



INFORMAL SECTOR PARTICIPATION AND ECONOMIC DEVELOPMENT IN RIVERS STATE, NIGERIA: AN APPRAISAL

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Abstract:

Informal sector is a safe landing for various types of low income activities that accommodates teeming unemployed. This paper appraised the effect of informal sector participation in Rivers State. The paper hinged on “Modernization Theory”. Information for the study was got from published journals, bulletins and data generated from selected respondents. Study sample were chosen through random sampling technique with a sample size of 400 informal sector participants. Responses were elucidated through well-structured instruments distributed to respondents within Port Harcourt metropolis. Descriptive statistics, frequency, mean and percentages were used to answer research question while data were analyzed using Ordinary Least Square regression. Results revealed that there is significant relationship between informal sector and income generation. Variation of about 95% in gross domestic income is as a result of changes in both informal and formal sectors of the economy. In all, the result explains that there is obvious link between informal and formal sectors of the economy. Informal sector participation is an avenue to meet the financial needs of the people and reduce unemployment. The paper recommended that data for informal sector activities should be incorporated in the tax scheme of the government to enable effective tax compliance. Policies on registration of businesses should not be made cumbersome as not to deter intending participants in the informal sector activities. Huge tax burden should be discouraged mostly the issue of multiple taxation by state and local governments.

Keywords: Appraisal, Informal Sector, employment Generations, Nigeria.

Introduction

Participation in the informal sector has become a vital aspect of moving the economy forward in bringing to bear, the benefits of entrepreneurship to the teeming unemployed. Reason being that informal sector absorbs more of the unemployed youths into various aspects of small scale businesses. It is of great repute for every economy since its contributions to the economy cannot be over emphasized. As long as much is needed to absorb the unemployed, the desire to venture into self-employed economic activities is much to be given attention (Fasanya & Onakoya, 2012). Informal sector innovation arose a result of obvious issues that has to do with tax burden, increased regulation, institutional weakness, economic crisis, unemployment, inflation and others. Thinking out of the box is a vital drive towards accepting certain economic activities that sound menial but important in taking unemployed youths out the roads. The diverse nature of informal sector made it an essential aspect of the economic sectors as it traverses across many occupations and income generation sources. It is an avenue for fund mobilization, employment generations and a strong linkage to the overall economy (Olomi, Charles & Juma, 2018). It has been pointed out that informal sector contribution accounts for about 65% of the economy as proceeds from trading, transportation, manufacturing, fabrication, and locally based technology. The drive to venture into informal sector may be as a result of the fear to face business harsh business hassles and the phobia of multiplicity of taxes mostly in urban cities. This has continued to increase the drop in the growth of informal sector participation in Rivers State. However, before the austerity measure which was introduced in Nigeria by the government to cut spending and reduce public debt at the same time, shrink the budget, young graduates were only interested in securing paid and office jobs and vehemently rejected self-employment and working in firms that are not corporations or government agencies. But after the introduction austerity measure by the Nigeria government there was also the introduction of structural adjustment programme in 1985 in response to what seemed fundamental challenges in the Nigeria's economy. That was the beginning of acceptance of informal sector participation. The job market has experienced corrections and formalizations to cushion the effect of unemployment. The influx of people to register one business enterprise or the other became a welcome development. The informal sector is like a safety net for all that lost their jobs and for the unemployed, and also to secure the future of youths and those that may not have the contact for job opportunities. Informal sector went beyond job creation to alleviating poverty and boosting the income of participants. It attracted a network of remunerations and provided goods and services. Consequently the structural adjustment programs the continued to grow as a result of upsurge and influx of unemployed into the state in their quest to secure unexacting jobs. This is occasioned by the presences of oil exploration and exploitation firms. It is unbelievable that young graduates who refused to participate in informal sector now began to think inwards following increasing inflation.

More of the legal goods and services consumed in the society are products of informal sector that are not performed with the intension to deliberately evade taxes, infringe on labour laws or other regulations guiding business operations (Madichie, Gbadamosi & Rwelamila, 2021) profits from these businesses are meager to accommodate the multiple taxes imposed on these small scale businesses. Heterogeneity of informal sector with other varieties of economic activities was opined by Ihrig & Moe, (2004). Achieving economic development cannot be devoid of harnessing the potential resources by government planning effectively.

