INFORMAL ENTREPRENEURSHIP IN GHANA: AN ANALYSIS OF MOTIVATIONAL FACTORS

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Abstract
The study was conducted in Ghana specifically Greater Accra region. The aim was to identify the motives for informal entrepreneurship. A total of 400 respondents were selected for data collection. A structured questionnaire which has been pre-tested was used. The collected data was analysed using SPSS. Descriptive statistics and logistic regression analysis were the mode of data presentation. The results revealed that, 48.2% of owners of small scale informal enterprises were females and 51.8% males. Majority (65%) of the respondents were between the year group 21 to 40. The majority of the respondents (60.1%) were married and 29% of them were single. Moreover, the owners of small enterprises surveyed were fairly literate: 32% of them were educated up to Senior High level, 28% of them have received Junior High Education, whiles 14.3% have up to primary education. However, 6.4% of them have no formal education. Further analysis using logistic regression, showed that, financial challenge, unemployment, experience acquired from previous employment and ones’ expectation of being better off as an entrepreneur will push an individual into entrepreneurship. The findings are that Ghanaian entrepreneurs are motivated mainly by necessity to start their engagements in the informal economy.

Keywords: Informal economy, Entrepreneurship, Motivational factors, Enterprises, Logistic Regression, Ghana
INTRODUCTION

The concept of the informal sector was introduced into international usage in 1972 by the International Labor Organization (ILO) in its Kenya Mission Report, which defined informality as a “way of doing things characterized by ease of entry; reliance on indigenous resources; family ownership; small scale operations; labor intensive and adaptive technology; skills acquired outside of the formal sector; unregulated and competitive markets”. Thus, informal sector comprises of activities that are not recognized, supported or regulated by the government. Entrepreneurship is called risk-bearing by Cantillon (1755) whiles Schumpeter (1959) views it as innovating. Thus, entrepreneurship is the act of initiating, organizing and managing a business by combining the factors of production to supply goods and services. Informal entrepreneurship is therefore, the activities of the entrepreneur not recognized, supported or regulated by the government.

Entrepreneurial motivations according to Johnson, (1990) refer to the desire or tendency to organize, manipulate and master organizations, human beings or ideas as quickly and independently as possible. From literature, the factors contributing to or motivating informal entrepreneurship are broadly divided into ‘pull’ and ‘push’ elements. Any reason that emphasizes entrepreneurship as positive and desirable alternative and pulls the entrepreneurs to their choice or motivate the entrepreneurs to initiate the ventures are known as pull or ambitious factors - personal ambition, creativity, a desire for independence-to be one’s own boss, self-realization and an ambition to improve the quality of working conditions, to raise economic returns, and to develop a flexibility that caters for the combination of family responsibilities with gainful employment. However, ambitious factors do not always influence an individual to undertake an activity, other factors sometimes compel or push one to take initiative to start a business. These factors are termed push or compelling factors - rising unemployment, underemployment and unstable or unsatisfactory job conditions and prospects . (Buttner,1997; Epstein, 1993; Shabbir and Gregorio, 1994; Goffee and Scase, 1983; Brush, 1990; Brush, 1992). It is very difficult to draw a dividing line between entrepreneurs’ ambitions and compulsions since an ambition for one entrepreneur may be a compulsion for another. However in literature a distinction is often made between positive factors that ‘pull’ and negative factors that ‘push’ people into entrepreneurship (Storey, 1994; Gilad and Levine, 1986; Shapero and Sokol, 1982). Push and pull effects are comparable to necessity-based entrepreneurship and opportunity-based entrepreneurship, respectively. Opportunity entrepreneurs are influenced by pull factors to start business, while necessity entrepreneurs are affected by push factors. In the model of Entrepreneurial Event by Shapero and Sokol, (1982), the distinction between push and pull factors was also implicitly present. They argued that, the act of starting up a business is
dependent upon a change that occurs in the life of an individual, i.e., a displacement. This displacement was seen by them as negative if it is of a form of the loss of a job or a divorce, but may also be positive, such as inheritance.

