

# GOVERNMENT ASSISTANCE FOR INFORMAL SECTOR ENTERPRISES IN NIGERIA

## A Case Study of Tire Repair Service<sup>1</sup>

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### Abstract

The informal sector has remained crucial to the Nigerian economy over the years in terms of employment and income generation for the teeming urban semi-skilled and unskilled labour. Over the years in Nigeria, there has been growing concern about the problems and expectations of the informal sector in spite of the support services floated by the government. This study therefore examines the level of government support received by tire repair operators; their problems and expectations. The study involved the use of primary data collected through a structured questionnaire, which was personally administered. It found that government support in terms of finance and training was limited to 'take off' and had little or no provision for already existing operators, who required some support for expansion and modernization. The study also found that the major problems militating against tire repair service are fuel scarcity, spare part problem, lack of access to credit and multiple taxes. Based on the findings above, there is the need to refocus government informal sector support instruments through improved funding. The government should also address the energy problem and eliminate multiple taxes which are inimical to the growth and development of the informal sector.

**KEY WORDS:** Informal sector; Government Assistance; Micro-Enterprise, Business Development; Multiple Taxing.

### INTRODUCTION

The Nigerian economy is no doubt an oil dependent one. The oil sector accounts for 77 and 97 per cent of total federally collected revenue and total export earnings respectively (Arosanyin,

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2005). However, a lot of the employment and income earning capacities are from the informal sector. Various studies have acknowledged the role, importance and potentials of the informal sector in Nigeria (Fapohunda, 1985; Abumere, et al., 1988; Akerele, 1997; Arimah, 2001; Adewuyi, 2002; Nwaka, 2005). The size of the informal sector in Nigeria is estimated at about 58 per cent of Gross National Income (GNI) (Schneider, 2002).

The reform programme of the Nigerian government, which started in the 1980s, has led to job losses in the public and quasi public sector and resulting in a high rate of unemployment among both the skilled and the unskilled. The absorptive capacity of both the formal-private sector and the public sector has also shrunk. The survival of most Nigerians and their families therefore lies in the informal sector. The informal sector of Nigeria cuts across the various sectors of the Nigerian economy including road transport. The informal road transport sub-sector of Nigeria is very large. Apart from the informal road transport operators in the transport market such as *Okada* (commercial motorcycle operators), commercial car and bus operators, there exist a large set of informal supportive services which provide lubrication for the effective running of the Nigerian road transport system. Notable among these services are mechanics: mechanical and electrical, called *mecho* and *rewire* respectively in local parlance; car wash; tire repair service providers called *vulcanizers*; sprayers and art/sign writers. The roles of some of these informal service providers in the road transport system have been recognized (Arosanyin and Ipingbemi, 2004). These services provide self employment opportunities for Nigerians. However, no serious research attention within the road transport sub-sector has focused on their operations, level of received government assistance, problems and expectations to aid the development and modernization of these mainly self employment informal sector enterprises, which most of the government support programmes are expected to assist in growing technically and financially.

A good understanding of the informal sector, particularly their problems and expectations, is crucial for the success of economic development policies and poverty reduction strategies. The constraints and expectations of informal sector enterprises differ from country to country, one region of a country to another, between rural and urban areas, between sectors and among individual enterprises within a sector. This is not to say that there are no common problems and expectations. Studies in Nigeria such as Fapohunda (1985), Abumere and associates (1988) and Akerele (1997) are not transport sector-focused but general in nature. The need to provide activity specific study for activity specific policy is the rationale for this study.

In view of the above, this paper focuses on the tire repair service in Nigeria with the aim of determining the level of government assistance received, problems militating against their operations and their expectations. This paper is part of a seminal series on tire repair service in Nigeria. Specifically, the main objectives of this paper are; to provide empirical evidence of the level of received government assistance; the problems of the enterprise; and expectations of the tire repair operators as basis for informal sector policy refocusing. The rest of the paper is divided into: conceptual and theoretical considerations; research scope and method; findings of the survey; implications; recommendations; and conclusion.

