

## **Governance Perceptions of Informal Enterprise Operators in Zaria, Nigeria**

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### **Abstract**

*This paper considered the governance perceptions of informal enterprise operators in Zaria, a city in northern Nigeria. Two hundred (200) informal enterprise operators were selected from a stratified sample frame, using systematic random sampling. The paper assessed four institutions of urban governance, using indicators of the principles of Good Urban Governance adapted from the Global Development Research Centre (GDRC). The governance assessment process of the institutions under appraisal revealed a very low total average score of 25.13%, this implied that the governance structure and process in the study area was very poor and required urgent intervention, if the climate for healthy economic development for operators in the informal economy is to be achieved. Other problems identified in the course of the study include, poor information dissemination by governance institutions, lack of micro-credit facility, inadequate business space, inadequate skills development outlets, poor infrastructural provision, and so on. Recommendations were made at the end covering the identified problem areas.*

**Keywords:** Governance, Informal enterprise, Institutions, Operators, Indicators, Assessment

### **1.0 Introduction**

The informal economy plays an important role in promoting employment creation, reducing urban poverty and providing incomes to unskilled and semi-skilled workers who otherwise would be unemployed (Malik 1996). The Nigerian informal economy is the largest and arguably the most dynamic in sub-Saharan Africa (Meagher and Yunusa 1996). Informal enterprises make a significant contribution to the urban economy, they provide between 70 to 80 percent of employment opportunities for citizens in Nigeria (Federal Republic of Nigeria, 2006). Given the economic contributions of the informal economy to the urban economy, urban governance institutions both at national and local levels, need to recognize its importance and make policies that promote its development. Oladimeji (2012) in a study of informal enterprises in Zaria, Nigeria, found that over 70% of informal enterprise operators were youths within the age bracket of 15 and 40. This scenario will tend to be similar in most third world cities, and by implication, since most urban migrants and dwellers are youths seeking for livelihood opportunities, there is a need for urban governance institutions especially in third world cities to facilitate youth development in the informal sector. This will help curb youth problems related to crime, youth restiveness and urban insecurity in cities.

### **1.1 The Research Background**

Zaria urban area is by nature an education and research institutional town, where a few urban residents are engaged in formal white collar jobs, while a large number of residents, particularly youths, mostly engage in informal economic activities as means of livelihoods. Given the scenario, individuals develop initiatives for the creation of livelihoods within the frame of existing governance structures that supports the development of economic activities in the urban economy. The formation of these activities should tend to be supported by the governance institutions in the study area.

This study focuses on how the practices of institutions of urban governance affect informal enterprises within Zaria urban area. It investigates the effects urban governance practices are having on informal enterprises and determines how much of the principles of good urban governance are being applied by the institutions in dealing with informal enterprises in the study area. The following research questions will be answered;

1. How do institutions of urban governance relate to and affect informal enterprise operations in Zaria urban area?
2. What are the policies and programmes needed to enhance the development of youths engaged in informal economic activities in Zaria?

### **1.2 The Concept and Nature of The Informal Economy**

Various studies have been carried out on informal enterprises within the last three decades; Sethuraman (1981), Castells and Portes (1989), Meagher and Yunusa (1996) looked into issues ranging from scale of operation and extra-legality to gender issues and effects of the Structural Adjustment Programme of the World Bank on the informal economy. Adeyinka et al,(2006) focused on the challenges for urban planning, based on the capacity of informal economic activities to generate land use problems such as sprawl, incongruous land uses, building alterations, and so on. Gosen (2008) maintained that informal enterprises that are given technological infrastructure, promotional, informational, and service support through e-governance will have a clear competitive advantage over those that lack such support. Choudhury (2005), in a study of the informal economy in Bangladesh concluded that, a sustaining governance structure to govern the informal economy could have a greater impact on industrialization and income distribution. Other studies by the ILO, and other researchers offer detailed information about the growing size of urban informal economic activities, and how they impact on urban planning. According to CBN and NISER (2001), an informal enterprise is one that operates without binding official regulation as well as one which operates under official regulations that do not compel rendition of official returns on its operations or production process. This concept summarily sees an informal enterprise as one that renders no account to any statutory body. Such enterprises comprise of heterogeneous set of activities, covering almost every field of economic activities, ranging from petty trading and personal services to informal construction, transport, money lending, manufacturing and repairs.

