
Livelihoods Impacts of Urban Informal Economic Activities in Kaduna Metropolis, Nigeria

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ABSTRACT

Unemployment and poverty are serious problems facing urban areas in developing countries. To combat these problems, urban residents have devised a way of employing themselves in the informal sector. However, these informal sector entrepreneurs have continually experienced harassment and stigmatization in the eyes of the urban management agencies. This study aimed at assessing the livelihood impacts of the implications of informal urban entrepreneurship in Kaduna, Nigeria. The objectives are to estimate the income of the informal urban entrepreneurs in line with the minimum wage of Nigeria and establish the relationship between the socio-demographic characteristics of the informal entrepreneurs and their income. Purposive sampling was adopted to sample 384 informal respondents for the study and questionnaires were distributed accordingly. However, only 300 copies of the questionnaire were duly filled and returned, representing 78.13% of the total questionnaire. Both descriptive and inferential statistical analyses were performed with the aid of the Statistical Package for Social Sciences (SPSS). It was discovered that men tend to participate more in informal entrepreneurship. More so, the study revealed that the informal urban entrepreneurs in Kaduna are taxpayers. Furthermore, inferential statistical tests revealed that gender and educational attainment are statistically significant determinants of the income of the informal urban entrepreneurs in Kaduna. It was therefore recommended that organized marketing space should be provided to these entrepreneurs and they should also be encouraged to acquire formal education. The need to study the impacts of location on informal entrepreneurship was also suggested.

Keywords: Informal, Urban Entrepreneurship, Poverty, Livelihood, Economic Activities

INTRODUCTION

Urbanization, together with its attendant population increase is a global phenomenon. Because the current rate of urbanization is high and uncontrolled, it is usually accompanied by a plethora of socio-economic problems such as poverty, unemployment and low level of development. Poverty and unemployment have proven to be particularly negative on the wellbeing of the people. To reverse this trend, people tend to seek an alternative livelihood strategy that will improve their quality of life. Thus, they infiltrate into the urban informal sector, where they can start off with little capital. Historically, economic activities and employment have been divided into two sectors: the traditional sector and the modern sector (Browley, 1979; Bromley and Gerry, 1979). The traditional and modern sectors are analogous with the present informal and formal dichotomy respectively. This research focuses precisely on the former. The characterization of viable economic activities as informal has tremendous negative implications on the sustainability of such activities. Recent studies have shown that the so-called informal sector provides more than 50% of the employment opportunities in developing countries (Mengistu and Jibat, 2015). For example, street trading alone (which is just one amongst many informal sector activities) accounts more than 50% of trading in Nigeria and as high as 90% of trading in Ghana (Clarke, 2005; Chukuezi, 2010). On the aggregate, more than 70% of trading in Africa is informal and street-based (Mazhambe, 2017). However, despite its contribution to the livelihood development of the citizens and the economic development of the country, the informal sector has been associated with stigmatization and livelihood insecurity (Timalsina, 2011a, 2011b, 2012). Partakers in the informal sector incessantly face harassment from local authorities, and even arrested by the police in some cases. This may be tied to lopsidedness in researches which emphasizes the negative consequences of informal economic activities, while deliberately neglecting the positive contributions of the informal sector. However, some recent scholarly studies such as Amoo *et al.* (2012), Nakisani and Ongori (2012), Anetor (2015) and Yeboah *et al.* (2015) have unveiled the socioeconomic values of participation in informal economic.

Aim and Objectives

The aim of this study is to assess the livelihood implications of informal economic activities in Kaduna, Nigeria. To achieve this aim, the objectives are to:

- i. Identify the dominant informal activities in Kaduna
- ii. Estimate the income of the informal urban entrepreneurs in comparison to the minimum wage of Nigeria
- iii. Establish the relationship between the socio-demographic attributes of the informal sector entrepreneur and their income

Hypotheses

H₀ 1: There is no statistically significant relationship between the income of the informal entrepreneurs and their gender

H₀ 2: There is no statistically significant relationship between the income of the informal entrepreneurs and their educational attainment

