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Mitigating Rural Poverty in Taraba State: Informal Economy to the Rescue

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Abstract

This study examines the relationship between informal enterprises and rural poverty in Taraba State, Nigeria, within the context of widespread deprivation marked by hunger, malnutrition, inequality, and infrastructural deficits, particularly in rural communities. Guided by the rational choice paradigm, the research explores how informal sector activities can serve as a viable strategy for poverty alleviation. Data were collected from business premises in five areas of Jalingo metropolis: ATC, Mile 6, Mayo Dassa, Mayo Gwoi, and Magami, selected for their distinctive characteristics and concentration of informal economic activities. Statistical tables were used for data presentation, while a descriptive approach was employed for analysis. Findings reveal that informal enterprises, when encouraged and properly coordinated, can significantly contribute to reducing rural poverty. The study recommends that policymakers provide financial support, essential infrastructure, and an enabling environment for informal sector growth, as it holds substantial potential for minimizing poverty levels in rural communities.

Keywords: Informal Economy; Rural Poverty; Rational Choice; Rural Communities; Enterprises; Taraba

Introduction

In contemporary societies especially in the developing countries, citizens are struggling with high levels of poverty in rural communities. The informal economy has therefore been advocated by many experts as a novel means of reducing poverty. The rate of poverty in these areas is on the increase and with astronomical speed cutting across genders and regions. The rural enclaves have been much more affected due to a plethora of factors ranging from inadequate opportunities, inconsistency in government policies and agenda, unstable political climate, inadequacy of capital, low market, inability of individuals to "think outside the box", etc. they tend to grapple with the challenges posed and presented by technology, globalization and urbanization in their quest to escape profound poverty. However, informal entrepreneurship is critical to achieving rural poverty reduction targets while relying on the modern or formal economic foundations for livelihoods seems to be non-feasible any longer, therefore circumstances reveal the potency of the informal sector in augmenting the remedies required to bridge the poverty gaps in rural areas.

Studies have revealed that in spite of the country's recent economic growth, Nigeria's poverty rate is put at 40.1% with Sokoto state having the highest incidence of poverty put at 87.73% (National Bureau of Statistics, 2021). A country's real Gross Domestic Product (GDP) growth rate may be rising, ironically that may not convincingly translate to any real socio-economic services in terms of employment opportunities, poverty reduction and improvement in the general living conditions of the citizenry (Aidelunuoghene, 2014). It is paradoxical that in spite of global fight against poverty especially in the developing countries, people suffering from rural poverty is increasing (Osei and Zhuang, 2020). This suggests that escaping poverty is way beyond living above the national poverty line of $1.90. However, as the world economy changed from the state-led domination of the 1970's to market-led economic forces in the 1990's and now to an increasingly integrated and globalised world economic growth, the share of informal economy is on the increase. Available statistics shows that the informal economy is fast trending in developing countries with more rural societies opting for its operations due largely to their inability to cope with the formal structures of the economy.

Informal economy constitutes about 72 per cent of the entire economy in sub-Saharan Africa. It is estimated that informal work account for almost 80 percent of nonagricultural employment, and over 60 percent of urban employment and over 90 percent of new jobs over the past decade or so (Chen, 2002).

Available data reveals that 90 million people in Nigeria are living below the national poverty line. Of this, rural poverty accounts for about 47.25% of total poverty population in the country. The data also projected that the number of poor Nigerians would hit 95.1 million as not less than 5 million Nigerians is expected to slip into poverty by 2022 (World Bank, 2020). Although successive governments have tried to slow down the spread of poverty, the efforts seem to be either inadequate or not sustained (Enganya, 2019). This has made poverty to however, deepen for the current poor, while those households that were just above the poverty line prior to the Covid-19 crisis fell into poverty (Premium Times, 2022).

Poverty reduction has been central in development debates in the past two decades, with the success of development policies being measured according to how well they tackle poverty. Poverty reduction can be measured using income poverty measures or by analyzing the extent to which the overall socioeconomic wellbeing of people has been enhanced.

In Taraba state, poverty incidence is put at 87.72% making it the 2nd poorest in Nigeria (Statista, 2022). This, coupled with the near absence of consistent government policy in sight to check the spiraling effect of widespread poverty, the situation seems to be worrisome especially considering the fact that the state is not deficient in both human and natural resources. With the state known in some quarters as a "salary state", but riddled with inconsistent payment of salaries to civil servants, the purchasing power of individuals has been grossly reduced hence, accentuating poverty situations. This is therefore, not surprising that the informal sector has witnessed influx of working class citizens undertaking one form of enterprise or the other in order to mitigate the effect of poverty through increased income.