2. Statement of the Problem

In formal sector in Nigeria has been considered as a major driver of the economy mostly through small scale enterprises (SSEs) and small and medium scale enterprises (MSMEs) as the major economic growth and development sources thereby contributing to GDP growth. It provides jobs to citizens through skills and nurtures the ability to effectively manage private businesses in both private and public sectors. According to Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) July, 2019 issue, Nigeria had about 41.5 million, MSME and Lagos has the highest number with about 11.5%. It is also discovered that as at December, 2017, small and Medium Scale Enterprises contributed 48% of Nigeria's GDP and generated more than 59 million jobs with 2.9% of the jobs rated found within the education sector. Informal sector has also acquired inestimable assets in both land and buildings (Dessy & Pallage, 2003).

As a result of fast dropping price of crude in the oil market, Nigeria and Africa in general began to look elsewhere to generate revenue for infrastructural development and others. They came to the realization that in African continent, GDP contribution to the economy since 2010 is led by the informal sector. This has encouraged tax policy shift in favor of small and Medium Scale Enterprises in both the "2017 National Tax Policy and 2019 Finance Act which made support for MSMEs objective strategic with benefits through the obligations of both value-added tax and income tax in line with countries tax regulations in other parts of the world. Considering these noble innovations and encouragements, it has been observed that participation in informal sector has remained low with jobless youths still roaming the streets where opportunities of independency and self-employment abound (Ihrig & Moe, 2004). This is the gap to be closed by this paper. The question raised is what is the position of informal sector participation in Nigeria? How far has government tax incentive encouraged participation in the informal sector? To take a position, it is important to study the informal sector participation in Rivers State.

The paper investigates informal sector participation and economic development in Rivers State, Nigeria. Specific objectives are to; (i) examine the participation of unemployed in informal sector in Rivers State, (ii) identify the level of informal sector contributions to income generation in Rivers State and (iii) investigate the level of informal sector contributions to employment generation in Rivers State. This study will help the government in determining the effectiveness of her efforts in encouraging participation in informal sector in Rivers State.

The paper is organized as follows; section one introduced the paper with specific objectives. Second section conveyed various meanings of the concept and what previous scholars said through review of literature. The third section explained the domain of the work and analyzed the data got with results discussed and finally, the work is summarized and recommendations made.

3. Clarification of Concepts

Though definition of informal sector is yet to be formally articulated, the concept bears the gains of income generation, job creation, provision of goods and services and contribution to economy development. Informal sector is defined by the spectrum and characteristics of the firm. In other words, the type of businesses is a determinant of participation. Informal sector definition is dependent on the perception of the author. A business enterprise is a function of the degree of informality and investment climate (Benjamin, Beegle, Recanatini & Santini, 2014).

This concept came into existence on 23rd January, 1915 and became popularized on 165th June, 1991 by Sir Williams Arthur Lewis. According to Arthur (2015), this is an untaxed economy, not under any form of government's monitoring. Though it makes up greater portion of the economy, it is also called "black market", under table market in developing economies. It appears unmanageable but a significant sector with over 41% of developing nations' economy. This is mostly unregistered small scale business found in almost all minor business investments such as trading, livestock, construction, refrigeration, food preparation and spare parts, transportation others include credit facilities, agriculture, mechanical, fabrication and many more.

Informal sector is all private economic activities that are not taxed, not effectively regulated, with negotiable wages and without job security. It is not pensionable and mostly sourced through middlemen. Employees are hired on daily, weekly or monthly bases as the case may be. It is not guided by labor law of the country. Employees in informal sector do not have job security and social safety. Incomes are not declared while taxes are evaded due to non-remittance of PAYEE deductions neither do employee declare their personal incomes as one disadvantages of free market economy. this opposed by some scholars as it has been found perfectly working in most communist states such as Cuba, North Korea and Soviet Union where it was found to massive represent important part of the economies. Mohammed, *et al*, (2015) defined informal sector as collection of economic activities in the society that are unrecorded, unrecognised, unregulated and unprotected by government policy framework. Though economic activities in the informal sector are not captured in the GDP computation, it is assumed that their relevance is silent. Such activities include; catering, photography, hairdressing, carpentry, tailoring, painting, motorcycle services fashion designing etc., invariably because of it benefits of non-bureaucratic regulatory framework and little or no certificate requirement as entry criteria. In Nigeria, informal sector is quoted to have contributed about \$240bn representing 60% explaining a larger economy according to the International Monetary Fund (IMF). According to International Labor Organization Report (1972), activities of informal sector can be viewed from the participatory point of view based on business activities such as;

(a) **Coping Strategies/Survival activities:** this involves economic activities not limited to; temporary jobs, subsistence agriculture, casual jobs, unpaid jobs etc,

(b) **Unofficial activities/illegal business activities:** it has to do with those activities such as; evasion of taxes, and regulation of labor, institutional and government laws.

