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The Role of Personal Characteristics in the Formalization of Informal Entrepreneurship

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Abstract

This research aims to investigate the extent to which personal characteristics of informal entrepreneurs shape their decisions to transition into formal business status. A qualitative research strategy was adopted, applying a multicase study design. The study involved 28 informal entrepreneurs operating in Kampala, Uganda. Data were gathered through semi-structured interview guides, audio recording devices, and field notebooks. The results show that informal and semi-formal entrepreneurs differ markedly in their personality attributes. Informal entrepreneurs tend to demonstrate higher levels of bravery and persistence, whereas semi-formal entrepreneurs are more strongly driven by passion for their enterprises. Consequently, semi-formal entrepreneurs appear more likely to pursue formalization than informal ones. Those willing to formalize often face obstacles such as geographic distance, technological limitations, and the financial burden of using intermediaries. Resilient entrepreneurs tend to overcome these constraints, whereas less proactive individuals in both categories typically avoid formalization, often rationalizing their inaction through these barriers. This study advances the literature on informal entrepreneurship by presenting early empirical insights into how entrepreneurs' personal characteristics specifically shape their decisions to formalize their ventures.

Keywords: Informal entrepreneurship, Personal traits, Formalize decision, Uganda

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Introduction

This study investigates the personality characteristics of informal entrepreneurs and their role in shaping decisions regarding business formalization. The relevance of this topic stems from the widespread presence of informal entrepreneurship in both advanced and developing economies, including Uganda [1]. In Uganda, the predominance of informal economic activity is estimated to result in a loss of approximately 40% of potential government revenue [2].

Therefore, governments in developing countries are encouraged to foster enabling environments that support the formalization of businesses to address inefficiencies associated with informal economic activity [1, 3]. Such efforts would allow entrepreneurs to access public funding opportunities, participate in government procurement systems, and improve financial accountability practices [4], while also expanding the national tax base.

A review of existing studies indicates that informal entrepreneurship has been widely examined across different geographical contexts [5-7]. However, much of this research has focused on developed economies such as Italy, the United Kingdom, and

France, with comparatively limited attention to developing countries like Uganda, where institutional frameworks and socioeconomic conditions influencing formalization differ substantially [7].
In addition, research on personality traits has predominantly focused on students and their entrepreneurial intentions [8-10]. Yet students represent potential future entrepreneurs whose traits may differ from those of individuals already engaged in informal entrepreneurial activities. Moreover, students' entrepreneurial intentions do not necessarily emphasize business formalization as a concrete stage of entrepreneurial development.
Regarding motivations for formalization, studies such as [11] and [12] have primarily examined factors such as age, education, income, and occupational background, while paying limited attention to the role of entrepreneurs' personal traits in shaping formalization decisions. Furthermore, prior literature has highlighted the need for additional research into how personal characteristics influence informal entrepreneurs' motivation to formalize their businesses [1].
In response to these gaps, this study explores how personal traits influence the formalization decisions of informal entrepreneurs, guided by the following research questions:
RQ1. What personal traits characterize informal entrepreneurs?
RQ2. Which of these traits influences informal entrepreneurs' decisions to formalize their businesses?
Addressing these questions contributes to theory in informal entrepreneurship [1, 7] and personality trait research [9, 10]. In addition, identifying the traits that most strongly affect formalization decisions can assist policymakers in developing economies in designing more context-sensitive strategies to encourage business formalization. The remainder of this paper is organized as follows: literature review, methodology, findings and discussion, and conclusion.

Literature review

Informal entrepreneurship

The notion of informal entrepreneurship is interpreted in diverse ways within scholarly work; however, there is a broad consensus that it possesses defining features that distinguish it from other entrepreneurial forms. According to an integrative review, [1] define informal entrepreneurship as a business activity carried out without full compliance with the legal obligations governing the provision of goods and services in a particular setting, while remaining socially tolerated. It is also conceptualized in terms of the socioeconomic position of the entrepreneur [13], encompassing income level, educational attainment, and occupational status.
Building on this understanding, [1] categorize informal entrepreneurs into four groups: informal poor, informal affluent, semi-formal poor, and semi-formal affluent. The informal poor are characterized by high levels of informality, operating unregistered enterprises that do not comply with tax obligations or licensing requirements [14]. In addition, they tend to be in very low socioeconomic conditions, particularly in terms of education and income [7]. In contrast, informal affluent entrepreneurs also operate informally but enjoy relatively high socioeconomic standing [15], meaning their income exceeds poverty thresholds in their respective contexts.
[6] describe semi-formal poor entrepreneurs as individuals who combine low socioeconomic status with partial compliance to formal regulations. Although they may meet certain obligations, such as taxation and licensing, they often disregard regulations on labor, environmental protection, and workplace safety. At the other end, semi-formal affluent entrepreneurs are characterized by low levels of informality and relatively strong socioeconomic status [5]. These entrepreneurs may still overlook specific regulatory requirements, particularly those concerning environmental standards and employee welfare, primarily to enhance profitability and income generation.

Personal traits of informal entrepreneurs

Entrepreneurs' personal characteristics are widely recognized as fundamental in influencing their strategic choices and business behaviors [16, 17] In recent years, this concept has been extensively explored in several studies [10, 16, 18, 19], which generally interpret it through two main theoretical lenses: specific traits and the Big Five personality model.
For instance, [10] identify eight specific entrepreneurial traits that support entrepreneurial activity across contexts. These include innovativeness, self-efficacy, achievement orientation, independence, optimism, risk propensity, internal locus of control, and stress tolerance. In contrast, [19, 20], and [9] adopt the Big Five framework, which conceptualizes entrepreneurial personality as openness to experience, emotional stability, conscientiousness, extraversion, and agreeableness.
In comparing these two approaches [18], found that specific entrepreneurial traits are more influential in explaining individuals' entrepreneurial capability and potential than the broader Big Five personality dimensions. Similarly [9], in a study of entrepreneurial intention among university students, found that Big Five traits positively influence students' attitudes, which, in turn, foster stronger entrepreneurial intentions.
Consistent with this line of research [8], found that need for achievement and internal locus of control are the most significant personality traits driving entrepreneurial venture creation, based on data from 270 students at two Romanian universities. This finding is intuitive, as individuals with strong achievement motivation are more likely to believe that formalizing their businesses enables them to leverage their capabilities better to achieve productive goals.

Overall, the literature on entrepreneurial traits has largely concentrated on student populations [8-10], focusing primarily on entrepreneurial intentions, with relatively limited attention to informal entrepreneurship [21], whose study examined the performance prediction of informal micro-tea-stall operators in Bangladesh.

This review shows that the personal traits of informal entrepreneurs remain underexplored. Moreover, these traits are likely to differ significantly from those of formal entrepreneurs and students, whose characteristics may evolve as entrepreneurial intentions develop. In particular, informal entrepreneurs operate outside formal regulatory frameworks and function in highly dynamic environments compared to both formal entrepreneurs and students. This gap highlights the need for the present study to examine the personal traits of informal entrepreneurs to address the following research question:

RQ1: What are the personal traits of informal entrepreneurs?

