

INFORMAL ECONOMY OPERATORS AND THE CHALLENGES OF GROWTH IN OYO KINGDOM, NIGERIA.

OLURANTI SAMUEL
Department of Sociology,
Lagos State University, Ojo, Nigeria
e-mail: oluranti02samuel@gmail.com

&

BOLAWALE ABAYOMI ODUNAIKE
Department of Sociology,
Lagos State University, Ojo, Nigeria
e-mail: bolawaleodunaike@yahoo.com

&

JUBRIL OLAYIWOLA JAWANDO
Department of Sociology,
Lagos State University, Ojo, Nigeria
e-mail: jawando2002@yahoo.com

ABSTRACT

The informal economy is essential for economic growth and development. It provides employment for people who could not gain employment in the formal sector or serves as a financial cushion to those whose take home pay cannot cater completely for their basic needs. This paper focused on the operations of informal economy in Oyo Kingdom with aim of examining its prevalent typologies, assessing their characteristics and challenges. A total of Ten (10) Informal Economy Operators (IEOs) were identified from which thirty (30) respondents were drawn. Specifically, ten (10) executive members of affiliated association were purposively selected for key informant interviews and twenty members were selected for In-depth interviews. Data were analysed using content analysis and ethnographic summaries. The study identified various types of IEOs. It was discovered that some IEOs were either gender or age dominated or both. Also, IEOs in Oyo kingdom were characterized by communal efforts in order to cut cost prices of products. Low patronage was recorded as the major challenge of IEOs, which resulted from frequent migration of young people to other cities for livelihood, due to slight industrial development in the area.

KEYWORDS: Informal Economy Operators, Informal Economy, Challenges, Typology of IEOs, Migration, Livelihood.

INTRODUCTION

The informal economy has been given a number of interpretations by different authors. ILO and UNDP (1972) refer to it as “the non-structured sector that has emerged in the urban centres as a result of the incapacity of the modern sector to absorb new entrants”. In economics, the term informal economy or second economy refers to all economic activities that fall outside the formal economy, which is regulated by economic and legal institutions. It refers to the general market income category (or sector) wherein certain types of income and the means of their generation are “unregulated by the institutions of society, in a legal and social environment, in which similar activities are regulated” (Portes and Haller, 2005). It is the economic activity that is neither taxed nor monitored by government; its activities may not be given sufficient attention when the GDP of a nation or country is aggregated. Although, the informal economy is often associated with developing countries – where up to 60% of the labor force (with as much 40% of GDP) works, all economic systems contain an informal economy in some proportion (Portes and Haller, 2005). However, because of its preponderance, resilience and vibrancy, attempts by government in many African countries to generate revenue from the sector cannot be ignored.

Informal economic activity is a dynamic process, which includes many aspects of economic and social theory including exchange, regulation and enforcement. By its nature, it is necessarily difficult to observe, study, define and measure. No single source readily or authoritatively defines informal economy as a unit of study. To further confound attempts to define this phenomenon, informal economic activity is temporal in nature. Regulations (and degrees of enforcement) change frequently, sometimes daily, and any instance of economic activity can shift between categories of formal and informal with even minor changes in policy (Fajana and Samuel, 2007). Given the complexity of the phenomenon, the simplest definition of informal economic activity might be: any exchange of goods or services characterized by small scale operation, labour intensive techniques, low-income families, private and indigenous ownership of enterprises that are largely unprotected by government (Lawanson, 2011).

The informal economy under any governing system is diverse and includes small-scale, occasional members (often street vendors and garbage recyclers) as well as larger, regular enterprises (Luis, 2002). Informal economies include garment workers, working from their homes and other commodity producers. Statistics on the informal economy are unreliable by virtue of the subject, yet they can provide a tentative picture of its relevance: For example, informal employment makes up 48% of non-agricultural employment in North Africa, 51% in Latin America, 65% in Asia, and 72% in Sub-Saharan Africa. If agricultural employment is included, the percentages rise, in some countries like India and many Sub-Saharan African countries beyond 90%. Estimates for developed countries are around 15% (ILO, 2002). In developing countries, the largest part of informal work, around 70%, is in self-employment, in developed countries, wage employment predominates. The majority of informal economy workers are women. Policies and developments affecting the informal economy have thus a distinctly gendered effect (Liuz, 2002).

