



Entrepreneurial Opportunities and Challenges in Nigeria's Informal Market: Evidence from A Field Visit to the Lagos Trade Fair

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ABSTRACT

The informal economy constitutes a significant component of economic activity in developing countries, particularly in Sub-Saharan Africa, where it plays a vital role in employment generation and income diversification. In Nigeria, informal entrepreneurship serves as both a survival strategy and a pathway for innovation within constrained institutional environments. This study examines entrepreneurial opportunities and challenges within Nigeria's informal economy, drawing on field-based evidence from the Lagos International Trade Fair. Adopting a qualitative case study approach, data were collected through participant observation and semi-structured interviews with informal entrepreneurs across diverse sectors. The findings reveal that informal entrepreneurs leverage opportunities such as low entry barriers, access to dense consumer markets, adaptive product innovation, and strong social capital networks. However, these opportunities coexist with persistent structural constraints, including limited access to finance, infrastructural deficiencies, and regulatory uncertainty. The study further demonstrates that informal entrepreneurship extends beyond necessity-driven activity, encompassing opportunity-oriented behaviour and incremental innovation. By focusing on a hybrid commercial environment where formal and informal systems intersect, the research provides micro-level insights into entrepreneurial practices often overlooked in macro-level analyses. The study concludes by advocating for context-specific policy interventions aimed at enhancing financial inclusion, improving infrastructure, promoting digital adoption, and supporting inclusive entrepreneurship.

Keywords: Entrepreneurship, Informal economy, Micro-enterprises, Urban markets, Trade fairs

INTRODUCTION

Entrepreneurship is widely recognised as a critical driver of economic development, innovation, and employment generation, particularly in developing economies where formal labour markets are unable to absorb the rapidly growing workforce. In such contexts, a substantial proportion of entrepreneurial activity occurs outside formal regulatory frameworks, within what is commonly referred to as the informal economy (World Bank, 2019). Originally conceptualised by Hart (1973) as a set of income-generating activities beyond formal wage employment, the informal economy is now understood as a persistent and structurally embedded component of economic systems in developing countries. In Sub-Saharan Africa, the informal economy constitutes a significant share of both employment and economic output, functioning simultaneously as a coping mechanism and a platform for entrepreneurial dynamism. Estimates suggest that over 60% of employment in developing regions is informal, underscoring its central role in livelihood sustenance (International Labour Organization, 2018). In Nigeria, the prevalence of informality is particularly pronounced, driven by structural challenges such as high unemployment, regulatory bottlenecks, and limited access to formal finance (Etim & Daramola, 2020; Nwaka & Emeagwali, 2024). As a result, informal entrepreneurship has emerged not only as a survival strategy but also as a significant avenue for innovation and economic participation.

Despite its economic significance, informal entrepreneurship operates within a complex and often constraining institutional environment. Entrepreneurs in this sector face persistent challenges, including financial exclusion, infrastructural deficiencies, regulatory ambiguity, and limited access to social protection

systems. At the same time, the informal economy offers distinct advantages, such as low entry barriers, operational flexibility, proximity to consumers, and strong reliance on social networks (World Bank, 2021). This coexistence of opportunity and constraint reflects the adaptive capacity of informal entrepreneurs while also highlighting systemic barriers to enterprise growth and formalisation (Williams & Horodnic, 2019).

Urban centres such as Lagos exemplify the dynamism of informal entrepreneurship, given their dense populations, diverse markets, and strategic roles within regional trade networks (Rogerson, 2020). Within this context, the Lagos International Trade Fair presents a unique and underexplored setting. As a formally organised commercial event that attracts a wide range of participants, the Trade Fair represents a hybrid economic space where formal and informal actors interact, compete, and collaborate (Webb et al., 2019; Sutter et al., 2019). Informal entrepreneurs utilise this platform to access broader markets, test products, establish networks, and expand their customer base beyond their routine operating environments, reflecting patterns of market-seeking behaviour and adaptive entrepreneurship observed in informal economies (Benjamin & Mbaye, 2018).

