

MAKESHIFT MARKETS AND POVERTY REDUCTION IN MAKURDI METROPOLIS

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Abstract

This study was carried out to examine the impact of makeshift trading activities on poverty reduction among participants in Makurdi township of Benue State. The primary data for the study was obtained from structured questionnaire which were distributed to 588 sampled participants in the study area. The data were analyzed using descriptive and Probit Regression Model. The result showed that makeshift trading is an important source of income and employment in Makurdi metropolis. Also, the reasons why these people involve in makeshift trading are to avoid tax, lack of fund to pay for shops in the organized market, and to earn off-work income. We therefore recommend that the state government and the local municipal authority should consider improving on makeshift trading as part of their policies and programs and the participants in the market should evolve into a registered association.

Keywords: Makeshift, Poverty reduction, Market, Metropolis, Makurdi

Introduction

Poverty is one of the most serious problems faced by every country of the world especially the developing countries. It has made most economies of the world, particularly the developing countries to make poverty reduction one of their important macroeconomic objectives. However, poverty still remains a pervasive problem in these countries. According to Gibson and Kelley (1994), this development places almost half of the urban workforce in developing countries in the informal sector.

In Nigeria, successive governments since independence have attempted severally to reduce poverty in the country through various programs, but in spite of the prominence accorded to poverty alleviation in the development plans, poverty level in Nigeria is not

commensurate with country's immense efforts (Obadan 2010). The persistent high level of poverty in Nigeria is attributed, partly to the high level of unemployment in the economy, which has led to the emphasis on small business development as a catalyst for life sustenance. Aderonmu (2007) however observed that the small business sector in Nigeria is dominated by working poor and many of them are found in the informal sector of the economy. Due to the gross insufficient employment opportunities in the public sector and in the private formal sector, many people are forced to join the informal sector to earn a living. Although their earnings remain low and a large number are classified as poor, this sector and its participants have continued to increase in size and number.

According to Dhema (1999), there is a growing concentration of the informal sector in the urban areas. Many people leave the rural areas to urban areas in an attempt to escape rural poverty. This continuous concentration of people in the cities causes decreased in employment opportunities, decline in real wages, rising food and fuel prices and acute housing shortages which are all manifestations of the falling socioeconomic conditions of the urban poor. This condition which results to inadequate capital for investment compels this group of people to get involved in small business of the informal sector such as trading, hairdressing, dress making, operating bars, laundry activities etc.

Makeshift Market is an aspect of the informal sector that has become popular among the working poor in recent times. The makeshift market is an unorganized market system which usually takes place by the roadside where food, second hand materials, inexpensive materials etc. are usually sold. The participants in this type of market do not knowingly recognize a code of conduct of the market. (http://en.wikipedia.org/wiki/Flea_market). The market has been viewed as problematic in cities because it is associated with disorder and criminal activities (Chibisa and Sigauke, 2008).

In Makurdi, the capital of Benue State, there is an increasing participation of people in this type of business activities. These people sell their products along the roadsides and by the gates of the major markets in Makurdi, mostly in the evening when the conventional markets are closed. Despite the growing size and number of participants of this market, policy makers have not recognized its importance so as to accord priority, to it in their poverty reduction programs. Also, researchers seem not to have given attention to the extent of the impact of this market system on the welfare of its participants. The questions that arise from this study are: Why do people choose to participate in this type of market instead of the conventional markets? To what extent has participating in this market improve the welfare of its participants in Makurdi?

Conceptual Clarification And Literature Review

Makeshift, also known as a flea market in the USA is a type of bazaar where inexpensive or second hand goods are sold or bartered. It may be indoors like in a warehouse or school gymnasium; or it may be outdoors, such as in a field, by the roadside or under a tent. The makeshift vendors may range from a family that is renting a table for the first time to sell a few unwanted household items to a commercial operation including a large variety of new or used merchandise. Makeshift markets have food vendors who sell snacks and drinks to the patrons, and may be associated with carnivals or concerts. Some makeshift vendors have been targeted by law enforcement efforts to halt the sale of bootleg movies and music or knockoff brand clothing, accessories, or fragrances (http://en.wikipedia.org/wiki/Flea_market). Makeshift markets are also defined as markets usually held outdoors, where antiques, used household goods, and curios are sold; an open-air market selling cheap and often second-hand goods; an open-air street market for inexpensive or secondhand articles; or a public marketplace where food and merchandise is sold (<http://www.thefreedictionary.com/flea+market>).

