ Lack/irregular supply of inputs</td>
</tr>
<tr>
<td>☐ Lack of management skills ☐ Lack of space</td>
</tr>
<tr>
<td>☐ Lack of capital equipment ☐ Difficulties with existing regulations</td>
</tr>
<tr>
<td><strong>76</strong> Do you plan to move the enterprise out of the present site? (Please state ‘Yes’, ‘No’ or ‘Can’t tell’)</td>
</tr>
<tr>
<td>☐ Yes ☐ Yes, I have to ☐ No ☐ Can’t tell</td>
</tr>
<tr>
<td><strong>77</strong> What are you currently doing to improve your business? (Multiple answer possible)</td>
</tr>
<tr>
<td>☐ Purchase new equipments</td>
</tr>
<tr>
<td>☐ Reinvesting profit from business</td>
</tr>
<tr>
<td>☐ Seeking further training</td>
</tr>
<tr>
<td>☐ Seeking loan from banks and other institutions</td>
</tr>
<tr>
<td>☐ Seeking assistance from government institutions</td>
</tr>
<tr>
<td>☐ Introducing new goods</td>
</tr>
<tr>
<td><strong>78</strong> Do you intend to operate this enterprise in the next five years? (Please state ‘Yes’, ‘No’ or ‘Can’t tell’):</td>
</tr>
<tr>
<td>☐ Yes ☐ No ☐ Can’t tell</td>
</tr>
</tbody>
</table>
### Problems And Prospects

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Can’t tell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you wish to have help in the following areas?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General education (Reading, Writing, Calculation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information, Communication, Technology (ICT)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training in organizational and financial management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance in obtaining supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to modern machines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to market information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to large business orders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registration of business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising of new products/services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Can’t tell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you belong to a professional organization in the domain of your business activity?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If ‘Yes’, to which of the following do you belong?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade union</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade association</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chamber of commerce</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Can’t tell</th>
</tr>
</thead>
<tbody>
<tr>
<td>If ‘Yes’ to question 80: what type of help does this professional organization offer?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General education (Reading, Writing, Calculation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information, Communication, Technology (ICT)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training in organizational and financial management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance in obtaining supplies</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Access to modern machines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to market information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to large business orders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registration of business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising of new products/services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Telephone number: _________________________________

Your telephone number is for quality control only and will be destroyed with the questionnaires after the survey is done. All information are considered as confidential.

Thank You Very Much!
For the Field Assistants only:
Were the answers ticked and written directly by the respondent?
☐ Yes    ☐ No

Appendix 6 - Employee questionnaire on “Urban Informal Economy in Ghana

Employers/Self- Employed Only

Date: February 2014
Region: __________________________________________________

City:_____________________________________________________

Dear Respondent,

Your views, experiences and participation in this interview are important for the success of this study. We aim to gather reliable data needed for informed decisions on the welfare of workers and their families in the informal economy. Therefore the information given by you will help to improve your life.

It will enable us to propose new regulations that will affect the informal economy to help reduce poverty, achieve inclusive and sustainable development in Ghana.

Your knowledge, perceptions and suggestions are, therefore, greatly desired. We are aware that you are pressed for time.

We will, however, thank you very much in advance for your consideration in taking some few minutes off your schedule to complete the following questionnaire.
The information provided will be handled confidentially and all respondents will stay anonymous.

Thank you very much.

### A  Personal Information

<table>
<thead>
<tr>
<th></th>
<th>What is your age? (Single answer only)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>□ 15-25  □ 26-35 □ 36-45 □ 46-55 □ 56-60 □ Above 60</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>What is your sex? (Single answer only)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Male □ Female</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>What is your marital status? (Single answer only)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Single/ Never married □ Married □ Separated □ Informal Union/ Cohabitation □ Divorced □ Widowed</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>How many children do you have? (Single answer only)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ 0 □ 1-2 □ 3-5 □ 6-8 □ 9 and above</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>What is your highest level of education? (Single answer only)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ No formal education □ Basic education (primary to JHS/JSS) □ Secondary education (SHS/vocational/technical school) □ Diploma □ Bachelors degree □ Masters degree □ Post graduate (e.g. PhD.) □ Other (please specify):</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>What is your nationality? (Single answer only)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Ghanaian □ ECOWAS National □ American □ African, other than ECOWAS National □ European □ Asian</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>What is your personal average monthly income? (after business expenses) (Single answer only)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Below GH¢30 □ GH¢31 - 50 □ GH¢51 - 100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ GH¢101 - 150 □ GH¢151 - 200 □ GH¢201 - 250</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ GH¢251 - 300 □ GH¢301 - 500 □ GH¢501 - 750</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ GH¢751 – 1000 □ GH¢1001 – 1250 □ GH¢1251 – 1500</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>The income is enough to secure the livelihood of my family. (Single answer only)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Strongly agree □ Agree □ Not sure □ Disagree □ Strongly disagree</td>
<td></td>
</tr>
</tbody>
</table>