### **Conceptual and theoretical considerations**

One of the earliest scholars who studied the informal economy was Keith Hart. He coined the term 'informal economy' based on fieldwork in the city of Accra, Ghana (Hart, 1973). The concept of the informal sector was made popular by the International Labour Organization (ILO) in 1972 in its Kenya Mission Report in which informality was defined as a "way of doing things characterized by (a) ease of entry; (b) reliance on indigenous resources; (c) family ownership; (d) small scale operations; (e) labour intensive and adaptive technology; (f) skill acquired outside of the formal sector; (g) unregulated and competitive markets" (World Bank, 2007:1). The informal sector consists of small scale, self employed activities (with or without hired workers), typically at a low level of organization and technology, with the primary

objective of generating employment and incomes. The activities are usually conducted without proper recognition from the authorities, and escape the activities of the machinery of government responsible for enforcement of law and regulations (ILO, 2007a).

The informal sector is heterogeneous, encompassing production units of different features, economic activities and people. This heterogeneity of the sector and its complex dimension made conceptualization and measurement of the sector not to be a clear cut one (ILO, 2007b). Studies have used various terms, definitions and categorizations. Some of the diverse terms used to describe this form of economy include shadow, unofficial, third, underground, gray, hidden, black, clandestine, counter and parallel (Thomas, 1992; Fleming, et al. 2000). Various conceptualizations have been given to the informal sector based on functionality, behaviour (legality), technology, among others (Portes, et al. 1989; Feige, 1990; Cole and Fayissa, 1991; Thomas, 1992; Loayza, 1997; Farrel, et al. 2000).

Whatever conceptualization used, the informal sector tends to exhibit some characteristics, according to ILO (2007a). Enterprises in this sector usually employ fewer than ten workers, mostly immediate family members. It is heterogeneous cutting across activities such as retail trade, transport, repair and maintenance, construction, personal and domestic services, and manufacturing. Entry and exit are easier than in the formal sector. Capital investment is generally low or minimal. Work is mostly labour intensive, requiring low-level skills. Workers learn skills on the job. The employer-employee relationship is often unwritten and informal, with little or no appreciation of industrial relations and workers' rights, among others.

In theory, the emergence of the study of the role of the informal sector in economic development can be traced to Lewis (1954). He conceptualized economic development as the emergence and growth of the manufacturing sector (the "modern" sector) through the absorption of labour freed from the informal sector or subsistence agriculture (the traditional sector) due to the more efficient means of production in the former. The Lewis model of economic development had hinged on the existence of unlimited supply of labour in the informal sector or subsistent agriculture. The expansion of the formal sector will lead to an increase in the demand for labour, thereby absorbing excess labour in the traditional or informal sector (Chen, et al. 2002).

The ultimate effect will be the shrinking of the informal sector. The Lewis Model dominated the development discourse in the 1950s and 1960s. In recent decades, the growth and size of the informal sector, particularly in the developing economies, has led to a rethinking of its role in economic development following the breakdown of most of the assumptions of Lewis. The debate as to whether the informal sector generates or stalls economic growth can be traced to some major theoretical perspectives namely the structuralist view (neo-classicist approach), underground economy perspective with neo-Marxist focus, and the legalist/neo-liberal view (see WIEGO, 2009). The formation and size of the informal sector have been traced to so many factors such as economic distortions; urbanization, unemployment and low skills; heavy tax burden; bureaucracy and corruption (Loayza, 1994, 1997; Friedman, et al. 2000; Azuma and Grossman 2002; Xaba, et al. 2002).

The informal sector plays vital roles in developing economies. It provides jobs and reduces unemployment and underemployment and consequently poverty. But in most cases the jobs are low-paid and job insecurity is high. Informal sector employment is usually the last resort or survival option in most countries without social safety nets such as unemployment benefits and poor modern wage sector. Informal sector enterprises bolster entrepreneurial activity, despite the fact that it is at the detriment of state regulations compliance, particularly with regards to tax and labour regulations. Three different methods are widely used in the literature for measuring the size and development of the informal economy. These are: the direct (micro) approaches-surveys and tax auditing; indirect (macro) approaches-indicator approaches; and the model approach (Schneider, 2002).

