

Formalization as an Important Movement Post-Covid: Factors Supporting the Transition of Street Food Vendors into the Formal Economy in Egypt

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Abstract : Informal economy is one of the most important issues in Egypt and the whole world. According to the World Economics (2022), the size of informal economy in Egypt is estimated to be 34.8% which represents nearly \$ 646 billion at GDP (PPP) levels. This paper examines the important movement of formalization especially after the pandemic and explores the factors supporting the transition of street food vendors, specifically coffee truck vendors, into the formal economy in Egypt. Exploratory survey was conducted with 100 vendors across Greater Cairo. Four hypotheses were explored to stand on the factors supporting the formalization and results showed positive effect of taxes, governments laws and regulations and reduction of legal procedures, and social security availability on coffee truck vendors' transition into the formal economy in Egypt. Whereas access to finance got the least importance. Research also shed light on the importance of government extensive role to offer and promote different business models of street vendors, to create more awareness about facilitation programs and to secure the basic social needs to this underprivileged segment.

Keywords: Informal Economy, Street Food Vendors, Formalization, Government Policies.

1 Introduction

Informal economy is one of the most important issues in Egypt and the whole world. More than 50% of the GDP in Egypt depends on the informal economy, which provides 68% of new jobs, and increases in size by 1% every year relative to the formal economy (Schneider and Klinglmair, 2004)¹. According to the World Economics (2022), the size of informal economy in Egypt is estimated to be 34.8% which represents nearly \$ 646 billion at GDP (PPP) levels. Additionally, informal sector provides products and services with cheap prices for those with low or middle income, moreover, it provides job opportunities for those who couldn't find jobs within the formal economy (Soliman, 2020)². Following the pandemic, many employees within the informal sector were affected negatively due to paid leaves, lack of health insurance and social insurance leading to increase of the poverty level causing around 12 % of people to fall from poverty into extreme poverty and pushing 44.4% (12.9 million workers) below the poverty line (ILO, 2020)³. According to estimates from the Federation for Economic Development Associations, Egypt has around 6 million street vendors (Al-Daydamouni, 2018)⁴. Despite the importance of formalization, the paperwork and money to obtain a street food vendors license are still much and the process to get the license take a lot of money and time, hence, people tend to get discouraged to move into the formal sector. Put

¹ Schneider, F., & Klinglmair, R. (2004). Shadow economies around the world: what do we know? Available at SSRN 518526.

² Soliman, M. (2020, October 29). Egypt's Informal Economy: An Ongoing Case of Unrest. Journal of International Affairs. Available at <https://jia.sipa.columbia.edu/egypts-informal-economy-ongoing-cause-unrest>.

³ ILO (2020). Policy Brief: Impact of Containment Measures on the Informal Economy. Geneva.

⁴ Al-Daydamouni, S. (2018, August 19). Young, Middle-Class Egyptians Compete With Street Vendors. The Arab Weekly. Available at <https://theArabweekly.com/young-middle-class-egyptians-compete-street-vendors>.

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aside, the taxes imposed, which in turn discourage them to move to the formal sector and favor the shadow economy (Kafafy, 2017)⁵. Recently, a particular attention was addressed by the Government to street food vendors in Egypt. In 2018, the Egyptian Government changed the laws and regulations regarding street food vendors, the motion was to encourage and motivate transition of street food vendors to licensed food carts (Sallman, 2019)⁶. Following the pandemic, it became much more difficult for street vendors to earn a living. In the current situation, it was determined that an investigation into the major difficulties confronting restaurants and street⁷⁸ food vendors was required, as well as a recommendation for moving forward (Zeb, 2021)⁹. Thus, this paper examines the important movement of formalization especially after the pandemic and explores the factors supporting the possible transition of street food vendors into the formal economy in Egypt. With many papers and studies investigating the role and view of the governmental and regulatory bodies, this study focuses on the street food vendors view to better explore the factors supporting their transition into the formal economy. Following the pandemic, a new growing trend was observed in Egypt, as such, this study identified a group of street food vendors who sell coffee, and sometimes sell food and snacks addressed as coffee truck vendors.

