TITLE: Mexico City's informal entrepreneurs



EXAM TYPE: Master Thesis

STUDENT: Alexandra Barabás - S119277

PROGRAMME: MSc in Business and Development Studies

DATE: 15.09.2022

SUPERVISOR: Thilde Langevang

CHARACTERS/PAGES: 113,965 STU/ 66 pages

ACKNOWLEDGEMENTS

I would like to express my deepest gratitude to everyone who has contributed in making this dissertation a possibility. First, I am grateful to all the informal entrepreneurs who have taken the time and effort to answer my questions. Their contribution provided unique insight on their everyday lives and concerns they face. Without their contribution this thesis would have not been possible.

Furthermore, I would like to recognize the invaluable assistance of my supervisor, Thilde Langevang, who has been an exceptional support along the way. She has shown a continuous engagement and provided valuable advice and feedback throughout the process of writing.

A very special thanks goes to my family, boyfriend and friends who have been highly understanding and providing moral support whenever needed.

Thank you, Gracias, Tusind tak, Köszönöm!

Alexandra Barabás Copenhagen, September 15th, 2022

ABSTRACT

Today, the informal economy represents 60 % of all workers globally, or as much as 90 % of workers in low income, developing countries (The Guardian, 2021). To unveil the long-standing stigma around entrepreneurs participating in the informal economy, the purpose of this thesis has been to showcase a wider and more nuanced picture on the different influencing factors that lead entrepreneurs to join the informal economy. Drawing on data collected from 29 informal entrepreneurs around Mexico City and analysing it through the application of the conceptual framework of the institutional theory, proposed by Scott (1995), this thesis poses and attempts to answer the following question: *How can the high participation in the informal economy by street vendors in Mexico City be explained through the institutional theory?*

The findings of this thesis has shown, that the institutional pillars: regulative, normative, and cognitive are interrelated and their influence depend on their level of legitimacy. Under the regulative pillar the lengthy and expensive registration procedures together with the ineffective enforcement systems were identified as factors that can lead to participation in informal economy. Within the normative pillar, the existence of a 'leader system' and its shielding nature from formal institutions have been revealed. Moreover, the strength of family ties and traditions together with the positive perception of society towards informal vendors, create high legitimacy and positively impact the participation in the informal economy. As for the cognitive pillar, it has shown the significance of successful role models serving as inspiration along with earlier gained knowledge and experience in the informal sector, that can be leveraged when time comes. In addition, the role of religion has been observed which serves to create a safer space to the believer under the continuously changing circumstances of the informal economy.

Table of Contents

| 1. | . INTRODUCTION | 5 |
|----|--|----|
| 2. | . LITERATURE REVIEW | 8 |
| | 2.1 ENTREPRENEUR AND ENTREPRENEURSHIP | 8 |
| | 2.3 INFORMAL SECTOR IN LATIN AMERICA | |
| | 2.4 INFORMAL ENTREPRENEURSHIP AND INSTITUTIONS | 16 |
| 3. | . CONCEPTUAL FRAMEWORK | 18 |
| | 3.1 INSTITUIONAL THEORY | 19 |
| | 3.2 LEGITIMACY | 21 |
| 4. | . METHODOLOGY | 22 |
| | 4.1. PHILOSOPHY OF SCIENCE | 23 |
| | 4.2. RESEARCH APPROACH | 24 |
| | 4.3. RESEARCH DESIGN | 25 |
| | 4.4. RESEARCH STRATEGY | 25 |
| | 4.5. DATA COLLECTION | 26 |
| | 4.5.1 PRIMARY DATA COLLECTION | |
| | 4.5.2 SECONDARY DATA COLLECTION | |
| | 4.6. DATA ANALYSIS | |
| | 4.8 ETHICAL CONSIDERATIONS AND REFLECTIONS | |
| 5. | | |
| | 5.1 SOCIO-ECONOMIC CONTEXT | 31 |
| | 5.2 HISTORY OF THE INFORMAL ECONOMY | |
| | 5.2.1 MEXICAN GOVERNMENT AND THE INFORMAL SECTOR 5.2.2 INFORMALITY AND COVID-19 | |
| 6. | | |
| | 6.1 REGULATIVE PILLAR | |
| | 6.1.1 BUSINESS REGISTRATION | |
| | 6.1.2 ENFORCEMENT | 40 |
| | 6.1.3 SUB-SUMMARY | 43 |
| | 6.2 NORMATIVE PILLAR | |
| | 6.2.1 INFORMAL REGULATIONS | |
| | 6.2.3 PERCEPTION OF INFORMAL VENDORS ACCORDING TO THEM | |
| | 6.2.4 SUB-SUMMARY | |
| | 6.3 CULTURAL-COGNITIVE PILLAR | 53 |
| | 6.3.1 ROLE MODELS | 53 |

| 6.3.2 KNOWLEDGE AND EXPERIENCE in informal entrepreneurship 6.3.3. RELIGION 6.3.4 SUB-SUMMARY | |
|---|----|
| 7. DISCUSSION | 59 |
| 7.1 FINDINGS | 59 |
| 7.2 DISCUSSION OF THEORY AND THE CONCEPTUAL FRAMEWORK | 61 |
| 7.3 DISCUSSION OF METHODOLOGY | 63 |
| 7.7. RELIABILITY AND VALIDITY | 64 |
| 7.4 FUTURE RESEARCH DIRECTIONS | 65 |
| 8. CONCLUSION | 66 |
| 8.1 RECOMMENDATIONS | 68 |
| BIBLIOGRAPHY | 69 |

1. INTRODUCTION

The informal economy is a highly present and continuously changing phenomenon in all the economies around the world. Today, the informal economy represents globally 60% of all workers, which in low-income, developing countries can reach up to 90% (The Guardian, 2021). Economists saw the informal economy as something that was left behind from a new modernisation area and something that will eventually disappear (Williams & Kedir, 2018). Not until the studies of Hart in the 1970s' that changed this approach and created a new one that saw the participants of the informal economy as self-employed individuals (Hart, 1973). This new perspective allowed for a more inclusive approach towards informality and its correlation to economy and development. Acknowledging the presence of the informal economy in the developing world as a Guardian (2021) article expresses it: "the informal economy in the developing world, is not something mysterious that exists in the shadows – it's simply "the economy," full stop" has great implications in approaching it.

Latin America is considered to be a region with one of the highest levels of informality, reaching almost 60% of the total working population, impacting the global economy and the regions' development (OECD, COVID-19 inLatin America and the Caribbean: Regional socio-economic implications and policy priorities, 2020). My initial interest to study the topic arose, while having spent six months in Mexico City, as an intern at the Hungarian Embassy. Personally experiencing the embeddedness and importance of informal entrepreneurs around the city made me think. One thing I thought of was the stigma around informality and its negative correlations in the developed world, or why would the informal entrepreneurs choose to work as informal in such uncertain circumstances? Why mostly, policies around formalizing them have been considered, without results?

In the search for a theoretical framework, the institutional theory defined by Scott (1995) was chosen. This theoretical approach towards the developing world, including the search for explanations about the informal economy has shown a great interest among experts in recent years. The institutional theory is a great tool as it allows for a multi-dimensional approach through analysing the three different pillars: regulative, normative and cognitive. Thus, this thesis intends to discover the three pillars impact on the informal entrepreneurs, to create a better understanding of the subject. Consequently, this thesis proposes the following research question to be studied:

How can the high participation in the informal economy by street vendors in Mexico City be explained through the institutional theory?

In search for answers a critical realist approach is taken as it allows for an understanding of greater underlying structures influencing reality (Saunders, Lewis, & Thornhill, 2019). The analysis is based on data collected through semi-structured interviews with the informal entrepreneurs of Mexico City. Talking with- and observing the informal entrepreneurs activities provided great insight of their perspectives and understanding of the situation in which they are in.

Delimitations

The United Mexican States consist of 32 Federal States, each having a different law and regulatory system when it comes to the informal sector. For the purpose of this thesis the focus has been on Mexico City and three districts of it, due to space and time limitations. Moreover the definition of the informal economy refers to "the set of illegal yet legitimate (to some large groups) activities through which actors recognize and exploit opportunities" excluding illicit activities (Webb, Tihanyi , Ireland, & Sirmon, 2009).

Structure of thesis

This thesis is divided into eight main sections. Starting with the introduction which is followed by the literature and conceptual framework chapter, where the present literature regarding the informal economy, informal entrepreneurship and the conceptual framework of the institutional theory is introduced. In chapter 4, the methodological choices adapted in the thesis are presented, while chapter 5, contains the presentation of the Mexican context, continuing with the analysis chapter, where the collected data is analysed through the institutional theory. In chapter 7, the methodological choices and application of theory are critically reflected upon and discussed. In chapter 8, the conclusion wraps up the thesis, where the overall findings and recommendations are presented.

2. LITERATURE REVIEW

This section provides a review of relevant literature and theoretical reflections on the main concepts used in the thesis. First an overview of the concept of entrepreneurship is given. Followed by theories and approaches about the existence of the informal sector, subsequently with a focus on the Latin American region. Then the correlation between institutions and entrepreneurship by researchers is introduced. Finally, the conceptual framework of the thesis is introduced, which forms the basis for the analysis.

2.1 ENTREPRENEUR AND ENTREPRENEURSHIP

Entrepreneurship studies are a big field of research with a great variety of disciplines involved, revealing its interconnectedness and relevance within the different fields of research. First studies on the subject, concentrated on a pure economic point of view, which later has changed and adopted new approaches from social sciences.

With time, entrepreneurial studies have proven to be a relevant research field as it has a great impact on society, the economy and development in general. However, defining who an entrepreneur is and what entrepreneurship means can be difficult, as there is no, one, universally agreed definition for either of the terms. Most commonly, entrepreneurship is defined as 'starting a new business, scaling for profit and creating business capital' (Deakins & Freel, 2009).

Depending on the research field of scholars, studies tend to focus on different aspects and characteristics of an entrepreneur. Thus, there are several approaches and descriptions of who an entrepreneur is and what it is that they do. Some of the more commonly heard of and studied perspectives are: the economic, personality traits and socio-behavioural ones (Deakins & Freel, 2009).

As mentioned earlier, one of the first approaches to study entrepreneurship was the economic perspective, where the entrepreneurs' role is examined from a purely economic aspect, with the primary focus being on economic development. According to this view, "The entrepreneur is

most often described as a risk-taker who's reward is the ability to appropriate profits" (Deakins & Freel, 2009).

Schumpeter and Knight are some of the well-established scholars within the economic perspective. While Schumpeter characterises the entrepreneur as a special person with a focus on innovation, for Knight the focus is on the entrepreneurs' risk-taker characteristics, which is rewarded for the uncertainty (Deakins & Freel, 2009). Nevertheless, having a strictly economic approach to entrepreneurship dodges some of the social factors that can contribute to development as well as it limits the purpose of an entrepreneur. It can be erroneous to only focus on innovators or risk-takers as these characteristics can create a 'hero' image of the entrepreneur, while excluding a bigger group of 'everyday' entrepreneurs.

Over time, studies have changed their focus towards a perspective that examines personality traits. It looks for characteristics of individuals' that would differentiate a successful entrepreneur from the rest. Some of these characteristics are: proactivity, achievement orientation and commitment to others (Deakins & Freel, 2009). However, this approach has been heavily criticized for its narrowed view. Some of the criticism emphasizes this approach's inappropriateness for the search of a single trait as well as its ignorance of the environmental factors and its static approach to a dynamic phenomenon (Deakins & Freel, 2009).

The socio-behavioural perspective highlights the impact of the environment, where the entrepreneur is to be found. This approach assumes that the surrounding context and culture of an entrepreneur has a great impact on its activities and more generally, on its presence. Some important factors that can have a great impact on entrepreneurship are: level of acceptance of failure, environment, social capital, the ability to learn and risk management (Deakins & Freel, 2009). Although this approach takes into consideration a greater variety of influencing factors than both beforementioned views, it is still mostly based on generating wealth and business success by market exploitation.

The majority of the before-mentioned approaches to entrepreneurship, emerged from doing research in well-functioning, developed countries, where many of the institutions are taken for granted. Consequently, excluding some important groups of entrepreneurs of the developing world, that would not meet the 'requirements' defined for developed world entrepreneurs. In developing countries, institutional voids are a common phenomenon. Thus, new types and roles of entrepreneurs arise as the challenges they face are different from the ones identified in the developed world. Some of the additional constraints according to Peng (2000) are, "formal institutional constraints in emerging markets such as the lack of credible legal frameworks, the lack of stable political structures and the lack of strategic factor markets, and informal institutional constraints such as the prominence of deeply embedded networks and personalized exchange".

As a result, recent studies on entrepreneurship have emphasised the important role institutions are having on entrepreneurs in developing country context, that is often characterized by uncertainty and continuous change (Tracey & Philips, 2011). Hence, the institutional perspective on entrepreneurship was added to the existing ones, highlighting the active role of entrepreneurs in connection with the institutions. Institutional entrepreneurs are defined as "the activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones" (Tracey & Philips, 2011). Whilst this perspective is mostly based on developing country context, analysing the correlation of institutions and entrepreneurs, it has a particular focus on entrepreneurs thriving to change the institutional context. Therefore, excluding entrepreneurs who are influenced by institutions, but not actively wanting to make a change in them.