It is in line with this paradigmatic shift that this study intends to explore the various opportunities available in the informal sector and then interrogate and rethink poverty alleviating models in our rural communities. The result, it is believed, would go long way to give an insight into the ubiquity of poverty and despondency among rural folk

Statement of the Problem

Rural poverty remains a significant challenge in Taraba State, Nigeria, despite various governmental and non-governmental interventions aimed at improving the living standards of the rural populace. The formal economy in the region has been unable to adequately address the economic needs of the rural population due to several factors, including limited access to formal employment, insufficient infrastructure, and inadequate government support for rural development initiatives. As a result, a significant portion of the rural population relies on the informal economy for survival.

The informal economy in Taraba State encompasses a wide range of activities, including subsistence farming, petty trading, artisanal crafts, and informal services. Despite its prevalence and importance, the informal economy often operates outside the purview of formal economic policies and lacks the necessary support to thrive and contribute effectively to poverty alleviation. This situation is exacerbated by the lack of access to credit facilities, inadequate training and skills development, and poor market linkages, which hinder the potential of the informal economy to serve as a viable pathway out of poverty.

Furthermore, the informal economy in Taraba State is characterized by high levels of vulnerability, with participants facing issues such as income instability, lack of social protection, and exposure to exploitation. These challenges make it difficult for the informal economy to generate sustainable livelihoods and contribute meaningfully to the reduction of rural poverty. Given these realities, there is an urgent need to explore how the informal economy can be harnessed and strengthened to mitigate rural poverty in Taraba State. This study seeks to address the gaps in understanding the role of the informal economy in poverty alleviation and to identify strategies that can enhance its effectiveness in improving the livelihoods of the rural poor. By focusing on the potential of the informal economy, this research aims to contribute to the development of policies and interventions that can empower rural communities and reduce poverty in Taraba State.

Review of Related Literature

Informal Economy

The informal sector denotes economic activities that obtain outside the formal standard of economic transaction established by the state and formal business practices, although it may not be illegal. According to the Africa Development Bank (AFDB), the prominence of the informal sector stems from the opportunities it offers to the most vulnerable populations such as the poorest, women and youth. The informal sector is an opportunity for generating reasonable incomes for many people in the rural areas (Ukpo et al, 2020).

The informal sector of national economies has become a central issue among government and researchers in terms of being an alternative and available source of employment and income opportunities ((Tamunomiebi and Ukachukwu, 2018 cited in Uko & Akpanoyoro, 2020). Several activities are considered informal in nature because they fall short of the standard formal arrangements in contemporary societies. The informal sector in the Nigeria context is unstructured with unregulated activities that create the environment for unfair labour practices due to non-protection of workers within this sector (Ikeije et al, 2016). Some of these activities involve lack of appropriate business permit tax evasion, non-compliance with labour regulations, governing contracts and work conditions and the non-existence of legal guarantees between suppliers and clients (Bromley 1978 cited in Fasanya & Onakoya (2012)

Interestingly, the informal economy consists of small scale economic activities such as barbing, street trading/vendoring, hairdressing, retailing, shoemaking, textile dyeing, video renting, and generally production and distribution of goods and services in lesser quantities. The informality of this kind of economic adventure makes the products affordable and accessible to low income earners in both rural and urban centres, and also hugely unregulated by governmental bodies therefore making it less cumbersome to manage. Informal entrepreneurial activities thrive in augmenting rural income generation due to its ability to bypass the many encumbrances faced by the formal sector.

Informal economy for instance has so many pseudonyms; it was called irregular economy by Ferman et al (1973), the subterranean economy by Guttmann (1977), the underground economy by Simon (1982). Abumere (1989) described the economy as invisible, hidden, shadow, non- official, unrecorded, imperfectly recorded in the official national accounting systems (Yusuff, 2011) and similarly, sobriquets like underground economy, shadow economy, unofficial economy, parallel economy, clandestine economy, hidden or black economy are ascribed to it (Mughal and Schneider, 2018) at one time or the other.

Characterized variously as informal associations, grassroots organizations and communal networks, these informal networks are presented as independent of the state and able to respond more effectively and democratically as state institutions to the economic and social needs of the population (World Bank, 1989).

According to Omodero (2018) cited in Uko et al (2020), underground economic activities have remained a prevalent universal economic scenario and are even more predominant in the developing countries where they are regarded as the major means of sustenance for the masses (Omodero, 2019)

International Conference of Labour Statisticians (ICLS), (2003) identified informal businesses as small and family-run or run by a single entrepreneur. It includes own-account workers employed in their own informal sector enterprises, employers employed in their own informal sector enterprises, contributing family workers irrespective of whether they work in the formal or informal sectors enterprises. Others include members of informal producers' co-operatives employees holding informal jobs whether employed by formal sector enterprises or informal sector enterprises .Informal sector businesses also include, domestic workers employed by households, own- account workers engaged in the production of goods exclusively for own final use by their household .Other examples from the informal economy include workers operating off the books for cash, such as: street vendors, construction workers, and taxi drivers, home based workers, micro, and small-scale members of informal producers. Tokman (2001) noted that, there is often no clear distinction between formal and informal sectors labour as large factories, and state-run enterprises have informal labour forces working beside their formal counterparts.

