

## Characteristics of Informal Micro-Entrepreneurs in Malaysia

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### Abstract

*The informal sector plays a major role in the Malaysian economy; however, there is still insufficient information about the informal economic activities in Malaysia. The term 'informal economy' at present is a label for economic activities, which take place outside the framework of public and private sector corporate establishments. According to the International Labor Organization (ILO), the common characteristics of an informal enterprise include the ease of entry, reliance on indigenous resources, family ownership, small-scaled operations, labor intensive, adaptive technology, and unregulated and competitive markets. The objective of this study is to identify the strengths and weaknesses of informal micro-entrepreneurs in Malaysia. The review is mainly focused on the key issues including characteristics of the informal economy in Malaysia, characteristics of the informal entrepreneurs, reasons for operating informally, and the strengths and weaknesses of the informal entrepreneurs.*

**Keywords:** Informal Economy; Informal Traders; Informal Entrepreneurs

### 1. Introduction

In recent years, there has been an increasing interest in the informal sector in both developed and developing countries around the world. The informal sector is an important sector for the economy of countries especially for developing countries (Ahmad, Ibrahim, & Ismail, 2011; Chong & Gradstein, 2007; Kus, 2014). Before exploring further on the term of informal economy, it would be best to identify the history of the terminology. According to the International Labor Organization, the phrase 'informal sector' was first introduced in 1972. It was preceded by the scope of economic development in the 1950s and 1960s. After the unexpectedly successful rebuilding of Europe and Japan after the Second World War, a parallel and rather slow economy-building effort was also applied to newly developing countries (Bangasser, 2000).

Informal economy has a variety of definitions. Informal economy has been classified by scholars as underground economy, shadow economy, irregular economy, unobserved economy, and hidden enterprises (Webb, Bruton, Tihanyi, & Ireland, 2013). The concept of informal economy by Henley, Arabshebiani, and Carneiro (2009) suggests that it is the economic activity of insecurity in a developing country. On the other hand, informal economy usually represents unregistered, unregulated, and untaxed businesses in addition to service enterprises, production activities, and street seller sales. By contrast, the formal sector includes taxed, registered, and regulated businesses (Spring, 2009; Kus, 2014). There has been movement from the formal to the informal sectors in many countries because structural adjustment programs have isolated salaried workers who then become informal sector entrepreneurs and often increase the competition for women and men in the country. Research shows that the formal activities are regularly conducted by people in the middle classes and above, while the informal sector activities are carried out by community groups of lower

middle class or the marginalized (Hartati, Juwita, Karim, & Bayu, 2015).

There is a consensus among researchers that the informal economy has characteristics such as ease of entry, dependence on local resources, family ownership, small-scaled operations, labor intensive, adaptive technology, skills acquired outside of the formal sector, unregulated and competitive markets, and can be formed through any informally organized activities (Ahmad et al., 2011; Bangasser, 2000; Hart, 1973). In addition, informal entrepreneurship can be similar to other classifications of entrepreneurial activities such as public entrepreneurship, working from home, emerging businesses, and self-employment (Henley et al., 2009; Kus, 2014). Subsequently, the informal economy, as identified by Williams (2007b), involves informal activities in the informal sector that only includes paid work, which is illegal because of its non-declaration to the state for tax with or without social security purposes. Paid work suggests that the goods or services are illegal but it excludes activities such as drug trading and prostitution.

In any situation, making the right decision is important to get better results. In the informal economy, the decisions of an entrepreneur is affected by the formal laws and regulations of a country and at the same time, it can be affected by a common culture that introduces relationships and norms within a group besides adoptive trust and mutuality to the sector (Frederking, 2004). The United States Agency for International Development (2013) reported that the existence of informal enterprises in most ASEAN agricultural economies is quite normal. The existence of ranches such as coffee, cocoa, spices, market stalls and street vendors, casual trading enterprises, and employees engaged in the informal sector is a normal environment in ASEAN countries. People who visit ASEAN countries, for example Malaysia, can see that many people are involved in the informal sector and it is a familiar sight there (Ahmad et al., 2011).

