



Stagnation or growth of Roadside Businesses: A Case Study of Emerging Economies

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Abstract: Roadside businesses are common in emerging economies. They provide jobs and basic goods to local communities. Despite this role, many fail to grow beyond subsistence level. This study aimed to explain why roadside businesses remain stagnant by exploring the structural, social, and individual factors shaping their growth in emerging economies. The study adopted a qualitative research design. It was conducted in three trading areas in Mbale City: Nkoma Stage, Kikindu, and Kiteso. Data was collected from 43 interviews. Saturation was reached at 27th interview. Data were analysed using a grounded theory approach. The findings show that growth and stagnation factors cluster into four broad themes. First are economic and operational constraints, including access to finance, transaction costs, daily cash flow challenges, and weak business operations. Second are social and household influences, such as family obligations, social expectations, and cultural norms. Third are market-related conditions, including competition, market awareness, customer demand, and the ability to adapt to changing markets. Fourth are institutional and environmental factors, which include government policies, regulatory support, physical trading environments, and exposure to weather risks. At the individual level, personal attributes also matter. These include discipline, financial literacy, risk attitude, and entrepreneurial motivation. The study makes a theoretical contribution. It extends entrepreneurship theory and the theory of the firm by proposing an Adaptive Embeddedness Model (AEM). The model explains how small businesses are shaped by constant interaction between the owner, the household, the market, and the institutional environment. The study concludes that roadside businesses are vital to emerging economies. However, survival alone is not enough. Sustained growth requires coordinated government support. This includes training in financial management, character development, access to finance, and provision of safe trading spaces.

Key Words: Road side business, stagnation, growth, financial factors, market factors and operational factors

Introduction

Roadside businesses are ubiquitous and play a critical role in the economic landscape of emerging economies. They provide employment and supply essential goods and services to local communities (Mann & Nzayisenga, 2015). Their growth prospects are shaped by socioeconomic conditions such as community purchasing power and access to finance. Cultural norms and local preferences also influence the types of goods and services demanded. Although roadside businesses operate informally, their economic contribution is substantial and cannot be ignored (Dharejo et al., 2022). Roadside sellers are typically self-employed individuals who operate along streets and in public spaces. They sell directly to passers-by, often using verbal promotion to attract customers (Dharejo et al., 2023). These businesses offer convenience and affordable prices, which explains their popularity among low- and middle-income consumers. Roadside sellers are commonly referred to as street vendors, hawkers, or by the names of the products they sell (Dharejo et al., 2022). Road side businesses also known as street vending is particularly dominant in emerging economies. It addresses socioeconomic challenges by creating employment and supplying affordable goods (Imathiu, 2017; Al-Jundi et al., 2022). These businesses also support local food systems and consumer traditions. They cater to diverse preferences and provide unique market experiences (Bellia, 2022). Empirical studies show that roadside businesses contribute significantly to urban economies and household incomes in developing countries (Oznobihina, 2021). Despite this contribution, street vending, especially by women, often remains economically invisible.

While roadside businesses help reduce poverty and unemployment, they face persistent constraints. Poor road infrastructure and limited access to utilities restrict growth (Tabachnikova, 2021). Complex licensing procedures and unpredictable enforcement further increase operating costs. Competition from similar businesses intensifies pressure on already thin profit margins (Christina & Rohde, 2014). These challenges limit expansion and reduce long-term sustainability. Internal business factors also shape performance. Effective management practices enable businesses to cope with uncertainty and exploit opportunities (Tabachnikova, 2019). Growth outcomes result from the interaction between internal capabilities and external conditions (Oteng et al., 2022). Operational weaknesses often reduce the ability of roadside businesses to meet customer demand. As a result, many fail to achieve sustained growth and instead stagnate over time (Omar & Ishak, 2016).

Despite their importance, scholarly research on roadside businesses remains limited. Existing studies on Uganda document severe external constraints such as restricted access to finance, insecure trading spaces, harassment, and regulatory ambiguity, all of which suppress growth (Mugoda et al., 2020). Other research highlights the role of managerial skills and entrepreneurial actions, including innovation and networking, in improving firm performance (Mayanja, 2019). However, the evidence remains fragmented. Most prior studies focus either on institutional constraints at the sector level or on firm-level characteristics such as access to finance. Few examine how internal capabilities interact with hostile institutional environments to shape growth trajectories. In addition, many studies aggregate across the informal sector or focus on SMEs, overlooking roadside vendors who face distinct spatial and enforcement risks. Qualitative or mixed-methods studies that explore this interaction effects remain scarce.

Addressing this gap is both empirically and policy relevant. If managerial capability or entrepreneurial orientation mitigates institutional constraints, targeted capacity-building interventions may enhance resilience. A focused qualitative study on roadside businesses therefore responds to an important blind spot in the literature. The objectives of this study were to identify factors contributing to the growth or stagnation of roadside businesses and to examine how socioeconomic conditions influence these outcomes in emerging economies. The study is anchored in the Theory of the Firm, complemented by Entrepreneurship Theory and Institutional Theory. Penrose's (1959) growth perspective views firms as bundles of resources whose expansion depends on managerial capability and learning. Stagnation reflects internal constraints such as weak skills and limited reinvestment. Entrepreneurship Theory, suggested by Schumpeter (1934) emphasizes innovation, opportunity recognition, and risk-taking as drivers of growth. Institutional Theory by North (1990) highlights the role of formal and informal rules, including licensing, enforcement, and social norms, which shape business behavior in uncertain environments.

