

INFORMAL MARKETING AND NIGERIAN ECONOMY

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Abstract: The informal sector is an integral part of Nigeria economy experiencing an increase and the condition is bound to continue. This study aimed at determining the impact of informal market on Nigeria potentials. The study area was Lagos and Anambra State, Nigeria. The areas includes Six (6) informal marketing hub namely; Alaba market, Balogun market and Computer village in Lagos State. While Anambra State consist; Onitsha market, Nnewi market and Eke-Awka market. A random sampling technique was employed, through the use of structured questionnaire on a sample of one hundred and twenty (120); Abattoir marketers (20), Food vendors (20), Furniture makers (20), Confectionery (20), Phone accessories (20), Tailoring and Hair care (20). One hundred (110) were used for data analysis. The Pearson product moment correlation coefficient was used to confirm formulated hypotheses. The study found that there is significant impact on informal market to the Nigeria economy but its potentials are yet to be fully realized and also has contributed significantly to gross domestic product (GDP). The study also recommended that there is need for the Nigeria government to institute reforms that could improve social institutions and governance, increase productivity and spur economic growth.

Keywords: Informal sector, Informal sector and Nigeria economy, Informal sector and sustainable development, Challenges of the informal sector in Nigeria, GDP.

INTRODUCTION

Globally, two billion people take part in informal employment with the accompanying risk and vulnerabilities (IMF, 2020). This translates into 60% of the global labour force and 90% of all small- and medium-scale enterprises. The informal sector plays a key role in the economic structure of many developing countries, especially Nigeria. It is a collection of businesses that are not registered and regulated, and most cases, not taxed. They include enterprises that provides services and engage in production activities, market-trading and street vendor sales.

In Nigeria, in general, the contributions of the informal sector to the development of the economy in terms of job creation, capital saving and mobilization, efficiency, strong links with other sectors, use of local technology training for entrepreneurs and self cannot be overemphasized.

The informal sector constitutes a significant segment of the Nigerian economy. In this way, the sector contributes to Gross Domestic Product (GDP) and employment and contributes significantly to Nigeria's economic growth in general (Fasanya & Onakoya, 2012). Presently, the sector accounts for more than half of global employment and up



to 90% of employment in some of the poorest developing countries. As a result, according to the International Monetary Fund (IMF), Nigeria's informal sector accounted for 65% of Nigeria's GDP.

Statement of the Problem

Nigeria has the challenge of a large informal market that is most vulnerable to horrific environmental conditions. This is due to some perennial problems that have affected the development of the sector over the years. These problems that impede the development of this sector in Nigeria range from financial, managerial, marketing, technological, lack of basic physical infrastructure, raw materials and other related problems, thus leading to economic crises in the sector. The federal government and other stakeholders must roll out measures to provide temporary support to the sector and failure to pay attention to the needs of the sector will worsen what is already a precarious economic situation for Nigeria grappling with high unemployment and poverty rates.

Objectives of the Study

1. To determine whether the informal market has contributed to Nigeria economy
2. Ascertain whether informal economy potentials has been realized by the Nigeria government

Research Questions

The following research questions will be addressed in this Study;

1. Has the informal market contributed to the Nigeria economy for its potential to be realized?

Literature Review

Literature review is an important part of a research study as it involves many activities which include identifying, reading, evaluating, describing, summarizing, discussing, citing, and synthesizing various documents with an intention of incorporating them in the study under

investigation. This section deals with Conceptual clarification, Theoretical framework and Empirical review.

Conceptual Clarification

Conceptualization of the Informal Sector

Informal sector was first introduced in 1973 by Keith Hart, who is a social anthropologist. Since that time, it has attracted much interest and discussion among various scholars and policy-makers. The concept was introduced to describe a part of the urban labour force in Ghana, who worked outside formal organized labour market. Hart described informal sector the same way as the small self-employed individuals. International Labour Organization (ILO) later used the concept in its reports to describe labour market conditions in other African countries, and the World Bank also used it in its series of studies of urbanization and poverty throughout the Third World countries. Informal economy for instance was called irregular economy by Ferman (1973), the subterranean economy by Guttman (1977), the underground economy by Simon (1982). Abumere (1989) described the economy as invisible, hidden, shadow, non- official, unrecorded, imperfectly recorded in the official national accounting systems. These different terminologies show that no single definition of informal economy could serve different fields. The concept of informal sector since its inception becomes elusive because of different paradigms, disciplines, interests, and moments in history, that had mutated the meanings.