Furthermore, the informal sector with its own account of little or no organization or capital, and casual employment, remains a major, if not the major, source of employment (Baharudin, Othman, Pah, Chellamuthu, & Musa, 2011). The informal economy also has recently become a label for economic activities, which take place outside of the framework of public and private sector corporate establishments (Webb et al., 2013). In earlier study by Hart (1973), he classified the informal trader income prospect based on legal and illegal activities as shown in Table 1.

**Table 1:** Activities in the informal sector based on the Legal and Illegal income prospective

Legal income	Illegal income
<p>(a) <i>Primary and secondary activities:</i> Farming, market gardening, building contractors and associated activities, self-employed artisans, shoemakers, tailors, manufacturers of beers and spirits.</p> <p>(b) <i>Tertiary Enterprises with relatively large capital inputs:</i> Housing, Transport, Utilities commodity, Speculation, Renter activities.</p> <p>(c) <i>Small-scale distribution:</i> Market operatives, petty traders, street hawkers, caterers in food and drink, bar attendants, carrier's commission agents, and dealers.</p> <p>(d) <i>Other services:</i> Musicians, launderers, shoe shiners, barbers, night-soil removers, photographers, vehicle repair and other maintenance workers, brokerage, and middlemanship.</p> <p>(e) <i>Private transfer payments:</i> Gifts and similar flows of money and goods between persons, borrowing, begging.</p>	<p>(a) <i>Services:</i> Generally, such as receivers of stolen goods; moneylending, and pawn broking (at illegal interest rates) drug-pushing, prostitution, smuggling, bribery, political corruption.</p> <p>(b) <i>Transfers:</i> Petty theft (e.g. pickpockets), robbery (e.g. burglary and armed robbery), confidence tricksters (e.g. money doubles), gambling.</p>

**Source:** Hart (1973)

The term informal sector was originally used in 1972 according to the International Labor Organization (ILO). The development of the informal sector has improved year by year and has attracted many people to join this sector. It can be concluded that the characteristic of the informal sector such as the ease of entry means that people can easily start up their business without having to go through tough procedures such as the registration process. Moreover, the informal sector has been described by researchers using other terms such as unregistered and hidden enterprise, unobserved economy, and irregular economy. Informal traders usually harness local resources in their operation and this indirectly helps people especially farmers or local suppliers in encouraging their production and improves the local resource economy. Formerly, informal entrepreneurs who are involved in the sector can gain knowledge and skills from their family because habitually, the informal business in the informal sector is family owned, and the operation scale size is usually small and it directly shows that they have a small account in their business. The informal sector can include any informal activities but some informal activities' income may not be included in the nation's economy depending on the legality of

earning the income. For example, market operators, petty traders, or street sellers' activities are categorized as informal entrepreneurs who gain legal incomes. On the contrary, activities such as drug dealing and prostitution are classified as gaining illegal incomes. Additionally, since informal business activities take place outside of the formal or private sector framework, it allows the informal sector entrepreneurs to make their own decisions for their operations. In a developing country such as Malaysia, the informal sector is a familiar phenomenon and natives are used to this sector in their daily life. Thus, the objective of this study is to review empirical studies on informal economic activities to identify the strengths and weaknesses of the informal micro-entrepreneurs in Malaysia. The review is mainly focused on the key issues including characteristics of the informal economy in Malaysia, characteristics of informal entrepreneurs, reasons for operating informally, and the strengths and weaknesses of the informal entrepreneurs.

