

Thesis
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INDIGENOUS ENTREPRENEURSHIP AND CROSS-BORDER TRADE IN NIGERIA

By

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Dedicated to my parents, Olu and Ayo Fadahunsi, for a lifetime of love, patience and guidance; And for being the perfect example to me, and to so many others. Nothing on earth can repay all that you have done for me. I love you.

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Abstract

The study examines an aspect of indigenous Nigerian entrepreneurship, focusing on the cross-border trade in South-Western Nigeria.

An almost total ignorance of how the traders go about their business, coupled with an unwelcoming trading environment, appear to have caused the antipathy of policy planners, and dearth of academic research in the area. The dearth of research is of particular concern here hence the need to "go back to basics", as it were, and focus the research in the first instance, on what the trade is in fact all about. The study focuses therefore on a descriptive analysis of the cross-border trade itself as an indigenous exporting activity, in particular the role of the small businesses who, in numerical terms at least, dominate the trade. It is expected that this will lead to future, more sector and area-specific studies on the subject.

The cross-border trade takes place in an environment of illegality, corruption, and an unstable local economy, which makes trading conditions difficult, and would ordinarily seem to prevent traders from exercising their enterprise other than for mere survival on the economic fringes. Policy planners are also quick to argue that the trade is merely a smugglers' arena that contributes nothing to national development and in fact needs to be eliminated in aid of the development process. These reinforce the development literature which envisages only a limited role for indigenous entrepreneurship in economic development.

The findings in this study however suggest another interpretation. It is argued that the trading environment as it is in fact provides opportunities which seem to have encouraged the emergence of an entrepreneurial class, and that though largely invisible, greater capital accumulation than is usually thought appears to be taking place, suggesting a more significant role for indigenous entrepreneurs in the development process.

Between chapters 1 and 5, a case is presented for why existing trade and development theories have only a limited application to the development process in less developed countries like Nigeria. Chapters 6 and 7 introduce the surveys which indicate the performance and strategy of a sample of producers and traders. Subsequently relying mainly, but not exclusively on anthropologically-oriented material, the study focuses, in chapters 8 and 9, on the actors and activities in three cross-border trade routes, exploring the ways in which the traders relate to one another and to other participants in the trade. Further attention is paid to the ways in which the trade survives, evolves and develops, in spite of considerable environmental difficulties. While the study does not dispute that there are several smugglers and other law-breakers in the cross-border trade traffic, it argues further that considerable legitimate, but unrecorded trade goes on across the borders by several dedicated producers and traders. Certain theoretical implications arising from the study are discussed as areas for further study, while other, more practical recommendations, are suggested to policy planners, which may be beneficial both to them and to the traders in the future developments of the trade.

Abbreviations Used.

AF -	[Export] Adjustment Fund
C/MD -	Chairman/Managing Director
CBN -	Central Bank of Nigeria
CFA -	Communante Financiere Africaine (franc)
CIRD - of OAU	Centre for Industrial Research and Development of Obafemi Awolowo University
CMD -	Centre for Management Development
(D)CEO -	(Deputy) Chief Executive Officer
ECGIC -	Export Credit Guarantee and Insurance Scheme
ECLA -	Economic Commission for Latin America
ECOWAS -	Economic Community of West African States
EDF -	Export Development Fund
EEGF -	Export Expansion Grant Fund
FEM -	Foreign Exchange Market
FMIC -	Federal Ministry of Information and Culture
FOS -	Federal Office of Statistics
HGV -	Heavy Goods Vehicle
ITT -	International Trade Theory
LCCI -	Lagos Chamber of Commerce and Industries
MAN -	Manufacturers Association of Nigeria
N -	Naira
NACCIMA -	National Association of Chambers of Commerce, Industries, Mines and Agriculture

nAch -	Need for Achievement
NBCI -	Nigerian Bank for Commerce and Industries
NCS -	Nigeria Customs Service
NECA -	Nigerian Employers' Consultative Association
NEPC -	Nigerian Export Promotion Council
NERFUND -	National Economic Recovery Fund
NHF -	National Housing Fund
NIC -	Newly Industrialized Country
NISER -	Nigerian Institute for Social and Economic Research
NURTW -	National Union of Road and Transport Workers
OAU -	Organization of African Unity
OPS -	Organized Private Sector
SAM -	Senior Administration Manager
SAP -	Structural Adjustment Programme
SFEM -	Second-tier Foreign Exchange Market
SME -	Small and Medium Scale Enterprise
SMI -	Small and Medium Scale Industry
SSE -	Small Scale Enterprise
SSI -	Small Scale Industry
TAT -	Thematic Apperception Test
UAC -	United Africa Company
UK -	United Kingdom
UN -	United Nations
UNILAG -	University Of Lagos

USA - United States Of America
VAT - Value Added Tax
WACH - West African Clearing House
WAMU - West African Monetary Union

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CHAPTER ONE

INTRODUCTION TO THE STUDY.

1.1 An Overview Of The Study.

This study is primarily about an aspect of the entrepreneurship process in South-Western Nigeria - the cross-border export trade engaged in by traders and other actors¹ across West Africa.

Received knowledge teaches that the small firms who, in numerical terms, dominate private African enterprise, have little or no impact on national economic development. In Nigeria's case for instance, they are construed as predominantly inward-looking businesses that do not carry out any exporting, as evidenced for instance by Nigeria's published trade figures. In the course of this study, I will argue that hypotheses such as these fail to capture the complexity and vibrancy (as well as the potential) of this trade. Involvement in the West African cross-border trade is very much a feature of indigenous Nigerian entrepreneurship. It sustains an entrepreneurial class, thus contributing to the country's economic development and, and is capable of being developed into a more efficient export activity. It is however being ignored as such by policy planners and academics, who have been quick to dismiss, and indeed condemn the cross-border trade as being virtually constituted of smuggling activities².

¹ "Actor", for the purposes of this study, refers to any person or persons who may be viewed as a distinct part of the social process. Examples would be entrepreneurs, customers, suppliers, government officials, and so forth.

² See for example the speeches of General Ibrahim Babangida (Nigerian Head of State 1985-93) on West African integration, reproduced in Nwachukwu (1991). cf. Eleazu (1989); Ajiboye (1990); Yahaya (1992).

1.2 Significance Of The Study.

Inspite of the many references amongst the small business research and policy community on the importance of entrepreneurship and small enterprise development to wealth and job creation in developing countries³, there have been few theoretical insights post-dating the 1970s on how entrepreneurship enhances the development process in Less developed countries (LDCs)⁴. Leys (1996) for instance, in a substantial "stock-taking" of the state of development theory contains no chapter or substantial section on debates concerning the role of entrepreneurship/enterprise development in the development process. This marginalisation of the subject may symptomise the fact that the entrepreneurship/small business community has yet to contextualize its research in the wider debates on development, and this is one of the things that this study seeks to do.

Furthermore, the study makes the point that much more legitimate trade than is thought appears to be taking place across West Africa's borders, and that the major hinderance to the growth and contribution of the trade to regional GDP has more to do with a lack of an environment in which to blossom, than to a lack of enterprise in the population, or the "nefarious" activities of smugglers.

This is not an entirely new hypothesis. In recent times, there have been several statements made along the lines of

³ Page & Steel (1984); Haasbrock (1996); Fadeyi (1991); Marsden (1990); Petrof (1980).

⁴ In this study, the terms "less developed", "underdeveloped", and "developing", where they refer to countries (and economies, in particular) are being used interchangeably. In the same vein, the terms "developed", "advanced", and "industrialized" are used interchangeably.

"The volume of Nigeria's exports to other West African countries is enormous... Sadly the official channels hardly benefit from this trade which goes instead through market women (mammies), who know how to beat the system"⁵.

and

"World Bank projections of booming non-oil exports [from Nigeria] have not been realised. There was a short-lived post-devaluation boom with recorded non-oil exports reaching \$613 million in 1988, but by 1994, they had collapsed to \$244 million. Given high levels of unofficial cross-border trade, this is certainly an underestimate"⁶.

However, statements such as these are generally not developed further⁷, and tend to be treated as not much more than anecdotal asides. Lack of adequate knowledge about the mechanics of the cross-border trade seems to be one of the main reasons why its contributions to national employment and invisible balance of payments are often ignored, or otherwise unacknowledged. This study hopes to contribute to the filling of this gap in particular, and to the evolving knowledge on West African intra-regional trade in general.

Academically, it attempts to provide development economists, as well as social and economic anthropologists with material for further study relating to the ways in which sub-saharan Africans, and Nigerians in particular, order an aspect of their economic behaviour, an objective considered in certain quarters in development studies to be in short supply⁸, hence its interdisciplinary approach. It is also hoped that it will be of interest to Nigerian

⁵ West Africa (28/5 - 3/6/90, p.887).

⁶ Financial Times (London) 26/5/95, section 3, pp 3-4.

⁷ In Hill (1971), one of only a small number of such studies, an aspect of the cross-border trade between Nigerian traders and migrant farmers from the Niger Republic is given a brief mention as part of a wider study of the grains trade in Northern Nigeria. See also Business In ECOWAS vol.5, No. 9 24/9/91, pp.34-35; African Guardian vol.4, no.6 13/2/89, pp.19-26; The Guardian (Lagos) 14/2/94, P.11, which all indicate that steady cross-border trade also takes place, not only as Polly Hill states above, but also between Nigeria's eastern states and Cameroun.

⁸ See Hill (1986:xi).

policy planners in the formulation of export policies and guidelines for Nigerian firms, especially those wishing to trade in West Africa. To that extent, it may be considered to be policy driven.

