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Informal entrepreneurship and institutionalisation: The mediating effect of entrepreneurial motivation on willingness to institutionalise

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Abstract

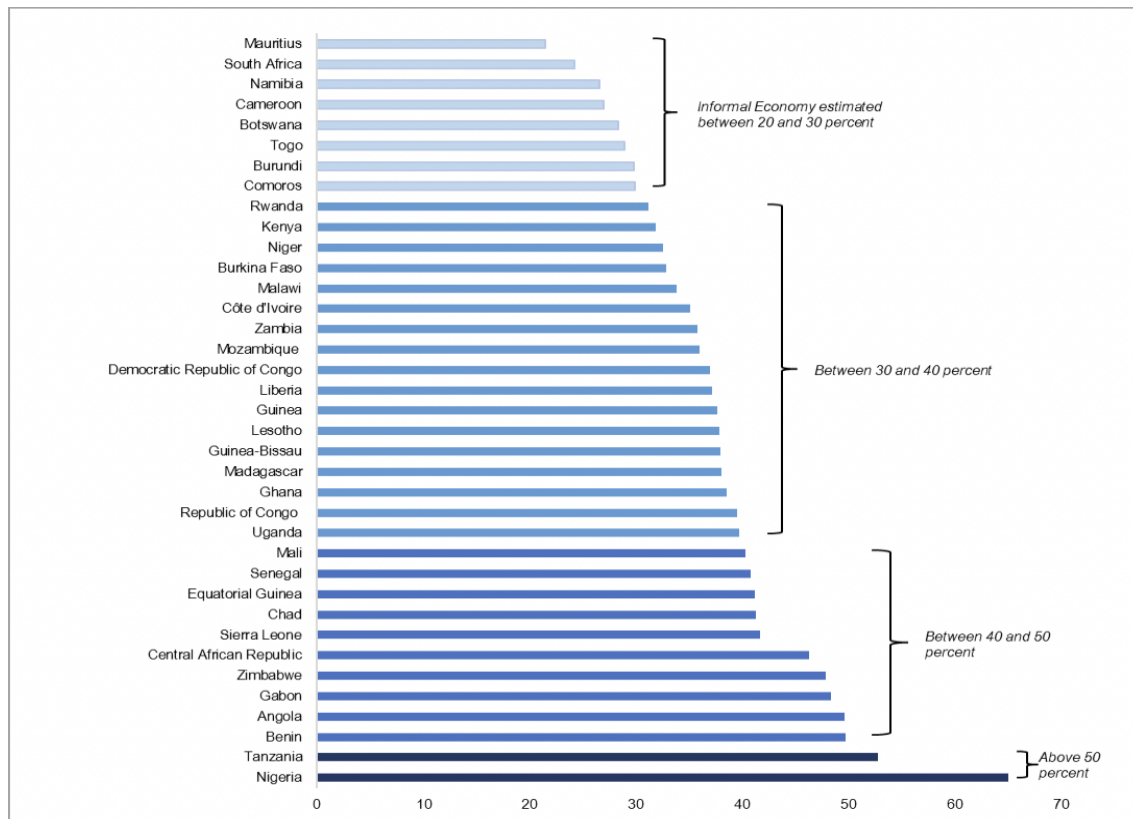
This paper develops a theoretical explanation for why entrepreneurial motivation may affect informal entrepreneurs' willingness to institutionalise. We argue that motivation for entrepreneurship may have an impact on informal entrepreneurs' willingness to institutionalise. Moreover, our findings indicate that managed growth motivation has negative impact on informal entrepreneurship, while lifestyle and survival motivation have positive impact on informal entrepreneurship. Drawing on opportunity-based and resource-based entrepreneurship theories, we use data from a sample of 398 Nigerian entrepreneurs to test our hypotheses. The result shows the heterogeneous nature of the impact of entrepreneurial motivation of informal entrepreneurs' willingness to institutionalise. The results have implications for research and policy on the debate on whether to institutionalise or not to institutionalise informal entrepreneurship particularly in developing contexts.

Keywords: Entrepreneurial motivation, Informal entrepreneurship, Institutionalisation,

1. INTRODUCTION

The persistence and rising levels of informal entrepreneurship in developing contexts has drawn widespread attention from the academia and policymakers (Medina et al., 2016). Figure 1 shows the informal economy in SSA, 2010 to 2014 average as a share of gross domestic product (GDP). The figures for more recent years are not far from the average as a share of GDP in Figure 1 which ranges from a low of 20 to 30 percent in Mauritius, South Africa, Namibia, and Botswana to a high of over 50 percent in Benin, Tanzania and Nigeria. With a GDP of \$440.8 billion (World Bank, 2022), Nigeria has the largest economy by GDP in Africa but remains ranked as Low Middle-Income Country (LMIC) with a poverty headcount ratio at national poverty lines of 46 percent (World Bank, 2021b) of a population size of 206 million (World Bank, 2021a). Entrepreneurial activities, predominantly self-employed in the informal economy, has experienced a boom as a result of poverty levels, but has not yielded the expected and desired innovative capabilities, job creation and socioeconomic development (Z. Acs, 2006). The number of unregistered enterprises in Nigeria is estimated at 40 million (SMEDAN & NBS, 2021). The Nigerian context is particularly well suited to examine how entrepreneurial motivation may provide understanding and knowledge on how to tackle informal entrepreneurship.