(c) **Underground Business Activities;** found within this category of informal sector activity are businesses not limited to the following; crime, prostitution, black market, corruption and other unregistered/illegal business.

Low productivity assumption of informal sector is tied to informal economy of countries is as a result of low economic activities while it is one of the major sources of revenue in developing countries (Rafael & Andrei, 2008). Tax regulatory framework of informal sector in Nigeria does not include its activities in the special formalities of government interference. Though earnings from economic activities in the informal sector can only reduce minimally, the poverty level of participants. Globally, countries have cued to a large extent, on the realization of benefits of informal sector participation. According to percentage participation of economies in informal sector is not limited as presented in IMF Report, 2020. "An aggregated economy of countries based on participation is shown in the table below;

Country	% participation	Country	% Participation	Country	% participation
Guatemala	94	Columbia	64	Thailand	43
El Salvador	65	Dominican Republic	51	Uruguay	33
Peru	69	Palestine	52	Brazil	37
Honduras	73	Mexico	54	Panama	40
Uganda	94	Paraguay	64	Albania	43
Nigeria	65				

Source: Culled from IMF Report, 2020.

The information so is two dimensional: government encouragement via tax reduction, infrastructural provision, credit facilities, job creation, demand for goods and services etc. could be the reason for increase in participation in informal sector. Uruguay and Brazil were found to be the lowest with 33 and 37 per cents participations respectively.

Types of Informal Sector

Informal sector is found to exist in different dimensions;

Casual Day Laborers; these are group of job seekers engaged in fending for daily stipend by working as casuals in industries, farm/agriculture, logging and trading services. They receive their wages daily. They are hired hourly or daily. Their employment is irregular as they may be hired today and may not secure job the next day. Their employment is usually short-term. They are paid irregular wages.

Domestic Workers; domestic worker is usually hired to work in apartments. Domestic worker performs house chores in his employer's homes at agreed wage. Domestic worker could a house keeper, security guard, driver/chauffer, gardener chef/cook, cleaner, minders/baby sitters and others.

Industrial Outworkers; these categories of people perform their works in places not supposed to be a business premises usually found in textiles, shoes/foot wears, clothing industries. They perform their duties away from the homes of their employers. When jobs or assignments are given to these people, they take it home to work. Such as launders, shoe menders, bead makers etc.

Undeclared Workers; these are legitimate jobs not regulated by the government but performed in isolation from public view. Reasons for confidentiality may be as a result of tax, social security, health hazards or labor law purposes. Perhaps as a result of low wage rate. Examples are those that package cement in factories, iron smelting factories etc.

Part-time or Temporary workers; these category of workers are employed to work temporarily without regular schedule of duties, assignments or responsibilities. Sometimes temporary workers are not directly employed. They may be outsourced from labour providers without knowledge of their actual wage. Whichever, the category, they are all unsecured employees and do not have social protection or receive workers benefits. These types of work differ from formal sector jobs.

Characteristics of Informal Sector

Informal Sector possesses varying characteristics which differ according to type, namely informal sector characteristics are found based on habitat, enterprises, credit, and habitat (https://www.gdrc.org/informal/1-is_characteristics.html). Specific characteristics of informal sector are not limited to; "(a) Little of no collateral requirements (b) unregulated and non-

subsidized (c) easy accessibility. (d) Low administrative and procedural costs (e) availability in very small size (f) highly flexible transactions and (f) Flexible interest rates.

Informal Sector Economic Activities

Ofori, (2009) in compilation of what constitutes informal sector activities in the economy, listed the activities found in informal sector not to be limited to;

- | | |
|---------------------------|--------------------------|
| • transportation | • information technology |
| • construction, | • livestock |
| • trading | • food Vendor |
| • Fabrication | • credit facilities |
| • spare parts | • Fashion Designing |
| • agriculture | • Vehicle maintenance |
| • footwear works | • Traditional Healing |
| • gold and silver smiting | • Electrical Works |
| • communication | • Hair Dressing |
| • Refrigeration services | • Distilleries |
| • Sand Mining | • Catering |
| • Carpentry | • Tailoring |
| • Painting/Artists | • Moto-cycle Maintenance |
| • Photography | • Rentals |
| • Hawking | • News Vendors |
| • Bricklaying | • Hair Barbing |
| • Fast Food/Catering | • Block Laying |