Therefore, to fill this gap, development study researchers suggested to implement a more humble and inclusive definition of the concept and values of an entrepreneur (Imas, Wilson, & Weston, 2012). Inspired by Max-Neef's barefoot entrepreneur concept, Imas et al. (2012) have made a study that contributed to critical entrepreneurship, which aims to "unearth, bring to light, reveal, unmask (etc.) the ways in which the barefoot entrepreneur is endowed with many of the

local, small skills, behaviours and attributes that can increase the pace of change on these goals being realized." (Imas, Wilson, & Weston, 2012). Thus, according to this approach entrepreneurial activity is about the "everydayness of their creative practice, the sense in which they trade in original and innovative ways to make a living—this is to act entrepreneurially." (Imas, Wilson, & Weston, 2012).

For the purpose of this thesis, the implementation of the critical entrepreneurship approach is best suited, as it allows for a more inclusive and humble definition of an entrepreneur, thus, enabling to incorporate and analyse a wider range of entrepreneurs such as street vendors.

2.2 THE INFORMAL SECTOR

Studies on the informal economy and the concept of the informal sector were first introduced in development studies by Keith Hart in the 1970's, after fieldwork in Ghana (Hart, 1973). In his study, he focused on a group of migrants, from rural to urban areas of Ghana and the ways they found job opportunities (Hart, 1973). As a result, he was one of the first ones to highlight the heterogeneity of the formal and informal labour force by looking into the informal sector from a more nuanced and constructive perspective, referring to them as self-employed (Portes & Schauffler, 1993). Later, the International Labor Organization (ILO) has also studied and defined the concept of the informal sector as something that "can be constituted by people who have been pushed out of the formal economy in urban society and who may not be migrants at all" (ILO, 1972). In 2015, the ILO suggested that the definition of the informal economy for statistical reasons should be " referring to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. The informal economy does not cover illicit activities." (OECD, Definitions of informal economy, informal sector and informal employment, 2019).

Throughout the years, many studies have been made about the existence of the informal sector, searching for explanatory factors to it. In the study of Williams & Kedir (2018), they aim to describe the reasons 'why enterprises are more likely to start unregistered?'. They do this by

looking at the four most commonly accepted theoretical explanations to the existence of informality: modernisation, neo-liberal, political economy and institutional theories. Their results suggest that all the theoretical perspectives are confirmed, but for the neo-liberal.

According to the modernisation theory, the informal sector is going to disappear with the growth of the formal one and it is portrayed as a residue of a pre-modern production system (Williams & Kedir, 2018). Countries that have high levels of informal sectors are seen as being 'underdeveloped' with low economic development and reduced modern state bureaucracies (Williams & Kedir, 2018). Therefore, the modernisation theory assumes that economic under-development and poorer quality governance will lead to higher number of non-registration by business start-ups (Williams & Kedir, 2018).

Meanwhile, the neo-liberal theory explains the cause of the phenomenon, with too much state intervention in the market which would demand great amount of time, effort and costs in order to comply with the imposed barriers (Williams & Kedir, 2018). Hence, theoretically choosing nonregistration and the decision to exit the formal sector is due to the imposed burdens and economic rationality (Williams & Kedir, 2018). However, after conducting the analysis the results have not confirmed this view, contradictorily, it showed that higher levels of taxes and state intervention will decrease nonregistration of start-ups.

Conversely, the political economy theory view, argues that the reasons behind nonregistration are the result of a deregulated open world economy, where outsourcing and subcontracting to informal enterprises has become a principle mean of reducing costs in contemporary capitalism (Williams & Kedir, 2018). Moreover, the amount of informal work demonstrates a shift towards a precarious survival-driven economy for the excluded ones (Williams & Kedir, 2018).

Lastly, institutional theorists argue, that informality is resulting from the asymmetry between codified laws and regulations of a society's formal institutions (government morality) and the norms, values and beliefs of the population that constitute its informal institutions (societal

morality) (Williams & Kedir, 2018). Unlike the theories mentioned earlier, this approach initiates to take agency into account, and defines the informal entrepreneurship as something that " sits outside the formal rules of the game, but within the norms, values and beliefs of informal institutions" (Williams & Kedir, 2018). Therefore, Williams and Kedir (2018) concludes that the bigger the incongruence between laws and regulations of formal institutions and what the society thought its norms deems to be acceptable, will lead to higher informality.

| WILLIAMS & KEDIR (2018) | | | | |
|--|--|--|--|--|
| Modernisation view | | | | |
| Residue of pre-modern production systems and its disappearing | | | | |
| Represents "underdevelopment" | | | | |
| Neo-liberal view | | | | |
| Too much state intervention | | | | |
| Exiting due economic rationality | | | | |
| Political-economic view | | | | |
| deregulated open world economy | | | | |
| outsourcing and subcontracting as a means to cost reduction | | | | |
| shift towards a precarious survival driven economy | | | | |
| Institutional view | | | | |
| asymmetry between formal (codified laws and regulations) and informal institutions | | | | |
| (norms, values and beliefs) | | | | |

Table 2-1: Summary of theoretical explanations to the existence of informality

Reflecting on above findings, theory asserts that the level of nonregistration at start-up is higher in countries where there is: "a lower level of economic development, lower quality of governance, lower levels of state intervention and higher levels of institutional incongruence" (Williams & Kedir, 2018). In Table 2-1, a summary of the beforementioned perspectives by Williams & Kedir (2018) are listed, about the existence of the informal economy, highlighting the main differences between the views in explaining the existence of the informal economy. Although some theories over time have proven to be wrong and been denied as an explanation to the phenomenon, they were still useful as a starting point for other views to develop. In addition to the studies mentioned before, that have applied a more structural, macro level perspective in explaining and characterising the informal economy, there are also micro level studies focusing mostly on motivational factors. These studies most frequently, associate informal entrepreneurs having necessity driven motivations as they are considered to have no other option, compared to the opportunity driven counterparts.

However, this type of categorization creating a dichotomy, have been found to be problematic by Williams (2009) and other scholars as well (Langevang, Namatovu, & Dawa, 2012), as it oversimplifies the complexity and temporal fluidity of the individuals' motives. Therefore, rather than having a two sided distinction, it is more relevant to place individuals on a continuum (Williams C. , 2009). Although this categorisation helps to give a general picture, in real life there are other factors such as personal motivation, that shows the necessity or opportunity driven factors as the study by Langevang et al. (2012) reveals.

For the purpose of this study, the institutional theory approach will be taken, by using Scott's (1995) three pillar categorisation of institutions: the regulative, the normative and the cognitive. Through the analysation how formal and informal institutions can overrule and create congruence between each other, leading to an increased participation in the informal economy.

2.3 INFORMAL SECTOR IN LATIN AMERICA

Researches on informality based in the Latin American context will be mentioned in the following section. Biles (2009) in his attempt to explain the seeming paradox of Latin American work force, offers a summary of recent debates and controversies around the informal work in Latin America. His findings resonate with the ones offered by William et al. (2018). To answer one of his questions on "why people resort to informal work" he describes three theoretical perspectives (Biles, 2009).

First, the dualist perspective is mentioned which is connected to the earlier mentioned works of Hart (1973) and the ILO. These works associate the emergence of the informal sector with the before not seen increase of the population in developing countries and the migration of rural-to-

urban areas. Hence, defining the informal sector as a subsistence work, last resort sector which has low barriers to entry in regards to skills, technology and capital (Biles, 2009).

Furthermore, dualist theories associate the informal sector to be 'counter-cyclical' so that, when formal employment increases, informality should decrease. However in reality, regardless of the increased employment in the formal economy, informality is still at high levels, which can be seen by looking at the numbers of the informal sector. According to a recent survey by ILO, the informal sector represents "close to half of all non-agricultural employment in Sub-Saharan Africa, 51 % in Latin America and Caribbean region, and the highest rates, 58 %, are observed in South and East Asia." (Erkko & Kun, 2015).

The second theoretical approach is the neoliberal economic one, that sees informality as an ownaccount activity, a form of dynamic entrepreneurship and most importantly a self-choice (Biles, 2009). According to this view the informal sector emerges as a "reaction to the over-regulation and government oppression" (Biles, 2009). Furthermore, by redefining the informal sector as micro-entrepreneurs also becomes aware of potential benefits this can offer. In comparison to formal employment, such as, "flexible hours, job training and entry to the labor force, opportunity for economic independence and better wages, and avoidance of taxes and inefficient government regulation" (Biles, 2009).

The third perspective is the neo-Marxist, which, in addition to the neoliberal, has conceptualized the changing nature of work (Biles, 2009). According to the neo-Marxist view the informal work emerges due to the linkages between formal and informal as well as a by-product of capital accumulation and reshaping within the global economy (Biles, 2009). Therefore, this view conceptualizes the informal sector to be pro-cyclical and being part of the same economic system as the formal work, thus contracting and expanding together.

Additionally, neo-Marxists have also intended to find explanations for the rising heterogeneity of informality and group them into three categories: subsistence, subordinate, and autonomous

(Biles, 2009). Subsistence would resonate with the dualist view, where informality is for survival rather than capital growth and is seen as a marginal activity (Biles, 2009). Autonomous informal work is seen as a potential alternative to formal work as it can offer better earnings and more freedom, however it also requires higher levels of education and capital investment. Subordinate informal work is connected to consumption and production directly, hence to the global economic system (Biles, 2009). After describing these perspectives it is important to acknowledge that they are not mutually exclusive, therefore, in real life they can be present in varying degrees.

Research by Maloney (2004) gives explanation to the existence of the informal sector and entrepreneurship focusing on the Latin American region. Throughout his paper, he argues for a new perspective and highlights the importance of changing how we see and study informal entrepreneurs. He suggests to see the informal sector "as the unregulated, developing country analogue of the voluntary entrepreneurial small firm sector found in advanced countries, rather than a residual comprised of disadvantaged, workers rationed out of good jobs." (Maloney, 2004). According to his finidngs, studying the informal sector as he suggests can lead to new insights and understanding of the topic, for example about the implications of "how we think about good jobs vs. bad jobs, "unprotectedness" and precariousness" (Maloney, 2004).

In accordance with Maloney's (2004) study, González (2016) also highlights the importance of how we refer and define the informal economy in developing countries, which might not be the same with the developed world's approach to it. González (2016) argues that in developed countries, informal activities are generally labelled as "tax evasion and the use of undeclared labor (often undocumented foreigners)" whilst, in developing countries informality is seen as a "the source of employment for a significant share of the labor force, often compensating for the weak potential of the formal sector to create enough jobs" (González, 2016).

2.4 INFORMAL ENTREPRENEURSHIP AND INSTITUTIONS

Given the results of researching the interconnectedness of institutions with entrepreneurship within development studies, a great interest has arisen. According to North (1990), institutions

in the most simplified way are defined as the "rules of the game". Within the institutions we can distinguish between formal and informal institutions (North, 1990) or we can further categorise them as Scott (1995) suggests, into three pillars: regulative (laws, rules), normative (legitimate means), and cognitive (taken-for-granted beliefs, values).

Veciana & Urbano (2008) argue in their paper, that connecting the institutional approach with entrepreneurship research, indicates promising results. Furthermore, they identify "three basic ideas in the core term of institutions" (Veciana & Urbano, 2008) . First, institutions are based on values. Second, the life process and therefore also the economy is a process of change and development and third, man is a social product (Veciana & Urbano, 2008). In line with the importance of institutions' impact on entrepreneurship, many researches have implemented such a view when examining the informal sector. For instance, Erkko & Kun (2015) conducts a research on the influence of political and economic institutions regarding enterprise registration. In other words, they analyse the degree of impact political and economic institutions have on the decision to register or not in the system. Their study further emphasises that the quality of institutions have a meaningful impact on both formal and informal entrepreneurship (Erkko & Kun, 2015).

The study by Webb et al. (2009), uses a multilevel perspective by "integrating entrepreneurship theory (microlevel) with institutional (macrolevel) and collective identity (mesolevel) theories, to examine the role institutions and collective identity play in the recognition and exploitation of opportunities in the informal economy" (Webb, Tihanyi , Ireland, & Sirmon, 2009). According to their approach, the informal economy is defined " as the set of illegal yet legitimate (to some large groups) activities through which actors recognize and exploit opportunities " (Webb, Tihanyi , Ireland, & Sirmon, 2009). In their findings they explain that the "informal economy exists because of the incongruence between what is defined as legitimate by formal and informal institutions " creating a gap as well as an opportunity to exploit" (Webb, Tihanyi , Ireland, & Sirmon, 2009), which is in line with the institutional asymmetry perspective, defined by Williams & Kedir (2018).

3. CONCEPTUAL FRAMEWORK

The underlying theory for constructing the conceptual framework in the present thesis is the institutional theory, defined by Scott's (1995) three institutional pillars: the regulative, the normative and the cognitive. Each of the pillars will be further divided, according to subsequent themes identified.

