

Determinants of Entrepreneurship Development in the Urban Informal Sector of Lagos

I Oluranti Ogunrinola*

Résumé: Le développement de l'entreprenariat dans le secteur urbain informel dépend d'un certain nombre de facteurs. Les données collectées à partir de 320 entreprises de confection et de services du secteur informel dans le quartier de Badagry à Lagos montrent que la récession économique actuelle joue un rôle important dans le développement de l'entreprenariat. La culture, le niveau d'éducation ainsi que la réaction des individus par rapport aux facteurs de motivation comme des perspectives de salaires plus élevés et la fierté de détenir une entreprise sont d'autres facteurs entrant en ligne de compte. Ces facteurs ne sont pas indépendants l'un de l'autre mais s'influencent mutuellement. Pendant la période de récession économique, la tendance est au développement du secteur de l'entreprenariat dans le secteur informel à cause de la faible capacité d'absorption du secteur formel et également à cause des compressions et suppressions d'emplois. C'est pourquoi l'objet de toute politique devrait être d'élever les capacités techniques et de gestion des agents du secteur afin d'augmenter les possibilités de génération de revenus et d'emplois.

Introduction

The pioneering works of Callaway (1964, 1973, 1979) on the indigenous enterprises of the urban informal sector have shed some light on the potentials of the sector in terms of skill development and employment generation. Recent primary and secondary school leavers from within the city and their immigrant counterparts who are young and ambitious do not usually get the desired urban formal jobs. This is due partly to the lack of necessary skills, and partly to the low and dwindling absorptive capacity of the urban formal economy. Most of these unemployed youths are however finding means of livelihood in the urban informal sector of the economy as master-craftsmen, among other forms of employment, after a few years of apprenticeship. This development gives rise to the emergence of a class of indigenous entrepreneurs in the urban informal economy.

Unfortunately, however, empirical work on the urban informal sector in Nigeria has not received the adequate attention of researchers. Given its potentials for employment and income opportunities (ILO, 1972; Callaway, op.cit.) outside the formal sector, we feel this should not be so. In a partial attempt to fill the lacuna thus created, we wish to examine the factors that

Africa Development Vol. XVII, No. 4, 1992, pp. 81-97

are responsible for the rise of indigenous entrepreneurs in the craft enterprises of the urban informal sector of Badagry in Lagos State.

Aluko (1966) has shown that the educated are usually not motivated towards indigenous entrepreneurship due to a host of factors identified in his study. We shall examine whether this hypothesis can be sustained as regards entrepreneurship development in the urban informal sector. Other factors, apart from education, affecting entrepreneurship development in the craft enterprises of the urban informal sector will also be examined.

The paper is divided into five sections. Apart from Sections I and V which give the Introduction and Conclusion respectively, the other three parts give the main thrust of the paper. Section II examines the role of entrepreneurs in development processes, Section III looks at the importance of the informal sector in entrepreneurship development while the analysis of our data is presented in Section IV.

The Role of Entrepreneurs in the Development Process

In orthodox economic theory, there is no established theory of the entrepreneur. The reasons for this lie in the simplistic assumption of perfect flow of information needed for decision-making, coupled with a perfect mobility of resources between and within industries. In such an economy, the problem of mobilizing resources and turning them to outputs appears to be a trivial activity (Leibenstein, 1978; Casson, 1982). However, in the real world situation these assumptions do not hold and as such the entrepreneur has been identified as an indispensable factor of production, for instance, he has the critical role of combining other factors of production in the 'right' proportion to produce a given optimal output level.

In Schumpeterian analysis, the entrepreneur is primarily an innovator - one who is the first to make the commercial application of an invention - when he carries out new combinations of factors of production and distribution. Extending Schumpeter's analysis, Leibenstein distinguished two types of entrepreneurial activities: the routine entrepreneurship and the Schumpeterian or 'innovational' entrepreneurship. Both types of entrepreneurs are expected to be 'organizers' of other factors of production. The routine entrepreneur operates in a neo-classical world of perfect information while the innovational entrepreneur operates in the real world situation of market imperfections. As such the entrepreneur in the latter case has to perform the tasks of 'gap-filling' and 'input-competing'. In essence, the thesis Leibenstein is putting forward is nothing more than the risk and uncertainty bearing functions of the innovational entrepreneur in the real world situation, as distinct from the orthodox view of perfect competition. Corroborating Leibenstein's view, Casson (1982) defines an entrepreneur as someone who specializes in taking judgmental decisions about the co-ordination of scarce resources.