Motivation to formalize entrepreneurial activities

The discussion surrounding what drives entrepreneurs to formalize their activities remains a contested issue in the literature see [22-27], with researchers presenting varying and sometimes conflicting perspectives. For example [22], found that heavy taxation imposed by government authorities contributes to elevated levels of informality in Uganda. This suggests that high tax burdens reduce profitability and earnings among informal entrepreneurs, thereby weakening their incentives to formalize. Similarly [23], identified multiple structural and institutional factors influencing formalization decisions, including colonial-era planning systems, economic liberalization policies, weak governance structures, political instability, inefficient tax systems, patterns of spatial development, and opportunistic behavior by public officials.

[26] further demonstrated, in the Vietnamese context, that obtaining a business license does not necessarily lead to improvements in profits, revenue, costs, or employment levels. This implies that informal entrepreneurs may still achieve their objectives without formal registration. In line with this view [27], showed that businesses that initially operated informally before registering after a prolonged period tend to experience higher growth in sales, employment, and productivity than firms that were formally registered from inception. A similar argument is advanced by [28], who found that women entrepreneurs often choose to remain informal to better manage the competing demands of family responsibilities and work obligations.

It is also important to recognize that the decision to formalize is influenced by entrepreneurs' demographic characteristics. In this regard [11], established that higher levels of formalization are associated with factors such as age, education level, and income. Consequently, younger entrepreneurs with lower educational attainment and limited income tend to show weaker intentions to formalize, possibly due to limited awareness of regulatory requirements and the benefits of business registration. This aligns with the findings of [12], who emphasized that entrepreneurs' professional backgrounds play a critical role in encouraging formalization behavior.

A review of the existing literature indicates that most studies have concentrated on formalization requirements, business objectives, and demographic determinants of entrepreneurs. Therefore, limited attention has been given to how personal traits influence informal entrepreneurs' motivation to formalize their businesses. To address this gap, the present study seeks to answer the following research question:

RQ2: Which of these traits influences the informal entrepreneurs' decision to formalize their businesses?

Materials and Methods

Study context

This research was carried out in Uganda, a country widely recognized for its high levels of entrepreneurial activity globally (Global Entrepreneurship Monitor, GEM). In particular, GEM (2014) identified Uganda as having the highest total entrepreneurial activity (TEA) rate worldwide, with approximately 28% of adults engaged in owning or co-owning new enterprises.

Accordingly, the study concentrated on Kampala district, the capital city of Uganda, where a large proportion of entrepreneurial activity is conducted informally [29]. These informal activities include mobile street vendors, tailors, traders in open markets such as Owino, Nakasero, Kasubi, Nakawa, and Wandegeya, second-hand goods sellers, food and beverage vendors, fruit and vegetable traders, salon operators, and motorcycle taxi (boda-boda) riders [30].

In response to the scale of informality, the government has been promoting formalization as part of its broader socioeconomic transformation strategy [2]. In this context, identifying the personal traits that shape formalization decisions among informal entrepreneurs is crucial, as it can help policymakers in developing countries design tailored interventions that encourage entrepreneurs to perceive formalization as a strategic step toward sustainable business growth and continuity.

Research design

This study employed a multicase research design [31], which enabled a comparative understanding of both similarities and differences in entrepreneurial traits across informal and semi-formal categories that influence the decision to formalize business activities [32, 33].
A total of 28 informal entrepreneurs operating within Kampala district, Uganda, were selected to participate in the study. The aim was to examine their personal characteristics and assess how these traits shape their decisions regarding business formalization. Kampala was chosen as the study area because it is the national capital and hosts a large concentration of informal entrepreneurial activities [34].

Sampling and data collection
A purposive sampling technique was used to identify 28 informal entrepreneurs, with assistance from local leaders. In particular, these leaders relied on their judgment to recruit participants with relevant knowledge of the phenomenon under investigation [35]. This approach ensured the selection of credible respondents who could provide rich, relevant information to adequately address the research questions.
The inclusion criteria required that each participant be the owner of the business, that the enterprise be located within Kampala district, and that it fall into one of the following categories: informal poor, informal affluent, semi-formal poor, or semi-formal affluent. The sample size was determined once data saturation was achieved, meaning that additional interviews no longer generated new insights but instead repeated previously identified themes [36].
Data collection was carried out through semi-structured interviews, which involve guided, systematic questioning based on predefined themes, supplemented with probing questions to elicit deeper, more detailed responses [37]. According to [38], this method enables the collection of rich, authentic, and contextually grounded data from participants. Furthermore, given the sensitive nature of the topic (business registration and trade license payments), interviews were considered appropriate, as they allow participants to express their views more comfortably and indirectly. The interview guide was developed after an extensive review of existing literature on informal entrepreneurship, with particular attention to personal traits and entrepreneurial motivation.
During the interviews, information was gathered on participants' demographic profiles (age, gender, education, work experience, and type of business), as well as personal traits (e.g., descriptions of risky business situations and responses to them; identification of the most innovative aspect of the business and its origin; articulation of main business goals and strategies for achieving them; self-assessment of confidence in crises; and explanations of actions taken to ensure business survival). Additionally, data related to informal entrepreneurship were collected, including ownership status, number of workers (with distinctions between family and non-family members), registration status (including registration with Uganda Revenue Authority (URA)), payment of local trade licenses and frequency, monthly profit levels, daily sales and expenses, and any additional information participants wished to share about themselves and their businesses.
With participants' consent, all interviews were audio-recorded and supplemented with written notes taken in a notebook to capture key points emerging during discussions. In total, 28 informal entrepreneurs were interviewed, with each interview lasting no more than 40 minutes.

Data analysis, reliability, and validity
The analysis of the collected data followed a systematic stepwise procedure. Initially, all audio recordings were transcribed verbatim. To minimize bias, this transcription was performed by an external individual who had not participated in the interviews. Subsequently, another independent person reviewed the transcripts for accuracy before they were imported into Atlas.ti software for coding.
Coding was conducted using the original Luganda transcripts to preserve nuanced meanings embedded in participants' linguistic expressions and culturally specific interpretations [39]. A second coding cycle was then undertaken, during which all transcripts were carefully re-examined, and meaningful segments of text were categorized into emerging themes by the third, fourth, and fifth authors. Within each main category, these themes formed subcategory codes [40].
The elements within each subcategory were further refined through selective coding, which involved organizing direct quotations that represented each thematic category. Emphasis was placed on using participants' own words to accurately represent their perspectives rather than interpreting them through the researchers' lens. This approach is particularly important in naturalistic inquiry, where researcher integrity and faithful representation of participant viewpoints are essential.
In addition, the data were further explored using search functions to identify relationships and patterns across codes. This iterative process facilitated a deeper understanding of the meanings embedded in each coded segment and enabled the interpretation of complex conceptual linkages within the dataset.

Results and Discussion

Study findings

The findings are presented in accordance with the two research questions: (RQ1) What are the personal traits of informal entrepreneurs? and (RQ2) Which of these traits influences the informal formalization decision? Specifically, the section outlines participants' demographic profiles, personal characteristics, and how these traits affect their decisions to formalize their businesses.

Sample characteristics

During the interviews, information on gender, age, educational attainment, work experience, and business type was collected to provide a comprehensive profile of the informal entrepreneurs involved in the study, as shown in **Table 1**. The results indicate that out of 28 participants, 15 were male entrepreneurs and 13 were female, suggesting that informal entrepreneurship provides opportunities for both men and women, with notable inclusion of women in business activities in many developing economies.