In spite of the importance and development roles of the informal sector, it is faced with many daunting problems and constraints. These constraints can be categorized into four, namely: financing constraints; regulatory constraints; physical, technical and marketing constraints; and cost constraints (Steel and Webster, 1990; Levy, 1993). A number of studies have examined various aspects of these problems and the expectations of the informal sector enterprises. Some of the findings of these studies are highlighted below.

In a study of urban informal sector of Ibadan in Nigeria, Akerele (1997) identified the major constraints of the sector as poor access to credit (26 per cent), tools and equipment (19 per cent); heavy competition (15 per cent); and spare parts (9 per cent). Arosanyin and associates (2000) in a study of 328 enterprises in Ilorin, Nigeria found that 93.7 per cent of the enterprises never received financial assistance in the form of loans/grants from the government in spite of various agencies established for that purpose. Also, 89 per cent never benefited from extension services of government agencies while 81 per cent never enjoyed any training/seminar for entrepreneurial skill development. The three major problems confronting these enterprises were found to be low patronage (41.9%); high cost of production (37%); and inadequate capital (15%). The expectations were found to be access to finance (34%), patronage (32%) and favourable legislation (23%).

A South African survey of informal sector small businesses shows that crime, lack of access to credit, lack of access to infrastructure and services, and the need for training are the topmost four constraints on their business (Chandra, et al. 2002). In Jamaica, the critical constraints faced by the informal sector are limited capital, limited skills, and macro-economic instability (Miller-Stennett, 2002). Mahendra and associates (2003: 146) show in a survey of 150 operators of informal sector activities in three urban areas of Fiji that the major obstacle to informal sector business in Fiji is lack of finance (60%). Other constraints include lack of know-how and skills, and discriminatory government regulation. The most important expectation or requirement of informal sector operators in Fiji was found to be government assistance in finance and business operation. The second was government assistance to ease regulations (Mahendra, et al. 2003: 147). Mukherjee (2008:6-9) identifies the problems faced by the informal manufacturing sector in Durgapur, India as demand crunch, resource crunch, infrastructural problems, among others. In Indonesian, the common constraints to small enterprises (SE) include difficulties in marketing and distribution (40.18%); lack of capital (39.96 percent) and difficulty in procuring raw materials (10.60%). For very small or micro enterprises (MIEs) the problems and their shares are lack of capital (34.56%); marketing problem (29.60%); and raw material problem (21.52%) (Tambuna, 2008).

## **RESEARCH SCOPE AND METHOD**

The survey area of this study is Ilorin, the capital of Kwara State. Kwara State is one of the North Central states in Nigeria. Ilorin is one of the medium size cities of Nigeria with a population of about 600 thousand persons (FRN, 2001:31). It is located between Latitude 8°30'N and 4°35'E. As at September 2005, the total vehicle stock of the Kwara State stood at 117,495 representing 1.75 percent of the total vehicle stock of Nigeria. The above vehicles, which run on tires (tube or tubeless), provide the ready market or customer base for the tire repair service in the state.

A total of 228 tire repair operators were surveyed in 2006. The enterprises or operators were selected using the simple random sampling technique of odd-even number selection procedure along routes in their major operational zones in Ilorin. The location of the operators along the roads where they operated made the selection easier, in the absence of base data on their number and location. In the event of absence or non response from a tire repair operator, a substitution was made from the same zone. This procedure therefore enjoys the benefit of the random walk method as it ensures a less expensive survey by replacing non-responses. These operational zones are Niger, Zango, Akerebiata, Offa Garage, Ode-Alausa and Sawmill. The breakdown of the 228 sampled operators shows that Niger zone has 17.5 per cent; Zango 23.2

per cent; Offa Garage 23.7 per cent. Ode-Alausa, Akerebiata and Sawmill zones had 7.0, 14.5 and 14 per cent respectively.

The main instrument for data collection was a structured questionnaire, which was personally administered due to the level of education of the respondents and the fact that the core questions were open-ended. The use of open-ended questions in the questionnaire among lowly educated respondents demands that the systematic personal contact style (SPCS) should be adopted in its administration. Focus group discussions (FGDs) and observations were also used to supplement the information gathered through the questionnaire method in order to achieve a higher benefit of triangulation in the research. Discussions were also held with officials of the informal sector support agencies to gain insight into their operations, requirements, scope and constraints. The major tools of data analysis for this part of the series on tire repair service are descriptive statistics and weighted factor rank analysis or technique often called WRA. The weighted factor technique is shown below (Arosanyin, 1993).