FIGURE 1 The informal economy in Sub-Saharan Africa, 2010 to 2014 average as a share of gross domestic product (GDP)



Source: (Medina, et al, 2016) (Note: Data excludes Cape Verde, Eritrea, Ethiopia, The Gambia, São Tomé and Príncipe, Seychelles, and South Sudan due to lack of an informality measure)

The contribution of this study is threefold. First, different from previous studies that simple focused on entrepreneurial motivation for venture creation, we deconstruct motivation and focus on entrepreneurial motivation as mediating factor to theorise the willingness of informal entrepreneurs to institutionalise to tackle informality. The theoretical mechanism is institutionalisation and opportunity-based and resource-based entrepreneurship theories (Alvarez & Busenitz, 2001; Stevenson, 1983; Tolbert & Zucker, 1996). Formality tends to increase entrepreneurial access to resources and public services (Z. Acs, 2006; Ishengoma & Kappel, 2006), which enhances the chances of survival and growth and a potential route not just for moving up the socioeconomic ladder, but for contribution to job creation and poverty reduction. The positive side of institutionalising informal entrepreneurship has not received much academic research attention and the relationship between managed growth entrepreneurship motive and informal entrepreneurship could potentially provide a novel

theoretical and practical alternative to tackling informal entrepreneurship, particularly in developing contexts.

Second, our research suggests that the lack of informal entrepreneurs' willingness to institutionalise may not be homogeneous and may be influenced by the mediating effect of entrepreneurial motivation particularly for managed growth motivated informal entrepreneurs. We find that the relationship between informal entrepreneurship and the three entrepreneurial motives defined – *managed growth*, *lifestyle*, and *survival* – in our study differ, and may influence their choice of entrepreneurship, but also determine their willingness to institutionalise if it enhances their chances of growth. This further explains how entrepreneurial motivation plays a role in tackling informality.

Third, responding to the call for research on entrepreneurship in developing and emerging economies (Bruton et al., 2008; Kiss et al., 2012; Mamman et al., 2019; Poole, 2018; Sutter et al., 2019), and the institutionalisation of informal entrepreneurship and self-employed individuals (Dvouletý, 2020; Olagboye et al., 2022; Skrzek-Lubasińska & Szaban, 2019), we use subnational data from 398 Nigeria entrepreneurs, one of the largest developing countries in the world, with the largest economy by GDP and largest population in Africa, to examine the relationship between entrepreneurial motivation and informal entrepreneurship which may inform the willingness of informal entrepreneurs to institutionalise. Previous studies on similar topics mostly looked at cross-country data (e.g., Williams & Horodnic, 2016), informal employment data (e.g., Dibben et al., 2015), and drivers of formalisation (e.g., Nguyen et al., 2014). We argue that different countries are characterised by very different institutional processes and cultural features, which may be consistent with entrepreneurial responses. Single country studies can avoid this bias because the institutional, cultural, and policy variables that may confound the relationship at the country level can be held constant (Xie et al., 2023). Considering the persistent and rising informal entrepreneurship in developing economies and the key role entrepreneurship is expected to play in the achievement of sustainable and inclusive economic growth, our study provides important implications for economic development in these countries and entrepreneurship research.

The remainder of this article is structured as follows, the next Section provides theoretical literature and develop our hypotheses development in which we explain entrepreneurial motivation and theorise different motivation for venture creation. Further, the section treatise the effect of motivation on the choice of informal entrepreneurship particularly in developing contexts. In Section 3 we describe the data by estimation techniques and

interprets the statistical result. In Section 4, we discuss the findings and limitations of the present study. And in Section 5, we conclude and proposed avenues for future research.

2. THEORY AND HYPOTHESES

2.1 Literature on entrepreneurial motivation and informal entrepreneurship

This paper build on the opportunity-based and resource-based entrepreneurship theories (Alvarez & Busenitz, 2001; Stevenson, 1983), as they both provide a theoretical underpinning to understanding the relationship between entrepreneurial motivation and the evolutionary process and/or decision in which people select out of many steps and/or options along the way to pursue entrepreneurial opportunities (Shane et al., 2003). This is premised on the assumptions that entrepreneurs do not cause change but exploit the opportunities that change (e.g., in technology, consumer preferences, etc.) creates (Drucker, 1995) and that access to financial, social, and human resources enhances individuals' ability to detect and act upon discovered opportunities (Aldrich & Ruef, 2006; Davidsson & Honig, 2003). Carsrud & Brännback (2011) argue that traditionally, motivation has been studied in order to answer three kinds of questions: what activates a person, what makes the individual choose one behaviour over another, and why do different people respond differently to the same motivational stimuli. This highlights the absence of homogeneous response to institutional processes and complexities in different contexts.