Rural Poverty and Poverty Reduction

Poverty is a universal phenomenon that cut across both developed and developing countries. In Nigeria, poverty is deep, widespread and multidimensional, and Nigerians are all victims of this condition in one way or the other even though the degree differs. However, available statistics reveals that poverty is more pronounced among the rural dwellers that form 70% of the country's population. Sasu (2022) contends that almost 80% of people living in households with at least 20 persons in rural areas lived below the poverty line. Efforts by successive government to eradicate poverty especially in the rural areas since independence have not yielded any desirable result in spite of huge amount of resources committed to it.

To Ojeifo S.A (2014), "poverty is hunger, poverty is lack of shelter, poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom. Poverty is a state of being without a state of hardship and lack of resources across a wide range of circumstances".

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Development cannot occur in a poverty-stricken society where there's a dearth of holistic approach and roadmaps to confront this ugly phenomenon headlong. This agrees with the assertion that poverty is a key issue restricting rural sustainable development; concurrently, regional land degradation impedes agricultural development and rural revitalization (Liu, Y & Wang, Y, 2019). Rural poverty is directly related to land resource endowment, quality, and utilization. Poverty-stricken areas are usually correlated with poor man-land relationships.

Globally, extreme poverty continues to be a rural phenomenon despite increasing urbanization. Of the world's 1.2 billion extremely poor people, 75% live in rural areas and for the most part they depend on agriculture, forestry, fisheries and related activities for survival (Anriquez & Stamoulis, 2007). Rural areas are so-called for the fact that they lack basic social amenities such as good roads, health care, power supply, pipe-borne drinkable water, schools and markets, whether or not they are distant from urban areas (Ajide, 2013).

Despite the plethora of anti-poverty programs and policies over the years in Nigeria, poverty remains a serious problem. The size of Nigeria's population makes it difficult to alleviate poverty by directing strategies at the national level, rather than basing strategy in the zones (Jaiyeola & Bayat (2019). In a related by the World bank, it is discovered that Sluggish growth, low human capital, labor market weaknesses, and exposure to shocks are holding Nigeria's poverty reduction back" (World Bank Report, 2022). The report further notes that jobs do not translate Nigerians' hard work into an exit from poverty, as most workers are engaged in small-scale household farm and non-farm enterprises. This calls for systematic decentralization of poverty reduction strategies where local beneficiaries should be incorporated into the core programs for effective results.

Rural infrastructure in Nigeria has long been neglected. Investments in health, education and water supply have been focused on the cities. Neglect of rural infrastructures affects the profitability of agricultural production. The lack of rural roads impedes the marketing of agricultural commodities, prevents farmers from selling their produce at reasonable prices, and lead to spoilage (Aidelunuoghene, 2014). Accordingly, the Nigerian Human Development Report (2016), poverty is endemic, real and devastating. Food, housing and health are great challenges in Nigeria. This informs why the new World Bank report brings together the latest evidence on the profile and drivers of poverty in Nigeria, as many as 4 in 10 Nigerians live below the national poverty line. Many Nigerians, especially in the country's north – also lack education and access to basic infrastructure, such as electricity, safe drinking water, and improved sanitation.)https://www.worldbank.org/en/news/press-release/2022/03/21/afw-deep-structural-reforms-guided-by-evidence-are-urgently-needed-to-lift-millions-of-nigerians-out-of-poverty).

Informal sector tends to instigate economic gains that mitigates poverty in rural dwellers due mainly to the limited absorptive and wealth creation capacity of the formal sector; informal sector is therefore the "the backbone of the formal sector" (Uko, Akpanoyoro & Polycarp, 2020).