### **1.3 Methodology of the Research**

The survey covered informal enterprise situation with respect to their condition, inclusion in the decision making process, access to space, micro credit, and urban services or infrastructure. The survey also covered the nature of relationships institutions of urban governance have with the enterprises in Zaria, from the perspective of the operators. The aspirations of enterprise operators, and their perceptions of governance institutions were also identified. Data on informal enterprises were obtained through interviews using semi-structured questionnaires and oral interviews. The questionnaires were applied to a randomly selected but stratified sample of enterprises within Zaria urban area to garner their aspirations, and perceptions of governance institutions.

A total of 200 questionnaires were administered within the four administrative districts of Zaria urban area. Stratified random sampling was used to survey enterprises in each of three sub-sector groups of informal enterprises (Retail, service, and production sub-sectors) in each cluster within the study area. Systematic random sampling procedures was then used to select one out of every three informal enterprise subsector within the four districts.(See Table 1)

**Table 1: Sub-sectors of informal economic activities and questionnaire administration**

S/no	Subsectors of Inf. Enterprises	Activities in Subsector	% & no. of Questionnaire
1	Retailing	Hawkers and vendors, DVD and CD retailers, GSM recharge card and accessories, stationery, general provisions, petrol and engine oil, Food vendors, Newspaper vending.	40 % (80 questionnaires)
2	Personal Services & Repairs	Mechanics, Hair dressers, Barbers, cobblers, vulcanisers, photographers, electronic repairs, car and rug wash, GSM repairs, computer repairs.	30 % (60 questionnaires)
3	Production	Carpentry and furniture making, welders, black smiths, Tailors, Local tye and dye, grinding mills.	30 %, (60 questionnaires)
	Total		200 questionnaires

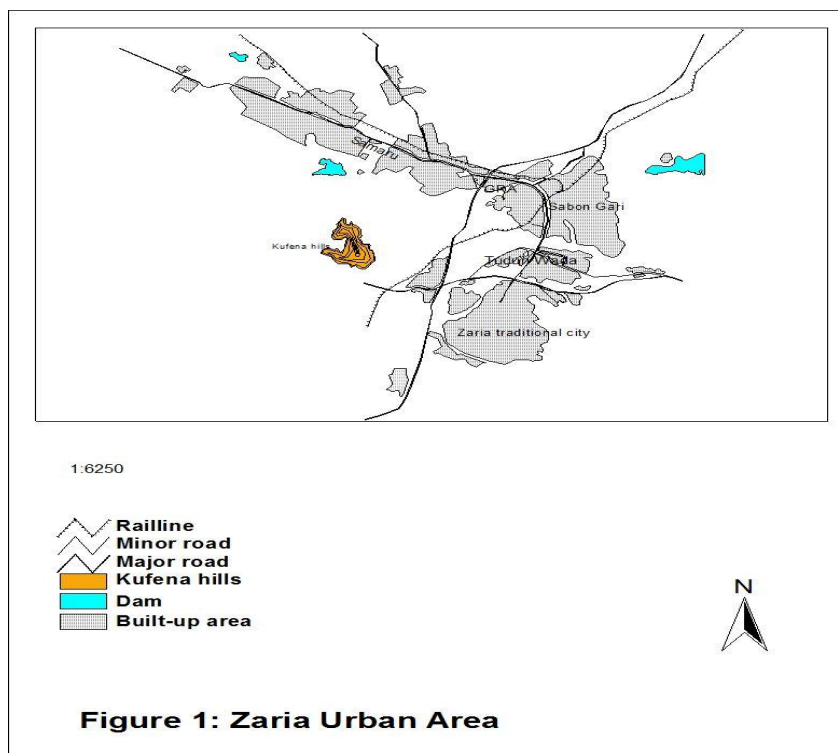
Source: Author 2010

Descriptive and inferential statistics were used to draw inferences and make the necessary generalizations. In addition, the Report Card as adapted from the Global Development Research Centre (GDRC) was utilized to assess the governance institutions in the study area.

