

Examining the Role of Informal Sectors in Urban Economies in Aba Urban, Abia State, Nigeria

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The informal sector is a vibrant component of urban economies in emerging countries, providing income for city residents. In Nigeria, it plays a major role in poverty reduction, job creation, and revenue generation. This study focuses on Aba Urban, in Abia State, southeastern Nigeria, and examines the role and contributions of the informal sector to local economic development. Key areas of interest include employment creation, income distribution, poverty reduction, and urban growth. Aba Urban is a commercial hub in Abia State with a thriving informal sector. This sector involves activities such as trading, fabrication, and service provision. These activities offer jobs for many households, helping to alleviate poverty and advance the economy. The study surveyed 180 informal sector operators and conducted stakeholder interviews using a mixed-methods approach. Purposive sampling was used to include a diverse range of informal sector operators in Aba Urban. Descriptive statistics were analyzed from survey data, while thematic analysis was used for stakeholder interviews. The study reveals that women predominantly participate in the informal sector, with limited access to education and finance identified as major barriers. Financial access, in particular, is a significant obstacle, especially for women (83.3%). Infrastructure and regulatory challenges, however, are not strongly gender-specific. It also found that the informal sector accounts for about 65% of employment through trading and small-scale industries. Therefore, the government and financial institutions should provide financial support and incentives to help informal sector operators access credit and expand their businesses. Additionally, investment in infrastructure, such as markets and transportation, is necessary to support informal sector activities.

Keywords: Informal sector, urban economy, job creation, poverty reduction, revenue generation.

INTRODUCTION

The informal sector is a significant component of urban economies in developing countries (Calalo and Nuera, 2025), particularly in Nigeria (Adu-Okoye, 2020). The sector provides livelihood for millions of people, contributing to employment, income generation, and poverty reduction (Ogunrinola, 2021). Aba Urban, Abia State, South-eastern Nigeria, is a major commercial center with a thriving informal sector, characterized by diverse activities: trading, manufacturing, and services (NBS, 2020). The city is known for its vibrant markets, including the famous Ariaria International Market, Ekeoha Shopping Center, Cemetery Market, Salad Market, and Ahia Ohuu Market, which are the largest markets in West Africa. The informal sector in Aba Urban is a major employer, accounting for a large share of the city's workforce (Ogbu, 2022). It also plays a key role in the city's economy by generating revenue and promoting economic growth (Udoh, 2021). Despite its significance, Nigeria's informal sector faces many challenges, such as limited access to finance, poor infrastructure, and strict regulations (Adeoti, 2019). These issues slow the sector's growth and development, restricting its potential contributions to the local economy.

The study found that there is a limited number of studies on the informal sector in Aba Urban. It was also observed that few

studies focus on the role of the informal sector in Nigerian urban economies. Additionally, a mixed-methods approach, combining quantitative and qualitative data, was employed to provide a more comprehensive understanding.

The study is guided by two theoretical frameworks: the Informal Economy Theory (Hart, 1973), which defines the informal sector as unregulated economic activities, and the Institutional Theory (North, 1990), which states that institutions shape economic activities and support regulatory challenges faced by operators. These theories support the fact that the informal sector plays a crucial role in urban economies, especially in developing countries like Nigeria (Adu-Okoye, 2020; World Bank, 2020). Research shows that this sector significantly contributes to employment, income generation, and poverty reduction (Ogunrinola, 2021; Adeoti, 2019). It also serves as a key driver of economic growth (La Porta and Shleifer, 2020), accounting for a large share of GDP in many developing nations (Chen, 2020; Adebayo, 2018). The literature highlights the importance of the informal sector in countries like Nigeria, emphasizing employment and poverty alleviation. The findings are consistent with those of Ogunrinola (2021) and Adeoti (2019) regarding economic growth, as well as La Porta and Shleifer (2020) concerning the sector's

Table 1: Socio-Economic Characteristics of the Respondents.