Source: OECD, (2002)

Economic Relationship between Formal and Informal Sectors

From two viewpoints is the focus of informal sector in impacting on the economy; “Dualism and Structuralism”. To the independent operation is of formal and informal sectors of the economy is the stand point of the Dualists. They believe that few linkages exist between the two economies with informal sector as the lesser economy (OECD, 2002). To the Structuralists, there are linkages between the two economies. They believe that the provision of goods and services to the formal sector come from the informal sector. Their consideration is that while the formal sector of the economy hires workers under informal circumstances, the bigger firms in turn, parts of the manufacturing process are sub-contracted to outside hires to other nations as the case may be. In fact, many formal establishments hire employees under informal circumstances. For example, large manufacturing firms may subcontract certain parts of a manufacturing process to outside hires, some of whom may be located in other countries. Though many are working under informal established firms but are able to increase their take home pays due to tax avoidance and non-payment of social contributions, which increases their wages even as their work is illegal. Entrepreneurs in the informal sector tend to constantly argue for wage reduction which gives rise to constant agitations from workers. The bottom-line is the as taxes are avoided by workers in the informal sector, funds in the hands of government to provide and maintain infrastructure is reduced.

States and Informal sector tax in Nigeria

Informal sector has been severally defined as all the unregistered and household enterprises and do not comply with government tax obligations hence not visible by government tax data base. Majority of Nigeria populace are engaged in informal sector activities. About 85% of

employments in Africa are informal (International Labor Organization Report, 2018). Macro and Medium Scale enterprises are listed in informal sector. They make up about 50% of Nigeria Gross Domestic Product (GDP) and form the major source of economic growth and productivity. Businesses with this category provide most jobs needed to keep the teeming youths out of the roads. Nigeria has an estimated number of 41.5m numbers of Medium and Small and Medium Enterprises while Lagos constitutes 11.5% of the number (MSMEs Report, 2019).

The ratio of informal sector contribution in Africa's GDP growth is led by Nigeria since 2010 as quoted by National Tax Policy (NTP) 2017 and Finance Act, 2019. Tax incentives and Value-Added Tax (VAT) obligations have remained the major challenges of Medium enterprises and Small Scale businesses in Nigeria have remained complex cumbersome tax processes and excessive regulations. As an obligation to government for the provision of services, tax has always been used as a means of bridging the revenue gap by any government. It is an effort to reduce dependency on international borrowings and crude oil proceeds. Available information reviewed that Nigeria has an estimated number of 56, 329 tax paying corporate organizations (companies income tax), 14,823 business/individual tax payers and personal income tax. Out of 3,098,193 businesses, 77,082 pay VAT.

Unfortunately, only 16% Nigerians pay tax as the rest 80% are found in informal sector surpassing global average of 67%. The understanding is that tax payers of about 16.7% are found in large businesses as tax payers and acknowledged by relevant tax authorities.

However, due to global effect of COVID-19 pandemic, it is believed that Nigerian government and states began to find ways of increasing their revenue base hence taxing the informal sector. The effect of COVI-19 which resulted to social distancing has made businesses operators utilize social media as marketing platforms. Consequently, Corporate Affairs Commission (CAC) in response to social distancing rule, began to listing and enumeration of businesses within the country. The volume of businesses trading on social media is on the increase.

Looking at utilization of opportunities provided by the emerging number of enterprises in the informal sector, states had keyed into booming entrepreneurship business to generate huge revenue. Opportunities utilized by the states are not limited to the following;

Rivers State;

Following earlier Informal Sector Tax Stakeholders Committee recommendations (ISTSC) in 2019, the Rivers State Internal Revenue Service (RIRS) began acting on the committee recommendations by taxing informal sector business operators in the state by first dividing the operators in categories and issuing them different rates based on the size and structure using designated banks.

Kwara State;

In a pro-active attempt to boost revenue base, the state's came heavily on informal sector business operators in the state, using the informal sector Tax Directorate (ISTD) and the Presumptive Tax Regulatory (PTR) Act, 2014 or Best Judgments began implementing tax drive on business enterprises in the state.

Lagos State;

Lagos being the greatest state that utilizes and administers tax compliance to the later has volume of internally generated revenue through tax using trade unions outfits

Ogun State;

In 2017, Ogun State in a bid to increase her revenue base, sensitized and educated informal sector operators in the state on modalities for paying annual taxes.