In Makurdi, makeshift markets exist outside the gate of Makurdi Modern Market and along the roadsides closed to the three major markets in Makurdi Township. The activities in these markets usually start at about 6 o'clock in the evening after the conventional markets are closed. Makeshift markets in Makurdi can therefore be defined as those unorganized markets that exist outside the gate of Makurdi Modern Markets and along the roads close to the three major markets in the township.

The concept of Poverty however is very complex. It has been defined differently from various perspectives. It is a deadly socioeconomic phenomenon that manifests in a person's inability to acquire the basic necessities of life (food, clothing and shelter) needed for decent living (Odion 2009).

According to Sen (1985), poverty is the deprivation of basic capabilities rather than the lowness of income as indicated by the World Bank which defined poverty as a situation when people are living on less than \$1 per day. It has also been described as a state of being poor or being unable to have the basic necessities of life (Akinbode, 2003).

Obo and Abua (2008) described poverty in whatever form it may manifest as a condition that signifies a state of complete deprivation, want and inadequacy. To Aluko (1995), poverty means inadequate level of consumption, giving rise to insufficient food, clothing and shelter. This essentially infers to a state of lack.

Imran et al (2009) looked at poverty as: (i) lack of means in relation to needs, that is, absolute poverty and (ii) lack of means in relation to the means of others, that is, inequality or relative poverty. The World Bank (1990) defines poverty as “the inability to attain a minimum standard of living. Again, the World Bank (2000) defines poverty as lack of command over commodities or as a severe construction of the choice set over commodities, leading to pronounced deprivation in well being or welfare. This definition is much broader and extends beyond food to include key assets and social determinants of human development. In this work, the concept of poverty is taken as defined by Imran et al (2009), that poverty is the lack of means in relation to basic needs.

Various theories exist linking the informal sector, investment, poverty and other economic activities. Some studies have argued that the informal sector impedes investment and growth. This is because businesses that operate outside the tax and regulatory system have a hard time accessing credit, limiting the scale of their operations and thus impede growth. Moreover, the informal economic activity undermines the ability of governments to raise revenue and therefore denies the public sector resources that would otherwise play a complementary role in private investment through infrastructural development or facilitation of the business environment (Loayza, 1996). These linkages imply that the informal sector negatively affects growth. According to Kutcha-Helbling (2000), the informal sector facilitates undemocratic decision making and misguides policies since it does not have property rights and so the participants are not empowered to influence policy making. Moreover, the existence of the informal sector not only threatens the collapse of the formal sector as the formal sector mimics the informal sector so as to avoid taxes but also it erodes the competitiveness since the remaining formal sector shoulders the tax burden as the informal sector evades taxes.

On the other hand, other studies view informal employment as a lifeline for the poor or as a legitimate response to over-burdensome regulation, implying positive relationships between the informal sector and growth. In this case, the informal sector provides the economy with a dynamic and entrepreneurial spirit, which in turn can lead to more competition, innovation, higher efficiency and increased growth (Schneider and Klingmair, 2004). According to Barro (2000), the existence of the informal market makes it possible for agents to engage in entrepreneurship or to obtain scarce goods and services that otherwise would not exist. The same author further argues that corruption may be preferable to honest enforcement of bad rules. For example, outcomes may be worse if a regulation that prohibits

some useful economic activity is thoroughly enforced rather than circumvented through bribes.

Madziakapita (2003) argues that the informal sector helps to absorb labor of new arrivals in the urban areas. Without the existence of the informal sector, it is likely that a ‘social economic crisis’ can emerge hence destabilizing the whole society in general. As opposed to the formal sector, the informal sector capably creates a large number of jobs at a very low capital cost because it does not incur extra costs such as employment benefits.