Age (Years)	Incidence N=180	Proportion N=100
18-25	36	20.0
26-35	63	35.0
36-45	45	25.0
46-55	27	15.0
55+	09	5.0

contribution to GDP. While most research focuses on national trends, this study provides localized insights into Aba Urban. As a result, there is limited comparison of the challenges faced by the informal sector across different Nigerian cities. Additionally, few studies incorporate stakeholder perspectives alongside surveys of informal sector operators.

In Nigeria, the informal sector is a key employer of labor, employing a large share of the workforce (Ogbu, 2022). The sector also plays a vital role in the country's economy by generating revenue and promoting economic growth (Udoh, 2021). However, despite its significance, the informal sector in Nigeria faces many challenges, including limited access to finance, poor infrastructure, and strict regulations (Adeoti, 2019).

Despite the growing body of research on Nigeria's informal sector, several gaps remain in the literature. Many studies concentrated on rural areas, with limited attention given to urban informal sectors (Ogbu, 2022). Additionally, although some research has examined the sector's contributions to employment and poverty reduction, there is a need for a more comprehensive analysis of its role in urban economic development (Adu-Okoye, 2020). Linking these gaps to the study objectives, the research addresses the lack of localized evidence—particularly the limited research on Aba Urban's informal sector—by utilizing survey data and stakeholder perspectives to generate clearer insights.

The study examines the informal sector in Aba Urban, emphasizing its contributions to employment, income generation, and poverty alleviation. It also identifies the sector's challenges and offers recommendations for policymakers to support its growth and development.

MATERIAL AND METHODS

The study employed a mixed-methods approach (Yin, 2019; Brayman et al., 2021), combining qualitative and quantitative research methods (Miles et al., 2020) to investigate the role of informal sectors in Aba Urban, Abia State, Nigeria. Quantitatively, the study involved 180 informal business operators, from whom structured data were collected on demographics, challenges, and contributions. This was complemented by the qualitative component, which consisted of stakeholder interviews to gather insights into perceptions and policy implications. The two data sources were integrated through triangulation by comparing and validating survey results with stakeholder perspectives. This mixed-methods approach offers a comprehensive understanding of the informal sector of Aba Urban.

The study also employed a case study approach, focusing on Aba Urban as a representative example of an urban area with

a thriving informal sector. The study population includes informal sector operators in Aba Urban, such as traders, artisans, and service providers.

Data were collected using a structured survey questionnaire (Creswell, 2020) administered to 180 informal sector operators in Aba Urban, who were selected through random sampling. Key informant interviews were conducted with 10 stakeholders, including government officials, informal sector leaders, and field experts. Similarly, non-participant observation was used to gather data on informal sector activities in Aba Urban.

A structured questionnaire was used as the survey instrument for 180 informal sector operators. In addition, semi-structured interviews were conducted with stakeholders selected from government officials, business leaders, and community representatives, focusing on perceptions of the informal sector, policy implications, and support needs. Demographic information, business challenges, and the sector's contributions to the local economy were also collected. A total of 180 informal sector operators were selected using Taro Yamane's formula for determining sample size. The sampling frame comprised informal sector operators in Aba Urban, obtained from the Abia State Ministry of Commerce and Industry. Although the frame included informal sector operators, a simple random sampling method was used. Additionally, purposive sampling was employed to select 180 operators from key sub-sectors such as trade, manufacturing, and services. Stakeholder interviews involved purposively choosing government officials, business leaders, and community representatives.

During data analysis, descriptive statistics such as mean, frequency, and percentage were used to summarize the quantitative survey data. Chi-Square analytical techniques were used to test the challenges facing the informal sector operators in Aba urban. Thematic analysis (Yin, 2018) was used to interpret the qualitative data from in-depth interviews and observations, and also to identify patterns in stakeholder interview data. The process involved transcription, familiarization, manual coding of transcripts to find themes, developing those themes, and reviewing them.

