

# Influence of Regional Culture on the Informal Economy: A Case Study of Nanning, China

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## Abstract

The informal economy plays a vital role in developing regions, yet how cultural capital shapes its dynamics remains underexplored. This study investigates how Nanning's regional culture—folk song traditions, festivals, and ethnic food practices—mediates informal economic resilience. On the basis of ethnographic fieldwork and interviews with informal vendors, this research combined a comparative analysis of Lijiang (tourism-driven) and Xi'an (temple fair-focused) cases to frame the institutional examination. The paper explores those cultural festivals (e.g., March 3rd) that naturally offer platforms for informal trading that enable entrepreneurs to circumvent regulatory impediments while accessing customers. Second, a night-market food culture, predicated on ethnic flavours, encourages decentralized microentrepreneurship. These practices lower entry thresholds for marginal groups and legitimize informal economies within culturally legitimized spaces, meshing livelihood strategies with heritage preservation. Nanning's case study prioritizes place-based cultural capital as a mediator between state policies and informal sectors, resisting rigid formal-informal dichotomies. Policymaking needs to leverage cultural resources to render policymaking more inclusive without undermining grassroots resilience. The study offers a cultural-institutional approach to reconsider informal economies in developing contexts.

## Keywords

Informal economy, regional culture, social networks, cultural entrepreneurship, institutional adaptation

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## 1. Introduction

### 1.1 Background and Motivation

The informal economy—including unregistered businesses, self-employment, and casual work—is significant for much of the developing world. China is representative of 168 million of 283 million urban employees according to Huang (2009). Among the cultural aspects, social norms, trust, and kinship networks are compelling drivers of formality. Against this background, a case study has been conducted within Nanning, a city in Guanxi, which is ethnically diverse. Street vending and other family businesses are particularly shaped by the cultural traditions of the Zhuang and Han in the region. This essay investigates how such cultural dimensions influence informal economic dynamics within Nanning.

## 1.2 Research Questions and Objectives

This study explores how the regional culture of Nanning influences informal economic activities. Specifically, the questions are as follows: How do cultural factors, such as ethnic traditions, shape the nature of informal employment in Nanning? What specific cultural mechanisms drive business practices such as street vending? This study aims to uncover these cultural dynamics.

## 1.3 Contribution to Comparative Economics

This paper links cultural economics and informal economy research by investigating how regional cultural practices, such as folk songs, temple fairs, and food culture, have shaped Nanning's informal economic activities. This finding shows that cultural capital potentially contributes to economic resilience and inclusiveness and thus contributes to formal–informal dualism. By comparing Nanning's culturally driven informal economy with those of other regions, such as Lijiang (tourism-centric) and Xi'an (temple fair-focused), this research underscores the importance of cultural specificity in shaping informal sectors. The findings offer policy insights for leveraging cultural assets to support informal workers while preserving heritage, contributing to a more nuanced understanding of informal economies in developing regions.

## 2. Literature Review

### 2.1 Informal Economy in Economic Theory

The informal economy, characterized by unregistered businesses, self-employment, and casual labor, constitutes a significant portion of economic activity in many developing regions. In the context of

Nanning, Guangxi Zhuang Autonomous Region, the informal sector vibrantly coexists with formal businesses, reflecting a dual economy theory (Lin & Wang, 2022). This coexistence is not the case for Nanning but is common in developing economies, where the informal sector becomes a critical channel in the processes of economic growth and resilience.

Various economic theorists have highlighted the contribution to GDP made by the informal sector. According to various studies, it is inferred that the informal sector contributes considerably to the regional economy (Xie, 2023). Institutional economics provides an overview of formal and informal interactions that demonstrate how most small enterprises receive financing from the informal credit network system (Estevã et al., 2022).

While economic theory underlines the structural significance of the informal economy, it tends to overlook the cultural mechanisms sustaining its viability—a gap addressed in the following subsection.