The Informal Sector and Nigerian Economy

The informal sector has been variously described as a vital source of employment and income for the poor, the seedbed of local entrepreneurship and a potent instrument in the campaign to combat poverty and social extension (Akande & Akerele, 2006). The employment generation capacity of informal sector activities is indispensably



crucial and cardinal in its contribution to the economy and is especially relevant now that formal sector employment capacity is fast shrinking. This suggests that the informal sector is a veritable engine of employment generation in Nigeria. In literature the informal sector activities in Nigeria and West Africa had been categorized succinctly to include trade and commerce, manufacturing, technical work, transportation, farming, and service business. These activities cover the needs of the informal sector and thus absorb a lot of people that do not fit into the formal sector. In Nigeria, the informal economy is significant because it provides employment opportunities for the teeming unemployed citizens and the medium to meet the needs of poor consumers through cheaper and accessible goods and services. Also, due to the ease and flexibility attached to the operations of informal enterprises, the sector is devoid of bureaucratic regulatory framework with little or no formal educational requirements (Fapohunda, 2013). The Nigerian Informal Sector is a major contributor to the Nigerian economy, accounting for a significant portion of employment and national GDP. According to the IMF, the Nigerian informal sector accounted for 65% of Nigeria's 2017 GDP. The Informal Sector comprises any economic activity or source of income that is not fully regulated by the government and other public authorities; this includes enterprises that are not officially registered and do not maintain a complete set of accounts; and workers who hold jobs lacking basic social or legal protection and employment benefits. Examples of informal employment workers include street traders, subsistence farmers, small scale manufacturers, service providers (e.g., hairdressers, private taxi drivers, and carpenters), etc. The sector currently accounts for over half of global employment and as much as 90% of employment in some of the poorer developing countries. Due to its flexible nature, the

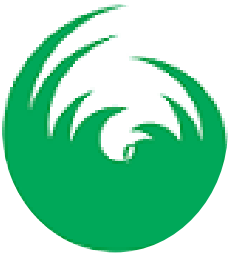
informal sector in some ways is better able to adapt to difficulties such as the current global recession, providing some measure of support to those most in need. Today there is no unanimous perspective with regard to the informal economy. Some take the view that the informal sector encourages fraudulent activities that results in the loss of revenue from taxes, weakens unions, creates unfair competition, leads to a loss of regulatory control, reduces observance of health and safety standards, amongst others. However, a fast-growing view is that informal economy offers significant job creation and income generation potential in Nigeria, as well as the capacity to meet the needs of poor consumers by providing cheaper and more accessible goods and services.

Challenges of the Informal Sector in Nigeria

Lack of capital and collateral: While the government and other stakeholders in the economy have begun to realize the sector's importance, there is still little assistance for many small businesses and some are operating at below capacity. Many entrepreneurs in the informal sector have no access to banking facilities at all. Most have no collateral to secure loans from banks.

Lack of necessary skills e.g. accounting and managerial: Most informal business operators lack the necessary skills in operating their businesses. They at times do not keep proper records. They at times rely on their memory for purposes of business records. Relying on memory as an alternative to written records has the biggest drawback of forgetting.

Limited Life span: Most informal businesses have short life span that does not go beyond the life span of the owner. The business can only thrive as long as the owner still has the will to remain in the business.



Registration requirements: In Nigeria the registration procedures drive many businesses into the informal sector. The informal sector comprises unregistered businesses.

Labour: Labour is usually family based. They operate with a low level of organization, with little division between labour and capital, as factors of production.

Equipment: This is a challenge for the informal sector players. They usually do not have enough and appropriate equipment to execute their duties.

Informal Sector and Sustainable Development

Informal sector can be seen as those economic activities that is not subject to government regulations or taxation that sustains a large part of the world's workforce. It is diverse, complex, and growing area of activity. The incidence and persistence of informal labour, especially in emerging market and developing economics is highly recognized as an obstacle to a sustainable development due to its inability to contribute to tax base. It tends to remain small, with low productivity and limited access to finance (Delechat and Medina, 2020).

Consequently, people who work in informal sector are often more likely to be poor than their counterparts in the formal sector because some people in the informal sector lack formal contacts and social protection as they tend to be less educated.

Sustainable development can be defined as development that meets the needs of the present without compromising the abilities of future generations to meet their own needs. The best secured means to economic sustainability is by creation of local or region self-reliant, community economies. Locally produced and sold goods can have a dramatic impact on the sustainability of a city, lifestyle and in some cases perform better than globalized mega corporation's.