In many countries, especially developing countries, informal entrepreneurship is an important part of the economy with its numerous roles which includes, employment creation, production of goods and services, income generation or poverty reduction, etc. In mature economies, activities of informal entrepreneurship account for 10-20% of gross domestic products and up to 60% in emerging economies (Schneider, 2002). It is believed that in most developing countries, informal employment accounts for larger proportion of the workforce. Sub – Saharan Africa has 66% of its labour force in the informal sector, 65% in the East and South East Asia and 51% in Latin America, (ILO 2012).

Hence this study, the purpose of which is to identify the most important motivational factors in the informal sector in Ghana using logistic regression analysis. This paper is therefore to widen the dimension and scope of knowledge in the area of informal entrepreneurial motivation. This study will contribute in closing the gap of quantitative analysis on entrepreneurial motives which is seen to be inadequate if not lacking in the informal economy literature.

**REVIEW OF RELATED PREVIOUS STUDIES**

An individual can either be pushed into self-employment because there was no other alternative or one can be pulled into self-employment to pursue a business opportunity. According to Uhlaner and Thurik (2007) pull factors refer to the expectation of being better off as an entrepreneur (i.e. attracted to self-employment with the expectation that it will provide greater (im)material benefits), and that push factors refer to the conflict between one’s current and one’s desired occupational status (i.e. associated with some level of dissatisfaction).

Factors influencing informal entrepreneurship had been extensively studied. Oxenfeldt (1943) was one of the first researchers to argue that unemployed individuals or individuals with low prospects for wage-employment may become self-employed to earn a living. This can be traced back to the Knight’s (1921) view that individuals make a decision between three activities: unemployment, self-employment and employment. The effect of unemployment, lowering the opportunity cost of self-employment, thereby driving individuals to start their own business, is often referred to as the push effect of unemployment. Evidence of this unemployment-push effect has been provided in several studies (Audretsch and Vivarelli, 1996; Foti and Vivarelli, 1994; Ritsila and Tervo, 2002; Gilad and Levine, 1986). Although push motivation is usually understood as the unemployment-push, there are, other factors that may
push individuals into the direction of new venture creation. In addition to unemployment, Giacomin et al. (2007) mention autonomy and family pressure. Sarasvathy (2004) argues that there are different types of necessity entrepreneurs, including individuals who are fired from their jobs; individuals who decide themselves to leave wage-employment because their boss does not want to commercialize their ideas or inventions; and individuals who due to lack of educational or language skills or criminal backgrounds cannot be employed. In the same vein, several studies show evidence of job dissatisfaction as a reason for new venture creation (Hisrich and Brush, 1986; Brockhaus, 1980).

Shane (2003), in his research identified opportunity cost — the expected utility of exploiting opportunities and the alternative uses of time — as a factor influencing the decision to engage entrepreneurial activity. Based on his opportunity cost principle, he identified income, employment, married and having a working spouse increase the likelihood that a person will exploit entrepreneurial opportunity. He also reported that, being educated, having career experience, a person’s social status and parental entrepreneurial experience increases the likelihood of opportunity exploitation.

Early studies of informal entrepreneurs’ motives simply assumed that they are necessity driven (Boyle, 1994; Castells and Portes, 1989; Gallin, 2001; Sassen, 1997). A second wave of studies, however asserted the inverse, namely that many choose to work informally (Cross, 2000; Gerxhani, 2004; Maloney, 2004; Snyder, 2004). A third wave of thought then transcended the depiction of informal entrepreneurs as universally necessity or opportunity driven, and evaluated the ratio of necessity-to-opportunity entrepreneurs (Edgcomb and Thetford, 2004; Williams, 2007a). This was then followed by fourth that questions the separateness of opportunity- and necessity drivers, arguing that both can be co-present (Aidis et al, 2006; Smallbone and Welter, 2004). It also displayed how motives shift over time, often from more necessity- to opportunity-driven (Gurtoo and Williams, 2011; Snyder, 2004, Williams, 2008, 2009a-c, 2010a; Williams and Round, 2009).