Figure 3-1 illustrates the conceptual framework for this thesis. This framework will serve as the basis for data collection strategies and structure of the analysis. The 'actors of legitimacy' refers to the ones that deem what is acceptable, proper and desirable within the socially constructed values and beliefs under the given pillars of institution.

| / | INSTITUTIONAL PILLARS | | | | | |
|---|--|------------------------|--------------|--|--|--|
| | REGULATIVE NORMATIVE COGNITIVE | | COGNITIVE | | | |
| | -business | -informal | -role models | | | |
| | registration | regulations | -knowledge& | | | |
| | -enforcement | -family views | experience | | | |
| | | -perceptions | -religion | | | |
| | | 'ACTORS' of LEGITIMACY | | | | |
| | GOVERNMENTAL BODIES | SOCIETY/FAMILY | ONESELF | | | |

Figure 3-1: Conceptual framework, own illustration

3.1 INSTITUIONAL THEORY

Institutions are the 'rule of the game' and the institutional context is "the environment around concrete social forms of the economy and political system, created and refined by the actors who use them, carried forward by the shared meaning embodied" (Alvi, 2012). This implies that 'rules' are set by different actors depending on the institutional pillar, hence creating a multidimensional framework. Therefore, what is deemed to be legitimate and acceptable will be defined by the different actors within each pillar leading to potential asymmetries (Alvi, 2012).

On one hand, as part of the formal institutions, the regulative pillar is defined as the codified laws and regulations of a country, set by the governmental bodies (Scott W., 1995). Therefore, these laws and regulations create a frame for the business context in any given country, through the description of: regulations on registration, taxation, rule of law and other procedures that ought to be complied with, by business entities in order to identify as a formal enterprise.

The efficiency of these institutions on keeping the informal sector down, depends strongly on bureaucracy and enforcement systems in place (González, 2016). Bureaucracy, refers to the length and efficiency of procedures and how many layers of governmental body needs to be involved in the business registration process, while enforcement regards the actions taken if these laws and regulations are not followed (González, 2016). Consequently, having unclear regulations and low-quality formal institutions can create burdens to entrepreneurs upon their registration (Erkko & Kun, 2015).

On the other hand, as part of the informal institutions the normative pillar relies on a societies' norms and values that influence what is acceptable and legitimate. At times having the power to outweigh the regulative pillars' codified rules, where those are incoherent or weak (Lafuente, Vaillant, & Rialp, 2007). The definition of a norm is " a voluntary behavior that is prevalent within a given reference group" (Interis, 2011). There are two main distinctions between norms, there are descriptive and injunctive norms (Interis, 2011). Descriptive norms are the ones people 'just do' and injunctive norms are the ones that people 'should' do. 'Should' here refers to "rules or

beliefs about what constitutes morally approved and disapproved conduct." (Cialdini, Reno, & Kallgren, 1990). Within the normative pillar the presence of informal regulations (Salinas, Muffatto, & Alvarado, 2018), role of family influence, and the societies perceptions will be analysed.

Furthermore, as part of the informal institutions, the cognitive-cultural pillar is defined as "the shared conceptions that constitute the nature of social reality and create the frames through which meaning is made", which is strongly based on a person's values and beliefs (Scott W., 2013). Under this pillar, the 'rules of the game' are intrinsic and taken-for-granted by the members of the community. Thus, what is acceptable and legitimate within the community and aligns with the person's values will be the reality and guiding frame of that entrepreneurs activities. As part of the cognitive pillar, the following topics will be analysed: impact of role models (Gibson, 2004), experience and knowledge of informal context and religion.

The study by Gibson (2004), highlights the influence role models can have on the career decision of individuals. In the present thesis, this approach will be analysed in the context of the influence the neighbourhood and successful family members can have when choosing to operate as an informal entrepreneur. Additionally, the impact of religion on informal entrepreneurs participation will also be analysed, as many studies have highlighted how it can be a conduit to modify values and behaviours (Balog, Baker, & Walker, 2014), (Namatovu, Dawa, Adewale, & Mulira, 2018), (Alacovska, Langevang, & Steedman, 2021), (Ortiz, 2009).

3.2 LEGITIMACY

In order to understand the functioning of institutions it is crucial to understand the concept of legitimacy. According to Suchman (1995), legitimacy " is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." (Suchman, 1995). In line with Schumann's (1995) definition of legitimacy, Webb et.al. (2009) considers that legitimacy can be a concept that can fill the gap, which can exist between the written rules and regulations and what is accepted by the norms and values of a group, hence creating the informal economy.

Consequently, in order to better understand the existence of the informal economy, legitimacy is a key concept. There are three categories of legitimacy; pragmatic, moral and cognitive. These are not mutually exclusive, therefore they can be present at the same time and simultaneously impacting behaviour.

Pragmatic legitimacy is based on the audience's self-interest about the businesses, if it is something useful and appropriate for the audience, then it is acceptable (Suchman, 1995). Moral legitimacy, on the other hand, is based on normative approvals and is dependent on what is deemed to be 'good or bad' (Suchman, 1995). Lastly, cognitive legitimacy is based on the taken-for-granted actions and on comprehensibility (Suchman, 1995).

4. METHODOLOGY

This section of the thesis, outlines the methods and approaches used to collect and analyse the empirical data in search of answering the research question. For the structure of this part, Saunders et al. (2013) 'research onion' will be the guidance (see Figure 4-1). First, the philosophy of science will be described followed by the research approach. Afterwards, the research design and strategy will be detailed. Subsequently, methodological choices of data collection will be stated, finishing with ethical considerations and reflections.

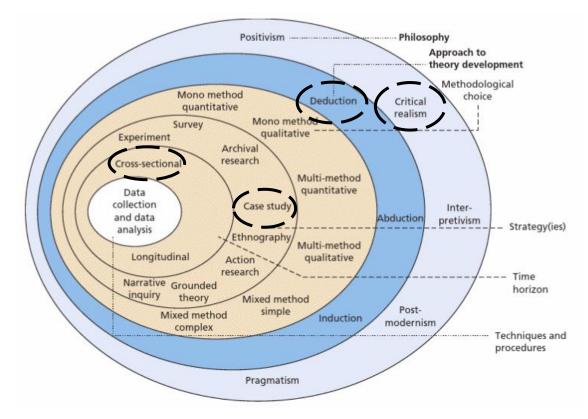


Figure 4-1: Research onion from Saunders et al. (2013)

4.1. PHILOSOPHY OF SCIENCE

During the process of research, questions about the 'nature of reality' (ontology) or 'what constitutes acceptable knowledge' (epistemology) arise at every step along the way (Saunders, Lewis, & Thornhill, 2019).

This thesis applies elements of the critical realism epistemological approach. "Critical realism focuses on explaining what we see and experience, in terms of the underlying structures of reality... that shape the observable events" (Saunders, Lewis , & Thornhill, 2019). As a consequence, critical realists, search for root causes and mechanisms that can influence and explain deep social structures, which is in line with the study's aim at researching the informal entrepreneurs' reasons for participation in the informal economy (Easton, 2010).

Critical realism has been associated mostly with Roy Bhaskar's (1986) studies. He argues that understanding the social world will only be possible if the social structures that have given rise to those phenomena are understood (Bhaskar, 1986). Consequently, in order to reach this understanding a stratified approach was developed with three layers, that assume different levels of social realities. These layers are: real, actual and empirical. "The 'real' is the domain of structures with their associated 'causal powers'; the 'actual' is the domain of events and processes; the 'empirical' is the part of the real and the actual that is experienced by social actors" (Fairclough, 2005) . Our experiences and observations are part of 'the empirical', they might not be the actual things but more manifestations of them in the real world, hence they can deceive us (Saunders, Lewis , & Thornhill, 2019).

On Figure 4-2 below, the application of the three layers of the present case of informal entrepreneurs in Mexico City is shown. 'The empirical' layer, represents the existence of the informal economy and its entrepreneurs. This is what everyone can see and experience when walking the streets of Mexico City, colourful street vendor stands at every corner and hearing the vendors offers from a distance. 'The actual' layer, can be understood as the underlying events that are seen or not and lead to the existence of the informal economy, which in the present case

can be the different structural changes in the economy over the years, together with the continuous changes in policy and law towards the informal sector. Lastly, 'the real' layer, represents the social structures that are in place, together with culturally embedded practices that might have led to high informality in Mexico.

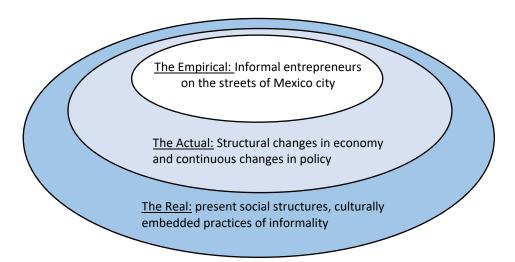


Figure 4-2: Critical realist stratified ontology, own illustration based on (Saunders, Lewis, & Thornhill, 2019)

4.2. RESEARCH APPROACH

This study applies a deductive research approach, meaning that data collection and research strategy is closely based on the preselected theory (Saunders, Lewis, & Thornhill, 2019). In the present case, after reading the literature regarding the informal entrepreneurship in developing countries, the institutional theory has been chosen to be the conceptual framework of the study. The institutional approach proposes that the informal economy is present due to an asymmetry between the formal and informal institutions. In order to create a better understanding, during the data collection process, elements of the inductive approach were taken, as in, to create the sub topics that are going to be studied under the three pillars.

4.3. RESEARCH DESIGN

The research design is a pivotal part of any type of empirical research, as it is the way to operationalize the research question and objectives, into a research project (Saunders, Lewis, & Thornhill, 2019). The research purpose of this study is exploratory, which started with the idea of having a better understanding of the informal sector in Mexico. Later, the scope was narrowed to provide new insights and approaches of the application of the institutional theory on the phenomenon of informal entrepreneurship.

In line with the exploratory nature of this study, a qualitative research design is going to be adopted. Qualitative data collection methods allow the researcher to gain deeper understanding and better overview of the studied phenomenon as well as providing a "description of people's personal experiences of phenomena" (Casula, Rangarajan, & Shields, 2021). In order for that, semi-structured interviews were collected. These interviews were formulated as open questions, that gave flexibility and space to participants to formulate their own interpretations of the questions and allow them to elaborate on questions of their interest.

4.4. RESEARCH STRATEGY

The choice of research strategy is "the plan of actions onto how to answer the research question". (Saunders, Lewis, & Thornhill, 2019). In line with the previous methodological choices a case study strategy is used which can provide deeper understanding of complex issues in social sciences (Flyvbjerg, 2006). Saunders et al. (2019) defines case studies as "an in-depth inquiry into a topic or phenomenon within its real-life setting." Consequently, applying it to the present dissertation, the topic of inquiry is the participation in the informal economy by entrepreneurs and the real-life setting is the Mexican institutional framework.

Within the case study strategy, the multiple-embedded case study approach seemed to be the best fit, where each individual is representing a separate unit of the same case. Thus, giving more space for analysis of each participants data.

4.5. DATA COLLECTION

This paper relies mainly on primary data that was collected while in Mexico City, however it also uses secondary data to complement and compare the collected data. Primary data was collected throughout semi-structured interviews from local street vendors in Mexico City.

4.5.1 PRIMARY DATA COLLECTION

For data collection purposes, 29 semi-structured interviews were conducted (see appendix B) with the street vendors of Mexico City. "Semi-structured interviews give the researcher the flexibility to adapt to the participants" (Saunders, Lewis , & Thornhill, 2019).

In order to conduct the interviews, prior preparation and observation time was needed. Hence, to begin with, during the authors' time in Mexico City, different neighbourhoods and their characteristics, such as cultural norms and customs were noted. Some districts turned out to be more densely populated with informal street vendors, which is where the author started spending more time and later initiated casual discussions and later conducted the interviews. During the time available and spent in Mexico City the author had the opportunity of building trust and becoming familiar with the local vendors through every day conversations. These connections later allowed to conduct the interviews with the informal entrepreneurs that were already familiar to the author and whom could refer to other areas or friends, that could be interviewed.