Integrating these theories provides a comprehensive framework for understanding roadside business performance. The study reconceptualizes roadside businesses as micro-firms making strategic decisions under severe institutional constraints. Stagnation is viewed not simply as failure, but as a rational equilibrium where stability is prioritized over expansion. By positioning institutions as co-determinants of firm outcomes, the study extends firm growth theory to low-formality, high-constraint settings typical of emerging economies. This study differs from prior research in scope, approach, and contribution. It focuses specifically on roadside businesses rather than informal enterprises broadly. It examines growth and stagnation as coexisting trajectories rather than isolated outcomes. By integrating firm-level capabilities with contextual factors, the study offers policy-relevant insights for Uganda and similar emerging economies. The findings contribute to entrepreneurship and development literature and inform interventions aimed at unlocking the growth potential of roadside enterprises.

Literature Review

Several studies highlight the role of socioeconomic and demographic conditions in shaping street vending performance. Factors such as lack of education, poverty, unemployment, low-income consumption patterns, urban culture, and immigration significantly affect street vending activities (Al-Jundi et al., 2022). Social and economic pressures also motivate female participation in street vending, particularly where alternative employment opportunities are limited (Gözgeç & Aydemir, 2019). These findings suggest that street vending is deeply embedded in broader livelihood strategies and social realities rather than being a purely economic choice. This study builds on these insights by examining how socioeconomic conditions interact with other constraints to either enable growth or reinforce stagnation among roadside businesses in emerging economies.

Human capital plays a critical role in street business performance. Inadequate training has been identified as a factor that negatively affects street working activities (Wasilewska-Ostrowska, 2018). Financial knowledge is also central to business success, as entrepreneurs with stronger financial understanding are better positioned to manage resources and sustain their ventures (Fatoki, 2021). These studies emphasize that limited skills and financial literacy constrain decision-making and growth potential in informal businesses. This study draws on this literature

to explore how managerial competence and financial knowledge shape growth trajectories and whether skill deficits contribute to persistent stagnation among roadside vendors.

Cultural and ethical dimensions strongly influence street vending performance. Traditional methods that align with local consumer preferences contribute positively to street vending success (Bellia et al., 2022). Ethics also affect performance and livelihoods in small business ventures (Samanani, 2022). Honesty and dishonesty shape business outcomes, particularly in credit-based transactions, where appeals to honesty increase settlement among honest individuals but do not affect dishonest behavior (Pruckner & Sausgruber, 2008). Honesty itself varies across individuals and is influenced by family attributes, self-esteem, trust in the legal system, and social connectedness (Pruckner & Sausgruber, 2008). By incorporating ethical behavior and cultural embeddedness, this study examines how personal values and social norms influence roadside business performance beyond purely financial considerations.

Informal street businesses operate differently from conventional firms. They often do not follow the typical business life cycle of birth, growth, maturity, and decline (Omar & Ishak, 2016). Management is largely owner-centered, with decision-making depending solely on the owner's abilities and judgment (Omar & Ishak, 2016). This structure creates both flexibility and vulnerability, especially when owners lack managerial capacity. This study uses these insights to understand stagnation not as failure, but as a possible equilibrium outcome shaped by owner-managed structures and limited strategic capacity.

Physical and environmental conditions significantly affect roadside businesses. Accessibility challenges limit the ability to conduct business effectively (Bhatta, 2012). Noise pollution impedes operations for some roadside sellers (Adeke et al., 2018). Road management practices affect biodiversity, including roadside sellers, and directly influence their operations (Bernes et al., 2016). Small radius curves along roads limit movement of buyers and sellers, increasing road risks (Cheng et al., 2021). Banditry along roads further threatens the safety and continuity of roadside business activities (Godlewski et al., 2022). This study incorporates these environmental and infrastructural constraints to assess how physical exposure and spatial insecurity contribute to stagnation despite entrepreneurial effort.

Innovation and creativity enhance small business performance by creating competitive advantages, including in roadside vending (Alfiero et al., 2017). Performance is also shaped by theoretically derived perceptions, as demonstrated in studies of music performance along the street, where perceived quality and audience interpretation influence success (Stäbler & Mierisch, 2022). These findings suggest that performance outcomes depend not only on tangible inputs but also on perception and adaptation. This study extends these ideas by exploring whether innovation and adaptive behavior enable roadside businesses to overcome institutional and environmental constraints.

Street performance and business activity are affected by broader political, ideological, and cultural spheres (Van Orman, 2017). These forces shape enforcement practices, social acceptance, and legitimacy of roadside businesses within urban spaces. Such influences often operate informally but have tangible effects on business continuity. This study integrates these broader societal

influences to explain how institutional contexts shape roadside business outcomes in emerging economies.