However, studies suggest that access to financial, social, and human resources is often lacking in developing contexts with high poverty levels (e.g., Atiase et al., 2018; Mendoza et al., 2021). The consequence of this is large number of people forced into informal employment and self-employment often in the informal economy (Ayyagari et al., 2014; Günther & Launov, 2012). Some studies argue for the sustenance of the informal economy as a last resort for the poorest in the society (Benjamin et al., 2014; Medina et al., 2016; Tokman, 2007). Others suggest that high levels of informal entrepreneurship in developing economies have negative net impact on social and economic development in these countries, and that unless there is improved access to formal economy resources (which informal entrepreneurship is often deprived), increased entrepreneurial activities will not achieve the expected increase in job creation, poverty reduction and economic growth to achieved the Sustainable Development Goals (SDGs) for inclusive development (Z. Acs, 2006; Z. J. Acs & Szerb, 2007; Ohnsorge & Yu, 2021). Therefore, understanding the motivation for informal entrepreneurship is important

in the discourse on how to tackle informality, particularly in developing contexts where there is need to improve the quality of entrepreneurial activities. The authors argue that understanding the relationship between entrepreneurial motivation and informal entrepreneurship helps provide insight into the willingness of informal entrepreneurs to institutionalise. Generally, extant literature has tended to pay more attention to the effects of motivation on entrepreneurship through resource factors.

2.2 Entrepreneurial motivation

It is important to understand the role of entrepreneurial motivations when trying to understand entrepreneurial decisions and outcomes (Dubini, 1989; Shane et al., 2003). Many studies have examined individual-level entrepreneurial motivation, predominantly investigating variances within economies on entrepreneurial motivation. The reasons or motives are often classified as opportunity or necessity (Z. Acs, 2006; Reynolds et al., 2001; Smallbone, 2019). These studies are usually in developed economies and focused on “pull” motives, such as autonomy (independence, freedom), challenges, income and wealth, and recognition and status (Feldman & Bolino, 2000; Wilson et al., 2004). These motives are “opportunity” in nature as entrepreneurs in this sense seek to exploit some business opportunity and who are pulled into entrepreneurship more out of choice rather than a lack of choice. However, studies have also shown that individuals may also be pushed into entrepreneurship (Dawson & Henley, 2012; Schjoedt & Shaver, 2007). Necessity motives for example occur when (a threat of) unemployment forces people into self-employment (Hessels et al., 2008), classified as “necessity” entrepreneurs pushed into entrepreneurship because all other options for work are absent or unsatisfactory, which studies argue is often the case in developing contexts where unemployment and poverty are said to force individuals, particularly women, into self-employment such as informal entrepreneurship as a means of survival (Morris et al., 2020; Ojong et al., 2021; Williams & Nadin, 2010).

There is consensus in entrepreneurship literature that informal entrepreneurship accounts for a significant portion of entrepreneurial activities particularly in developing countries where levels of informality are very high (Ladan & Williams, 2019; Mamman et al., 2019; Medina et al., 2016; Olagboye et al., 2022), and entrepreneurship in these countries are largely necessity driven which accounts for the very high levels of informal entrepreneurship. For example, globally, 81% of all enterprises are informal and informality represents 70% of all employment in developing and emerging economies, compared with about 18% in developed countries

(OECD/ILO, 2019). While these studies provide some understanding on the reasons and motives for entrepreneurship, simply classifying as driven by opportunities and necessities does not provide adequate understanding of entrepreneurial motivation that may engender effective policy decisions aimed at tackle informal entrepreneurship, particularly in developing contexts, where tackling informality will be critical going forward as the world work to achieve resilient and inclusive development.

In our study, we deconstruct entrepreneurial motivation into three: (i) *survival* (i.e., entrepreneurs motivated lack of a job (i.e., unemployment). This motive akin to the necessity entrepreneurship argument on individuals been pushed into entrepreneurship out of the lack of choice (Dawson & Henley, 2012; Hessels et al., 2008). (ii) *lifestyle* (i.e., entrepreneurs motivated by inadequate salary). This motive on the other hand can be either necessity and/or opportunity driven as individuals may be pushed into entrepreneurship because of genuine inadequacy of income from employment or pulled into entrepreneurship not as a result of inadequacy, but in a quest for income/wealth growth and/or recognition or status (Feldman & Bolino, 2000; Schjoedt & Shaver, 2007). And (iii) *managed growth* (i.e., motivated by passion for entrepreneurship – prior to and/or after establishing a business). The managed growth motive represents individuals who are entrepreneurs because of the passion for entrepreneurship with the aim of profiting from business growth (Morris et al., 2015, 2020). Our deconstruction is based on the peculiar nature of entrepreneurship in developing contexts (Z. Acs, 2006) and the response to our survey question on the motivation for entrepreneurship which had five optional motivators shown in Table 1. 394 of the 398 sampled entrepreneurs provided responses to the question on entrepreneurial motivation.