## 2. Informal Economic Activities in Malaysia

Since the Asian financial crisis in 1997-1998, Malaysia's economy has become slower. As an economic leader among Asian countries, Malaysia's position had dropped because of the crisis, which had caused the economic growth to be slow compared to other crisis-affected countries, and investments had not been able to cover the effects of the crisis. During economic crisis, most people do not have jobs and find other ways to ensure their income for survival. People start to do businesses during such times especially in the informal sector (Idris & Siwar, 2003). Business and entrepreneurship are essential for every country's economic development. Entrepreneurship is regarded as essential in developing the society and companies through wealth creation. The process of entrepreneurship is included in the creation of innovation such as function, behavior, intention, and others (Hansemark, 1998; Spring, 2009). Entrepreneurial activities are deep-rooted in the informal and formal economies of developing nations (Olarenwaju & Olabisi, 2012).

Moreover, in Malaysia, during the economic crisis, people also started to migrate from the villages to urban areas in order to find better jobs. The effect of the crisis caused many people to lose their jobs and it drove most people to find an alternative way for their livelihood such as to join the informal sector and to get out of poverty (Ahmad et al., 2011). The informal trader has to struggle to survive in the challenging urban areas. Not every person can follow the flow of modernization with its high cost of living, as it is occurring in Malaysia. The improvement of the informal sector is also parallel to modernization and the traders have to make an effort to not give up in the informal sector (Idris & Siwar, 2003). Certain cultural values such as power distance, collectivism, and lack of confidence are believed to be some of the problems faced by minority owners in understanding the relevant legal rules to implement their rights in their business (Rachagan & Satkunasingam, 2009).

Additionally, most people who join the informal sector are those who do not have an opportunity in the formal sector, and as such, they must create their own work to survive (Hart, 1973). People have their own constraints in life as well. They must decide on the priority in their life between family and employment. Basically, women entrepreneurs face some difficulties in balancing their work and their responsibility towards the family (Kasseeah & Tandrayen, 2014). Half of the population in Malaysia is women and they too contribute to the informal sector in order to survive (Idris & Siwar, 2003). Women informal entrepreneurs in Malaysia can usually communicate with their family members, especially their partners, about their household responsibilities and slowly adapt to the random working hours in the informal sector (Teoh & Chong, 2014). There are many types of informal trades that can be found in Malaysia in different places, selling different types of goods with different types of manufacturing but they are the same under the license of doing business, such as people who sell at the stalls, at the night/day market, from their home, doing online business, and others. The *Suruhanjaya Syarikat Malaysia* (2015) or the Companies Commission of Malaysia (CCM) states that people who want to start businesses, whether small or large, need to register with them as the regulatory organization. However, the informal entrepreneur only needs to register with the district council in their state to gain a license because the CCM is only meant for formal business registrations in Malaysia (Hasnor, 2015).

Consequently, entrepreneurship is important to both developed and developing countries. As one of the Islamic countries in the world, Malaysia, with a majority of Muslims, believes in the Islamic concept of business and entrepreneurship, which states having nine per ten parts of fortune in human life (Imam al-Ghazali, w.505H). In Malaysia, when the economy crisis happened around 1997-1998, unemployment recorded a high rate. It drove people to join the entrepreneurship field. Most people who do not have high skills or a good education prefer the informal sector, which is one of the entrepreneurship branches. They start their own business in the informal sector due to the constraints in the formal sector. Many types of informal sector activities can be found in Malaysia such as street sellers who sell various types of local food and other products that are usually used in daily life. Most of the informal traders in Malaysia open their small stalls at the local market such as the day or night markets. There is a specific day for day or night market operations at various places throughout Malaysia. The informal sector is an unregistered economy but in Malaysia, the

informal traders or informal entrepreneurs still need to register with the local district council in each state known as the *Majlis Perbandaran Daerah*; however, they do not need to register with the Companies Commission of Malaysia (CCM). The following section will discuss the characteristics of the informal entrepreneurs in the informal sector.