Thus, no matter the type of economy under consideration, whether free enterprise or socialist economy, there is a need for an adequate supply of entrepreneurs for economic development and growth. This is because the entrepreneur, through innovations, acts as a catalyst in the development process. Schumpeter identified innovators and imitators in his analysis. These two groups are not mutually exclusive, because an imitator in period 't' can develop into an innovator in period 't = n'; 'n' being some number of years. In developing countries, the entrepreneurs cannot be said to be innovators in the Schumpeterian sense. Low level of technological development in these economies on the one hand, and the openness of these economies to foreign influences on the other, necessitate the adoption of foreign technology. Moreover, since income is low, not all the required capital can be acquired. Therefore, in the developing economies, we can identify the 'imitating-innovators' and the imitators.

To some extent, the former group innovates, but such innovations are in the form of adapting imported technology to resource endowments and needs in their environment. These entrepreneurs have the capacity to search and discover economic opportunities, evaluate them, marshal the financial resources for the enterprise, take ultimate responsibility for management and be the ultimate uncertainty and risk bearers. Moreover, they are able to adapt to changing needs of the urban economy. The dynamism of the economy, in turn, calls forth new types of entrepreneurs from time to time. This is because factors responsible for such changes are constantly at work. Some of such factors responsible for changing needs of urban dwellers include per capita income growth, accumulation of new knowledge, the creation or adoption of new products, and so on.

Adequate adjustments to these needs can only be done by small-scale informal sector entrepreneurs whose small size provides the advantage of quick decision-making. As a result, the speed of adjustment is likely to be faster than that of a typical large scale enterprise that is necessarily bureaucratic. Thus, the informal sector enterprises constitute agents of development in terms of resource use and quick adaptation to meet local needs.

The Informal Sector as a Source of Entrepreneurship Development

The term 'informal sector' was first used by Hart, K. (1973) in his study of employment opportunities in Ghana. The term has since been popularized by the ILO/UNP's employment mission to Kenya (ILO, 1972). The term was used to describe enterprises that were outside government regulations and which operated outside the incentive systems offered by the government and its other agencies. According to the ILO group, the informal sector is characterized by ease of entry, small-scale and labour-intensive operations, where technology is adapted and skills are acquired outside of the formal

school system but operates in highly competitive labour and product markets.

For the purpose of this analysis, we shall define the informal sector enterprises as enterprises which have the following characteristics: They are outside the organized capital and produce markets and are not registered by the government under the Business Registration Act; paid employment is an exception rather than the rule, and as such, such enterprises employ less than ten workers; production is carried on in semi-permanent places like rented shops, uncompleted buildings, open spaces by the roadside and parts of own-rented accommodation; and finally, the entrepreneur himself is physically involved in the production process.

These enterprises have, for long, served as training grounds for young school leavers who are ambitious but have no skill for urban formal sector jobs. In general, operators in the informal sector can be classified into three groups. The first group consists of those born of parents operating in the sector. These may choose to remain or move to the formal sector after having obtained formal education. The second group consists of rural migrants with little or no education. The third group is made up of those from the formal sector. This group of people who would have been otherwise unemployed, thereby constituting a burden on those employed, find their means of livelihood in the informal sector as carpenters, barbers, mechanics, tailors and so on, after a few years of apprenticeship.

Most of these entrants into the urban informal apprenticeship system have an ultimate goal of becoming entrepreneurs after their training period. This goal may be achieved immediately after training, or if unable to set up immediately due to lack of initial capital, a prospective entrepreneur can either take up a paid job or join a master as 'journeyman' until enough capital is made. Thus the apprenticeship system provides the major form of skill development process in the urban informal sector. Another form of skill and entrepreneurship development process is the formal mode of training (which includes those trained on-the-job in the formal sector and/or through the educational system) but this is not very prominent among the informal sector operators.

Figure 1 shows the skill and entrepreneurship development process in the urban economy.

Though neglected and un-encouraged by the government, the informal sector has been known to have contributed immensely to skill formation and entrepreneurship in less developed countries (Adeyemi, 1979; Bakht, Z. 1984).