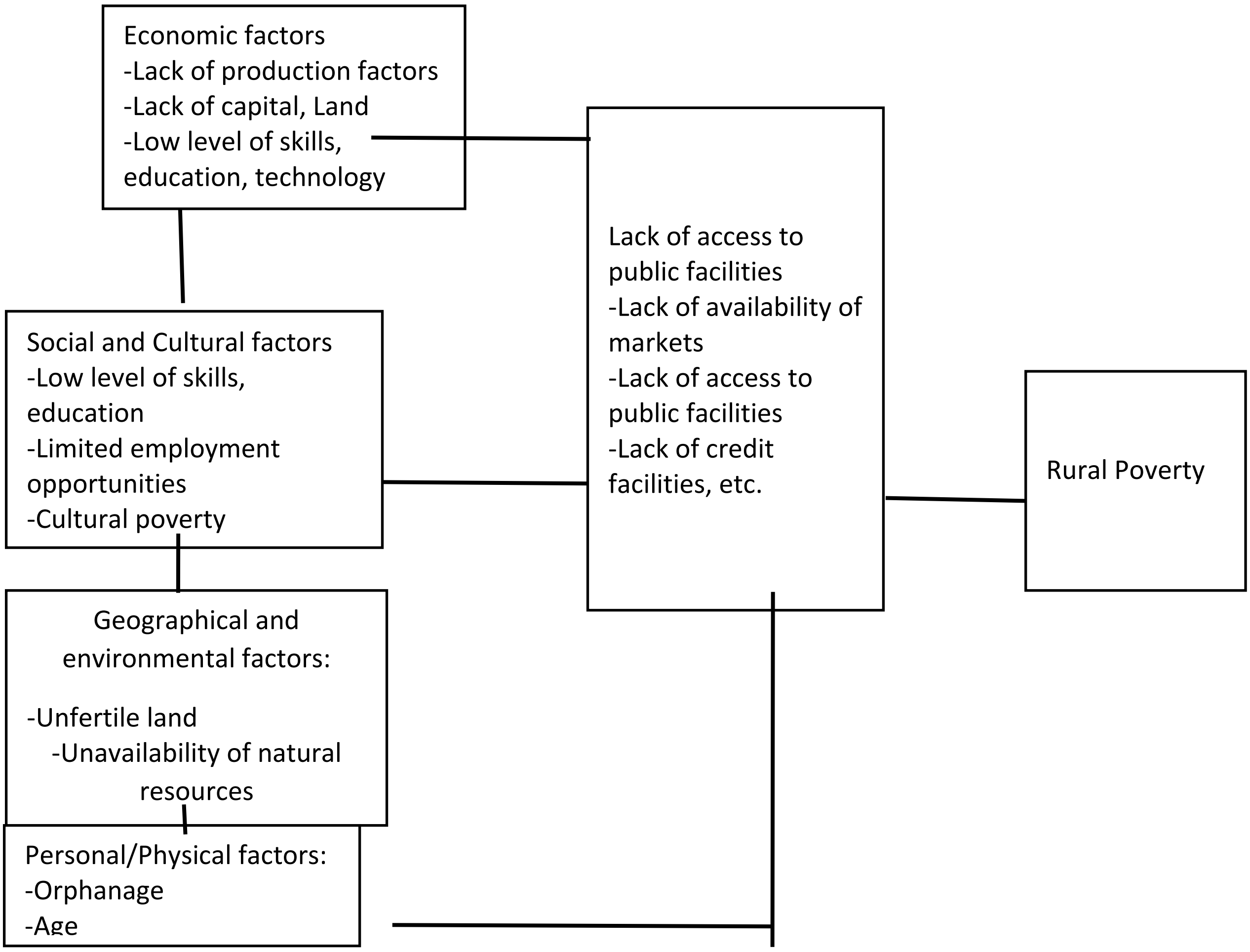
The monstrosity of poverty in rural areas has rendered many households incapacitated with debilitating conditions that is better imagined than felt. However, several poverty alleviation measures have been taken successive governments in Nigeria over the years. The most recent include CSDP, YOUWIN, Social Intervention Programme, etc.

Drivers of Rural Poverty in Nigeria

Rural poverty is a multidimensional tragedy that is generally triggered by so many factors including culture, climate, gender, low capital, low investments, market dynamics and government policies. Khan (2001) asserted that rural poverty accounts for nearly 63% of poverty worldwide, reaching between 60 and 90% in sub-Saharan Africa. He further identified the process of creating rural poverty to include political instability, systemic discrimination on the basis of gender, race, ethnicity, religion, or caste, ill-defined property rights or unfair enforcement of rights to agricultural land and other natural resources; corrupt politicians and rent-seeking public bureaucracies, economic policies that discriminate against or excludes the rural poor and accentuates the effects of other poverty-creating processes; external shocks owing to changes in the state of nature and conditions in the international economy.

In a related study, some of the major causes of rural poverty is simplified in the figure below:

Figure 1:



(https://www.researchgate.net/figure/Some-possible-factors-leading-to-rural-poverty_fig1_238327646).

Theoretical Underpinnings

Neo-liberal perspective and rational choice paradigm have been adopted as theoretical frameworks in this study.

Neo-liberal perspective school of thought presupposes that there's need to encourage free trade, private enterprise and also concerned with the efficient functioning of free market capitalism which focus on limiting government regulatory grips. It further supports that rather than to portray informal economy as a survival practice conducted out of necessity by marginalized populations, a neo-liberal perspective has instead contended that the growth of informal enterprises signals how many are choosing to voluntarily exit the formal economy. Here, informal entrepreneurs are heroes rejecting the bureaucratic shackles of an over-regulated state (De Soto, 1989) and informal entrepreneurship is a direct response to the over-regulation of the market (De Soto, 1989). They are said to choose to work informally to avoid the costs, time and effort of formal registrations (Biles, 2009; De Soto, 1989, 2001; Perry and Maloney, 2007; Small Business Council, 2004) and such informal economy operation is a sign of the popular resistance to over-regulation. It is a rational economic tactic voluntarily pursued by entrepreneurs stifled by state-imposed constraints (Maloney, 2004; Packard, 2007). Gardener's rational choice theory assumes that individuals always want to maximize their satisfaction given the available information on the benefits and costs of their action in the informal sector.