While existing studies have explored informal entrepreneurship broadly, limited empirical research has focused on trade fair environments as sites of informal economic activity, particularly within Nigeria. This study therefore addresses this gap by examining entrepreneurial opportunities and challenges within Nigeria's informal economy using evidence from the Lagos International Trade Fair. The aim of this study is to investigate entrepreneurial opportunities and challenges within Nigeria's informal market through empirical evidence from the Lagos International Trade Fair. The objectives are to:

- i. identify the nature of entrepreneurial opportunities available to informal traders within the Trade Fair environment,
- ii. examine the key structural and institutional challenges they encounter, and
- iii. analyse the coping strategies adopted to sustain and grow their businesses.

LITERATURE REVIEW

Conceptualizing the Informal Economy

The informal economy has evolved from being perceived as a residual or transitional sector to a structurally embedded component of contemporary economic systems, particularly in developing countries. Early conceptualisations by Hart (1973) defined informality as income-generating activities occurring outside formal wage structures. However, subsequent scholarship has challenged this narrow view, recognising the informal economy as a persistent and integral part of economic organisation rather than a temporary phenomenon (Webb et al., 2019). Institutional perspectives provide further insight into the persistence of informality. Recent studies emphasise that weak regulatory frameworks, governance gaps, and structural inefficiencies create environments in which informal practices dominate economic interactions (Khavul et al., 2021; World Bank, 2019). Similarly, excessive regulatory burdens and limited institutional support discourage formalisation, thereby reinforcing informal economic participation (Becker, 2019).

More recent studies conceptualise informality as existing along a continuum rather than as a binary distinction between formal and informal sectors. This perspective highlights the interdependence between formal and informal economic activities, particularly through supply chains, labour relations, and market exchanges (Chen, 2020). Empirical evidence also suggests that the informal economy constitutes a substantial share of economic output in developing regions, reinforcing its structural significance (Schneider, 2019).

Theoretical Perspectives on Informal Entrepreneurship

Informal entrepreneurship refers to entrepreneurial activities conducted outside formal regulatory frameworks. Traditional perspectives often characterise such activities as necessity-driven; however, contemporary research suggests a more nuanced understanding. The necessity–opportunity framework distinguishes between entrepreneurs motivated by survival needs and those driven by the identification of market opportunities. While necessity entrepreneurship is prevalent in developing economies, studies demonstrate that opportunity-driven entrepreneurship also exists within the informal sector, challenging earlier assumptions of purely survival-oriented behaviour (Williams & Nadin, 2010, 2012).

Institutional theory further explains informal entrepreneurship by emphasising the role of formal and informal “rules of the game” in shaping economic behaviour (North, 1990). In contexts where regulatory systems are inefficient, exclusionary, or costly, entrepreneurs are more likely to operate informally. Additionally, Baumol (1990) introduces the concept of productive versus unproductive entrepreneurship, arguing that institutional environments influence how entrepreneurial efforts are allocated. In weak institutional contexts, entrepreneurial activity may be diverted toward low-productivity or survival-oriented ventures, limiting its broader contribution to economic development. Recent studies also highlight the hybrid nature of informal entrepreneurship, where individuals simultaneously navigate necessity and opportunity motivations within constrained environments (Williams & Kayaoglu, 2020). This perspective is particularly relevant in developing economies, where structural unemployment coexists with emerging market opportunities.

Informal Entrepreneurship in Sub-Saharan Africa

In Sub-Saharan Africa, informal entrepreneurship plays a central role in employment generation and livelihood sustenance. The sector dominates labour markets, providing income opportunities for populations excluded from formal employment systems (World Bank, 2019; African Development Bank, 2021). Despite its significance, the informal sector is characterised by low productivity, limited access to capital, and constrained growth potential. Structural barriers such as inadequate infrastructure, weak institutional support, and limited access to finance restrict the scalability of informal enterprises (Aikaeli & Markussen, 2021; Benjamin & Mbaye, 2018). Empirical studies further reveal that many informal businesses remain small-scale and subsistence-oriented due to these constraints (Benjamin & Mbaye, 2018). Productivity differentials between formal and informal firms have been attributed to disparities in capital investment, technological adoption, and managerial capacity (Aikaeli & Markussen, 2021).