Figure 1: Skill Formation and Entrepreneurship Development Process in the Urban Informal Sector

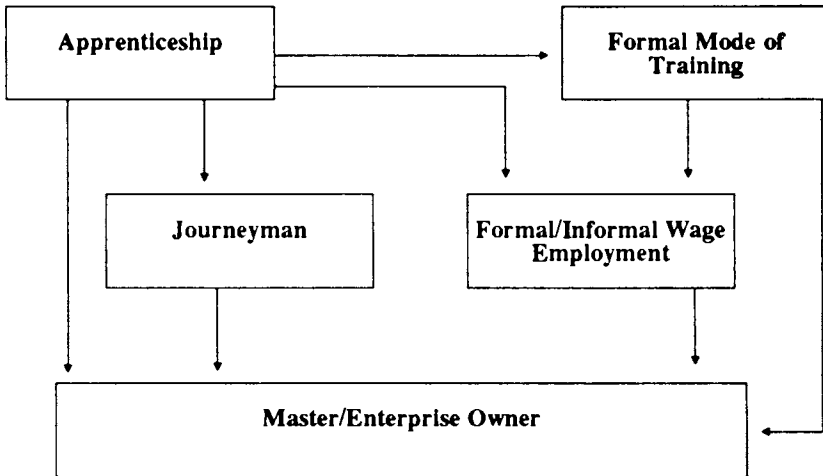
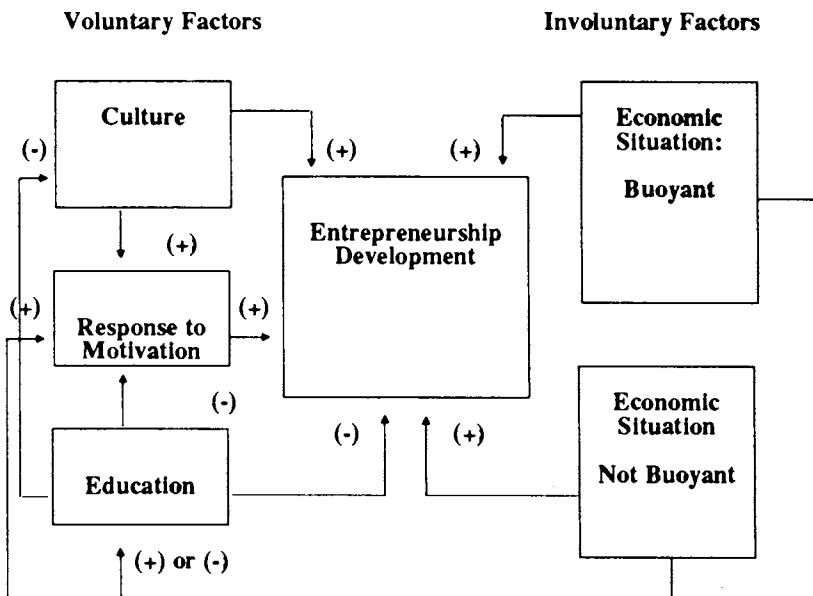


Figure 2: Factors Influencing Entrepreneurship Development in the Craft Sector



Factors Affecting Entrepreneurship Development and Their Expected Direction of Influence

Entry into the urban informal sector for the purpose of becoming an entrepreneur can be voluntary or involuntary. Voluntary factors identified are: the influence of culture; educational attainment; and response to motivation.

Involuntary factors identified can be explained in terms of economic situation (i.e whether the economy is buoyant or not). Each of these factors affects entrepreneurship development in the urban informal sector. The line diagram in Figure 2 shows the direction of influence of each of the identified factors on entrepreneurship development and on one another. Each of these factors and the expected outcomes regarding its influence on entrepreneurship development will be discussed.

Influence of Culture

Within the traditional family structure, the culture of passing family skills to descendants is widely prevalent. Thus families known for hunting, carving, weaving, blacksmithing, native medicine and so on, are culture-bound to pass such skills to their sons or daughters who will in turn pass them on to their descendants. This cultural influence is prevalent among rural migrants and those that were born in the sector and have low education. *A priori*, we expect cultural influence to have positive, though very low, impact on entrepreneurship development. We expect it to be low because the prevalence of formal education has a negative impact on it, making fathers to prefer their sons/daughters to be well-educated and to go into the formal sector. However, those with little or no education will still be influenced by cultural attitudes towards entrepreneurship in the informal sector.