### 3. Characteristics of Informal Entrepreneurs

Generally, people who run a business aim to be successful. To ensure that the business is a success, the characteristics of the entrepreneur play an important role (Islam et al., 2011). The achievement of goals and objectives in whatever aspect of life is a form of success. Success is still a key term in the field of business management although it is not clearly specified. Success and failure can be interpreted as measurements of good business in entrepreneur management or otherwise. Entrepreneurs work hard and are ambitious in achieving success in their business (Chittithaworn et al., 2011). The success of the entrepreneur can be measured through their performance. The success or failure of the enterprise is dependent on the entrepreneur's characteristics (Fisher, Maritz, & Lobo, 2014). Seeking and having accurate awareness about business opportunities can also have an advantage in the success of an entrepreneur's life (Jawahar & Nigama, 2011; Islam et al., 2011).

Firstly, entrepreneurial characteristics usually consist of demographic characteristics, individual characteristics, personal traits, entrepreneurial orientation, and entrepreneur's self-efficacy (Islam et al., 2011). Age, gender, and individual background such as education and working experience of the entrepreneur are examples of demographic characteristics that can influence intention and entrepreneurial effort in the informal economy (Hartati et al., 2015). Henley et al. (2009) referred to the nature of the informal employment as commonly substituting between sectors and that the employee may be involved in activities in both formal and informal sectors at the same time. As highlighted by Spring (2009), gender can influence the entrepreneurial background. Male-controlled attitudes often prevent women in the formal business sector, since women are sometimes not welcomed in social clubs where only men meet for business. Most micro-entrepreneurs in the informal sector hire one to three employees. Women's businesses have fewer employees and shorter business longevity compared to their male counterparts because of gender differences in accessing resources for business start-ups and expansion as well as difficulties in getting credit and loans.

Next, self-confidence and determination can be referred to as an entrepreneurial personality and trait. Researchers define entrepreneurial orientation through independency, innovativeness, risk taking, pro-activeness, competitive aggressiveness as well as having self-motivation while doing business (Islam et al., 2011). The fourth characteristic refers to having self-efficacy, which is related to entrepreneurial readiness. An entrepreneur is ready to start and manage a business, including managing all the risks and obstacles that will occur while doing the business. In addition, self-efficacy provides the foundation for a person's motivation which affects his/her beliefs regarding whether or not certain goals may be achieved and there is a significant correlation between self-efficacy and entrepreneurial intention (Carsrud & Brännback, 2011; Islam et al., 2011).

Furthermore, informal entrepreneurs do not only set up their own business using the skills gained from their work experience but also sometimes as a result of some hobby or interest that they have outside of their formal jobs (Williams, 2007a). The informal sector is also a supplier that offers price and credit that are more flexible compared to the formal sector (Spring, 2009). In most cases, women sell their own products such as food, clothes, crafts, and pottery whereas men are involved in the making of metal and wood products. Naturally, micro-entrepreneurs or informal traders use local resources and sell in local markets, which are different from globalists, who can use any level of resources from international product sources and markets (Spring, 2009; Williams, 2007a). Globalists generally combine local and non-local regional and international communication with suppliers and buyers through the Internet. Supplies that require capital and direct connections to international markets are usually male-controlled, while local markets and the items that concern daily maintenance are usually controlled by women due to their limited cash resource (Spring, 2009).

Additionally, informal entrepreneurs also have an independent characteristic. Informal entrepreneurs start their business on their own and handle everything by themselves. Researchers characterize them as independent while operating in the informal sector (Hartati et al., 2015). Another characteristic is that informal entrepreneurs usually work from home. Technological developments have increased the potential for individuals to work from home and those working from the home can still be doing their business. Working from home seems to be connected to entrepreneurs who delegate to employees who work from their home in a wide range of industries from electronics to manufacturing (Web et al., 2012). Having a positive mindset has also been identified as a characteristic of the informal entrepreneur. Informal entrepreneurs have a positive mindset when joining the sector by ignoring the structure of relegation representation and they are confident and believe that they have a future in the informal sector (Williams & Gurtoo, 2011). In Kasseeah and Tandrayen (2014) study, men and women in many countries tend to be involved in different activities or

types of employment even within the same trades. For example, male traders tend to have higher scaled operations such as dealing with non-food items while female traders tend to have lower scaled operations that deal with food items. The reasons are due to low levels of education, skills, and market know-how; besides, women also own less property. Women's time and flexibility are controlled by social and cultural norms that discourage investments in education and training as the responsibility of social reproduction is a woman's job.