The youngest respondent was 19, while the oldest was 89, indicating that informal entrepreneurship spans all age groups, largely due to its flexibility and relatively low entry barriers and start-up costs.

Table 1. Respondent characteristics

SN	Respondents (cases)	Gender	Age (years)	Education level	Experience	Business activity
1	Case 1	Male	35	Bachelor's degree	9 years	Operating a retail shop
2	Case 2	Male	30	Diploma holder	1 year	Operating a retail shop
3	Case 3	Male	89	Primary school dropout	55 years	Selling bicycle spare parts
4	Case 4	Male	27	Primary school dropout	8 years	Selling building materials
5	Case 5	Female	45	Certificate holder	21 years	Selling polythene bags, flower bouquets, and vegetables
6	Case 6	Male	25	Diploma holder	3 years	Production and sale of ice cream
7	Case 7	Male	28	Bachelor's student	1 year	Production and sale of ice cream
8	Case 8	Male	42	Lower secondary leaver	1 year	Production and sale of snacks
9	Case 9	Female	30	Primary school dropout	1 year	Production and sale of snacks
10	Case 10	Male	42	No formal education	20 years	Butchery (selling meat)
11	Case 11	Female	23	Lower secondary dropout	2 years	Agro-chemical input sales
12	Case 12	Male	19	Lower secondary dropout	1 year	Running a merchandise shop
13	Case 13	Female	22	Lower secondary dropout	1 year	Selling spices and sauces
14	Case 14	Female	31	Primary school dropout	1 year	Selling fried cassava
15	Case 15	Male	35	Lower secondary certificate	20 years	Buying and selling agricultural produce
16	Case 16	Female	58	Primary school leaver	1 year	Operating a merchandise shop
17	Case 17	Male	37	Primary school leaver	10 years	Trading coffee and maize grains
18	Case 18	Female	48	No formal education	30 years	Alcohol sales
19	Case 19	Female	34	Certificate holder	10 years	Running a drug shop
20	Case 20	Male	74	Primary school leaver	4 years	Shoe repair services
21	Case 21	Female	41	Primary school leaver	9 years	Operating a small restaurant
22	Case 22	Female	46	Primary school dropout	10 years	Running a merchandise shop
23	Case 23	Female	45	No formal education	10 years	Producing and selling alcohol
24	Case 24	Female	52	Primary school dropout	3 years	Operating a bar
25	Case 25	Female	32	Lower secondary certificate	2 years	Mobile money services and clothing sales
26	Case 26	Male	37	Lower secondary certificate	13 years	Selling agricultural produce such as maize and coffee
27	Case 27	Male	51	Lower secondary dropout	30 years	Retail shop and agricultural produce trading
28	Case 28	Male	32	Primary school leaver	3 years	Selling jackets and track trousers

Source(s): Primary data

The findings further reveal that a majority of participants either did not complete primary education or left at the primary level, with only one holding a bachelor's degree. This indicates that informal entrepreneurship serves as an alternative economic pathway for individuals who may not successfully compete in the formal labor market.

Table 1 also shows that most participants had been engaged in business activities for 1-3 years, suggesting relatively limited experience, which may expose them to challenges related to business sustainability and growth.

The study further found that participants were involved in a wide range of entrepreneurial activities, including supplying agricultural inputs, trading agricultural products, providing medical and mobile money services, running retail shops, selling bicycle spare parts, dealing in construction materials, and selling snacks, ice cream, and alcoholic beverages. This diversity suggests that informal entrepreneurs operate across multiple sectors to respond to the changing and heterogeneous needs of consumers in developing contexts such as Uganda.

Informal poor

In this group, a total of 12 entrepreneurs were interviewed, each exhibiting the socioeconomic characteristics summarized below **(Table 2)**.

Table 2. Informal poor.

Cases	Registration status	Local license fee	Business ownership type	Source of employees	Monthly profits	Level of education
1	Not registered	No payment made	Sole proprietorship	Works individually	USD 18.94	Certificate holder
2	Not registered	No payment made	Sole proprietorship	Family labor	USD 24.35	Lower secondary leaver
3	Not registered	No payment made	Sole proprietorship	Family labor	USD 81.16	Primary school dropout
4	Not registered	USD 5.41	Partnership enterprise	Works alone	USD 16.23	Lower secondary dropout
5	Not registered	No payment made	Sole proprietorship	Works alone	USD 16.23	Lower secondary dropout
6	Not registered	No payment made	Sole proprietorship	Works alone	USD 40.58	Primary school dropout
7	Not registered	USD 2.71	Sole proprietorship	Works alone	USD 24.89	No formal education
8	Not registered	No payment made	Sole proprietorship	Works alone	USD 8.12	Primary school leaver
9	Not registered	USD 4.06	Sole proprietorship	Non-family labor	USD 37.87	Primary school leaver
10	Not registered	USD 5.41	Sole proprietorship	Non-family labor	USD 27.05	No formal education
11	Not registered	No payment made	Sole proprietorship	Works alone	Not disclosed	Lower secondary certificate
12	Not registered	No payment made	Sole proprietorship	Works alone	Not disclosed	Primary school leaver

Source(s): Primary data

The findings in **Table 2** show that all 12 entrepreneurs classified as informal poor operate without business registration, although some still pay trade license fees ranging from USD 2.71 to USD 5.41. Most businesses in this category are owned and managed as sole proprietorships, with entrepreneurs either working independently or with family members' support.

The results further indicate that the highest monthly profit recorded among these entrepreneurs is USD 81.16, while the lowest is USD 8.12. Overall, participants have low educational attainment, suggesting a strong likelihood of remaining informal, largely due to low income levels and low literacy, both of which may constrain their ability to pursue formalization.

The findings reveal that entrepreneurs within the informal poor category share a set of common personal characteristics that help explain the types of businesses they engage in. These characteristics include honesty, commitment, resilience, adaptability, profit orientation, achievement motivation, careful planning, optimism, financial awareness, trustworthiness, sociability, risk tolerance, and hard work. The interviews provided multiple real-life situations illustrating how these traits manifest in practice.

The results also suggest that several traits are closely interconnected. For instance, individuals who demonstrated honesty were also observed to be hardworking and dependable. For analytical purposes, these overlapping qualities were consolidated into a broader trait, reliability. This sense of reliability was consistently observed across all interviews with entrepreneurs in the informal poor category, as illustrated in the excerpts below.

"… when a customer requests cassava worth USD 0.027 or USD 0.054, I ensure they receive exactly that amount, even if it is a child; I always try to act truthfully in my work … being honest in business prevents many problems. For instance, if I experience a loss and lack capital, I can approach my suppliers, explain the situation, and they may provide goods on credit, which I later repay after making a profit … honesty is very important in business. If I happen to lose a customer's shoe, I make sure to compensate them instead of avoiding responsibility." … illustrations of reliability among entrepreneurs in the informal poor category.

The perspectives shared by respondents in this category highlight reliability through actions such as ensuring fair value for customers, repaying borrowed resources on time, and replacing damaged or lost goods. These behaviors indicate that entrepreneurs in the informal poor group generally exhibit strong dependability in their dealings.

Regarding resilience, participants demonstrated a strong determination to continue operating despite financial setbacks and market uncertainties. In many cases, this trait enabled them to remain in business even under conditions that might have led to closure.