The structure of the interview is principally based on the institutional theory. The questions have been formulated with having the three pillars in mind. The questions addressed to the participants were open-end questions, giving both interviewee and respondents more flexibility to answer or make follow-up questions accordingly (see appendix A). Consequently, over the course of the interview collection and data analysis, under the pillars sub-themes emerged. The 29 informal entrepreneurs, were mostly street vendors and were interviewed face-to-face in their native-language, Spanish. The locations of the interviews were based in Mexico City's three delegations: Cuauhtémoc, Benito Juárez and Miguel Hidalgo, that are found in the centre of the city and are highly frequented by informal entrepreneurs. Participants were chosen based on previous contact with them and their relevance to the research as well as according to their availability at the time of the interview. As the interviews took place at the premise of the entrepreneurs' business, in order to allow them working concurrently, the length of the interviews were taken simultaneously and analysed at the end of the day. Table 4-1, gives an overview of the participants.

| Name | Age | Business | Years' operating |
|---------|-----|-----------------------------|---------------------|
| Lizbeth | 19 | Home-made Mexican breakfast | 25 |
| Rodrigo | 20 | Home-made Mexican breakfast | 10 |
| Sofia | 23 | Bakery goods | 3 |
| David | 25 | Snacks, fruits | 25 |
| Jorge | 70 | Quesadillas, gorditas | 35 |
| Maria | 43 | Snacks | 5 |
| Pablo | 41 | Shoe cleaner | 11 |
| Elena | 50 | Sweet Mexican biscuit | 25 |
| Miguel | 26 | Fruit stand | 1 |
| Ana | 52 | Handcrafts | 30 |
| Eduardo | 67 | Home-made Mexican breakfast | 32 |
| Ricardo | 75 | Home-made Mexican breakfast | 45 |
| Aron | 34 | Tacos | 7 |
| Teresa | 40 | Female clothing | 20 |

| Pedro | 56 | Nieves (Mexican ice-cream) | 50 |
|-----------|----|-----------------------------|----------|
| Marta | 75 | Sweet Mexican biscuit | 57 |
| Cristofer | 15 | Snacks | 3 |
| Petra | 34 | Quesadillas | 18 |
| Luis | 24 | Home-made Mexican breakfast | 8 months |
| Diego | 58 | Juices | 15 |
| Juan | 40 | Juices | 10 |
| Carlos | 29 | Home-made Mexican breakfast | 6 months |
| Victoria | 58 | Juices, breakfast | 32 |
| Sara | 70 | Home-made Mexican breakfast | 50 |
| Isabella | 54 | Quesadillas | 21 |
| Manuel | 47 | Snacks | 20 |

Table 4-1: Overview of interview participants

All interviews were conducted in Spanish, the native language of the participants. This enabled a more comforting environment and allowed the participants to express themselves better than it would have been possible in English. Being able to speak Spanish, made bonding and getting familiar with the surrounding and the local people and understanding them easier. However, the local jargon in the language sometimes provided difficulties in understanding participants, in that cases further explanation was asked. Moreover, the quotes provided in the research paper are translations by the author thus, due to the limitations of translation practices, in some instances nuanced language could not be provided.

4.5.2 SECONDARY DATA COLLECTION

In order to get a better understanding of the underlying factors of the presented phenomenon of informal entrepreneurs, the provision of a rich contextual and historical background was necessary. Secondary data collection was therefore used by collecting information from previous studies, governmental reports and historical descriptions. This data provides the base for the contextual chapter that can serve as an explanation to some of the present issues faced in the Mexican society.

4.6. DATA ANALYSIS

In accordance with the deductive research approach, data collection was based on the predefined institutional theory, which during the data collection process got further divided. This provided flexibility in data collection and theory application throughout the process of analysis. The collected interviews were transcribed and coded with NVivo, where the aim was to enable the categorization of collected data.

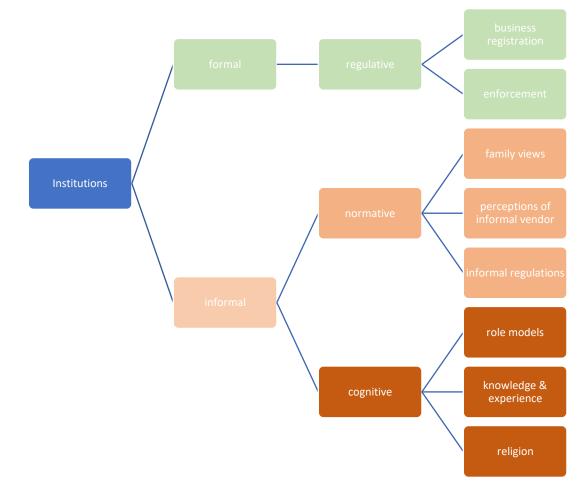


Figure 4-3: Coding tree, based on NVivo, Own illustration

Figure 4-3, is a representation of the coding tree, that was created during the process of data coding. First, categories were made based on formal and informal institutions, which were then further divided into the three pillars: regulative, normative and cognitive that is the conceptual framework of the study. Given the flexibility of the three pillars, it was possible to adjust and create sub-themes within the main pillars according to the collected data.

4.8 ETHICAL CONSIDERATIONS AND REFLECTIONS

Conducting interviews and observing participants in a research area that is not the researchers' own culture, comes with additional considerations. Ethnicity, gender, age, race, religion and further non-demographic characteristics can impact the relation between the researcher and the researched (Desai & Potter, 2006). Therefore, this subsection discusses the ethical considerations and reflections of the researchers impact on data collection.

Establishing informed consent with the participants about the reasons and intended outcomes of the study is needed before starting on any data collection. All the informal entrepreneurs that have participated in the interviews were priorly informed about the authors' background as well as the intended research results. Additionally, they were informed that the interviews would not be financially motivated. Moreover, due to some sensitive topics being discussed, each participant was given pseudonym for the ease of data analysis and presentation.

In addition to ethical considerations the researcher needs to be aware of his or her own background: age, gender, ethnicity and others, having an impact on the results. Being identified with Latin American origins by locals due to physical characteristics as well as Spanish language skills, might have helped the author in the data collection process. Speaking the participants original language has led to faster connection with them and created a familiar context. Moreover, being a young, female researcher in Mexico might have influenced the responses given by male participants, painting a 'nicer' picture to me than what reality was. Consequently, it is important to take into consideration all the beforementioned characteristics.

5. CONTEXT – THE UNITED MEXICAN STATES

The aim of this chapter is to present the context of Mexico, in which the phenomenon of informal entrepreneurship and institutional environment are being studied. Firstly, a snapshot of the broad socio-economic context will be provided, followed by a more focused introduction of the informal economy scene in Mexico.

5.1 SOCIO-ECONOMIC CONTEXT

Mexico, formally called The United Mexican States, consists of 32 Federal Entities which are free and sovereign regarding all internal affair matters, having their own congress and constitution (Griffin, 2022). Hence, creating a heterogenous regulatory system within the country, in addition to the general national laws.



Picture 5-1: The United Mexican States and its 32 Federal Entities. Source: (Wikipedia, n.d.)

As for the economy, Mexico is the 2nd largest one in Latin America and it is amongst the 15 largest economies in the world (Santander, 2022). Before the COVID-19 pandemic, Mexico had shown a continuous growth between 2-5% within the last 10 years (World Bank, 2021). At the time of writing, the economy is in its recovery path, after its biggest contraction (8.2 % of GDP) in decades, due to the economic repercussion of the COVID-19 pandemic. In 2021, Mexico succeeded to reach a growth of 4.8% GDP and is expected to reach its pre-pandemic levels in 2023 (EIU, 2022). Although it is an attractive country for investment, some of the biggest challenges faced by investors are corruption, obedience to the rule of law and informality, which will be discussed in continuation.

According to the corruption perception index, Mexico has scored 31 points out of 100, which has led them to rank 124th out of the total 180 countries analysed (CPI, 2021). Mexico can therefore be classified as a highly corrupt country. Corruption is seen as one of the biggest issues in Mexico as it has become a socially embedded practice, from little everyday bribes to governmental leaders being accused of money laundering (Murray, 2021). Consequently, as the index shows, people have little trust in the government and believe that they are part of a highly corrupt society, which in turn also effects their behaviour.

The effectiveness, or more so the ineffectiveness of law enforcement can contribute to the creation of institutional voids. The 'Rule of law' index, evaluates a country's obedience and effective enforcement by all citizens (WJP, 2021). It has four universal principles: accountability, just law, open government and accessible & impartial dispute resolution (WJP, 2021). In the detailed report on the 'Rule of Law' index, each Mexican state is analysed. However for the scope of this thesis, only Mexico City will be mentioned here. States score between 0-1, "1 indicating the strongest adherence to the rule of law", Mexico City has scored an overall of 0.36, indicating a significantly low adherence to the rule of law (WJP, 2021). This means that, even if the rule has not been followed, prosecution of cases are very slow (WJP, 2021).

5.2 HISTORY OF THE INFORMAL ECONOMY

The informal sector in Mexico is a pervasive phenomenon that governments have been fighting for decades. According to many development studies and economic forecasts, informality creates obstacles for economic development and progress of the country (Escobar & Dougherty, 2013). At present, 60% of workers in Mexico are in the informal sector, ranging between 40-80 % within the different states (FORLAC). Furthermore, out of the total GDP in 2020, 21.9 % came from the informal economy (INEGI, 2020). In the continuation, political and economic changes that have had an impacted on the presence of the informal economy will be addressed.

5.2.1 MEXICAN GOVERNMENT AND THE INFORMAL SECTOR

Since the 1920's, one of the main challenges that governments and presidents of Mexico has faced is the high level of informality in the country (González, 2016). Understanding the political history and the relationship between the Mexican government and informal entrepreneurs can shed light on its continuous and increasing existence. Some of the main historic events and changes will be mentioned here and their consequence regarding informality.

Focusing on the group of street vendor entrepreneurs, it can be said that their activities date back to pre-Hispanic times, when open air, temporary markets were important features of the Mexican culture (Crossa V. , 2009). First proposals on regulating the informal street vendors were created in 1929. Since then, many rules and laws cyclically tolerating or repressing informal street vendors have been proposed and implemented (González, 2016). The period of 1929 until 2000, was characterised by a one party regime, led by the Institutional Revolutionary Party (PRI), which has left deeply embedded practices that are still present (Crossa V. , 2009). Throughout these years, a culture of illegality and norms of corruption and non-compliance have been flourishing. Changes in government regulations have given arbitrary power to government officials, which resulted in the creation of a corrupt relationship between authorities and street vendors. This corrupt relationship is called, 'profitable schemes of corrupt toleration' that persists today as well (González, 2016). In the year 2000, after 71 years of PRI regime, a new party: the National Action Party (PAN) won the elections. This also meant that a new political era began with the democratization and multiparty political system. Competition between political parties and their willingness to win voters has given bargaining power to street vendor organizations, which has further been strengthened by the fragmentation of government layers (González, 2016). Street vendors' bargaining power relied on the parties' willingness to gain supporters and votes during elections. They would therefore agree with the street vendor organizations to fulfil their needs and make changes in the laws addressing their presence, thus becoming more tolerate towards them.

At present there are three separate, but interrelated decision-making levels in matters of informality. These are the delegations, city government and federal government. This division of government layers weakened its power on enforcement of regulations and implementation of policies. This is due to that fact that often there is discrepancy and disagreement between the different levels and their goal.

Not only political, but also economic changes have been implemented during the 1990s as a result of deep recessions, banking crises and debt defaults in the region, in the 1980's (Goldfajn, Martínez, & Valdés, 2021). Structural adjustment programs have been created by the IMF and World Bank to solve the crises and re-establish the financing sector. One of these programs that had a deep impact in Mexico is the Washington Consensus. The Washington Consensus was created in 1989, which core element was that the debtor countries adopt market-oriented policies in order to create "more flexible and productive economies" (Goldfajn, Martínez, & Valdés, 2021).

Structural reforms that needed to be addresses included: "macroeconomic prudence, trade liberalization, opening to foreign direct investment, and privatization" to attract private capital (Goldfajn, Martínez, & Valdés, 2021). In contrast to expectations, results were not as expected. This was mainly due to policy implementations that were created for the developed world, which Mexico cannot be considered as. In Mexico, as a partial result of the structural adjustment

programs implemented, levels of the informal sector have increased. This can be partially explained by the privatization of many industries that have left many without work.

As a new initiative in 2014, the Mexican government launched a new, more holistic strategy compared to earlier perspectives, named "Crezcamos Juntos" – "Let's grow together – that aimed to decrease the levels of informality in Mexico (WCO, 2015). The project looked at creating incentives for SME's to become formal, by offering them tax exceptions and discounts for the first 10 years of operation, health and social security discounts and housing support (G20, 2016). Since its existence, no significant evidence is available to show its efficiency.

5.2.2 INFORMALITY AND COVID-19

The most recent event that has undoubtedly impacted the informal economy worldwide, is the outbreak of COVID-19 pandemic, which reached the Latin American region in 2020. It is said to be the worst pandemic in a century, which has only further deepened the issues of inequalities and poverty (Loayza, 2020). The implementation of restriction policies and regulations from government leaders have had a strong effect on the everyday economic activities the of the informal vendors. Social distancing, sanitation requirements and finally the partial and later complete lockdown in Mexico has severely impacted the livelihood of many informal entrepreneurs (WIEGO, 2021). The complete lockdown meant, that their only source of income was suddenly completely blocked, they could not go and sell on the streets anymore.

Unlike in previous crises, where the informal economy behaved countercyclically to the formal one, now both economies were shrinking and many lost their jobs (Acevedo, Castellani, Lotti, & Székely, 2021). According to the International Labour Organization's (ILO) 2021 report, the informal occupations that are partially leading the recovery of employment in the region (Maurizio, 2021). This means that people who have now lost their jobs are starting their own self-employed businesses, as it is easier to enter the informal economy than the formal one.

6. ANALYSIS

In this section of the thesis the collected data will be analysed through the institutional theory in search to answers the research question, which looks to explain the participation in the informal economy in Mexico City.

6.1 REGULATIVE PILLAR

Firstly, this section on the regulative pillar will go through the business registration requirements and their subsequent enforcement. Moreover, it will analyse the most frequent challenges and the potential resistance from informal entrepreneurs when discussing the option of becoming formalized. As it was described in chapter 2, the regulative pillar is based on codified laws and regulations that are made by the local governmental bodies to set the business environment.