Given the continuous increase in size and number of makeshift markets in Makurdi town and the present disposition of researchers in this area, it is not certain whether the market contributes in improving the welfare of its members or not. This study is therefore intended to fill this existing gap in literature.

Methodology

Area of Study

The study was carried out in Makurdi Metropolis which is also the state capital of Benue State. The Metropolis lies between longitudes 8⁰20" and 9⁰ and latitudes 7⁰20" and 8⁰ North. It has three major markets which are, Makurdi Modern Market, Wurukum Market and North-Bank Market. Makeshift markets activities are concentrated mainly around these three major markets in Makurdi metropolis.

Study Population and Sample Size

Though it was difficult to get the total population of the number of participants involved in this market, it is observed that the members in these markets organized themselves in an informal financial system in which they contribute money on a daily basis and loan it to members. The population of these thrifts was taken as the study population. The one in the Modern Market comprised of 359 members, that of Wurukum Market comprised of 411 members and North-Bank market was made up of 388 members, making a total of 1,158 participants.

The sample size was drawn using the Yaro Yemini’s formula as reported in Ihechu and Okereke 2012. The formula is stated as: $n = \frac{(Z^2)(pq)}{e^2}$; Where, n = sample size; P = percentage of response; q = Percentage of non response e = Margin of error and z is the level of significance. On that basis, we drew samples of 189 members from the Makurdi Modern Market, 202 members from Wurukum Market and 197 members from the North - Bank Market. That gave a total of 588 sampled respondents.

Method of Data Collection

A primary data was used for this study. Questionnaires were administered to elicit information from the respondents as per the sample size chosen from the three markets in the township.

Methods of Data Analysis

Data gotten from the field were analyzed using descriptive statistics and the multivariate Probit Regression Model. The choice of probit regression model is based on the theoretical underpinning that the decision of a person to engage himself in the informal sector is influenced by the legitimate response to overcome a burdensome regulation and the extent to which he is able to overcome the burden is still usually preceded by a decision to engage in the process. The Probit Model used takes the form:

$$\text{Prob} (Y_i=1|X_i) = \int_{-\infty}^{X_i'\beta} \varphi(t) dt = \Phi(X_i'\beta)$$

Where Y is an indicator variable equal to unity for households that get involve in makeshift activities, $\varphi(\cdot)$ is the standard normal distribution function, β s are the parameters to be estimated and X s are the determinants of the dependent variable, in this case the level of household poverty.

The functional form of the probit model is specified as follows:

$$Z(0,1) = \text{Log} \frac{p}{1-p} = \beta_0 + \beta_{ij} X_{ij} + \dots + \beta_n X_n$$

Where p is the probability of an invent occurring, β_0 is the probability that involvement in makeshift activities will get a person below the poverty line, β_{ij} are the vectors of the parameters to be estimated, and X_{ij} is the household socioeconomic characteristics which include age, gender, household size, educational level, business size, access to credit markets and years in the business.

The dependent variable is a dummy variable with those households living below one dollar per day per person represented by one (1), implying that they are poor while those living above a dollar a day are represented by zero (0). Thus, factors that negatively influence the dependent variable are those that have the probability of reducing poverty while those with a positive influence increase the prevalence of poverty.

Explanation of Variables

As mention earlier, the dependent variable is poverty status which is represented by a dummy variable with those households living below 1.5 dollars per day per person represented with (1) and those living below the poverty line represented with (0). The explanatory variables are made up of the socioeconomic characteristics which influence the

poverty of household through these makeshift activities. They include age, gender, household size, educational level, the capital base of the business, credit access and years in the business.

Age is represented by the age of the person involved in makeshift activities. The coefficient of the age parameter is expected to be positive. This means that the older the person in the makeshift activity, the less productive he will be and consequently increase the probability of the person being poor.