Education

Education enhances the opportunity of an individual to participate in the formal high-productivity sector of the economy. Those with little or no formal education (in an economy where the rate of growth of the labour force exceeds the rate of job creation) are 'bumped' out of the skilled labour market and are forced either to remain in the formal sector as applicants or move into the informal sector. As the educational attainment of applicants increases in the aggregate, employers tend to inflate educational requirements for jobs. This worsens the chance of those that are less educated into being absorbed into the high-wage formal sector. Given this situation, therefore, an applicant with a relatively low education in the urban economy has the following options:

- (i) migrate back to the rural sector and get an agricultural occupation;
- (ii) continue in urban sector job-search until a job is eventually found;

(iii) engage in an urban informal sector activity, either as an employee or an apprentice, with a view to owning an enterprise in the future.

Option (i) is probable but not highly likely as rural immigrants will be prepared to remain in the urban economy at all costs, given the deplorable conditions of rural life (Ogunrinola and Olaloye, 1988). Moreover these people aim at maximizing lifetime utility by participating in the urban economy. Option (ii) is also not likely. This is because urban immigrants are often too poor to afford the luxury of full-time unemployment for a long time (Blaug M. 1974). Option (iii) seems the most likely. Those who intend to own their enterprises in the future, in most cases, get apprenticed to a master for training while a host of others engage in petty trading or obtain informal wage employment.

Thus we feel, *a priori*, that educational attainment and entrepreneurship development in the informal craft sector were inversely related. That is to say, the higher the formal educational attainment of an individual, the less likely it is for that individual to be motivated towards entrepreneurship in the informal sector (Aluko, 1966). This expectation seems reasonable given the kind of education that creates aversion for manual work that is prevalent in developing countries. Moreover, opportunity for entering the desired highly productive and protected formal sector increases with education.

Response to Motivation

Motivation towards entrepreneurship may arise from the independence and pride of ownership associated with owning one's enterprise. Also, motivation may result from the possibility of maximizing life-time income stream in urban self-employment. Those that are likely to come under this influence are:

- (i) rural migrants from the traditional sector with little or no education who are not culture-induced, but are probably influenced by the demonstration effect of home-coming of friends and relatives. This class of people had previously migrated to the cities to become enterprise-owners after a few years of apprenticeship;
- (ii) those who initially, with low education, accepted the urban formal wage employment as clerical workers or messengers, but were later trained on-the-job as artisans by their employers;
- (iii) those trained through the apprenticeship system, but had to work as 'journeymen' or get formal wage employment in order to obtain initial capital.

The educational attainment of these classes of people is low and, if given the chance to receive further education, their orientation will shift from informal sector employment to formal wage employment. Hence the negative

relationship postulated between education and response to motivation of becoming an entrepreneur in the urban informal sector (Figure 2).

For those in group (1), their interest was stimulated by those who went into the informal sector before them and who are now 'successful'. Thus, wanting to be like their predecessors, these youths migrate to the urban sector and get apprenticed to masters and, all other things remaining equal, set up their own-enterprises after training. Those in groups (ii) and (iii) are motivated by the 'success' of their counterparts who have set up their own businesses. In most cases, these people maintain a dual role in the urban labour market. That is, they work for wages in a firm or for a master, and engage in part-time jobs after office/workshops hours on the informal sector. Their earnings from such part-time work encourage them to think of setting up on their own and being proud enterprise owners, free from control associated with their current employment. Those that are risk-loving tend to give up current employment, even before reaching retirement age, while those that are risk-averting are not likely to set up their own enterprises until after retirement from current employment.

Thus, we expect a positive relationship between motivations identified and entrepreneurship development.

Economic Situation

The economic situation, in terms of whether the economy is buoyant or going through a recession/depression, is expected to be an important factor in entrepreneurship development. In each period of boom and depression, income opportunities open to individual economic units differ at different costs and benefits. During a boom, economic activities are stimulated and employment and income opportunities abound in both the formal and informal sub-sectors of the urban labour market. Urban formal jobs are available for many applicants that are qualified by previous educational attainment. Also, motivation towards indigenous entrepreneurship increases for those not qualified to enter the formal sector jobs.

However, during a recession, formal urban job creation may be zero or even negative. Most migrants to the city are not likely to be employed in the formal sector while there may be retrenchments and lay-offs in the sector. Thus, having no other choice, many of the rural migrants and those unemployed in the city may be forced to be apprenticed to a master in the sector with a view to owning enterprises after training. Thus, during economic recession, we expect, a priori, a strong incentive towards entrepreneurship development in the informal sector.

We want to mention, albeit briefly, that these factors are not totally independent of one another. Rather, they exert influence on each other. As shown in Fig. 2, culture is influenced by education while economic situation exerts an influence on education and response to motivation. The direction

of influence and its possible impact is indicated by arrow and sign (+ or -) respectively.