Methodology

This study adopted a constructivist paradigm and a qualitative approach. The study considered businessmen and women from Nkoma stage, Kikindu and Kiteso in Mbale City, Uganda, who are operating small businesses. These trading areas are located in within Mbale city. They deal in a wide range of products, more especially food related items. The study employed convenience sampling to select participants for in-depth interviews among roadside business operators. Convenience sampling was appropriate given the informal, mobile, and unregistered nature of roadside businesses, where no reliable sampling frame exists. Many roadside sellers combine business with other livelihood activities. This made probability-based sampling impractical. In line with qualitative research principles, participants were selected based on accessibility and willingness to participate. This approach enabled the collection of rich, experience-based data relevant to the study. A total of 43 interviews were conducted to capture a broad range of perspectives. However, theoretical saturation was reached at the 27th interview. Saturation occurs when additional interviews produce no new first-order codes, themes, or relationships (Saunders et al., 2018). From interview 27 onward, responses largely repeated earlier patterns. Subsequent interviews mainly confirmed existing themes rather than extending them. Identifying the 27 interviews was consistent with qualitative methodological guidance. Prior studies show that this point in relatively homogeneous samples often occurs between 17 and 30 interviews (Hennink & Kaiser, 2022), especially when the research focus is narrow and context-specific (Ahmed, 2025).

Of the 43 interviewees, 17 were female. This reflected the active participation of women in roadside businesses. Gender was not used as a sampling criterion. Nevertheless, the inclusion of female traders enriched the data by capturing gendered business experiences. This suggests that core themes were not gender-specific but embedded in the roadside business context. The combined use of convenience sampling and saturation-based sample determination enhanced the study's credibility, depth, and analytical rigor. This approach was consistent with qualitative research best practices in informal and emerging economy settings. Face-to-face interviews were conducted, each lasting approximately 20 minutes. Data collection was completed over four days. Participant confidentiality was ensured through voluntary participation and informed consent. Data credibility was enhanced through member checking with selected participants. To support reliability, external reviewers were involved in the data analysis. The study adopted a grounded theory approach. This approach was appropriate for developing insights from participants' existing perspectives (O'Reilly et al., 2012). Grounded theory involved collecting qualitative data, coding it into meaning units and generating theory from these units. Data collection and analysis proceeded concurrently until theoretical saturation was achieved, as indicated by repeated concepts and no new analytical insights.

A coding approach was used to analyze qualitative data on the stagnation or growth of roadside businesses (Rogers, 2018). This approach enabled a systematic movement from informant-level meanings to higher-order theoretical explanations. It ensured that findings remained grounded in participants' lived experiences while contributing to theory. First-order coding was inductive and

informant-centered. Interview transcripts were analyzed line by line. Descriptive and in vivo codes were assigned to participants' own expressions. These codes captured the operational realities faced by roadside business owners. For example, statements such as "*Customers take goods on credit and come back after many weeks*" (Female trader, R12) and "*Most times the money is used at home before it returns to the business*" (Male vendor, R07) were coded as delayed customer payments and diversion of business funds. At this stage, coding prioritized closeness to the data to preserve context and limit researcher interpretation. Second-order coding involved interpretive abstraction through constant comparison. Related first-order codes were clustered into analytically meaningful categories that reflected recurring patterns. Codes such as inadequate start-up capital, failure to save, overspending, overpricing, credit sales, and lack of collateral were grouped under financial factors. This interpretation was supported by statements such as "*Even when sales are good, there is no money left to restock*" (Female trader, R19). Similarly, codes relating to family interference, jealousy, and unclear roles were grouped as family factors, reflecting concerns such as "*When relatives help you, they want to decide everything*" (Male trader, R22). This stage marked the shift from description to explanation, informed by entrepreneurship and institutional perspectives. Third-order coding integrated second-order categories into broader theoretical dimensions explaining business stagnation or growth. Financial constraints, delayed payments, and diversion of funds formed the financial dimension, highlighting the role of owner-level capabilities. Market competition, demand fluctuations, and supplier dependence were grouped as market and transactional dynamics. Weather variability, local authority regulations, and infrastructure limitations were synthesized as institutional and environmental constraints. These dimensions explained why some roadside businesses stagnated while others grew. As one participant observed, "*If you don't understand the market and you also fear the authorities, the business just remains where it is*" (Female vendor, R23). The coding process was iterative, involving continuous movement between data, codes, and emerging constructs. Throughout the process, analytical memos were maintained to document coding decisions and theoretical reflections, enhancing the transparency, credibility, and rigor of the analysis.

Data Analysis Technique

The data were analysed ensuing grounded theory techniques that were developed by Strauss and Corbin (1990). These techniques seemed suitable to this study because they allowed the us to have pre conceived ideas on the topic under study (Grover, et al, 2014). Stauss and cobin (1990) techniques are rather different from those developed by Glaser (1992) (Grover, et al, 2014). Subsequent to Strauss and Corbin (1990) recommendations, in the first step we coded individual response answers of the interviews as the first order codes. We read through the responses, dropping those that were repeated and developed the first order. Each individual response was evaluated and discussed ensuring that it was coded correctly. Independently, we regrouped the first codes into second category and later met to reconcile the discrepancies. Selection of the second order was largely based upon the commonalities from the two lists. These were assembled into 13 meaningful second order codes forming theoretical conglomerations of the first order categories. The last step involved scaling down the factors that were found to be similar. Great care was taken to ensure the integrity of our data. Then experts were involved to check credibility and transferability. These debriefings gave important and useful insights from external perception.