### B  Employment And Social Security

<table>
<thead>
<tr>
<th></th>
<th>What is the nature of your employment? (Single answer only)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>□ Permanent informal job □ Seasonal job □ Apprenticeship</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Domestic work (house help) □ Casual job □ Unpaid family work</td>
<td></td>
</tr>
</tbody>
</table>
10. How many hours in the day do you work? (Single answer only)
   - [ ] Up to 5
   - [ ] Between 5 and 8
   - [ ] Between 8 and 10
   - [ ] Between 10 and 12
   - [ ] More than 12

11. How many days in the week do you work? (Single answer only)
   - [ ] 1-2
   - [ ] 3-4
   - [ ] 5-6
   - [ ] 7

12. Is your employment covered by a written contract? (Single answer only)
   - [ ] Yes, I have a written contract for long-term employment
   - [ ] No, I only have a verbal contract
   - [ ] Yes, I have a written contract for short-term employment
   - [ ] No, I don’t have any contract

13. Have you made any provisions for your old age or are you covered by any pension scheme? (Single answer only)
   - [ ] Yes
   - [ ] No
   - [ ] Can’t tell

14. If ‘Yes’ to question 13, which type of pension fund are you covered by? (Multiple answers possible)
   - [ ] SSNIT
   - [ ] Private pension
   - [ ] Life insurance
   - [ ] Group Insurance
   - [ ] Retirement Fund
   - [ ] Personal Savings

15. What source of income would you have in case of disability or long-term sickness? (Multiple answers possible)
   - [ ] Savings
   - [ ] Support from family
   - [ ] Sale/Renting of property
   - [ ] Take up another job with lighter work
   - [ ] Employ somebody and retire from business
   - [ ] No source of income
   - [ ] Other (please specify): ………

16. Do you benefit from paid leave in any of the following cases: holiday, sick leave, maternity/paternity leave? (Single answer only)
   - [ ] Yes
   - [ ] No
   - [ ] Can’t tell

**C Work Environment**

17. In what enterprise do you work? (Please tick appropriate box)
   - [ ] Manufacturing
   - [ ] Wholesale and Retail trade
   - [ ] Construction/Building
   - [ ] Transportation
   - [ ] Service
   - [ ] Food and Food related Services
   - [ ] Agric, Forestry and Fishing
   - [ ] Mining and Quarrying

