

Informal Economy - Opportunity, not threat

<https://marketpublishers.com/r/IBBEE75BA61EN.html>

Date: June 2017

Pages: 24

Price: US\$ 995.00 (Single User License)

ID: IBBEE75BA61EN

Abstracts

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SUMMARY

By some estimates the informal economy is the second largest economy in the world, yet governments have a history of attacking it and failing to realize the opportunities on offer for economic progress. Embracing the opportunities in terms of employment and taxation possible from creating effective regulation would help to formalize the informal economy. Rather than working against it, some companies have struck success by accommodating a different means of doing business. Supporting such a large number of people - be it through employment or utilizing goods and services - working to improve the informal economy is the best outcome, particularly for many developing countries in which the informal economy is notably large

Key Highlights

Some companies have been able to change how products are sold to meet the needs of the informal economy. MTN, for instance, failed to break into the Nigerian market when attempting to use conventional means; only when mobile phone services were sold to meet the needs of the informal economy was success struck.

Government crackdowns on the informal economy are bad for national economies. Not only does a large section of the economy fail to achieve its business potential, but cycles of bribery and corruption remain. Furthermore, services which employ vast numbers of people are damaged and those dependent upon them are faced with greater difficulties than normal.

Some countries are becoming much better at finding means of taxing the informal economy, helping to businesses operating outside of the law closer to a formalized setup. This is the correct approach because of the economic potential the informal economy has.

SCOPE

Explores how companies are adapting to the informal economy.

Explains why bribery is not the problem some governments believe it to be.

Analyzes policies created to deal with the informal economy

Seeks to explain the economic significance of the informal economy

REASONS TO BUY

How important is the informal economy to the working poor in developing nations?

What can be done to formalize the informal economy?

How are governments changing approach to the informal economy?

Contents

Overview

Catalyst

Summary

Major companies choose to sell directly to street vendors, circumventing traditional routes

Some companies have demonstrated how to accommodate a different way of doing business

Companies can change products to suit informal economy

Banking products are changing informal business, helping to bring many closer to formalization

Share offerings are now available to informal economy businesses

Government crackdowns are bad for ordinary people and economic performance

Attempts to shut down informal economy in Lagos caused mayhem for many people living in poverty

Iconic street food of Bangkok has not been exempt from heavy handed governance

India removed 86% of cash in circulation, harming many poor people in the informal economy

Informal economy has major impact on wealth - it must be aided, not discarded

Informal economy serves those who require it the most, helping growth by providing employment and services

Some countries are becoming much better at taxing informal businesses

Informal economy is helping to improve the health of poor people, enabling greater economic activity

Informal businesses are functioning closer to formal companies

Governments can influence scale of informal economy

Brazil created an incentive system to increase business registration

Indian government passes street vendor law, but it resembles a thinly veiled threat rather than granting legitimacy

Governments in developed countries have influence on informal economy too

Bribery: commonly associated with informal work, it also afflicts formal companies

Informal economy bribery is essential, creating a problem for moving towards formalization

Although commonly associated with informal traders, bribery afflicts incorporated companies

Conclusions

Informal economy is an opportunity, not a threat

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