Factors Affecting Entrepreneurship Development: The Case of Badagry Local Government

Data

A priori knowledge about urban informal enterprises in Nigeria indicates that the average size is small and that they are organized mostly as sole-proprietorship businesses. Performance of entrepreneurial functions in these enterprises is, thus, the prerogative of the proprietors themselves. Hence, for the purpose of this study, we have treated the proprietors as the relevant group of entrepreneurs.

A sample survey of three hundred and twenty (320) enterprises was undertaken in the Badagry local government area between January and June 1988. The survey covered the three administrative divisions (Ajeromi, Ofo, Badagry) of the local government. The study area is a typical urban centre in Nigeria in terms of population and the economic activities and hence, its choice for this study.

Areas of concentration of each class of enterprises were chosen in each administrative division (called wards) and a systematic sampling method was applied in selecting the sampled enterprises. However, where proprietors refused to cooperate with our field assistants, we have selected the next enterprise for sampling. In all, we interviewed 500 enterprises but only 320 enterprises gave the necessary information. This gives a response rate of 64%.

Characteristics of Sampled Enterprises

The enterprises covered in our survey are urban informal manufacturing concerns. These are Tailoring, Shoemaking, Carpentry and Welding, including a service industry (printing). Hence, there are five industrial activities in the sample. Table 1 shows the distribution of the enterprises by wards.

Table 1: Distribution of Respondents in the Survey Area by Type of Business

Wards Business type	Ajeromi	Ojo	Badagry	Total	% of total
Tailoring	29	21	20	70	21.9
Shoemaking	30	21	21	72	22.5
Printing	23	16	19	58	18.1
Welding	25	19	16	60	18.8
Carpentry	25	18	17	60	18.8
Total	132	95	93	320	100

Source: Author's Field Survey, 1988.

In each of the wards, each industrial sub-sector is almost equally represented. However, Tailoring and Shoemaking are dominant in each of the three wards.

Forms of Business Organization

The typical enterprise in our study area is the sole proprietorship. Other forms of business ownership such as partnership and family-ownership are not as predominant. Out of the 320 enterprises studied, 261 (82%) are sole proprietorship, 54 (17%) are partnerships, while 5 (2%) are family-owned (Table 2).

Table 2: Forms of Business Ownership

Ownership Structure Enterprise	Sole proprietor	Partnership	Family-Owned	Total	% of Total
Tailoring	50	20	0	70	21.9
Shoemaking	68	1	3	72	22.5
Printing	40	18	0	58	18.1
Welding	48	12	0	60	18.8
Carpentry	55	3	2	60	18.8
Total	261 (81.6)	54 (16.8)	5 (1.6)	320 100	100

Source: Author's Field Survey, 1988.

Age of Business

Most of these businesses are young while only a few are relatively old. As shown in Table 3, while 80% of the enterprises are between one and ten years old, only 2% are over 20 years old. This situation implies that many of them do not live beyond their teens. This is not unexpected due to the dominant form of business ownership which is the sole proprietorship; and as such the high rate of business failure may be due to the low level of capitalization and/or the death of the sole owner, among other factors. Table 3 shows the age distribution by type of enterprise.

Results and Discussion

Tables 4 to 7 give the summary of our findings. Table 4 shows various determinants of entrepreneurship in our study area. Each of them is discussed in turn.

Cultural Factor

As shown in Table 4, a total of 4% of all the entrepreneurs sampled were influenced by their father's occupation. This influence is greatest in tailoring (10%) and least in printing (0%), which is a modern occupation associated with the advent of the formal educational system. Many of these

culture-induced entrepreneurs inherited their enterprises from their fathers, while others only received the necessary training from their fathers or kinsfolk and migrated to Badagry local government area to set up their own enterprises.

It should be emphasized that our findings with respect to cultural influence be interpreted with caution. This is because our survey did not cover typical traditional crafts like blacksmithing, native-medicine, weaving and so on, which are prevalent in the rural areas. Cultural factors are likely to be stronger in such rural traditional occupations.

Table 3: Age Distribution of Enterprises

Age (Years) Enterprise	1-5	6-10	11-15	16-20	21+	Total	% of Total
Tailoring	24	33	10	1	2	70	21.9
Shoemaking	50	13	6	2	1	72	22.5
Printing	5	27	16	6	4	58	18.1
Welding	35	15	7	3	0	60	18.8
Carpentry	35	22	6	2	0	60	18.8
Total	114 (45)	110 (34.4)	45 (14.0)	14 (4.4)	7 (2.2)	320 100	- 100

Source: Author's Field Survey, 1988.