The Study Area

Kaduna is located in North-Western Nigeria on Latitude $10^{\circ} 40'N$ and $10^{\circ}60' N$ and Longitude $7^{\circ} 10'E$ and $7^{\circ}35'E$ (Ndabula *et al.*, 2014). It is bordered to the North by Zamfara, Katsina, and Kano; to the East by Bauchi and Plateau; to the West by Niger; and to the South by Nasarawa and Abuja. The location of the Kaduna metropolis in Nigeria is shown in Figure 1. Kaduna is home to many industries such as the Nigerian Textile Industry, Nigerian Breweries, Berger Paints, Flour Mills Northern Nigerian Publishing Company and Peugeot Automobile (Michael *et al.*, 2017). Michael *et al.* (2017) also reported that many subsistence agricultural activities are noticeable in Kaduna. Ndabula *et al.* (2014) noted that the Kaduna was originally found on three key pillars, namely administrative town, military garrison, and industrial city. The current estimated population of Kaduna metropolis is 1,103,136, up from about 35,000 in 1950 (Population Stat, 2019).

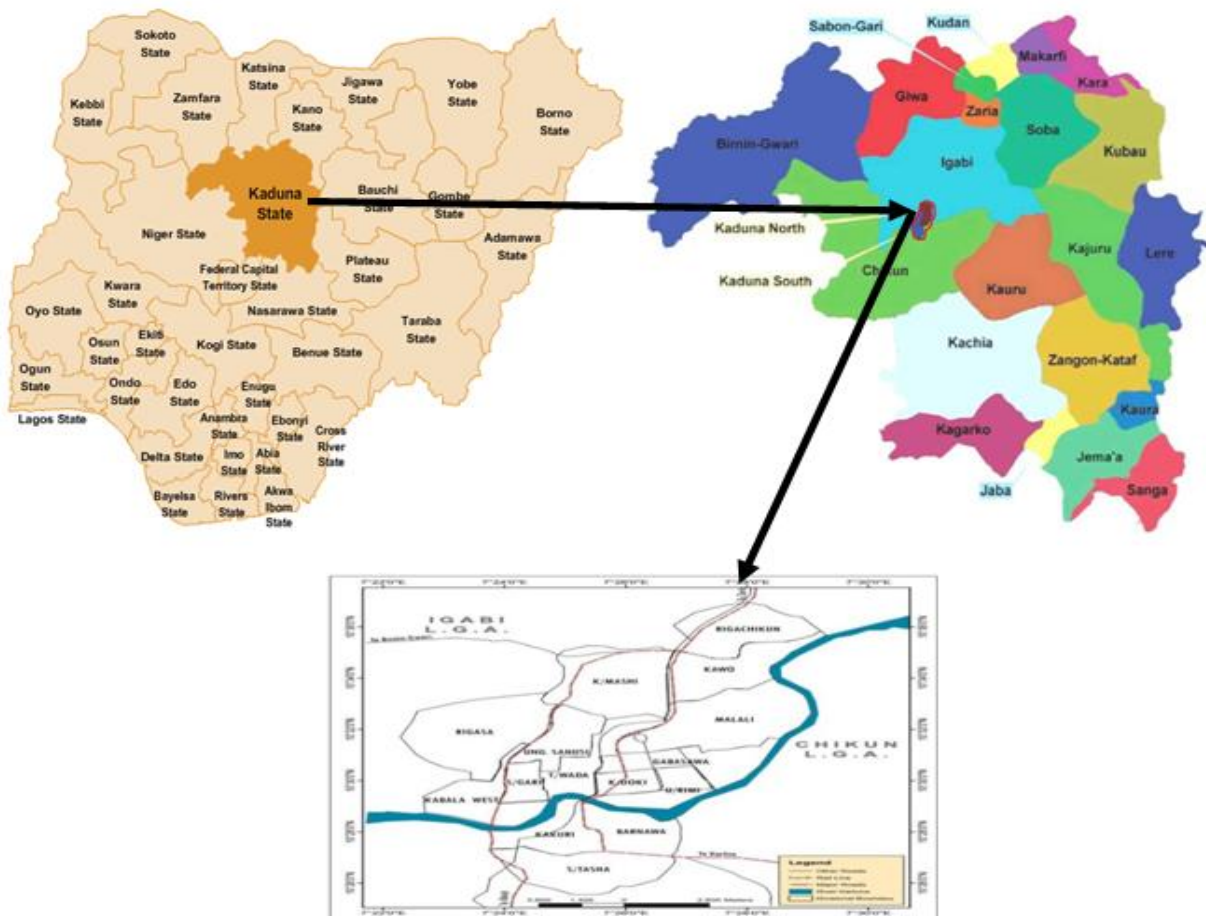


Fig. 1: Location of Kaduna metropolis in Nigeria

Source: Modified by the Author from Ayuba *et al.* (2016) and Michael *et al.* (2017)

REVIEW OF RELATED WORKS

The 21st century has been termed as the century of urbanization (Bloch *et al.*, 2015; Rouhana and Bruce, 2016). This is because the urban population has consistently been on

increase, thereby accelerating urban growth. The current estimate by Zubairu (2018) indicates that more than 57% of the global population now lives in cities. Anderson (2015) projected that more than 70% of the global population will reside in cities and urban areas by 2050. Much of this increase is forecasted to emanate from Asia and Africa who experience a 5% urban growth rate per annum (Sanni and Ipingbemi, 2008). The implication is that the population of urban residents in Africa doubles every thirty years. Following this trend in urbanization, Zubairu (2018) maintained that “with an estimated 57% of the people living in the urban areas, it is obvious that Nigerian cities are urbanizing at a very fast pace without the requisite planning and control”. This rapid rate of urbanization without the requisite physical-economic planning and control has resulted in the urbanization of poverty (UN-Habitat, 2008; Achumba *et al.