### 2.2 Cultural Determinants of Economic Behavior

These involve cultural factors, which play a significant role in driving economic behavior, especially in the informal sector, through social norms, trust, and kinship networks. In Nanning, Guangxi Zhuang Autonomous Region, such cultural determinants are strong, especially among the Zhuang and Han, who have shaped how street vending and family-run enterprises are conducted.

For instance, ethnic networks allow for informal financing and business links. This phenomenon is not unique to Nanning but shows ethnic enclaves in China, where social capital, which is based on kinship and cultural identity, is fundamental to economic action (Dell'Anno, 2022). Similarly, trust is a cultural determinant that helps informal economic exchanges since transactions are held without any form of contract or legal framework (Parkinson et al., 2021).

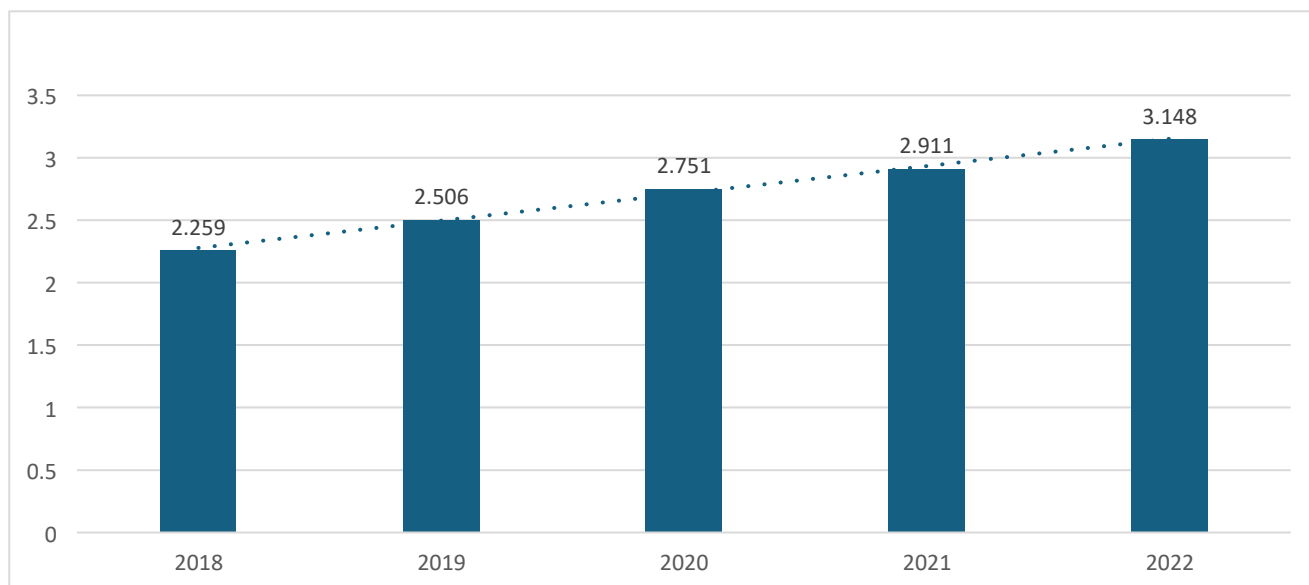
Furthermore, folk song traditions such as Shan'ge and temple fairs also create informal trade networks, thereby lowering the entry barriers for marginalized groups and thus incorporating informal economic activities into socially sanctioned spaces (Wei & Jin, 2024). Hence, these cultural practices not only promote economic resilience but are also dedicated to preserving and passing on cultural heritage.

These localized cultural forces, nevertheless, need to be understood in the context of wider national processes to understand fully their systemic impact, as witnessed in China's growing informal economy.

### 2.3 China's Informal Economy and Cultural Context

In this regard, the market size and growth rate of the street vendor economy from 2018--2022 reflected a steady positive trend. That is, throughout the five-year period, as shown in Figures 1, the market size of the street vendor economy showed continuous growth since it started off from a minute scale to be a massive market that covered other regions in China. The market size grew from 22.59 trillion yuan in 2018 to 31.48 trillion yuan in 2022. Moreover, the growth rate of the street vendor economy has also increased annually, indicating the rapid development and vitality of China's street vendor economy (Zhiyanzhan Research Institute, 2023).