To ensure data quality, the questionnaire was pre-tested with a Cronbach's alpha score of 0.78, indicating acceptable reliability. Additionally, a pilot test was conducted using nine copies of the research questionnaire to confirm the instrument's reliability, yielding satisfactory results. Multiple data collection methods were also employed to achieve triangulation (Bhandari, 2023).

RESULTS

Table 1 shows that 95% of operators are part of the working

Table 2: Gender.

Gender	Incidence N=180	Proportion N=100
Male	72	40.0
Female	108	60.0

Table 3: Educational Activities of the Sampled Population.

Activity Classification	Incidence N=180	Proportion N=100
No formal	18	10.0
Primary	36	20.0
Secondary	72	40.0
Tertiary	54	30.0

Table 4: Informal Sector Occupation Activities.

Occupation	Incidence N=180	Proportion N=100
Trading	72	40
Manufacturing	45	25.0
Services	36	20.0
Others	27	15.0

population (18-55 years). Older operators (55+) are minimally represented (5%). Additionally, most informal sector operators in Aba Urban are between 26 and 35 years old, accounting for about 35% of the sampled population. The informal sector in Aba Urban is mainly driven by young adults who are likely to be economically active, suggesting that the informal sector could serve as a significant source of employment (Chen, 2020) for young people in Aba Urban and Abia State. Therefore, it is clear that the informal sector in Aba Urban is predominantly made up of young and middle-aged adults.

Table 2 shows female operator dominance in Aba urban's informal sector. This dominance reflects women's access to opportunities in informal trade and services, driven by economic necessity. Since women make up 60% of Aba Urban's informal sector, the implications include policies focused on women's entrepreneurship and challenges. The informal sector is likely key to women's financial inclusion, economic empowerment, and leveraging female operators for local economic growth and potential.

Furthermore, the fact that the informal sector is female-dominated suggests that this female dominance may limit opportunities for men to participate fully in economic activities, thereby increasing gender inequality. The prevalence of women in the informal sector could also alter traditional gender roles and stereotypes, with men possibly helping their wives with some domestic tasks. Additionally, the underrepresentation of men in the informal sector might lead to missed economic opportunities, as men may have skills and talents that could significantly contribute to the growth of the

urban economy.

Table 3 reveals that 40% of respondents have completed secondary education. Most informal sector operators in Aba Urban possess some level of formal education, with secondary and tertiary education (70%) being the most common in the area. This suggests that a relatively high level of education among informal sector operators could help them contribute more to the urban economy and benefit from skill development programs. Additionally, the government and organizations can offer training and capacity-building programs to improve the skills of informal sector operators, thereby boosting their productivity and competitiveness. Furthermore, educated informal sector operators are more likely to innovate, adopt new technologies, and promote economic growth in Aba Urban and Abia State.

Table 4 shows the informal sector activities in Aba urban. Trading is the main informal activity in Aba Urban, playing a vital role in the local economy. This indicates that trading is a key economic sector. Therefore, the government should prioritize improving infrastructure and services, as 30% of the current infrastructure is inadequate for trading needs. Actions might include building more markets and paving roads to enhance transportation and reduce traffic congestion.

Table 5 reveals limited access to finance, particularly among the dominant sampled group. This suggests that informal business operators in Aba Urban face significant financial constraints that hinder business expansion. It also indicates that the government and financial institutions could collaborate to provide financial support and incentives, thereby facilitating

Table 5: Challenges Facing Informal Sector Operators.

Challenges	Incidence N=180	Proportion N=100
Limited access to finance	90	50.0
Inadequate infrastructure	54	30.0
Restrictive regulation	27	15.0
Others	09	5.0

Table 6: Chi-Square Test Analysis of Challenges Facing Informal Sector Operators.

Challenges	Male (n=72)	Female (n=108)	Total
Access to finance	45 (62.12%)	90 (83.3%)	135
Infrastructure	30 (41.7%)	50 (46.3%)	80
Regulatory issues	18 (25.0%)	20 (18.5%)	20
Total	72	108	180

improved access to credit and promoting business growth among these operators. To gain deeper insight into these challenges, Table 5 was further examined using inferential statistics presented in Table 6.