Informal Entrepreneurship in Nigeria

Nigeria presents a compelling context for examining informal entrepreneurship due to the scale and diversity of its informal sector. A substantial proportion of economic activity occurs outside formal regulatory systems, driven by high unemployment rates, regulatory complexity, and barriers to business formalisation (Etim & Daramola, 2020). Empirical evidence indicates that informal enterprises contribute significantly to employment and income generation across the country (Balogun, 2022; National Bureau of Statistics, 2023). However, participation in informal entrepreneurship is influenced by broader socio-economic factors, including household characteristics, access to resources, and regional disparities (Nwaka & Emeagwali, 2024). Urban centres such as Lagos serve as dynamic hubs of informal economic activity due to dense populations and diverse market opportunities. However, informal entrepreneurs in these contexts face persistent challenges, including financial exclusion, infrastructural deficits, and regulatory ambiguity (Adewumi & Chipunza, 2023). These constraints limit business growth and reinforce cycles of low-productivity entrepreneurship.

Digitalisation and Emerging Dynamics in Informal Entrepreneurship

The rapid expansion of digital technologies has introduced new dimensions to informal entrepreneurship in developing economies. Digital platforms and social media enable entrepreneurs to expand market reach, enhance customer engagement, and improve operational efficiency (Olanrewaju et al., 2020). Digital innovation has also been identified as a key driver of competitiveness within the informal sector. Studies suggest that digital tools enhance innovation capacity and enable entrepreneurs to overcome structural barriers, particularly in accessing information and markets (Abisuga-Oyekunle & Fillis, 2020). Furthermore, mobile technologies are increasingly facilitating financial inclusion and supporting business development among informal enterprises (Aryeh-Adjei et al., 2025; Donner & Escobari, 2019). However, the benefits of digitalisation remain unevenly distributed. Constraints such as limited digital literacy, inadequate infrastructure, and trust deficits in online transactions continue to hinder widespread adoption. As a result, while digitalisation presents significant opportunities, it does not fully resolve the structural challenges facing informal entrepreneurs.

Research Gap

Despite extensive scholarship on informal entrepreneurship, several gaps remain. Much of the existing literature relies on macro-level analyses and quantitative datasets, often overlooking the micro-level experiences and adaptive strategies of informal entrepreneurs. Furthermore, limited attention has been given to hybrid commercial environments where formal and informal systems intersect. In particular, there is a scarcity of empirical studies examining informal entrepreneurship within semi-formal settings such as trade fairs, where regulatory structures coexist with flexible participation. This study addresses these gaps by providing qualitative, field-based evidence from the Lagos International Trade Fair. By focusing on a hybrid commercial environment, the study offers context-specific insights into how informal entrepreneurs navigate institutional constraints, exploit market opportunities, and negotiate legitimacy within partially regulated systems.

RESEARCH METHOD

This study adopts a qualitative research approach to explore consumer purchasing behaviour within the context of the Lagos International Trade Fair. The research was conducted at the Lagos International Trade Fair Complex, selected due to the strategic importance of Lagos as Nigeria's primary commercial hub and a major host of international trade exhibitions. The setting provides a unique platform where diverse market actors interact, making it suitable for examining behavioural patterns and entrepreneurial dynamics. The study population consisted of both consumers and exhibitors participating in the Trade Fair. Consumers constituted the primary unit of analysis, while exhibitors were included to provide complementary perspectives on market interactions and sales dynamics. A convenience sampling technique was employed to select consumer participants based on accessibility and willingness to engage, whereas purposive sampling was used to identify exhibitors actively involved in product display, promotion, and sales activities. Data collection involved qualitative techniques, including observations and semi-structured interactions, to capture contextual and experiential information. The collected data were analysed using thematic analysis, whereby interview responses and field notes were systematically coded and categorised to identify recurring themes related to market visibility, business performance, and participation constraints. This analytical approach facilitated a structured interpretation of participants' experiences while ensuring consistency with the study's research objectives.