2 Literature Review

This section presents an overview about the informal economy and street vending. It examines the challenges of street food vendors, the importance of formalization, especially after the pandemic, and the role of government in this transition into the formal economy.

2.1 Informal economy and 'street vending'

The informal sector appeared in all countries with different levels of income, but it is more valid in the low-income countries and low-middle income countries (Bonnet et al., 2019)¹⁰. According to, (Portes et al. 1989)¹¹ informal sector activities don't follow government regulations, taxation rules and not under the supervision of the government, however it seemed to be illegal however it is not an activity of crimes.

Street vendors are classified into three categories they have known as: mobile or itinerant vendors, and they are moving from a place to other throughout the whole day; fixed-stall or stationary vendors, who are working in the same place every day, and the last type is the semi-fixed street vendors who temporarily store their belongings in makeshift constructions along the street (Coletto, 2019; Boonjubun, 2017; Cuvi, 2016; Brown et al., 2010)¹². Street vending mostly appeared in southern countries, Asia, Latin America, and Africa (Steel et al., 2014; Milgram, 2011; Schindler, 2014; Brown et al., 2010)^{13,14,15}. Most of street vendors appeared in developing countries as street vending in developing countries represents a source of income for low-income, and low-middle income countries (Onodugo et al., 2016; Swider, 2015; Turner and Schoenberger, 2012)^{16,17,18}. The reason behind this is the low level of industrialization, the surplus of labor process of urbanization, lack of technology, decrease in productivity, and low-paid unskilled workers, those factors seemed to be the main factors that affecting the high presence of the informal economy (Gerxhani, 2004)¹⁹.

⁵ Kafafy, N. A. (2017). Street traders in post-revolution Cairo: Victims or villains? In *Rebel Streets and the Informal Economy* (pp. 220-236). Routledge.

⁶ Sallman, N. (2019). Revanchism Entrenched: The Case of Cairo's Middle-Class Street Food Vendors. DPU Working Paper No.199.

⁷ Bonnet, F., Vanek, J., & Chen, M. (2019). Women and men in the informal economy: A statistical brief. *International Labour Office, Geneva, 20*.

⁸ Portes, M. Castells, L.A. Benton (Eds.), *The Informal Economy: Studies in Advanced and Less Developed Countries*, JHU Press (1989).

⁹ Zeb, S., Hussain, S. S., & Javed, A. (2021). COVID-19 and a way forward for restaurants and street food vendors. *Cogent Business & Management, 8*(1), 1923359.

¹⁰ Bonnet, F., Vanek, J., & Chen, M. (2019). Women and men in the informal economy: A statistical brief. *International Labour Office, Geneva, 20*.

¹¹ Portes, M. Castells, L.A. Benton (Eds.), *The Informal Economy: Studies in Advanced and Less Developed Countries*, JHU Press(1989).

¹² Coletto, D. (2019). L'economia informale e le sue rappresentazioni sociali: il caso dei mercati all'aperto. *Governare Milano Nel Nuovo Millennio, II Mulino, Bologna, 239-261*.

¹³ Steel, W. F., Ujoranyi, T. D., & Owusu, G. (2014). Why evictions do not deter street traders: Case study in Accra, Ghana. *Ghana Social Science Journal, 11*(2), 52-76.

¹⁴ Schindler, S. (2014). Producing and contesting the formal/informal divide: Regulating Street hawking in Delhi, India. *Urban Studies, 51*(12), 2596-2612.

¹⁵ Brown, A., Lyons, M., & Dankoco, I. (2010). Street traders and the emerging spaces for urban voice and citizenship in African cities. *Urban Studies, 47*(3), 666-683.

¹⁶ Onodugo, V. A., Ezeadichie, N. H., Onwuneme, C. A., & Anosike, A. E. (2016). The dilemma of managing the challenges of street vending in public spaces: The case of Enugu City, Nigeria. *Cities, 59*, 95-101.

¹⁷ Swider, S. (2015). Reshaping China's urban citizenship: Street vendors, chengguan and struggles over the right to the city. *Critical Sociology, 41*(4-5), 701-716.

¹⁸ Turner, S., & Schoenberger, L. (2012). Street vendor livelihoods and everyday politics in Hanoi, Vietnam: the seeds of a diverse economy?. *Urban Studies, 49*(5), 1027-1044.