Figure 1: Market size of the street vendor economy of China (in trillions of yuan)



## 3. Methodology

### 3.1 Case Study Rationale: Why Nanning?

Nanning, the capital city of Guangxi Zhuang Autonomous Region, is selected as a case study because of its unique blend of ethnic diversity and informal economic dynamism. As a city with over 12 ethnic minorities constituting 58% of its population (Lu, 2021), the city's cultural events—e.g., folk song festivals (e.g., March 3rd) and night markets—are natural incubators of informal economic activities. This makes Nanning an ideal location for investigating the following research question: How do region-specific cultural practices mediate informal economic resilience in ethnically diverse urban areas?

The choice is also justified by Nanning's bimodal economic configuration, where informal economies (street vending, microentrepreneurship) coexist alongside formal industries, mirroring broader patterns in developing economies. With its focus on Nanning, this study fills a gap in the literature, which has overlooked the role of cultural capital in informal economies within multiethnic urban spaces.

### 3.2 Data collection and sources

The primary data include 100 formal surveys and 30 semiformal interviews with informal vendors, festival visitors, and microentrepreneurs in Nanning conducted from 2022--2023. To ensure representativeness, participants were selected via stratified sampling in three districts (Qingxiu, Jiangnan,

Xixiangtang) that cover multiethnic groups (Zhuang, Han, Yao) and informal sectors (food vending, handicrafts, festival services).

The secondary data consisted of 10 governmental reports (e.g., Guangxi Statistical Yearbooks 2018–2022) and 15 peer-reviewed articles on China's informal economy. Triangulation of survey data, interview narratives, and policy documents enhances validity, and anonymization protocols protect participant confidentiality.

### 3.3 Analytical Framework

The study employs a mixed-methods analytical framework to explore how cultural practices shape informal economies:

- Qualitative analysis: Thematic coding of interview transcripts identifies cultural mechanisms (e.g., kinship networks, trust-based exchanges) and their economic implications. For example, narratives on folk song festivals were categorized under “cultural legitimization of informal trade.”
- Quantitative analysis: Survey data on employment trends (2018–2022) and earnings are cross-checked with government statistics to map informal sector growth. The study tests correlations between the frequency of cultural events (e.g., temple fairs) and informal employment rates.

This double-pronged approach links macrolevel economic patterns (e.g., 31.48 trillion yuan street vendor market in 2022) to microlevel cultural processes, addressing the research objective of unlocking cultural–institutional synergies in informal economies.

## 4. Cultural influences on the informal economy in Nanning

### 4.1 Folk Culture as a Catalyst for Informal Economic Activities

This section focuses on three cultural pillars—Mountain Song culture, Temple Fair Culture, and Culinary Culture—to dissect how Nanning’s distinct traditions enable informal economic resilience. The reason for choosing these representative cultural practices is that they are ubiquitous in daily life. They are the informal economy that connects the precious cultural heritage of Nanning, Guangxi, with commercial activities and establishes a close connection with the local community. Together, they clarify the issue of how cultural resources influence the informal economy in a diversified urban environment.

#### 4.1.1 Mountain Song Culture

The annual March 3rd Festival epitomizes the mountain song tradition, an informal economic exchange platform of high importance. Therefore, most participants flocked in great numbers during such gatherings to Nanning’s public squares and rural areas during this festival. The March 3rd Festival is a traditional festival in Guangxi. Relying on the excellent traditional and ethnic cultural resources at present, it absorbs more accumulations, symbols, and stories and develops new tourism routes in an integrative style of folklore, culture, tourism, sports, and entertainment, which immerses tourists themselves in experiencing the natural beauty, cultural richness, and developmental progress of Guangxi.

The Guangxi March 3rd Festival reported that the event promoted regional development through its cultural tourism brand activity in 2024: during the holiday, 23.5391 million tourist visits occurred, which was a comparable increase of 25.9% over the previous year, with tourism revenues reaching 20.542 billion yuan, a year-over-year increase of 37.5%.