Results and Discussion

We developed a grounded theory of the factors affecting roadside businesses and start-ups. The interrelations are shown in the fig.1 below. We then discuss the findings. Among the factors, were personal factors that were attributed to the personalities of the business people. Though demographic factors could not stand alone, issues of age of the seller such as child sellers attracted sympathy from buyers.

One participant (Female vendor, R13) said:

“I hate having a child selling on the next stall because many customers sympathise with the children and end up buying from them”

Yet the informal goals of various vendor businesses affected the growth perspective.

Several vendors described *“just surviving” rather than growing.*

Across several interviews, vendors consistently described their businesses as mechanisms for *survival* rather than *growth*. The phrase “just surviving” recurred as a powerful emic expression that captured how vendors conceptualized success. Success was not seen in terms of expansion, accumulation, or long-term planning, but in meeting immediate daily needs such as food, rent, school fees, and basic household expenses. This framing reflects a livelihood-oriented logic rather than an entrepreneurial growth focus. Analytically, it points to constrained decision-making under high uncertainty. Vendors described unstable prices, irregular demand and limited access to capital. These conditions discourage risk-taking and long-term investment. As a result, profits are quickly used for household consumption instead of reinvestment. Business continuity therefore takes priority over innovation, expansion, or diversification. Survival becomes both the outcome and the guiding strategy. The boundaries between household and business activities are often unclear. Business resources are frequently redirected to meet family needs. While this supports household survival, it also reinforces business stagnation. Thus, *“just surviving”* should not be interpreted as failure. Rather, it represents a rational response to structural and institutional constraints. Theoretically, this finding aligns with the theory of the firm in informal contexts, where profit maximization is not the primary objective. It also accords with institutional theory, as vendors adapt their goals to what the informal environment permits. From an entrepreneurship perspective, necessity-driven activities replace opportunity-driven growth. Overall, growth stagnation among roadside vendors cannot be attributed solely to individual limitations. Instead, it is embedded in wider socio-economic and institutional conditions that reshape everyday understandings of entrepreneurial success.

Constraints Shaping Stagnation and Growth of Roadside Businesses

Financial fragility emerged as a central issue. It constrained reinvestment and business expansion. These challenges were worsened by weak financial literacy and limited business knowledge. Stagnation therefore reflects both resource shortages and capability gaps. Social relations played a dual role. Family ties, friendships, and trust networks supported labor substitution and business continuity. At the same time, they triggered jealousy, conflicts, unfaithfulness, and misuse of business resources. Entrusting others with sales often resulted in theft, defective transactions and weak accountability. Beliefs in religion, witchcraft, luck, and fate also shaped how traders explained success or failure. Business outcomes were frequently attributed to forces beyond

managerial control. Market conditions presented further constraints. Most traders operated in crowded and undifferentiated markets. Traditional trading practices, low value addition and limited use of technology reinforced this uniformity. As a result, competitive advantage remained weak. Location, accessibility, operating hours, and poor spatial fit also influenced customer flow and demand. Personal attributes and life circumstances strongly affected business outcomes. Differences in discipline, agility, and activeness revealed wide variation among traders facing similar conditions.

Institutional and environmental constraints formed an external pressure system. Traders had limited ability to influence these forces. Such constraints increased vulnerability, especially for businesses with weak buffers. Overall, roadside business stagnation is structural and relational rather than an individual failure. Growth is constrained by interconnected deficits in capital, skills, social governance, market positioning, and institutional support. This highlights the need for integrated interventions rather than isolated financial solutions. Table 1 below shows the findings:

First-Order Codes (Informant Terms)	Second-Order Themes (Researchers Interpretation)	Third-Order (Aggregate Dimensions)
First- Order Codes (Informant Terms)		
Delays in paying debts	Financial Mismanagement	Financial Constraints
Business money is used at home		
Inadequate start-up capital		
Failure to save		
Over-spending		
Over-pricing		
Credit sales		
Lack of collateral for loans		
Use of family members	Family Dynamics	Social & Household Factors
Jealousy		
Quarrels		
Sickness, health complications		
Religion, witchcraft among sellers	Socio-cultural Influences	
Love relationships in business		
Friendship in business, trusting others to sell on their behalf		
Copycats, conflicts among traders	Market Competition	Market & Customer Factors
Competition, lack of innovation		
Poor advertisement methods		
Poor marketing		

Visibility, accessibility, timing		
Death of business owner, bad luck	Personal/Entrepreneurial Attributes	Personal & Psychological Factors
Long hours of work, fatigue after working elsewhere		
Personal agility/activeness, discipline, lack of patience, lack of concentration		
Conversion of business funds		
Minimal customer care, hygiene factors, delayed payments	Customer Management	Operational & Transactional Factors
Age, sex, appearance (beauty), education levels	Demographic Factors	
Low value addition, low technology, traditional methods of trading, lack of shelter, lack of storage facilities	Operational Limitations	Operational & Transactional Factors
Long distances, other pieces of work like garden work, feeding on business		
Theft, sale of defective items, poor bargaining power with suppliers	Business Risks	Operational & Transactional Factors
Credit sales		
Lack of business know-how, lack of business skills, lack of financial education, lack of experience	Entrepreneurial Capacity	Personal & Psychological Factors
Laziness, poor mindset, lack of vision		
Lack of customer support, lack of trust by suppliers, unfaithful customers, malice by competitors	Market & Social Relations	Market & Customer Factors
Lack of demand awareness, misfit in a trading area/group		
High taxes, lack of government support, corrupt government officials, interest rates	Institutional Constraints	Institutional Factors
Climate, seasonality	Environmental Constraints	External/Environmental Factors
Location within the market area, limited market, high standards of living	Market Accessibility	Market & Customer Factors