TABLE 1 Motivation of business owners (BOs)

Motivation for doing business	Frequency	Percentage	Motivation classification
Passion for entrepreneurship	118	29.95	<i>Managed Growth – 41.63%</i>
No job but now have passion for entrepreneurship	46	11.68	
Inadequate salary	110	27.92	<i>Lifestyle – 27.92%</i>
Lack of a job	118	29.95	<i>Survival – 25.95%</i>
Others	2	0.51	
Total	394	100	

Source: Compiled by the Authors

2.3 Motivation and the willingness to institutionalise.

Given the economic importance of entrepreneurship and the need to tackle informal entrepreneurship, particularly in developing contexts, the reasons entrepreneurs give for starting businesses and the choice of informal entrepreneurship are of practical, as well as academic, interest. An understanding of these reasons may provide clues to tackling the persistent and growing levels of informal entrepreneurship in developing contexts. Entrepreneurship literature suggests that institutionalizing informal entrepreneurship will be counterproductive based on the argument that it currently represents the only source of income and a critical safety net for millions of people, particularly women (Benjamin et al., 2014; Williams & Martinez, 2014). However, this argument seldom accounts for the rife exploitation in the status quo as informal entrepreneurs claim they pay taxes/levies, the problem is there is no data, and these taxes/levies may be finding their way into private pockets (PwC Nigeria, 2020). Moreover, institutional representatives may themselves take advantage of the status quo to become dependent on the informal extraction of rents/taxes/levies from informal entrepreneurs (Dibben et al., 2015; Marcouiller & Young, 1995), which negates the perceived benefits of informality. For example, a study on Peru by Hernando de Soto found that around 10 to 15 percent of informal enterprises' gross income goes towards bribes, while formal firms pay about one percent (Ishengoma & Kappel, 2006). This is in addition to being constrained with limited access to formal financial, public, and business development services, which hinders survival and growth (Ishengoma & Kappel, 2006; Mamman et al., 2019; Olagboye et al., 2022).

Conversely, recent studies examining the benefits of and outcomes of institutionalising (i.e., formalising) informal entrepreneurship reveal interesting results in terms of the micro-level impact of institutionalisation. For example, a firm level data from Bolivia shows that tax registration leads to higher profits for mid-sized firms, whereas for smaller and larger firms, the effect is negative. Similarly, analysing an extensive Brazilian micro-enterprise survey and the 1996 introduction of a business tax reduction and simplification scheme (SIMPLES), Fajnzylber et al. (2011) provide evidence that institutionalisation (official registration) leads to higher levels of revenue, profit, and capital use. Rand & Torm (2012) examined the relationship between legal status and firm level outcomes in micro, small and medium manufacturing enterprises (SMEs) in Vietnam and found evidence that becoming officially registered leads to an increase in profits and investments. Thus, institutionalisation was found to be beneficial not just to the firms, but also for workers who got improved contract conditions.

Nonetheless, the relationship between entrepreneurial motivation for venture creation and the willingness to institutionalise will be pivotal to understand and visualise policies to engender the institutionalisation of informal entrepreneurship. Previous studies have examined the drivers of institutionalisation. For example, Nguyen et al. (2014) investigated drivers for informal enterprises to institutionalise in Vietnam and found that: the desire to grow and develop through innovation, the desire to access government financial support, and the unofficial payments or bribe are the factors driving the decision by informal enterprises to institutionalise. Ishengoma & Kappel (2006) cited the level of enforcement exercised by government, knowledge of anticipated benefits, perceived positive net benefits of participating in formal institutions, nature of business, and growth motive and age of firms as possible factors that shape the decision to operate formally or informally.

Based on the forgoing, we develop the following hypotheses to test the relationship between our three major entrepreneurship motivation constructs – passion for entrepreneurship (*managed growth motivation*), inadequate salary (*lifestyle motivation*), and lack of a job (*survival motivation*) – and informal entrepreneurship:

Hypotheses (H): The motivation for entrepreneurship has a positive effect on the choice of Informal entrepreneurship and future willingness to institutionalise:

H1: Managed growth motivation is positively related to informal entrepreneurship.

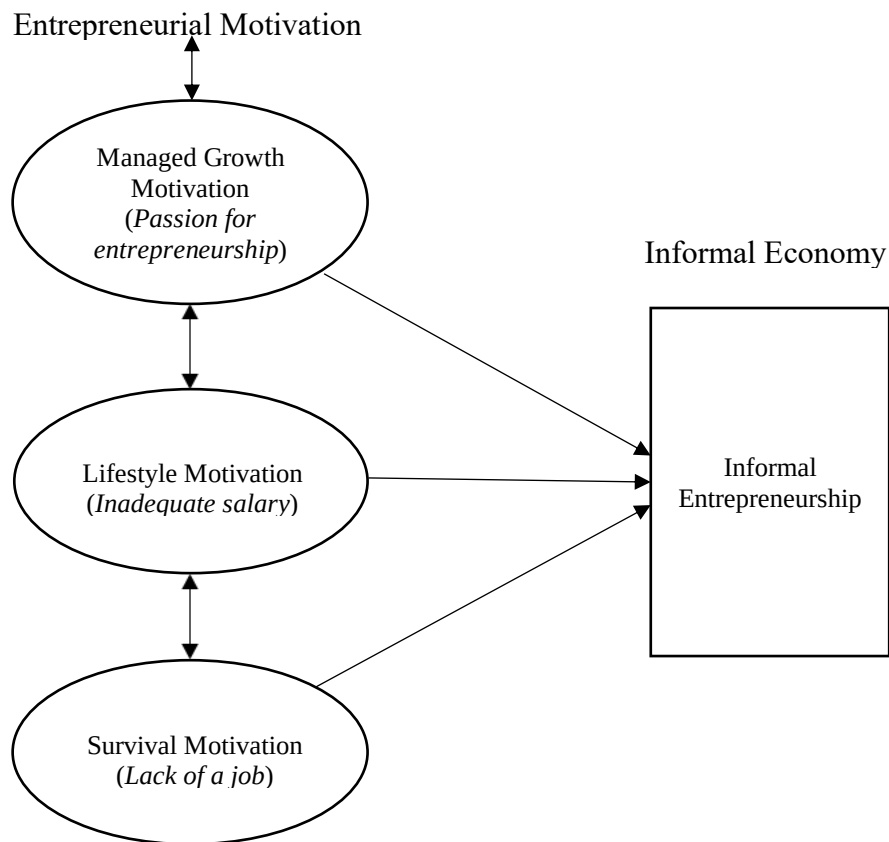
H2: Lifestyle motivation is positively related to informal entrepreneurship.