Another useful way of describing the situation of informal workers and entrepreneurs is in terms of seven essential securities, which are often denied them. It includes: Labour Market Security (adequate employment opportunities through high levels of employment ensured by macroeconomic policies); Employment Security (protection against arbitrary dismissal, regulation on hiring and firing, employment stability compatible with economic dynamism); Job Security (a niche designated as an occupation or “career”, the opportunity to develop a sense of occupation through enhancing competences); Work Security (protection against accidents and illness at work, through safety and health regulations, limits on working time and so on); Skill Reproduction Security (widespread opportunities to gain and retain skills, through innovative means for decent work and the informal economy as well as apprenticeships and employment training); Income Security (provision of adequate incomes); and Representation Security (protection of collective voice in the labor market through independent trade unions and employers’ organizations and social dialogue institutions) (ILO, 2002). Informal activities are the way of doing things, characterized by; ease of entry, reliance on indigenous resources, family ownership of enterprises, the small scale of operation, labor-intensive and adapted technology, skills acquired outside the formal school system and unregulated and competitive markets (ILO, 2002).

The size of Informal Economy

The so-called modern sector has not had the capacity to absorb all the new entrants to the labour market, especially in the developing countries. Thus, many new entrants find themselves engaged in the informal economy as a means of survival. These activities, during the 1970s and even now, provide an alternative to high open unemployment. It is estimated that more than 50% of the non-agricultural employment in Africa is found in the informal sector. (Munbodh, 2003).

McLaughlin (1990) claims that the informal sector is characterized by:

- The use of family and unpaid labour (apprentices) and reliance on manual labor rather than on sophisticated machinery and equipment.
- Flexibility, allowing people to enter and exit economic activities in response to market demand;
- Simple and sometimes precarious facilities;
- The ability to improvise product from scrap materials;
- A willingness to operate businesses at times and locations convenient to customers; and
- A tendency to locate smaller markets, out of the reach of the larger firms.

McLaughlin (1990) finds that

- Mini and micro enterprises only provide a means of subsistence through the production of goods and services on a small scale with lower quality and prices, and

- Small and medium enterprises are associated with high levels of education of the entrepreneurs, higher levels of income and a longer time in business.

It is also noted that the type of activities carried out in informal economy varies between the urban and rural areas. The entrepreneurs in the urban areas are involved in activities which are more geared toward the need of the modern sector. Some of the fields of activities are vehicle repair, radio repair, watch repair, refrigerator repair, manufacture of bricks for building construction, foreign currency exchange, etc. The most common activities identified in the rural areas relate to agriculture and farm crops processing, blacksmithing, leather-crafts, hawking of herbal medicines and sundry petty trading. In the rural areas the earnings from the informal economy are much less than in the urban areas. This situation gives rise to a net migration of youths to the urban areas, creating a number of social problems in the towns (Timalsina, 2011).

OBJECTIVES

The objectives of the study are stated thus:

1. Examine the typologies of informal economy prevalent in Oyo Kingdom.
2. Assess the characteristics of the informal economy operators in Oyo Kingdom.
3. Examine the challenges faced by the informal economy operators in Oyo Kingdom.

METHODOLOGY

This study, based on the ethnographic trip to Oyo kingdom in 2012, adopts the descriptive survey design of the *ex-post facto*. The choice of this design is based on the premises that it will enable the researchers to critically investigate and examine the group of people and items being studied with the aim of providing exact information about them. In this type of research, data are collected after the event of phenomenon under investigation has taken place.

The population of this study comprise of various Informal Economy Operators (IEOs) in Oyo Kingdom, Oyo State of Nigeria. Atiba Local Government Area of Oyo State, Nigeria was purposively selected for the research. The local government has its headquarters area in the town of Ofa Mefa. It has an area of 1757km sq and a population of 169, 702 (2006 census). The male population is 85336, while the female population is 84366 (Federal Republic of Nigeria, 2007). The selection of Atiba Local Government was premised on the fact that it is historical being the seat of the Ancient Oyo Kingdom with various historical legacies.