*, 2013). Although urban growth results from several factors, the most popular factor responsible for the accelerated growth of the urban population is rural-urban migration. The popular belief of the majority of these migrants is that life is better in cities compared to rural areas. However, this does not always turn out to be true when they finally migrate to the city to settle. More so, these new set of migrants often lack the skill and capacity to compete in the formal economy. Therefore, they hardly secure employment in the formal (organized, corporate) sector. As a way to grapple with the high cost of living associated with urban residence, they engage in informal livelihood activities.

The informal economy has been described in several ways. However, ILO (1972) provides a very useful definition of informal activity as “a small enterprise [whose] operation and administrative management lie in the hands of one or two people who are responsible for making the major decisions of the enterprise”. Ekpenyong (1985) added that it is an enterprise that requires little start-up capital and whose employees are always less than ten. Because of the relative ease of entry, the informal economy has become a blossoming sector in terms of job creation for low and middle-income earners. In fact, it serves as livelihood diversification and a way of earning extra income. As a result, the informal sector is a significant contributor to poverty reduction in general, and urban poverty eradication in particular, through its multiplier effect (Bhatt, 2006; Chukuezi, 2010; Roever, 2016).

Informal sector participants face unnecessary harassment and evictions without any alternative provided to them. This is a gross violation of the rights of the informal entrepreneur to the street, as well as their right to a favourable and sustainable livelihood (Roy, 2005; Swanson, 2007; Sankaran, 2012; Meneses-Reyes and Caballero-Juárez, 2013; Steel *et al.*, 2014; Roever, 2015, 2016). Elsewhere, there have been a number of advocacies on the need to incorporate the informal economic sector of cities into the mainstream urban physical and economic planning and management framework (Donovan, 2008; Harriss-White, 2009; Musoni, 2010; Devlin, 2011). In Nigeria, however, the paradigm has remained the same over the years, and informal economic activities are still seen as illegal. As a result, they are usually denied legal property rights (Golub and Hansen-Lewis, 2012).