Table 6 illustrates the use of the Chi-Square test to assess the challenges faced by informal sector operators in Aba Urban, Abia State. The null hypothesis (H_0) states that the challenges faced by operators are independent of gender. Using the chi-square test to determine whether the challenges are related to gender, it was found that access to finance was statistically significant ($\chi^2 = 9.21$, $p < 0.01$), while the other challenges were not statistically significant.

To better explain the challenges faced by the informal sector, Table 6 shows that financial access is a significant obstacle, especially for women (83.3%). Infrastructure and regulatory issues are less gender-specific. This suggests that women face greater financial barriers. Therefore, there is a need for women-focused funding through microfinance schemes and digital loans to reduce productivity constraints. Additionally, market facilities should be improved along with digital infrastructure. When developing policies to regulate informal sector activities, the government should simplify regulations by promoting awareness campaigns.

DISCUSSION

The findings of this study align with previous research on Nigeria's informal sector. For instance, Ogbu (2022) demonstrated that the informal sector plays a vital role in creating jobs and reducing poverty in cities. Likewise, Adu-Okoye (2020) highlighted that limited access to finance is a primary challenge faced by informal business operators in Nigeria.

The results indicating female dominance in the informal sector align with Ogunrinola (2021), who found that women are more engaged in informal activities than men in Nigeria. Similarly, Adeoti (2019) pointed out that cultural and social norms, though traditionally restricting women's participation in Nigeria's economy, are beginning to shift. These findings corroborate the global trend where women participate actively in the informal sector, as shown by current research, with women mainly

dominating this sector (ILO, 2020; World Bank, 2022).

The prevalence of trading as a regular informal activity aligns with Adeoti (2019), who observed that trading is a major informal activity in Nigeria. The finding that many informal sector operators possess some formal education agrees with previous research in Nigeria. For example, Ogbu (2022) and Medina and Schneider (2020) found that education is a key factor in the success of informal sector operators in Nigeria. Similarly, Adeoti (2019) emphasized that education and skills development are vital for enhancing the productivity and competitiveness of informal operators in Nigeria. Drawing on the similarities and differences, both genders face infrastructure and regulatory challenges. However, access to financial resources is a bigger challenge for females (83.3%) compared to males (62.5%). Females are more significantly affected by financial constraints ($p < 0.01$).

Conclusion

The study revealed that women comprise 60% of the workforce, mostly aged between 26 and 45. Access to finance remains a significant obstacle, especially for women (83.3%). To formulate effective policies, targeted support for women and improvements in infrastructure are crucial. The research also highlighted that the informal sector in Aba Urban, Abia State, significantly contributes to the local economy, engaging mainly in trading and related activities. Nonetheless, this sector faces challenges such as limited financial access, poor infrastructure, and strict regulations. It was also observed that the informal sector is mainly female-dominated. Many operators have some formal education, with secondary education being particularly common.

Therefore, government and financial institutions should provide financial support and incentives to informal business operators by providing access to credit facilities and business expansion. Also, there is a need to consider microfinance schemes, formalization programs, and cooperative credit systems to ease the inaccessibility of the informal sector operators. The government should invest in infrastructure such as roads, electricity, water, communication, and transportation, and develop markets to facilitate informal business activities.

There is a need for women-focused funding through microfinance schemes and digital loans for productivity not to be affected. Additionally, market facilities should be improved alongside digital infrastructure. To establish policies regulating informal business activities, the government should simplify regulations by raising awareness through campaigns.

The government should adopt policies to promote gender equality and encourage men's participation in the informal sector. The government, with other organizations, is expected to provide training and capacity-building programs to improve the skills of informal workers, boosting their productivity and competitiveness. The government should evaluate and amend regulations that hinder informal businesses from contributing positively to business growth in Aba's urban area. Despite the importance of this study, it is limited by a lack of data on the informal sector's involvement in urban stakeholders' forums related to city development. Further research is necessary to explore the role of stakeholders in the informal sector.

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