**2.0 The Study Area**

Zaria is a town in northern Kaduna State, in the northern part of Nigeria and is located on latitude 11° 04' north and longitude 7° 43' east. It is defined by a 15 Km radius from the PZ post office and is well connected by roads and rail with other regions of the country. Distances from Kaduna, Kano, Jos and Sokoto are approximately; 75 Km, 176 Km, 387 Km and 404 km respectively. Zaria is the second principal town in Kaduna state and home to the Ahmadu Bello University, and a host to several other federal government institutions.

The population of Zaria is approximately 975,153 (projections from 2006 national census). It is made up of two Local Government Councils, Zaria Local Government, consisting of two districts; Zaria walled city and Tudun Wada, and Sabongari Local Government which consists of three districts; Sabon Gari, Samaru, and the Government Reservation Area (GRA). (See figure 1)



**Figure 1: Zaria Urban Area**

### 3.0 The Selected Governance Institutions

This section basically intends to briefly introduce the selected governance institutions that have some bearing on informal economic activities and their development in the study area. They are; The Sabongari and Zaria Local Government Councils, The National Directorate of Employment (NDE) which is usually expected to operate liaison offices in all Local Government Areas within the state. They are also expected to assist willing entrepreneurs to acquire skills and training, and also assist in small and medium enterprise development. The Kaduna State Ministry of Commerce and Industry (KSMCI), and the Kaduna State Urban Planning and Development Authority (KASUPDA).

### 4.0 Characteristics of Informal Enterprises in Zaria

#### 4.1 Age of businesses and financial status

From the questionnaire surveys conducted, 26% of informal enterprises within Zaria urban area have been operating their businesses for less than two years, 24% for between five to seven years, and 18% between eight to ten years. The highest proportion of 32% of enterprises in the sample, have been operating for between three to four years. Indicating that most of them are young enterprises. Also, most operators (52%) started business with less than ten thousand naira, this is a reflection of the subsistent level of this category. while only 12% started with more than fifty thousand naira. Most informal enterprise operators (84%) in Zaria, obtained their start-up capital from personal savings or loans from family members and friends.

#### 4.2 Age and Educational Qualification of Enterprise Operators

The survey also revealed the categories of age groups involved in informal economic activities in Zaria, as shown in Table 2 below.

Table 2 : Age Groups of Informal Enterprise Operators

Age Group	No of Cases	%
15-20	20	10
21-30	82	41
31-40	52	26
41-50	28	14
Above 50	18	9
Total	200	100

Source : Field Survey 2010

The table above shows that 77% of the operators of the Zaria informal enterprises are youths between the ages of 15 to 40. This indicates a potential strength that needs to be harnessed and directed for local development by the local governance institutions in the study area. This will help curb youth problems related to crime, youth restiveness and urban insecurity.

It is also note worthy that 45% of the enterprise operators are secondary school graduates, 25.5% have obtained their primary school certificates, and 13.5% have tertiary education qualifications. Only 16% have no formal education. This implies that most of the operators are enlightened but either do not have sufficient qualification to access white collar jobs or simply lack access to such.

#### 4.3 Problems faced by business operators

The issue of problems facing the enterprises was raised with the operators. Responses to this question generated multiple choice responses, as seen in table 3. The survey shows that 69% of the respondents complained about poor power supply. This was followed by lack of access to business capital (58%). 44% complained about inadequate space to operate their business. It is obvious from the foregoing that the three most frequent complaints by enterprise operators in Zaria are Poor power supply, Poor Micro credit access facilitation and enterprise operation space, respectively.

Table 3: Problems Confronting Informal Enterprises In Zaria

Problems	No. of Cases	% of total respondents
Poor power supply	138	69
Poor water supply	50	25
Poor business premise	21	10.5
Harrassment by Govt officials	68	34
Lack of access to micro-credit Facilities	116	58
Inadequate skills	39	19.5
Too many levies	37	18.5
Difficulty in accessing space to operate	88	44

Source: Field survey 2010

### 5.0 Assessment of Governance Institutions

This section attempted to assess the governance institutions that impact on informal enterprises in the study area. The principles of Good Urban Governance and their indicators were used for the assessment with the adapted Global Development Research Centre (GDRC) Report Card, primary criteria ratings. The points for the ratings viv-a-vis the indicators are; 1 point for very poor, 2 points for poor, 3 points for fair, 4 points for good and 5 points for very good performance respectively.

$$\frac{i * n * 100}{\sum i * n} = G$$

Where i = indicator points

n= No of respondents

$\sum i * n$  = Overall total possible score

100 = Constant

G = Governance % score

The formula above is used to assess the selected institutions against the indicators of the four governance principles considered in this section.