¹⁹ Gerxhani, K. (2004). The informal sector in developed and less developed countries: A literature survey. *Public choice, 120*(3), 267-300.

2.1.1 The challenges of street food vendors

The term "street foods" refers to a variety of ready-to-eat foods and beverages sold and occasionally produced in public spaces, most notably streets. The final preparation of street meals, like fast food, occurs when the consumer requests the meal, which can be consumed on the spot or carried away (FAO,1986)²⁰. Street food vending appeared in developing countries under the umbrella of the informal economy which worked without following the regulations and protections of the government (Alimi and Workneh, 2016)²¹. Street food vendors don't follow the health and safety instructions and regulations, and they care less about the health of their consumers (Muyanja et al., 2011)²². Studies stated how the informal food vending employs about 60% of people who want to work in most of the African countries and cities (Alexander et al., 2011)²³. According to Skinner and Caroline (2016)²⁴, the Middle East and North Africa is the only region where informal economy is a greater source of employment for men.

Street food vendors have numerous challenges because they are a vulnerable population that is not protected by the government, NGOs, labor unions, or any labor regulation (Jaishankar and Sujatha, 2016)²⁵. Small food booths are typically set up illegally, and because they have no license for street food vendors, they are frequently evicted by police, governmental institutions, or local prominent persons, also, they often have to deal with the confiscation of their equipment or the complete removal from the vending site (Habib, 2016)²⁶. Several obstacles to street food vending have been highlighted for example, inadequate knowledge and abilities in business management, a scarcity of skilled workers, limited access to financing and high borrowing costs, as well as high production costs are just a few of the issues (Haleegoah et al., 2020)²⁷. Another challenge street food vendors face are uncertainty and instability because street vendors profession is illegal.

Moreover, in Egypt, a study conducted by Kantor and Kruijssen (2014)²⁸ about the women in fish street vending in Fayoum city, those are poor and uneducated, yet, trying to help their families and work in fishing street vending, as it is the only way to increase their family income around Qarun Lake (Fayoum). However, since they work informally, they face many problems and they don't have any social protection, or employment contracts, or legal license or even registered vendors identification cards. As a result, they lack a firm claim to space in which to sell their wares, whether in markets or on the streets, and they lack access to loans through microfinance institutions or other forms of support or services, making them open to harassment and abuse. World Fish in Egypt, an international Non-Profit Organization (NPO) with many other locations in Asia and Africa, collaborated with CARE International in Egypt and the Ministry of Agriculture and Land Reclamation to design gender-responsive interventions with the community of women fish street vendors to help them improve their businesses and thus their livelihoods (Dickson et al., 2016)²⁹.

2.2 Importance of formalization: the transition into the formal economy

There are different types of informality around the world, and it keeps evolving. There cannot be a "one size fits all policy" to control or enhance the conditions of informal workers. From capital view of formalization, governments frequently regulate to its advantage by raising taxes. According to the labour view of formalization, switching from informal to formal arrangements must be advantageous for workers. Informal workers are subject to government regulation while needing social

²⁰ FAO. (1986). Regional Workshop on Street Food in Asia. Available at <https://www.fao.org/3/u3550t/u3550t08.htm>

²¹ Alimi, B. A., & Workneh, T. S. (2016). Consumer awareness and willingness to pay for safety of street foods in developing countries: a review. *International Journal of Consumer Studies*, 40(2), 242-248.

²² Muyanja, C., Nayiga, L., Brenda, N., & Nasinyama, G. (2011). Practices, knowledge, and risk factors of street food vendors in Uganda. *Food control*, 22(10), 1551-1558.

²³ Eleanore Alexander, Derek Yach, George A Mensah, Major multinational food and beverage companies and informal sector contributions to global food consumption: implications for nutrition policy, *Globalization and Health* volume 7, (1), 1-8, Article number: 26 (2011).

²⁴ Skinner, Caroline. (2016). Informal Food Retail in Africa: A Review of Evidence Consuming Urban Poverty Project Working Paper Series. 10.13140/RG.2.2.33043.37922.