Source: Primary Data (2024)

The findings of this study largely converge with existing literature on street vending and informal enterprises. While extending and, in some cases, reframing prior explanations by foregrounding survival as a rational and normalized business logic rather than an aberration from growth-oriented entrepreneurship. Consistent with Al-Jundi et al. (2022), the study confirmed that poverty, low income and limited financial education underpin participation and performance in roadside businesses. Vendors' emphasis on "just surviving" aligns with Omar and Ishak's (2016) argument that informal street businesses rarely follow the conventional business life cycle of growth and maturity. Rather than following a linear path, roadside businesses fluctuate around subsistence. This supports the view that stagnation is a stable condition in informal contexts, not a temporary failure. The findings align with Wasilewska-Ostrowska (2018), who identified inadequate training and weak business skills as key constraints. This study goes further by showing that capability gaps interact with household pressures. As a result, business capital is routinely diverted to family consumption. This dynamism remains underexplored in earlier studies. The evidence reinforces entrepreneurship literature on necessity-driven entrepreneurship, where survival needs displace opportunity-seeking behavior. Market constraints such as intense competition, imitation, poor differentiation and limited innovation are consistent with Alfiero et al. (2017). Alfiero et al. emphasize innovation and creativity as sources of competitive advantage. However, this study shows that structural constraints and resource scarcity restrict traders' ability to innovate, even when awareness exists. This challenges overly agent-centered views of informal entrepreneurship. Social and ethical dimensions of performance echo Pruckner and Sausgruber's (2008) work on honesty, trust, and social connectedness in economic behavior. The findings extend this literature by showing that family relations can both support and undermine business performance, confirming Samanani (2022). Unlike studies that treat ethics as an individual trait, this study presents ethics as relational and situational. Ethical behavior is shaped by kinship obligations and informal norms. Environmental and institutional challenges, including poor accessibility (Bhatta, 2012), road design risks (Cheng et al., 2021), noise pollution (Adeke et al., 2018), and road management practices (Bernes et al., 2016), are strongly supported. Security threats such as banditry (Godlewski et al., 2022), alongside political, ideological, and cultural influences (Van Orman, 2017), further confirm that roadside business outcomes are institutionally embedded rather than purely managerial. A key divergence from Bellia et al. (2022) concerns traditional methods. In contrast to Bellia et al. (2022), this study finds that reliance on traditional practices without value addition promotes homogeneity and stagnation.

Viewed through the three theoretical lenses, the study offers nuanced insights into stagnation and growth among roadside businesses. Performance outcomes emerge from the interaction of entrepreneurial capabilities, institutional constraints, and firm-level resource limits. The findings extend existing research on informal and micro-enterprises in emerging economies. Growth is shown to be a cumulative result of financial practices, social relations, market positioning, and the wider institutional environment, rather than access to finance alone. From an entrepreneurship theory perspective, weak entrepreneurial skills, low financial literacy, and limited strategic vision constrain growth. Contrary to Alfiero et al. (2017), many traders lack the capacity to plan, save, reinvest, or innovate. This supports earlier evidence that necessity-driven entrepreneurship favors short-term survival over long-term expansion. As one respondent noted:

“The money that comes in today is the same money I use to eat and pay rent. By morning, the business starts again from zero.”

The merging of household and business finances hinders capital accumulation and aligns with entrepreneurship theory. These theories stress the role of managerial competence and opportunity recognition in firm growth. Personal business traits further distinguish stagnant enterprises from more resilient ones. This points to heterogeneity among entrepreneurs operating under similar constraints. Drawing on the theory of the firm, particularly the resource-based view, roadside businesses can be seen as firms with severely limited and non-strategic resources. Traditional trading methods, low value addition, minimal technology use, and weak customer care reduce differentiation. This leads to intense price competition and exposure to imitation.

One trader explained:

“When someone sees that tomatoes are selling here, tomorrow they come with the same tomatoes next to me. There is nothing special that separates us.”

The absence of unique, value-enhancing resources explains why competition results in stagnation. This supports RBV arguments that firms without distinctive capabilities struggle to achieve sustained growth. Overall, the findings reinforce and extend the literature by demonstrating that roadside business stagnation is structural, relational, and institutional, not merely a function of individual shortcomings. By empirically grounding the concept of “just surviving,” the study reframes success in informal economies as livelihood sustainability rather than growth maximization. This offers a theoretically grounded contribution to entrepreneurship, institutional theory, and the theory of the firm in emerging economies.