Table 8 gives the final governance ratings after the assessment.

### 5.1 Responsiveness of the Local Governance Institutions

The indicators for responsiveness were found to be better suited to the Zaria and Sabongari Local Government Councils because the indicators fall into their administrative jurisdiction and also they are the resident governance institutions whose practices have more bearing on enterprises in the study area. The indicators are, micro credit facilitation, physical infrastructure provision, space provision and enterprise training. The details are shown on table 4. However, the survey generally revealed a very poor responsiveness in the governance structure of the study area. The total average responsiveness score came up to just 25.1%.

Table 4: Responsiveness of Local Governance Institutions

Indicators	Institutions	Sabongari LG % Score	Zaria LG % Score
Micro Credit Facilitation		20	20
Physical infrastructure provision		20	26.4
Business space provision		35.2	38.8
Enterprise training		20	20
<b>Average % score/Inst,</b>		<b>23.8</b>	<b>26.3</b>
<b>Average total % Score</b>		<b>25.1</b>	

Source: Field Survey Analysis 2010

The only area where the institutions scored above 35% in the ratings was in the area of space provisioning. This could probably be attributed to efforts made by the Local governments and KASUPDA in providing both temporary and permanent business premise space which enterprises pay ground rent for.

The scores for micro credit facilitation, infrastructure provision and enterprise training were all very poor. This shows a great lack of capacity on the part of the institutions.

The opportunities for training and demonstrative loans from the National Directorate of Employment are not reaching most operators that were studied because of the general lack of awareness and also because of nonfunctional liaison offices at the Local Government Headquarters. From 2004 to 2010 only 8 persons in Zaria benefited from demonstrative loans which the NDE usually gives to trainees. And from the NDE Kaduna Zonal office records, only 28 enterprises in the service sector (Generator repairs and GSM repairs) from Zaria urban area benefited from training opportunities with the Institution between 2009 and 2010. However, when one considers the survey results about 20% of informal operators largely in the service and production subsectors of the informal economy in Zaria are seeking for training opportunities, but seem to be ignorant of the ways to tap the available opportunities at the NDE. This indicates a poor public enlightenment system in the study area.

## 5.2 Accountability and Transparency of Governance Institutions

The indicators for this were found to be more pertinent to the institutions which have more to do with local governance and financial issues in their relationship with informal enterprises. The institutions are the Ministry of Commerce and Industry and the two Local Government councils. The governance score from the Surveys and enterprise operators' perception was 20.1% (see Table 5), which reflects very poor governance. There is no town hall kind of forum for the general public or informal enterprise operators to air their views or ask governance institutions questions. Also, during the surveys, officials at the Institutions surveyed were generally not willing to divulge information on revenue collection, this reflects a lack of transparency on the part of the institutions.

Table 5: Accountability and Transparency

Indicators	Institution	MCI % Score	Sabongari LG % Score	Zaria LG % Score
Regular, organized and open consultations of citizens on city financial matters and other important issues.		20	20	20
Removal of administrative and procedural incentives for corruption		20.7	20	20
<b>Ave.% score/Inst.</b>		<b>20.4</b>	<b>20</b>	<b>20</b>
<b>Average total % Score</b>		<b>20.1</b>		

Source: Field Survey Analysis 2010

It was also clear from the surveys that incentives for corruption among officials from the institutions were still operational in the study area. The most common frequency of business levy payment found in the survey was the annual payment of fees/levies (52%). 41% said they paid on irregular basis, while 7% made no response. The irregular payments were being made mostly by enterprises that were not making formal payments to institutions and therefore had to resort to unreceipted payments on irregular basis. This shows a lack of accountability and transparency in government revenue collection.