1.3 Background To The Research Problem .

"Nigeria is a nation of traders", as the popular local saying goes. A tour of any part of the country is indicative of this well-earned reputation. One is as likely to find buyers and sellers in warehouses and other outlets belonging to manufacturers' representatives as one is to find them in purpose-built markets, street-corners, residential buildings, schools and offices, air and seaports, on farmlands, alongside rivers - literally everywhere. People trade out of modern shops or stalls, from either purpose-built or make-shift market stalls, out of their homes, in schools, along motorways - almost anywhere. They sell anything: There are books, arts and crafts, pre-recorded music, power generators, clothes, all kinds of fruits and food, various electrical/electronic parts, palm produce, coal, manufactured plastic products, used cars and car engines and a great deal of other products. It is not unusual to even find people representing producers of farm produce such as cocoa, rubber, wood or livestock in air or seaports. Hawkers of all kinds of goods from home security equipment to fresh and cooked foods, household necessities, and even luxury items such as jewellery, perfumes and the like, can be found selling their products in traffic, in markets, or direct to people in their homes. There also abound carpenters, makers of cement blocks and other building materials, bakers, vehicle assemblers, dress makers and designers, auto mechanics, and so forth. Quite apart from these are the more "modern" firms of all sizes, including multi-national enterprises (MNEs), which seemingly exist quite comfortably alongside the more

"traditional" formats described above.

This picture is true of both rural and urban centres in Nigeria, with rather more general relevance to the latter. The channels described above combine in a complex, vibrant, but often misunderstood network of production and distribution of goods and services within, and to a considerable extent, beyond Nigeria.

I have found scenes like these repeated in several parts of West Africa in the course of my fieldwork. On my field-trips which were mostly by road, I witnessed an astonishing amount of commercial activities going on at various border locations. Although much of the cross-border trade traffic originates from, or seems destined for Nigeria, the trade keeps many businesses busy right across West Africa, and provides several entrepreneurial opportunities which in varying degrees, many traders are willing and able to exploit.

For the purposes of this study, and for want of a better term, I will refer to this process as "*indigenous economics*"⁹, and to the participants in this trade, to the extent that they live in and are primarily operationally based in the area of study, as "*indigenous entrepreneurs*"¹⁰. Indigenous economics, here, is distinguished from "mainstream" (or classical) economics not so much in fundamental beliefs or theory, but mainly as a matter of approach. For instance, in any given situation, the factors which may require further study or research in a less developed economy like Nigeria's may be different from those of the more developed economies of Western Europe. So, while the economic behaviour of both

⁹ This term has been borrowed from Polly Hill's *Some Characteristics Of Indigenous West African Economic Enterprise* (1963a).

¹⁰ This term has been similarly borrowed from E.O Akeredolu-Ale's *Private Foreign Investment And The Underdevelopment Of Indigenous Entrepreneurship In Nigeria* (1976).

the (indigenous) Nigerian entrepreneur and his¹¹ British counterpart can be described as "rational" and "responsive", what constitutes rationality or responsiveness in their individual circumstances may not necessarily be the same.

It has been argued that (what I term) indigenous economics drifted from mainstream economics during the hundred-odd years of Europe's colonization of Africa; the argument being that

"during the brief colonial period, economists were concerned with the point of contact between West African and European economies, with the economic relationship between the metropolitan country and the colony. This led them to concentrate nearly all their attention on... acts of exportation and importation, rather than indigenous systems of internal distribution"¹²,

including the "lateral" intra-regional export and import trade going on between various West African communities. According to Hopkins (1973), this has not merely been an academic omission. Policy makers, over a considerable period, have been just as guilty. He writes thus:

"[The indigenous] economy was largely ignored by the colonial administration because it was not, on the whole, an important source of public revenue, and it was also neglected by the expatriate commercial firms, which chose to concentrate on the staples of the import and export trade. Oddly enough, the very success of the African distributive system, which transferred goods and services with unobtrusive efficiency, seems to have confirmed the low priority accorded by expatriates to internal trade. Had indigenous channels proved inadequate, serious shortages would have occurred; the administration would have had to intervene; reports would have been written; and scholars would probably have become interested in the subject at an earlier date. In fact, it was not until the 1950s that economists discovered the existence of internal (West African regional) trade... "¹³.

¹¹ In this thesis, the pronouns "he/his/him" have been used (except where a text is being reproduced) to represent entrepreneurs in general, only as a matter of convenience. It is not intended to eliminate female entrepreneurs from the scope of the thesis. It is in fact recognized that in certain instances, female entrepreneurship may require further, special research.

¹² Hill (1970:4). cf. Schultz (1964:6); Wallerstein (1973).

¹³ Hopkins (1973:244). Brackets mine.

It is a situation that unfortunately continues to underpin this area of development thought in present times and contributes significantly to the dearth of official and academic interest in the area.

Hill (1970:4-5) goes further to say that

"in insisting on the narrow scope of conventional economics in regions such as West Africa, I am not exaggerating. We are all far more ignorant than we are knowledgeable. From Dakar to Cameroun, there is very little systemized knowledge relating to the economic organization of internal trade in West African foodstuffs and raw materials..."

She calls for an "alternative analysis" involving far more "anthropologically oriented material"¹⁴, by which she means the carrying out of detailed field studies involving the questioning and observing of individuals while they are at work. From these, patterns of standardized economic behaviour, amid the diversity of African life, may be discerned. Economists may then use this information to design, and operationalize their tests, using standard statistical means.

Hopkins identifies further policy-level benefits to be had from a more "hands on" research approach. In his words

"This shift of emphasis may have beneficial academic consequences if it encourages academics to leave the air-conditioned corridors of power and venture into the farms and markets. It may also have some practical use if it reminds those who formulate policy and exercise authority that the skills and energies of ordinary Africans are

¹⁴ This theme is taken up again in a fuller discussion on the methodology in chapter 6. In criticising the seeming unreliability of officially published data (upon which an increasing number of government and international agency forecasts were being made) in the face of observable contrary evidence, many other writers on post-independent African trade and consumerism advocate much the same thing. Farnsworth (1961:192), and Hill (1970:10) contain illustrations of such data unreliability from Ghana, showing it is not a new, or localised problem, and Hill (1986) dedicates an entire chapter (chapter 3) to the subject, criticising further the complacent attitude of international institutions and economists in accepting without question, obviously "bad official statistics" as basis for analysis.

probably the continent's greatest assets"¹⁵.

I believe there is a need to regard economic behaviour and development in less developed economies as "different" from those of more developed economies, and so requiring recognition and study in their own right¹⁶, rather than "different" in the modernist sense that less developed countries are in certain hierarchical stages of development from where they will, or should work towards what obtains in the industrialized economies of the west¹⁷. To disregard this would, in effect, be likening the people and economy of a country to a laboratory situation where variables are open to control and manipulation.

The aid agencies and development economists who championed the modernist viewpoint¹⁸ favoured central planning and tight government controls over the allocation and use of resources for the attainment of sustained economic development, partly due, as Marsden (1990:1) reports, to a belief that there was a scarcity of entrepreneurs in Africa. The opposing views of some writers to the effect that there is sufficient entrepreneurship in Africa, and that any blame for their relatively minimal impact on overall economic development must be put on the restrictive practices of African governments¹⁹, or incorrect statistical records²⁰ were firmly in the minority.

¹⁵ Hopkins (1973:296).

¹⁶ as has been done by Hill (1963a)(1970); Schultz (1964). Collier (1991) also more or less makes the same point in his critique of the thinking behind the World Bank's (1989) proposed development strategies for sub-saharan Africa.

¹⁷ a view implicitly favoured by development economists such as Geiger & Armstrong (1964) a generation ago, and which, in certain quarters, persists. cf Marsden (1990). This issue is explored further in an examination of modernization ideas in chapter 3.

¹⁸ see for instance United nations (1976), and Steel (1979), respectively

¹⁹ Bauer (1976).

²⁰ Hill (1963a; 1970).

There is no denying that improvements are necessary in the economic fabric of LDCs before sustained development can occur, but the point is nevertheless stressed that existing ideas on the path that the transformation of LDCs ought to take are sometimes clouded by an improper understanding of the inherent development practices and attitudes already entrenched in various indigenous LDC populations.

In the 1970s, Nigeria and many other parts of Africa enjoyed annual growths of 7% - 10% in GDP²¹, but this was accompanied by widespread economic mismanagement and political instability²². As it was fairly obvious that this growth owed much more to high mineral and commodity prices than to investment and output growth, the structuralist model of economic growth envisaged by orthodox development theory came under increasing criticism, and in its stead arose a new emphasis, or at any rate, a new rhetoric, on a self-reliant approach to development.

The 1980s witnessed a drastic reduction in the earning power of Nigeria and other subsaharan African countries. This, added to increasing evidence of public sector inefficiency resulted in a further reappraisal of development strategies. By the mid-1980s, the International monetary fund (IMF) had commended various policies of economic liberalization including subsidy withdrawal, privatization, currency devaluation, and so forth to most parts of subsaharan Africa as part of a structural adjustment programme (SAP). Pressure was put on them to embrace free enterprise and jettison "state" capitalism. The World Bank (1989;1991) has argued to this end, first, that entrepreneurs are the most realistic source of new jobs to satisfy a labour force expected to grow to around 600 million by the year 2020; and second that only entrepreneurs' collective initiative can ensure that the

²¹ IMF (1975).

²² See Panther-Brick [ed.] (1978).

long-term demand for low-cost products and services will be met.

I do not intend to argue that governmental intervention and decision making in commerce are unnecessary and undesirous. Indeed, it will be shown that in certain instances, governmental intervention is a most desirable option. However, certain other contributions are, or can be made by private enterprise which are not likely to be forthcoming, as Geiger & Armstrong (1964:13) put it "... either at all, or as soon, or to as great an extent..." if reliance is placed solely, or even mainly on governmental decision making.