A study by Giacomin et al. (2007), revealed three pull motivational factors, namely: market opportunity, social status and profit. A research done by Carter et al. (2003), distinguish between six categories of motivation: innovation, independence, recognition, roles, financial success and self-realization. The following (pull) motivations, including the need for approval, independence, personal development, improved welfare and wealth, and following role models were evidence from the works of Birley and Westhead (1994) and Scheinberg and MacMillan (1988). Notwithstanding the role played by each of the different motives in the explanation of entrepreneurship, it has been found that the wish to be independent is the dominant factor explaining new venture creation. Hence, individuals are more likely to be pulled than pushed
into entrepreneurship. This does not mean that other factors did not play a role in this occupational decision. It often happens that individuals are driven by a combination of factors. As recognized by Birley and Westhead (1994, p.14): “…starting a business is a complex process which involves a variety of motivations and stimuli”. This also means that, aside the ‘pure’ push and pull motivated individuals, there may be (potential) entrepreneurs who are motivated by a combination of push and pull factors. Several studies highlight the possibility that push and pull factors are simultaneously present when an individual decides to start up a business (Giacomin et al., 2007; Block and Sandner, 2009).

In a study by Collins et al. (2004), the researchers reported of a significant and positive relationship between entrepreneurial motives and the choice of entrepreneurial career paths. Evidence from thirty-six countries revealed that, entrepreneurial drive, which is part of entrepreneurial motivation, varies from one country to the other (Hassel et al, 2008). A study on Vietnamese small business owners undertaken by Swierczek and Ha (2003), revealed that challenge and achievement were more significant motivators than necessity and security. A research in Romania, revealed on the other hand, income and job security needs to be stronger motivators than self-satisfaction and personal needs (Benzing, Chu and Szabo 2005). This is consistent with the study in Turkey, where income was a stronger motivator (Ozsoy, Oksoy and Kozan 2001). The desire for autonomy and increase in their income were most strongly motivated in the case of India Entrepreneurs (Benzing and Chu 2005).

In Africa, Ugandan entrepreneurs are motivated by “making money” (Bewayo 1995) whiles entrepreneurs in Kenya and Ghana are stongly motivated by increase income and provision of employment to themselves (Chu, Benzing and McGee 2007). Current works on informal entrepreneurial motivation in Ghana indicate that informal entrepreneurs are not all driven by necessity, but some are attracted by the off-the-books business (Adom and Williams 2012).

However, as argued by Williams and Nadin (2010), few studies have so far evaluated whether this is the case, and what has been an even more daunting gap in the literature is the explanation of “motives” for these entrepreneurs to conduct their business in the informal economy. Most researches on informal entrepreneurial motives have been on either advanced Western economies or post-socialist transition economies. Little has been written on whether the situation is similar in the third world, and especially Ghana (Adom and Williams, 2012). Thus, despite its economic impact, examination of the informal economy from entrepreneurship perspective remains limited (Webb et al, 2012).
METHODOLOGY
The study is largely quantitative in its design. It tested the statistical significance of variables that were identified as motivating the informal entrepreneurs. The survey method was applied. A representative and unbiased sample of enterprise owners was drawn for the investigation. The Greater Accra region was chosen purposively as the study area. Greater Accra has a fair representation of all people from the different cultural and socio-economic backgrounds in Ghana (GOG, 2014) so the findings from the region can provide a fair representation of the situation in Ghana.

The sample size was 400. Four locations in the region were purposively selected (Abossey Okai, Nima, Okaishie, and Newtown), due to the concentration of divergent informal entrepreneurs, cultures and all the different occupations that reflect variations in the socio-economic contexts. At the study locations, enterprises were selected and the owners were made to provide answers to a structured questionnaire.