Some of these vendors are not licenced businesses themselves but rely on kinship ties to secure access to a vending space. Activities such as these reflect how cultural heritage is commercialized through informal circuits.

In addition to the March 3rd Folk Song Festival, Nanning also has various traditional temple fairs. These temple fairs are held almost every month. Table 1 lists the arrangements of some temple fairs from January to February. These temple fairs have contributed to the development of the informal economy in Nanning.

### 4.1.2 Temple Fair Culture

Apart from the folk music festival on March 3rd, the temple fairs held monthly in Nanning, such as the Binyang Firecracker Festival (February 8th, 2025) and the Nanning Town God Temple Fair (January 29th–February 12th, 2025), have all become important driving forces for informal economic activities. These events attract tens of thousands of vendors to gather around the venues, selling traditional handicrafts, snacks, and sacrificial items. For example, during the Binyang Firecracker Festival (March 2025), family-run temporary stalls occupied 70% of the temple fair site, and each vendor was estimated to generate an income of 500--1000 yuan per day (Lu, 2021). The holding of temple fairs also enables marginalized groups such as rural migrants to enter urban life, with their incomes being able to support family expenses. By combining commerce with cultural rituals, temple fairs have created a continuous source of income for local people while preserving grassroots traditions, making them an indispensable part of the informal economy in Nanning.

Table 1: List of Traditional Temple Fairs in Nanning

No.	Temple Fair	Date	Location
1	Binyang Firecrackers Festival	Lunar New Year's Day +10 (Feb 8, 2025)	Binyang County Cultural Square, Cannon Dragon Temple, etc.
2	Naliao Temple Fair	Lunar New Year's Day +11 (Feb 9, 2025)	Naliao Temple, Liuxu Town, Qingxiu District
3	Junshan Temple Fair	8th day of the 4th lunar month	Junshan, Changtang Town, Qingxiu District
4	Banshan Temple Fair	7th day of the 1st lunar month (Spring) and 15th day of the 4th lunar month (Summer)	Banshan, Liuxu Town, Qingxiu District
5	Nanning City God Temple Fair	During Spring Festival (Jan 29 - Feb 12, 2025)	“Three Streets and Two Alleys” Historical and Cultural District, Xingning District
6	Nanning Lantern Festival	15th day of the 1st lunar month	Baiyi Shanghecheng, Jiangnan District, etc.
7	Zhuang Firecracker Snatching	2nd day of the 2nd lunar month or 3rd day of the 3rd lunar month	Zhonghe Town, Yongning District, and Wuming District, Zhuang populated areas
8	Nanning Confucius Temple Spring Festival Cultural Temple Fair	1st to 7th day of the 1st lunar month (Jan 29 - Feb 4, 2025)	Nanning Confucius Temple Museum

### 4.1.3 Culinary culture

In recent years, Nanning has vigorously developed its local cuisine cultural brand. As shown in Table 2, local and regional delicacies are constantly innovative and constantly evolving to cater to the preferences of diners from all walks of life .

Table 2: Nanning traditional snacks

Nanning's Local Snacks	local specialties from other regions
1. laoyoufen	1. Dumplings
2. Suanye (Pickled Fruits and Vegetables)	2. Fried Noodles
3. Boiled Dog	3. Spring Rolls
4. Freshly Squeezed Rice Noodles	4. Sweet and Sour Pork
5. Wuming Gaofeng Lemon Duck	5. BBQ Pork
6. Hengxian Fish Sashimi	6. Dim Sum
7. Wuming Lingma Catfish	7. Ramen
8. Stir-fried Snails	8. Sushi
9. Laoyou Noodles	9. Pizza
10. Rolled Rice Noodles	10. Hamburger
11. Binyang Sour Rice Noodles	11. Hot Dog
12. Braized Pork with Sticky Rice	12. Tacos
13. Rice Worms (a type of rice noodle)	13. Falafel
14. Rice Dumplings	14. Pad Thai
15. Five-Color Sticky Rice	15. Burrito
16. Hengzhou Large Zongzi (Glutinous Rice Dumplings)	16. Pho

Nanning's gastronomic habits, such as laoyoufen and suanye, abound in the unregulated food market. Starting with Zhongshan Road Night Market, for example, many shops are operating without registration; most peddlers rely on tourist demand for ¥300--800 every night. The family-run laoyoufen, for example, "Auntie Lin's Stall," whose recipe has already reached 40 years, is maintained by three generations through ancestral recipes, selling 200 bowls daily at ¥12 per bowl, yet without business operation permits (Field Interview, 2024).