Elsewhere in Africa, informal sector tax has remained the revenue booster. Countries utilizing informal sector operation to enrich their revenue base are not limited to the following;

Kenya;

Kenya had enacted the Finance Act, 2018, repealing existing Provisions Turnover Tax (PTT) and replaced it with a tax law name the PT in 2019 collecting 15% tax as business permits or trading fees which is payable by residents using the iT tax portal at 5% interest and 1% tax due respectively.

Ghana;

Ghana uses Association Taxing (AT) to authorize tax collection in the country. This is done by the local associations in the markets. The percentage of employed in the informal sector in Ghana is about 88% of the workforce.

Brazil;

As a result of economic deterioration and as oil and agriculturally driven economy, Brazil introduced new simple tax regime for small and medium enterprises businesses. She operates one tax document for her six different federal taxes, one state, one municipal tax or Treasury Single Account (TSA) as practice by Nigerian government and less than 10% contributions of her GDP. The simple tax regime excludes businesses with gross revenue more than 4.8 million Brazilian Real.

Tanzania;

The country “Tanzania”, for small and medium scale enterprises, operates what she calls PT tax regime. Taxes are collected through management system based on certain percent of turnover. Where there are no proper accounting records, the business owner pays on estimate. This has remained an effective approach for informal sector tax modality in the country.

Theoretical Framework

Several theories have been provided in academic literature to link informal sector to economic development, income generation, employment etc. some of these theories are; Modernization, Dependency, Neo-liberalism, Structuralism and others. However, this study is propagated on the Modernization Theory propounded by Rostow in 1960 cited in Yusuf, (2011). The theory assumes that social variables can contribute to the development of societies and evolution process. It emphasized that there is possibility of traditional society developing as a result of adoption of modern practices. Proponents were of the view that there is wealth and power in states that their citizens are at liberty to enjoy and experience better living standards. They further opined that technological development and updates in technology, communication and other forms of modern advancement increases production and makes the economy to grow thereby improving the lives of citizens. Modernization theory suggests that traditional societies will develop as they adopt more modern practices. Proponents of modernization theory claim that modern states are wealthier and more powerful and that their citizens are freer to enjoy a higher standard of living. The bottom-line is that human beings and their activities are the agents of change and determines the speed of economic growth and development.

Critiques argue that for change and development to take place, modernization is not enough the process rather would want adoption of free-market operators/ideologists, dependency, globalization and other theories. They argue that modernization process is permanent which must embrace innovations and reforms.

Empirical Evidence

Several Scholars have attempted to come up with universal knowledge of informal sector development; Ismail, Adegbemi, & Onakoya, (2012): Onwe, (2013): Uko, Akpanoyoro & Ekpe, (2020). Widening discussion on this topic is the work of Ezimma, Ifeanyi, Nuel, & Anugwu, (2020) on informal sector and Nigerian economic prospects during the Covid-19 experience. The study qualitatively addressed the experiences of Nigerians during the period as it affects inadequacies in the institutional framework, conditions of workers, shortage of goods and services, low productivity and other challenges. The paper suggested for effective tax system that will ameliorate the effects of the pandemics. There should reduction of taxes in certain areas to encourage production of goods and services to enable the economy grow. Investigating a conceptual quandary into the informal sector, micro-enterprises and small-scale industries by Edusah, (2013), using exploratory approach explained the inability of studies to give a definite definition to the concept “informal sector”, leaving that to countries, bodies, and institutions to determine. Definitions of the concept were reviewed by the study and conclude that it is necessary to modify the heterogeneity definitions. Employment as the key to agreeing on the lasting definition of the concept was conclusion of the paper.

Informal sector role in generating employment and income was investigated by Uko, Akpanoyoro & Ekpe, (2020) using the technique of Ordinary Least Square (OLS) Estimation. The paper discovered daily expanding participation in informal sector in areas of manufacturing, forestry, agriculture retail, wholesale, construction and quarrying etc. expansion of informal sector is as a result of utilization of expanding labor force. Informal sector participation was found to have has significantly increased employment and income but significantly reduced revenue from tax. Incentives, cumbersome taxes, political, in proper records and corruption were found as challenging factors. Political considerations, cumbersome tax mechanism, lack of incentives, poor record keeping and corruption. The will to fight corruptions and review of tax legislations were recommended.