A limited number of alternative responses to the set questions were provided. These included list, categorize, and scale/rating. The face to face method of data collection was applied. The unit of measurement was enterprises, and the owners were the respondents. Logistic regression was used to determine the probability of a subject being pushed or pulled into entrepreneurship.

ANALYSIS AND DISCUSSION OF RESULTS
Descriptive statistics
In the survey, we had 400 owners of small scale informal enterprises, among whom 48.2% were females and 51.8% males. Majority (65%) of the respondents were between the year groups 21 to 40. The majority of the respondents (60.1%) were married and 29% of them were single. Moreover, the owners of small enterprises surveyed were fairly literate: 32% of them were educated up to senior high level, 28% of them have received junior high education, whiles 14.3% have up to primary education. However, 6.4% of them have no formal education.

Determinants of the Motivation for Entrepreneurship
In order to achieve the main objective of the study, which is to identify the factors motivating informal entrepreneurship, the owners of small enterprises were asked what motivated them into setting up their enterprise. Logistic regression was used to determine the probability of a subject being pushed or pulled into entrepreneurship.
Table 1: Logistic Regression Predicting from Motivational factors of Informal Entrepreneurship

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Odds Ratio</th>
<th>P-value</th>
<th>95% CI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>20.25</td>
<td>0.018</td>
<td>1.67 - 245.44</td>
</tr>
<tr>
<td>Financial Challenges</td>
<td>45.00</td>
<td>0.003</td>
<td>3.78 - 536.92</td>
</tr>
<tr>
<td>Education / experience</td>
<td>0.030</td>
<td>0.006</td>
<td>0.002 - 0.36</td>
</tr>
<tr>
<td>Expectation of being better off</td>
<td>0.047</td>
<td>0.004</td>
<td>0.006 - 0.37</td>
</tr>
</tbody>
</table>

The predicted event is that the subject will be pushed into entrepreneurship. The motivational variable is categorical with eight (8) levels. The study revealed that four (4) of the levels were significant, as shown in table 1. Financial challenge had the highest impact of 45 times of pushing an individual into entrepreneurship, followed by unemployment, 20.25 times. The unemployment result is consistent with these studies, (Storey and Jones, 1987; Audretsch and Vivarelli, 1996; Foti and Vivarelli, 1994; Ritsila and Tervo, 2002; Gilad and Levine, 1986). Education or experience acquired from previous employment and ones’ expectation of being better off as an entrepreneur will pull an individual 3% and 4.7% respectively. This is consistent with Shane (2003). The model classification was 92.4%.

The push factors of financial challenges and employment have the major impact of 65% times of motivating an individual into informal entrepreneurship. Thus, people are pushed by necessity to engage in informal entrepreneurship.

CONCLUSION

In Ghana, like many African countries, the economic situation has a major influence in decision to set up own enterprise. High unemployment in the formal sector tend to push individuals to move to the informal sector for own way of creating income to meet their needs. Sometimes, informal entrepreneurship becomes the last resort for the financial challenged families, who could not adequately educate themselves to be able to compete for employment in the formal sector. As indicated by this study, the push factors dominate in the motivation to set up informal enterprises. Thus individual may not be adequately prepared, and may not have the desire to go into entrepreneurship.

The motives for informal entrepreneurship found in this study were education and experience, as well as the expectation of being better off as entrepreneurs. These are pull factors that indicate the interest that educated individuals, especially those trained on specific skills, may have in going into their own businesses. Such educated individuals are adequately informed of the opportunities available for self employment and the prospects in such
endeavors. The study however shows that individuals attracted by opportunities and prospects of entrepreneurship are not as dominant in Ghana like those who are pushed to informal entrepreneurship out of necessity.

Further studies are required in different contexts and societies to properly establish the pull and pull, or necessity versus opportunity debates in the theory of entrepreneurial motivation.

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