**Table 1: Weighted Factor Rank Procedure**

Variables	Variable Rank (number)			Weights for variable rank			Weighted Score	Cumulative Rank
	1	2	3	1	2	3		
A	a <sub>1</sub>	a <sub>2</sub>	a <sub>3</sub>	3a <sub>1</sub>	2a <sub>2</sub>	1a <sub>3</sub>	$\Sigma(3a_1, 2a_2, 1a_3)$	CR <sub>a</sub>
B	b <sub>1</sub>	b <sub>2</sub>	b <sub>3</sub>	3b <sub>1</sub>	2b <sub>2</sub>	1b <sub>3</sub>	$\Sigma(3b_1, 2b_2, 1b_3)$	CR <sub>b</sub>
C	c <sub>1</sub>	c <sub>2</sub>	c <sub>3</sub>	3c <sub>1</sub>	2c <sub>2</sub>	1c <sub>3</sub>	$\Sigma(3c_1, 2c_2, 1c_3)$	CR <sub>c</sub>
↓	↓	↓	↓	↓	↓	↓	↓	↓
N	n <sub>1</sub>	n <sub>2</sub>	n <sub>3</sub>	3n <sub>1</sub>	2n <sub>2</sub>	1n <sub>3</sub>	$\Sigma(3n_1, 2n_2, 1n_3)$	CR <sub>n</sub>
							<b>TWS (100)</b>	

Source: Field Survey

Where TWS = Total Weighted Score

CR (a ...n) = Cumulative rank for each variable

a<sub>1</sub> = Number of respondents who ranked variable 'a' first

n<sub>3</sub> = Number of respondents who ranked variable 'n' third

3a<sub>1</sub> = Weight '3' multiplied by the number of respondents who ranked variable 'a' first.

WS<sub>a</sub> = Weighted Score per variable a = 3a<sub>1</sub> + 2a<sub>2</sub> + 1a<sub>3</sub>

WS<sub>a</sub> (%) = (WS<sub>a</sub>/TWS) x 100

The scaling dimension is usually **n by r** where **n** is the number of factors or variables identified through inductive coding and **r** is the number of ranking permissible in the questionnaire.

The cumulative rank (**a.....n**) depends on each variable's percentage or point share in total weighted score. The variable with the highest score (percentage) assumes the first rank as the most influential or important variable. It is important to note that the core questions for the use of this scaling technique are usually open-ended thereby necessitating the adoption of inductive coding. The decision is to select the factors that can account for 10 percent of the total weighted score as important factors, apart from ranking them in order of importance. This scaling or ranking technique is not the same as the conventional factor analysis. The response rates to the questions were very high, ranging from 90.3 to 100 percent, with the exception of conditional questions.

## **Findings of the survey**

### ***Operational characteristics***

The discussion of the main issues in this paper is better appreciated with background information on the operational characteristics of the tire repair service based on the survey. The survey shows that it is a male dominated activity as all the surveyed operators (228) were found to be male. They were all found to be operating self employment businesses. The mean age of the operators was computed at 33.9 years. About 70 per cent of the operators are married with mean children of four. About 99 per cent of the operators did not have education beyond the senior secondary school level (equivalent to 12 years of schooling). About 98 per cent of the operators passed through the apprentice training procedure with mean apprenticeship year estimated at 2.6 years. The mean starting capital is computed at N31, 584(US\$249.3) (2006 prices). The bulk of the starting capital of the operators was sourced from personal savings and the informal financial market. These two sources constituted 91.6 per cent of the initial funding for the business.

The mean years in business was computed at 5.2 years with 40.9 percent of the operators having apprentice under them, while 29.4 per cent use family labour. About 85 per cent of the owners/operators work six days a week, while 15 per cent work seven days a week. The survey also shows that about 58 per cent of the operators engage in other works such as commercial motorcycle riding, taxi services, farming, etc. to supplement their earnings from the vulcanizing business. This is an indication of underemployment. The main sources of income in the business are gauging of tire pressure, pumping of tires and patching of tubes and tires. The prices of these services are usually fixed by their union. However, price haggling is allowed. The mean gross earning per day was computed at N1, 104(US\$8.7).