RESULTS AND DISCUSSION

Entrepreneurial Opportunities

I. Access to Diverse Markets

The Lagos International Trade Fair provided vendors with significant opportunities to access a broader and more diverse customer base. Participants reported increased visibility and sales due to the presence of consumers from different regions. This reinforces the role of high-density commercial environments in enhancing market access for informal entrepreneurs. This finding aligns with existing literature, which suggests that informal enterprises benefit from proximity to large consumer markets and concentrated economic activity (Rogerson, 2020; World Bank, 2019). Trade fairs, in this regard, function as temporary but strategic marketplaces that extend beyond routine trading environments, enabling entrepreneurs to reach new customer segments and expand their commercial networks (Sutter et al., 2019).



Plate 1: Oraimo at the 2025 Lagos International Trade Fair

Source: Authors' Fieldwork

II. Product Innovation and Customisation

Vendors demonstrated the ability to adapt their products in response to consumer preferences observed during the Trade Fair. The artisan, for example, modified designs, colours, and sizes of handmade bags based on customer feedback, while adjustments in product packaging were observed among other vendors.

This reflects the capacity for incremental and demand-driven innovation within informal enterprises. Such adaptive behaviour supports the argument that informal entrepreneurs are not merely survival-oriented but actively engage in market-responsive innovation (Abisuga-Oyekunle & Fillis, 2020). These findings further reinforce the notion of informal entrepreneurship as a dynamic and creative process shaped by real-time market interactions.

III. Leveraging Social Networks

Social networks emerged as a critical resource for business operations and growth. Vendors relied on relationships with suppliers, peers, and community members for sourcing materials, sharing information, and attracting customers. This finding is consistent with studies highlighting the importance of social capital in informal economies, where networks compensate for limited access to formal institutional support (Benjamin & Mbaye, 2018; Aikaeli & Markussen, 2021). Social networks not only reduce transaction costs but also facilitate knowledge exchange and informal collaboration among entrepreneurs.

Operational Challenges

I. Financial Constraints

Limited access to formal finance was identified as a major constraint across all vendors. Most participants relied on personal savings or informal support systems to fund their business activities and participation in the Trade Fair. This supports existing evidence that financial exclusion remains a persistent barrier to the growth of informal enterprises in developing economies (Etim & Daramola, 2020). The inability to access credit restricts business expansion, limits inventory capacity, and constrains the ability to scale operations.



Plate 2: Marcel food at the 2025 Lagos International Trade Fair

Source: Authors' Fieldwork

II. Infrastructural and Logistical Limitations

Participants reported significant infrastructural challenges, including unreliable electricity supply, inadequate storage facilities, and congestion within the Trade Fair environment. These issues increased operational costs and reduced efficiency, particularly for vendors dealing with perishable or technology-based products. Such findings corroborate previous studies linking infrastructural deficiencies to reduced productivity and operational inefficiencies in informal enterprises (Adewumi & Chipunza, 2023). The dependence on unreliable infrastructure further reinforces the vulnerability of informal entrepreneurs within urban economic systems.

III. Regulatory and Administrative Uncertainty

Vendors highlighted challenges related to inconsistent regulatory enforcement, unclear administrative procedures, and multiple informal charges. These issues created uncertainty and increased the cost of

doing business within the Trade Fair environment. This aligns with broader literature indicating that regulatory ambiguity discourages formalisation and limits business sustainability (Williams & Kayaoglu, 2020). The findings also highlight how informal entrepreneurs must continuously navigate complex and often unpredictable institutional conditions.