Although the argument now seems settled that entrepreneurship and free markets have a major role to play in Africa's economic development, differing views remain as to which types of entrepreneurs can best, or most effectively, achieve this. The activities of indigenous entrepreneurs are usually divided into two sectors. They are known by a variety of names, the most common of which are "modern" and "informal" sectors²³.

The modern sector is generally viewed as including enterprises that operate within official regulations, while the informal sector is seen as that under which enterprises carry on business outside official regulations²⁴, usually meaning the avoidance of tax payment²⁵.

²³ Some authors take the view that any differentiation by size and characteristics is inevitably arbitrary, and to that extent must be rejected. See Breman (1976); Page & Steel (1984:9-13).

²⁴ Page (1979); Marsden (1990); Shaw (1991). Although individually small in size, "informal" enterprises provide the bulk of African employment in manufacturing, services and commerce (Page & Steel 1984:6). The conventional characteristics of the informal sector - adopted in this study - include ease of entry, small (or micro) scale of operation, the use of labour intensive and adaptive technology, an unregulated but competitive market, low fixed costs, mobility, and other like characteristics. See further Hart (1973); Majumdar (1980); Clammer (1987); Oyeneye (1981); Haasbrock (1996).

²⁵ It has also been said to include the avoidance of the banking system (Roitman 1990:681), although most of those respondents to the survey in this study, who to all intents may be classed in the informal sector, do in fact operate bank accounts. What about 59% of them fail to do however, according to the survey, is register their businesses either under the Registration of Business Names Act, or the Companies Decree. As for the avoidance of

The activities of the informal sector (in which a significant proportion of private enterprises operate) are "unofficial" and are therefore unmeasured and unrecorded. There is, in addition, a tendency to dismiss them as illegal, and not contributing to economic development. However, a great deal of the economic activities that I witnessed in the commercial centres that I studied were not inherently illegal, although several transactions were concluded with tax avoidance in mind. The informal sector also does not enjoy as much independence or autonomy from the state as is sometimes thought²⁶. Many cross-border traders that I spoke to in Nigeria, who would fall within the ambit of the informal sector, for instance rent their shops in "above-board" arrangements from the government; their exports and imports pass through official channels (there is much less need now, than at anytime in the past century for such goods to be carried through the bushes on the trader's head, which is the oft-portrayed image of the cross-border trader); And most duty and tax evasion is done with the connivance of the public officials in charge. Both sectors feed off one another to a greater extent than is often thought, or acknowledged.

Professional opinion about the sector is mixed. In the interviews I conducted, bankers, academics and public officials were more likely to describe firms in this sector as "economic

duties other than direct taxes, observable evidence in the present study indicates that enterprises in the informal sector are not significantly more likely to do this than their modern sector counterparts. It is trite knowledge in Nigeria that not many people outside the ambit of those employed directly or indirectly by the government, or by firms registered under the Companies Decree pay income tax. Even then, several registered firms are in their own case involved in a continuous game of wits centred around their non-payment of other taxes including value added tax (VAT) (cf. Financial Guardian [Lagos] 14/2/94, p.5) and contributions to the National Housing Fund (NHF) (cf. Business Times [Lagos] 21/3/94, pp.1,13).

²⁶ cf. MacGaffey (1987).

parasites"²⁷, while managers in manufacturing and trading firms were generally slightly more generous in their assessment of the sectors, particularly when it came to describing informal enterprises engaged purely in trading activities.

The importance of both sectors is well acknowledged by African governments²⁸, even if such is not quite borne out in practice by the governments' implementation of their economic policies.

Within the two sectors are a myriad of firm sizes. There generally is considerable interdependence amongst firms of all sizes. As such, the data and discussion extends to firms of all sizes, although the entrepreneurs that this study is primarily concerned with are owner-managers of relatively small-scale enterprises (SSEs)²⁹. I do however hesitate to use the term "SSE" in any broad sense because "small" is a relative term, apart from which it has been used to mean so many different things as to render it imprecise for analytical purposes, unless specifically defined for the context in which it is being used.

In Nigeria, as in many other places, what is meant by "SSE" depends on the peculiar needs of the author, or in the case of governments, of public policies. Different departments adopt different definitions. Thus, the Central Bank of Nigeria (CBN), the Nigerian Export and Import Bank (NEXIM), the National Economic Recovery Fund (NERFUND), and the Nigerian Association of Chambers of Commerce, Industries, Mines and Agriculture

²⁷ a summation of various uncomplimentary terms used to describe the sector.

²⁸ The Organization of African Unity's Lagos Plan of Action (OAU 1982, cited in Page & Steel 1984:1) for instance specifically urges "creating a network of small and medium scale industries as well as actively promoting and encouraging the informal sector" as the cornerstone of its plan for industrial development and job creation. cf. Article 50 of the revised ECOWAS Treaty signed in Abuja, Nigeria in 1993 dealing with the promotion of inter-regional trade.

²⁹ The terms "enterprise", "firm" and "company" are used interchangeably.

(NACCIMA), among others, all have different definitions for SSEs³⁰. The main determinants in Nigeria are size of capital investments, value of annual turnover, and number of paid employees. However, apart from the usual differences in interpretation given by different industrial sectors, which is considered acceptable in most economies, in the particular case of Nigeria, hyper-inflation and massive fluctuation in the exchange rate of the Naira³¹ have occasioned substantial inconsistencies in the weight one accords investments and turnover in defining a small-scale enterprise. It is unrealistic in Nigeria's present economic climate, as it has been since about 1990, to expect monetary figures (such as the replacement value of production machinery) from one year to bear close resemblance to figures from the next³². In Nigeria these figures are continually expanded in the official definitions to take account of inflationary trends. I will illustrate these with the following examples:

The CBN's Monetary Policy Circular number 22 of 1988 defined SSEs as enterprises

³⁰ This is not a peculiarly Nigerian situation. In Malaysia, for instance, the Co-ordinating Council for Development of Small Scale Industries (CCDSI), the Ministry of Trade and Industry, and the Industrial Co-ordinating Act of 1975 have capitalized SSEs at M\$250,000; M\$500,000 and M\$2.5 million respectively ([US\$1.00=M\$2.5] Chee Peng Lim 1992:9-10). Similarly, an SSE in Singapore is one which employs fewer than 50 workers per shift, while the figure may go up to 99 workers in the Philippines. A "small" manufacturing firm may employ up to 20 people in South Korea, 200 in the U.K, and 300 in Japan. The contrasts are virtually endless.

³¹ The Naira ("N", divided into 100 kobo) is the currency of Nigeria. £1 officially exchanged for N32 during the course of the fieldwork for this study, but informally, £1 exchanged for an average of N75 over the same period. See further chapter 8, although there are relevant references to this issue throughout the study.

³² I witnessed price increases of about 30-200% on most consumer goods during the eight months that my fieldwork lasted. Inflation, according to the government stood at about 45% for the period, while the Manufacturers Association of Nigeria (MAN) estimated it to be about 80% for the same period (MAN 1994). See also Business Concord (Lagos) 4/1/94, p.12, and Financial Guardian (Lagos) 31/1/94, p.14, for illustrations of banks and other firms, on the one hand struggling with decreased patronage (or unit sales), while simultaneously reporting increases in "profits" of up to 300%.

in which total investment (including land and working capital) did not exceed N500,000 and/or the turnover did not exceed N5 million. Following persistent and sharp devaluation of the Naira, the investment and turnover figures were, in 1990, increased to N5 million and N25 million respectively. The investment figures were raised further still, to N10 million, in 1993³³.

A note of caution must therefore be sounded about the use of investment and turnover figures in arriving at a working definition of SSEs for the purposes of this study. Numbers employed, as a category, although by no means immune, is far less susceptible to the kind of effect that inflation has upon investment and turnover. Furthermore, it is a convenient criterion of research which can be readily compared across different industrial sectors and countries. The definition ought nevertheless to include some barriers to entry in order to rule out illegal and unskilled activities.

A broad working definition of SSEs, for the purposes of this study, is therefore suggested as follows:

Privately owned independent enterprises engaged in legitimate profit-oriented activities involving barriers to entry in the form of physical capital, and which, for this purpose, employ between one and fifty persons³⁴.

³³ This situation bruises the ego of several indigenous entrepreneurs. In particular, several of the more well-to-do respondents during the pilot stage of the fieldwork were incensed when it became apparent that their businesses were by definition "small". They believed that having worked hard for a number of years to build businesses that earned, in some cases, millions of Naira each year, and provided employment for several people, they no longer saw their businesses as small, and did not wish them to be regarded as such simply because the Naira was in trouble. For the actual study then, I had to ensure that direct references to firm sizes were, as far as possible, omitted.

³⁴ I have selected these figures for use here because they are the same ones used by the Small Industries Section of the Federal Ministry of Trade (Federal Ministry of Trade and Industries [1980]; Federal Office of Statistics [1991; 1993a]). Several academics have also adopted these figures for use both within, and outside Nigeria (Aluko et al [1972]; Orimalade & Ubogu [eds.] 1984; Osha [1989]; Page [1979] Page & Steel [1984]; Marsden & Belot [1987]; Marsden [1990]), although some, like Marsden (op.cit.) put an upper limit of forty

This definition includes the so-called "artisanal", "cottage", or "micro" enterprises which employ between one and nine persons³⁵.

A small scale enterprise, in whatever sector, is not necessarily subsistence-oriented. Although petty traders dominate the cross-border trade, and more generally, the informal sector in numerical terms, the activities of more lucrative enterprises, and those with the potential or ambition to do so must not be ignored. To put this in perspective, about 30% of the respondents to the survey for this study reported an annual turnover of N1 million³⁶ or more.

1.4 The Entrepreneurship/Small Business Interface.

There is a tendency among many writers, as well as in everyday usage to equate entrepreneurship with small business ownership. Indeed, "the entrepreneur is often defined

nine on these figures.