Precisely, Ten (10) types of informal economy operations were identified and selected purposively for the study. However, two (2) members and one (1) executive member each were selected from the IEO's for In-depth interview (IDI) and Key Informant Interviews (KII) respectively, making a total of Twenty (20) respondents for IDI and Ten (10) for KII. Therefore, a total of thirty (30) respondents were selected for the study

Table 1: Informal Economy Operators identified and selected for the study

S/N	Informal Economy Operator
1	Tailors
2	Wood carvers
3	Farmers
4	Commercial Motor-cyclists (Okada Riders)
5	Charcoal sellers
6	Petty traders
7	Cab Drivers
8	Butchers
9	Farm implement sellers
10	Drum Sellers

SOURCE: Samuel, Odunaike and Jawando, 2012

Data collected from In-Depth Interviews and Key Informant Interviews were coded, transcribed and analysed using content analysis. The content analysis was done in such a way that responses from respondents are arranged and summarised in line with the objectives of the study. However, all data collected were translated to English language because interviews and discussions were held in Yoruba language and transcribed accordingly.

DETAILED FINDINGS AND DISCUSSION

Socio-Demographic Characteristics

The study shows salient findings on the informal economy in Oyo kingdom. The age of people involved in any of the informal economy operation ranges between 22 and 75 years. Many of the younger ones (ages between 22 and 35) were found among the commercial motor-cyclists (popularly known as okada), while the oldest set of people were the charcoal sellers whose ages were between 60 and 75 years old. The implication of this might be to the effect that charcoal selling in Oyo has been in existence before the commercialization of Okada. Also, the youths' interest in charcoal selling is fast diminishing since there are modern energy sources such as petroleum products. In addition, driving and commercial motor-cycling brings fluid and much money than other trade especially charcoal. It also afford youths to move round the city and beyond unlike other trades that are sedentary. As regards sex, most of the female engage in Petty trading and tailoring while the males engage more in cab driving and Okada riding. Charcoal selling was predominantly female dominated. Most of the respondents were Muslims, while few were Christians. Significantly, most of the respondents engaged in farming.

The typologies of informal economy prevalent in Oyo Kingdom

The people of Oyo kingdom are predominantly farmers. Besides, there are also operators of the various trades. The informal economy is a pervasive and persistent economic feature of Oyo, contributing significantly to employment creation, production and income generation in the ancient town. Unlike the formal economy, over 70% of the potential working populations in Oyo town earn their living in the informal economy. Oyo town is primarily a farming town producing yams, cassava, cocoa and tobaccos among others.

Other aspects of informal economy prevalent in the town include; traditional artisans producing textiles and leather goods, blacksmith-producing local farming implements (like hoe, cutlass, rakes, etc.), and engraves carve utensils from shells of the calabash gourd and woods. These exhibit the art of the Oyo in their beauty. There are several of the youth and middle-aged people who are involved in using motor-cycles for transportation. There are professional drummers, who specifically hail from families known for local entertainment. These are known as "Ayan". The 'Ayans' not only beat drums and entertain; they also made drums from animal skin. The drums ranged from talking drums to other types of drums. Others engaged in petty trading (such as provisions, ingredients, foodstuff, etc.) and selling of local musical instruments.

The people of the ancient town are involved in small scale trades. They move within short and long distance e.g. Oyo to Ibadan, Abuja and Lagos. The elderly formed the bulk of the population as their adult children are all over the country and beyond in search of jobs and stable means of livelihood. The people of Oyo, are less privilege people, there exist little or no modern social facilities, no access to clean water, no stable electricity, no enough school, hospital and other amenities. They practice subsistence farming just to provide food for their families.

