

Informal Business Sector and Elevated Risk for Women

Nazruzila Razniza Mohd Nadzri

Faculty of Business and Management, Open University Malaysia, Petaling Jaya, Selangor
Email: nazruzila@oum.edu.my

Nurulbahiah Awang

Department of Social Science and Humanities, College of Continuing Education, The Energy University, Kajang, Malaysia

Salma Yusof

Faculty of Defence Studies and Management, National Defence University, Kuala Lumpur, Malaysia

Noraliza Ismail

Uniten Business School, The Energy University, Kajang, Malaysia

DOI Link: <http://dx.doi.org/10.6007/IJARBSS/v15-i8/25794>

Published Date: 04 August 2025

Abstract

Women who are involved in the informal business sector make a contribution to the expansion of the country's economy. The majority of them, on the other hand, are not aware of the risk that this sector possesses. The characteristics of this industry as well as the elevated risks that women face, are investigated in this study. In order to carry out this study, a qualitative approach is utilised by means of secondary analysis, which is based on a survey of the relevant literature and informal interviews. Through the implementation of a social protection program, the purpose of this study is to empower women who are involved in the informal business sector. As a result of this study, it was discovered that women working in the informal sector are unaware of the risks they encounter and the social protection programs that are available to them.

Keywords: Informal Business Sector, Women Empowerment, Economic Growth, Sustainability, Resilience

Introduction

Informal business sector is a subject of interest within the framework of Sustainable Development Goals (SDGs) 8 (Decent Work and Economic Growth) and SDG 5 (Gender Equality). SDG 8 promotes sustained, inclusive, and sustainable economic growth, full and

productive employment and decent work for all including women. SDG 5 specifically aims to achieve gender equality and empower all women and girls, is particularly relevant to women in the informal business sector.

Informal business sector, which is a part of the informal economy, is a concept that has been defined and discussed by scholars, economists and researchers in various ways. According to the International Labour Organization (ILO) (2023), informal economy refers to “all economic activities, excluding illicit activities, by workers and economic units that are in law or in practice not covered or insufficiently covered by formal arrangement”. Informal employment refers to “working arrangements that are de facto or de jure not subject to national labour organisation, income taxation or entitlement to social protection or certain other employment benefits”. The informal business sector faces significant vulnerabilities due to limited social protection, precarious working conditions, and exposure to economic shocks. Informal workers often lack access to social security, healthcare, and other safety nets, making them more susceptible to poverty and economic hardship. The COVID-19 pandemic highlighted these vulnerabilities, with many informal sector workers experiencing job losses, income insecurity, and food shortage.

In the dynamic landscape of the informal business sector, women often find themselves navigating a uniquely challenging terrain. Women in informal business; ranging from street vendors and domestic workers to small-scale entrepreneurs face elevated risks that can significantly impact their financial stability and personal safety. These risks stem from a combination of system issues, including limited access to resources, lack of legal protections and social biases that disproportionately affect them. As the informal business sectors continue to grow, understanding these heightened risks is crucial for developing more inclusive policies and support systems that can empower women and promote fair economic opportunities.

The Involvement of Women in Informal Sector

Worldwide, informal employment is a greater source of employment for men (60%) than for women (55%). Nevertheless, it is important to note that this global result does not accurately represent the situation in most countries. In fact, in 56% of countries particularly in low and lower middle-income countries, the proportion of women engaged in informal employment is higher than that of men (International Labour Organization, 2023. Business Insider (May 2025) highlights the significant rise in women-led startups, noting that women-owned startups accounted for 49% of all new businesses in 2024. However, it also points out the persistent funding disparities, with women remaining 75% less likely to receive equity financing than men, leading many to rely on personal debt and social networks. Although women make up 37.7% of the total workforce, they are overrepresented in precarious employment types such as part-time, temporary, and unpaid family work. Furthermore, women face higher unemployment rates than men and are more likely to remain unemployed for extended periods. They are also more susceptible to time-related underemployment, where they work fewer hours than they are both willing and able to work (Puteri Marjan and Hawati, 2024).