H3: Survival entrepreneurship is positively related to informal entrepreneurship.

2.4 Entrepreneurial motivation and informal entrepreneurship

We develop entrepreneurial motivation and informal entrepreneurship model shown in Figure 1. The model provides a pictorial depiction of the relationship between the motives for entrepreneurship and informal entrepreneurs in the informal economy. The model shows the deconstruction of entrepreneurial motivation highlighting the heterogeneous nature of entrepreneurial motivation which may influence entrepreneurs' choice of informality as well as the future willingness to institutionalise.

FIGURE 2 Entrepreneurial motivation and informal entrepreneurship model



Source: Authors' construction

3. METHODOLOGY

3.1 Sample and data

We construct measures of entrepreneurial motivation based on data collected from 398 Nigerian entrepreneurs using the adapted World Bank Group Entrepreneurship Survey Questionnaire (WBGESQ). The WBGESQ was designed explicitly to capture data from formal entrepreneurship actors primarily via a survey of registries and additional government sources in each of the countries covered (Klapper et al., 2007). For this study, we adapted the WBGESQ to collect data from entrepreneurs in Nigeria to elicit responses directly from business owners on their motivation for entrepreneurship in order to define the variables and measures to test the relationship between entrepreneurial motivation and informal entrepreneurship and future willingness to institutionalise.

Nigeria provides a perfect research context to test the entrepreneurial motivation-informal entrepreneurship relationship for two reasons. First, Nigeria is the largest economy by gross domestic product (GDP), with a GDP of \$440.8 billion (World Bank, 2022) and the most populous nation in Africa with a population size of 206 million (World Bank, 2021a). Second, Nigeria is a good representativeness of developing context with very high level of informal entrepreneurship estimated at over 50 percent (Medina et al., 2016). The level of informality in Nigeria provides a testing ground for the dynamics of entrepreneurial motivation and informal entrepreneurship. Although scholars still debate the precise way to tackle informal sector, academic research tend to agree that informal entrepreneurship remains a clog in the wheel of social and economic development for developing contexts (Z. Acs, 2006; Ohnsorge & Yu, 2021).

3.2 Main variables

Table 2 summarises the main variables and measures used in the main analysis. The World Bank Group Entrepreneurship Survey Questionnaire (WBGESQ) was adapted for data collection from 398 Nigerian entrepreneurs to suit the purpose of the study.

TABLE 2 Main variables and measures

Variable	Measure
Informal entrepreneurship – <i>IE</i>	Dependent – Number of entrepreneurs without registration for tax administration – no tax identification number
Managed growth motivation – <i>MGM</i>	Independent – Entrepreneurs motivated by passion for entrepreneurship – before start-up and/or after start-up – <i>managed growth motive</i>
Lifestyle motivation – <i>LM</i>	Independent – Entrepreneurs motivated by inadequate salary from employment – <i>lifestyle motive</i>
Survival motivation – <i>SM</i>	Independent – Entrepreneurs motivated by lack of a job – <i>survival motive</i>

Note: The variables and measures constructed here are strongly motivated by findings in existing literature on entrepreneurial motivation reviewed in Section 2.

3.3 Control variables

We control for both individual-level and enterprise-level variables. At the individual-level we control for three variables: first, educational level of the business owner. Literature suggests that individuals with higher levels of education may be more likely to register (La Porta & Shleifer, 2014; Quiroga-Martínez & Fernández-Vázquez, 2021). Thus, we control for the effect of business owners' educational level on entrepreneurial motivation and inclination to institutionalise. Second, we also control for the age of the business owner. While previous studies examine the effect of entrepreneur's age on social value creation by entrepreneurs (e.g., Brieger et al., 2021) and the effect of age on entrepreneurs' success (e.g., Zhao et al., 2021), we control for the possible effect of age on entrepreneurs' motivation and willingness to institutionalise. Third, we control for faith of the business owner as literature indicates that internal belief systems such as religious beliefs can influence entrepreneurial outcomes and decision (Guiso et al., 2006; McCleary & Barro, 2006; Namatovu et al., 2018).

At the enterprise-level we also control for three variables: first, the number of employees as literature suggest that individuals doing business with employees are more likely to register their business. Second, we control for initial capital considering that entrepreneurship literature suggests that wealthier individuals with more resources (i.e., initial capital) are more likely to formally register their business (Nobil Ahmad, 2008; Williams, 2014). Third, age of the business, we control for possible attempt to parse out the effects of historical factors, such as economic crises as literature indicate that older businesses may do, which could impact ethical behaviours and business survival in developing contexts (McKenzie & Paffhausen, 2019; Neubaum et al., 2004; Williams & Martinez, 2014).