Table 2 Aggregate Dimensions of Roadside Business Growth and Stagnation

Aggregate Dimension	Meaning / Description	Empirical Literature Support
Financial Constraints	Refers to limitations in capital, poor cash flow, inability to save, misuse of business funds, lack of collateral, over-pricing, and credit-related issues that restrict business growth.	Al-Jundi et al. (2022); Fatoki (2021); Omar & Ishak (2016)
Social & Household Factors	Captures the influence of family relationships, domestic responsibilities, jealousy, quarrels, and dependence on family members for business operations.	Omar & Ishak (2016); Gözgeç & Aydemir (2019)
Socio-Cultural Influences	Refers to cultural norms, religious beliefs, witchcraft, friendship, trust networks, and other local practices that affect business decisions and performance.	Bellia et al. (2022); Pruckner & Sausgruber (2008)
Market & Customer Factors	Includes competition, lack of innovation, poor marketing, visibility, accessibility,	Alfiero et al. (2017); Stäbler & Mierisch (2022);

	timing, customer support, and misfit in market location affecting sales and business survival.	Pruckner & Sausgruber (2008); Cheng et al. (2021)
Personal & Psychological Factors	Encompasses individual traits of the business owner such as discipline, patience, vision, agility, mindset, and entrepreneurial capacity that influence business growth or stagnation.	Omar & Ishak (2016); Fatoki (2021)
Operational & Transactional Factors	Includes internal management, low value addition, traditional methods, poor hygiene, theft, defective sales, storage limitations, and workload management affecting day-to-day operations.	Adeke et al. (2018); Omar & Ishak (2016); Cheng et al. (2021)
Institutional Constraints	Represents external regulatory and policy challenges, including high taxes, lack of government support, corruption, licensing hurdles, and interest rates that limit business expansion.	Al-Jundi et al. (2022)
Environmental Constraints	Captures the effects of natural and environmental conditions such as climate, seasonality, and road management practices on the ability to conduct business.	Bernes et al. (2016); Tabachnikova (2021)
Demographic Factors	Includes characteristics such as age, sex, appearance, and education levels of the business owner that can influence customer perception and business performance.	Pruckner & Sausgruber (2008); Fatoki (2021)

Source: Primary Data (2024)

An Emergent Theoretical Model

Below is an emergent theoretical model grounded in the results of the roadside business stagnation–growth study in emerging economies (with Uganda as the contextual setting). The model is positioned as a theoretical contribution by integrating micro-level agency with meso- and macro-level constraints, extending existing entrepreneurship and theory-of-the-firm perspectives.

Linking Aggregate Dimensions to the Adaptive Embeddedness Model (AEM)

The Adaptive Embeddedness Model (AEM) emphasizes that small businesses operate within multiple interacting contexts. Firms adapt to social, economic, and institutional constraints while exploiting internal capabilities. The model highlights that performance is not determined by resources alone but by how businesses navigate and adapt to their environment.

Financial Constraints: Access to and management of financial resources shape how businesses adapt. Firms with limited capital or poor cash flow struggle to respond to market shocks. According to AEM, financial constraints force businesses to prioritize short-term survival over long-term growth.

Social & Household Factors: Family obligations, interpersonal conflicts, and reliance on household members influence business decisions. In AEM, these factors represent embedded social relationships that can either support or limit adaptability. Vendors must balance household demands with business needs to remain resilient.

Socio-Cultural Influences: Culture, religion, trust networks, and local norms affect strategies and business choices. AEM recognizes that firms are embedded in social and cultural contexts. Roadside vendors leverage or navigate these norms to gain legitimacy, customer trust, and competitive advantage.

Market & Customer Factors: Competition, visibility, accessibility, and customer support define the operational environment. AEM suggests that firms adapt by innovating or repositioning to meet market demands. Those that fail to respond effectively face stagnation despite internal capabilities.

Personal & Psychological Factors: Entrepreneurial traits, discipline, vision, and mindset shape how owners respond to challenges. AEM emphasizes the role of agency and individual adaptation. Resourceful and resilient entrepreneurs are better able to overcome constraints in their embedded environment.

Operational & Transactional Factors: Management practices, low technology, hygiene, and operational inefficiencies affect day-to-day performance. According to AEM, effective adaptation requires aligning internal operations with environmental realities. Businesses that streamline operations increase their ability to survive and grow.