After a general description of the business context in Mexico, firstly, specific business registration laws and regulations will be mentioned and connected to the respondents' perceptions and experiences of them. Secondly, enforcement systems of these rules will be analysed through the interviews collected.

| Doing Business 2020 | Mexico | | | |
|-------------------------------------|-----------------|---------------------------|----|----------|
| Ease of Doing Business in Mexico | Region | Latin America & Caribbean | 60 | DB SCORE |
| | Income Category | Upper middle income | | |
| | Population | 126,190,788 | | 72.4 |
| | City Covered | Mexico City, Monterrey | | |

Source 6-1: https://www.doingbusiness.org/content/dam/doingBusiness/country/m/mexico/MEX.pdf

According to the 'Doing business' index, Mexico ranks 60th out of 190 economies around the world in the ease of doing business, which compares the regulative environment and its conduciveness towards business operations and property protection rights (Trading Economics, 2019). The higher a country ranks the more difficult and cumbersome regulations are.

Accordingly, the Mexican Business environment is described to be troublesome with hierarchical and long durational processes (World Bank G., 2020). In order to obtain a formal enterprise, at least seven steps need to be followed as well as a good amount of financial capital investment is needed (World Bank G., 2020).

6.1.1 BUSINESS REGISTRATION

According to the respondents, going through and trying to find information on what is needed to become a formal and legal enterprise in Mexico is scarce and difficult to navigate through. In order to help and make it more visible, the Mexican government has created a seven step infographics on what steps need to be done in order to become a formal enterprise (see Figure 6-1).



Figure 6-1: Steps to become formal, source: https://www.gob.mx/tuempresa?tab=Abre

To be a formal, legal and legitimate business according to the business registration rules, one has to follow the steps shown in the infographics seen on Figure 6-1. First, the owner should apply for the authorization of the name (1) of the business. The second step is the establishment of the company (2). Third, a notice on the use of the name is given (3), which is followed by a registration to the Chamber of Commerce (4). The fifth step is the registration to the Federal Taxpayer system (5). Sixth step is employer registration (6), and lastly the seventh step is registration to further required agencies (7) such as state or municipality.

Throughout these steps there are at least three different authorities that one needs to register its business with: the Chamber of Commerce (04), the Federal Taxpayer registry (05) and registration to required agencies, which includes the given municipality and the state permits (07). Each registration process requires a fee that has to be paid accordingly. It can safely be said that the process is bureaucratic, with many layers of governmental bodies involved, which increases the processing time. Consequently, creating a hostile environment for business registration procedures.

| Registered at the municipality | No registration at all | Others |
|--------------------------------|------------------------|--------|
| 16/28 | 6/28 | 6/28 |

Table 6-1: Summary of the levels of registration

Table 6-1 summarises how many of the participants were partially, fully or not at all registered. Out of the total 28 interviewees, 16 were registered at their given municipalities without being registered at other levels of the process. The 'others' category of 6 people, refers to the ones that were either only part of a leader organizations and did not know if they were formally registered or not, or they were part of a merchant association or one person was registered at the work secretariat. The category of 'no registration at all' refers to the 6 respondents who said they have not registered at any level. From all the respondents, only two have specifically expressed their wish to become formal one day, while the others did not show much interest in becoming formalized. Nonetheless, out of the two, one (Elena) has been waiting for a long time to continue with the registration process, while the other person did not have enough financial resources. The story of Elena is an example of the bureaucracy and lengthy procedures present in Mexico. Elena is a 50 years old, 'gorditas de nata' (Mexican biscuit) maker, who has been in the business for 25 years and have been wanting to become a formal enterprise for some time. She started the process of formalizing her business 1,5 years ago, however she is still waiting for the authorities to give her a response so that she can proceed to the next step. Even though, it has been 1,5 years, she is still hopeful that one day her business will become formalized.

"We have applied some time ago to become a formal enterprise, however it is taking a long time and we cannot allow ourselves to not work until then. So we keep working in the given conditions and waiting to get a response..." – Elena

Another example is José, a 57 years old tacos and quesadilla vendor, who has had his enterprise for 24 years and wishes to own a restaurant one day. However, for him it is the financial capital needed in order to be registered that causes the biggest trouble in the process of formalization and owning a restaurant.

"One day I wish to have my own restaurant and serve the food I make here now, but it is very difficult and I don't have the financial background to do that at the moment...One day..."- José

Meanwhile, many of the interviewed entrepreneurs do not even bother to start the process as they are satisfied with what they have and how they work in the present and see no advantage in converting into a formal business. The idea of not seeing any advantages of being a formal enterprise comes in part from a strong disbelief and distrust in the government and seeing it as highly corrupt. As some of the respondents were explaining it, in general terms the money that would be invested in the process of becoming a formal enterprise did not seem to give a return in comparison of staying informal or partially registered. The case of Juan, a 40 years old man who has been working in the United Stated, but was deported and continued his sister juice business in Mexico City, illustrates such disbelief well. In his eyes the government is corrupt and not giving back much to society. He has mentioned the low quality educational and health care system as well as the lack of good infrastructure around the city.

" I have been working like this (informal) for many years now, why would I change anything if I can see that even formal enterprises get no help and struggle...It is a corrupt system...So, I better work for myself... "- Juan

6.1.2 ENFORCEMENT

Theory suggests (see chapter 2), that for well-functioning regulative institutions, adequately implemented enforcement systems are key. According to the respondents, in Mexico City the enforcement system is said to be characterised by confusion because of frequent changes and bribery, to list a few of the most mentioned examples from the interviews.

As described by some of the respondents, depending on which municipality you work in or who is in charge of the regulations, the behaviour of a policeman can change. David, a 25 years old man, fruits and snack vendor was expressing during the interview, how changes occurred depending on the head of municipality delegation.

"Apparently, each time they change the head of municipality delegation there are changes. Sometimes these changes are rough, sometimes they are light or there are cases when nothing changes. But usually the restrictions depend on the present delegations..." - David

In most cases bribery happens when police officers, given their authority, decide to take away the vendors' products together with their stands, as they claim it is against the rules. However, if the owner can pay a fee, they might be left unbothered. Notwithstanding, there are also cases where authorities just take away everything and place it at a special place from where vendors can pick up their belongings for a fee.

Personal experiences of the respondents have a great impact on their belief or misbelief in the police officers' work. The ones who have not experienced any conflict feel protected by them, while others who have been in conflict with them, mostly see them as enemies and corrupt agents. In total, 10 out of the 28 respondents have said to have been in conflict with police officers and after which they do not trust them anymore.

One example is María, a 43 years old snack vendor, who explained the difficulties she has faced throughout the years that she has been working on the streets of Mexico City.

"My business is informal, I don't have a paper that would say 'I can sell here'. So if I don't want to be disturbed, I have to pay an amount so I can sell here. But when governmental bodies come they can just take away my products it doesn't matter if you have a permission or not, they just take it. So when you want your property back you have to go to a special place and pay a fine and after 7,10 days you can have back your things. However, once it has happened to me that when I went to take my things back, I only found an empty cart... none of my products were there ... they have stolen it from me..." – María

Another case is David, same as earlier mentioned, who's merchandise was lifted and taken away several times before, by police officers.

"We have had problems with the police, they have come and taken our products and put it in a common place they collect such. This really affects our business as we have to pay in order to get it back... But in the past 3-4 years they have left us to work and haven't bothered us." -

David

The experiences of the elderly respondents of the enforcement system differs to previous statements, due to the fact that they are in the 3rd age generation, which comes with some benefits within the enforcement system. The Mexican government defines the 3rd generation from the age of 60 years old and onward (CDMX, n.d.).

As Marta, a 75 years old, 'gorditas de nata' vendor, was explaining, she has privileges because of her seniority and therefore police officers wouldn't bother her. Or in cases when 'no tolerance' policy is applied, officers would tell her beforehand, and she would not go that day to sell.

"I do not pay anything for working here, even if police come and asks I will not pay. You know why? -Because I am in the senior age. If there is 'no tolerance' policy they tell me before, so that day I won't come to sell. But to be honest, they(police) do not bother me, they just let me work in peace... " – Marta



The varying levels of implementation of enforcement systems can stem from the fact that police officers and other governmental forces are also part of the customer base of the informal entrepreneurs. Thus, many times it is not in their interest to bother or terminate these entrepreneurs functioning as they provide cheaper commodities to all (see Picture 6-1).

Picture 6-1: Mexico city, Policeman as customer, 2022, own photography

6.1.3 SUB-SUMMARY

According to the interviewees some of the main obstructing factors within the regulatory pillar of becoming a formal enterprise are diverse. For some, it is the complex, lengthy bureaucratic and pricy processes they would have to go through. For others, the disbelief in the corrupt government which would not make them become formalized. Moreover, the enforcement system in Mexico City does not seem to be fully coordinated with the written rules. As a consequence, it often leads to loopholes in the system, which reinforce corruption practices between police and informal entrepreneurs. Disbelief in government can lead to low legitimacy levels among the society, which in turn can increase the gap between formal and informal institutions.

6.2 NORMATIVE PILLAR

The normative pillar section will go through the environment and context that shape and create the norms and beliefs that these vendors live by. Starting with the informal rules and systems that informal entrepreneurs are in, followed by the family's views and expectations and lastly looking into the society's perception about informal vendors according to themselves. As earlier mentioned in the literature review, chapter 2, the normative pillar is focused on social norms and beliefs that are embedded in the society and define what is acceptable and legitimate and what is not (Cialdini, Reno, & Kallgren, 1990). These norms are defined by the groups one is part of, which in most cases is more than just one, for example: family, friends, community, associations and so on.

6.2.1 INFORMAL REGULATIONS

As theory suggests, in chapter 2, by Salinas et al. (2018) in environments, such as those of the informal entrepreneurs, an informal rules based system will be developed, to fill in for the lack of formal rules. This phenomenon could be explained through theory, which says that if the regulatory pillar is difficult to understand and there is not much information or transparency related to it, people will rather obey to normative institutions instead, as they are easier to understand and follow (Lafuente, Vaillant, & Rialp, 2007).

The presence of informal regulative systems in Mexico City were also mentioned by the interview participants. Although informal entrepreneurs were not completely clear about such systems functioning, their presence was clear through the so called 'leader system'. Literature on the characteristics and functioning of such 'leader systems' is scarce. The existing studies write about the power these systems can have and how the leaders can use it against governmental regulations (Crossa V., 2009) or they study their existence and explain it as a result of the lack of formal regulation (Peña, 2000). According to these authors, these systems are termed as 'street-vendor organizations' or 'leader systems' that are based on a hierarchical organizational structure. The 'leaders' of such organizations have full control "of who enters an organization,

where members are located along the street, the daily fee, the size of stall, and in some cases the product that should be sold." (Crossa V., 2009). Moreover, their role as a protector from local authorities is also mentioned through the usage of bribing police officials or having connections with local authorities (Peña, 1999).

This study confirms the argument of the previously mentioned studies. According to the interviewees there is an organized 'leader system' in Mexico City and within the different districts. Subsequently, each area of a district is divided and assigned to so called 'leaders' who manage them by collecting money and shielding entrepreneurs from trouble with the police. Their informal system becomes the unwritten 'rules of the game' to which informal entrepreneurs should adapt if they want to continue with their businesses.

Rodrigo, a 20 years old tamales (Mesoamerican corn dish) vendor, was describing the tight control and division of areas between the leaders. All parts of the street were divided between them and anyone who wanted to sell in those areas, had to pay a given fee to the assigned leader.

"If you want to have your own business and not being under leaders it is very difficult. Because each part of this area is divided between them and each one has an owner that controls that area. Here until the corner of Reforma is one owner, if you cross the street that is Polanco with another leader and if you go towards Palmas another one, and so on..." – Rodrigo

This 'leader system' was mentioned many times throughout the conducted interviews, when asked, if they had to pay anyone in order to work at the given spot. One of the most common answer was that they had to pay to a leader. Depending on the area, this leader would come from time to time and ask for a fee, according to the size of the business and its income. In some cases it was a smaller contribution, in others it was said to be burdensome to pay and endangering the survival of the businesses.

The concerns from Teresa, a 40 years old female clothing vendor, illustrates an example of disbelief in the leader system. She has been operating for 20 years, and according to her, the fees they have to pay have increased in the last years, threatening her livelihood and the continuation of her businesses. As a single mother of two younger children, she is the only one who can provide income to her family and secure her kids a better future. Her frustrations were clear in the interview:

"The leaders just come to us and ask for money and each time, the amount we had to pay has increased. But if we want to continue working here there is nothing else we can do, we have to pay. On the other hand, the police can come and take our products, which we have to pay a fine to get it back and when we are back the leaders ask for more money... I don't know what to do anymore..." – Teresa

6.2.2 FAMILY VIEWS

The collected data reveals that family context and the neighbourhood one grows up in are highly influential factors within the normative pillar. As these can shape the norms, conceptions and appropriate behaviour within the community. Some of the more frequently mentioned expectations from family members, according to the respondents were, contributing to the family business from an early age or the tradition of inheritance.