Table 4: Factors that Influenced Entrepreneurs in Choosing Present Occupation

Enterprises Reasons	Tailoring	Shoe- making	Printing	Carpentry	Welding	Total
1. Influenced by father's occupation	10.0	4.0	0.0	5.0	1.0	4.3
2. Personally interested	15.0	3.0	35.0	15.0	10.0	15.0
3. Could not obtain formal sector employment	30.0	30.0	25.0	25.0	30.0	28.3
4. Parents too poor to afford higher education	30.0	43.0	14.0	30.0	16.0	27.3
5. Retrenched in previous formal sector employment	10.0	18.0	0.0	15.0	18.0	12.4
6. Voluntarily resigned from wage employment	5.0	2.0	26.0	10.0	25.0	12.7
Total	100	100	100	100	100	100

Source: Author's Field Survey, 1988.

Economic Factors

The current economic recession in the Nigerian economy has influenced, to a great extent, the development of entrepreneurs in the informal sector. The impact of economic factors can be broken down to:

- (a) Low-absorptive capacity of the formal sector industries preventing new entrants from getting a formal sector job;
- (b) Retrenchment and lay-off of formal sector employees.

Table 4 shows that 28% of our respondents got into informal sector because they had no opportunity to enter the much-desired formal sector labour market. Furthermore, about 12% were laid off, or retrenched, from their previous formal sector employment before setting up their own enterprises in the informal sector. In total, about 41% of the entrepreneurs had been influenced by economic factors.

This result is not surprising. The down-turn in the level of economic activities in Nigeria led to excess capacity in the formal industrial sector as a result of the shortage of foreign exchange to import the needed raw materials. This led to mass retrenchment in the industrial sector. The government sector was not spared either (National Manpower Board, 1984). These retrenched staff had to make a living and as such most of them turned to the informal sector of the economy. Many of these had had some form of technical training either before entering the formal sector or on-the-job training in their former respective places of work. Table 5 reveals this fact

Table 5: Pre-retrenchment Training of those Retrenched in the Formal Sector

Training mode	%
1. No previous training	13.2
2. By apprenticeship system	43.4
3. On-the-job in the formal sector	27.2
4. Technical college	16.2

Source: Author's Field Survey, 1988.

Only a few of this group of entrepreneurs (13%) had no previous training before retrenchment. The rest (87%) had had one form of training or the other. Training through the apprenticeship system is the most popular, and this further strengthens the role of the informal sector in skill formation process. 27% were trained on-the-job while 16% were college-trained.

However, our a priori expectation that entrepreneurial development will be highly favoured in a declining economy is strongly supported.

Educational Factor

The impact of education is shown in Tables 4 and 6. In Table 4, 27% of our respondents got into the informal sector because their parents or guardians could not support them through the formal educational system. This phenomenon predominates among shoe-makers (43%) and is least pronounced among printers (14%).

Table 6 also shows that the formal educational attainment of the entrepreneurs are rather very low. About 1% of these entrepreneurs had no formal education, while only 23% of them attained primary school for a couple of years. The majority of them (54%) were able to complete primary school education while 19% attended secondary schools for a couple of years before dropping out. Only 3% were able to complete secondary education.

Table 6: Percentage Distribution of Entrepreneurs by Level of Education

Enterprises Level of education	Tailoring	Shoe- making	Printing	Carpentry	Welding	Total
1. No formal educ.	0.0	2.3	0.0	0.0	1.7	0.9
2. Below full primary	24.3	20.8	1.7	26.7	38.3	22.5
3. Full primary	60.0	62.5	48.3	56.7	41.7	54.4
4. Below full secondary	11.4	12.5	44.8	13.3	15.0	18.8
5. Full secondary	2.9	1.4	5.2	1.7	1.7	2.5
6. Others	1.4	0.0	0.0	1.7	1.7	0.9
Total % =	100	100	100	100	100	100
N =	(70)	(72)	(58)	(60)	(60)	(320)

Source: Author's Field Survey, 1988.

The finding supports Aluko (1966) as well as our a priori expectations of negative relationship between education and informal entrepreneurship. Since this group of people are unable to acquire higher education, their choice of entering the formal wage sector is slim. Thus, one way to making a living is to be apprenticed to a master with a view to owning an enterprise. And such decisions were taken by 27% of our sampled entrepreneurs.