METHODOLOGY

This study relied on both secondary and primary data. The secondary data was obtained from published sources (including journal articles, books, book chapters, conference papers, and reports). All secondary data sources have been adequately referenced herein. On the other hand, the required primary data for this study was obtained from the field survey using a well-structured questionnaire. Purposive sampling was used to administer 384 copies of the questionnaire to the respondents, out of which 300 copies were duly completed and found worthy of analysis. The choice of purposive sampling was based on the assumption that informal sector workers exhibit similar traits and face similar political and legal constraints. More so, because they are classified as ‘informal’, there is hardly any formal data on the total population of informal sector workers/entrepreneurs in Kaduna. Data analysis was done with the aid of the Statistical Package for Social Science. Both descriptive and inferential analytical techniques are adopted for the study. The presentation of data is done with the aid of percentages, tables, charts, and graphs.

DATA ANALYSIS AND PRESENTATION

Socioeconomic Attributes

The data presented in Table 1 indicate both men and women participate considerably in informal trading. However, participation is more for men (50.7%) than for women (49.3%). Furthermore, it was discovered that different age groups (ranging from 18 years to 57 years old) participate in informal trading in Kaduna. In other words, informal sector businessmen in Kaduna are those within the active/working age. Notwithstanding the generality of participation, it is important to note that those within the ages of 18-27 years old participate more in informal businesses. Similarly, informal economic activities are undertaken irrespective of marital status, although it is more pronounced among the married residents of the city who accounted for 56% of the respondents. More so, although informal economic activities are undertaken by people with diverse educational attainment, it is more pronounced among people without higher-level academic qualifications (23.7%, 31.7% and 34% for informal education, primary certificate, and secondary certificate respectively). Consequently, participation in informal economic activities is lower among people with higher educational attainment (7.7% and 3.0% for National Diploma/National Certificate in Education and Higher National Diploma/Bachelors Degree holders respectively). In terms of monthly income, none of the respondents reported earning less than N20,000 monthly, implying that they earn considerably above the existing Nigerian minimum wage which is N18,000.

Table 1: Socioeconomic characteristics of informal traders in Kaduna

	FREQUENCY	PERCENTAGE
GENDER		
Male	152	50.7
Female	148	49.3
Total	300	100.0
AGE		

<18years	0	0
18-27years	103	34.3
28-37years	51	17.0
38-47years	81	27.0
48-57years	65	21.7
Total	300	100.0
MARITAL STATUS		
Single	67	22.3
Married	168	56.0
Divorced	38	12.7
Separated	20	6.7
Widowed	7	2.3
Total	300	100.0
EDUCATIONAL ATTAINMENT		
Informal Education	71	23.7
Primary School Certificate	95	31.7
Secondary School Certificate	102	34.0
Diploma/NCE	23	7.7
HND/Degree	9	3.0
Total	300	100.0
MONTHLY INCOME		
<N20,000	0	0
N20,005 - N30,000	42	14.0
N30,005 - N40,000	90	30.0
N40,005 - N50,000	139	46.3
More than N50,000	29	9.7
Total	300	100.0

Source: Authors' Field Survey, 2019

Reason for participating in informal business

As Figure 2 demonstrates, the majority (53%) of the respondents engage in informal economic activities because it is characterised by low barriers to entry. However, 265 of the informal business owners engage in informal activities because they want to diversify their livelihoods and explore alternative sources of income. This is with a view to augmenting the income from their major work. It was, however, reported by 16% of the business owners that they are engaged in informal economic activities because they lack any other viable alternative for survival. Nevertheless, 5% of the respondents cited other reasons for their participation in informality which include leisure and keeping themselves busy.