³⁵ By extension, medium and large scale enterprises will include those that employ between fifty one and three hundred, and more than three hundred persons, respectively (cf. Marsden 1990:5).

³⁶ The dilemma however is what this figure means in hard currency, for analytical purposes, given the volatility of the Naira exchange rate, referred to earlier. Adejoro (1995) argues that a currency ought always to be a reflection of its domestic value, and rightly points out that this has not been the case with the Nigerian Naira, a currency that is virtually under constant revaluation of its exchange value. I will illustrate this with the following: N1 million would have exchanged for about \$1.4 million in the regulated exchange rate system operated in 1985. In the deregulated system in operation in 1992 & 1993, the same amount would have exchanged for about \$55,000, and \$23,000 respectively. Under the fixed exchange rate system which Nigeria reverted to in 1994, it would have then risen to \$45,000 before falling back to about \$20,000 in the re-deregulated system of 1995 (see African Concord 24/1/94, p.16 ; The News 14/11/94, TNB 8-9, for a review of the paths of the Naira's rates vis-a-vis the American dollar from 1987 to 1994).

as one who starts his own, new and small business"³⁷. Just as often however, the point has been made that not every new small business represents entrepreneurship, and that some of the world's largest enterprises are in fact among the most entrepreneurial³⁸. This interface is a source of continuing debate in entrepreneurship research.

The overlapping of entrepreneurship with other enterprise concepts such as "owner-manager", as well as the sometimes fuzzy distinctions made between entrepreneurship and "small firm/enterprise/business" or such other units, more often than not create further grounds for debate or confusion in entrepreneurship research. The connotations vary from country to country, and even within the same country, as shown earlier, may well vary between sectors. It is also quite possible that within the same sector, a firm which is "small" by capitalization may not be deemed small by virtue of numbers employed.

The Bolton report³⁹, published in the U.K in 1971 gives three essential characteristics which any "small firm" ought to possess.

- i) By definition, such firm's share of the market ought to be small.
- ii) It must be managed by its owner(s), who must do so in a personalized way, as opposed to a formalized management structure.
- iii) It must be independent in that it does not form part of a larger enterprise and that the owner-manager(s) must be free from outside control in taking principal decisions.

Although this was not the stated intention of the Bolton report, it has virtually become

³⁷ Drucker (1986:35).

³⁸ Drucker's examples here include Marks & Spencer (from the U.K), and also General Electric and McDonalds (from the USA).

³⁹ Report Of The Committee Of Inquiry On Small Firms, Cmnd.4811 (1971:1) John Bolton - Chairman: cited in Scase & Goffee (1982:40-42).

standard practice, in following the report, for writers to identify management structures and practices as the key distinguishing factors between entrepreneurs and small business owners.

According to Carland et al (1984:358) for instance,

"An entrepreneur is an individual who establishes and manages a business for the principal purposes of profit and growth... is characterized principally by innovative behaviour and will employ strategic management practices in the business... The principal goals of an entrepreneurial venture are profitability and growth, and the business is characterized by innovative strategic practices"

Whereas,

"A small business owner is an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be a primary source of income and will consume the majority of one's time and resources. The owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires... A small business venture is any business that is independently owned and operated, not dominant in its field, and does not engage in any new marketing or innovative practices"⁴⁰.

Although these definitions are supposed to highlight dissimilarities between the two concepts, in practice, they actually end up suggesting more similarities than they probably intend. For instance, the Carland definitions suggest that only small business owners set up businesses to pursue personal goals. However illustrations abound around the world of entrepreneurs who establish entrepreneurial ventures for such reasons⁴¹.

They also conclusively link the desire for profitability only with entrepreneurship and

⁴⁰ cf. Chell et al (1985:5); Loucks (1988:4); Hebert & Link (1988:155).

⁴¹ To pick two rather extreme examples, *Soichiro Honda* had already realized his dream of building and marketing what was arguably the world's leading motor-cycle brand, when he tried his hand at repeating his success in the motor-car industry. This was done with equally impressive results. Similarly, *Moshood Abiola* was already one of Nigeria's most successful entrepreneurs when he began to publish a newspaper ("The National Concord"), initially as a vehicle for his own political views. In the process of doing this, the newspaper publishing house (Concord Press of Nigeria) expanded to become, prior to its year-long proscription by the Federal Government of Nigeria in 1994, Africa's largest private print media organization.

the desire for independence only with small businesses. They suggest further that only the small business owner, as opposed to the entrepreneur, will spend the majority of his time on the business venture. These are not totally reconcilable with all known interpretations of entrepreneurial behaviour. Finally, they may also be held to suggest that the entrepreneurial venture is not normally the entrepreneur's primary source of income. This statement however can only be true where the venture in question is not a going concern.

This, and many other entrepreneurship theories/conceptualizations appear to be modelled on large private enterprises. Many were developed within the context of post-second world war economic growth, and so forth. In all these cases, certain assumptions were made about the fabric of the economy. However, these assumptions, concerning minimum economic infrastructure or industrial base, as is discussed further in chapter 2, do not exist uniformly around the world. Certainly in LDCs, they do not exist in the same form that they do in the more industrialized countries of the world. Because of these, a deficiency in local private capital, technical knowledge, skill and sometimes even desire exists, affecting the numbers and types of enterprises established. Even where established, the deficiencies mentioned above frequently force entrepreneurs in LDCs to set their sights much lower than they might otherwise have done. For instance, the firm might be smaller, or employ less advanced machinery than an equivalent firm in the developed world may employ, and so have a lower output. This may result in what is termed entrepreneurial in LDCs not being seen to be so in the more industrialized parts of the world.

It is not unusual, especially in LDCs, for "SSE" owners to see their role as entrepreneurial, and be regarded as such by academics and others⁴². Indeed both terms are

⁴² Akeredolu-Ale (1976); Orimalade & Ubogu [eds.] (1984).

often used interchangeably. The Schumpeterian concept of innovation⁴³, so often used in more industrialized countries to distinguish between entrepreneurs and small business owners, is more broadly conceived to include the improvisation of local inputs in place of, or in addition to production and distribution formats imported from elsewhere. Some writers are in fact prepared to dispense with the Schumpeterian concept of innovation altogether in conceiving of entrepreneurship in LDCs⁴⁴. The entrepreneurial umbrella is, in any case, ultimately much wider. For instance, some of the people who have been described as entrepreneurs include the following:

A school teacher who purchased and sold imported clothing to her students and fellow members of staff on the side (Nigeria);

A lady who set up a handicraft workshop in embroidery, basketry, weaving and scarving. Three assistants were employed in the workshop (Mauritius); and

A lady who made handkerchiefs at home for sale to family and friends (India)⁴⁵.

A universal definition of entrepreneurship is obviously not easily arrived at. The following though, does seem clear about it:

An entrepreneurial venture may be one which has been established or acquired; It may be a sole venture or a partnership with one or more others, and it may be managed solely

⁴³ as described in Schumpeter (1934:66).

⁴⁴ See Ray (1988:6).

⁴⁵ Commonwealth Secretariat (1988:173-88; 263-70). McClelland (1961:65) also notes that "nearly every household in most [developing] societies engages in some entrepreneurial activity", and so for the purposes of his study has to distinguish between "full-time" entrepreneurs (those who obtain at least 75% of their income from entrepreneurial activities), and others. Casson (1982:1) suggests that even in an industrialized economy, selling pocket calculators via mail order, or running a small boutique are entrepreneurial ventures.

or severally. It is not however enough to describe an entrepreneur merely as one who exploits those opportunities which present themselves. An entrepreneur also has to actively search for exploitable opportunities with the aim of obtaining for "profit"⁴⁶, a higher yield from the resources he possesses, or is capable of possessing. To do this, he must be capable of taking decisions that show originality of idea, or at least an original adaptation of an existing idea.

In the present study, seven firms (labelled cases 1-7) have been selected for in-depth study⁴⁷. Three of them are owner-managed trading firms, while the remaining four are manufacturing firms of varying sizes and export orientations, two of which are owner-managed. The senior managers in the last two are minority shareholders in their firms. They are fairly indicative of the rest of the sample population⁴⁸. Even where it can be argued that not every one of the seven subjects has a management style that is formally "entrepreneurial", they can be said to have shown entrepreneurial drive in the formation of their businesses (cases 1 & 4), in distribution (cases 2 & 3) or in production (cases 5 -7). In addition, all earn just about all of their incomes from their commercial activities. In any case, despite their varying sizes⁴⁹, they all pursue an expansive (as opposed to subsistence) economic policy within their businesses. They extract value from their environment, creating or accumulating wealth by spotting or matching opportunities with available or mobilized resources, and so fall within the more pragmatic definitions of entrepreneurship favoured in

⁴⁶ defined here as any reward, material or otherwise, that the entrepreneur may seek.

⁴⁷ See further chapter 7 (section 7.5).

⁴⁸ See chapter 6 (section 6.5) for further details.

⁴⁹ Case 1 is a sole proprietorship employing just the owner, while case 7 is a multi-national enterprise employing in excess of 1,000 people. Most of the respondent firms however will, following the SSE definition employed in this study, be termed "small".

particular by social anthropologists⁵⁰.

Perhaps rather than perpetuate the contrasts between entrepreneurship and SSE ownership, a way forward may lie in recognizing first that a small firm may also be an entrepreneurial one, and that a large scale enterprise is not necessarily entrepreneurial. It is the firm's operational objectives, rather than its size or such other formalized structure, that ought to decide whether or not the firm is entrepreneurial in nature. Then, one would need to distinguish, not so much between an entrepreneurial firm and a small firm, but between an entrepreneurial firm and a non-entrepreneurial one. Within the ambit of the entrepreneurial, or non-entrepreneurial firm, one may then distinguish further between smaller firms and bigger firms.