"… I have experienced business losses, but I did not quit because I understood the reasons behind them … at one point, I had physical pain while preparing local brew, which led me to switch to selling beer and producing 'Qwette' (a local drink). I also grow cassava, dry it, mill it, and purchase it during shortages. If I invest USD 5.35 in millet flour, I make sure I earn a profit of USD 2.68 …" … illustrations of resilience among entrepreneurs in the informal poor category.

Another notable trait identified was cosmopolitanism. Entrepreneurs in this category demonstrated flexibility in adapting to diverse customer needs, managing clients across age groups, and responding quickly to market changes. They also showed willingness to adopt new business opportunities in response to changing conditions, ensuring they remain competitive and relevant.

"… sometimes I produce snacks in large quantities but fail to find enough buyers, so I reduce prices and take the remaining stock home for household consumption … before COVID-19, I noticed a shift where demand for envelopes declined while demand for paper increased, so I switched to selling polythene bags … when dealing with elderly customers, I treat them respectfully and sometimes offer credit so they return … when prices change, I explain the reasons to customers to maintain trust and loyalty …" … illustrations of cosmopolitan behavior among entrepreneurs in the informal poor category.

Traits associated with careful financial management and financial knowledge have been integrated in this study under the broader concept of frugality. Among entrepreneurs in the informal poor category, this is reflected in practices such as maintaining financial records, planning for future business performance, estimating profits, sustaining operations, and minimizing unnecessary expenditures. These characteristics were evident throughout the interviews, and illustrative excerpts are presented below.

"… I avoid making daily deliveries of polythene bags because customers would still have stock the next day. For instance, if I deliver goods on Monday, I wait until Thursday so that the earlier stock has been sold. This strategy helps me reduce transport costs and wasted time … when I earn profit, I contribute part of it to our savings group. If I do not make a profit, I plan to save during the next profitable cycle …" … expressions of frugality among entrepreneurs within the informal poor category.

Another prominent characteristic observed was the need for achievement. Entrepreneurs in this group displayed a strong desire to attain both personal and business success. This was reflected in their aspirations for financial independence, ability to meet family obligations, acquisition of assets, home ownership, business expansion, investment in improved equipment, and job creation. These aspirations were consistently reflected throughout the interviews, as illustrated below.

"… before starting this business, I stayed at home and struggled with even basic needs such as purchasing items worth USD 0.54. I decided to begin this activity so I could meet my needs independently… I would like to build a decent house and improve my living conditions. For example, if I earn enough income, I can employ others to work while I supervise … I also hope to acquire items such as a television and other household equipment that improve daily living …" … expressions of achievement motivation among entrepreneurs within the informal poor category.

Optimism also emerged as a significant trait among these entrepreneurs. Many participants expressed positive expectations regarding business growth and future profitability. Several believed that strong customer service would eventually yield better returns, while others remained hopeful about returning to formal education. The following excerpts reflect these perspectives.

"… I believe that within about three years I can reach my goals if I combine farming activities with my business. For example, by cultivating maize and beans, I can earn up to 1 million annually. The following year, I may increase my income to about USD 402 … I also plan to establish a fully equipped shoe repair workshop with all necessary tools, such as soles, half-soles, and a sewing machine, which would provide me with stability in old age … I left Senior 3 due to a lack of school fees. However, I still hope to resume my studies …" … expressions of optimism among entrepreneurs within the informal poor category.

Social behavior was another key trait identified among entrepreneurs in this category. This was demonstrated through maintaining strong interpersonal relationships, assisting others, sharing business knowledge, and showing empathy toward community members.

"… my friends help me manage the business when I am away. For example, when I travel, they stay and attend to customers. I also consult them on business matters, and when I face challenges, I seek their advice and guidance … I started this business so that I could support my parents whenever they need help, even if it is just USD 2.68, which motivated me to engage in business activities …" … expressions of social behavior among entrepreneurs within the informal poor category.

Risk-taking was also identified as a defining trait among informal poor entrepreneurs. This was evident in their willingness to engage in uncertain activities, such as using sealed production inputs whose contents may be less than expected after opening the packages, particularly in products like polythene bags. A more common risk was extending credit to customers, with many entrepreneurs acknowledging repeated instances of non-repayment while continuing to operate. Another significant risk was dealing in perishable goods, where losses frequently occur due to spoilage. Additionally, most entrepreneurs reported taking loans despite the possibility of business failure and inability to repay.

"… customers often take goods on credit and fail to repay, yet this involves my working capital and reduces my reinvestable profit. I have not suffered major losses that would force me to stop, but I frequently handle perishable goods purchased in bulk, and, due to insufficient demand, some items expire, resulting in losses. I also rely on borrowing money and ensuring

repayment. It is difficult for a business to survive without access to credit …" … expressions of risk-taking among entrepreneurs within the informal poor category.
Finally, entrepreneurs in this group demonstrated a strong work ethic. This was reflected in managing multiple business activities, multitasking within their enterprises, working with limited capital, and diversifying their product lines to increase income. These behaviors are illustrated below.
"… I run a small hotel where I prepare breakfast and cook meals once per day for customers. Most of my children are grown and engaged in vocational training, while others are still young, so they cannot assist me … I handle most tasks alone, although my husband occasionally helps with frying cassava while I serve customers … I previously experienced physical strain while preparing local brew, which led me to shift into beer selling and producing 'Qwette' (a local drink). I also grow cassava, dry it, mill it, and purchase additional stock during shortages …" … expressions of hard work among entrepreneurs within the informal poor category.

Informal affluent

A total of six entrepreneurs whose businesses fall under the informal affluent category were interviewed. Their socioeconomic characteristics are presented in **Table 3**. The findings show that all participants in this category operate unregistered businesses while still paying local licensing fees, indicating a willingness and potential readiness to transition toward formalization.
It was also observed that all entrepreneurs in this group run sole proprietorship enterprises. Among them, three employ non-family workers, two operate with assistance from family members, and one manages the business alone. Monthly profits range between USD 27 and USD 40. Additionally, two of the six entrepreneurs have formal education, which may enhance their capacity to apply knowledge toward formalizing their business operations.

Table 3. Socioeconomic characteristics of entrepreneurs in the informal affluent category

Cases	Registration status	Local license fee	Type of business ownership	Employee source	Monthly profits	Education level
1	Not registered	USD 2	Sole proprietorship	Non-family workers	USD 268	Primary school dropout
2	Not registered	USD 20	Sole proprietorship	Non-family workers	USD 160	Diploma holder
3	Not registered	No payment made	Partnership business	Non-family workers	USD 40	Bachelor's degree
4	Not registered	USD 14	Sole proprietorship	Family labor	USD 80	Lower secondary dropout
5	Not registered	USD 7	Sole proprietorship	Family labor	USD 134	Primary school leaver
6	Not registered	USD 9	Sole proprietorship	Works individually	USD 134	Lower secondary certificate