Ismail, Adegbemi and Onakoya, (2012) investigated Informal Sector and Employment Generation in Nigeria using error correction model under the adoption of Solow growth analytical framework. The work found that 1970 to 2010, the teeming labor force in Nigeria was absorbed through informal sector participation. And capital formation is related unemployment. Re-examination of policies on informal sector was recommended. In a related study, by Yusuf, (2012) on “informal sector and employment generation in Nigeria”, using descriptive statistics for the analysis, developed a recognized theory and found that there is significant relationship between informal sector and generation of employment economic growth. Improvement in the informal sector policies was suggested.

In a further study conducted by Mohammed, Abdullahi, Abdullahi, & Omonoyi (2015) on empirical evidence of informal sector impact of socio-economy on financial sector and inclusive growth in North central-Nigeria using a multivariate panel logit model statistic to resolve the barrier to effective participation in the economy to long-run economic development and alleviation of poverty in the region to expand employment opportunities and reduce inequalities. The work revealed that there is a significant relationship between

informal sector and economic growth in the region. And challenges negatively influencing the increase in informal sector participation were identified as poverty, illiteracy, lack of infrastructural facilities and high inflation. The paper suggested for Education of the people on the need entrepreneurship startups was suggested. Using output and employment approach in the study of the role of the informal sector in development of the Nigerian economy, Onwe (2013) using empirical exploratory method in the analysis and found that there has been informal sector expansion in developing countries and helping in the provision of income and employment to the teeming unemployed population. The paper suggested for the need for government to understand the role of informal sector in helping the economy growth.

2. Methodology

This study is both survey quantitative designs. The population was all participants in the informal sector such as operating within Port Harcourt City Local government. Since participants in informal sector have no record of their registered members, we used random sampling technique in selecting 500 samples for the study. Out of 500 distributed questionnaires, correctly filled 400 instruments were returned and used for analysis. Both descriptive and quantitative approaches were used in the analysis of data for this study. While descriptive statistics of percentages, mean and bar charts were utilized in addressing the economic profile of respondents, regression analysis was used for the hypothesis testing.

Data Analysis and Discussion

Table 1. Age Distribution of Respondents

Age (in years)	Frequency	Percentage (%)
18 - 25	105	25.3
26 – 30	84	21.0
31 – 35	63	15.8
36 – 40	95	23.8
45 – and above	53	13.3
Total =	400	100

Source: Author's Computation, 2021

Age distribution of respondents of the analysis in table 1 showed that the highest number of 105 were teenagers found within the age bracket of 18 – to 25 representing 25.3 percent. The second is those respondents within the age bracket of 36 to 40 years of age representing 23.8 per cent. Lowest are those found within 45 and respondents. They represented 13.3 per cent. Respondents within the age brackets of 26 to 30 and 31 to 35 were 84 and 63 representing 21.0 and 15.8 per cents respectively.

Table 2 Gender Distribution of Respondents

Gender	Frequency	Percentage (%)
Male	273	68.25
Female	127	31.75
Total =	400	100

Source: Author's Computation, 2021

For gender, male were highest with 273 respondents while female were 127 respondents representing 68.25 and 31.75 per cents respectively. It is an indication that beside commerce, male are more enterprising than women. Though, women are more into buying and selling than men, the males are more into small-scale manufacturing businesses.

Table 3. Educational Distribution of Respondents

Educational Qualification	Frequency	Percentage (%)
Informal Education	107	42.5
Primary Schl. Cert.	96	24.0
O'Level Certificate	77	19.3
1 st Degree	59	14.8
2 nd Degree & Above	61	15.3
Total =	400	100

Source: Author's Computation, 2021

Considering the educational level of respondents, more of the respondents 107 had no formal education this number represented 42.5 per cents. This is followed by the primary school leavers 96 which represented 24.0. it is imperative to note that the more literate the respondents the more their participation number. Respondents with primary and ordinary level certificates were 96 and 77 representing 24.0 and 19.3 per cents respectively. The least were those with first degree that had 59 representing 14.8 per cents. These set of respondents are more concerned with employed jobs and are not willing to venture into self-employed jobs. The drive to be on their own is not there.