So, promoting local business should not be a side note in cities polices but a major directive in the future development of cities (Ruzek, 2014). Meaningful earnings from the informal sector jobs can dramatically reduce the poverty level of the population. The informal sector can create jobs, promote local economies, and proffer economic shift toward a sustainable development.

Theoretical framework

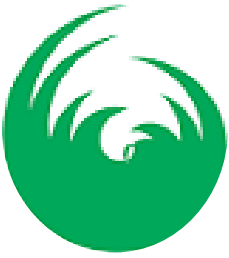
Every substantial phenomenon, is bound to have logical and empirical explanations. It is in such situations that theories prove their utmost value, especially in scholarly endeavors.

Neo-liberal theory by (Hernando de soto, 1989) state that the informal market is that which has enormous prospect for growth but is constrained by government regulations. It assumes that informal marketing entrepreneurs are highly productive but retarded by those same regulations. It contends that free market economy would make informal entrepreneurship flourish, resulting in growth and development.

Therefore, engagement in informal marketing would promote economic growth.

Empirical Review

Sakanko and Ewugi (2017) investigated a research on An Evaluation of Informal Sector on Economic Growth in Nigeria from a period of (1985-2014) using Error Correction Model to analyse data. The result show that the informal sector has a long-running and positive relationship with economic growth and that informal sector is a source of income for large number of people in Nigeria and contributes to economic growth and development. The author suggested the need for improved fiscal and employment policies to engender economic growth and development.



Yele and Adam(2017) examined informality and economic growth in Nigeria from a period of (1980-2014) using Endogenous Growth Model that incorporates variables such as fiscal economy nominal GDP, informal economy nominal GDP, currency in circulation, demand deposit, the ratio of currency in circulation to demand deposit, narrow money, the informal economy as a percentage of fiscal economy was used to determine the impact of the informal sector on Nigeria's economic growth. It was discovered that despite the commendable impact of the informal sector on economic growth, this relationship is not linear. The authors suggested that government should integrate informal sector businesses into the formal sector, and regulate the sector because of its potential to increase fiscal revenue through tax collection.

Yele and Obansa(2015) examined the Impact of Informal Sector Activities, Inclusiveness and Economic Growth in Nigeria. The study makes use of (150) respondents from the informal sector to conduct survey. The result shows a positive and significant impact of informal sector activities on economic growth was found.

Research Methodology

This chapter discusses the ways and means through which the study was carried out. It also presents the research Area of Study, Source of Data, Sampling Technique. Method of Data Collection, Method of Data Analysis.

Area of Study

The area of study is Lagos State and Anambra State which includes Six (6) informal marketing hub namely; Alaba market, Balogun market and Computer village in Lagos State. While Anambra State consist; Onitsha market, Nnewi market and Eke-Awka market. These markets was selected because of the thriving presence of many businesses that can be categorised as informal. Informal being that they are not registered under Corporate Affairs commission (CAC), regional, or State Governmental bodies. The employment arrangement with workers is also not documented neither is the Tax Remitted from sales.

Sources of Data

The researcher employed the use of both the primary and secondary sources of data. Primary sources of data are first-hand information. The data is generated by the researcher for the purpose of the study, primary data collected for this study are questionnaires given to the marketers under study to elicit responses. While that of the secondary data are facts that the researcher collected from already existing sources. The secondary sources from which data were generated are newspapers, magazines, journals, published research work, memo-graphs.

Sampling Techniques

The simple random sampling technique is employed, giving each member of the population an equal chance. A sample size of 120 persons was selected at random, using Bourley (1998) proportional allocation formula, it was distributed as follows: Abattoir marketers (20), Food vendors (20), Furniture makers (20), Confectionery (20), Phone accessories (20), Tailoring and Hair care (20). One hundred (110) were used for data analysis

A pre-test was conducted and outcome yield "r" = 0.92 indicating a high degree of consistency and reliability. The instrument was 8- term survey questionnaire with a - 5 Likert scale response options of Very Relevant (VR), Relevant(R), No Effect (NE) Irrelevant (I), and Very Irrelevant (VI). The questionnaire was structured in line with the research objectives, questions and hypothesis of the study. The Pearson product moment correlation coefficient was used to confirm formulated hypotheses.

Method of Data Collection

The data for the main study was collected by the questionnaire titled "**Impact of Informal Market on Nigeria Economic Potentials**" and a cover letter explaining the purpose of the survey were administered to respondents of informal marketers by the help of well-trained researcher to enhance the respondents return rate. The respondents were allowed a three weeks period to fill out the questionnaires. After one week the researcher sent a reminder to all the respondents. The questionnaires were collected after the second week.