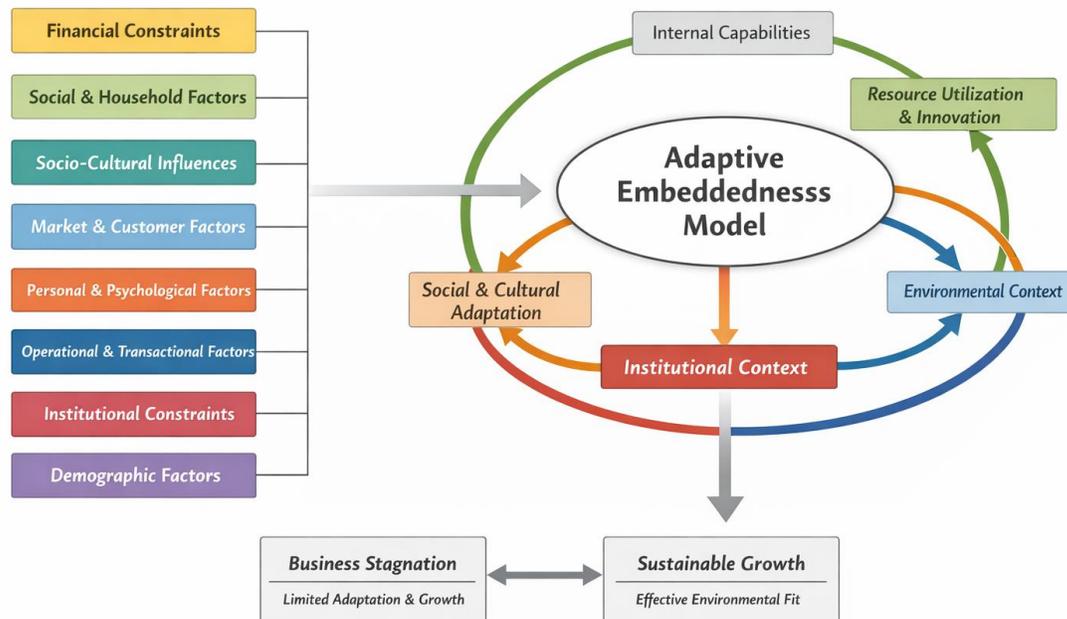
Institutional Constraints: Policies, licensing, taxes, and corruption represent the formal and informal rules of the system. AEM views institutions as shaping the context in which firms adapt. Entrepreneurs must navigate or negotiate these rules to sustain their business.

Environmental Constraints: Climate, seasonality, and infrastructure conditions are external shocks beyond firm control. In AEM, environmental constraints define the boundaries of adaptation. Successful vendors anticipate and adjust to these conditions to maintain operations.

Demographic Factors: Owner characteristics such as age, gender, education, and appearance influence social legitimacy and market interactions. AEM recognizes that embedded characteristics affect access to resources, networks, and opportunities. Entrepreneurs adapt strategies in line with their demographic context.

Overall: The aggregate dimensions illustrate the complex, multi-level embedding of roadside businesses. AEM frames their growth or stagnation as a result of continuous adaptation. Businesses that skillfully manage resources, social ties, market conditions, and institutional pressures achieve sustainable growth. Those that fail to adapt remain stagnant.

The Adaptive Embeddedness Model (AEM) is illustrated below:



Source: Researchers (2025)

Fig. 1 Adaptive Embeddedness Model (AEM)

This figure illustrates how the performance of roadside businesses is shaped by multiple interacting factors, organized as aggregate dimensions. Financial constraints, social and household dynamics, socio-cultural influences, market and customer factors, personal and psychological traits, operational and transactional practices, institutional pressures, environmental conditions, and demographic characteristics all influence business outcomes. These dimensions are connected to the **Adaptive Embeddedness Model (AEM)**, which emphasizes how businesses adapt to their environment to survive and grow. Arrows indicate dynamic interactions, showing that internal capabilities and external conditions continuously shape one another. The model highlights that growth or stagnation is not determined by resources alone but by how owners navigate social, institutional, market, and environmental contexts. Roadside vendors with strong adaptation strategies leverage opportunities, manage risks, and align their internal practices with external demands. Conversely, limited adaptation, resource mismanagement, or adverse external conditions can lead to business stagnation. Overall, the figure underscores the importance of adaptive strategies in understanding the complex and context-dependent performance of informal businesses in emerging economies.

Dynamic Pathways: Growth vs. Stagnation

Growth Pathway

Growth emerges when:

- Personal attributes and market awareness mediate financial and operational constraints;
- Family involvement is structured and conflict-managed;
- Entrepreneurs strategically navigate institutional ambiguity;
- Environmental shocks are anticipated and adapted to.

Stagnation Pathway

Stagnation persists when:

- Financial fragility and daily consumption erode capital;
- Family and social claims divert business income;
- Market saturation and weak differentiation persist;
- Government interactions remain punitive rather than supportive;
- Environmental disruptions repeatedly reset progress.

Overall Theoretical Contribution

1. Introduces Adaptive Embeddedness as a central mechanism explaining informal business outcomes.
2. Demonstrates that stagnation is not failure, but a rational equilibrium under compounded constraints.
3. Extends entrepreneurship and firm theory to informal, survival-oriented enterprises.
4. Provides a context-sensitive model suitable for emerging economies, especially Sub-Saharan Africa.

Limitations

Use of interview method is like seeking participants' opinions or asking them to reflect on their past and report retrospectively. This introduces latent bias and may raise questions about validity. Participants consider their experience and make sense of it and formulated it as a story (Andiappan & Treviño, 2010). A study conducted on limited participants, using interviews for data collection and grounded theory for analysis is subject to several limitations. The narrow focus limits transferability of the findings, as the unique characteristics from the study may not reflect broader trends in other areas. Using interview method can introduce biases, the quality of the data depends on the interviewer's skill and the respondents' honesty and willingness to share accurate information (Andiappan & Treviño, 2010). Grounded theory analysis is inherently subjective and might have introduced researcher bias. Researchers' personal interpretations might have influenced how data are coded and categorized. The method is also time-consuming and complex, which might have limited analytical depth and led to missed nuances. Logistical challenges, including access to respondents and building rapport, could have affected data quality and overall validity. In addition, the study does not clearly identify the most critical factors behind the

stagnation or collapse of roadside businesses. Further quantitative studies are recommended to determine the key drivers of this challenge.