Source(s): Primary data

Entrepreneurs in the informal affluent category exhibit several characteristics that overlap with those found among informal poor entrepreneurs. These shared traits include reliability, resilience, cosmopolitan orientation, achievement motivation, optimism, sociability, risk-taking, and a strong work ethic.
However, this group also displays additional distinctive traits not commonly observed in the informal poor category. These include vision-oriented thinking, curiosity, customer-centric behavior, a tendency to seek inspiration, mindfulness, and passion. Each of these characteristics was reflected in the behaviors and narratives shared during interviews. These traits are elaborated below.
Regarding visionary thinking, entrepreneurs in this category demonstrated a clear sense of direction regarding both their present position and future aspirations. They appeared to have strong control over their business trajectories, with the ability to anticipate growth pathways and long-term goals. The following excerpts illustrate this:
"… at the moment I operate from a veranda, but in the future I want to be operating from a proper room. I also aim to upgrade my living conditions by building my own house … I intend to scale up my business from a small operation into a factory-level enterprise. I also plan to increase the number of employees, because higher output allows for better productivity, and wages can be based on output levels …" … expressions of visionary thinking among entrepreneurs within the informal affluent category.
Curiosity was another prominent trait, reflected in the entrepreneurs' active search for knowledge and skills related to production processes and service delivery, which later shaped their business formation and development. This is evident in the following account:
"… I initially started by producing paper bags because I lacked sufficient capital. At that time, I lived near town and noticed women selling paper envelopes. I asked them about the production materials, and they explained them. I later realized no machines were required, so I went to Owino market, where I observed women selling papers and envelopes. I continued

asking questions until I learned that materials were sourced from Nasser Road. I also met an experienced assistant whom I hired at a low wage while continuing to learn and improve my skills gradually …" … expressions of curiosity among entrepreneurs within the informal affluent category.

Customer orientation was also strongly evident among these entrepreneurs. This was reflected in their efforts to actively listen to customer feedback, respond to complaints, treat customers with high regard, stock goods based on customer preferences, and ensure customer satisfaction even when products were not immediately available. They consistently aimed to exceed customer expectations. This is illustrated below:

"… I travel to distant locations to source materials to meet or even exceed customer expectations … I found that my main customers are students, so I make sure to treat them well and respond effectively to their complaints so that they do not face the same issues again in the future …" … expressions of customer orientation among entrepreneurs within the informal affluent category.

The trait of being inspirable was also observed among participants. Entrepreneurs admired successful peers and sought to replicate their achievements in their own businesses. Some were particularly inspired by relatives or known individuals who had achieved success, using them as motivation to work harder. This is reflected in the excerpt below:

"… I gain motivation from people I admire who are more successful than I am, such as the director from whom I buy maize and coffee, who has achieved significant success. This inspires me to believe that if I work hard, I can also reach similar success. I am also inspired by another company involved in poultry and piggery farming that operates under good conditions, and I believe I can achieve the same level … I aim to improve my personal and family welfare. I also want to become a role model in my community and country so that others can learn from my experience and say that if you follow a similar path, your life can improve just as Ssemuddu's did …" … expressions of being inspirational among entrepreneurs within the informal affluent category.

Another observed trait was mindfulness or consciousness. Entrepreneurs demonstrated careful attention to tracking customers, maintaining accurate transaction records, and ensuring financial accountability to safeguard both customer funds and business resources. They consistently paid attention to detail and actively reminded customers of outstanding payments when necessary. These practices are further reflected in the excerpt below.

"… at times I supply goods to customers on credit and may lose track of them. To avoid this, I keep written records of each client's name, delivery date, quantity of goods provided, and total amount owed. I also document any partial payments received as well as the remaining balance …" … expressions of consciousness among entrepreneurs within the informal affluent category.

Another identified characteristic was passion. Entrepreneurs in the informal affluent group demonstrated this through a strong emotional attachment to their businesses, a willingness to make personal sacrifices, and a commitment to sustaining operations despite difficulties. They showed determination and enthusiasm to ensure their enterprises remain competitive and successful.

"… I am deeply committed to my business because, despite numerous challenges, I would have already exited if I did not value it. However, I understand its potential benefits, so I continue operating it. I have experienced crises, such as purchasing a machine on credit and then being unable to repay it during the lockdown, which led to its repossession until we renegotiated. Other challenges occur when equipment breaks down, such as screen failure or electrical issues that damage the motherboard, rendering the entire machine unusable. In such cases, I must return to the supplier to replace key components …" … expressions of passion among entrepreneurs within the informal affluent category.

Semi-formal poor

In the interviews, 6 of the 28 participating entrepreneurs were classified as semi-formal poor. Their socioeconomic characteristics are summarized in **Table 4**.

Table 4. Socioeconomic characteristics of entrepreneurs in the semi-formal poor category.

Cases	Registration status	Local license fee	Type of business ownership	Source of employees	Monthly profits	Education level
1	Registered	USD 10	Sole proprietorship	Works individually	USD 107	Primary school dropout
2	Not registered	USD 11	Partnership business	Non-family workers	USD 134	No formal schooling
3	Registered	USD 14	Sole proprietorship	Works alone	USD 536	Lower secondary certificate
4	Registered	USD 14	Sole proprietorship	Works alone	USD 134	Certificate holder
5	Registered	USD 11	Sole proprietorship	Works alone	USD 803	Primary school dropout
6	Not registered	USD 7	Sole proprietorship	Family labor	USD 1874	Lower secondary dropout

Source(s): Primary data

All six entrepreneurs in this category operate unregistered businesses while generally paying local licensing fees. The findings also show that all participants run sole proprietorships, with most working independently, except for two cases where support is received from family and non-family members. Monthly profits are relatively high, ranging between USD 108 and USD 1874. This indicates that although they benefit financially from operating at a semi-formal level, their likelihood of fully formalizing remains low. This is further reflected in their relatively low educational attainment.
The analysis shows that entrepreneurs classified as semi-formal poor share several traits with those in both informal poor and informal affluent categories. These include cosmopolitan orientation, dependability, risk-taking, achievement motivation, sociability, forward-thinking, resilience, frugality, and optimism.
However, two additional traits—independence and religiosity—were found to be particularly distinctive for this group. These emerged clearly during the interviews, as explained below.
Regarding independence, entrepreneurs in this category expressed a strong desire to achieve financial self-sufficiency rather than work solely for wages that cover only basic needs, such as food. They viewed independence as a pathway to broader goals, including supporting family members and contributing to their communities. Some participants built on skills acquired from previous employment, while others emphasized the desire to avoid financial dependence on spouses or relatives.
"… I wanted to achieve financial independence, meaning earning for long-term stability rather than just working to afford daily food. I also wanted to be in a position to support my community … I initially worked for someone at a school for 2 years. After gaining experience, I used my savings to purchase business equipment, such as cooking utensils, baking supplies, and oil. My goal was to become self-reliant, achieve personal objectives, and support my children's education … I also wanted to take care of my own needs instead of relying on my husband or relatives …" … expressions of independence among entrepreneurs in the semi-formal poor category.
Regarding religiosity, participants in this category appeared more spiritually inclined than participants in other groups. Religion was described as a guiding force that helps them cope with unusual business situations, maintain patience, act honestly, and remain humble in their operations. It also reinforced ethical behavior, as entrepreneurs believed they were constantly being observed by a higher power. This encouraged them to deliver correct quantities and quality of products to customers.
"… sometimes while running my business, I reflect on my religious teachings to guide my actions. It helps me remain patient. For example, during rainy days when ice cream sales decline, I stay calm, believing that the situation is beyond my control and part of a higher plan. My faith encourages me to act honestly and modestly in business, ensuring that I provide the right quality and quantity of goods. I behave this way because I believe my creator is always watching and I correct myself whenever I realize I might act wrongly …" … expressions of religiosity among entrepreneurs in the semi-formal poor category.
Further examination of the interview data revealed two exceptional cases within this category where entrepreneurs displayed traits of being highly organized and skilled in negotiation—traits not commonly observed across other categories. For example, a butcher demonstrated exceptional organization in how meat was cut and arranged, which enhanced customer attraction regardless of meat quality. Similarly, some entrepreneurs displayed strong bargaining skills, particularly when dealing with fixed government charges such as trade licenses. Despite official rates being predetermined, one participant reported successfully negotiating lower fees with tax officials.
"… meat is cut in a very orderly manner rather than randomly, which attracts customers. Even when the meat is fatty or lean, customers still prefer it if it is well presented … I also pay local service tax, usually around USD 11 or USD 9 after negotiating with tax collectors. This is paid annually, and the officials responsible for collection frequently change …" … expressions of organization and negotiation among entrepreneurs in the semi-formal poor category.
Regarding frugality, entrepreneurs in this group expressed reluctance to incur costs that are not directly linked to production or sales activities. This tendency appears to be more pronounced among individuals in both informal poor and semi-formal poor categories.
"… I prefer not to register my business because registration involves several obligations and costs. I understand that business registration requires paying certain fees …" … expressions of frugality among entrepreneurs in the semi-formal poor category.