One of the reasons of becoming an active member of the income earners from an early age, can be due to the fact that other members cannot provide enough income to maintain the whole family. One example is the earlier mentioned Rodrigo. He was explaining in his interview that he had no other choice, but to work from an early age due to the disadvantaged circumstances that he and his five siblings grew up in. Living in a poor neighbourhood Rodrigo's parents could not earn enough to maintain the whole family. Thus, being the second oldest in the family, he had to start working from an early age. Together with his eldest brother they have become tamales (Mesoamerican corn dish) vendors since they were 10 years old. "I didn't have other options, this is what I grew up into. I was born in a poor family and I did not like to be without money, so I have decided to work in this business (tamales vendor)" – Rodrigo

Another example is Cristofer, a 15 years old boy, who has been working as a street vendor for three years already. He is selling snacks from a tricycle that can be commonly seen on the streets of Mexico city (Picture 6-2). The business used to be run by his mother, but she could not keep it up alone, because the earnings were not enough to provide for the family. Hence, Cristofer had to take it over and help with generating more income.



" It is a family business, I started when I was 12 years old because there wasn't enough income for the family. I took over my mom job...It is very usual in my family to have a business almost all my uncles have one..." – Cristofer

Picture 6-2: Tricycle street vendor, Mexico city 2022, own picture

In addition to contributing to the family's earnings from an early age, many of the participants have inherited the business they manage. As they were describing, accepting the inheritance was the right thing to do in order to comply with family traditions. From all the respondents there were five, who have mentioned that their business was a heritage from their relatives. Such an inheritance was perceived as a good opportunity for their personal goals of income generation.

In the case of Jesús, a 20 years old street vendor, who has recently inherited a home-made snack vending stand from his uncle, saw this event as a good option to generate money for his studies. As he was the next male in the family of working age it was his turn to continue the business.

"When time came they told me, it is my turn to continue with the business. To be honest, I do not mind, it gives good money and I like what I do. Also, I am saving for my studies and this way I can contribute to my family's income as well." – Jesús

Another example is Isabella, a 54 years old quesadilla vendor, who has been in this business for 21 years. In her case, the way of inheritance was a bit different, as the business used to be her mother's whom she has helped over the years. When her mom died, she was the one who got the business to continue.

"We have had this business for many years now, it used to be my mothers. As my mom died, I was the only one to continue, so since then it is my business."- Isabella

There are instances where inheriting is a big tradition within the family and respondents were proud to be part of continuing generations and were planning to pass it on to their children when time comes.

An example of a proud generation was Pedro, a 56 years old street vendor, who was selling water based, home-made Mexican ice-cream called 'nieves'. His business consisted of a four wheel wagon with 5 types of ice cream, that he and his wife prepared at home every day. Throughout the day he would walk around the streets in the centre of Mexico City in search for customers. Pedro, inherited the business from his father, who came from the province to the city in order to find a job and created his own enterprise that is now the one Pedro was managing. Since its creation, they have been a business for more than 50 years, and Pedro is planning to pass it on to his kids to continue the generational traditions. "First, my father started it, then now it's me. I am the second generation of this business, which has been operating for 50 years now... The third generation is coming, that is being my nephews and my sons who already work with me and help me. They will be the third generation..." –

Pedro

6.2.3 PERCEPTION OF INFORMAL VENDORS ACCORDING TO THEM

Being part of the informal economy in Mexico is not something out of common, approximately 60% of the population is an active participant in it (INEGI, Instituto Nacional de Estadísticas y Geografía, 2020). If one visits Mexico or sees pictures of its bigger cities, the streets are filled with street vendors selling food, items of clothing or different products as **Error! Reference source not found.** illustrates. Street vendors are a lively part of Mexico City, as one of vendor puts it:

"We give life to the spaces we occupy, we give it colour and attractiveness." - David



Picture 6-3: Street vendors in Mexico city, 2022, own picture

According to interviewed informal entrepreneurs, they not only create a colourful and busy atmosphere, but also offer more affordable products that is available for all. When asking the interviewees, 'What do they think, how does society regard them?' in most cases the respondents regarded themselves as a useful business and appreciated by society. Nonetheless, there were also some who said that there will always be people who won't accept them and judge them.

In the story of Rodrigo, who has been selling tamales for 10 years, said that the perception of people about him and his work has changed over time. At the beginning, when he started many of his friends would question him and think that it was a weird choice to become a tamalero. However, now, 10 years later he said that his experiences and his earnings have convinced his surroundings about his work. Moreover, he said, that now, many of his friends also wanted to work in the same field as it brings good income and offers better conditions than many other jobs.

"When I started working in this business many of my friends said, I am stupid and it is a horrible job and it creates low incomes. I did not listen to them. Now, they all want to be 'tamaleros' because it is a good income and rewarding, compared to other jobs..." – Rodrigo

Eduardo, a 67 years old vendor, who has been selling affordable Mexican breakfast for the past 32 years together with his wife, had a positive perception. Their stand is in front of a hospital, therefore the people working in the hospital are their main customers. According to Eduardo, most of these people appreciate his stand and created a friendship with him. However, he also mentions that there will always be people who judge him, but he won't bother and he will always do his best.

"There will always be people who see us as weird. However, most of the people are happy to buy from us. Inside the hospital a sandwich can cost MXN\$70, we are selling it for

MXN\$15.Many cannot afford such expensive food and for them we are here to serve and provide them with our home-made breakfast..." – Eduardo

As for Pedro, who has been selling 'nieves' for over 20 years on the streets of Mexico City mentioned some of the negative perceptions. He pointed out that people, who have the same background as him, but did not manage to have a business, would feel jealous about the success of others. On the other hand, he has also highlighted the satisfaction of his customers.

"Some people see it well, some see it with jealousy and my consumers are always happy about it. If someone eats from me once, they will do it again." – Pedro

Marta and Elena, who have been selling 'gorditas de nata' for many years, have highlighted another aspect, which is their important role in maintaining a tradition that is disappearing. Back in the days, these biscuits (gorditas de nata) were only known in the rural areas of Mexico, as part of the religious festivities. At these events the women of the town would go out and stand next to the churches and prepare these biscuits. After participating in the mass, people coming out from the church could instantly smell the sweet biscuits and buy them. One of the main ingredients is corn flour, which is deeply rooted in pre-Hispanic traditions and is one of the national ingredients of Mexico. Additionally, to the history of this biscuit, when it arrived in Mexico City it was also related to Virgin de Guadalupe and to pre-Hispanic traditions. As Marta was explaining, consequently, in the eyes of the elderly generations, these biscuits awaken joy and happiness as it reminds them of their childhood memories.

"People see us as part of a tradition. A craftsmanship tradition by using the corn as a traditional Mexican ingredient which represents happiness. But, sadly the tradition is in extinction. But for the older generation that grow up with this tradition they are always happy to see us and they will buy from us..." – Marta

6.2.4 SUB-SUMMARY

Under each sub theme, participants were asked about the informal regulatory system structuring their work, how family traditions influence their participation and the perception of society towards them.

It can be said that the created 'leader system', appears to be just as vague and unclear in its functioning and transparency as the written rules and laws as reported by the interviews. In many cases leading the respondents to doubt, where the money they have paid is going and what benefits they had from it, when no changes in their environment occur.

On the subject of family influence, it was clear how big of an importance traditions and family values play. These strong ties with family members can also enhance the moral legitimacy of a business, especially when it is one that has been inherited. In the same way, the perception of informal entrepreneurs according to the vendors themselves, is highly correlated to legitimacy.

Conforming to the findings, it can be said that on one hand, informal entrepreneurs experience a general acceptance, appreciation and tolerance towards them. This type of acceptance can be further explained by the pragmatic legitimacy, as society regards their business useful and offers a cheaper alternative, which is in their self-interest.

On the other hand, findings show that informal entrepreneurs also have to face jealousy and judgmental people, who will find reasons to criticize them. Regardless of the negative perceptions, many of the respondents have created friendships with their customers, who would assure their loyalty. A common trait that was found among the respondents was their eagerness to always provide great service and tasty food, being kind and helpful with people and always doing their best, a so called "Siempre enchandole ganas" (always with eagerness) attitude.

6.3 CULTURAL-COGNITIVE PILLAR

The cognitive pillar section will look more into the shared conceptions that influence the nature of social reality (Scott W., 2013). This section is divided into three themes: role models, knowledge and experiences, and religion.

6.3.1 ROLE MODELS

As theory suggests in chapter 2, from the study of Lafuente et.al. (2007), entrepreneurial role models within the family or close neighbourhoods can have a strong impact on other economic agents, who will contemplate same career choices. Successful entrepreneurship examples can increase the participation and interest of other individuals to become entrepreneurs as well, because "the internal reaction of an individual influenced by a role model is that 'if she/he can, why can't I?" (Lafuente, Vaillant, & Rialp, 2007). Among the participants, the majority has grown up in a family where owning a business and being an entrepreneur is very common, not only for the family but in many cases within the community as well.

An example is the story of Marta, a 75 years old lady, who has been making and selling 'gorditas de nata' (see Picture 6-4) since she was 18 years old. Growing up and seeing her mother preparing these Mexican biscuits and having a business of it, incentivised Marta as well, as it appeared to



Picture 6-4: Gorditas de nata, Mexico city, own picture, 2022

be a viable source of income.

Marta could remember clearly, how her mom used to make and sell these 'gorditas' and she would be standing next to her watching and learning all day long. Her mom would go everyday next to the church and sell it and thus providing a sufficient income for the family. When Marta turned 18, she took over the business. She explained that at the beginning just like her mother, she always went to the rural villages around Mexico City that had religious celebrations and sold the biscuits there. For her, the possibility of having this business was seen as a way to secure a better future for her five kids, just as her mom did with her and her siblings. As time has passed, she stopped going to the villages and right now she is only selling in Mexico City next to the Basilica in the centre of the city. She wishes to pass on the knowledge and skills to her daughters so they will continue.

Another story is José's, a 57 years old, tacos and quesadilla vendor. He grew up in a family where almost everyone was an entrepreneur. Hence, from an early age he was taken to work and helped other family members with their businesses. When he grew older, from the examples of successful entrepreneurs in his family and surroundings, he was inspired to have his own business as well. He saw it as a natural choice to take, because the other family members were doing it and they had been profitable.

In the case of Sofia, a 23 years old breakfast bread vendor, who was selling from a tricycle, her role model was her sister. Her sister was part of different businesses to try her luck with more or less result. Nonetheless she always kept an inspiring attitude and positive work morale, which was a good example to Sofia. The sister now has opened a bread business with her aunt, where Sofia chose to join them as well and follow their example.

Miguel's case was different. He is a 26 years old fruit vendor, who has decided to become an entrepreneur in spite of not having any examples around him. As the eldest sibling of four, he wanted to become a role model himself, by showing to his smaller siblings that with humble work and dedication everything is possible.

" I have siblings and I am the oldest so I also wanted to show them a good example to work for what we want and always be eager and give it all..." – Miguel

6.3.2 KNOWLEDGE AND EXPERIENCE in informal entrepreneurship

An anecdote that was often mentioned by the interviewees, was their memories of growing up next to their working parents and helping them out, while learning the profession. Thus, when they grew older, they would already have the knowledge needed to continue with the business or start their own. They became familiar with the informal rules, such as the aforementioned 'leader system', the trading options and they have gained important business skills as well. It was therefore a familiar environment to them when deciding to start their own enterprise.

One example is the earlier mentioned María, for whom setting up her own business in sell light snacks from a shopping cart has been the solution to generate income and provide a better future for her kids. This was possible to achieve due to the experience and knowledge she has gained over the years. She started to work when she was 12 years old with her uncle, selling snacks from a cart. She grew up in this environment and that is what she has been doing her whole life, as she was not able to go to school. When she got kids, she wanted to provide a better future for them so they could go to school and study. Therefore, 5 years ago she has started her own snack selling business in front of the park of Chapultepec, using her previous life experience.

Another illustrative case is Luis, 24 years old, who has started his own breakfast vending stand eight months ago. Beforehand, he studied a cooking course for three years and got the inspiration from there to have his own business. Additionally, he has worked at a variety of businesses before, such as car repair, toy selling stands and similar work. During his time working at other places he gained a good insight into business activities, hence he was confident with starting his own enterprise.

6.3.3. RELIGION

In Mexican culture the role of religion and church is deeply embedded in people's everyday life and even in their ways of thinking. This can be attributed to the fact that Catholicism has historically been the most important religion in the Mexican society, since its beginning in 1519, by Hernán Cortez (Ortiz, 2009).

The influence of religion, arise from observing the comments from the respondents, who often mentioned the will of God, for example: "Si Dios quiere" (God willing), "Dios te bendiga" (God bless you) and "Gracias a Dios" (thank God). These phrases were often related to business activities and its success. In line with the findings of Namatovu et.al (2018) study, where religion and God has represented different meaning to each person. This thesis sees the informal entrepreneurs' belief in God representing a coping and defining reaction to the continuously changing environment as well as keeping their motivation and positive mindset.

In the case of Miguel, a 26 years old fruit vendor, who has started his business one year ago, God was seen as a mitigator for challenges against the police and the one framing the future context of the business and taking care of it.

"Thank God, nothing bad has happened to us. We never had to be involved with the police..." – Miguel

For Ricardo, a 75 year old breakfast vendor, who has had the business for 45 years God represented the power for him. As he needed a lot of strength to be able to continue his business as widow, after the death of his wife. According to Ricardo, it was only possible due to God's care for him. For Ricardo, God gave him strength and perseverance to continue with the enterprise even though he has lost his wife.