Results and Discussion

Table 1: Demographic Characteristics of Respondents

	Gender	Number	Percentage
	Male	45	53
	Female	40	47
	Total	**85**	**100**
Age			
	18-25	21	24.7
	26-30	28	32.9
	31-40	25	29.4
	Above 40	11	12.9
	Total	**85**	**100**
Marital Status			
	Married	38	44.7
	Single	26	30.6
	Divorced	8	9.4
	Widowed	13	15.3

Total	**85**	**100**
Educational Qualification		
Tertiary	28	33
Secondary	22	25.9
Primary	18	21.1
Quranic	6	11.7
No Formal Education	12	15.3
Total	**85**	**100**

Source: Author's Survey, 2023.

From the table above, it can be seen that respondents cut across both genders where 45 out of 85 of people interviewed are males, representing 53% whereas 40 are females representing 47%. This goes to show that gender is not a barrier in experiencing and fighting poverty as the informal sector seamlessly accommodates everyone without discrimination.

The age category depicts that majority of those engaged in informal enterprises are within the youth bracket where those between 26 and 30 years of age dominating the sector and accounted for about 32.9%.

From the distribution of respondents based on marital status, the study reveals that majority are married and therefore have dependent population. This group accounts for 44.7% of total population, whereas 15.3% are widowed and 9.4% are divorcees. The large number of married respondents shows that operators in this sector possess some level of mental composure required to manage the rigours associated with activities in the informal sector.

On their educational backgrounds, results show that majority of the respondents (33%) have acquired tertiary education while secondary education 22 others representing 25.9% of the total population. Also, 18 of the respondents representing 21.1% had primary education as highest qualification. 11.7% of them have attained Qur'anic education while 15.3% had no formal education. This shows that informal enterprises are not exclusive preserve for any category of persons but can be ventured into by all irrespective of educational background including school leavers.

Table 2: Distribution of respondents according to source of capital:

Source of capital	Frequency	Percentage
Bank Loans	10	11.7
Loan from Cooperatives	20	23.5
Personal savings	30	35.3
Loans from family members/friends	13	15.3
Other sources	12	14.1
Total	**85**	**100**

Source: Author's Survey, 2023.

From the table above, personal savings account for majority of the main source of income for respondents and closely followed by loans from cooperative societies. Securing bank loans remains the least from the above distribution table with a paltry 10 respondents representing 11.7% having being successful.

Table 3: Distribution of the Respondents by Informal Businesses in Rural Communities.

Informal Enterprise	Frequency	Percentage
Barbing/Hair Dressing salon	25	29.4
Provisions stores	15	17.6
Furniture/Carpentry	10	11.8
Fashion & Tailoring	25	29.4
Shoe Making	10	11.8
Total	**85**	**100**

Source: Author's Survey, 2023.

The above shows that barbing/hair dressing salons and fashion and tailoring services dominate the activities in the informal sector, according to respondents. Both enterprises account for about 60% of total activities, closely followed by dealers in provision stores which polled 17.6%.