Semi-formal affluent
During interviews with 28 entrepreneurs in Kampala, Uganda, 5 participants were identified as belonging to the semi-formal, affluent category of informal entrepreneurship. Their socioeconomic profiles are presented in **Table 5**.

Table 5. Socioeconomic characteristics of entrepreneurs in the semi-formal affluent category.

Cases	Registration status	Local license fee	Business ownership type	Source of employees	Monthly profits	Education level
1	Registered	USD 19	Sole proprietorship	Family and non-family workers	USD 536	Bachelor's degree

2	Registered	USD 22	Sole proprietorship	Family labor	USD 268	Diploma holder
3	Registered	USD 14	Sole proprietorship	Family labor	USD 803	Lower secondary dropout
4	Registered	USD 11	Sole proprietorship	Non-family workers	USD 1339	Primary school leaver
5	Registered	USD 4	Sole proprietorship	Works individually	USD 803	Primary school dropout

Source(s): Primary data

The findings in **Table 5** indicate that three of the five entrepreneurs in this category operate formally registered businesses, while all five pay local licensing fees. Some of the entrepreneurs employ non-family workers, two receive assistance from family members, and one manages the business independently. All participants generate relatively high monthly incomes, ranging between USD 268 and USD 1339. Additionally, two entrepreneurs in this group have formal education, suggesting a stronger capacity to transition fully into formal business structures compared to their less educated counterparts.

Interactions with entrepreneurs in this category revealed several distinctive traits that were not commonly observed among participants in the informal poor, informal affluent, and semi-formal poor groups. These include a strong drive for business continuity, a willingness to delegate responsibilities, a strong sense of accountability, and a high level of innovation.

The findings show that entrepreneurs in this classification place significant emphasis on sustaining their businesses over time. During interviews, it became evident that, even amid rising commodity prices, these entrepreneurs are willing to inject additional capital from external sources to ensure the continuity and survival of their enterprises. Some also dedicate considerable time to monitoring stock movement to ensure consistent customer satisfaction and retention. As a result, they frequently conduct stock assessments to identify gaps and restock accordingly as part of their continuity strategy.

"… prices often change unexpectedly; you may purchase goods and return later to find prices have increased significantly. In such cases, if you had planned to buy in bulk, you may reduce the quantity purchased. This often reduces available capital, meaning additional funds must be injected from outside the business. What matters most to me is stock management; I constantly monitor what is available, what is missing, and why, and decide which additional items to introduce. This process takes up a lot of my time … we are not primarily focused on profit maximization; our focus is on continuity and maintaining operations with the resources available. If you can sustain the shop and restock consistently …" … expressions of business continuity among entrepreneurs in the semi-formal affluent category

Unlike entrepreneurs in other categories, participants in the semi-formal affluent group demonstrated a strong ability to delegate responsibilities to family members or employees to ensure smooth business operations. In cases of absence, wives, siblings, and other non-family members step in to maintain business continuity.

"… my family supports me, especially my wife, who comes to assist in the business. When I am away, she ensures the shop remains open so operations continue. I started the business on my own. Still, I sometimes get assistance, especially when transporting maize and coffee to town for sale … I also involve my family when I need advice. My younger brother often steps in when I am unavailable …" … expressions of delegation of responsibilities among entrepreneurs in the semi-formal affluent category.

Responsibility was another prominent trait observed among these entrepreneurs. They consistently maintained and serviced business assets such as vehicles to ensure operational efficiency. In addition, they supported their families by contributing to education expenses and healthcare needs. Hygiene and equipment maintenance, particularly in food and beverage businesses, were also prioritized to ensure product quality and customer satisfaction.

"… I highly value my truck used for transporting construction materials because if it breaks down, I cannot fulfill customer orders. Therefore, I regularly service and maintain it to keep it in good condition … since I am not from a wealthy background, I must work hard to support my family, including paying school fees and taking care of relatives … hygiene is also very important; machines must be thoroughly cleaned because if ice or stored products remain too long, they can spoil …" … expressions of responsibility among entrepreneurs in the semi-formal affluent category.

Further analysis revealed that entrepreneurs in this category are highly innovative. They reported introducing new products and marketing approaches to attract and retain customers. For instance, a retail shop owner began displaying goods outside the premises to increase visibility. The same entrepreneur also introduced smaller packaged quantities, such as 10 kg and 5 kg bags of rice and maize flour, to cater to different income groups. Others in the agricultural trade provide farming tools, such as hoes, to customers to build relationships and encourage future transactions. Additionally, entrepreneurs in the agricultural inputs industry adjust their products seasonally, replacing ineffective chemicals or seeds with more suitable alternatives based on environmental conditions.

"… I observe market demand and supply gaps, and I often introduce what others do not have. For example, I was the first to start displaying goods outside the shop and introducing 10kg and 5kg packaging for rice and flour … we also surprise customers with gifts such as hoes or pangas to attract them to our business … during different seasons, we replace chemicals that are less effective due to rain or climate conditions, and we switch to more resilient seed varieties depending on soil and weather conditions …" … expressions of innovation among entrepreneurs in the semi-formal affluent category.

Business formalization

Informal poor entrepreneurs

An examination of the identified traits was conducted to assess how they shape entrepreneurs' willingness to formalize their businesses. Considering characteristics such as frugality, risk-taking, and resilience, it becomes evident that individuals operating informal enterprises may have limited motivation to formalize their operations.

Regarding frugality, entrepreneurs strongly exhibiting this trait expressed concern that formalization would introduce additional costs that could disrupt their savings patterns and cash flow stability. They perceive formal business registration as involving procedures such as licensing and taxation, which they associate with significant financial burdens that they are reluctant to incur. Notably, frugality was particularly prominent among informal poor entrepreneurs. As a result, individuals in this category are more likely to continue operating informally because of their cost-consciousness and reluctance to formalize.

The risk-taking tendency among informal entrepreneurs further suggests a reduced likelihood of formalization. Interview responses indicated that their willingness to take risks makes continued informal operation an acceptable and manageable choice. Many participants expressed readiness to operate outside regulatory frameworks despite potential interference from authorities.