Othman et al. (2020) found that informal workers in urban areas are engaged in wholesale and retail trades, construction works and hospitality and food services, particularly

restaurants. As of report from Ministry of Economy and DOSM in 2023, informal employment in Malaysia including agriculture was estimated at 3.45 million people. Among them, 53.2% (or 1.83 million) were engaged in the informal sector. In the non-agricultural sector alone, 2.84 million were informally employed. whereas 47.2% (1.34 million) operated within informal enterprises. A significant share of these roles, particularly in informal enterprises, is held by women, reflecting their strong presence in home-based work, market vending, and unregistered service activities. The two predominant occupational categories in the informal sectors, with over 80% representation by women are service and sales workers and craft and related trades. More than half (56.2%) of women in the informal sector are service and sales workers, while 27% are in craft and related trade.

Women in the informal sectors encompass high-school leavers. Highly educated women often choose jobs in the informal sectors to balance their roles as both mothers and workers, benefiting from the flexibility it offers. The informal sector provides women with the opportunity to earn income autonomously and to diminish their susceptibility in society (Ahmad et al., 2022). Thus, the Malaysian government's determination to strengthen women's participation in business is opportune, as it demonstrates the intention to incorporate all individuals into the workforce. Consequently, women with higher education are now seen as significant participants in the informal sector workforce. For example, women are increasingly participating in the gig economy due to the advancements of the digital era. Women possess a multitude of skills, expertise, creativity and production knowledge, particularly in the field of food and fashion. This provides them with the chance to engage in online businesses.

The informal business sector also being dominated by single mothers. This category encompasses women who are either divorced, separated from their former spouses, or widowed and raising their children independently (Norfadzilah Abdul Razak et.al., 2024). Furthermore, a combination of job obligations, parenting responsibilities and childcare requirements create obstacles for the majority of single mothers to secure employment; thus, hindering their capacity to break free from poverty (Youngblut et al., 2000; Broussard et al., 2012). Economic hardship and the inability to generate income represent some of the major challenges for single mothers. Poverty among single mothers can be attributable to factors such as low incomes, unemployment, low education levels, lack of sufficient skill and age (Rohayu et al., 2011; Nor Aini and Doris, 2012). In addition, the challenges faced by single mothers can be attributed at least in part to the lack of financial assistance from their former spouses and relevant government agencies (Dayang Suria Mulia, 2017; Zarina and Anton, 2012). Due to the inadequate education of women in rural areas, their capacity to compete for employment opportunities is restricted (Nor Asiah et al., 2014:245). Intan Hashimah et al. (2015) determined that stress among single mothers is mainly related to financial issues.

The Issues of Rights in Informal Business Sector or Informal Employment

The International Labour Organisation (ILO) emphasised that social security and social protection are basic human rights (ILO Website on International Labour Standards on Social Security, 2023). These rights should include policies and programmes that address poverty and vulnerability reductions including informal business sector and employment. Social protection fights for families' and children's inclusion, joblessness, injuries attained at the workplace, sickness, aging, disability, geological hazard and even health protection.

The main issues of informal business sector or informal employment are i) non-registration of business; and ii) unprotected workers. It also referred to as working for a wage without any contributions made by the employers towards the worker's social protection and benefits such as Employees Provident Fund (EPF), Social Security Organization (SOCSO), health benefits and paid leave (World Bank 2010). The worth situation was, amidst the initial implementation of the Movement Control Order in 2020, over 1.43 million became jobless. It was stated that out of ten informal workers, seven of them confessed their savings would not last even for one month (Nur Thuraya Sazali, 2020). Consequently, these workers were compelled to take out their savings in order to meet their monthly expenses, resulting in a considerable portion of them descending below the poverty threshold.