1.5 The Objects Of Study And The Research Problem.

The background provided in sections 1.3 and 1.4 above reveal the central objects of study to be Nigerian entrepreneurs operating on a small scale, in particular those export-oriented ones who are already, or are in the process of exploiting opportunities provided by the West African cross-border trade. It is the persistence that the participants in the trade demonstrate in the development of the market, despite considerable political and environmental difficulties that has fuelled my interest in carrying out this study.

It is something of a paradox that Nigeria, like many other African countries, has comparative advantage in the supply of labour⁵¹; A significant proportion of this labour

⁵⁰ Barth (1963); cf. Rosa & Bowes (1990:4-6); Long & Long ([eds.] 1992).

⁵¹ Marsden (1990).

tends to be supplied informally to the firms that require them⁵²; These firms are mostly small or artisanal⁵³; And several of them are involved in various exporting activities⁵⁴. Ordinarily then, it would appear that SSEs in Nigeria (including those in the informal sector) ought to be making significant contributions to exporting activities, and to economic development in general. But, going by recorded patterns of trade and other published development material, this is not so. Indigenous entrepreneurship is thus deemed to have failed, particularly on the exporting front. Entrepreneurs are seen as lacking in enterprise skills and exercising all their enterprise just to survive⁵⁵.

This study focuses on the cross-border trade with the Republic of Benin, and other West African countries, which is but one aspect of Nigerian exporting, to present an alternative argument. It suggests that the Nigerian trading environment, although permeated by illegality and corruption on a number of fronts, by its very nature provides circumstances and opportunities for a number of actors which are translated into commercial activities that result in significant capital accumulation.

1.6 Aims Of The Study.

The background research on entrepreneurship theories, export trade and related issues has, within the context of the cross-border trade, suggested a number of fundamental questions worthy of study:

⁵² Oyeneye (1981).

⁵³ Dozie & Bickersteth (1993).

⁵⁴ Kinsey (1988).

⁵⁵ de Soto (1989).

- (a) How great is the trade (where, value, e.t.c)?
- (b) Why do some people engage in it, and others do not?
- (c) How does it operate (practices, procedure)?
- (d) Why do some people thrive doing it, and others do not?
- (e) What is the overall impact of this trade on the economy (such as invisible contributions to balance of payments)?
- (f) What are the implications of this trade for theories on trade and development?

The cross-border trade has hitherto not been widely studied as a significant part of Nigerian entrepreneurship. Because so little is known about the nature of the trade, and because it can act as a foundation or framework for further studies on the trade, and possibly the development process in (African) LDCs, I will, in the present study, focus on issue "C", above. That is, the central aim of this study will be an analysis of the cross-border trade itself, as engaged in by SSEs (its most numerous participants). Under this central aim are two specific sub-aims:

(i) A study of the mechanics of the trade. This will include:

- * an examination of the actors, routes, and activities involved in the trade
- * how entrepreneurs become involved in the trade;
- * entrepreneurs' strategies for dealing with other social actors who may be involved

in the trade.

(ii) An attempt to identify and discuss the wider social structures or situations (environmental issues) that make cross-border trading the selected option of those who are involved in the practice. This will centre around, among others, the discussion of the following issues:

- * the artificiality of political boundaries in West Africa

- * the unsuitability of certain export rules and regulations in Nigeria
- * the incomplete penetration of the said rules and regulations
- * the informal nature of the trade

Secondly, in studying the trade, I intend to explore how existing theories explain the behaviour of firms in the trade. These explanations fall into four divisions. They are

- * perspectives from trade theory
- * perspectives from development theory
- * perspectives from entrepreneurship theory
- * historical (cultural) perspectives

These explanations are primarily discussed in the early part of the study, and they are used as a framework for the later discussions in the study.

Thirdly, the study aims in conclusion to make some preliminary suggestions on practical ways in which the trading activities of Nigerian manufacturers and traders involved in cross-border trading, on the one hand, and of these two sectors and the government on the other hand, can be more effectively integrated to their mutual advantage.

These objectives, except as specified in the second aim above, are realized in various chapters of the thesis.

1.7 Field Particulars, And Other Limitations Of The Study.

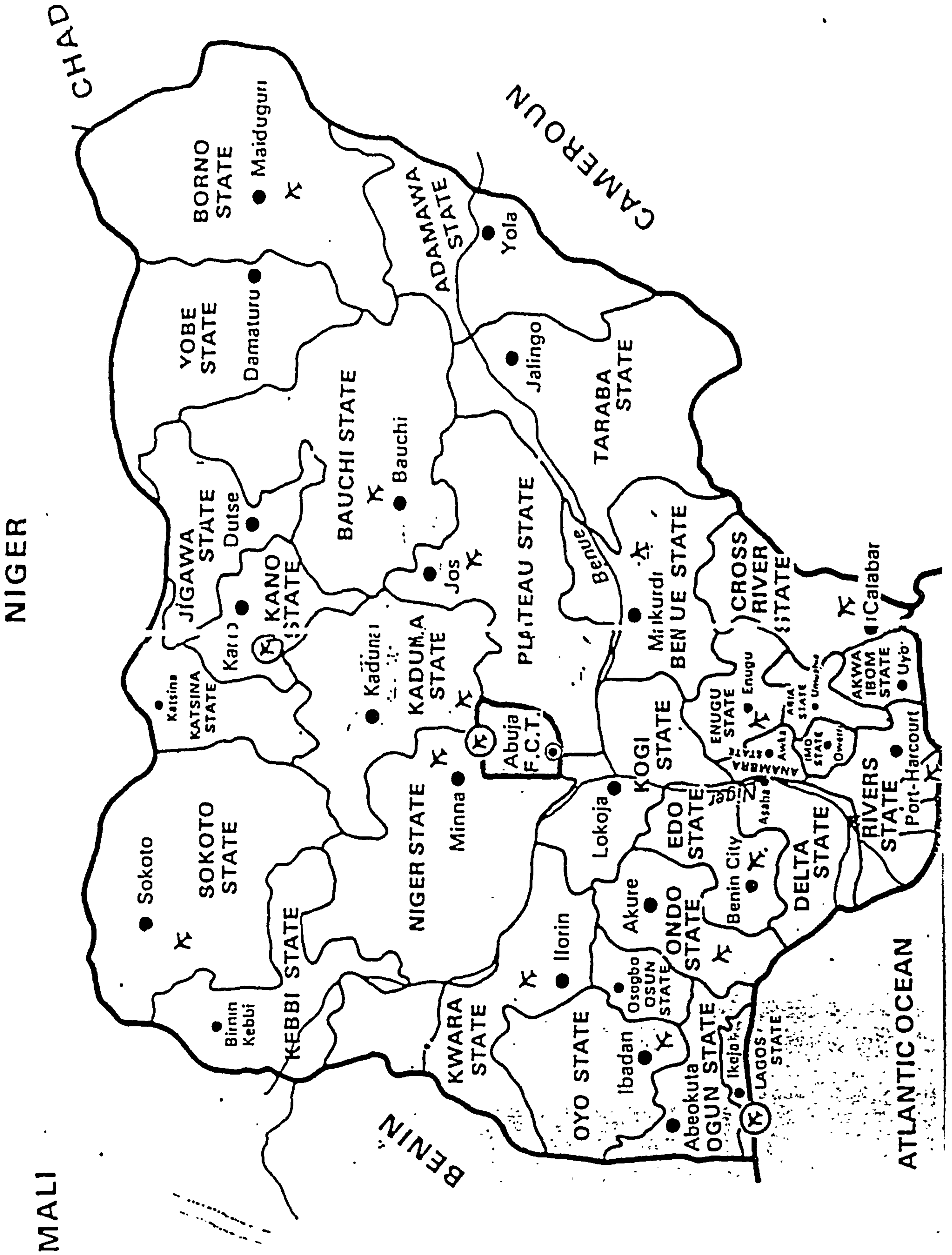
Nigeria is a most complex country. Its estimated 1990 population of 111.5 million⁵⁶ is made up of more than two hundred and fifty ethnic-linguistic groups⁵⁷. However its complexity goes beyond that. It is presently a federation of thirty states (see map 1), with more than five hundred local government areas between them⁵⁸. Sixteen of these states directly border other countries, as map 1 indicates below.

⁵⁶ Federal Office of Statistics (1993). The official 1991 census figure of 88.5 million has already been disputed by several groups in the country, and is for the most part ignored in practice as a true representation of the nation's population. All of Nigeria's eleven attempts at a national census since 1863 have been disputed, although the 1963 figure of 55 million remains the basis of most current estimates as the "least unacceptable" census so far. An annual growth rate of 2.5 - 3.5% has been assumed ever since. The World Bank (1991) estimated Nigeria's population at 98.9 million in 1989.

⁵⁷ Federal Ministry of Information and Culture (FMIC [1991:3]).

⁵⁸ Nigeria has, since the conclusion of this study, been divided further into a total of thirty six states.