Gender is defined by (1) if the person is a male and (0) is female. The value of gender is expected to either be positive or negative. This is because there is no theoretical foundation of gender and poverty. However, in Africa, more women than men are involved in informal business activities, pointing at a possible negative effect on poverty status. At the same time, women in Africa have no right to property which infringe on their access to input and credit markets which increase the probability of them being poor (Berem et al, 2010). The size of the household is measured by the number of the dependant of the person and is expected to have a positive sign. This is because an increase in the number of dependants reduces the people's capital for investment and the chances to reinvest profits into the business, thus, increasing the probability of the person remaining poor.

Educational level is defined by (0), if the person did not go to school, (1), if the person attains primary education, (2), if the person attains secondary education and (3), if the person attains post-secondary education. The value of education level is expected to be negative. This is because the more educated the person is, the better skilled and productive he or she is and consequently the higher the probability of the person to reduce poverty.

The size of the business is measured in terms of the capital at hand and is expected to be negative. This is because the higher the persons capital, the higher the chances of the person to obtain economics of scale input and product markets and consequently the higher the probability of the individual to reduce poverty. Access to credit market also expands the individual's capital. Therefore, just like the size of the business, access to credit is also expected to be negative.

The number of years which the person is involved in the business is also expected to be negative. This is because it is expected that, the more the person stays in business, the more experienced that will be acquired in the business, hence the more skilled and productive he or she will be and consequently, the higher the probability of the person to reduce poverty.

Results And Discussion

Results of Social-Economic Characteristics

Reasons Why People Choose to Participate in Makeshift Markets instead of the Conventional Markets in Makurdi

The reasons why people participate in makeshift markets instead of the conventional markets are presented in Table 1 below.

Table 1: Reasons for Participating in Makeshift Market instead of Conventional Markets

Reasons	Frequency	Percentage
To evade tax	80	12.1
Lack of funds to pay for shades	213	32.2
To compliment the income earned in the day time	152	23.0
To earn off-work income	118	17.8
To avoid competition in the conventional market	99	14.9
Total	662	100

Source: Field survey, 2012.

Note: A respondent was allowed to choose more than one reason.

Table one above shows the reasons why people get involved in makeshift activities rather than selling in the conventional markets.

Evasion of tax took 12.1 per cent of the total reasons mentioned by the respondents. According to these respondents, the money they earn from sells is very small and so they evade taxes to remain in business. About 213 respondents, representing 32.2% said they do not have the money to pay for shops in the market. This reason is an indication that most of these respondents lack the required capital to undertake a business.

The reason to compliment the income earned in the day time has 23.0 % of the total reasons given. The people who gave these were marketers who sell in the conventional markets but they are not satisfied with the income they make in the conventional markets. They participate in the makeshift markets to make more money.

Out of the sampled participants, 118 are workers whose wages are not sufficient to take care of their needs. They participate in makeshift market after office work to compliment their wage income. Avoidance of competition took 14.9% of the total number of reasons given. The respondents here lack the capacity and market strategies to compete in the conventional markets.

Participation in Makeshift Market and Improvement in Welfare

Improvement in welfare is synonymous with improvement in access to the basic needs of life. According to the response obtained from many of the sampled respondents, they spend the income earned from their business on buying clothes, providing food for their households, payment of rent and paying for their children's school fees (see table 2 below). Taking care of these needs with income earned from these market activities is an indication

that participation in makeshift markets has the potential of improving the welfare of the participants.

Table 2: Distribution of Respondents According how they Expend their Income

Responses	Frequency	Percentages
Feeding	602	51.0
Clothing	280	23.7
Payment of rent	78	6.6
Children's education	104	8.8
Others	116	9.9
Total	1180	100

Source: Field survey, 2012.

Note: A respondent was allowed to give more than one reason.