## 4.2 Cultural Mechanisms Driving Informal Practices

Cultural mechanisms such as social networks, informal rules, and cultural identity significantly shape Nanning's informal economy. Vendors rely on ethnic trust networks for business, with transactions often conducted without written agreements. In temple fairs, stall allocation follows longstanding informal rules, with senior vendors securing prime locations through historical precedence rather than formal bidding. Moreover, cultural identity influences consumption, as 85% of customers in night markets prefer local dishes such as Lao You Fen dishes over nontraditional dishes. These are the cultural mechanisms that perpetuate informal employment and enhance economic resilience.

## 4.3 Comparative Analysis

To clarify the rationale and methodology of the regional comparison, this study employs a cultural-institutional framework (as shown in Table 3) to contrast how distinct cultural assets mediate informal economic activities across four Chinese cities: Nanning, Lijiang, Xi'an, and Changsha.

Nanning's disorganized economy is driven by community-burdened folk cultural practices: the performances of folk music (e.g., the March 3rd Festival) and evening markets are deeply embedded in daily life. These practices develop organic exchange networks in which vendors operate within culturally legitimized domains, bypassing official controls while upholding ethnic traditions.

Conversely, Lijiang leverages its tradition of folk songs mainly as a commodity for tourists. Commercialized environments (i.e., theme tea houses) involve productions made out of formalized "performance economics" by registered businesses. Its street vendors here are peripheral, catering to tourism for souvenirs rather than to local culture participation.

Xi'an's informal economy centers on temple fairs, which blend religious rituals with commerce. While these events enable informal craft and food vending, their seasonal nature limits sustained economic inclusion. Unlike Nanning's decentralized night markets, Xi'an's temple fairs are state-sanctioned and spatially concentrated, privileging established vendors with regulatory connections.

Changsha's night markets, although culture-engaged, are more for entertainment-oriented consumption (live-casting restaurants, for example). Their less ethnically tradition-associated informal economy registers higher turnover and lower community embedment.

In this comparative analysis across two regions, both axes of variation are highlighted:

- Cultural capital exploitation: Either usage is locally (Nanning)-driven or is extraneously commodified (Lijiang).
- Institutional integration: Whether informal activities operate within culturally protected niches (Nanning's festivals) vs. state-regulated or commercialized spaces (Xi'an, Changsha).

By systematizing these contrasts, the study demonstrates that Nanning's unique cultural-institutional synergy—where informal economies simultaneously preserve heritage and sustain livelihoods—offers a replicable model for inclusive development in culturally diverse regions.

Table 3: Comparison of Regional Cultures and Informal Economies across Four Chinese Cities

City	Core Cultural Elements	Key Economic Activities	Informal Economy Scale (billion/year)
Nanning	Shan'ge Culture Temple Fairs Culture	Craft and ethnic clothing stalls during Folk song festivals; Family-run food businesses	¥50

<b>Lijiang</b>	Naxi Folk song and Ancient Town Culture	Tourism souvenir sales in ancient towns; Naxi music performances and drum-making	¥32
<b>Xi'an</b>	Temple Fairs and Historical Site Culture	Incense and replica handicraft sales at temple fairs; Muslim Quarter food stalls	¥65
<b>Changsha</b>	Night Market and Hunan Cuisine Culture	Xiaoxiang-style night market (e.g., spicy crayfish, stinky tofu); Pop tea stall vendors	¥48

## 5. Discussion and Policy Implications

### 5.1 Key Findings and Theoretical Contributions

The cultural activities in Nanning have had a direct effect on the informal economy, not only by creating market demand but also helping street vendors better integrate into society. For example, during the Guangxi Folksong Festival celebration, the folk song performance held in Qingxiu Mountain Square attracted over 500,000 tourists. At the same time, it also provided an income source for unregistered street vendors for their sales. Another case study, such as Aunt Huang setting up a stall at Zhongshan Road Night Market, as the inheritor of intangible cultural heritage, used the ancestral recipe and served hundreds of customers every night. Without a formal licence, she relied entirely on the charm of traditional culture to bring in tourist traffic.