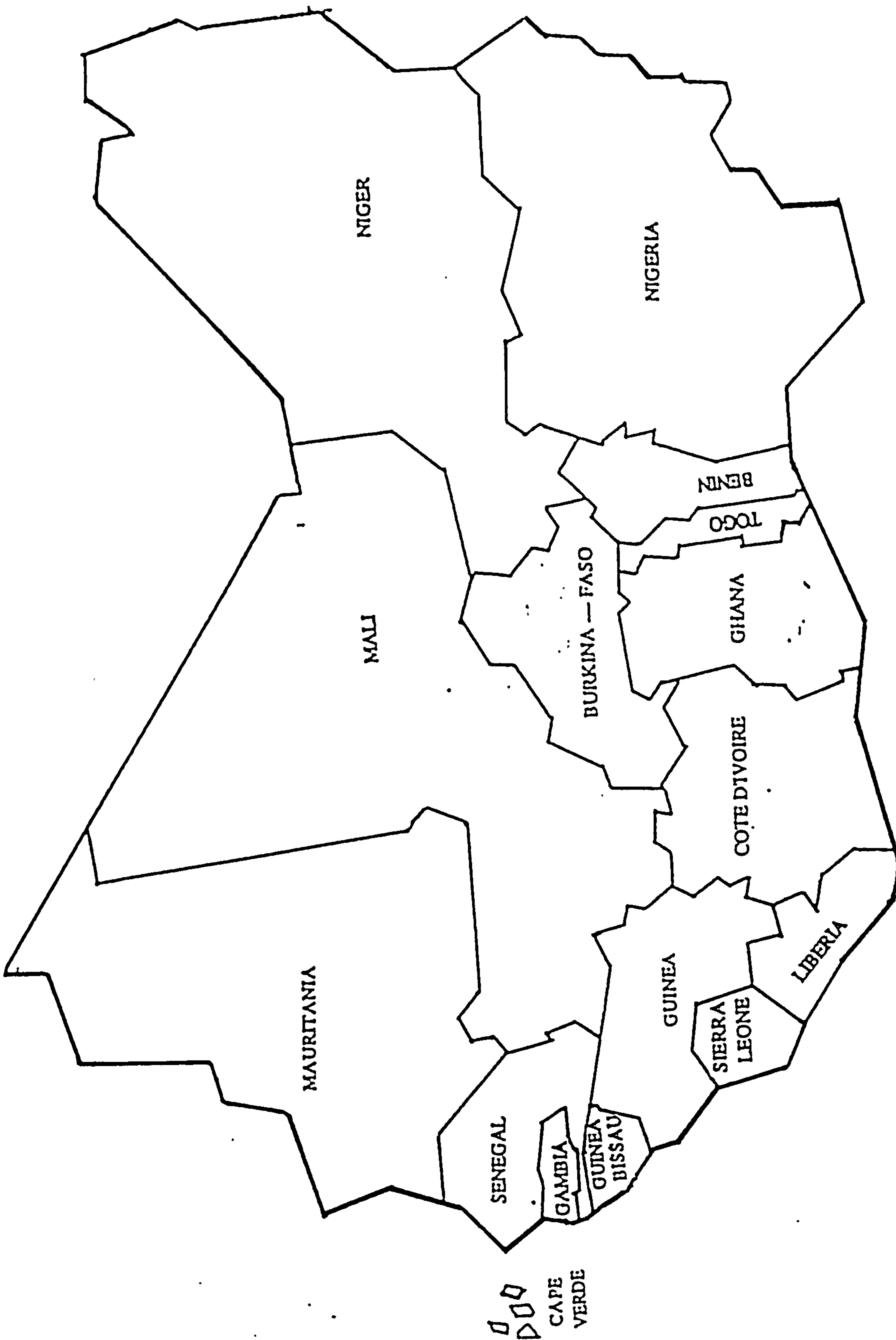
Map 1: Administrative Map Of Nigeria.



However, given the available time and resources, it was decided to limit the geographical coverage of the field study. First, for financial, logistic, and convenience reasons, the fieldwork itself has physically extended to the southern parts of four of the sixteen member countries of ECOWAS⁵⁹ (that is, Nigeria, the Republic of Benin, Togo and Ghana), this being considered a manageable number, although data is obtained on all the countries.

⁵⁹ See Map 2. "ECOWAS" stands for the Economic Community of West African States. Its formation and objectives are briefly discussed in chapter 5.

Map 2: Map Of West Africa Showing The Economic Community Of West African States.



Nigeria is the primary research location, and here, field activities have been focused on two border states in Southwestern Nigeria - Lagos and Ogun, with additional work carried out in Oyo state. More prominence has been given to the city of Lagos as a research location. Several reasons account for this. Although since 1991 no longer Nigeria's capital city, it remains by far the busiest commercial centre in the country (indeed in all of West Africa), with 68% of all the nation's external trade reported as taking place there⁶⁰. It is also one of Nigeria's best served cities in infrastructural terms and provides relatively easy access to the other fieldwork locations in the study. The area of study also includes the country's two busiest cross-border trade centres of Seme (in Lagos State) and Idi-Iroko (in Ogun State). The political/commercial centres of Cotonou (Republic of Benin), Lome (Togo), and Accra (Ghana) make up the other primary research locations.

The subjects being studied have been selected from the manufacturing and distribution sectors, being the ones primarily affected by the objectives of this study, and it is to these sectors that most of the discussion in this study refers.

The fieldwork took place between December 1993 and August 1994. It was a politically grim time, not only in Nigeria, but also in the Republic of Benin, where there were protests and demonstrations against the incumbent President Soglo and his wife, as well as in Ghana and Togo, where there were intermittent border clashes between the two countries' border communities. This heightened political tension between the two countries, and made crossing their borders, each time a tense affair. Although I did not personally have to, according to some traders, since about 1991, an increasing number of traders travelling on southern routes from Ivory Coast and beyond, have had to go up to the north of Ghana before being able to cross into Togo in relative safety, before continuing their journey into

⁶⁰ Nigeria Business Directory 1992/93 (1993).

the Republic of Benin and Nigeria.

In Nigeria's case, it had become obvious, following the annulment of the June 1993 presidential election by the then military regime, that the country was heading for a period of political turbulence. It was therefore no great surprise that Nigeria had two enforced changes of government in the second half of 1993 alone. The present government has itself existed amidst rumours of coups and counter coups⁶¹.

At several points in 1994, Nigeria was in a near-anarchic state. The country reeled from among others, the following:

(i) Several court cases instituted mainly by pro-democracy groups, challenging the legality of the government.

(ii) Acts of civil disobedience and public demonstrations against the government, organized largely by the said groups. I strayed, or in other ways found myself in the middle of some of the demonstrations.

(iii) An openly hostile press and population made increasingly so by the trial for treason and subsequent imprisonment of the acclaimed winner of the 1993 presidential election, Chief Moshood Abiola, who had in June 1994, unilaterally declared himself "President". The furore in the press led to the proscription of three national newspapers ("The Punch", "National Concord", and "The Guardian") during the duration of the field study, in each case, for periods eventually in excess of a year.

⁶¹ The last officially acknowledged coup attempt is alleged to have occurred in 1995. See Newswatch (Vol.21, No.13 27/3/95) and Tell (No.43 23/10/95) for an account of the alleged plot, and the trial of its suspected plotters.

(iv) Successive strikes by teachers, students, local government employees, market traders, medical personnel, transporters, at least six state governments' workers' unions, a dock workers' union, a bankers' union, an electricity workers' union, two air traffic workers' unions, and two oil workers' unions. The duration of the strikes lasted from snap twenty four hour strikes (market traders) to a drawn-out strike in excess of ten weeks (dock workers).

(v) Looting, arson, and several violent clashes between different ethnic groups, and also between groups of police and other armed personnel on the one hand, and angry civilians on the other hand. While these had occurred sporadically throughout the year, they intensified greatly after Chief Abiola's proclamation in June 1994. I witnessed several such occurrences in various parts of Lagos, Ogun and Oyo states.

Expectedly, Nigeria's political circumstances at this period impacted on my field activities, but not quite as much as I had feared. The case studies were not badly affected. Having said that, three of the seven case respondents (*cases 2, 3 & 5*) were, because of their location, directly vulnerable to the violence of the disturbances. Although all the owner-managers had at various times mentioned that the political situation would reduce their turnovers and profits for the year, none of their day-to-day activities (going to work, opening up the business, attracting and attending to customers, and so forth) seemed to be significantly affected until about a week or two into the oil workers strike in July 1994.

Before that, they largely took the disturbances in their stride. If there were any local disturbances, they would close their shops, offices or factories for, perhaps an hour, while it lasted. We would sometimes gather at vantage points, and I would be regaled with stories of how things had been much worse in the aftermath of the election annulment in 1993.

The questionnaire surveys were however more greatly affected. The surveys in Alaba International Market, and the border town of Idi-Iroko, mainly because of their distances from my base had taken the longest to set up⁶². By the time the last set of questionnaires were due for return in July 1994, the political situation had taken a worse turn and general movements were restricted. By the time I was finally able to get to my collators' bases in August, they had fled, along with many other traders, to their hometowns in Eastern Nigeria. Thus I lost contact with them. As the crises continued to rapidly degenerate, I reasoned with myself that there was little else to be gained data-wise by remaining in Nigeria other than the outstanding questionnaires, and so I left Nigeria without receiving some of the questionnaires from those two locations. It affected the traders' survey more than it did the manufacturers' survey. In all, ten manufacturers' (12.5% of total) and twenty three traders' (23.23% of total) questionnaires eventually proved unrecoverable.

Furthermore, I started the field-study with ten case studies, including six traders. However, three of them lost their shops when, about six weeks into the study, they were demolished on the state governor's orders in April 1994. The local council was deemed wrong to have built and let out shops in that part of the market. Two of the three traders were unable to continue with the study, and another joined them in May, when he lost his mother in Eastern Nigeria. I finished the study with the remaining seven.

⁶² From my base, Alaba market was a fifty mile round trip, and Idi-Iroko was a hundred and twenty mile round trip. See chapter 6 for further details.

1.8 Structure Of The Thesis.

The study is presented in three parts. The first part is essentially an examination of various theories of economic development, as they apply in particular to LDCs. The theories discussed appear to reinforce the orthodox view on indigenous entrepreneurship in places like Nigeria as having little to do with the development process.

The second part may be regarded as a form of "anti-thesis" to the first. It proceeds from the view that the trade and development theories discussed in part one are inconsistent with historical accounts of Nigeria's patterns of trade, and would appear to have altogether ignored or perhaps misinterpreted the effect on development of indigenous entrepreneurship.

The third part presents and discusses the methodology, findings and conclusions of the study.