In order to improve the informal traders' competencies, their personality plays an important role in achieving a better performance (Fisher et al., 2014). Personality is made up of the representative forms of opinions, feelings, and performances that make a person unique (Boz & Ergeneli, 2014). There are some recommendations to improve the characteristic of the informal sector. Hartati et al. (2015) listed some actions that need to be taken by the authorities to improve the conditions of the informal trader. The first recommendation is the capacity of the business or entrepreneurial development, which should be strengthened through training or building capacity among the traders. Then, economic empowerment should be supported through access to capital and a joint medium should be established among the stakeholders in the development of street vendors in the modern market. In order to ensure that vendors are able to access the facilities and infrastructures available for small and micro-enterprises provided by the government, the authorities need to consider the microeconomic position of the entrepreneurs in the country. Entrepreneurial success is determined by the individuals and not only by the groups. Factors such as personality traits and growth motivation are supposed to be supportive ways of doing business and play a key role in encouraging entrepreneurs towards success (Garoma, 2012).

Based on the above, it can be concluded that informal entrepreneurship characteristics encourage the informal entrepreneurs' performance towards success. The characteristics of the demographic factor such as age, gender, and education background can influence the entrepreneur to operate in the informal sector. Meanwhile, individual characteristics, personal traits, entrepreneurial orientation, and entrepreneurs' self-efficacy encourage the informal entrepreneurs operating in the informal sector. Additionally, being independent and having a positive mindset are also part of the characteristics of the informal entrepreneur that motivates them to operate continuously in the informal sector. However, facing challenges in the informal sector might cause some entrepreneurs to lose their motivation. In relation to previous research, it is important to improve the informal entrepreneur's characteristics in order for them to achieve a better performance in the informal sector.

#### **4. Reasons for Operating Informally**

People may engage in informal activities because of different factors. These factors include deficit, unemployment, tax evasion, changes in non-wage costs, labor regulations, workers' preferences and characteristics, and changes in workers and productivity of the business in the formal sector (Chong & Gradstein, 2007). The reasons to engage in informal activity may be different for developed and underdeveloped economies. For instance, entrepreneurship in developing countries tend to face a higher governing burden than those in developed countries (Baharudin et al., 2011). Employees who are mostly unskilled in the respective sectors lose their jobs and due to their low skill levels and incapability of moving to new activities that require training, they have moved away from the formal sector into the informal sector (Kasseeah & Tandrayen, 2014; Loayza & Rigoloni, 2011).

In some situations, the decision to enter the informal sector was made by both the entrepreneur and employees based on cost-benefit evaluations that are constantly reviewed and altered depending on changes in institutions, regulations, the level of economic activity, and preferences. Since there are monetary and non-monetary costs of entering the formal sector, such as fees, taxes, time regulations, and administrative procedures, advantages should be higher than those costs in order for the informal sector entrepreneurs to change their legal status willingly (Chong & Gradstein, 2007). Yet, there is a consent among social researchers that economic downturn is the core reason for the development and establishment of the informal sector. Unemployment and low capital drives people towards the informal economic sector (Gerxhani, 2004; Yuki, 2007).

Furthermore, entrepreneurs enter the informal sector due to the lack of choice in their jobs and career and choose the jobs that are available in getting an income for their life (Loayza & Rigoloni, 2011). The dynamic characteristic in entrepreneurship may transform the working environment and the widespread explanation of the informal sector that draws upon the marginalization approach clearly ignores business orientation or the way they influence people and work conditions in creating their own significant dynamics (Williams & Gurtoo, 2011). Hart (1973) proposed that reasons that led to higher income generating activities among the lower class people are due to problems such as low wages, price inflation, and an increasing surplus in the urban labor market.