Response to Motivation

Two classes of people were identified among those motivated to enter the informal sector. These are:

- (a) those that were not culture-induced but were primarily interested in the sector and thus went into entire entrepreneurship directly, through the apprenticeship system; and
- (b) those that first went into the formal and informal wage employment before setting up as enterprise owners.

As shown in Table 4, those that belong to the first group are 15%, while those that belong the second group are 13%. Thus, the factor of motivation accounts for 28% of our sampled entrepreneurs. However, as expected, this factor is important among those with little or no formal education. Only 8% had ever attended secondary school for a couple of years before dropping out, while 35% of them had primary education. The rest had no formal education.

Nevertheless, the fact that as many as 15% formal sector wage-earners are still voluntarily motivated to the informal sector gives an indication that the sector possesses income-generating potentials for the ever-increasing urban labour force in Lagos. This fact is reinforced by the general summary presented in Table 7.

Table 7: Factors Determining Entrepreneurship Development

Identified factors	Classifications (%)	
	Voluntary	Involuntary
1. Cultural	4	-
2. Economic	-	41
3. Education	27	-
4. Motivation	28	-
Total	59	41

Source: Author's Field Survey, 1988.

While 41% were forced into the sector due to the prevailing economic situation, 59% voluntarily went into the sector for the reasons classified in the table and previously discussed (above).

At this juncture, it is pertinent to examine the welfare of these categories of urban informal workers in terms of earnings and job satisfaction. One popular assumption in the literature is that the informal sector is a waiting ground for the urban unemployed pending the time they will obtain 'suitable' or 'desired' employment in the high-wage urban formal sector. This, it is argued, is because employment in the informal sector serves as a means of financing the period of search for formal sector employment. This theory presupposes low wages and hence, a low level of living for urban informal workers (Harris and Toderò, 1970).

Our findings, however, do not lend support to these views. Given their level of education as shown in Table 6, the urban informal sector entrepreneurs do enjoy reasonably high average earnings relative to their formal sector counterparts.

While the minimum wage for the class of workers in the formal public sector is ₦1,500 per annum, entrepreneurs in each occupational category receive an average of ₦2,300 per annum (Table 8). Entrepreneurs in the

printing trade have the highest average mean income of ₦2,974 per annum. This may be as a result of their relatively higher level of education (Table 6) and higher level of capitalization needed in the industry. The lowest average income is recorded by shoe-makers.

Table 8: Distribution of Entrepreneurs Annual Income by Type of Enterprise

Enterprises Annual Income	Tailoring	Shoe-making	Printing	Carpentry	Welding	Total
Below ₦500	0.0	0.0	1.7	0.0	0.0	0.3
₦501 - ₦1,500	4.3	4.2	5.2	6.7	16.7	7.2
₦1,501 - ₦3,000	80.0	87.5	50.0	66.7	75.0	72.8
₦3,001 - ₦4,500	11.4	8.3	41.4	23.3	5.0	17.2
₦4,501 - ₦6,000	1.4	0.0	1.7	3.3	1.7	1.6
Above ₦6,000	2.9	0.0	0.0	0.0	1.7	0.9
Total %	100	100	100	100	100	100
N	(70)	(72)	(68)	(60)	(60)	320
Average annual Income (₦)	2,466	2,346	2,974	2,521	2,343	2,518

Source: Our Field Survey, 1988

The modal income group is ₦1,501 - ₦3,000 which is received by 73% of the entrepreneurs, while 17% receive between ₦3,001 and ₦4,500 per annum. Of the latter income group, the printers dominate (41%). Furthermore, given the fears usually exercised by these entrepreneurs in divulging information on their earnings, we have reasons to believe that the figures given are under-estimates of their actual earnings.

In terms of job satisfaction, our survey reveals that 89% of these entrepreneurs are satisfied with their current employment, thereby preferring their current jobs to a formal sector alternative. Only 11% of them prefer wage employment in the formal sector.

In summary, however, our findings do not support the probability-migration model thesis for the entrepreneurial class of urban informal workers. However, the theory may be applicable to unskilled urban informal wage and self-employed workers not included in this study.

Conclusion

This study has attempted to analyze the factors that are responsible for the rise of indigenous entrepreneurship in the urban informal sector of Badagry. It is enlightening to find out that the current economic recession, among others, has been a very significant factor in this respect.