²⁵ Jaishankar, V., & Sujatha, L. (2016). A study on problems faced by the street vendors in tiruchirappalli city. *SSRG International Journal of Economics and Management Studies*, 3(9), 40-43.

²⁶ Habib, K. R. (2016). Understanding challenges faced by street food vendors to maintain street food hygiene in Dhaka city. *J Food Nutr Sci*, 4(4), 78.

²⁷ Haleegoah, J. A. S., Akuoko, K. O., Dwumah, P., Marfo, K. A., Forkuor, J. B., Frimpong, B. N., & Brobby, L. (2020). Actors Perceptions on Challenges and Opportunities to Improve Street Vended Local Foods in Urban Ghana. *Advances in Applied Sociology*, 10(11), 435-453.

²⁸ Kantor, P., Kruijssen, F. (2014). Informal Fish Retailing in Rural Egypt: Opportunities to Enhance Income and Work Conditions for Women and Men. Penang, Malaysia: WorldFish. Project Report: 2014-51. http://pubs.iclarm.net/resource_centre/2014-51.pdf.

²⁹ Dickson, M., Nasr-Allah, A. M., Kenawy, D., Fathi, M., El-Naggar, G., & Ibrahim, N. (2016). Improving employment and income through development of Egypt's Aquaculture sector (IEIDEAS) Project. WorldFish.

protection (Unni, 2018)³⁰. Policymakers always face challenges to convince people who are working in the informal sector to move to mainstream. Studies mentioned that workers in informal sector don't want to go into formality due to the taxes they are obliged to pay and the difficulties in the documents needed to get license to start their businesses, thus they tend to be permanent informal (Cuvi, 2016³¹; Schindler, 2014³²; Milgram, 2011³³). However, the informal economy has various negative impacts on the workers as the costs of capital is extremely expensive in informal sector than in the formal sector. The opportunity to formal sector on the access of technology is also much larger that provided to the informal (Assaad and Krafft, 2015)³⁴. In addition to the wages inequality between the informal and formal sectors, as mentioned in many literatures that the informal sector earns low wages with no social protection, pension, and health insurance, while on the other hand in the formal sector employees earn higher wages with social protection, pensions, and health insurance and follow the regulations of labor law (Harati, 2013)³⁵. All these factors emphasize the importance of formalization.

2.2.1 Formalization as important movement post-covid

The pandemic showed the importance of the formalization, as people who worked in the informal sector faced a declining in their income and in consumption as well because of social isolation. Informal workers don't have unemployment benefit like those in the formal sector so when the lockdown happened, they lost their jobs. The impact of this crisis shed the light about the challenges the workers in the informal sector faced to save their lives and this give alarm to policy makers and workers of the importance of transitioning from informal sector to formal sector.

Most cities did not permit street vendors to work during covid-19 lockdowns or other restrictions. However, some localities have permitted street food vendors, particularly those selling fresh fruits and vegetables, to operate. In this moment of crisis, the growing strain has left many vendors with a huge financial burden to meet the demands of their families, and it is also harming their psychological well-being (Bopeni, 2020)³⁶. Furthermore, there were some news during the lockdown about the home delivery boys testing positive for covid-19. Such videos were also disseminated on a variety of social media channels. These forms of news and videos made the situation for street food vendors far worse. In the current situation, it was determined that an investigation into the major difficulties confronting restaurants and street food vendors was required, as well as a recommendation for moving forward (Zeb, 2021)³⁷.

2.2.2 Government policies and formalization

Governments have shifted their focus in recent years, recognizing the potential benefits of the informal sector to the economy through taxation and job creation. Governments are increasingly putting more effort into encouraging the formalization of businesses as a mean of dealing with the informal sector (Williams and Kedir, 2017)³⁸. Financial inclusion is another reason for the need to formalize because it is critical to development (Ngwenya et al., 2018)³⁹. In Kenya it was found that reduction of registration costs led to increase in formalization of many enterprises (Mukorera, 2019)⁴⁰. To address institutional flaws and asymmetry, the government will need to address regulatory and administrative barriers, reduce licensing and formalization fees and financial requirements, improve socio-economic conditions and introduce business services such as formal entrepreneurial training.