3.4 Estimation techniques

To test Hypotheses H1, H2, and H3, we use the following logit regression and marginal effects estimation equation:

$$\text{Informal entrepreneurship (IE)} = \alpha + \beta_1 MGM_i + \beta_2 LM_i + \beta_3 SM_i + \beta_K X_{Ki} + \varepsilon \quad (I)$$

Where *IE* is the informal entrepreneurship, α is the constant term, *i* is individual entrepreneur. The major independent variables are: *MGM* represents managed growth motivation, *LM* represents lifestyle motivation, *SM* represents survival motivation, β_K is coefficient for the independent variables, X_{Ki} is matrix for the control variables, while ε is the error term.

4. RESULTS

Table 3 reports the summary statistics for the variables used in our statistical analysis.

TABLE 3 Summary statistics

Variable	Mean	Std. dev.	Min	Max
informal entrepreneurship	0.76	0.43	0	1
Managed growth motivation	0.41	0.49	0	1
Lifestyle motivation	0.28	0.45	0	1
Survival motivation	0.30	0.46	0	1
Number of employees	0.54	1.40	0	10
Initial capital	12.20	1.23	7.6	16.5
Age of business owner	36.08	9.15	19	70
Education level of business owner	3.09	1.18	0	5
Age of business	7.49	5.95	1	30
Faith of business owner	3.38	1.14	1	5

Note: Our preferred measure of informal entrepreneurship, (i.e., whether or not an enterprise is registered for taxation), reveals 76% (three-quarter of the sample) of enterprises surveyed did not have tax registration.

We then present the correlation matrix for the variables of interest in Table 4. Column 1 shows that passion for entrepreneurship is negatively associated with informal entrepreneurship, and the other two motives for entrepreneurship – inadequate salary and lack of a job – are both positively associated with informal entrepreneurship. Most of the individual-level and enterprise-level variables, such as number of employees, initial capital, education of business owner, etc., have negative correlation with informal entrepreneurship, while the faith of the business owner is positively associated with informal entrepreneurship.

TABLE 4 Correlation matrix

	1	2	3	4	5	6	7	8	9	10
1. Informal entrepreneurship	1									
2. Managed growth motivation	-0.06	1								
3. Lifestyle motivation	0.02	-0.51	1							
4. Survival motivation	0.05	-0.55	-0.40	1						
5. Number of employees	-0.45	0.11	0.09	-0.19	1					
6. Initial capital	-0.46	-0.09	0.01	0.09	0.29	1				
7. Age of business owner	-0.14	0.06	0.41	-0.44	0.40	-0.06	1			
8. Education level of business owner	-0.40	-0.18	0.27	-0.06	0.34	0.34	0.33	1		
9. Age of business	-0.16	0.19	0.11	-0.29	0.35	-0.22	0.66	0.03	1	
10. Faith of business owner	0.10	-0.04	0.07	-0.01	0.02	-0.17	0.15	0.09	0.03	1

4.1 Entrepreneurial motivation and informal entrepreneurship

We use logit regression equation (1) to estimate the effect of the entrepreneurship motivation measures on the probability of informal entrepreneurship. Table 5 reports the estimated marginal effects for each independent variable, together with the control variables. In Column (1), we include only the independent variable – *managed growth motivation* – which indicates a negative but not statistically significant relationship with informal entrepreneurship. Indicating that an increase in the scale of entrepreneurs with passion for entrepreneurship will decrease the probability of informal entrepreneurship by -0.269. The introduction of control variables in Column (2), which are all negative and statistically significant except the faith of the business owner control variable, further increases the negative relationship to -0.547.

In Columns (3) and (5) we examine the two other motives for entrepreneurship one after the other – *lifestyle motivation* (3) and *survival motivation* (5). Both motives are positively related but not statistically significant to informal entrepreneurship. Which indicates that an increase in entrepreneurs with this motive will increase the probability of informal entrepreneurship by 0.107 and 0.234 respectively. This positive relationship persists with the introduction of control variables (which all in Columns (4) 0.669 and (6) 0.201 respectively.

The results do not support Hypothesis H1 – the probability of increase in informal entrepreneurship is negatively related to managed growth motivation. The heterogeneous impact of motivation for entrepreneurship on informal entrepreneurship is shown as the results support Hypotheses H2 and H3 – the probability of increase in informal entrepreneurship is positively related to lifestyle and survival motivations. For all three entrepreneurial motivation

measures, the interaction with all control variables has a negative coefficient (except for faith of the business owner) with statistical significance levels of 10% as shown in Columns (2), (4) and (6). This indicates a near homogenous impact of these control variables on the relationship between entrepreneurial motivation and informal entrepreneurship and by extension the willingness of informal entrepreneurs to institutionalise.

TABLE 5 Impact of entrepreneurial motivation on the choice of informal entrepreneurship and future willingness to institutionalise.