It is reported that there are around 2 million workers who fail to officially register their businesses (The Star, 2022). According to a report by Kaler (2020), approximately 45% of women who assumed the responsibility of being the head of the family were not registered and lacked protection under the Malaysian Employees Provident Fund (EPF) scheme or the Malaysian Social Security Organization (SOCSO). Furthermore, women employed in the informal business sector are not eligible for basic employment entitlements such as maternity leave, paid sick leave, annual leave, minimum rest days, minimum notice period for termination, workers' legal protection, post termination benefits, protection against unjustified dismissal and social security coverage (Mohd Nadzri & Nordin, 2023). In another analysis, the proportion of workers without social security and retirement plans was higher, ranging from 34% to 39% in 2019 (Tumin, 2021).

Malaysia is also having issues in safeguarding its social protection systems. Harriss-White (2010) showed that there is a notable correlation between informal employment and poverty and well-being, especially for women. This is mostly attributed to the unstructured and unmanageable of social security assurance that offered for women which is not delivered to the targeted group. Some issues include overlapped and non-integrated programmes, gaps in overall protection coverage and insufficient aid programmes to address socioeconomic vulnerability and fiscal challenges comprehensively. Therefore, the implementation of reforms to bridge this gap is very important to address fundamental issues that affect a large number of people and residents in Malaysia (Bank Negara Malaysia, 2020).

Mahat et al. (2021) asserted that, in comparison to the non-registration business issues in Tanzania, the process of registering a business in Malaysia is significantly more convenient and straightforward. This is because the registration can be completed online eliminating the need to physically visit the CCM office and fill out paper forms. However, issues may arise when women entrepreneurs lack knowledge or understanding in areas such as information technology and transportation. Another issue arises from the fact that certain individuals may encounter challenges in accessing the internet due to their geographical location. Limited internet access will result in these female entrepreneurs being excluded from aid and initiatives specifically designated for them. Additionally, the registration system is not user-friendly, as the language and terms used are not understood by users in the informal sector. A study conducted by King et al. (2015) examined the informal sector in Kumasi, Ghana. The study discovered that organisations dedicated to supporting informal sector workers are unable to generate sufficient funds to sustain their operations, resulting in little capacity to safeguard informal workers. Bhatt and Jariwala (2018) found that groups formed by

impoverished individuals face difficulties in combating poverty and discrimination, however, they possess limited ability to advocate for the rights of their members. The research highlighted that most female workers were inclined to join a trade organisation, as these organisations assist them in meeting their social needs. In short, participation in such organisations has the potential to enhance the sustainability of the informal sectors.

Methodology

This is a qualitative study. It applied descriptive and critical analysis utilising secondary data and available materials including reports, newspaper, statistical reports, journal articles, to examine the meanings and characteristics associated with the informal economy, informal business, informal employment sector and the issues of social protection for women. Additionally, an informal interview was conducted with some selected women engaged in the informal business such as baby sitter, hawker, food stall entrepreneur to ascertain their status regarding business registration and social protection. An informal interview was conducted with the officer responsible for women's social protection under SOCSO to comprehend the scheme available for women.

Findings

This study discovered that post pandemic has led to an annual increase in the number of individuals working in informal jobs, particularly women workers and younger individuals (Ahmad & Abdul Quddus, 2022). These workers are primarily employed in the service industries. Through reading and general observations, women in the informal workforce are primarily engaged in various sectors such as childcare, food vending, baking, selling goods at roadside stall, beauty and wellness services, online retails and e-commerce, tailoring, selling goods at market, providing homestay and tourism services and even working as couriers, drivers and construction workers. The motivations for working in the informal sector can vary individually, with cultural, economic and regional factors playing substantial influencing roles. A single mother is among the most vulnerable group in the informal sector. The study also discovered that women employed in the informal sectors are not exclusively restricted to those who have just completed high school. Highly educated women also participate in the informal business sector, seeking flexible employment that accommodates their dual roles as both mothers and workers.