Characteristics of the informal Economy operators in Oyo Kingdom

The communal efforts and the cooperative principles that prevail among the Yoruba, also reflect greatly in the way the informal economy operators carry out day to day activities in Oyo. Nothing is done in isolation. There is no individualistic tendency among the people. Among the farmers, the "Aaro" (labour exchange programme) was prevalent. In this, farmers assist themselves in weeding, clearing, planting and harvesting of farm of produce. They move from one farmland to another rendering reciprocal assistance on fixed days. The "Owe" on the other hand has no reciprocity. This is carried out by an in-law to assist his parent in-law in the farm. He mobilizes his friends to assist him work on his father in-law's farm and they are entertained during the period.

Though there were no specific or special areas designated for some trades, the operators in this economy seem to know all the people operating in similar trades. These associations play significant roles in the success of the economy operators of the town. There are both written and unwritten laws guiding the activities of members. Punishment ranging from fines based on various categories of offenses and suspension is melted unto any individual who flout the rules of the association. One of the respondents had this to say:

You cannot start any business without registration with the association related to your trade or business, no matter your status or position in the society. The moment such a person is identified, his or her instruments of trade will be confiscated by the leadership of the association controlling the trade.

The various associations of the IEOs are also involved in dispute settlements among members. They hardly take their cases to Police for adjudication. An executive member of the Butchers association said:

We settle our entire dispute within the association. We do not encourage members to make reports to the Police or any government agencies if there are issues among members. This because there is a Yoruba adage which says: A kii ti kootu de ka d'ore (Meaning: friendship and relationship can never be maintained after court summons and judgments).

The belief of the people is that, rather than create more enemies when cases are taken to the Police stations that may probably lead to court, issues are better addressed and resolved by the leadership of the associations. This corroborates the findings of Fajana and Samuel (2007).

It was also discovered that the traders live communal life. Goods and mementoes are exchanged freely within the community and among the traders. Traders could consult with their fellow members in the same trade to assist in supply of goods if their goods are in short supply. The sources of supply of some goods are also shared among the traders, as the Yoruba believe 'that the sky is wide enough for birds to fly without clutching wings'.

A Petty trader in her thirties said:

It is cheaper for us when we go in groups to get goods from Lagos or Ibadan. The transportation cost would be shared among the traders. Also, there are times when resources had to be put together to get goods directly from companies so as to reduce the cost price.

The contributions are based on the financial capability of the members and rosters are made for collection of the pool by each of the members. The collector is expected to plough such fund into his or her business. one of the respondents said:

If not for the contribution, I would have been nobody. When I had some financial crises and all my investment was in the verge of collapse, it was the contribution that assisted me. Infact, I was given the privilege to collect first, though my name was on number twelve.

The challenges faced by the informal economy operators in Oyo Kingdom

The IEOs in Oyo are faced with several challenges that are affecting the growth and expansion of the businesses. There are general challenges and specific one to each of the associations. Challenges vary from government induced problems (such bad roads, epileptic power supply, tax and levies), membership and association challenges (strict compliance to values, meetings during viable hours for sales, little assistance from associations despite hug contributions from members) and the self inflicted ones (huge loans, buying of too many goods that are not sold on time, expending money on ceremonies).

The commonest challenge facing the IEOs in Oyo Kingdom is lowing patronage. All the respondents emphasized on this as a serious challenge. The fact that there are no industries that could attract people to the town, coupled with the fact that many of the indigenes are in other big cities for greener pasture also contribute greatly to the income of the operators. One of the farm implements sellers said:

I have been experiencing low patronage in recent times. This is because many young able bodied men no longer want to farm hence farm implement no longer enjoy high patronage by customers. Several of them have turned commercial motor-cyclists.

Even commercial motor-cyclists also complain that many prefer to walk long distances instead of patronizing them. This is in addition to the phobia that many people have for riding on motor-cycles. One of the commercial motor-cyclist said:

There are too many people into commercial motor cycling. Most of us got the motor-cycles on installmental payments. It is however difficult to meet up with payments in a place like Oyo, where people have phobia for ride on motor-cycle or cannot afford the fare.

