

# Regulatory Challenges for Informal Businesses: South Africa

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## Abstract

**Informal Economy** In many countries, it has been the minority contributor to the gross domestic product and economic development. Informal businesses are quite significant because they help encourage jobs and economic growth. With unemployment on the rise by 33.5%, the growth of informal business becomes very critical. In 2012, the South African government implemented the National Development Plan (NDP) as a primary development to change the country by 2030. The NDP has specified that by 2030, South Africa will be an improved country, free from poverty and with minimal unemployment rates. In accordance with the current state of the country, the poor remain poor, and unemployment is on the rise. The current state of unemployment and poverty has not reached its low peak as proposed by NDP. In 2023, South Africa had employed 7.8 million people in the informal business. However, informal businesses have difficulty complying with government regulations, which in turn hinders both sustainability and economic growth. It also aims to explore potential solutions to address these issues. This study will highlight the challenges faced by informal businesses when it comes to adherence to rules, using access to information, financial constraints, and non-formalisation as examples, through a literature review, secondary data, and case studies. This knowledge is valuable for policy makers and stakeholders who aim to develop enabling environment for informal enterprises. Knowing the challenges these businesses face allows for targeted actions to accommodate them into the formal economy. That will ultimately unleash more innovation and bolster stronger economies. They need to come up with targeted strategies that would help informal sector businesses to go through legal processes and conflict avoidance, motivating them to engage with the larger ecosystem of development.

**Keywords:** informal businesses, challenges, regulation, policy, economic growth