Table 3: Results of Estimated Model

VARIABLE	B _i	S.E	SIG
Constant	-21.805	1.194	0.999
Age	0.001	0.000	0.047
Gender	0.001	0.001	0.857
Household Size	0.838	0.677	0.028
Edu. Level	-0.908	0.421	0.002
Bis. Size	-0.004	0.002	0.001
Access Credit	-0.010	0.389	0.000
Yrsinbiz	-0.389	0.653	0.063
Chi-square	3.668		
Nagelkerke R ²	0.813		

The result in table 3 above showed a negative sign for the constant which is an indication that involvement in the makeshift market has the potential of reducing the poverty level of the participant. This result corroborates by Akighir, (2011), Nomor, (2011), Berem et al, (2010) and Chibisa and Sigauke, (2008) and many others who researches on various aspect of the informal sector and came out with the result that involvement in the informal sector can reduce poverty. The result of the R² is 0.81 which implies that the variation in the poverty status of the sampled population is explained by the socioeconomic characteristics of the respondents. The chi square result value of 3.67 shows that the model performs well since it is statistically significant at the 5 % level of significance.

The result of the regression analysis showed that age has a positive sign (0.001) and is statistically significant. This means that, as the person grows older, the probability that his poverty level will reduce reduces by 0.001 percent. This result conforms to the a priori expectation that the older the person is in the makeshift activity, the less productive he or she will be and consequently, increase the probability of the person being poor.

The result also showed that gender has a positive sign (0.001) and is statistically insignificant. This means that the female participants are likely to be poorer than the male participant. This result is true and conforms to the result by Berem et al (2010) that women

has limited right to property in Africa and this limit their access to inputs and credit markets and hence reduce their probability of reducing poverty.

The value of the coefficient for household size is positive and statistically significant. This result conform to the a priori expectation that the bigger the size of the house, the less likely that the household will reinvest part of it earnings into the business. This arises from the fact that the participant will have more people depending on him or her when the population of the house is high. This reduces the likelihood of reducing poverty.

The educational level of the participant is negatively related to the poverty level of the respondent and is statistically significant at the 5 % level of significance. This is also economically true as the more educated a person is , the more skillful and productive the person will be and this improves the likelihood of the person reducing poverty.

The participant business size measured in terms of capital base is also negative and statistically significant at the 5 % level of significance. This also conforms to the economic expectation that the person with more capital has a better economic advantage in both capitals, labor and output market. The value of the coefficient of the access to the credit market conforms to result as the value for the size of the business. The value is negative (-0.010) and statistically significance at the 5 % level of significance.

The years in the business have also been negatively related to the poverty status of the respondent with the value (-0.389) and is statistically insignificant at 5% level of significance. This result also conforms to economic theory that the more one stays in the business, the more experienced he will be in that business which will improve his skills as well as productivity. This also has the potential of reducing poverty.

Conclusion And Recommendations

Several conclusions have been drawn from the findings of this research;

- (i) Makeshift trading activities are an important source of income and employment to the urban poor in Makurdi, where there is a high level of urban unemployment. It provides an opportunity that minimizes the impact of social exclusion, social disorder and criminal activities.
- (ii) From the reasons why people participate in makeshift trading in Makurdi, the most important ones are; lack of funds to pay for shops in the conventional markets, to compliment the income earned from the organized market in the day time, to earn off-work income and to avoid the competition in the conventional markets.
- (iii)The 18 thousand Naira minimum wage does not meet the minimum sustainable income as compared to a standard of living in the city. As indicated by the result,

some of the respondents are workers who are not contented with the monthly wage and so get involved in the makeshift market as an after-work activity to compliment their monthly wage.

- (iv) Many of the participants in makeshift trading are people who move from rural areas to the urban areas in search of white-collar jobs. They resort to makeshift trading because they have not been able to get a job.

Sequel to the above conclusions, the following recommendations were made;

- (i) We recommend that the state government and the local municipal authority should consider the makeshift market in the township as important for poverty reduction and the achievement of sustainable urban livelihoods. Therefore these authorities should include improving on makeshift trading as part of their policies and programs.
- (ii) There is a need for government to develop the rural areas so as to discourage rural-urban drift to Makurdi. In as much as the makeshift trading is important, high level of participation is capable of causing social disorder and criminal activities and accidents.
- (iii) An association of makeshift traders is very important for the development of makeshift markets. Even though the participants in Makurdi metropolis have organized themselves in credit and thrift groups, there is need to register these groups as it will be easier for them to get investment finance from banks and other lending agencies.

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