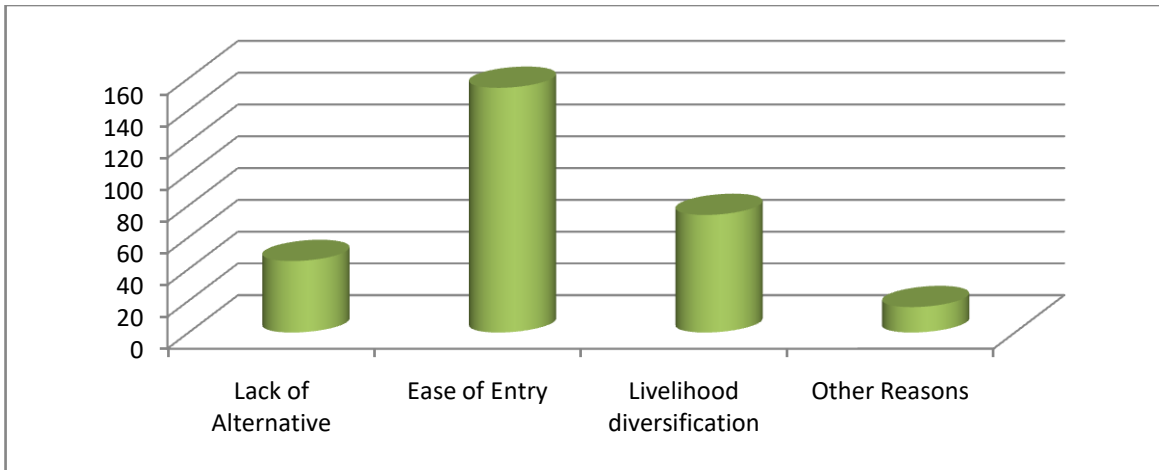


Fig. 2: Reason for participating in informal business

Source: Authors' Field Survey, 2019

Type of product sold

Informal traders in Kaduna sell diverse types of goods/products. As shown in Figure 3, the majority (33%) of the informal traders sell household provision items. This was followed by 21% who sell foodstuff. Furthermore, 20% of the traders sell clothes and shoes, while 17% are informal food vendors. It was observed that 7% and 2% of the respondents sell fish/meat and vegetables respectively. In a nutshell, the majority of the informal businessmen/women in Kaduna are specialised in the sale of food and food items.

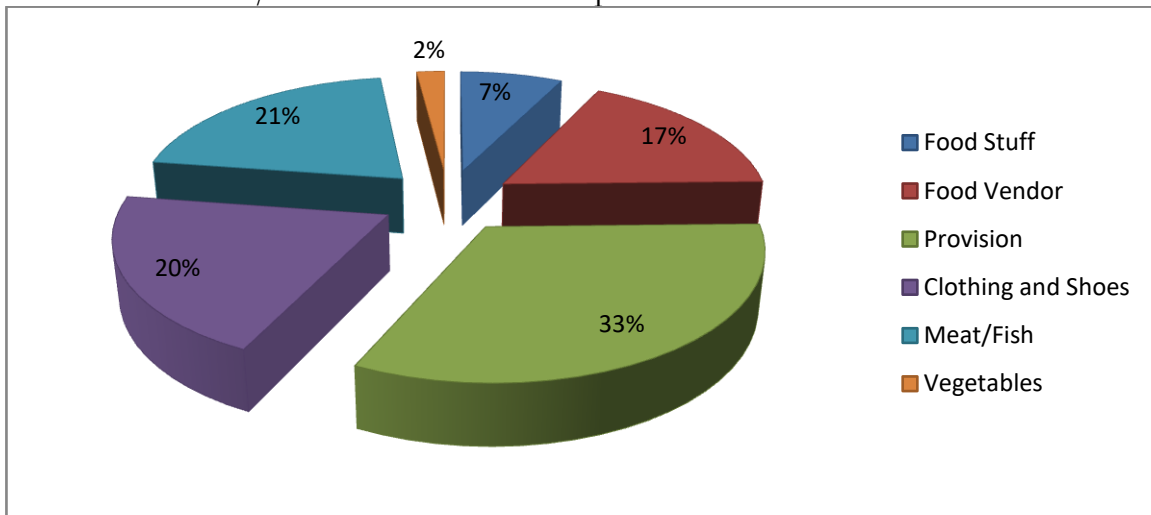


Fig. 3: Types of product sold

Source: Authors' Field Survey, 2019

Levying Attributes

Table 2 indicates that contrary to popular opinion in the extant literature that informal traders evade payment of tax, virtually all the informal business owners reported that they pay a levy to the Local Governments where they operate. A further probe revealed that the majority (83%) of them pay an operational levy of N50 on each market day, while few

(17%) of the traders paid up to N100. This shows that the argument that participants/operators of informal businesses are illegal businessmen and tax evaders is questionable.