## 5.3 Subsidiarity of Governance Institutions in Zaria Urban Area

With regards to the indicators of subsidiarity the indicators were applied to assess MCI, NDE and KASUPDA, because they are expected to have zonal representation and create awareness on their activities and the opportunities available to citizens in the study area. Unlike the Local government councils which are resident in the study area. The general subsidiarity average score is 28.6% and implies that governance is still very poor.

Table 6: Subsidiarity Assessment of Governance Institutions

Institution Indicators	MCI % Score	NDE % Score	KASUPDA % Score
Awareness of Institution Projects and Programmes	33.9	21.4	52.1
Impact of local economic development Initiatives by institutions	22.5	21.7	20
Ave.% score/Inst.	28.2	21.6	36.1
Average total % Score	28.6		

Source: Field Survey Analysis 2010

From table 6, the subsidiarity score for the institutions is very poor, even though most respondents gave a fair score of 52.1% to KASUPDA on the awareness indicator, showing that operators are largely familiar with the activities of the institution. The National Directorate of Employment for instance, has projects and programmes that are beneficial to operators of informal enterprises, however NDE presence in the study area is very weak, since their liaison offices are virtually nonfunctional and also there is a very low awareness of their projects and programmes among enterprise operators in Zaria Urban area.

#### 5.4 Efficiency of Governance Institutions

The indicators for efficiency are; available manpower dedicated to handling informal enterprise issues and clear objectives and targets for the provision of public services needed by enterprises. The general average score on efficiency was 26.7% which is also a very poor reflection of governance in the study area. The Local governments lack local economic development policies that could pave the way to creating an enabling environment for informal enterprises to thrive and officials that attend to enterprise operators are merely revenue collection officers with no expertise on local economic development plan formulation. Furthermore, the survey revealed a weak linkage between the institutions surveyed. There was poor interaction and lack of collaboration between institutions like the NDE, the Local Government Councils, KASUPDA, and the Ministry of Commerce and industry. An example is seen in the failure to provide functional liaison services in Zaria by the NDE and Local Governments. The NDE appears to be the most efficient considering their projects, programmes and knowledge in micro and small enterprise development but as a result of the low awareness level in the study area, they also rated very poor in efficiency.

Table 7: Efficiency of Institutions

Institution Indicators	Sabongari LG % Score	Zaria LG % Score	MCI % Score	NDE % Score	KASUPDA % Score
Available manpower dedicated to attending to informal enterprise issues	26.4	28.6	34.7	24.5	23.9
clear objectives and targets for the provision of public services needed by enterprises	20	20	31.2	28.4	28.6
Ave.% score/Inst.	23.2	24.3	33	26.5	26.3
Ave.Total % Score	26.7				

Source: Field Survey Analysis 2010

The very poor scores in the efficiency assessment of the institutions in Table 7 is expected because the survey also revealed that apart from the NDE Kaduna Zonal office, all other institutions did not have officials who attend to the development of informal enterprises. What is obtainable is more of officials dedicated to collection of business levies.

### 5.5 Summary on Assessment of Governance Institutions By Informal Enterprise Operators.

The ratings adapted from the GDRC Urban Governance, Sourcebook of Indicators, as reflected in Table 8 was utilized to give a final governance assessment score on Table 9.

Table 8: Ratings for Assessing Urban Governance institutions

Ratings	
<b>80 – 100%</b>	<b>Excellent</b> , Governance institutions should be commended.
<b>65 – 79%</b>	<b>Good governance</b> , but full potential not yet tapped.
<b>50 – 64%</b>	<b>Fair governance</b> , can still do much better
<b>35 – 49%</b>	<b>Poor governance</b> , more commitment and effort needed.
<b>Below 35%</b>	<b>Very poor governance</b> , complete overhauling of the system required.