### ***The level of government assistance***

The role of the informal sector in economic development particularly in providing employment and income to the poor made the Federal Government of Nigeria to set up various programme and agencies to provide loans, grants, equipment and training to operators to boost their operations, service delivery and entrepreneurship skill. The establishment of these agencies was in response to the limitations of the informal sector in accessing loans from the formal financial markets; organized skill acquisition and training. Basically, government supports are of three categories. These are credit policies and strategies; management and technical training and enabling environment strategies. Some of these are however interwoven in concept and operation. The agencies include Small Scale Credit Scheme (SSIC), Peoples Bank, Micro Finance Scheme, National Directorate of Employment (NDE), National Poverty Eradication Programme (NAPEP) and Entrepreneurial Development Program (EDP)(Umo, 1990; Adebayo, 1999; Ogwumike,2001; Dada, undated; Nwaka, 2005; Akintoye, 2008).

Out of the above listed schemes and programmes NDE is the most visible in the study area. NAPEP is visible, but its activities in the study area are on agriculture and the provision of 'Keke-NAPEP'- tricycle for commercial transportation. This automatically shuts out tire repair service from benefiting from its activities. In the case of NDE, there are four core programmes for the informal sector. These are Vocational Skill Development (VSD), Special Public Works (SPW), Rural Employment Promotion (REP) and Small Scale Enterprise Development (SSED). Out of the four programmes of NDE, only vocational skill development (VSD) has provision for tire repair service. There are sixty-eight (68) categories of skills where people are trained and financed to start work as self employed. Each skill category, which leads to self employment, is called 'trade.' Tire repair called vulcanizing is serial number 37 with trade code D.12. The duration of training for vulcanizing skill development is three months. This is in contrast to the average apprenticeship period of 2.6 years found during the survey. During the three months of training under the vocational skill development programme, the trainee is attached to an established vulcanizer. The trainee is paid N 2000 per month while the trainer gets N 2000 per trainee.

The equipment for the setting up of the apprentice after completion of the skill acquisition course are provided through the financial support of NDE called resettlement loan scheme. The apprentice is however expected to deposit 10 per cent of the market value of such equipment. Repayment starts after six months and it is spread over a period of three years. No collaterals are required except that there must be two guarantors, one of which must be a civil servant of Level 10 and above or a registered businessman who is ready to pay in the event of default.

The survey shows that the operators are very much aware of the existence of these government agencies and their functions in providing assistance to them. The study revealed that only 1.7 percent of the operators had access to government fund to start their business, the breakdown shows that 1.3 per cent started operation with loans and grants from government only, while 0.4 per cent combined the government financial resources with their personal savings to start operation. The above indicates that the bulk of the sources of initial or start up capital came from personal savings, loans from friends and informal financial sector. It confirms the lack of access to financial resources from the formal financial market and even the agencies specifically established to give credit to informal sector operators. The operators who had access to government loans (1.7%) are those who benefited from the vocational skill development programme of NDE. The starting capital was provided through the NDE resettlement loan scheme.

The role of the government in a developing economy is not limited to facilitating and granting of loans to start informal sector activities. Other supports given by the government to the informal sector include technical services such as extension service and seminars; and fund for expansion and modernization of existing operations. Entrepreneurship training of operators could develop their capacity to manage their businesses more productively and efficiently, allowing them to expand activities with the potentials for higher incomes. The survey shows that the activities of the government have not been felt by this segment of the informal sector as shown in Table 2.

**Table 2: Frequency of Assistance Received from the Government**

Type	Never (%)	Occasionally (%)	Always (%)
Loans/Grant	99.56	0.44	0.0
Practical extension services	100	0.0	0.0

Seminars	100	0.0	0.0
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Source: Field survey, 2006.