Conclusion

This study examined why roadside businesses in emerging economies either grow or remain stagnant. It integrated financial, social, institutional, and behavioural factors. The conclusions are grounded in institutional theory, entrepreneurship theory, and the theory of the firm. Together, these perspectives explain the observed outcomes. From an institutional theory perspective, roadside business performance is shaped by both formal and informal institutions. Government policies, regulatory enforcement, taxation, infrastructure, and environmental conditions create opportunities and constraints. Weak policy support, regulatory uncertainty, and exposure to environmental shocks often sustain stagnation. In contrast, supportive institutional arrangements promote adaptation and growth. Informal institutions, including family obligations, cultural norms, and social expectations, also influence decisions. These pressures may divert business resources to non-business uses and limit reinvestment. In line with entrepreneurship theory, the findings emphasize the role of entrepreneurial agency and personal attributes. Growing businesses are led by entrepreneurs who recognize opportunities, tolerate risk, learn continuously, and adapt to change. Market awareness and responsiveness to customer preferences, competition, and pricing separate growing firms from stagnant ones. Limited financial literacy, low innovation, and reactive behaviour tend to reinforce survival-oriented entrepreneurship. From the theory of the firm, roadside businesses operate as micro-enterprises whose growth depends on efficient resource use and internal coordination. Financial management, operational practices, and transactional arrangements directly affect performance. Cash flow control, inventory management, credit sales, supplier relations, and pricing strategies are particularly important. Where financial discipline is maintained and transaction inefficiencies are reduced, growth becomes more attainable.

Overall, the study shows that growth or stagnation does not arise from a single factor. It results from the interaction between entrepreneurial capabilities, firm-level practices and institutional conditions. Theoretically, this integrated perspective deepens understanding of informal enterprise performance in emerging economies. It explains why similar roadside businesses experience different outcomes under comparable conditions.

Managerial and Practical implications

The practical and managerial implications of this study are significant for small business owners, managers, and policymakers. The implications are justified below:

Table 3 Recommendations

Aggregate Dimension	Key Actions / Focus Areas	Primary Stakeholders
Financial Constraints	Improve access to capital and financial management. Train owners in budgeting, savings, and credit use. Promote microfinance and low-interest loans.	Business owners, microfinance institutions, NGOs, local banks

Social & Household Factors	Balance household responsibilities with business operations. Encourage family support programs and conflict resolution. Promote awareness of work-life balance for entrepreneurs.	Business owners, families, community leaders, local NGOs
Socio-Cultural Influences	Leverage cultural practices to enhance business legitimacy. Build trust networks and strengthen ethical business behavior. Adapt products/services to local norms and preferences.	Business owners, community elders, local authorities, cultural organizations
Market & Customer Factors	Conduct market research to understand customer needs. Improve marketing, visibility, and accessibility. Innovate products/services to stay competitive.	Business owners, trade associations, marketing consultants, local authorities
Personal & Psychological Factors	Develop entrepreneurial skills, discipline, and vision. Provide training in resilience, time management, and decision-making. Promote mentorship and peer learning.	Business owners, entrepreneurship educators, mentorship programs, NGOs
Operational & Transactional Factors	Strengthen internal processes, hygiene, technology adoption, and risk management. Improve inventory, storage, and customer service practices.	Business owners, local business associations, technology providers
Institutional Constraints	Engage with policymakers to simplify licensing and reduce bureaucracy. Advocate for fair taxation and anti-corruption measures. Promote awareness of legal and regulatory requirements.	Business owners, local government, trade associations, advocacy NGOs
Environmental Constraints	Adapt business operations to seasonal and climatic conditions. Improve physical infrastructure and access to safe trading spaces. Implement contingency planning.	Business owners, local government, urban planners, community organizations
Demographic Factors	Leverage demographic strengths such as education and skills. Provide targeted training for specific age, gender, or skill groups. Use customer demographics to inform marketing strategies.	Business owners, vocational training centers, local authorities, NGOs

Source: Primary Data (2025)

Future Research Directions

While this study provides insights into the factors influencing the stagnation or growth of roadside businesses in an emerging economy, several avenues for future research remain.

- Future research could explore roadside business dynamics across multiple emerging

economies. The study may attempt to identify context-specific versus generalizable factors affecting growth.

- This study used qualitative methods; future studies could apply quantitative approaches to test the identified relationships. Surveys or longitudinal data could measure the effects of financial literacy, family involvement, and environmental constraints on performance.
- Future research could compare growth and stagnation across different types of roadside businesses.
- Studies examining product demand, pricing strategies, and customer behavior may uncover specific drivers of success or failure.
- Roadside businesses change over time due to market shifts, family dynamics, and socio-political conditions. Longitudinal studies could track these businesses to identify growth, decline, and survival patterns.
- As mobile money, digital marketing, and e-commerce expand in emerging economies, future research could explore how technology adoption shapes the growth paths of roadside enterprises.
- Further studies could examine how gender, age, and other social identities affect access to resources and growth potential in roadside businesses.
- Future research could evaluate the direct effects of policy interventions, such as financial literacy programs, infrastructure development, and regulatory reforms, on the growth and stability of small informal businesses.

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CONFLICT OF INTEREST

There is no conflict of interest between the authors.

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