³⁰ Unni, J. (2018). Formalization of the informal economy: Perspectives of capital and labour. *The Indian Journal of Labour Economics*, 61(1), 87-103.

³¹ Cuvi, J. (2016). The politics of field destruction and the survival of São Paulo's street vendors. *Social Problems*, 63(3), 395-412.

³² Schindler, S. (2014). Producing and contesting the formal/informal divide: Regulating street hawking in Delhi, India. *Urban Studies*, 51(12), 2596-2612.

³³ Milgram, B. L. (2011). Reconfiguring space, mobilizing livelihood street vending, legality, and work in the Philippines. *Journal of Developing Societies*, 27(3-4), 261-293.

³⁴ Assaad, R., & Krafft, C. (2015). The structure and evolution of employment in Egypt: 1998-2012. *The Egyptian labor market in an era of revolution*, 27-51.

³⁵ Harati, R. (2013). Heterogeneity in the Egyptian informal labour market: choice or obligation?. *Revue d'économie politique*, 123(4), 623-639.

³⁶ Bopeni, R. (2020, May 11). Covid-19 and Street Vending in Urban Papua New Guinea. The National Research Institute Papua New Guinea. Available at <https://pngnri.org/index.php/blog/169-covid-19-and-street-vending-in-urban-papua-new-guinea>

³⁷ Zeb, S., Hussain, S. S., & Javed, A. (2021). COVID-19 and a way forward for restaurants and street food vendors. *Cogent Business & Management*, 8(1), 1923359.

³⁸ Williams, C. C., & Kedir, A. M. (2017). Evaluating the impacts of starting up unregistered on firm performance in Africa. *Journal of Developmental Entrepreneurship*, 22(03), 1750017.

³⁹ Ngwenya, B., Pelser, T., & Chivaura, T. (2018). Perceptions of post-multicurrency regime financial inclusion confidence challenges in Zimbabwe. *South African Journal of Economic and Management Sciences*, 21(1), 1-15.

⁴⁰ Mukorera, S. Z. (2019). Willingness to formalize: A case study of the informal micro and small-scale enterprises in Zimbabwe. *Journal of Developmental Entrepreneurship*, 24(01), 1950001.

In Egypt, recently, the Egyptian government realized the importance of the informal sector and their transition to formal sector so, they have been changing some government policies and laws to encourage them to transition (Hassan, 2018)⁴¹. The first important step was taken in 2018, when the Egyptian parliament passed a proposed law to regulate and encourage the concept of food carts within a legal framework. The proposed law grants the ability to operate a cart after obtaining a license from "the necessary administrative authorities". The latter will also provide regulations and best practices for vendors to follow, as well as a description of the conditions and characteristics of each type of food cart (Hassan, 2018)⁴². In Addition, obtaining a license will cost about 5000 EGP and is renewed every three years and there are only eight required documents (Egyptian Law No. 92, 2018). Another initiative is that Egyptian government has initiated a few projects that gather street food vendors in one place to offer their services such as ‘Street 306’ projects that were started as innovative effort to organize and legalize street food vending in Cairo (Adel Rifaat et al., 2022)⁴³.

3 Research Methodology

The main research objective was to identify factors that could support coffee truck vendors’ transition into the formal sector in Egypt. The research methodology was based on quantitative approach. Exploratory survey method was used to collect data from a sample of 100 coffee truck vendors across Greater Cairo. Sample was split according to gender, age group, marital status, and number of kids. Data analysis was performed using SPSS for descriptive and inferential analysis.

3.1 Conceptual Framework

There is no available formal statistics about street vendors in Egypt, Cairo as one of the largest metropolitan areas in the world with a population of more than 10 million (CAPMAS, 2021) is currently experiencing the expansion of this phenomenon (Adel Rifaat et al., 2022)⁴⁴. Since this research is exploratory by nature, factors were extensively researched in the literature relevant to developing countries to stand on the understanding and perception of the coffee truck vendors. Four main factors were deduced and are the main factors composing the conceptual framework as illustrated in Fig. (1).