Adapted by Author from; Urban Governance; A Sourcebook On Indicators, by GDRC (2010)

Table 9: Summary of Governance Assessment Criteria for Informal Economic Activities in Zaria Urban Area

Criteria	Total % Score
Responsiveness	<b>25.1</b>
Accountability and Transparency	<b>20.1</b>
Subsidiarity	<b>28.6</b>
Efficiency	<b>26.7</b>
<b>Grand Total</b>	<b>100.5</b>
<b>Average Total % Score</b>	<b>25.13</b>

Source: Author, 2010

Total average score of Governance Institutions in governance of informal economic activities in Zaria Urban Area is **25.13%**. This shows that the score is below 35% which means the governance process and structure is very poor and requires a complete makeover. This score is certainly a reflection of the structure of the governance institutions considered in this study. The institutions require restructuring and proper administrative linkages between institutions if better governance for informal enterprises can be achieved in the study area.

### 6.0 Summary of Findings

The burdens of the administrative fees and rent have the potential of stifling micro informal enterprises. Apparently, the Local Governments will have to do more in providing organized spaces at more affordable rates if the street clutter created by on-street informal economic activities is to be reduced in Zaria. It is also obvious that the governance institutions in Zaria urban area exist and operate in isolation from each other. There is clearly no cooperation and collaboration between institutions that have to do with informal enterprise issues. There is no local economic development plan that bring institutions together and that caters to informal economic activities or the general city economy. This is clearly seen in the efficiency assessment of governance institutions. Another clear finding in the study, is the fact that there are no incentives to boost the development of informal economic activities in the study area. This is evident because there is no drive by the Local Government Councils to facilitate access to micro-credit and training opportunities to boost capital flow and skill development to the town. The NDE Liaison offices are non functional and most micro enterprises in the study area are largely ignorant of the procedures for accessing skill development opportunities with the NDE because there is no proper information dissemination mechanism for the general public in the study area. Apparently, power supply, micro-credit and adequate space for business activities are on the front burner of needs for informal enterprise operators in Zaria urban area. The Report Card governance assessment process which gave governance institutions in Zaria, an overall score of 25.13% is also a strong indication that citizens and operators involved in informal economic activities in the town lack confidence in the ability of governance institutions to provide them with an enabling environment for their businesses to thrive.



## **7.0 Recommendations**

### **7.1 Cooperation and Collaboration between Urban Governance Institutions**

There is therefore the need for the NDE, KASUPDA, and The Ministry of Commerce and Industry (MCI) to ensure operational and functional liaison offices with physical presence at the two LGC headquarters. Beyond this arrangement, all governance institutions will then need to work in synergy towards local economic development planning and policy formulation to foster an enabling environment for actors in the urban economy and more especially for the development of youths engaged in informal economic activities in Zaria Urban Area. That way modalities can be worked out for training and skill acquisition, micro-credit facilitation, infrastructural provision, business space and organization strategies and so on.

### **7.2 Town Hall Meetings**

To enhance responsiveness, accountability and transparency by governance institutions, it will be worthwhile for them to organize town hall meetings at least annually so that there can be open consultations with the public on economic development especially for informal enterprise development.

### **7.3 Capacity Building for Local Government Officials**

To ensure that local government officials contribute efficiently to informal enterprise development in Zaria, there will be need for training and retraining of officials, so that they can make valid contributions in the area of policy formulation and training of enterprise operators.

### **7.4 Provision of More Business Space**

There is a need for the Local Government Councils to work out modalities for creating more business space locations at subsidized rates to meet the needs of enterprise operators and reduce vehicular carriageway congestion

### **7.5 Facilitation of Micro-Credit for Informal Enterprise Development**

Choudhury (2005) in his study of Bangladesh stipulated that, introducing joint or collective liability as a substitute for collateral has more impact for the growth of informal enterprise. To achieve micro-credit facilitation in Zaria, the LGCs may have to help out in organizing informal enterprises into unions so as to achieve collective liability towards obtaining credit from financial organizations.

## **8.0 Conclusion**

It is clear from the findings of this study that the institutional governance system in Zaria is presently not ensuring the healthy growth of informal enterprises. For an enabling environment for informal enterprise development in the study area, the institutions of urban governance need to create the will to implement the recommendations given in this study. This is against the backdrop that the bulk of those engaged in informal economic activities are youths who are a vital force in the development of any society. Therefore to reduce urban poverty and boost local economic development, institutions of urban governance in Zaria must pay attention to informal enterprise development.

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