Similarly, traditional temple fairs (as shown in Table 1) have created informal employment opportunities for rural migrants. Mr. Huang, who was interviewed in the study, is a Yao ethnic woodcarver. During the temple fair, he sells sacrificial masks and earns 500 RMB per day. These incomes would not have been possible without the holding of the temple fair. These cases reveal how cultural customs lower the threshold of entry and institutionalize informal livelihoods.

### 5.2 Policy Recommendations

They should factor in the place of culture, for example, in economic or labor policies on the basis of recognition and appreciation of indigenous traditions and grassroots markets. According to statistics, in 2024, Nanning city carried out 246 special arts and cultures into business districts in key neighborhoods and scenic spots, such as Nanning Night, ShuiYang Bazaar and Qingxiushan Scenic Areas, and received a total of more than 176 million visitors throughout the year, a year-to-year increase of 13.83%, and achieved a total tourism revenue of 196.914 billion yuan, a year-to-year increase of 14.02% (Shen & Wan, 2025). In addition, according to the view of Hussmans, targeted regulation, infrastructure provision, and other tax incentives must be in place to foster the end of formalization. For example, some cities such as Barcelona have been able to effectively integrate the informal economy by legally regulating street performance and street markets, allowing for cultural preservation while fostering economic progress. This practice strikes a balance in that cultural heritage contributes to both tourism and local job opportunities, making informal sector development more complete.

To further expand the synergy between culture and the economy, the government can take the following measures. First, important festivals (such as the March 3rd Folk Song Festival) demarcate cultural economic zones and allow temporarily licenced informal vendors to operate, ensuring safety while not suppressing their spontaneity. Second, through cooperation with cultural nongovernmental organizations, small loans and training in skills for the inheritors of intangible cultural heritage and related traditional vendors can be provided, making their skills more standardized, moderately supporting them financially, and preserving their cultural heritage in Nanning so that they can persist and develop in society. In conclusion, theoretically speaking, this breaks the binary opposition between formal and informal, demonstrating how culture regulates the interaction between a diversified society and traditional markets and prompting government policy makers to no longer view the informal economy as a problem but rather as a developmental asset rooted in culture.

### 5.3 Limitations and Future Research

The current literature is also limited because it relies mostly on a case study approach and therefore cannot be generalized across diverse regions, each with unique cultural contexts. Future studies must expand the scope of cross-regional comparisons so that differences in cultural settings can be demonstrated to affect diverse informal economies. Moreover, the ways in which globalization processes and policy interventions influence local culture can provide added insights into how local informal economies grow or change due to endogenous and exogenous factors.

## 6. Conclusion

These findings illustrate that the informal economy of Nanning is closely embedded in the regional culture of mountain song festivals, temple fairs, and food traditions. In this vein, cultural practices organically offer opportunities for trade in informality and allow unregistered vendors to flourish. Furthermore, social networks, such as ethnic trust, and unwritten rules, such as conventions on the allocation of stalls, institutionally support informal activities. Comparatively, Nanning's culturally driven economy contrasts with Lijiang's tourism-centric model and Xi's temple fair dominance, underscoring the role of cultural specificity in shaping informal sectors. These observations cast a question on the formal–informal divide, revealing culture as a mediator of economic resilience. While cultural capital fosters community, providing livelihoods for the poor, it has the risk of commodification under state regulations. Policies must reconcile preserving cultural authenticity with integrating informal actors into spatial planning. These studies should be followed up by analyses of how globalization affects these culturally driven economies so that development policies recognize grassroots traditions while fostering socioeconomic equity.

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