This study finds out five (5) key features of informal sectors which are; i) absence of formal registration and non-standard procedure, ii) unsecure social protection; iii) traditional and family-based businesses; iv) small scale, low capital intensity; v) no big data platform or association governed for the informal sector. When women choose the informal business sector based on their social background, education, flexibility, roles and duties in family and community, there are risks that most women are unaware or do not care of. This will affect women resilient and significance for a sustainable future. Women workers in the informal sector often face five (5) elevated risks in terms of, i) legal rights and benefits and job security in employment; ii) health, paid sick leave, maternity leave, personal development and retirement benefits and vulnerability to economic, social and climate shocks; iii) expanding business and technology sustainability, lack of access to public resources; iv) maintaining human resources and management, vulnerability to economic shocks, e-economy; v) drop out of the scheme, redundancy and non-integrated social protection programmes. All these risks have led to a significant increase in the number of women who are now living below the

poverty line due to lack of knowledge, management, and protection. The following Table 1 provides an explanation on the features of informal business sector and risks that women in the informal sector require protection from.

Table 1

Elevated risks identified for women in the informal business sector

	Key Features of the Informal Sector	Risk for Women
1.	Absence of formal registration, non-standard procedure	Risk on legal requirements and regulatory bodies, rights and benefits and job security in employment.
2.	Unsecure social protection	Risk for health, paid sick leave, maternity leave, personal development, retirement benefits and legal dependents and vulnerability to economic, social and climate shocks.
3.	Traditional and Family-based Businesses	Risk in expanding business and sustaining customer attraction with technology and automation, lack of access to public resources.
4.	Small scale, low capital intensity and cash transaction	Risk of maintaining human resources and management, vulnerability to economic shocks, e-economy.
5.	No big data platform or centre for informal employment	Risk of drop out of the scheme, redundancy and non-integrated social protection programme.

(Source: Authors compilation)

Based on an informal interview on social protection provided by Social Security Organization (SOCSO), there is one (1) scheme which exclusively designed for women. The Housewives' Social Security Scheme (SKSSR) was initiated on 1st December 2022. The scheme is administered under the Housewives Social Security Act 2022 (Act 838). The aim of this scheme is to establish a comprehensive and inclusive social security system for women in Malaysia primarily targeting domestic works. SKSSR provides protection for the housewives against occupational accidents and disabilities incurred while performing household chores. SKSSR defines the word "housewife", to include both married and unmarried women, irrespective of their level of commitment to family management. This term includes wives or widows, single mothers, employed single woman and women devoted themselves exclusively to household management. Interestingly, the SKSSR may be created for and on behalf of the housewife, by her husband, the housewife herself, family members or any third party (Perkeso Website, 9th July 2024). Women in the informal business sector have the alternative of the Self-Employment Social Security Scheme (SKSPS) offered by SOCSO for social protection. The scheme has been available since 2017 for self-employed individuals regardless of gender and participation in voluntary. Until now, only two sectors are mandated by the government to take SKSPS scheme which are e-hailing and p-hailing.

Social protection is essential in the informal employment and business sector for alleviating poverty and vulnerability, minimising risk exposure and enhancing individuals' capacity to safeguard themselves against insecurities arising from loss of income, shocks, and limitations

due to health and family responsibilities (Ahmad et al., 2022). For example, a single mother employed as a cleaner for an unregistered company faces difficulties in defining their employment relations in the event of an accident occurs while working. The absence of a contract in defining employment relationships, coupled with insufficient social protection has resulted in numerous issues regarding the rights and responsibilities of employers and workers.

Conclusion

Informal economy is vulnerable due to non-registration and lack of social protection. In this sector, women are the most vulnerable and insecure regarding the effects of external shocks. The informal economy is addressed in the SDG8 which advocated for sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, as it can lead to unregulated and hazardous working conditions and limited opportunities for professional advancement. Most of the women workers in the informal sector possess lower educational background, limited technological skill and knowledge, have mobility challenges, encounter financial problems and are often a single mother. It is provided under SDG 5 on gender equality and women empowerment. Typically, women operating informal businesses received individualized support in finance, health, education, psychological assistance, legal matters and other areas. The businesses operate at their own peril and unprotected due to the absence of social protection or formal assistance during emergencies. This uncertainty may impact the livelihood and sustainability of all parties in the sector.