The survey reveals that 99.56 percent of the operators have not received any financial assistance from the government since they started operation. This revelation is not surprising given the fact that the design of the loan scheme particularly that of NDE is not meant for expansion. After the funding of equipment acquisition for trained apprentice, NDE has no financial support scheme for those that want to expand or improve their 'trade', including those that they trained. Those that received government loans/grants occasionally (0.44 per cent) are those who benefited from Local Council occasionally sponsored poverty alleviation programmes. In terms of practical extension services and seminars, none of the operators have benefited. A critical examination of the NDE programmes shows that extension services and seminars for informal sector 'trade' do not exist, particularly for the tire repair service. The survey revealed that the scopes of these programmes are very narrow. They deal with 'starting up' or 'initial takeoff' without emphasis on expansion, upgrading and sustainability.

### ***Problems of the enterprise***

Given the importance of the informal sector in the Nigerian economy, a good understanding of their operational problems is crucial in formulating policies that will aid its growth and survival. The survey reveals that there are basically six problems hindering the efficiency of this informal tire repair enterprise. These are shown in Table 3:

**Table 3: Problems of tire repair service in Nigeria**

Problem	Share (%)	Rank
High cost/scarcity of fuel	39.16*	1 <sup>st</sup> *
Spare part problem	20.75* (34.11)**	2 <sup>nd</sup> * (1 <sup>st</sup> )**
Financial problem	20.33* (33.43)**	3 <sup>rd</sup> * (2 <sup>nd</sup> )**
Lack of training, seminars, etc	10.29* (16.92)**	4 <sup>th</sup> * (3 <sup>rd</sup> )**
Multiple taxes	6.78* (11.14)**	5 <sup>th</sup> * (4 <sup>th</sup> )**
Patch rubber problem	2.68* (4.40)**	6 <sup>th</sup> * (5 <sup>th</sup> )**
Total weighted score = 1195* (727)**		

\* Computed based on a 6x3 dimensional scale: \*\* Computed based on a 5x3 dimensional scale

Source: Computed by the Authors from field survey, 2006.

The problems, which met the 10 per cent benchmark for significance, confronting the effective operation of this business are scarcity and high cost of petrol technically called premium motor spirit (PMS), high cost and scarcity of spare part, financial problem and lack of training. The ranks are shown in Table 3. Multiple taxes and scarcity of patch rubber were also identified as problems but were found to fall below the 10 per cent benchmark for consideration as important factors.

The scarcity of PMS ranked first with 39.16 per cent of the total weighted score of 1195. This is quite understandable because at the time of the survey (3<sup>rd</sup> quarter of 2006), there was general PMS scarcity in Nigeria. PMS is the primary fuel for the air compressor used by the operators. If scarcity of PMS is corrected, that is held constant, then the results in Table 3 will change to a 5x3 dimension thereby making spare part problem the most important problem facing the operators, followed by financial problem, lack of training and multiple taxes with 34.11, 33.43, 16.92 and 11.14 per cent respectively. This adjustment therefore has made the issue of multiple taxes a serious problem in informal sector development.

### ***Expectations of the operators***

The use of problem identification and expectation procedure in informal sector diagnosis is crucial in refocusing government policy because it serves the purpose of participatory approach in policy formulation through the bottom-up model. In the absence of fuel scarcity, four main problems were identified by the operators and their expectations derived from them. The government through its agencies for informal sector development should provide financial grants and loans for modernization (1<sup>st</sup>); make spare parts available at affordable prices (2<sup>nd</sup>); eliminate multiple taxes and levies (3<sup>rd</sup>); and provide training on how to improve service delivery (4<sup>th</sup>).

**Table 4: Expectations of operators of tire repair service in Nigeria**

Expectations	Share (%)	Rank
Availability of fuel at reduced costs	39.52*	1 <sup>st</sup> *
Availability of spare parts at affordable prices	13.79* (22.80)**	3 <sup>rd</sup> * (2 <sup>nd</sup> )**
Financial grant/loan	28.89* (47.77)**	2 <sup>nd</sup> * (1 <sup>st</sup> )**
Organization of seminars/Workshops	6.89* (11.40)**	5 <sup>th</sup> * (4 <sup>th</sup> )**
Elimination of Multiple taxes	8.76* (14.48)**	4 <sup>th</sup> * (3 <sup>rd</sup> )**
Availability of patch rubber	2.14* (3.54)**	6 <sup>th</sup> * (5 <sup>th</sup> )**
Total weighted score = 1073* (649)**		

Source: Field Survey 2006

\* Computed based on a 6x3 dimensional scale;  
\*\* Computed based on a 5x3 dimensional scale

### **Implications for informal sector development**

The problems and expectations of tire repair service providers have implications for informal sector development in general and the tire repair service in particular. These include the following:

One, the design of the schemes shows that government-supported loans and grants are usually not meant for existing informal sector operators. The financial assistance is meant for 'take off'. This shows that there is no provision for those who want financial assistance for expansion or modernization of their 'trade'.