The individual chapter breakdown follows below.

Chapter 1:

Introduction.

This chapter introduces the thesis by contextualizing the study, and describing the research problem and the purpose of the study.

Chapter 2:

The Applicability Of International Trade And Export Behaviour Theories To Export-Oriented Small And Medium Enterprises In Less Developed Countries.

The chapter examines theories that offer explanations for the export behaviour of firms and discusses their applicability to SMEs (being the primary focus of this study) in developing countries, with particular reference to Nigeria.

Chapter 3:

Modernization And Structural Dependency Theories.

The chapter is in two parts, and both, from different approaches, examine theories that seek to explain the development or transformation of less advanced economies into more advanced ones. Further attention is paid on their limitations in explaining the Nigerian context. It is argued, to this end, in the chapter that both approaches are not adequately able to take account of internally generated change factors, and subsequently relate them to the development process.

Chapter 4:

The Analysis Of Differential Action By Entrepreneurs.

The chapter presents an examination of certain theories of entrepreneurship, focusing on various attempts to explain differential action by entrepreneurs, and how this can be used to present an alternative view of the trade process. It concludes by examining how the existing theories might explain the entrepreneurship process in the cross-border trade.

Chapter 5:

Indigenous Nigerian Trade And Its Relevance To Export Trade Across Modern National Boundaries.

The chapter traces the path of Nigeria's involvement in internal and external trade from the earliest recorded times (about 1,000 B.C) up to present times, exploring the role of indigenous entrepreneurs in this process. Particular attention is paid to the development of the country's exchange economy in the period since it came into full socio-economic contact with the rest of the world via the colonization era of the mid-nineteenth century, with further attention paid to the period since 1975, when Nigeria signed the ECOWAS treaty.

Chapter 6:

Research Methodology.

The chapter discusses the application of the major primary and secondary data collection techniques employed in this study, paying further attention to the advantages and limitations of each technique. It also attempts to make a case for a flexible approach to research design.

Chapter 7:

Analysis Of Findings (I): A Report On The Questionnaire Survey.

The chapter is in two parts. The first part reports directly on the purpose and findings of the questionnaire survey, and the face-to-face interviews which were employed as back-up for clarification purposes. The second part very briefly lists the seven firms which are the subjects of the case studies that provide much of the insights on which the discussion of the data is based. More detailed information on the firms are provided in Appendix A to the

study.

Chapter 8:

Analysis Of Findings (II): The Mechanics Of The Cross-Border Trade.

The chapter represents the central discussion of the findings of the study. It presents as a case study, a description of the cross-border trade routes out of Nigeria covered by this study. This description extends to the local actors and activities routinely connected or involved with the trade, and attempts to weave these elements together into a composite picture of the mechanics of the cross-border trade. It also examines the constraints under which cross-border traders carry on their businesses, their response to the constraints as well as the traders' strategies for dealing with other social actors.

Chapter 9:

Summaries, Conclusions, Reflections And Recommendations.

The chapter summarizes the entire thesis, attempts to present a working model of the mechanics of the cross-border trade, makes certain policy recommendations and suggests areas and approaches for further research.

CHAPTER TWO

THE APPLICABILITY OF INTERNATIONAL TRADE AND EXPORT BEHAVIOUR THEORIES TO EXPORT-ORIENTED SMALL AND MEDIUM SCALE ENTERPRISES IN LESS DEVELOPED COUNTRIES.

2.1 Introduction

In introducing the study in chapter 1, small scale entrepreneurs engaged in the West African cross-border export trade were identified as the primary objects of study. The aim in the present chapter is to examine how well orthodox trade theory explains the export behaviour of such firms.

An examination of most governments' international trade policies will reveal that these policies are based on principles which can be traced back to aspects of International Trade Theory (ITT). The models constructed under the theory⁶³ help to explain what might be competitively produced in a given location. Understanding the models and their rationale can help firms anticipate, understand and analyze public policies on exporting and international business. They are well documented in the literature⁶⁴.

ITT generally examines issues as they affect countries as individual units. Thus, its

⁶³ Included here are Adam Smith's original advocacy of the liberalization of trade as the most efficient allocation of economic resources, now well known within the context of international trade theory as the "doctrine of absolute advantage", and David Ricardo's refinement (and extension) of Smith's arguments, now referred to as the doctrine of comparative advantage. Other, later models, operating to fill further analytical gaps in ITT include the factor proportion theory and the product life cycle theory of international trade.

⁶⁴ See for instance Dholakia & Dholakia (1994); Vernon-Wortzel & Wortzel (1991); Prasch (1995); Daniels & Radebaugh (1989:126-151); Albaum et al (1989:26-32).

objectives centre around the answering of questions like "Why and how do countries trade instead of aiming at self sufficiency?", "What are the benefits of international trade and how do they come about?", "How are the benefits of trade shared between trading nations?", "What are the effects on trade of government intervention?", and other related questions.

However, in practice, most of the actual trading activities that ITT examines are in fact carried out by individual firms (which may range from sole proprietorships to big MNEs) from country to country⁶⁵. This may seem a rather obvious point to make, but it raises all sorts of questions on issues like employment levels, income distribution, welfare provisions, and the effects that these may have on trade. ITT does not typically address issues such as these. ITT is also, for the most part, unable to explain the internationalization of such firms. Partly in order to address issues such as these, a body of theories have arisen which specifically offer a conceptualization of the export behaviour of individual firms. These theories are relatively recent areas of thought and so, comparatively less has been written about them than ITT. Because they consider motives and strategies of trade, and not economic arguments *per se*, concepts of desire, risk and uncertainty feature strongly in them.

The theories are presented in two parts: the first set of theories consider why firms export while the second consider the internalization process itself. These issues, like ITT, are well documented in the literature. However, my main interest in them, and consequently, the main discussion in this chapter is centred around the applicability of the theories to SMEs (which are the primary objects of study in this thesis) in LDCs (and in particular, Nigeria, as the primary research location).

⁶⁵ cf. Prasch (1995:427-428).

2.2 Why Do Firms Export?

Most writers are in agreement as to the reasons why firms embark on export activities⁶⁶. These include responding to unsolicited external orders, the method by which a large number of firms begin their internationalization process. Other reasons include managerial desire, which in the case of a small firm may sometimes mean a single person as happened with *case 5*, whose founder had already taken steps to establish an international trading company, even before formally deciding on what to trade in⁶⁷. Some other firms become involved in exporting simply to achieve production economies in advertising, distribution or other areas, as tends to be true of several MNEs, including Coca-Cola or McDonalds, both of whom, to a considerable extent, standardize such functions across the world. Other firms go into exporting simply wishing to minimize their risk, believing that if they spread their markets across several countries, the risk of vulnerability to individual national socio-political or economic policies, which can detrimentally affect the exporters is reduced. Thus when the Nigerian subsidiary of British Petroleum was nationalised in 1978 by the Nigerian government, the parent company simply turned its attention to the rest of its world wide operations. Some firms are literally forced into exporting because of the small size of their home market. This is apparently the case with Volvo and other firms in Sweden and other Scandinavian countries. Other reasons cited in the literature include extending the sales of seasonal products, the development of a unique product, and taking advantage of government stimulation measures.

⁶⁶ See for instance Albaum et al (1989:35-41); Terpstra (1987:10-11); Paliwoda (1986:10-13); Daniels & Radebaugh (1989:145-146).

⁶⁷ See appendix A, case 5, for further details.

A common assumption underpinning these comments is that all exporters have both the desire and resources to seek, or at least respond to external orders. The commentators also tend to attribute export behaviour to neat, pre-planned and sophisticated motives when in fact, the reality of the macro-economic environment in LDCs means that real life cases point to much more basic and self-serving reasons that are not so easily compartmentalised. When, for instance, a firm like *case 6* processes and packages *gari* (cassava meal), or *elubo* (yam flour meal) for sale, it does so in the full knowledge that there is little local demand for those products in the form that it makes them, but that there is demand for them mainly from Nigerians living abroad. Although the firm itself does negligible direct exporting, it is quite aware that the "distributors" who purchase pre-packed *gari*, *elubo*, and such other foodstuffs ostensibly for the Nigerian market, invariably export them to various parts of the world. The agents that do carry out this form of exporting⁶⁸ do it mainly for the returns, and not to achieve scale economies, nor to dispose of excess capacity, nor even to take advantage of any special inducements by overseas states. They generally do not establish overseas sales offices and invariably use informal exporting channels, although over time, they may develop "special" relationships with certain customers.

2.3 Stages In The Internationalization Of Firms

Just as commentators generally agree on the reasons for the internationalization of firms, so their models of the internationalization process tend to be similar in form, if not in content. Whether it is Johanson & Vahlne's (1977) "increasing commitment" model from

⁶⁸ Such as cases 2 & 3.

Sweden⁶⁹, or Bilkey & Tesar's (1981) "mixture of classification criteria" model from the USA⁷⁰, the general idea seems to be of a pre-planned, incremental and strategically executed involvement in exporting which, as the firm becomes more committed to exporting, ultimately leads to direct foreign investment⁷¹.

From their review of several studies, including the four-stage export activity model of Pavord & Bogart (1977), the three-stage export involvement model of Cavusgil (1984), the Johanson & Vahlne / Bilkey & Tesar studies (op cit), and their case history of electro-X, a Danish manufacturer of electrical automation equipment, Gerald Albaum and his colleagues conclude that "the decision to go international is a gradual process that can be subdivided", in this case, into a five-stage export involvement model⁷². The stages are:

- (i) Stage One: Sporadic Export Involvement
- (ii) Stage Two: Experimental Export Involvement
- (iii) Stage Three: Foreign Market Expansion
- (iv) Stage Four: Development Of Overseas Sales Branches
- (v) Stage Five: Foreign Market Consolidation.