18. In which type of premise/location do you do your job? (Please state main location than sub-location)
   - [ ] Fixed premise/location
   - [ ] Permanent location at the roadside
   - [ ] private home
   - [ ] Construction site
   - [ ] Mining site
   - [ ] Permanent location on a market
   - [ ] Trotro/Bus/Taxi station
   - [ ] Garbage area
   - [ ] Farm gate/landing beach
   - [ ] Permanent location
   - [ ] Other (please specify): ………………………………………
   - [ ] Non-fixed premise/location
   - [ ] Hawking
   - [ ] Vehicle (car, truck, motor bike, bike)
   - [ ] Improvised post on a market
   - [ ] Other (please specify): ………………………………………
<table>
<thead>
<tr>
<th>19</th>
<th><strong>What are the major problems you have with your employer?</strong> (Multiple answer possible)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unreliability ☐  Inadequate wage ☐  Delayed payment of wage ☐</td>
</tr>
<tr>
<td></td>
<td>withheld payment of wage without cause ☐  Lack of training ☐</td>
</tr>
<tr>
<td></td>
<td>Other (please specify): ..........................................................</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>20</th>
<th><strong>I have problems with the following at the present site:</strong> (Multiple answers possible)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No problem at the present site ☐  Police ☐  Assembly staff ☐</td>
</tr>
<tr>
<td></td>
<td>Fellow workers ☐  Customers ☐  Car drivers ☐  Water ☐</td>
</tr>
<tr>
<td></td>
<td>Toilet situation ☐  Electricity ☐  Quality of the street ☐</td>
</tr>
<tr>
<td></td>
<td>Other (please specify): ...........................................................................</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>21</th>
<th><strong>I have to pay money/bribe to be able to work at this spot/area to the following persons:</strong> (Multiple answers possible)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No money/bribe needed ☐  Local ‘boss’ ☐  Assembly staff ☐</td>
</tr>
<tr>
<td></td>
<td>Police, Traffic police ☐  Other public workers ☐</td>
</tr>
<tr>
<td></td>
<td>Other (please specify): ...........................................................................</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>22</th>
<th><strong>For how long have you been doing this job?</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than a year ☐  1-2 Years ☐  2-5 Years ☐  5-10 Years ☐</td>
</tr>
<tr>
<td></td>
<td>More than 10 years ☐  Don’t know ☐</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>23</th>
<th><strong>Do you intend to do this job for the next year?</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes ☐  No ☐  Can’t tell ☐  Other (please specify): ..................</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>24</th>
<th><strong>Do you have a bank account?</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes ☐  No ☐</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>25</th>
<th><strong>On a scale of 1-10: How do you assess your economic situation at present?</strong> (Single answer only) 1= Very Bad, 10= Very Good</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 ☐  2 ☐  3 ☐  4 ☐  5 ☐  6 ☐  7 ☐  8 ☐  9 ☐  10 ☐</td>
</tr>
<tr>
<td></td>
<td>don’t know/ can’t tell ☐</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>26</th>
<th><strong>Did it become better or worse compared with the past?</strong> (Single answer only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Better ☐  Worse ☐  Stayed the same ☐  Can’t tell ☐</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>27</th>
<th><strong>What were the three most important difficulties in finding this job/a job?</strong> (Write in descending order of importance. 1= most important)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1……………………………….  2……………………………….  3……………………………….</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>28</th>
<th><strong>Did you have problems with state agents in the exercise of your job in the past 12 months?</strong> (If ‘Yes’, please state with whom)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes ☐  No ☐  Can’t tell ☐</td>
</tr>
<tr>
<td></td>
<td>If ‘Yes’, please state with whom you had the problems below</td>
</tr>
<tr>
<td></td>
<td>Local Administration Office ☐  Customs ☐  Professional Inspection</td>
</tr>
<tr>
<td></td>
<td>Food and Drugs Authority ☐  Standards Authority ☐  Fire Service</td>
</tr>
<tr>
<td></td>
<td>Electricity Company of Ghana ☐  Tax Administrations</td>
</tr>
<tr>
<td></td>
<td>Police and Justice ☐  Other (please specify): ..........................</td>
</tr>
<tr>
<td>D</td>
<td>Tax And Taxation</td>
</tr>
<tr>
<td>---</td>
<td>------------------</td>
</tr>
</tbody>
</table>
| 29 | **People who work are supposed to pay taxes** *(Single answer only)*  

- [ ] Strongly agree  
- [ ] Agree  
- [ ] Not sure  
- [ ] Disagree  
- [ ] Strongly disagree  

| 30 | **I do not feel well informed as to why I have to pay tax** *(Single answer only)*  

- [ ] Strongly agree  
- [ ] Agree  
- [ ] Not sure  
- [ ] Disagree  
- [ ] Strongly disagree  

| 31 | **I see tax related development in my everyday life** *(Single answer only)*  

- [ ] Strongly agree  
- [ ] Agree  
- [ ] Not sure  
- [ ] Disagree  
- [ ] Strongly disagree  

| 32 | **I pay the following taxes** *(please state ‘Yes’ or ‘No’)*  

- [ ] Personal income tax (PIT)  
  - [ ] Yes  
  - [ ] No  
  - [ ] Don’t know  
- [ ] Value-added tax (VAT)  
  - [ ] Yes  
  - [ ] No  
  - [ ] Don’t know  

| 33 | **How often do you pay these taxes?** *(Please state how often you pay the different taxes or if you don’t pay)*  