Similarly, resilience was found to reinforce continued informality. Entrepreneurs with strong resilience demonstrated a willingness to persist in their operations even in the face of challenges, such as the confiscation of goods during enforcement activities. They tend to withstand adversity and maintain operations despite uncertainty and external pressure. Unlike frugality, which was mainly observed among informal poor entrepreneurs, both risk-taking and resilience were evident in both informal poor and informal affluent categories. These two traits suggest that some entrepreneurs across these groups may be inclined to remain informal despite regulatory pressures.

The following excerpts illustrate how frugality, risk-taking, and resilience influence the decision to remain informal:

"… I prefer not to register my business because registration involves various costs. I have also heard that, even when incurring losses, registered businesses are still required to pay taxes … as you may know, the registration process is complicated and often requires intermediaries to assist with documentation such as articles of association and memoranda of association. Their services are expensive and beyond the reach of small businesses … I once attempted to register but found the process too complex, requiring many documents, and I eventually gave up. I also searched for a local registration office for assistance, but could not find one …" … inhibiting traits of informal entrepreneurs in relation to business formalization.

Entrepreneurs exhibiting a passive behavioral tendency were found to quickly abandon efforts toward formalization when confronted with barriers that more resilient individuals might overcome. These obstacles include long distances to registration centers and difficulties in navigating digital registration systems.

"… I attempted to register my business, but the process was too complicated and required many documents, so I was unable to complete it … I also looked for a nearby registration office but could not find any support … recently, registration has moved online, but many of us lack the knowledge to use digital systems. We also do not have access to smartphones or computers needed for the process …" … inhibiting traits of informal entrepreneurs in relation to business formalization.

On the other hand, informal entrepreneurs also display certain traits that may encourage formalization. These include reliability, cosmopolitan orientation, optimism, achievement motivation, vision, curiosity, inspiration-seeking, awareness, customer orientation, and passion.

Reliable entrepreneurs tend to value trust and credibility in their business dealings. This desire to be seen as dependable by both customers and authorities may prompt them to consider formalization, particularly to gain access to clients who prioritize legitimacy and product quality.

Those with a cosmopolitan orientation are generally adaptable and responsive to environmental changes. Such flexibility enables them to accept and adjust to new requirements, including formalization, when necessary.

Optimistic entrepreneurs are also more inclined toward formalization, as they tend to perceive it as a beneficial step rather than a burden. Unlike frugal entrepreneurs who focus on costs, optimistic individuals emphasize potential gains associated with formal business status.

Entrepreneurs with strong achievement motivation and visionary thinking are also more likely to formalize their businesses. These individuals tend to set ambitious goals and envision large-scale operations. For them, formalization is associated with access to larger contracts and expanded business opportunities. Notably, these traits were particularly evident among informal affluent entrepreneurs.

Similarly, curiosity and a tendency to seek inspiration also increase the likelihood of formalization. Entrepreneurs with these traits are inclined to explore how formal businesses operate and aspire to emulate successful role models, especially those operating within formal systems. When their role models are formal entrepreneurs, they are more likely to follow in their footsteps. These traits were particularly observed among informal affluent entrepreneurs.

Awareness and passion further reinforce the likelihood of formalization. Entrepreneurs with these traits tend to actively protect their businesses from potential threats and are motivated to ensure long-term survival. Passionate entrepreneurs are less likely to ignore changes that could jeopardize their enterprises and, therefore, are more willing to formalize.

Customer-oriented entrepreneurs are also more inclined to formalize their businesses to enhance credibility and attract clients. Since customers often prefer dealing with legitimate businesses, formalization becomes a strategic step to increase trust and competitiveness.

The following excerpt illustrates how reliability, cosmopolitan orientation, optimism, achievement motivation, vision, curiosity, inspiration, awareness, customer focus, and passion influence formalization intentions:

"… I am currently planning to register my business because I have learned that companies eligible for government and non-government contracts must be officially registered and possess a tax identification number … I have already started the process and expect to complete full registration soon …" … enabling traits of informal entrepreneurs in relation to business formalization.

Semi-formal entrepreneurs

A comparative synthesis of traits among entrepreneurs classified into the semi-formal poor and semi-formal affluent categories was conducted to evaluate how these characteristics influence their inclination to either formalize their businesses or continue operating at a semi-formal level. The findings indicate that a large proportion of these entrepreneurs possess traits that could encourage movement toward formalization. Characteristics such as religiosity, negotiation ability, responsibility, and innovativeness collectively suggest a readiness to align business practices with governmental regulations and broader societal expectations.

The results further show that, due to these traits, some entrepreneurs are inclined to negotiate with local tax and licensing authorities to reach mutually acceptable payment arrangements. This reflects their willingness to comply with taxation obligations provided they remain financially manageable. In a similar vein, the trait related to business continuity indicates that entrepreneurs are motivated to formalize their operations to sustain them. Rather than exiting the market after losses, they seek alternative capital sources to restock and adopt visible business practices that comply with local authority requirements to remain operational.

Moreover, responsibility—expressed through the payment of trade licenses and family support obligations such as education, healthcare, rent, and basic consumption needs—serves as a strong foundation for potential formalization. Entrepreneurs who employ workers also tend to ensure regular wage payments and to adhere to agreed loan conditions when using external financing. This indicates that entrepreneurs in both semi-formal poor and semi-formal affluent categories possess the capacity to meet tax obligations and labor, environmental, and social compliance requirements, which are key components of formalization pathways.

The findings also highlight innovativeness as a significant trait among informal entrepreneurs in Uganda with the potential to drive formalization. Through this characteristic, entrepreneurs introduce new or improved business practices such as strategic product displays and offering goods in affordable quantities tailored to consumer purchasing power. This suggests that some participants have the capacity to develop scalable products and systems that could require intellectual property protection. Additionally, such innovations may align better with environmental sustainability and societal expectations, thereby supporting future formalization.

Despite the general tendency of semi-formal entrepreneurs toward formalization, a subset exhibits traits that instead encourage continued semi-formal operation. This was particularly evident among semi-formal poor entrepreneurs, where frugality emerged as a dominant characteristic. From their perspective, formalization is associated with additional tax burdens and financial obligations that may hinder both current operations and future business expansion.

"… I do not want to register my business because registration involves several consequences. I understand that once registered, one is required to pay various fees …" … acts of frugality of an entrepreneur within the semi-formal poor category.

The first research question aimed to identify the personal traits of informal entrepreneurs operating within a developing country context. The results reveal that informal poor and informal affluent entrepreneurs share a set of common characteristics, including honesty, diligence, resilience, adaptability, profit orientation, achievement motivation, financial calculation, optimism, financial literacy, trustworthiness, sociability, risk-taking, and hard work. However, traits such as vision orientation, curiosity, customer orientation, inspiration-seeking behavior, awareness, and passion were found to be distinctive to informal affluent entrepreneurs.

Additionally, beyond shared characteristics, semi-formal entrepreneurs exhibit unique trait patterns. Semi-formal poor entrepreneurs are characterized by independence-seeking behavior, religiosity, and negotiation skills. In contrast, semi-formal affluent entrepreneurs demonstrate stronger tendencies toward business continuity, delegation of responsibilities, accountability, and innovation, distinguishing them from semi-formal poor counterparts.