In addition, the freedom, independence, and flexibility of the informal economy sector have also been identified as

a reason that drives people to contribute to the informal sector rather than the formal sector. Informal entrepreneurs want to carry out their initiatives without being tied to rules and regulations from others and they can explore and show their own creativity while handling the informal activities (Gerxhani, 2004). Besides the taxes, governmental regulations such as labor conditions, quality regulations, and the production limit for the formal sector require a high cost to operate, which has encouraged people to choose the informal sector with fewer rules and regulations. The slow technology development and the cheap labor cost have indirectly merged and grown the informal sector (Chong & Gradstein, 2007; Frederking, 2004; Gerxhani, 2004). Ahmad et al. (2011) also added that some people join the informal sector on a part time basis in order to earn extra income for their family.

According to the Ministry of Women, Family, and Community Development (2014), in Malaysia, the informal sector has contributed significantly to the nation's economy. The effect of the non-observed activities of the informal sector may differ among developed countries and developing countries (Hartati et al., 2015). In countries transforming from a centrally planned economy to a market economy, the informal sector has grown and become an important part of the economy. Many countries are still not able to develop a modern economy that is capable of providing suitable employment opportunities in their rapid growth of population. As for Malaysia, there is still no proper data collection method developed for the informal sector. In earlier approximations using mixed income, it was indicated that the informal sector had contributed around 13.0 per cent to gross domestic product (GDP) in 2005 (Baharudin et al., 2011).

It can be concluded that the informal sector encourages people for many reasons and most of the reasons are similar especially in developing countries. The most common reason is economic downturn that happens in the country and this usually leads to problems such as unemployment. When people do not have a job, they will be creative and find alternative ways to survive. Those who do not have a high skill or education and do not have a chance in the formal sector also choose to join the informal sector. Given the characteristics of the informal sector, many people join the sector in order to avoid living in poverty and to gain income. Subsequently, non-payment of specific taxes, non-wage cost, and low labor regulations unlike the rules in the formal sector, has encouraged the presence of the informal entrepreneurs in the informal sector. Researchers also agree that the flexibility of time and freedom to operate in the informal sector motivates the informal entrepreneurs. Besides that, some informal entrepreneurs choose to operate in the informal sector as a hobby and it is only a part time job. However, given the characteristics of the informal sector such as ease of entry and low regulations, there are no proper statistics about the informal entrepreneurs in a country such as Malaysia since they can operate anytime and anywhere.

## 5. Strengths and Weaknesses of Informal Entrepreneurs

The informal sector denotes an essential part of the economy, particularly in the employment market of many countries, especially in developing countries (Ahmad et al., 2011; Hartati et al., 2015). The informal sector is not identical but it covers a varied range of activities. In general, the informal sector is dominated by the service sub-sector, and manufacturing accounts for a relatively small share. Informal entrepreneurs have their own strengths and weaknesses while operating in the informal sector. Table 2 below shows the strengths and weaknesses of the informal entrepreneurs.

**Table 2:** The strengths and weaknesses of the informal entrepreneurs

Strengths	Weaknesses
(a) Provides employment opportunities and generates income to certain groups of the population (Ahmad et al., 2011; Baharudin et al., 2011; Hartati et al., 2015)	a. Lack of access to information, skill, and technology (Ministry of Women, Family and Community Development, 2014)
b. Increased the demand for skillful and semi-skilled labor (Idris & Siwar, 2003)	b. Having financial constraints (Chong & Gradstein, 2007)
c. The technology used by most informal traders is also affordable with their level of knowledge and the type of business (Idris & Siwar, 2003)	c. Limitations of time and space (Boz & Ergeneli, 2014)
d. Use of local resources directly improves and enhances the local resources demand and supports the local resources economy (Hasnor, 2015)	d. Lack of infrastructure and low level of productivity, low income opportunities (Boz & Ergeneli, 2014)
e. Encourages other people, with the resourcefulness and creativity that characterize the informal sector to rapidly become an engine of growth of the sector (Loayza & Rigoloni, 2011)	e. Having no legal protection by law as in formal enterprises (Bosch & Pretel, 2012).
f. Being able to set up a business at a potential area (Chong & Gradstein, 2007)	

The informal sector continues to be present in the economy and contributes quite a substantial proportion to the Gross Domestic Production (GDP). The consequences of this informal sector have been of considerable interest in academic writings over the past few decades. The involvement of rural societies in this informal sector has especially helped a majority of the informal entrepreneurs to get rid of rural poverty. In some countries, rural societies as well as the informal

sector have always been associated with poverty (Ahmad et al., 2011).