Their denied benefits result not from the absence of government-provided social protection but from a lack of awareness and understanding of the elevated risks and schemes available for women in the informal sector. Understanding the elevated risks will enhance women's knowledge regarding the necessity of social protection. To safeguard women in household management, one may opt for the SKSSR scheme, while for the protection of women in informal business, the SKSPS scheme is available. Nonetheless, both SKSSR and SKSPS provided by SOCSO merely implement injury insurance schemes that function unilaterally. Moreover, these schemes are optional, indicating that not all workers in Malaysia are mandated to obtain SOCSO coverage, with the exception of the newly regulated e-hailing and p-hailing sectors this year. Thus, it is imperative to establish a robust and compulsory social protection system that corresponds to the diverse risks faced by women.

Paper Contribution to Related Field of Study

Further study of this research will contribute to the improvement of SDG1 and SDG8. Additionally, it will contribute to the development of a 360-degree business model, which will assist women workers in informal business to enhance the business for being resilient during crisis or emergency. By recognising the significance of women in the informal sector and implementing policies and initiatives that support their economic and social well-being, countries can make progress toward achieving various SDGs. The informal sector can be a crucial driver of economic development, poverty reduction, gender equality and sustainability when properly supported and integrated into broader development agendas.

Acknowledgements

This research is funded by Open University Malaysia (OUM) and was initially conceptualized under the Bold Grant 2023, Universiti Tenaga Nasional (Code no. J510050972). It is hoped

that this research will contribute to empowering women workers in the informal business sector, especially women led households and bumiputera.

References

- Ahmad, N., Mohd Yusoff, R., & Abdul Quddus. (2022). Women's Economic Empowerment and Protection Social Rights in Preventing Domestic Violence. *Environment-Behaviour Proceedings Journal*, 7(20), 343–348. <https://doi.org/10.21834/ebpj.v7i20.3395>
- Ahmad, S. H., Mohd Kamal, N. I., Idris, A., & Widayati, A. (2022). Strategies among Women Entrepreneurs to cope and Sustain Businesses: A systematic literature review. *Environment-Behaviour Proceedings Journal*, 7(20), 57–64. <https://doi.org/10.21834/ebpj.v7i20.3325>.
- Bank Negara Malaysia. (2020). *Visi Perlindungan Sosial di Malaysia. Perkembangan Ekonomi, Monetari dan Kewangan pada Tahun 2020*. <https://fideforum.org/getmedia/9d9a4fa7-6e4a-41f6-92cf-0c09e92cd02d/BNM-Economic-and-Monetary-Review-2020-BM.pdf>
- Bhatt, B., & Jariwala, A. D. (2018). A study of street vending activities in the southeast zone of Surat. *International Journal of Civil Engineering (IJCE)*.
- Broussard, C. A., Joseph, A. L., & Thompson, M. (2012). Stressors and coping strategies used by single mothers living in poverty. *Journal of Women and Social Work*, 27 (2), 190– 204.
- DOSM. Ministry of Economy. *Informal Sector and Informal Employment Survey Report, 2023*. Released 28/11/2024.
- Harriss-White, B. (2010). Work and well-being in informal economies: The regulative roles of institutions of identity and the state. *World Development*, 38(2), 170-183.
- International Labour Organization. (2023). *Women and men in informal economy: A statistical update*. 8th Edition.
- Kaler, S. (2020, August 10) Malaysians not financially resilient enough for retirement. *The Star*. <https://www.thestar.com.my/news/nation/2020/08/10/m039sians-not-financially-resilient-enough-for-retirement>.
- King, R. S., Braimah, I., & Brown, A. (2015). Formalising the Informal Sector through Association: The Case of Kumasi Informal Bakers' Association. *Journal of Sustainable Development*, 8(2), 46.
- Mahat, N., Mahat, I. R. B., & Mustafa, M. S. A. (2021). Covid-19 pandemic: Issues and challenges among women entrepreneurs in Malaysia. *International Journal of Academic Research in Business and Social Sciences*, 11(6), 231-239.
- Mohd Nadzri, N. R. & Nordin. R. (2023). *Hak-hak Pekerja Atipikal di Malaysia*. UKM Press.
- Mulia, D. S. (2017). Survival strategies of Single Mothers Among Indigenous Ethnic In Rural Areas: Case study in Kota Belud, Sabah. *Jurnal Kinabalu*.
- Othman, A. R., Jusoh, Z. M., Rahim, H. A., Wahab, A., Abdullah, W. A. W., & Paim, L. (2020). Women Participation in Malaysia Informal Sector, Challenges and Policy Implication: Overview on Literature Perspective. *Jurnal Pengguna Malaysia*, 1-25.
- Idris, N. A. H., & Selvaratnam, D. P. (2012). Program pembasmian kemiskinan dalam kalangan ibu tunggal: Analisis penyertaan dan keberkesanan. *Prosiding PERKEM VII*, 1, 248–259
- Omar, N. A., Nazri, M. A., & Wel, C. A. C. (2014). Entrepreneurial training of low-income women micro enterprises in the service sector in Malaysia: Understanding the problems and challenges. *Journal of Social and Development Sciences*, 5 (4), 245–257.
- Razali, N. T., & Gen, T. Z. (2019, October 2019). *The demise of formal employment*. Khazanah Research Institute.