Instead of crying over spilt milk, those that are adversely affected by the economy by way of: not realizing their unrealistically sanguine labour market expectations; not being able to continue to the top of the educational ladder; having been retrenched as a result of industrial excess capacity and governments' lean purse are fast turning their lime to lemonade by exploiting, to their benefit, the hitherto unexploited income and employment opportunities of the informal sector. Other factors identified include the influence of formal education, culture and individual's response to motivation of higher earnings potential and the pride of business ownership.

Furthermore, due to the observed negative relationship between educational attainment and entrepreneurship in the informal sector, the secondary school graduates that are greatly affected by unemployment¹ are either reluctant or not interested in entering the sector.²

Thus, in conjunction with the current open apprenticeship scheme, the National Directorate of Employment should intensify its effort in encouraging this class of people to get interested in manual work which has been shown to be no less rewarding than the formal sector alternatives. This could be done by providing the needed initial capital (in form of tools) on loan, guaranteed by the recipients' state government, to these people after their period of apprenticeship. The beneficiaries of such loans should be assisted through extension services to be able to develop.

Moreover the thrust of policy should be geared towards increasing the educational/managerial knowledge of the entrepreneurs in the sector. This is because of the direct link that exists between educational attainment and managerial ability and hence, income. To facilitate this, central workshops should be established in major towns where informal technical workers and other small-scale industrialists can receive technical and managerial assistance. Moreover, the National Directorate of Employment in conjunction with the Industrial Development Centre should organize workshops, seminars and symposia for these entrepreneurs on the rudiments of record-keeping and management. Information on these services should be widely disseminated through radio, handbills, posters and so on, because most of the activities of these bodies (NDE, IDC) are not known by informal sector operators.

It is our contention that assistance given to these informal sector operators will have a high multiplier effect. This is because of the expected

1 *The Statistical Bulletin*, Published by the Ministry of National Planning shows that 77% of the unemployed are secondary school graduates.

2 However, this should be interpreted with caution since we did not conduct a survey on the educational level of those that are currently undergoing apprenticeship. Our assertion here is based on our findings reported in Table 6.

high spread effect, through the apprenticeship training process that is constantly going on in the sector.

References

- Adeyemi, J O, 'Evaluating Programmes for Meeting the Training Needs in the Informal Sector of the Nigerian Economy', An Unpublished M Phil Thesis, submitted to University of Lagos, 1984.
- Aluko, S A, 'The Educated in Business: The Calabar Home Farm - A Case Study', *Nigerian Journal of Economics and Social Studies*, Vol. 8, No.2, July, 1966.
- Blaug, M, 'Education and the Employment Problem in Developing Countries', ILO, Geneva, 1974.
- Bakht, Zaid, 'Entrepreneurship in Bangladesh Rural Industries', *The Bangladesh Development Studies*, Vol. 12., Nos. 1 & 2, March-June, 1984.
- Callaway, A, 'Nigeria's Indigenous Education: The Apprentice System', ODU, Vol.1, No.1, July, (1964).
- Callaway, A, 'Nigerian Enterprise and the Employment of Youth', Nigeria Institute of Social and Economic Research Monograph Series No.2, Ibadan, 1973.
- Callaway, A, 'The Urban Informal Sector', National Conference on Manpower Constraints to Nigeria's Economic Development 29 January-1 February, 1979.
- Casson, M, 'The Entrepreneur', Martin Robertson Oxford, 1982.
- Farooq, J, Farooq, G M & Adepaju, 'Characteristics and Employment Generation of Small-Scale Industries in Western Nigeria'. *Pakistan Development Review*, Vol. XV, No.4, 1976, pp. 382-405.
- Hart, Keith, 'Informal Income Opportunities and Urban Employment in Ghana'. *The Journal of Modern African Studies*, Vol. 11, No.1, 1973, pp. 61-89.
- ILO, 'Employment, Income and Equality in Kenya', Geneva, 1972.
- Leibenstein H, 'Entrepreneurship and Development', *American Economic Review*, Papers and Proceedings, Vol. LVIII, No.2, May, 1968.
- Leibenstein H, 'General X-Efficiency Theory and Economic Development', 1978.
- National Manpower Board: 'Report of the Shuttle Employment Enquiries', Lagos, 1983.
- National Planning, (Ministry of) 'Economic and Statistical Review 1987', Lagos, 1988.
- National Planning (Ministry of) 'Economic Activity Status of the Nigerian Rural Population', Mimeo, Department of Economics, Obafemi Awolowo University, Ile-Ife, Nigeria, 1988.

* Department of Economics, Obafemi Awolowo University, Ile-Ife, Nigeria