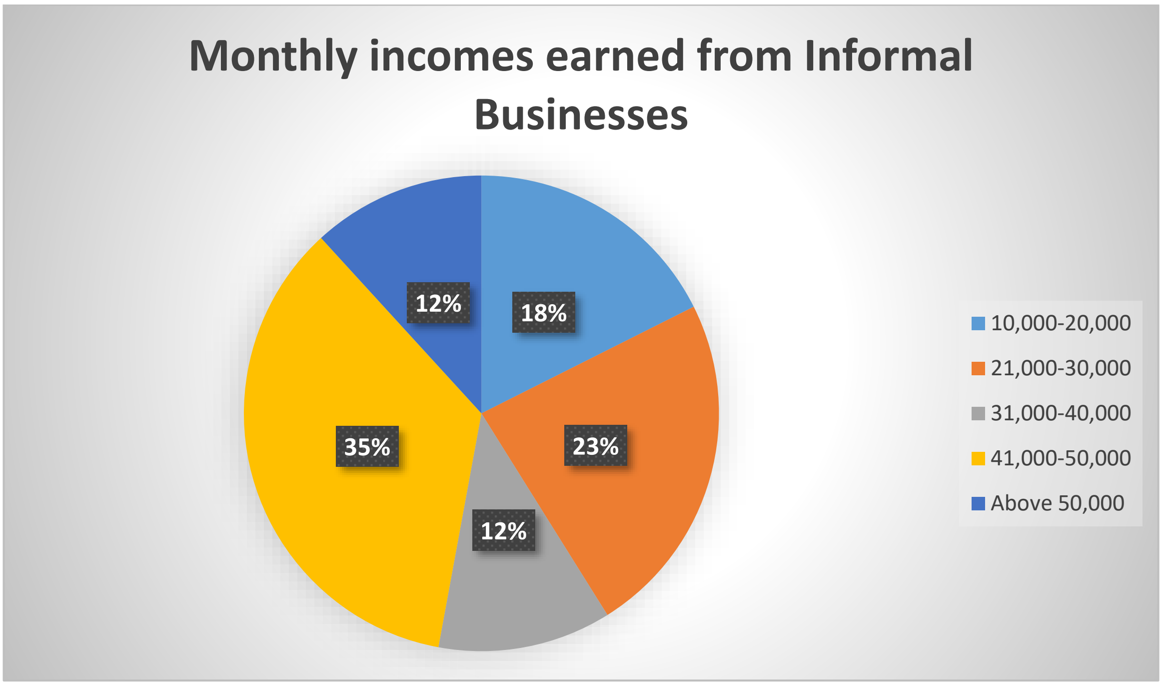


Figure 2: A pie chart showing monthly income range of respondents operating informal enterprises.

Source: Author's Survey, 2023.

Earnings from operators above depict that well over 80% goes home with more than N20,000 monthly with 47% earning above N40,000 on monthly basis. This goes to show that these enterprises, if reorganized for optimum output, possess the capability of mitigating rural poverty as poverty line is $1.90.

Table 4: Distribution of the respondents according to their ability to meet financial obligations:

Variable	Frequency	Percentage
Very Able	30	35.3
Barely Able	35	41.2
Unable	20	23.5
Total	**85**	**100**

Source: Author's Survey, 2023.

The 76.5% of respondents in the table above have admitted that the informal enterprises they engage in have enable them to meet up with their financial obligations and household needs. However, about 23.5% of them lamented that meeting these obligations has been a herculean task.

Table 5: The Informal enterprise Potentials for Rural Poverty reduction

	Capable	%	Incapable	%
Barbing/Hair Dressing salon	20	80	5	20
Provisions store	12	80	3	20
Furniture/Carpentry	7	70	3	30
Fashion & Tailoring	21	84	4	16
Shoe making	8	80	2	20

Source: Author's Survey, 2023.

In micro-analysing the different enterprises in the informal sector as shown above, 80% of operators of barbing and hair dressing salons confirmed that the trade has the capacity to reduce poverty drastically. On the other hand, 21 out of 25 operators involved in fashion and tailoring services, constituting 84% of respondents collaborated the claims that they have also escaped severe poverty. Similarly, with provisions store owners (80%), shoe makers (80%) and furniture and carpentry category (70).

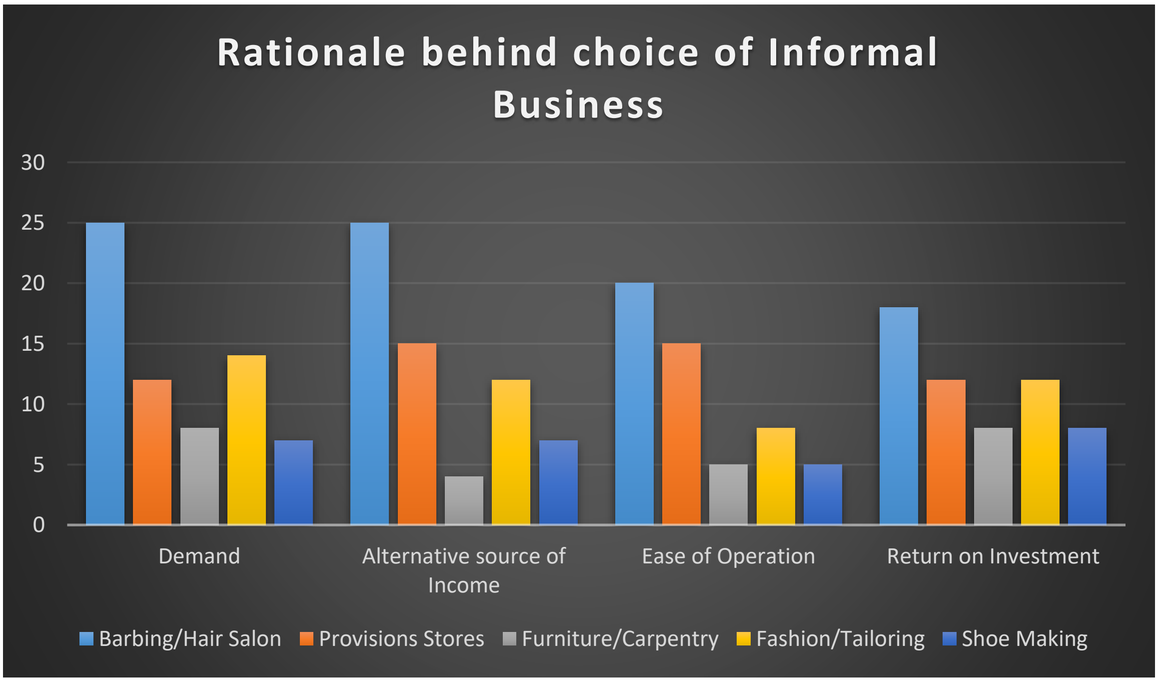


Figure 3: Rationale behind choice of Informal Business

Source: Author's Survey, 2023.