Table 2: Levying Attributes

Payment of Levies		
Yes	300	100.0
No	0	0
Amount of Levy Paid		
N50	249	83.0
N100	51	17.0
Total	300	100.0

Source: Authors' Field Survey, 2019

Satisfaction with Informal Trading

The result presented in Figure 4 indicates that the majority (59%) of the operators of informal economic activities in Kaduna are considerably satisfied. Another 26% of the respondents expressed extreme satisfaction with the ownership and operation of informal businesses. However, 15% of the operators expressed neutral views about the operation of informal businesses, indicated that they are neither satisfied nor dissatisfied. Overall, no respondent expressed dissatisfaction with informal business activities. This is an indication that it is contributing significantly to their wellbeing, quality of life and subjective life satisfaction.

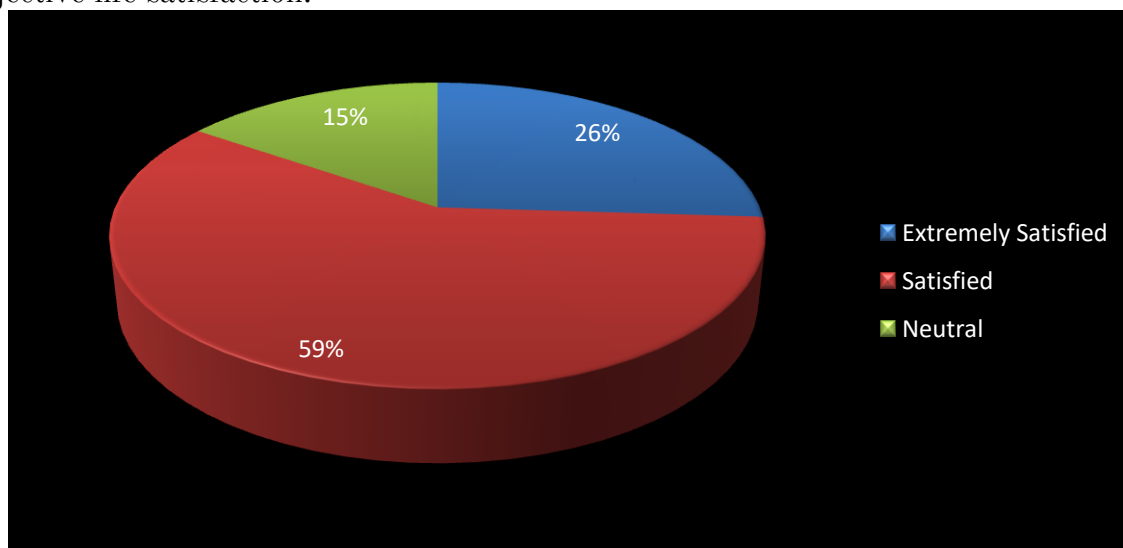


Fig. 4: Satisfaction with Informal Trading

Source: Authors' Field Survey, 2019

Source of Loan

The traders that reported having access to the loan were further asked the source of loan. Figure 5 indicates that the respondents have three major sources of loan: Microfinance

banks, cooperative societies, and moneylenders. The majority of the respondents (56%) obtain their loans from cooperative societies. This may be linked to their membership in these cooperatives. More so, 40% of the respondents agreed that they obtained their loans from microfinance banks. However, 4% of the respondents said they obtain loans from moneylenders. The implication of collecting loans from moneylenders is that they will incur higher repayment interest.