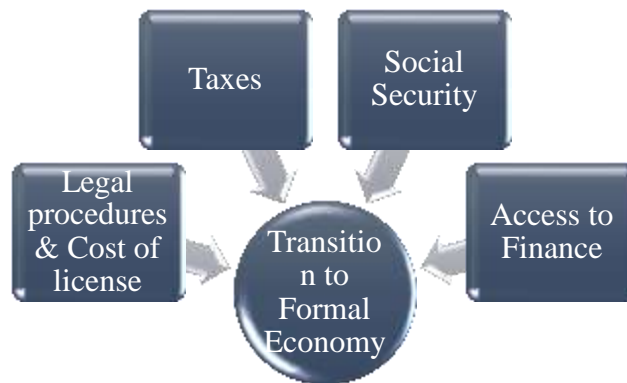


Fig.1: Conceptual Framework (Authors).

3.2 Hypotheses

The study is having 4 hypotheses to explore the effect on transition to formal economy as described below:

- H1: Taxes have negative effect on transitioning
- H2: Reducing legal procedures and cost of license have positive effect on transitioning
- H3: Access to finance has a positive effect on transitioning

⁴¹ Hassan, Y. (2018, May 15). Street Smarts: A Look into Egypt's Food Carts Business. Egypt Today. Available at <https://www.egypttoday.com/Article/15/50128/Street-smarts-A-look-into-Egypt-s-food-carts-business>

⁴² Hassan, Y. (2018, May 15). Street Smarts: A Look into Egypt's Food Carts Business. Egypt Today. Available at <https://www.egypttoday.com/Article/15/50128/Street-smarts-A-look-into-Egypt-s-food-carts-business>

⁴³ Adel Rifaat, A., Mahmoud Moustafa, Y., & Mohamed Fikry Elazzazy, M. (2022). Latest Street Food Vending Organization Attempts in Cairo: An Evaluation of the “Street 306” Model. Engineering Research Journal, 173, 16-36.

⁴⁴ Adel Rifaat, A., Mahmoud Moustafa, Y., & Mohamed Fikry Elazzazy, M. (2022). Latest Street Food Vending Organization Attempts in Cairo: An Evaluation of the “Street 306” Model. Engineering Research Journal, 173, 16-36.

- H4: Social security has a positive relation on transitioning

3.3 Data collection method

Since very little statistics were available to cover for the topic understudy, exploratory survey method was used to collect data from a sample of 100 coffee truck vendors across Greater Cairo. Survey was administrated in person to accommodate for the socioeconomic class of the respondents and assure questions are well understood to overcome any possible respondent bias or error. A pilot of 10% of the sample was first conducted for quality check and questionnaire check. Sample was split according to gender, age group, marital status and no. of kids. to assure different groups are covered for exploratory purpose. Survey was conducted across Greater Cairo where the phenomena was observed post pandemic, and the survey was designed with several randomly located cross check questions for validity verification (Calvert et al., 1997)⁴⁵.

4 Results and Analysis

4.1 Descriptive analysis

The overall sample was dominated by males (78.2%) and only females constituting (21.8%) as illustrated in Tab.1. As for the marital status single was the highest with 53.5%, followed by married with kids representing 34.7%, 8.9% divorced, and only 3% married as presented in Tab.2

The overall sample has the below distribution with age from 18-28 (55.4%), followed by aged 29-39 (25.7%), age 40-50 (7.9%), respondents under 18 (6.9%), and (4%) between the age 51 to 61 as illustrated in Tab. 3.

Sample was also split by number of kids with married with kids being the highest % (34.65%).

Furthermore, Tab. 4 shows the number of kids for the married respondents, as (58.4%) have no kids, (23.8%) have 1 to 2 kids, (16.8%) have from 3 to 4 kids, and only (1%) have from 5 to 6 kids.

It is worth noting that more than half the sample were single, as they did not have enough money or income to get married. On the other hand, 6.9% of respondents were under the age of 18 which is an indication of child labor, 55.4% were from the age 18-28 which indicates that proper job opportunity could help reduce youth unemployment.

Table 1: Gender.

Gender	(%)
Male	78.22%
Female	21.78%

Table 2: Marital status.

Marital Status	(%)
Single	53.47%
Married with kids	34.65%
Divorced	8.91%
Married	2.97%

Table 3: Age groups.