Informal economy operators have different reasons for engaging in their various respective trades. From figure 4 above, demand, ease of operations and creating alternative income source were the major motivation for those in barbing/hair dressing salon and operators of provisions stores categories. In a similar vein, return on investment (or profit generation) has been a fairly serious motivation for operators.

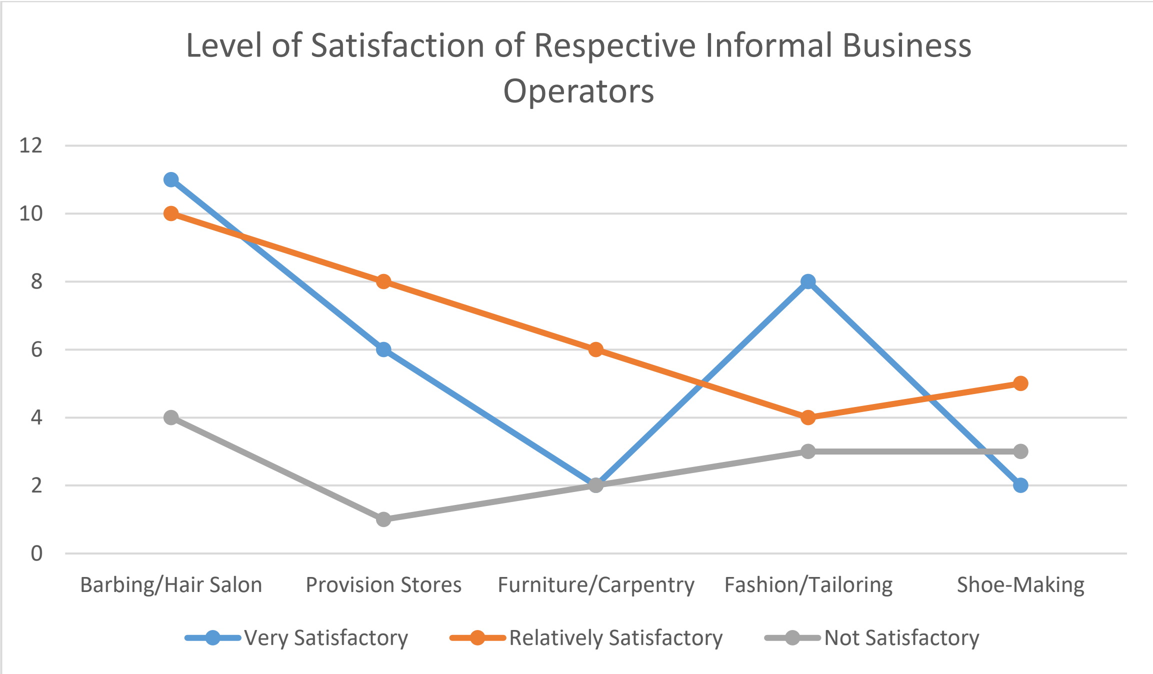


Figure 4: Level of Satisfaction on the benefits of informal enterprises on poverty reduction.

Source: Author's Survey, 2023.

On their respective levels of satisfaction, the above line graph depicts that 11 respondents out of 25 in the barbing/hair dressing salon category, 6 out of 15 operating provision stores, 2 out of 10 involved in furniture and carpentry, 8 out of 15 trading in fashion and tailoring services and finally 2 out of 10 shoe makers are very satisfied while with the informal entrepreneurship. In another vein, operators of barbing/hair dressing salons (10), provisions store (8), furniture/carpentry (6), fashion/tailoring (4) and shoe-makers (5) have shown that they are relatively satisfied.