- Roddin, R. (2011). Poverty alleviation among single mother in Malaysia; Building entrepreneurship capacity. *International Journal of Business and Social Science*, 2 (17), 92–99.
- Gender Gap in the World of Work: Status and Progress Puteri Marjan Megat Muzafar and Hawati Abdul Hamid .WORKING PAPER 01/24 | 04 OCTOBER 2024. KRI
- Thuraya, S. N. (2020, 30 April 2020). Never Let a Good Crisis Go to Waste—Time to reimagine social protection. Khazanah Research Institute.
- The Department of Statistics Malaysia (DOSM). (2021). Informal sector and informal employment survey report, Malaysia 2021.
https://v1.dosm.gov.my/v1/index.php?r=column/cthemedByCat&cat=158&bul_id=NUhQNY9Eb1YxYkxxMVhFU0tlb0dQdz09&menu_id=Tm8zcnRjdVRNWWlpWjRlbmtlaDk1UT09
- The Star. (2022, 30 December). About 3.5 million people 'informally employed' in Malaysia in 2021. [https://www.thestar.com.my/news/nation/2022/12/30/about-35-million-people-039informally-employed039-in-malaysia-in-2021#:~:text=PUTRAJAYA%3A%20Malaysia's%20informal%20employment%20has,the%20Statistics%20Department%20\(DOSM\)](https://www.thestar.com.my/news/nation/2022/12/30/about-35-million-people-039informally-employed039-in-malaysia-in-2021#:~:text=PUTRAJAYA%3A%20Malaysia's%20informal%20employment%20has,the%20Statistics%20Department%20(DOSM))
- Tumin, S. A. (2020). How common is working at Home? Khazanah Research Institute Discussion Papers. https://www.krinstitute.org/Discussion_Papers-@-How_common_is_working_from_home%5E.aspx
- World Bank Group. (2019). Knowledge & Research. September 2019. Breaking Barriers: Toward Better Economic Opportunities
- Nor, Z. M., & Kamil, A. A. (2012). Sustaining the livelihood of single mother through wealth creation and saving opportunities: A long road ahead. *International Journal of Trade, Economics and Finance*. 3 (2), 126–131.