Two, apart from government supported loans and grants, training of informal sector operators are also weak. The operators need training particularly in resource management, service delivery and new technology. The training courses of government agencies responsible for informal sector development seem to follow the same path of its funding activity.

Three, the issue of adequate and regular fuel supply (PMS) within Nigeria is paramount. Its scarcity has a lot of implications on operators because it is the main source of power for their sole engine (air compressor). The adjustment mechanism in the tire repair business in the event of scarcity of PMS is for the operators to source for PMS at the black market at exorbitant price and transfer the cost to customers via increased charges. The alternative is for the operators to abandon their tire repair business and engage in black marketing of PMS. The cost-benefit of what to do with PMS is done by comparing what they will gain by using the PMS to work, with the margin they will gain if the PMS was sold at higher price to desperate customers looking for PMS. Any distortion in the petroleum sector vibrates to the tire repair business, as it affects their operations and earning capacity negatively.

The fourth implication is that it brings to the limelight the issue of multiple taxes. Multiple taxes are also common in the organized sector of the Nigerian economy. Its identification in the informal sector portends danger because of the low income status of the operators. In the tire repair business, the taxes include head tax; sign post levy and environmental levy, among others. Some of the operators abscond from their shops whenever they sense that tax officers are coming. Others use their Union to negotiate for reduced rates after 'seeing' government agents. The issue of multiple taxes can dampen the growth of the informal sector, encourage tax evasion and organized resistance to the government through protest, which could disrupt socioeconomic activities.

### **Conclusion and Recommendations**

The informal sector is paramount in urban sector development particularly in the area of employment generation for semi-skilled and unskilled labour. Therefore efforts by the government should be geared toward making the sector functional to reduce the social implication of unemployment. The following are therefore recommended based on the problem –expectation survey.

Government programmes on funding and training of informal sector operators namely the NDE and NAPEP should be overhauled to meet the financial and training needs of the various informal 'trade.' The scope for funding and training should be expanded beyond 'take off' of 'trade' to improvement, expansion and modernization of existing trade. For these informal sector support agencies to expand their scope, it will require improved funding from the government. Government should therefore fund these agencies adequately to promote and sustain self employment among those in the informal sector.

The issue of multiple taxes should be seriously looked into by the government. Since most of the operators are not registered, the government should provide the legal framework to specifically cater for this category of businesses; specify the level of government (state or local council) and the agency to be responsible for tax evaluation; and also specify the types of taxes to be imposed given the nature of their operation. Once these issues are clarified, tax administration on informal sector activities will be straightforward.

The issue of fuel availability must be addressed because its scarcity means no work, hence no earning for the operators. The Nigerian economy, though a major exporter of crude oil, has witnessed fuel crisis for the past two decades arising from poor demand and supply management for the domestic market. Many businesses have collapsed in the informal sector of the Nigerian economy due to the dual effects of fuel scarcity and erratic power supply. The refineries must be fixed and fuel distribution enhanced to guarantee employment and income in the informal sector.

Other measures include availability of patch rubber for tire repair, which is also dependent on functional petrochemical industry; and availability of spare parts for the air compressor engines. The government should put in place policy that will make the iron, steel and foundry industry functional for the industry to service the spare part requirements of other industries.

The tire repair service is a source of self employment in Nigeria, although underemployment was evident. Skill acquisition is through the apprenticeship system. Although the initial capital requirement is small at US\$ 249.3, most of the fund came from personal saving and informal financial sector. The tire repair segment of the informal sector has not benefited much from government informal sector support programmes due to the scope and focus of these agencies. Since informal sector activity provides employment and income to many families particularly the semi and unskilled urban labour, any obstacle to its functionality such as poor access to capital and training and multiple taxing should be removed.

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