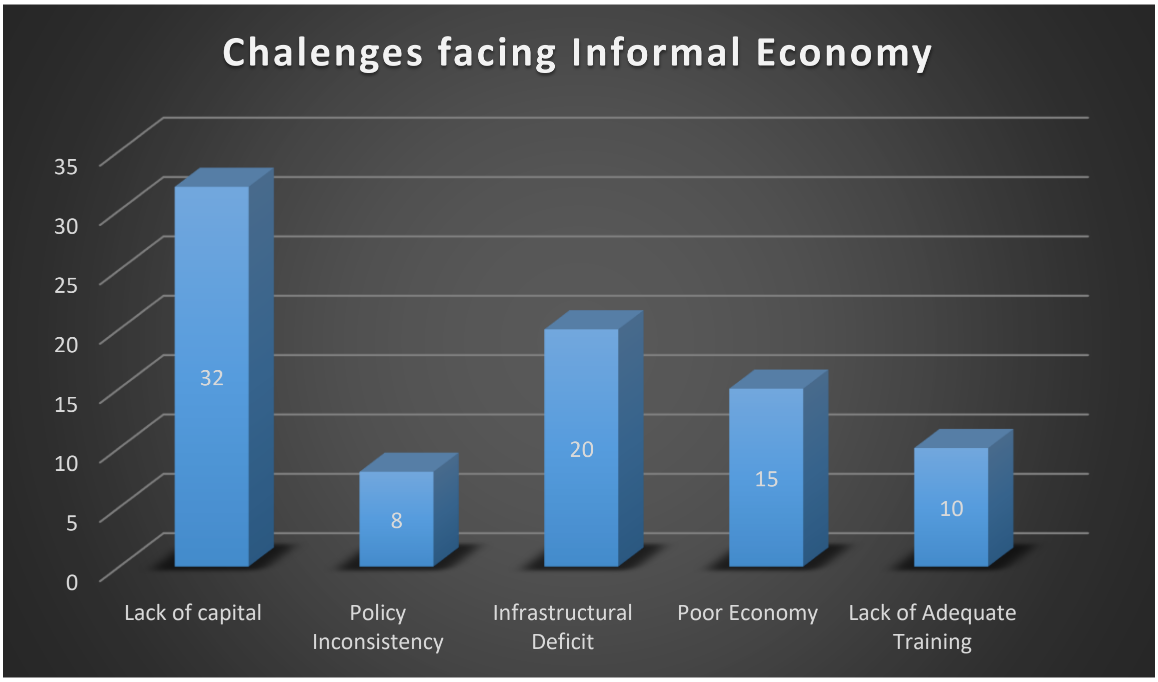


Figure 5: Distribution of respondents according to challenges facing informal enterprises.

Source: Author's Survey, 2023.

The above chart reveals that 32 out of 85 respondents representing 37.6% agreed that lack of capital (37.6%) constitutes the biggest challenge hindering the growth of informal businesses and followed closely by inadequate infrastructures (23.5%). The dwindling economic fortunes and ubiquitous economic meltdown has a fair share of effects on this important aspect of the overall economy with 17.6% agreeing that their businesses are badly affected by poor economy.

Discussion of Findings

Investigation from this study reveals that operators in the informal sector are not actually bias to gender as sizeable number of both male and female are involved in various enterprises and accommodates different categories of people from different educational levels. It further revealed the dominance of the most active population, the youths, in this sector. About 44% of these populations are married which depicts their level of maturity and emotional balance to manage the nature of opportunities presented by the informal economy.

In terms of anti-poverty capacity of the informal sub-sector, barbing and dressing salon, fashion and tailoring services and provision stores dominated the poverty alleviation ventures as majority of respondents are engaged therein.

About 76% of respondents agreed that they were able to meet up with financial obligations as turnover from their various trades have improved their poverty situations directly and indirectly. Overall, about 59% of the respondents earn well above N30,000 monthly. This indicates that if informal sector activities are well organized and coordinated by policy makers and government, this sub-sector can well become the money-spinning avenue and a viable anti-poverty approach especially to many school leavers. It would be beneficial to the population if an informal sector based strategy is adopted in all poverty alleviation measures because it has the potentials to reduce widespread poverty among youth and in the country.

As in every other human endeavors, the informal sector is not without challenges, though in different forms and dimensions. This study reveals that inadequate capital constitutes about 37.6% of challenges facing operators in the informal sector while poor economy and policy inconsistency account for 17.6% and 9.4% respectively. The unfavourable economic situation of the country has adversely affected the purchasing power of citizens coupled with hyper-inflationary pressures on existing capital, leading to high cost of production vis-s-vis low patronage with its attendant consequences. However, 11.8% of respondents insist that inadequate training has been a major setback confronting the informal sector activities among the operators.

Operators of barbing and hair dressing salons and fashion and tailoring services have unanimously agreed that turnover from their respective enterprises has been very satisfactory whereas those in the provision stores, furniture/carpentry and shoe making categories revealed that it is relatively satisfactory based on prevailing conditions.

Based on the analysis carried out, it can be concluded that the informal sector plays an important role in employment creation, income generation and poverty reduction.

For this important sector to continue to play such significant role in rural communities and the larger society generally, the government and policymakers should develop anti-poverty policy strategies that is informal sector based.

Recommendations

i. Operators in the informal sector require adequate assistance such as micro loan facilities with friendly interest rates be provided for them.

ii. Entrepreneurial training programmes for informal economy operators should be intensified in order to build their capacity and boost the sector's overall growth as it is evident it possesses the capacity to reduce poverty in rural areas.

iii. Government policy makers should consistently incorporate poor rural dwellers in their anti-poverty programmes so as to reinforce their strategic plans of combating the scourge of widespread poverty. Government should stop presuming they know what will benefit the poor better than the poor themselves. No meaningful progress would be made in the fight against poverty without the participation of the primary target.

iv. Young school leavers should be encouraged to massively take advantage of opportunities in the informal sector to boost income generation, hence creating avenues for escaping excruciating poverty.

v. A climate of informal enterprises should be created by government and major stakeholders in the fight against poverty.

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