Age	(%)
18-28	55.45%
29-39	25.74%
40-50	7.92%
51-61	3.96%
Under 18	6.93%

Table 4: Number of kids.

Number of Kids	(%)
No Kids	58.42%
01-02	23.76%
03-04	16.83%
05-06	0.99%

⁴⁵ Calvert, C., Cade, J., Barrett, J. H., & Woodhouse, A. (1997). Using cross-check questions to address the problem of mis-reporting of specific food groups on food frequency questionnaires. *European journal of clinical nutrition*, 51(10), 708-712.

4.2 Inferential analysis

In this section, we will present the 4 hypotheses as reported by the respondents and the results are shown in Tab. 5 respectively.

H1: Taxes have negative effect on transitioning

- H_0 : Taxes have positive effect on transitioning
- H_1 : Taxes have negative effect on transitioning

The first hypothesis explored the effect of taxes of coffee truck vendors' transition to formal economy. As shown in Tab. 5, though 84% of the respondent agreed to get licensed if taxes are waived, 93% said that they are willing to pay up to 10% taxes. The reason why respondents were in favor of paying taxes since they were constantly being evacuated and they had to pay up to 5000 EGP and their car would be held for a specific period, nevertheless, it would return damaged or missing equipment. Hence, most of the respondents were willing to pay taxes in order to work legally and to be safe. Accordingly, researchers failed to reject the null hypothesis implying that taxes will have a positive effect on transitioning.

H2: Reducing legal procedures and cost of license have positive effect on transitioning

- H_{JNM_0} : Reducing legal procedures and cost of license have negative effect on transitioning
- H_1 : Reducing legal procedures and cost of license have positive effect on transitioning

The second hypothesis explored the effect of reducing the legal procedures and cost of license on transitioning. Results in Tab. 5 show that 63% of respondents agreed that they would get a license if process were easier and 93% agreed to obtain a license if paperwork concluded is less. Furthermore, when respondents were asked to state one ideal support, they need from the government to obtain the license, 77% said the facilitation of the registration process. Accordingly, researchers rejected the null hypothesis implying that reducing legal procedures and cost of license will have a positive effect on transitioning.

H3: Access to finance has a positive effect on transitioning

- H_0 : Access to finance has negative effect on transitioning
- H_1 : Access to finance has positive effect on transitioning

As shown in table 5, the research is exploring the effect of access to finance on coffee truck vendors' transition to the formal economy. Though results show that 40% of the respondents agreed that the support they really need is to get a loan to grow their business, however, 47% of respondents said they don't need a loan to grow their business. When they were asked about the reason why, the majority answered it is due to religious reasons they wouldn't take a loan even to formalize and get license. Moreover, from those who agreed they would need a loan to get a license (21%) are either renting the truck or employed by someone, so they do not have resources to substitute a loan. Accordingly, researchers failed to reject the null hypothesis implying that access to finance will not necessarily have a positive effect on transitioning.

H4: Social security has a positive relation with transitioning

- H_0 : Social security has negative effect on transitioning
- H_1 : Social security has positive effect on transitioning

The fourth hypothesis explored the effect of social security on transitioning. Results in Tab. 5 show that almost 80% of the respondents affirmed that the support they really need from the government is pension fund and only 3% disagreed with this statement. Accordingly, results showed that social security has a positive impact on formalizing. Moreover, when the respondents were asked if they seek medical attention when they were sick, 46.15% of people who said they never seek medical attention are married with kids, so they have other priorities where to allocate their money, on the contrary 73.3% who stated they always seek medical attention are single implying that health is a priority since they do not have other crucial obligations. Additionally, when the respondents were asked about the importance of medical insurance to formalize 53% agreed on its importance to formalize, and 16% disagreed with this statement. This indicates that medical care is important for transitioning. Accordingly, researchers rejected the null hypothesis implying that social insurance will have a positive effect on transitioning.

Table 5: Inferential Results.