Variables	Marginal effect - informal entrepreneurship	Marginal effect - informal entrepreneurship	Marginal effect - informal entrepreneurship	Marginal effect - informal entrepreneurship	Marginal effect - informal entrepreneurship	Marginal effect - informal entrepreneurship
	(1)	(2)	(3)	(4)	(5)	(6)
Managed growth motivation	-0.249 (0.236)	-0.547 (0.346)				
Number of employees		-0.583*** (0.17)		-0.590*** (0.168)		-0.590*** (0.169)
Initial capital		-1.012*** (0.185)		-0.992*** (0.183)		-1.012*** (0.185)
Age of business owner		0.108*** (0.033)		0.0877** (0.035)		0.115*** (0.035)
Education level of business owner		-0.818*** (0.182)		-0.807*** (0.181)		-0.771*** (0.179)
Age of business		-0.179*** (0.0481)		-0.174*** (0.0479)		-0.190*** (0.0487)
Faith of business owner		0.17 (0.141)		0.179 (0.142)		0.17 (0.139)
Lifestyle motivation			0.107 (0.265)	0.669 (0.430)		
Survival motivation					0.234 (0.264)	0.201 (0.390)
Constant	1.253*** (0.157)	13.97*** (2.395)	1.117*** (0.137)	13.95*** (2.383)	1.080*** (0.137)	13.36*** (2.357)
Observations	398	392	398	392	398	392

Note: N = 398. The dependent variable is informal entrepreneurship. Entrepreneurial motivation variables are included and control variables at individual-level and enterprise-level are also included. Standard errors are shown in parentheses, ***p < .01, **p < .05, *p < .1.

This highlights the importance of institutional and contextual difference on informal entrepreneurship in developing contexts. In summary, the findings of this tables, although

preliminary, support our argument on the heterogeneous nature of the role played by entrepreneurial motivation on the willingness to institutionalise or otherwise, by informal entrepreneurs in the debate on whether to institutionalise or not to institutionalise informal entrepreneurship, particularly in developing contexts.

4.2 Choice of estimation technique and test for common method variance

Considering that common method variance (CMV) may lead to wrong conclusions (Lindell & Whitney, 2001), we perform additional analysis to corroborate the merit of the research design and result to alternative explanation. We conduct single factor test which is a commonly used statistical remedy to detect the presence of common method bias across all fields (Craighead et al., 2011) and find there is no common method bias. While studies have been critical of the adequacy of Harman's single factor test (e.g., Podsakoff et al., 2003) for testing for common factor biases in behavioural sciences, we consider it adequate considering data analysis in this study required the sequential step evaluation of variables rather than simultaneous analysis of the relationship between variables.

Therefore, a second-generation multivariate method (Chin & Newsted, 1999) such as structural equation modelling (SEM) was not used because the current study does not require the simultaneous analysis of the relationship between constructs/variables. Rather, the sequential step evaluation of variables is the requirement for this study and a first-generation multivariate method – multiple regression technique – is effective for identifying and testing the relationship between the set of independent variables in this study and the dependent variable (Keith, 2019). It allowed the examination of the relationship between a single metric dependent variable and two or more metric independent variables.

5. DISCUSSION AND CONCLUSIONS

Nigeria has experienced a consistently high – over 45% averagely – levels of informal entrepreneurship since the existence of informal economy record, which provides an ideal setting for testing the entrepreneurial motivation-informal entrepreneurship relationship. Our paper found that entrepreneurial motivation affects entrepreneur's decision to engage in informal entrepreneurship. Thus, we argue that entrepreneurs' motivation for venture creation may provide understanding on the willingness of informal entrepreneurs to institutionalise. We also found that an increase in entrepreneurship motivated by *managed growth* (passion for

entrepreneurship) potentially reduces informal entrepreneurship, while increase in entrepreneurship motivated by *lifestyle* (inadequate salary) and *survival* (lack of a job) will both potentially increase informal entrepreneurship. The result not only support out theoretical argument that entrepreneurial motivation has a mediating effect on the willingness of informal entrepreneurs to institutionalise, but also reveal the heterogeneity of the relationship between different categories of entrepreneurial motivation and informal entrepreneurship.

5.1 Implication for research

This research provides a theoretical and empirical analysis of how entrepreneurial motivation may affect informal entrepreneurs' willingness to institutionalise or not to institutionalise. Prior research focused on the push-pull framework (Storey, 2016), with necessity and opportunity motivated entrepreneurship (McMullen et al., 2008; Uhlaner & Thurik, 2007) or through the lens of motivational theory, utilizing Maslow's (1954) hierarchy of needs framework (e.g., Dencker et al., 2021). In this paper, we proposed a mechanism that links motivation for entrepreneurship to informal entrepreneurship, largely based on how motivation increases willingness to register, and thus motivate informal entrepreneurs to institutionalise. Our linkage complements previous theories that focused on how institutions and resource conditions affect entrepreneurs' choice of informal entrepreneurship and the debate on whether to institutionalise or not to institutionalise informal entrepreneurship. Thus, the findings in this study help to provide understanding of entrepreneurial behaviour (Davidsson & Wiklund, 2001; Hoskisson et al., 2011).

Furthermore, the findings of this paper have implications for research on entrepreneurship by highlighting the effect of entrepreneurial motivation as a source of understanding the willingness of informal entrepreneurs to institutionalise. The motivation to pursue and engage in Informal entrepreneurship is influenced by the surrounding socioeconomic conditions (Siqueira et al., 2016; Webb et al., 2014; Williams, 2007; Williams & Round, 2009). However, rather than view the foregoing as a stable entrepreneurial motivation trait (Shane et al., 2003), this study suggests that motivation is not homogenous. Thus, the willingness to register/institutionalise can be shaped by the motivation for growth.