Table 4. Income (Monthly) Distribution of Respondents

Type of Econ. Activities	No. of Enterprises	(%)	Startup Capital(N)	Income (Monthly)
Fabrication	33	8.3	230,000 - 250,000:00	50,500-67500
Footwear Repairer	51	12.8	61,000 - 75,000 :00	17,400-21,000
Phone Maintenance	48	12.0	22,000 - 26,000:00	9,500-16,000
Hair Dressing Saloon	49	12.3	132,500 - 155,000:00	13,500-18,000
Fashion Designing	36	9.0	154,000 - 177,000:00	15,300-21,000
Print/Artist	68	17.0	26,000 - 35,000:00	8,500-14,000
Rentals	43	10.8	134,000 - 150,000:00	13,500 - 22,000
Block Molding	29	7.3	189,000 - 230,000	95,700 - 112,000
Photography	22	5.5	67,000 - 85,500	24,000 - 45,000
Computer Centre	21	2.3	134,000 - 150,000	18,000 - 23,000
Total =	400	100	1,489,500 - 1,418,000	265,900 - 359,500

Source: Author's Compilation, 2021

Results of analysis on table 4 showed the initial capital for setting up of some selected informal sector economic activities and their projected monthly incomes. Highest are those engaged in printing/artistic works among the respondents. They are found to 68, representing 17.0 per cents with projected start up amount of N26, 000 to N35, 000 each with projected monthly income of N8, 500 to N14, and 000 respectively. This is followed by those involved in footwear maintenance with 51 respondents representing 12.8 per cent and with start-up capital of between 61,000 and N75, 000 respectively, with projected monthly return on investment (ROI) of between N17, 400 and N21, 000 respectively. However, the least are respondents found among the computer Center/photocopying operators which showed 21 respondents representing 2.3 per cents with projected start-up of between N134,000 and N150,000, and N18,000 to N23,000 monthly projected income respectively. The selected informal sector economic activities had overall projected start-up amount of between N11, 489,500 to N1, 418,000 and projected revenue of between N265, 900 to N359, 500 only respectively.

Consequently, economic development is a function of sustained economic activities in the country through their contributions to employment, income generation and poverty reduction. The study adopted and modified the work of Akpanoyoro & Ekpo (2020). Applying regression analysis therefore, we have;

$$ED = f(EM, ING, PR, IR) \text{ ----- (1)}$$

Where;

- ED = Economic Development
- EM = Employment
- ING = Income Generation
- PR = Poverty Reduction
- IR = Inflation Reduction

Substituting employment in the formal sector a ratio of the total employment by simplifying equation 1. Informal sector performance expressed as:

$$ED = \beta_0 + \beta_1 EM_t + \beta_2 ING_t + \beta_3 PR_t + \beta_4 IR_t + e_t \text{ (2)}$$

Standardizing the variables, the model is transformed to a log-linear form by taking the logarithm of the independent variables thus;

$$ED = \beta_0 + \beta_1 \ln EM_t + \beta_2 \ln ING_t + \beta_3 \ln PR_t + \beta_4 \ln IR_t + e_t$$

- ED = Economic Development
- ln = Natural Logarithm Connotation
- EM = Employment
- ING = Income Generation
- PR = Poverty Reduction
- IR = Inflation Reduction
- e = Error Term of the Regression Model
- β_0 = Slope of Regression Intercept
- $\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficient of variables showing the direction of relationship

A-Priori Expectations

The a-priori expectation is such that the coefficients of the ROA variables are expected to have positive signs or effect of performance of banks. That is to say that the movements in total number of depositors insured, liquidation dividend, total bank deposits and total bank insured premium are meant to increase ROA of banks in Nigeria.

Set a priori expectation for the study is mathematically expressed thus:

$$\beta_0 < 0, \beta_1 > 0; \beta_2 > 0; \beta_3 > 0; \beta_4 < 0.$$

Data Source and Estimation

Ordinary Least Square technique was adopted in the estimation. Augmented Dickey Fuller (ADF) statistics was adopted in subjecting each variable to stationarity test.

Table 5: Test of Stationarity Unit Root Test (ADF statistics)

Variables	ADF	1%	5%	10%	Remark	I(d)
EM	-3.33131				Constraint	1(1) ^{***}
		3.245057	2.495015	2.133245	Linear trend	
ING	3.725863				Constraint.	1(1) ^{***}
		-3245057	-2.484015	-2.1223345	Linear trend	
PR					Constraint,	1(1) ^{***}
	-3.644381	-3.245057	-2.122345	-2.22345	Linear trend	
IR	-2.066308	-3.611346	-2.871038	-2.2270	Constraint	1(1) ^{**}
					Constraint	1(1) ^{***}
	-3.287835	-5,64206	3.503101	2.338043	Linear trend	
Tax	4.410015				Constraint	1(1) ^{***}
		-3.356784	-2533852	-2.35152	Linear trend	

***= significant at 1%, 5% and 10% respectively

**= significant at 5% and 10% respectively

Analysis in table 5 showed integration of orders one as indicated in the stationarity at first differencing. There is possibility of integration without results of spurious integration.