A review of the literature indicates a lack of studies specifically examining trait differences across categories of informal entrepreneurs. Most prior research has focused on general entrepreneurial traits such as innovativeness, self-efficacy, achievement motivation, autonomy, optimism, risk tolerance, internal locus of control, and stress endurance [8, 10, 16]. Other scholars, including [9], have emphasized the Big Five personality traits, namely openness to experience, emotional stability, conscientiousness, extraversion, and agreeableness.
Accordingly, this study contributes initial empirical insights from Uganda by identifying additional traits relevant to informal entrepreneurship, including honesty, trustworthiness, frugality, vision orientation, curiosity, customer focus, inspiration-seeking, awareness, passion, religiosity, negotiation ability, delegation capacity, and responsibility. Overall, the findings suggest that while some traits are shared across categories, others are distinctly associated with specific types of informal entrepreneurs.
Regarding general entrepreneurial traits, the findings align with [8], who found that achievement motivation plays a key role in venture creation among university students in Romania. This suggests that individuals with a strong achievement orientation are more likely to engage in entrepreneurial activities to attain goals. Similarly [41], found that entrepreneurs exhibit higher levels of risk tolerance, self-efficacy, internal locus of control, and achievement motivation than CEOs, investors, and employees, suggesting that entrepreneurial personality profiles differ from those of other occupational groups.
Furthermore, the findings are consistent with [18], who reported that specific entrepreneurial traits—such as innovativeness, self-efficacy, achievement motivation, autonomy, optimism, risk-taking, internal locus of control, and stress tolerance—have stronger predictive power for entrepreneurial behavior than the Big Five personality traits of openness, emotional stability, conscientiousness, extraversion, and agreeableness.
We also examined how the personal characteristics of informal entrepreneurs shape their decisions to formalize their businesses. In this regard, an assessment of the identified traits was conducted to determine the extent to which they influence whether entrepreneurs continue operating informally or choose to formalize their enterprises. The findings show that entrepreneurs characterized by frugality, risk-taking tendencies, and resilience are generally less inclined toward formalization.
For instance, highly frugal entrepreneurs are often unwilling to allocate resources to registration fees and tax obligations, as they perceive these expenditures as funds that could otherwise be reinvested in business growth. In addition to these individual characteristics, the study identified several contextual constraints, including the high financial cost of formalization, limited access to registration services, and difficulties in navigating digital registration systems. Consequently, entrepreneurs with passive behavioral tendencies are more likely to abandon formalization efforts when confronted with barriers that more resilient individuals can overcome.
Similarly, in the Ugandan context, the government has implemented various enforcement mechanisms to encourage formalization among informal entrepreneurs, including business closures, asset confiscation, and the imprisonment of non-compliant business owners. Despite these enforcement measures, many informal entrepreneurs continue to operate under conditions of uncertainty. Some individuals even experience arrest and imprisonment but resume their business activities shortly after such incidents, demonstrating strong persistence in informal operations.
The results further indicate that informal and semi-formal entrepreneurs who exhibit traits such as religiosity, faithfulness, patience, obedience, honesty, reliability, adaptability, optimism, passion, vision orientation, curiosity, inspiration-seeking, awareness, customer orientation, and achievement motivation are more likely to formalize their businesses. In particular, reliability emerged as a key trait influencing formalization intentions. Entrepreneurs with this characteristic aim to be seen as dependable by both customers and regulatory authorities, which increases their willingness to formalize to build trust and credibility, and to attract customers who prioritize authenticity and quality.
Therefore, the findings provide early empirical evidence on the role of personal traits in influencing the formalization decisions of informal entrepreneurs in a developing country context. This contributes to the literature, which has predominantly emphasized structural and contextual determinants of informality [22-24].
In this respect, the findings are consistent with [22], who found that high taxation levels contribute to increased informality in Uganda. This indicates that heavy tax burdens on informal entrepreneurs negatively affect profitability and revenue generation, thereby constraining business expansion and development.
Similarly [23], reported that factors such as colonial planning legacies, economic liberalization, weak governance and instability, inefficient taxation systems, spatial development patterns, and the self-interest of public officials influence formalization outcomes in Uganda. This aligns with interview evidence from this study, where entrepreneurs noted that, beyond official registration fees, they often rely on intermediaries linked to government officials to facilitate the formalization process, thereby increasing both costs and complexity.
Likewise [24], found that entrepreneurs' aspirations for business growth, innovation development, and access to government funding motivate participation in the formal economy. This suggests that the desire to benefit from opportunities unavailable to informal operators plays a significant role in formalization decisions. Consistent with this, interview data from this study

indicate that many informal entrepreneurs consider formalization primarily to enable participation in public procurement processes, which require formal business registration.

Conclusion

The central aim of this paper was to examine the extent to which personal characteristics of informal entrepreneurs shape their choices regarding business formalization, using evidence from a developing country context. This objective was addressed through open-ended interviews with informal entrepreneurs operating in Kampala district. The results suggest that individuals in both informal and semi-formal business categories are predominantly illiterate. In addition, clear differences exist between the traits of informal and semi-formal entrepreneurs. Informal entrepreneurs tend to be more risk-taking and resilient, whereas semi-formal entrepreneurs are characterized by a stronger passion for their enterprises. Consequently, the probability of formalizing a business appears higher among semi-formal entrepreneurs than among informal ones. Those entrepreneurs who express a willingness to formalize are frequently constrained by contextual challenges, including low awareness, long distances to formalization offices, limited digital skills required for online registration, and the financial burden of using intermediaries. Although resilient entrepreneurs can overcome such barriers, more passive individuals in both categories are unlikely to formalize and often attribute their decision to these constraints.

Drawing on the findings and discussion, this study offers several contributions to academic literature, policy development, and the business sector. First, it enriches the literature on informal entrepreneurship by emphasizing the role of personal traits and motivations in decisions to formalize or remain informal, consistent with [1]. Furthermore, it extends prior research conducted outside Africa by providing comparative insights and a more detailed explanation of how individual characteristics shape formalization decisions among informal entrepreneurs.

From a policy perspective, institutions such as the Uganda Registration Services Bureau (URSB) and URA are encouraged to intensify awareness campaigns within business communities regarding the benefits of formalization. This would help reframe formalization as an enabling responsibility that supports business growth rather than a restrictive obligation. In the same vein, government authorities should decentralize business registration services to improve nationwide geographic access. This would make it easier for passive entrepreneurs to register their businesses without being constrained by location. In addition, governments in developing economies should provide training on the use of digital platforms and new technologies involved in business registration. Strengthening entrepreneurs' ability to engage with online systems would make formalization more approachable and less intimidating. This would be further enhanced by ensuring adequate staffing at registration centers to provide direct support, thereby reducing reliance on costly intermediaries. At the societal level, communities should discourage informal operations by viewing unregistered businesses as socially undesirable and instead promote compliance with regulatory frameworks. This would also contribute to increased government revenue generation for socioeconomic development.

As with any study, certain limitations should be acknowledged. Although this research involved 28 informal entrepreneurs from Kampala district, informal businesses in other regions and countries, particularly in rural areas, may face different levels of informality and socioeconomic realities than those in urban settings. In addition, motivations for formalization may also be influenced by other factors such as personal values, which future studies could further investigate. Finally, subsequent research should consider employing quantitative or mixed-methods designs with larger samples to enhance the generalizability of findings.

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