Method of Data Analysis



The questionnaire was structured in line with the research objectives, questions and hypothesis of the study. The response gotten from the questionnaires were presented in tabular forms. The Pearson product moment correlation coefficient was used to confirm formulated hypotheses which show the magnitude of the discrepancy between the variables, expectation and observation. The test was carried out at 0.5% level of significance using SPSS statistical tool.

Pearson correlation is represented as follows:

$$R = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{[N\sum X^2 - (\sum X)^2]} \sqrt{[N\sum Y^2 - (\sum Y)^2]}}$$

Data Analysis

The results of the analysis based on the hypotheses tested are as shown below:

Table 1: Distribution and return of questionnaires

S/N Option Frequency

1. Total Distributed 120
2. Total not Returned 10

Total Analyzed 110

Source: Field survey, (2022)

Table 2: Response on whether informal marketing has a significant impact on the Nigeria Economy?

Option Points Response (y) xy x² y²

VR 5 50 250 25 2,500

V 4 19 76 16 361

NE 3 1 3 9 1

I 2 20 40 4 400

VI 1 13 13 1 169

Total 15 110 382 55 3,431

Source: Research computation, (2021). Key: Very Relevant (VR), Relevant(R), No Effect (NE) Irrelevant (I), and Very Irrelevant (VI).

Hypothesis 1

H₀; there has been no significant impact on informal market to the Nigeria Economy

H₁; There has been a significant impact on informal market to the Nigeria Economy

Here, using table 2 to answer to test hypothesis 1. We apply the formula stated above;

$$R = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{[N\sum X^2 - (\sum X)^2]} \sqrt{[N\sum Y^2 - (\sum Y)^2]}}$$

$$= \frac{5(382) - (15 \times 110)}{[(5 \times 55) - (15)^2] [(5 \times 3431) - (110)^2]}$$

$$= \frac{1,910 - 1650}{\sqrt{(275 - 225)(17155 - 12100)}}$$

$$= \frac{260}{503}$$

$$= 0.52 (52\%)$$

In hypothesis 1, the r calculated of 0.52 > 0.5 level of significance. The alternate hypothesis is accepted. This shows that there is significant impact on informal market



to the Nigeria economy. The fact being that they are ubiquitous and major players are involved in its activities which are located in both rural and urban centres, including growth points where goods are availed to the market through increased production leading to the informal sector contributing significantly to gross domestic product (GDP).

Although income from marketers in the informal sector may seem smaller compared to those in the formal sector, generated revenues has helped ease government's expenditure on essential services including education, health etc. for the populace.

Findings

The alternate hypothesis is accepted showing that there is significant impact on informal market to the Nigeria economy but its potentials are yet to be realized. The fact being that they are ubiquitous and major players are involved in its activities which are located in both rural and urban centres, including growth points where goods are availed to the market through increased production leading to the informal sector contributing significantly to gross domestic product (GDP). These findings are in agreement with the observation of several authors (Sakanko & Ewugi 2017, Yelwa & Obansa 2015; Yelwa & Adam2017).

Although, income from marketers in the informal sector may seem smaller compared to those in the formal sector, generated revenues have helped ease government's expenditure on essential services including education, health etc. for the populace.

Conclusion

The informal marketing sector a varied ubiquitous and heterogeneous sector operating in a number of fields providing services at low cost and within reach of the consumers is contributing to the Gross Domestic Product (GDP) of Nigeria and its generated revenues has helped to ameliorate governments expenditure on essential services including education, unemployment, health etc. for the populace.

The research hereby present the following recommendations to buttress the need for more support for the informal sector in Nigeria.

Recommendations

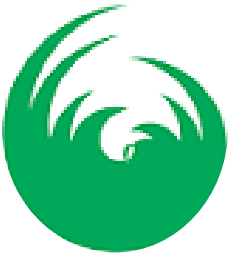
The government should come up with the following measures in order to support and boost the informal economy in Nigeria;

1. There is need for the Nigeria Government to create credit facilities / funds that will principally and sincerely be disbursed to the informal sectors so as to encourage them.
2. Policies should be introduced to address identified challenges in the informal sector towards improving productivity and incomes of informal sector player.
3. Infrastructural facilities should be provided and the dilapidating ones upgraded so as to reduce the cost of doing business.
4. Government should broaden employment opportunities for the teeming unemployed youth.
5. The state of insecurity overwhelming the nation should be addressed so as to attract potential investors to open industries in the country.

When the aforementioned steps are adequately implemented, the informal economy would be a springboard for sustainable economic development.

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