The supply chains of goods also constitute challenges to the people. The distance of the major cities where goods are procured to Oyo town was also a challenge. In addition, there were high cost of transportation, bad roads network, irregular fuel supply to the town, power outage, lack of original spare parts for equipment, dishonesty among the rank and file of members of association, lack of democratic values in successor plan in the various associations also constitute challenges. Lack of social amenities by government is a challenge. Atiba Local Government, like its counterpart all over the nation, is only concerned with the various rates to collect from the

IEOs. There are identifiable modern stalls built for the operators. Those available were not properly maintained. Some of them are also not affordable.

Suggestions and Conclusion

The relative peace in Oyo town is commendable and the significant contributions of the informal economy operators to the economic growth of the Atiba Local Government in particular and Oyo state in general cannot be overemphasised. If adequate resources through soft loan are made available for the IEOs in this study area, there are bound to be tremendous improvement in their activities and their economic power. To Improve the lots of the IEOs in Oyo Kingdom, we suggest that:

- a. Government should assist the operators in providing soft loan that will help their investment.
- b. Basic functional social amenities should be provided by the various tiers of government in order to reduce the problems faced by the people.
- c. The Local Government or whichever body is responsible, should assist the IEOs to establish functional cooperative societies and these should be monitored for effectiveness.
- d. Farm implements and adequate seeds should be provided to assist the farmers in this town to move from subsistent farming to large scale farming.

It is important to note that if these suggestions are implemented, the IEOs in Oyo Kingdom will be highly motivated into contributing their quotas to the development of the State in particular and the country in general.

REFERENCES

- Aturu, B. (2005) Nigeria Labour Laws: Principles, Cases, Commentaries and Materials. Lagos; FEF
- Cornell, (2005). Women in Informal Employment Globalizing and Organizing (WIEGO) International Conference on “Membership-based organizations of the Poor”, January 2005, Ahmedabad, India
- Chen, M. (2008). “Informality and Social protection: theories and realities”, Institute for Development Studies (IDS) Bulletin 39 (2) pp. 18-27, IDS, Brighton: University of Sussex.
- Dayal, M. (2001), Towards Securer Lives: SEWA “Social-Security Programme”, Ravi Dayal, Delhi, and Mahila SEWA Anasooya trust, Ahmedabad.
- Enrique Ghersi (1997). “The Informal Economy in Latin America” (PDF). *Cato Journal* 17 (1). Cato Institute. Retrieved on 2006-12-18. An article by a collaborator of de Soto.
- Fajana, S. and Samuel, O.(2007). “The Nigerian informal Sector: unionism, Industrial Relations and National Development” **LASU Journal of Social Sciences**, Vol. 6, Nos. 1 & 2 LASU, Lagos.
- Federal Republic of Nigeria (2007) 2006 Population Census, Official Gazette, National Institute of Statistics.
- ILO. (2002). “Men and Women in the Informal Economy” (PDF).
<http://www.ilo.org/public/english/protection/ses/about> Retrieved on 2006-12-18.
- ILO. (2002). “Men and women in the informal economy: a statistical picture”, ILO, Geneva.
- Luiz J (2002). Small Business Development, Entrepreneurship And Expanding The Business Sector In A Developing Economy: The Case Of South Africa. *J. Appl. Bus. Res.* 18(2):53-69.
- Mc Laughlin (1990) cited in Munbodh, S. (2003) **Mobile unit for the Informal Sector** q:/unevoc/program.fit/southernafrica.01/workshop2003/papers/mar-munbodh-informal.doc Retrive 2007-2-12
- Munbodh, (2003) Suresh Mobile Unit for the Informal Sector International Consultantq:/unevoc/program.fit/southernafrica.01/workshop2003/papers/mar-munbodh-informal.doc 22.05.2012
- Portes, A. and Haller, W. (2005). “The Informal economy”. N. Smelser and R. Swedberg (eds.) *Handbook of Economic Sociology, 2nd edition, Russell Sage Foundation.*
- Timalsina, K.P. (2011). An Urban Informal Economy: Livelihood Opportunity to Poor or challenge for Urban Governance. *Global Journal for Human and Social Science.* Vol 11 issue 2, pp 24-31.
- UNESCO and ILO. (2002). Technical and Vocational Education and Training for the twenty-first Century UNESCO and ILO recommendations.