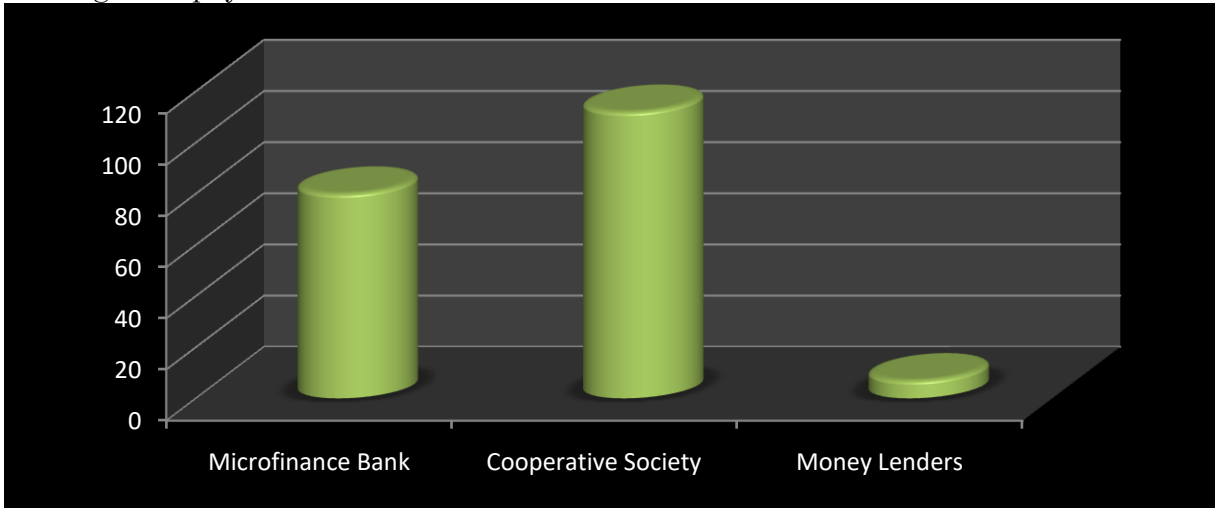


Fig. 5:Source of Loan

Source: Authors' Field Survey, 2019

Access to Loan and Maximum Amount of Loan Obtained

As seen in Table 3, 63.3% of the respondents stated that they have access to a loan for their businesses. However, 36.7% of the respondents reported that they do not have access to the loan. This inadequate access to business loans may be due to the tenure insecurity and stereotypes associated with informal economic activities. With respect to the amount of loan obtained by those who have access to loans, the lowest loan amount reported is less than N50,000, while the highest loan amount ranges between N50,000 – N100,000. None of the respondents reported having access to more than N100,000 loan. Pertaining to membership of cooperative societies, 53.3% of the respondents indicated that they belong to some cooperative societies, while the remaining 46.7% of the respondents stated that they do not belong to any cooperative society whatsoever.

Table 3: Access to Loan and Maximum Amount of Loan Obtained

Access to Loan		
	FREQUENCY	PERCENTAGE
Yes	190	63.3
No	110	36.7
The maximum amount of loan		
< N50,000	78	39
N50,000 - N100,000	121	62
More than N100,000	0	0

Membership Of Cooperative Society		
Yes	160	53.3
No	140	46.7

Source: Authors' Field Survey, 2019

Source of Start-Up Capital

The data presented in Figure 6 shows that 52% of the traders acquire their business start-up capital from personal savings. This was followed by 29% of the respondents whose start-up capital was obtained through family contributions. It was also reported by 12% of the respondents that their business start-up capital was obtained from moneylenders. However, 4% and 3% of the respondents said their start-up capital was gotten through serving others and from banks respectively. These indicate that there is a plethora of sources for obtaining business start-up capital in the study area.