By integrating motivation with willingness to institutionalise, our analysis aligns with the reality in which entrepreneurs may be influenced to institutionalise depending on their motive for entrepreneurship. This also helps to provide understanding on the debate on possible ways

to tackling informal entrepreneurship. As suggested by our research, managed growth motive for entrepreneurship has a negative relationship with informal entrepreneurship, which provides opportunities to institutionalise informal entrepreneurship. Envisioned and targeted policies to support managed growth informal entrepreneurship may help tackle a considerable size of informal entrepreneurship for beneficial socioeconomic outcomes.

The peculiar and representative nature of the empirical context contributes to understanding and tackling informal entrepreneurship in developing economies. Developing countries, such as Nigeria, have a relatively high levels of entrepreneurial activities in the informal economy. Nigeria, the largest economy by GDP in Africa with a population size of over 206 million people and one of the highest levels of informal economy, provides an ideal research context to measure the willingness of informal entrepreneurs to institutionalise as the world works toward tackling informality for inclusive development. It also could offer applicable experience to many developing countries worldwide.

5.2 Implication for policy

The finding of a negative relationship between entrepreneurship motivated by managed growth and informal entrepreneurship has important policy implications. Although informal entrepreneurship supports the poorest in societies globally, it is not desirable for social and economic growth and needs to be addressed. The optimistic upshot of our paper is that government could properly harness entrepreneurship motivated by managed growth to achieve institutionalisation. Because managed growth entrepreneurship can serve as a catalyst for job creation, poverty reduction and general socioeconomic growth, and cause a decline in informal entrepreneurship. The positive effect of formalisation has already been noticed in some previous research (Fajnzylber et al., 2011; Rand & Torm, 2012). Institutionalising informal entrepreneurship, particularly managed growth entrepreneurship, will ease access to formal economy resources for survival and growth (Z. Acs, 2006; Olagboye et al., 2022) which is necessary to maximise the contribution of entrepreneurial activities to job creation, poverty reduction and general socioeconomic development.

Informal entrepreneurship is not only an economic indicator, but also embedded with implication for the social and institutional environment. Thus, national context is important for understanding the motivation for informal entrepreneurship, as well as the future willingness of informal entrepreneurs to institutionalise. For example, Nigeria with a population of 206 million and yearly net population change of 5.2 million (2.6%), has an estimated informal

economy level of 60 percent while Mauritius with a population size of 1.27 million and yearly net population change of 2,100 (0.17%), has an estimated informal economy level of 20 percent (Medina et al., 2016; World Bank, 2021a). From a dynamic perspective, developing countries have shown to have increased levels of informality compared to developed economies. As a result, unique social and economic backgrounds means that countries may not share homogeneous entrepreneurial motivations and behaviours. Thus, countries may also need to envision and/or adjust its policies on informal entrepreneurship.

The analysis in this paper has shown that entrepreneurs motivated by managed growth are more likely to register and/or be willing to institutionalise. While entrepreneurship resulting from lifestyle and survival motives, both with positive relationship with informal entrepreneurship, are less likely to register and/or be willing to institutionalise. This suggests that the extent to which informal entrepreneurship can be tackled in any given context/country may depend on the size of the informal economy accounted for by managed growth entrepreneurship. Thus, government efforts and policies to tackle informal entrepreneurship should envision and target managed growth entrepreneurs. For example, it is important to implement measures to provide access to formal economy financial services, business development, and service infrastructure targeting managed growth entrepreneurship to support survival and growth. This will engender willingness to institutionalise.

5.3 Limitations and future research

While our theoretical argument that “informal entrepreneurs motivated by managed growth are more likely to register and/or be willing to institutionalise” may be the case in many societies, there is the need for caution when extending the negative relationship between informal entrepreneurship and managed growth motivation to other countries. In other developing contexts and/or countries with different socioeconomic and institutional environment, the relationship between informal entrepreneurship and entrepreneurial motivation may not hold. For example, a study on the effect of business registration reforms on entrepreneurial activities in Mexico during the 2007 – 2013 recession suggest that promoting simplification of entry regulation is an effective policy for fostering entrepreneurial activity (Bruhn, 2011). External social and economic conditions within the ecosystem may also play a critical role. However, the outcome of similar study in other developing countries might differ on the relationship between entrepreneurial motivation and informal entrepreneurship as entrepreneurial response to institutional processes is tied to context.

In this paper we controlled for three individual-level and enterprise-level. No doubt these variables may have important interaction with the relationship between entrepreneurial motivation and informal entrepreneurship. For example, countries with different institutional and cultural framework may also result in a different outcome for the relationship. A future extension of our study would be to examine how different institutional contexts might moderate the relationship between entrepreneurial motivation and informal entrepreneurship, both across and within countries with similar or even intra-country institutional development. Future research should investigate the role of entrepreneurial motivation on informal entrepreneurship adopting a different research design that can further demonstrate the causal relationship between entrepreneurial motivation and informal entrepreneurship.

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