Questions	Answers	Percentage
Taxes		
a. I would get a license if taxation on food trucks is waived	Agree	84%
	Neutral	7%
	Disagree	9%
b. I would pay up to 10% taxes	Yes	93%
	No	7%
Legalities		
a. I would get a licence if the process were easier	Agree	63%
	Neutral	27%
	Disagree	11%
b. I would get a license if paperwork concluded is less	Agree	93%
	Neutral	7%
	Disagree	1%
Access to Finance		
a. The support I really need is a loan to support my business	Agree	40%
	Neutral	14%
	Disagree	47%
Social Security		
a. The support I really need is a pension fund when I retire	Agree	80%
	Neutral	18%
	Disagree	3%
b. Medical insurance is an important factor to formalize	Agree	53%
	Neutral	32%
	Disagree	16%

5 Discussion

The pandemic showed how important the formalization and the transition of street food vendors into the formal sector as they were faced with decline in their income and in consumption. On the other side, and as stated by Williams and Kedir (2017)⁴⁶ governments are increasingly putting more effort into encouraging the formalization of businesses as a mean of dealing with the informal sector recognizing the potential benefits of the informal sector to the economy through taxation and job creation. In Egypt, the government recognized the importance of the informal sector and the transition to formal sector, and with the new policies and law to encourage transition as stated by Hassan (2018)⁴⁷ an important step was taken to regulate and encourage the concept of food carts within a legal framework, by granting food vendors the ability to operate a cart after obtaining a license that will only cost about 5000 EGP, renewable every three years and with less documentation required. The results revealed taxes till 10% does not act as a disincentive to formalize and obtaining a license due to their insecure position and being evacuated from time to time, in addition to their obligation to pay a fine every now and then. Though most of the respondents said that they would be strongly encouraged to obtain a license if taxes were waived, the rest would get the license whether taxes are imposed or waived. It was stated clearly, from most of the respondents that they need a facilitation in the registration process and reduction in legalities so they can get the license, this also aligns with Mukorera (2019)⁴⁸ findings in Kenya when the reduction of registration costs increased the formalization of enterprises. It was also deduced that loan and access to finance is not an important factor to transition due to the Egyptian culture and the religion negative implication of getting a loan to a substantial number of Egyptians. Whereas the social security reflected in pension fund and medical insurance showed a positive impact on transitioning.

⁴⁶ Williams, C. C., & Kedir, A. M. (2017). Evaluating the impacts of starting up unregistered on firm performance in Africa. *Journal of Developmental Entrepreneurship*, 22(03), 1750017.

⁴⁷ Hassan, Y. (2018, May 15). Street Smarts: A Look into Egypt's Food Carts Business. *Egypt Today*. Available at <https://www.egypttoday.com/Article/15/50128/Street-smarts-A-look-into-Egypt-s-food-carts-business>

⁴⁸ Mukorera, S. Z. (2019). Willingness to formalize: A case study of the informal micro and small-scale enterprises in Zimbabwe. *Journal of Developmental Entrepreneurship*, 24(01), 1950001.

6 Conclusion

The informal sector has always played a fundamental role in the Egyptian economy. Based on an exploratory survey method with a sample of 100 coffee truck vendors across Greater Cairo, Egypt, the study showed three main factors from the perspective of the coffee truck vendors of high value to support positive transition to formal economy. It pinpoints that coffee truck vendors are willing to pay taxes since they pay in all cases as fine and that taxes up to 10% is not a showstopper. It also emphasized the importance of convenience and facilitation of the registration process, the importance of pension funds and medical insurance to coffee truck vendors and its positive effect on transitioning. On the other side, low effect of the cost of finance was deduced. This paper answered the call for recommendations to enhance the situation of the street food vendors, especially after the pandemic, with relevant ways encouraging their formalization taking into consideration their voice. It also shed light on the importance of government extensive role to offer and promote different business models of street vendors, to create more awareness about facilitation programs and to secure the basic social needs to this underprivileged segment. The study has its own limitations since it focuses on group of street food vendors namely coffee trucks, expanding the research to include more types as well as a larger sample is recommended. Another gap worth exploring is the child labor as it was found that many children are working within the informal sector especially in the street food vending. Last but not least, more research needs to explore the health and safety standards that street food vendors should adhere to. ¹

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ⁱ Any underlying research materials related to our paper can be accessed through the corresponding author.