Table6; Informal Sector Contribution to Employment ratio Dependable Variable D(ED)

Least Square Method

Variable	Coefficient	Std. error	t-stat.	Prob.
C	5.77E+12	5.42E+12	1.0247.6	0.2131
D(ed)	8.00E+12	1.70E+12	3.888547	0.0001
D(ed)			-	
	-245E_11	1.16E+11	2.033602	0.00051
D(ed)			-	
	-2.96E+11	7.23E+11	2.48173	0.00016
ECM(-1)	0.442342	0.184166	2.724534	0.00088

R² = 0.84; R² = 0.83; DW = 1.60; F-stat. = 117.75

Table 6 analysis results revealed significant relationship between informal sector and income generation. This result is consistent with the result of Onwe (2013) which found that there has been informal sector expansion in developing countries and helping in the provision of domestic income and employment to the teeming unemployed population. This could be attributed to free entry into informal sector activities. It also agrees with the work of Farayibi (2015) that is a veritable tool for employment creation, income generation and poverty reduction and the irrespective of educational level, informal sector in the country, it has the capacity to absorb all categories of workers irrespective of their levels of education. Variation of about 95% in gross domestic income is as a result of changes in both informal and formal sectors of the economy. In all, the result explains that there is obvious link between informal and formal sectors of the economy.

Table 7: Revenue Generation and informal Sector Participation

Dependent Variable: Tax

Least Square Method

Variables	coefficient	Std. error	t-stst	Prob
C				
	-7,28E+10	8.37E+10	0.778311-	0.4440
D(espte)	1.62E+10	7.71E+10	0.185728	0.7358
D(epte)	1.65E+12	2.47E+11	0.380300	0.5276
D(psete)				
	-260E+08	2.50E+10	0.863151	0.2305
ECM(-1)	0.484823	0.167846	2.220023	0.0020

R² = 0.55; R² = 0.47; DW = 1.52; F-stat = 5.83

Analyses further revealed in table 7 that there is no positive relationship between informal sector and government revenue though some government revenue is received from informal sector. Again there is doubtful no significant relationship between self-employment and informal sector while significant relationship does not exist between informal sector and tax Revenue the cause is the unregulatory attitude of government on informal sector activities that has denied the government much revenue. This result conforms to the result obtained by Akpanoyoro & Ekpe, (2020) in their study on evaluation of the contributions of informal sector in employment and income generation in Nigeria.

The cash-based economy of Nigerian informal sector witnesses absent of cheque transactions which enables the avoidance and concealing of taxable profit and turnover of businesses. Business operators manipulate their financial records (figures) to reduce amounts payable as tax hence the introduction of cashless policy by Central Bank of Nigeria (CBN). Objectives of the policy became unattainable. The inability of self-employed informal sector participants to keep accurate accounts is a distortion in government's ability to key in the income generation of small-scale businesses and the reason for non-capture of informal sector incomes in the national income account.

Conclusion

The flexible nature of informal sector has shown different reasons for participation and performance of the sector. It is unregistered, unregulated and untaxed. This made tax evasion possible and eventual denial of revenues to the government. The quest to generate revenue to government made mostly state governments begin regulate activities of informal sector by way of tax imposition. The paper found among other results, that there is significant relationship between informal sector and income generation. Variation of about 95% in gross domestic income is as a result of changes in both informal and formal sectors of the economy. In all, the result explains that there is obvious link between informal and formal sectors of the economy. Informal sector participation is an avenue to meet the financial needs of the people and reduce unemployment.

Recommendations

Effectiveness of informal sector participation hinges on the following suggestion proffered in the paper; if government wants to embark on revenue drive through informal sector, she should come up with appropriate policy to regulate the activities of informal sector participation. There should be data base of informal sector activities to be incorporated in the tax scheme of the government to enable effective tax compliance. Policies on registration of businesses should not be made cumbersome as not to deter intending participants in the informal sector activities. Considering the profit level of entrepreneurs in the informal sector, huge tax burden should be discouraged mostly the issue of multiple taxation by state and local governments.

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