"I am working alone. I am even a widower, but thank God, I was able to continue with the enterprise, alone..." – Ricardo

Another example is Carlos, a 29 years old vendor, who has started his home-made Mexican breakfast enterprise six months ago, with high hopes for the future. From his perspective, faith was giving him confidence in the operations of his business.

"...There was the opportunity that my aunt could give the business to me. I have seen it as a good option and thank God, it is going well..." – Carlos

As for Marta, a 75 years old Mexican biscuit (gorditas de nata) vendor, God was seen as a guide for her business. She has been preparing these biscuits for 57 years now and the continuation of her activities are in the hands of God as she expressed herself:

"... Here we are, giving our best, and only God will tell us until when. He will say until here, until here..." – Marta

6.3.4 SUB-SUMMARY

The findings of this thesis support the studies (mentioned in chapter 2), which makes a connection between role models' impact on career decisions. Data in this thesis has shown that, even in the informal entrepreneur context, the impact of role models is also important aspect.

Moreover, having the experience and knowledge of the informal sectors' 'informal rules' is an important asset when one opens their own business. Likewise, it can incentivise the decision to open a business in the informal sector, with which the individual is more familiar. As the cases have shown, many got inspired from previous experiences and used the knowledge they acquired during those times.

As regards the belief in God, it represents something different for each individual. For some, it gives power and perseverance, while for others it assures safety in the unforeseen circumstances of working in the informal sector. Consequently, believing in God can be a conduit in shaping one's shared conceptions of reality 'through which meaning is made' (Scott W., 2013).

7. DISCUSSION

This chapter will discuss and critically reflect upon the findings, the theories and the methodological choices used in this thesis to answer the research question. First, the empirical findings will be addressed in connection to the research question. The second section will evaluate the theories used and debate the strengths and limitations of the conceptual framework applied. The following section will review the methodology used in this thesis, focusing on data collection and reliability and validity of data. Finally, areas of further research will be addressed.

7.1 FINDINGS

This thesis has focused on investigating the presence of informal entrepreneurship, focusing on street vendors in Mexico City through the application of the institutional theory. The following research question has been studied throughout the thesis in order to find answers to: *How can the high participation in the informal economy by street vendors in Mexico City be explained trough the institutional theory* ?

Table 7-1, summarises the empirical finding of this thesis, detailing each pillars contribution in answering the research question. Firstly, the regulative pillar suggests that the high participation in the informal economy is due to factors such as: the lengthy, bureaucratic and expensive procedures of registration, in addition to corruption practices, combined with a great disbelief in government bodies, as well as the practices of weak enforcement systems.

Secondly, the normative pillar has highlighted how closely interrelated society is with the reasons behind being part of the informal economy. One of the factors is the continuation of family traditions that has been providing a living for the family, together with the feeling of acceptance and being important in the eyes of the Mexican society. Additionally, the informal regulations that frame these street vendors' businesses can shield them from legal authorities and provide them with an alternative regulatory system. Thirdly, the cultural-cognitive pillar has shown the importance of culturally embedded reasons behind participation. The findings show that such reasons can be the influence of role models around the entrepreneurs, in addition to the experiences and knowledge which many of the participants have acquired, growing up. The comfort of being familiar and knowing what is expected within the informal regulations can keep street vendors from becoming formalized enterprises. Moreover, religion has shown to be an important factor as well, as it provides the believer with trust and safety in the uncertain circumstances of the informal economy.

HOW CAN THE HIGH PARTICIPATION IN THE INFORMAL ECONOMY BY ENTREPRENEURS IN MEXICO CITY BE EXPLANED THROUGH THE INSTITUTIONAL THEORY?

| REGULATIVE | NORMATIVE | CULTURAL-COGNITIVE |
|---|--|---|
| <u>Business registration:</u> - Lengthy bureaucratic processes - Expensive procedures | <u>Informal regulations:</u> - Informal leadership system to follow, which is providing protection from enforcement systems | <u>Role models:</u> - Other people's success as an inspiration |
| Enforcement: - Weak enforcement system | <u>Family views:</u> - Providing for the family - Continuing family traditions | Knowledge and experience: Growing up in working for an informal enterprise Being familiar with the informal economy's requirements and procedures |
| Disbelief in government Corruption | Perception of informal vendors according to themselves: - Feeling of being important and welcomed by society | <u>Religion :</u> - Being religious provides a feeling of safety in the unpredictable circumstances |

Table 7-1: Summary of results to the research question

As has been mentioned earlier, due to the fact that institutions are socially constructed, legitimacy is present in all institutional pillars. The initial argument for the existence of the informal economy, according to the institutional view is due to an asymmetry between the formal and informal institutions. This asymmetry can arise from the different levels of legitimacy of the actors within the pillars. Findings have shown that within the regulative pillar, governmental bodies show low levels of legitimacy in the eyes of society. This is due to the corrupt practices and the little improvement in peoples' everyday lives it offers. In contrast, both normative and cognitive pillars showed high levels of legitimacy. This can be partially explained by the products sold, by these informal entrepreneurs. They provide an alternative, that is available to all.

7.2 DISCUSSION OF THEORY AND THE CONCEPTUAL FRAMEWORK

Over time, scholars have changed their approach towards entrepreneurship. The definition of who is an entrepreneur has switched from a more economic focused (Deakins & Freel, 2009) towards a more inclusive, nuanced definitions (Imas, Wilson, & Weston, 2012) including the informal sector and its entrepreneurs as well (Hart, 1973).

This has important implications in the present paper as the researched group of entrepreneurs within the informal sector would not be regarded as entrepreneurs by early definitions, which mostly focused on innovation and capital increase. Those perspectives are based on westernised ideas and are hard to apply in developing countries, where reality often differs (Imas, Wilson, & Weston, 2012). Informal entrepreneurs have long been regarded as a homogeneous, necessity driven group of self-employed individuals. Nonetheless, Williams (2009) has argued for the deconstruction of creating opposing homogenous groups when talking about the motivations of entrepreneurs. The empirical findings of this thesis agree with the importance of a more nuanced and inclusive definition of the entrepreneur and underlines the heterogeneity of informal entrepreneurs, showcasing the variety of reasons why people are part of the informal economy.

This paper has used the institutional theory approach as a conceptual framework, dividing formal and informal institutions into the three pillars, suggested by Scott (1995): the regulative, the normative and the cognitive. This further division of institutions has allowed the author to gain new insights, as none of the pillars have a clear definition. Therefore, it gives the flexibility of shaping and constructing the sub-topics depending on the collected data and focus of the study. Moreover, using the institutional theory perspective has the advantages of creating a multi-level framework as each pillar has a different actor defining the 'rules of the game'.

The findings of this paper confirm the studies by Williams and Kedir (2018) on the institutional perspective that the asymmetries between formal (regulations) and informal institutions (norms, beliefs) can lead to higher participation in the informal economy. Identifying the informal economy as something that is outside of the codified and written rules, but is within the informal institutions which are a countries norms, values and beliefs. Consequently, emphasising the power of informal institutions over formal ones.

In contrast, to other institutional theory based studies where the focus of the study tends to be more narrowed and focused on only one of the institutions. This study has taken a wider perspective on the topic of informality. Therefore, it can provide with additional information by further describing and understanding the explaining factors within each of the three pillars, which contribute to the participation in the informal economy. Emphasising the overruling importance of norms and beliefs of individuals that impact their participation choices.

7.3 DISCUSSION OF METHODOLOGY

In continuation, the methodological choices of the thesis will be discussed. Having used a critical realist approach, has allowed the author to study and understand the phenomenon of informal entrepreneurship from a social structure approach. Thus, creating awareness of the existence of different layers: real, actual, empirical and their potential to change the understanding of one's reality.

Using a deductive method has helped in creating a structured approach to the studied phenomenon, starting with theory and creating a framework according to that. Due to its straight forwardness, it consumes relatively less time when researching and analysing data. However, it also has its limitations. It is less flexible and new approaches or findings cannot be added or changed in the theory, which in the case of an inductive or abductive approach, would have provided the flexibility of change and addition of new elements. However that also means a more time consuming process. No initial structure could be determined, but patterns should be identified from the data collected together with observations leading to a theory proposal or adjustment to an existing one.

The semi-structured interviews collected on the location of the business has allowed to interview relatively more people, however, it is important to acknowledge that by conducting face-to-face interviews and translating verbal data into written might lead to a loss of important information that comes from gestures and body language (Kuzmanić, 2009). Additionally, semi-structured interviews had their limitations as it was difficult to uncover topics of interest more in depth, due to time and external factors. For example, one topic of interest was the structure of informal regulations led by leaders was a topic that was mentioned often but due to the topics' sensitivity and lack of confidence of the participants, there is a shortage of information on the topic. Another area was religion, that has been mentioned throughout many of the interviews by referring to God as someone who will help them or decide ones' future. However due to the restricted time available, not rich enough information was collected.

These obstacles might have been possible to avoid if participants would have been asked to participate in an interview at a different location where no disruptions would be present. In order to increase the richness of collected data, additional methods would have been useful. For example, using participatory methods would have provided with further insights on the studied phenomenon by securing more time for creating confidence and safe surrounding. However, setting this up would have required more time and resources, in order to make it possible and potentially would have resulted in a lower number of participants, though more likely richer data on the different dimensions of institutions.

7.7. RELIABILITY AND VALIDITY

According to Saunders et al. (2019) establishing reliability and validity for qualitative research might not be the aim in the way it is in quantitative research. Alternative techniques for qualitative researchers to assess quality, is triangulation which involves more than one data source and collection method (Saunders, Lewis , & Thornhill, 2019). This has been achieved by triangulating the results of the finding with observation. Moreover, reliability is also interested in the repeatability of a study. Using qualitative data collection techniques with an exploratory purpose however does not necessarily have the intent to be repeatable as those studies reflect complex and dynamic circumstances that may be subject to change (Saunders, Lewis , & Thornhill, 2019). Furthermore, qualitative data collection methods, address topics of change, therefore the conducted interviews are "hence intrinsically irreversible, unrepeatable, unique and singular. " (Kuzmanić, 2009)

Consequently, using the terms reliability and validity might not be the most useful ones as it has been argued earlier. Instead the term rigour is used in this thesis, in order to determine the quality of the research. Rigour is broadly based on the: "coherence of the argumentation and the process through which researchers have arrived at what they regard as the best explanation for their findings" (Harley & Cornelissen, 2020). The coherence of this thesis is assured through the logic behind the methods employed. The application of a critical realist perspective led to the collection of qualitative data that is based on semi-structured interviews. All interviews conducted have been based on the same questions as a point of departure and have been later analysed and codified based on the conceptual framework chosen.

7.4 FUTURE RESEARCH DIRECTIONS

Based on the empirical findings and the limitations of this thesis, this section will provide with suggestions for future research. Considering the exploratory nature of the study, each of the three pillars have revealed some important insight about their impact on the informal economy. However, due to time limitations some interesting topics that have arisen, such as the system of informal regulations or the impact of religion, could not have been studied in dept.

As a suggestion, conducting in depth research separately on the normative and cognitive pillars' influence on informal economy could lead to new realizations and understanding on the topic. Furthermore, a study on the role of legitimacy on the presence of informal entrepreneurship in developing countries compared to the developed world, would be an interesting study. To see, depending on the level of legitimacy, how it would change the participation in the informal economy.

8. CONCLUSION

This thesis provides new insights into the phenomenon of informal economy and its entrepreneurs by unrevealing deeper underlying factors that can explain the street vendors presence, according to the institutional theory. Furthermore, through the eyes of its participants, creates a more nuanced perspective on the informal sector. The aim of this thesis was to answer the research question proposed:

How can the high participation in the informal economy by street vendors in Mexico City be explained through the institutional theory?

By going through each institutional pillar: the regulative, the normative and the cognitive an understanding of the informal entrepreneurs' perceptions and views on the events emerged.

First, the regulative institutional pillar represents the written rules and laws that needs to be followed in order to be considered a formal enterprise. Under this section, business registration laws and requirements have been described, while in the enforcement part the consequences of not following through have been written. In the present case, the rules by the Mexican government are perceived as difficult to understand and having cumbersome procedures that one needs to go through in order to become a formal enterprise. Therefore, often people choose to stay informal as they see the process of formalization expensive and not worth it for them. Additionally, practices of corruption, such as bribery of police officers are widespread and leads to a decreases in legitimacy of the regulative institutions. This furthermore adds to the number of informal participants, as enforcement systems do not follow through and often times can be avoided by bribes.

Secondly, the normative pillar points out to some factors that keep informality at high levels and approves its' legitimacy. Under this pillar, three different themes were identified: the informal regulations, family views and perception of informal vendors according to themselves. The informal regulations section explained, how new informal systems are created and replace the

formal regulatory systems. Even though they cannot be understood at times, their legitimacy would still be higher that the formal ones, as it is made by the informal system. Another aspect, is one family's role in influencing the participation in the informal economy.

Data points out, that often it is not a conscious decision to be an informal entrepreneur, but one that is being embedded in the family norms which can be a base for moral legitimacy. The findings also point out that many of the participants have inherited the enterprise they are working at, as part of a family tradition. Informal entrepreneurs expressed, that they are feeling welcomed and important within the Mexican society. They feel that they play an important role in providing cheaper and accessible products and services to the people that could not afford such products otherwise. This type of approval of society is partly due to self-interest reasons that increase the pragmatic legitimacy towards informal entrepreneurs.