Coping Strategies and Entrepreneurial Resilience

I. Flexibility and Diversification

A key adaptive strategy observed among vendors was operational flexibility. Entrepreneurs adjusted product offerings, pricing strategies, and sales approaches in response to changing market conditions. This behaviour reflects the adaptive capacity of informal entrepreneurs operating in uncertain environments and supports previous findings on diversification as a survival strategy (Sutter et al., 2019). While such flexibility enhances resilience, it may also limit long-term strategic growth.

II. Social Capital Utilisation

Beyond business operations, social networks played a crucial role in addressing operational challenges. Vendors relied on community support for logistics, marketing, and problem-solving. This reinforces the argument that social capital functions as an informal institutional mechanism that substitutes for formal support systems (Benjamin & Mbaye, 2018). In resource-constrained environments, such networks are essential for sustaining business activities.

III. Incremental Innovation

The findings reveal that innovation within the informal sector is largely incremental and low-cost. Vendors continuously experimented with minor adjustments in product design, packaging, and marketing strategies. This aligns with the concept of grassroots innovation, where entrepreneurs rely on iterative improvements rather than large-scale technological advancements (Abisuga-Oyekunle & Fillis, 2020). Such innovation enhances competitiveness but may not be sufficient for long-term scaling without external support.



Plate 3: One of the Vendors of African Pavillion at the 2025 Lagos International Trade Fair

Source: Authors' Fieldwork

Discussion

The findings highlight the dual nature of informal entrepreneurship within the Lagos International Trade Fair. On one hand, the Trade Fair provides a platform for market expansion, innovation, and network building. On the other hand, persistent structural constraints, particularly financial exclusion, infrastructural deficits, and regulatory uncertainty, limit the growth and sustainability of informal enterprises. These results reinforce the broader argument that informal entrepreneurship is shaped by both opportunity and constraint, rather than being purely necessity-driven. The Trade Fair, as a hybrid commercial environment, illustrates how informal entrepreneurs operate within partially structured systems while navigating institutional gaps.

Furthermore, the experiences of vulnerable entrepreneurs, such as the visually impaired participant, underscore the importance of inclusivity within informal economic systems. This dimension highlights the need for targeted interventions that address not only economic barriers but also issues of

accessibility and social equity. Overall, the study contributes to existing literature by providing micro-level insights into informal entrepreneurship within a semi-formal commercial setting. It demonstrates that while informal entrepreneurs exhibit resilience and adaptability, structural challenges continue to constrain their full economic potential.

CONCLUSION

This study investigates entrepreneurial opportunities and challenges within Nigeria's informal economy, using evidence from the Lagos International Trade Fair. Findings reveal the dual nature of informal entrepreneurship: while the Trade Fair provides access to diverse markets, innovation opportunities, and social networks, structural constraints such as financial exclusion, infrastructural deficits, and regulatory uncertainty limit growth and sustainability. The study challenges the view of informal entrepreneurship as purely necessity-driven, highlighting opportunity-oriented strategies, adaptability, and innovation among participants. By examining this semi-formal commercial setting, the research underscores the need to view informality as a dynamic part of urban economic systems and calls for inclusive policies that support both economic participation and social equity.

RECOMMENDATIONS

Based on the findings of this study, the following recommendations are proposed:

1. **Enhancing Access to Finance:** Expand microcredit schemes, flexible loans, and mobile-based financial services to provide informal entrepreneurs with affordable capital for growth and scaling.
2. **Improving Infrastructure:** Invest in trade fair and market infrastructure, including reliable electricity, storage, and transportation, to reduce inefficiencies and boost productivity.
3. **Streamlining Regulatory Frameworks:** Simplify business registration and provide clear, consistent regulations to encourage gradual formalisation and reduce uncertainty.
4. **Promoting Digital Inclusion:** Support digital literacy and affordable internet access to enhance market reach, operational efficiency, and innovation.
5. **Strengthening Social and Institutional Support:** Integrate informal support networks, cooperatives, and community-based organisations into broader economic development strategies to provide training, funding, and business support.
6. **Supporting Inclusive Entrepreneurship:** Ensure equitable participation for vulnerable groups, including persons with disabilities, through inclusive policies and accessible infrastructure.

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