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# The Truth of Informal Entrepreneurs in Malaysia

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Malaysia's economy heavily relies on informal entrepreneurship, particularly among marginalised people and in urban areas. During the past few years, particularly following the covid-19 pandemic, the informal sector comprises a significant portion of entrepreneurial activity in Malaysia, but there is a lack of comprehensive understanding of the relationship between entrepreneurial income and the well-being individuals involved in this sector. Chief statistician Datuk Seri Dr Mohd Uzir Mahidin said the higher employment in the informal sector was partly due to the impact of the Covid-19 pandemic (The Star, 2022). In details, about 57% or two million people were employed in the informal sector, whereas 42% or 1.5 million people were employed in the formal sector. According to a statement by Mohd Uzir, "jobs in the informal sector with the highest increase in 2021 were internet salesperson and programmer analyst where by these the two primary requirements for the informal sector were not being registered under any particular national legislation and having fewer than ten employees.

Informal entrepreneurs known by many as "street vendors" or "micro-entrepreneurs," these unofficial business owners work in a variety of industries, including retail, food, services, and handicrafts. There are numerous additional forms of informal business besides street hawking. Small-scale vendors in marketplaces and bazaars, independent contractors like housekeepers, gardeners, and instructors, as well as family or individual owned home-based enterprises are all included in this. Although many Malaysians rely on informal business as their source of income, it is not without difficulties. Informal entrepreneurs frequently encounter regulatory constraints, restricted access to capital, and a lack of professional business skills. Furthermore, unregistered enterprises might function in a legal uncertainty, giving rise to problems like product seizures or evictions by law enforcement.

According to report by International Labor Organization (ILO,2019), the informal sector accounts for 62% of total employment worldwide. This ratio varies greatly between nations, ranging from 85% for low-income countries to 18% for

high-income countries. As a result, informal entrepreneurs and firms make a significant economic contribution, particularly in low-income nations. The fundamental issue is that, despite the continual expansion in informal entrepreneurs, they are frequently undervalued or face economic and social helplessness, which pushes them to stay unknown to the country's economic system, restricting their growth potential. (Crush, 2017).

A survey conducted by the Department of Statistics Malaysia revealed that employment in the unorganised sector increased by 450.0 thousand from 953.1 thousand in 2010 to 1.4 million in 2015. But beginning in 2015, the trend revealed that fewer people were being registered, going from 146.9 thousand in 2015 to 1.26 million in 2019. In terms of the percentage of workers in Malaysia's informal sector that contributes to total employment, it went from 8% in 2010 to 10% in 2015. From 2017, there has been a minor reduction in the trend of employment contribution in the informal sector, with 8.3% in 2019 compared to 9.6% in 2017 (Department of Statistic Malaysia, 2020). The rise in informal employment persists in 2021, about 57% or two million people were employed in the informal sector, whereas 42% or 1.5 million people were employed in the formal sector (Department of Statistic Malaysia, 2022).

As Malaysia enters the endemic phase and economic activities resume, growth expectations are generally upbeat. Bank Negara Malaysia (2022) reported 5% year-on-year gross domestic product (GDP) growth in the first quarter of 2022, backed by gains in domestic and overseas demand, as well as labour market recovery, with the unemployment rate dropping to 4.1%. Moreover, according to the Twelfth Malaysia Plan 2021–2025, which shows the government's determination to bolster the nation's economic resilience, support businesses in growing and achieving sustainability and well-being, the reopening of international borders and structural changes are projected to drive the recovery momentum (Ministry of Finance, Malaysia, 2023). However, informal entrepreneurs still running



business without formalize their business to sustainable and raise standard well-being.

As a conclusion, the lack of an integrated framework impedes efforts to assess how income generation affects overall wellbeing, including social, psychological, and economic aspects, thereby impeding the development of targeted policies and interventions to improve the holistic welfare of Malaysia's informal entrepreneurs. Thus, keep in mind that whether you hire a freelancer online or stop by a street vendor, you're supporting someone's hustle, their passion, and their livelihood rather than just a business.

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