- [ ] Personal income tax (PIT)  
  - [ ] Daily  
  - [ ] Weekly  
  - [ ] Monthly  
  - [ ] Quarterly  
  - [ ] Yearly  
  - [ ] Don’t know  
- [ ] Value-added tax (VAT)  
  - [ ] Daily  
  - [ ] Weekly  
  - [ ] Monthly  
  - [ ] Quarterly  
  - [ ] Yearly  
  - [ ] Don’t know  

| 34 | **Which frequency of payment do you prefer?** *(daily, monthly, and so on)*  

- [ ] Personal income tax (PIT)  
  - [ ] Daily  
  - [ ] Weekly  
  - [ ] Monthly  
  - [ ] Quarterly  
  - [ ] Yearly  
  - [ ] Don’t know  
- [ ] Value-added tax (VAT)  
  - [ ] Daily  
  - [ ] Weekly  
  - [ ] Monthly  
  - [ ] Quarterly  
  - [ ] Yearly  
  - [ ] Don’t know  

<table>
<thead>
<tr>
<th>E</th>
<th>Problems And Prospects</th>
</tr>
</thead>
</table>
| 35 | **To solve your present problems, do you wish to have help in the following areas?** *(please state ‘Yes’, ‘No’ or Can’t tell)*  

- [ ] Technical training  
  - [ ] Yes  
  - [ ] No  
  - [ ] Can’t tell  
- [ ] Training in organizational and financial management  
  - [ ] Yes  
  - [ ] No  
  - [ ] Can’t tell  
- [ ] Access to loans  
  - [ ] Yes  
  - [ ] No  
  - [ ] Can’t tell  
- [ ] Access to market information  
  - [ ] Yes  
  - [ ] No  
  - [ ] Can’t tell  

| 36 | **Do you belong to a professional organization in the domain of your job activity?** *(If ‘Yes’, please state which)*  

- [ ] Yes  
- [ ] No  
- [ ] Can’t tell  
- [ ] Trade union  
- [ ] Trade association  
- [ ] Chamber of commerce
If ‘yes’ to question 36: what type of help does this professional organization offer? (please state ‘Yes’, ‘No’ or ‘Can’t tell’)

<table>
<thead>
<tr>
<th>Type of Help</th>
<th>Yes</th>
<th>No</th>
<th>Can’t tell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training in organizational and financial management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to market information</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Telephone number: _________________________________

Your telephone number is for quality control only and will be destroyed with the questionnaires after the survey is done. All information are considered as confidential.

Thank You Very Much!

**For the Field Assistants only:**
Were the answers ticked and written directly by the respondent?

☐ Yes       ☐ No
The informal economy refers to production units and services that operate partially or fully outside government regulation. Recent estimates indicate that the informal economy is the largest employer in Ghana, accounting for 86% of the economically active persons. It is key to transformational growth and poverty reduction.

A large informal economy, however, has negative consequences for competitiveness, low coverage of formal social programmes and fiscal losses due to undeclared economic activities. These concerns outweigh any advantages that the informal economy offers as a source of job creation and as a safety net for the poor. Policy makers have always assumed that, with the right mix of economic policies and resources, the informal economy would be transformed into a dynamic formal modern one, absorbing more labour. Contrary to expectations, the informal economy continues to persist.

This report summarises findings of a survey on the urban informal economy in Ghana. It provides reliable information on its nature, why people participate in it as well as shares some thoughts for policy formulation, advocacy and monitoring.

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Anuwa-Amarh holds an MPhil in Development Studies from the University of Cape Coast, and a BSc. in Geodetic Engineering from Kwame Nkrumah University of Science and Technology. His research interests lie in the fields of the informal economy, spatial development and inclusive growth.

The Friedrich-Ebert-Stiftung (FES) is a German political not-for-profit organization with offices worldwide. FES has been operating in Ghana for over 45 years now. Some of the topics FES work on are: Political Participation, Economic Development and Social Justice, Security Policy, Gender and Youth related issues.

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