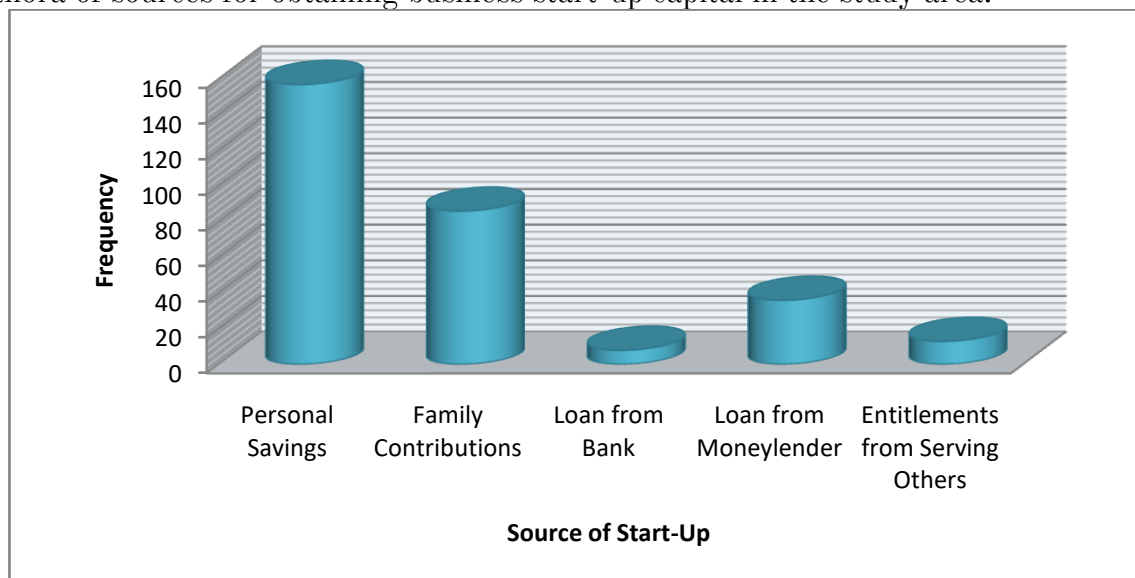


Fig. 6:Source of Start-Up Capital

Source: Authors' Field Survey, 2019

Relationship between Gender and Income of Informal Entrepreneurs

Chi-Square test presented in Table 4 indicates that there is a statistically significant relationship between the gender of the informal entrepreneurs and their average monthly income. Chi-Square is significant at $\alpha=.05$. The calculated Chi-Square value is less than .05 ($p = .00$). Therefore, the null hypothesis that there is no statistically significant relationship between the gender of the informal sector entrepreneurs and their income is rejected. In other words, gender is a significant determinant of the amount of income that the informal entrepreneurs acquire.

Table 4:Chi-Square Tests: Gender and Income

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42.242 ^a	3	.000
Likelihood Ratio	48.136	3	.000
Linear-by-Linear Association	23.210	1	.000
N of Valid Cases	300		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.31.

Source: Authors' Field Survey, 2019

Relationship between Gender and Income of Informal Entrepreneurs

Chi-Square test presented in Table 5 indicates that there is a statistically significant relationship between the educational attainment of the informal entrepreneurs and their average monthly income. Chi-Square is significant at $\alpha=.05$. The calculated Chi-Square value is less than .05 ($p = .00$). Therefore, the null hypothesis that there is no statistically significant relationship between the educational attainment of the informal entrepreneur and their income is rejected. This implies that the more educated the informal entrepreneurs are, the higher their average monthly income *ceteris paribus*.

Table 5:Chi-Square Tests: Education and Income

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	123.652 ^a	12	.000
Likelihood Ratio	111.743	12	.000
Linear-by-Linear Association	44.710	1	.000
N of Valid Cases	300		

a. 6 cells (30.0%) have expected count less than 5. The minimum expected count is .87.

Source: Authors' Field Survey, 2019

CONCLUSION AND RECOMMENDATIONS

Informal economic activities have remained one of the major employers of labour as well as a livelihood diversification strategy globally. This is also so in Kaduna where the majority of the informal entrepreneurs are engaged in informal business activities as an alternative livelihood strategy or because of the ease of entry into the informal market/labour force. Informal enterprises are run by people irrespective of their gender or educational attainment and do not require a high level of skill to set up. However, it is more profitable to the men than the women. Similarly, people with higher educational attainment tend to obtain more income from informal entrepreneurial activities. It should also be noted that contrary to popular opinion that informal sector operators do not pay tax, this study unveiled that informal entrepreneurs are not tax evaders – although they may lack security of tenure. Therefore, it is recommended that organized marketing space should be provided for these entrepreneurs. This will both reduce the stigma they face in

the eyes of the public agencies and ensure they have secure tenure. Furthermore, the informal entrepreneurs in the study area should be encouraged to acquire formal education in order to improve their income base as well as enhance their capacity. This study did not consider the role of spatial location in the establishment of informal enterprises in Kaduna. Therefore, a further in-depth study is recommended in order to establish this relationship.

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