Third, the cultural-cognitive pillar, gives additional insight about the informal entrepreneurs' shared conceptions which form their reality and motivations. These conceptions can further explain the participation in the informal economy. Under this pillar three themes were analysed: the importance of role models, knowledge and experience and religion. Within the role model section, the presence of successful informal entrepreneurs in one's surroundings can motivate individuals to try and do the same themselves.

Furthermore, findings have pointed out that growing up and being part of the informal business environment from an early age, can provide individuals with beneficial knowledge and experience which they can harness when starting their operations. As they are more familiar with the informal business context and its functioning, many choose to stay within the informal sector, rather than stepping out of their comfort zone and decide to become formalized enterprise. Last but not least, the presence of religion has proven to have a crucial role in keeping informal entrepreneurs in business. Believing in God is something that comforts and encourages people to continue even in the unpredictable circumstances. Under the cognitive pillar, legitimacy is mostly defined by the individual itself, therefore if they see their operations as proper and desirable they are legitimate.

8.1 RECOMMENDATIONS

In line with the findings of this thesis the presence of the informal entrepreneurship and economy in Mexico has to be understood as a culturally and historically embedded phenomenon, that is deeply rooted in society. Therefore, the 'one-size-fits-all policy' and trying to eliminate the informal sector which has been the approach of many governments shows little result. Hence, changing the perspective on discussing the informal entrepreneurs and seeing them as a heterogenous group is a crucial first step.

In order to reduce the asymmetry present between formal and informal institutions both need some changes. The guiding principle to change informal institutions, which include the norms, values and beliefs of people should be through education. As the findings have shown, many of the entrepreneurs are unintentionally informal, thus educating them on the benefits of being formal and current systems of requirements and responsibilities can go a long way. Together with changes in the formal institutions, that are seen with a lack of trust in the government due to corruption practices. Both internal, procedural changes as well as wider economic and social capital investment is needed, in order for people to feel the positive change.

BIBLIOGRAPHY

- Acevedo, I., Castellani, F., Lotti, G., & Székely, M. (2021). Informality in the time of COVID-19 in Latin America: Implications and policy options. *PLOS ONE*, 1-26.
- Alacovska, A., Langevang, T., & Steedman, R. (2021). The work of hope: Spiritualizing, hustling and waiting in the creative industries in Ghana. *Environment and Planning*, 619-637.
- Alvi, F. (2012). Rethinking the Institutional Contexts of Emerging Markets Through Metaphor Analysis. *Management international review*, 519-539.
- Balog, A., Baker, L., & Walker, A. (2014). Religiosity and spirituality in entrepreneurship: a review and research agenda. *Journal of Management, Spirituality & Religion*, 159-186.
- Bhaskar, R. (1986). Scientific realism and human emancipation. London: Verso.
- Biles, J. (2009). Informal Work in Latin America: Competing Perspectives and Recent Debates. *Geography Compass*, 214-236.
- Bruhn, M. (2013). A tale of two species: Revisiting the effect of registration reform on informal business owners in Mexico. *Journal of Development Economics*, 275-283.
- Casula, M., Rangarajan, N., & Shields, P. (2021). The potential of working hypotheses for deductive exploratory research. *Quality & Quantity*, 1703-1725.
- CDMX, G. (n.d.). Secretaría de inclusión y bienestar social. Retrieved from Quiénes son las Personas Mayores: https://sibiso.cdmx.gob.mx/blog/post/quienes-son-las-personasmayores
- Cialdini, R., Reno, R., & Kallgren, C. (1990). A Focus Theory of Normative Conduct: Recycling the Concept of Norms to Reduce Littering in Public Places. *Journal of Personality and Social Psychology*, 1015-1026.
- CPI. (2021). *Corruption perception index*. Retrieved from Transparency International: https://www.transparency.org/en/cpi/2021/index/mex
- Crossa, V. (2009). Resisting the Entrepreneurial City: Street Vendor's Struggle in Mexico City's Historical Center. *International Journal of Urban and Regional Research*, 43-63.
- Deakins, D., & Freel, M. (2009). Chapter 1: 'The entrepreneur: concepts and evidence'. In *Entrepreneurship and Small Firms.* (pp. 1-20). London: McGraw-Hill Education 5th edition.
- Desai, V., & Potter, R. (2006). Doing Development Research . London: SAGE Publications.
- Dubois, A., & Gadde, L.-E. (2002). Systematic combining: an abductive approach to case research. *Journal of Business Research*, 553-560.
- Easton, G. (2010). Critical realism in case study research. *Industrial Marketing Management*, 118-128.
- EIU. (2022). Mexico. Retrieved from Economist Intelligence: http://country.eiu.com/mexico
- Erkko, A., & Kun, F. (2015). Economic and political institutions and entry into formal and informal entrepreneurship. *Asia Pac J Manag*, 67-94.
- Escobar, O., & Dougherty, S. (2013). The determinants of informality in Mexico's states *. OECD.
- Fairclough, N. (2005). Discourse Analysis in Organization Studies: The Case for Critical Realism. *Organization studies*, 915-939.
- Flyvbjerg, B. (2006). Five Misunderstandings About Case-Study Research. *Qualitative Inquiry*, 219-245.

- FORLAC. (n.d.). *Informal employment in Mexico: Current situation, policies and challenges.* International labour organization.
- G20. (2016). 2016 GROWTH STRATEGY MEXICO. G20.
- Gibson, D. (2004). Role models in career development: New directions for theory and research. *Journal of vocational behavior*, 134-156.
- Goldfajn, I., Martínez, L., & Valdés, R. (2021). Washington Consensus in Latin America: From Raw Model to Straw Man. *The Journal of Economic Perspectives*, 109-132.
- González, J. (2016). *The Politics and Institutions of Informality and Street Vending in Mexico: The Case of Mexico City.* London: London School of Economics.
- Griffin, E. (2022). *Mexico*. Retrieved from Britannica: https://www.britannica.com/place/Mexico
- Harley, B., & Cornelissen, J. (2020). Rigor With or Without Templates? The Pursuit of Methodological Rigor in Qualitative Research. *Organizational Research Methods*, 239-261.
- Hart, K. (1973). Income Opportunities and Urban Employment in Ghana. *The Journal of Modern African Studies*, 61-89.
- ILO. (1972). Employment, incomes and equality. Geneva: International Labor Organization .
- Imas, M., Wilson, N., & Weston, A. (2012). Barefoot entrepreneurs. Organization, 563-585.
- INEGI. (2020). *Instituto Nacional de Estadísticas y Geografía*. Retrieved from Banco de indicadores:

https://www.inegi.org.mx/app/indicadores/?ind=6207067226&tm=6#D6207067226#D6 207067225#D6207067229#D6207081400

- INEGI. (2020). *Medición de la informalidad*. Retrieved from INEGI: https://www.inegi.org.mx/temas/pibmed/
- Interis, M. (2011). On Norms: A Typology with Discussionajes_778. *American Journal of Economics and Sociology*, 424-438.
- Kuzmanić, M. (2009). Validity in qualitative research: Interview and the appearance of truth through dialogue. *Horizons of Psychology*, 39-50.
- Lafuente, E., Vaillant, Y., & Rialp, J. (2007). Regional Differences in the Influence of Role Models: Comparing the Entrepreneurial Process of Rural Catalonia. *Regional Studies*, 779-796.
- Langevang, T., Namatovu, R., & Dawa, S. (2012). Beyond necessity and opportunity entrepreneurship: motivations and aspirations of young entrepreneurs in Uganda. *International Development planning review*, 439-459.
- Loayza, N. (2020). Costs and Trade-Offs in the Fight against the COVID-19 Pandemic: A Developing Country Perspective. World Bank Group.
- Maloney, W. (2004). Informality Revisited. World Development, 1159-1178.
- Maurizio, R. (2021). *Employment and informality in Latin America and the Caribbean: an insufficient and unequal recovery*. International Labour Organization.
- Murray, C. (2021). *López Obrador has little to show for his fight against corruption*. Retrieved from Financial Times: https://www.ft.com/content/277946d6-a029-4a22-8a7e-f67b4edf6080
- Namatovu, R., Dawa, S., Adewale, A., & Mulira, F. (2018). Religious Beliefs and Entrepreneurial Behaviors in Africa: A Case Study of the Informal Sector in Uganda. *Africa Journal of Management*, 259-281.

- North, D. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge University Press.
- OECD. (2019). Definitions of informal economy, informal sector and informal employment. OECD.
- OECD. (2020). COVID-19 inLatin America and the Caribbean: Regional socio-economic implications and policy priorities. OECD .
- Ortiz, J. (2009). Does Religion Distribution Matter in the Economic Growth of Latin America? International Journal of Business and Economics, 183-199.
- Peña , S. (2000). Regulating Informal Markets: Informal Commerce in Mexico City. *International Journal of Sociology and Social Policy*, 37-67.
- Peña, S. (1999). Informal Markets: Street Vendors in Mexico City. Habitat intl., 363-372.
- Portes, A., & Schauffler, R. (1993). Competing Perspectives on the Latin American Informal Sector. *Population and Development Review*, 33-60.
- Salinas, A., Muffatto, M., & Alvarado, R. (2018). INFORMAL INSTITUTIONS AND INFORMAL ENTREPRENEURIAL ACTIVITY: NEW PANEL DATA EVIDENCE FROM LATIN AMERICAN COUNTRIES. Academy of Entrepreneurship Journal.
- Santander. (2022). *MEXICO: ECONOMIC AND POLITICAL OUTLINE*. Retrieved from Santander. Trade Markets: https://santandertrade.com/en/portal/analysemarkets/mexico/economic-political-outline
- Saunders, M., Lewis , P., & Thornhill, A. (2019). *Research methods for business students.* UK: Pearson Education .
- Sayer, A. (1999). *Realism and Social Science*. London: SAGE Publications.
- Scott, W. (1995). Institutions and organizations. Thousand Oak: CA: Sage.
- Scott, W. (2013). Crafting an Analytic Framework I: Three Pillars of Institutions. In W. R. Scott, Institutions and Organizations Ideas, Interests, and Identities (pp. 55-85). SAGE.
- Suchman, M. (1995). MANAGING LEGITIMACY: STRATEGIC AND INSTITUTIONAL APPROACHES. *The Academy of Management Review*, 571-610.
- The Guardian. (2021). Retrieved from More than 2 billion workers make up the informal economy: https://www.theguardian.com/the-future-of-work--forging-an-inclusive-economy/ng-interactive/2021/nov/16/more-than-2-billion-workers-make-up-the-informal-economy
- Tolbert, P., David, R., & Sine, W. (2011). Studying Choice and Change: The Intersection of Institutional Theory and Entrepreneurship Research. *Organizational Science*, 1332-1344.
- Tracey, P., & Philips, N. (2011). Entrepreneurship in Emerging Markets: Strategies for New Venture Creation in Uncertain Institutional Contexts. *Management International Review*, 23-39.
- Trading Economics. (2019). *Trading Economics*. Retrieved from Ease of Doing Business in Mexico: https://tradingeconomics.com/mexico/ease-of-doingbusiness#:~:text=Ease%20of%20Doing%20Business%20in%20Mexico%20averaged%205 1.17%20from%202008,low%20of%2042%20in%202014.
- Veciana, J., & Urbano, D. (2008). The institutional approach to entrepreneurship research. Introduction. *International Entrepreneurship and Management Journal*, 365-379.

- WCO. (2015). Mexico launches new strategy to combat informality By the Tax Administration Service of Mexico. Retrieved from World Customs Organization: https://mag.wcoomd.org/magazine/wco-news-77/mexico-combat-informality/
- Webb, J., Tihanyi , L., Ireland, R., & Sirmon, D. (2009). YOU SAY ILLEGAL, I SAY LEGITIMATE: ENTREPRENEURSHIP IN THE INFORMAL ECONOMY. *Academy of Management Review*, 492-510.
- WIEGO. (2021). La crisis del COVID-19 y la economía informal: Trabajadoras y trabajadores en empleo informal en Ciudad de México, México. Mexico City: Women in Informal Employment:Globalizing and Organizing.
- Wikipedia. (n.d.). Administrative divisions of Mexico. Retrieved from Wikipedia: https://en.wikipedia.org/wiki/Administrative_divisions_of_Mexico
- Williams, C. (2009). The motives of off-the-books entrepreneurs: necessity- or opportunitydriven? *International entrepreneur management journal*, 203-217.
- Williams, C., & Kedir, A. (2018). Evaluating competing theories of informal sector entrepreneurship: a study of the determinants of cross-country variations in enterprises starting-up unregistered. *International Journal of Entrepreneurship and Innovation*, 155-156.

WJP. (2021). Mexico States Rule of Law Index 2020-2021. World Justice Project.

World Bank. (2021). *The World Bank*. Retrieved from GDP growth (annual %) - Mexico: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2021&locations=MX&s tart=2008&view=chart

World Bank, G. (2020). Doing Business 2020. Doing business.

Yin, R. (2003). Case Study Research. London: Sage publications.