To sum up the empirically relevant implications, the enforcement authorities should open up more opportunities for those who want to start a business or need financial support, by offering them a safe way to get money for capital for their businesses. This can prevent some people from borrowing money from the wrong financial sources, such as loan sharks, with the intention of doing business (Mahjabeen, 2008). The informal traders will face other problems if they are not able to pay back the loans. In order to prevent such incidences from happening, informal entrepreneurs should be given information and sources to get proper financial support in the right way (Su & Sun, 2011). Loan programs, training, and reduction of regulations, among others, can be used to encourage the development of a robust informal sector. Thus, barriers to enter the formal sector would be reduced and it could also improve the income distribution (Boz & Ergeneli, 2014). The strengths of the informal entrepreneurs have encouraged them in operating in the informal sector whereas the weaknesses of the informal entrepreneurs can be improved to achieve better performance when they join the informal sector.

## 6. Conclusion

Therefore, the informal economy is a part of the absent gross domestic product, due to non-reporting and/or under-reporting in the official statistics. This includes the production of illegal products and services, unrecorded economic transactions that are due to the undeveloped system of national statistics, as well as barter transactions and economic activities carried out by households. Although the informal traders are not registered and do not pay taxes, the government is still not taking any legal action toward the informal trader (Habibullah & Eng, 2006). The United States Agency for International Development (2013) reported that if informal traders operate in a legitimate framework that is registered and licensed, they have a good opportunity for survival and development when the activities are pushed toward the public whether in small or large entities.

The informal term has been identified with the type of work performed by the entrepreneur. On the other hand, the activities of the street entrepreneur have turned out to be a huge contribution to economic activity and the well-being of people, especially those who are economically weak (Hartati et al., 2015). Hart (1973) explained that the low-income level people joined the informal sector because they were denied success in the formal opportunity structure. In addition, the activities of the informal sector are independent of the people's economy and concern the lives of many people. Considering the potential condition and proper handling practices and training activities of street vendors, Hartati et al. (2015) agreed that the appropriate settings of the informal trader should be based on the concept of environmentally friendly behavior and characteristics.

Although informal traders have no credit access, foreign exchange, and tax relief, they still have surpluses that enhance economic development. The informal sector uses a small amount of capital compared to a formal enterprise and it can help the country in saving the outsourcing of a large amount of capital. However, the informal sector is still not a main sector in the Malaysian economy but its participation in the nation's economy needs to be considered as important (Ahmad et al., 2011). Moreover, in Malaysia, the informal sector has a role in supporting and providing job opportunity and in indirectly reducing the unemployment problem in the society (Ahmad et al., 2011). Baharudin et al. (2011) highlighted the announcements of Datuk Mustapha Mohamed, the Minister of International Trade and Industry in 2004 in which he stated that more attention would be given to the informal sectors such as those covering minor traders and dealers which have seen less data despite a generous contribution to the national economy.

Hence, the informal economy can be concluded as being important to economic development especially in a developing country such as Malaysia. The characteristics of the informal sector such as ease of entry and available places to do business provide opportunities for people to gain income (Idris & Siwar, 2003). Moreover, when doing business, success is generally the goal and objective of the entrepreneur. To achieve this goal, entrepreneurial characteristics of the informal entrepreneurs can help them to be more successful (Chittithaworn et al., 2011). Parallel with modernization in small developing countries such as Malaysia, the informal economy also needs to work hard and improve its products and services, which will ensure that modernization does not make this sector extinct.

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