⁶⁹ in which the authors see the internationalization process as a somewhat cyclical one in which the knowledge of, and commitment to foreign markets affect both commitment decisions and the way in which current business activities are carried out, and these in turn change market knowledge and commitment. See Johanson & Vahlne (1977:26-27).

⁷⁰ which leads the authors to envisage the internationalization process as a rather hierarchical one in which a firm develops a mechanism for a rational progression from one stage of readiness and ability to export, to the next. See Bilkey & Tesar (1981:95-96).

⁷¹ cf. Albaum et al (1989:33). In their own case, the authors describe the internationalization process as being made up of a number of discrete managerial decisions that take place over a period of time to reflect the firm's changing strategic focus.

⁷² Albaum et al (1989:42). cf. Cateora's (1993:18-19) five-stage "international marketing involvement" model.

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⁷² Albaum et al (1989:42). cf. Cateora's (1993:18-19) five-stage "international marketing involvement" model.

markets.

2.3.4 Development Of Overseas Sales Branches

Any firm that gets to this stage would normally expect to face an increasingly intense competitive environment especially if it is only a small firm producing a similar line of products as established home country firms, or MNEs. But the firm would by now be committed to international marketing and would have to respond to the trading environment, whether in the role of aggressor (to increase its market share), or defender (to maintain its market share). It would invest directly in its foreign markets either by establishing sales branches to seek customers, handle distributions, and increase its profile, or by establishing an overseas production plant to satisfy the local demand in its larger external markets. It may do away with sales agents who do not exclusively represent the firm's interest.

2.3.5 Foreign Market Consolidation

In this final stage, the firm would have become a true MNE, although not necessarily in the mode of Ford or McDonalds. In spite of what is sometimes thought, it is enough at this stage, as Kotler (1988:379) suggests, for the firm to have established a commercial centre in a manageable number of countries. It need not have production plants in more than one country (usually the home country) but must be in a position to compete favourably with the firms that do, after taking into consideration any trade barriers that may exist in the host country.

2.4 An Examination Of The Stage Process

The internationalization process as presented above is a gradual and deliberate process. Even at the frenetic pace at which modern trade takes place it has been known to take as long as thirty years to get from stage one to stage five⁷³.

The process may in fact be seen as commencing even before the fulfilment of unsolicited export orders. This is because it is not every entrepreneur with a product to sell nor every manufacturer which can satisfy an overseas customer in terms of the substance, volume and packaging specifications of the customer, along with the delivery deadlines. To illustrate, just under two thirds of the firms in the survey carried out for this study that claimed to have received unsolicited export orders also indicated that they had not always been able to fulfil such orders. One major reason for this was their inability to meet the overseas buyers' product specifications. An internationalizing firm therefore needs to have more than a mere awareness and interest in overseas markets in order to exploit such. In particular, it requires the ability and willingness to adapt the product mix to meet overseas orders. This, then, ought to be the starting point of the internationalization process because where the product mix is a factor, it is usually those firms that have the above ingredients in place that can adequately meet the terms of an overseas order and go on to compete successfully in international markets. This applies to all sizes of businesses in both developed and developing countries.

Secondly, the Albaum model appears to assume that given enough time all exporting firms will progress from stage one to stage five. This however does not seem to have considered in any real sense, the issue of middlemen, and other small trading companies

⁷³ Albaum et al (1989:48).

whose major objective is to note which products are available for sale and attempt to find either a local or foreign buyer for these products. Even in some industrialized countries, the availability of an extensive customer data base and modern communication equipment like fax machines and video-phones mean that some of these traders (or brokers) can actually give a product demonstration to an overseas prospect without leaving their offices, and thus the incentive of physical internationalization is lost. In less developed economies, the function of the trader/middleman is somewhat different in that most of the goods available for export tend to be primary agricultural products, industrial raw materials, and manufactured goods comprising relatively low technological inputs. The actual producers usually lack the time, or more frequently, the resources to transport the product to the sea or airport (or such other location) from where they are taken abroad. This section of the distribution chain is therefore often left to the entrepreneur who obtains relevant information, or arranges labour, vehicles and vessels as may be needed. Although the international market for developing countries' primary produce is very much a buyers' market, the entrepreneurs, on the whole, seem to be able to sell as much as the producers can produce, no matter that they often have to accept whatever conditions are imposed on a sale by overseas buyers. In the final analysis, there is frequently no incentive for the entrepreneur to internationalize his operations beyond what is described in Albaum et al (1989) as the initial stage of responding to unsolicited export orders.

2.5 Do The Theories Apply?

The existing theories on international trade and exporting (and by extension, direct foreign investment)⁷⁴ have, especially in the period since World War II undergone extensive reviews and refinements and have thus become impressive bodies of literature. It should be remembered that when Adam Smith wrote what was to become the doctrine of absolute advantage in 1776, factors of production were fixed at land, labour, and capital. The economic variables tested on the doctrine (and related theories) have since increased to include resources as diverse as entrepreneurial skills, technology, marketing know-how, managerial commitment and so forth, while contributors to trade theory now include academics from fields as different as international law, economics, politics, history and marketing. This has made for increased lateral thinking, and interesting interdisciplinary literature on the subject.

Some theorists nevertheless argue that international trade theories still need "extending" or "replacing" to account for recent empirical failures⁷⁵. Others concede that not many of the existing international trade theories specifically discuss the cases of small firms and/or LDCs, although others, still, then go on to suggest that the theories ought to be transferable as they are, first from big businesses to small businesses and from developed countries to developing countries, usually because of the writers' deterministic assumption that all small firms aim to become large, and that a "developing country" is one which is

⁷⁴ See for example Robuck & Simmonds (1989:41-49).

⁷⁵ See for instance Lindert (1986:43).

developing in the sense of moving towards the contemporary situation in the developed world, but is some stages behind. They conclude therefore that whatever was applicable in the developed country at an earlier stage of development would be applicable to a developing country at a similar stage⁷⁶.

This somewhat naive view does not hold in practise. The problem with a lot of the theories which have been considered in this chapter is not so much that they do not explain exporting behaviour at all, but the sweeping generalizations that they tend to find in the literature. Sometimes, even the most cursory historical examination of development processes in certain parts of the world will reveal that the so-called "developing countries" are developing in a vastly different environment to that which industrialized countries develop in. This is the background of my examination of the applicability of internationalization arguments to the situation in LDCs. The argument is presented below in six parts.

(i) In terms of marketing systems and developments, there is a relatively high degree of heterogenous groupings of developing countries against the relative homogeneity of developed, largely western countries⁷⁷. For instance, in a classification of the countries of the world according to their income levels, Hagen (1986:6-8) arrived at six different groups of "developing" countries. The World Bank (1995), in a similar classification, arrived at four. In their own classification by national trade policy of forty-one different developing countries, Albaum et al (1989) also found four different kinds. Situations such as these, I believe, account for the different levels of visibility to the trade theorists of the developing

⁷⁶ See Kaynak (1982:235-237); Connors et al (1985:27-44). The theories that seek to explain the structural transformation of less developed, into fully developed countries in this manner are examined in greater detail next, in chapter 3.

⁷⁷ cf. Carter (1986:111); DeWalt (1979:8-9); Kinsey (1988:14).

world. At one extreme, much is known about the strongly outward-oriented developing economies⁷⁸ such as Hong Kong, South Korea and Singapore, while almost nothing is known about the marketing systems in the strongly inward-oriented economies⁷⁹ of countries like Ethiopia, Bangladesh and Tanzania. A country like Nigeria may enjoy relative visibility of its oil sector, where about 90% of all new foreign investment in the country has, for several years been concentrated⁸⁰, but the same cannot be said of its manufacturing or agricultural sectors, which employ a greater number of Nigerians than the oil sector, and whose contributions to national GDP are rising more quickly than that of oil. By lumping together the vastly different production and trading systems of these countries in the trade theories, the theorists may be said to have lost the ability to analytically relate the necessarily different micro-processes in these countries to those of the rest of the world and so cannot claim to have a truly universal picture of how global trade takes place.

(ii) Macro economic disorders in developing countries which are almost non-existent in the developed world mean trade conditions are different. International trade theories, as envisaged in the developed economies are based on a premise of economic variables remaining stable. The developing world, especially the lower income countries of these group, have rarely enjoyed this. Currency valuation, inflation, interest rates, competitiveness

⁷⁸ defined for this purpose as economies where policies are not biased in favour of local production (nor necessarily in favour of export production).

⁷⁹ defined for this purpose as economies where policy is biased in favour of import-substitution.

⁸⁰ Financial Times (London) 26/5/95, section 3, p 3.

and such other factors fluctuate wildly in these countries⁸¹. Small firms in these countries tend to be the most vulnerable to these problems. The cost of capital to them can suddenly skyrocket and literally bankrupt them. Economic historians tend to blame these situations squarely on mismanagement and policy errors, but this assertion is at best only partially true. The relatively weak economies of developing countries have suffered significant shocks, many of them external and beyond domestic control, especially since the end of World War II, which have bred chaos for business enterprises in such areas. The rise and fall of oil prices, the progressive replacement of several LDC raw material exports (such as cotton and rubber) by synthetic substitutes, coupled with the inevitable falling prices for these same exports, the rise in international interest rates, significant growth immediately followed by economic stagnation, hyper inflation, unemployment, and ambitious industrialization programmes funded by crippling public sector borrowing have all combined to create a vicious cycle of foreign debt and socio-economic stagnation which have made a nonsense of the theories which assume free trade taking place in conducive business environments. One outcome of this situation is that business enterprises in such places tend to be more interested in short-term ventures. Expenditure on research and development, -promotion, process technology, and enterprise skills development are not therefore as dedicated in many developing countries as they tend to be in developed ones. Strategies, where they exist, tend to be more short-term⁸², which means that export behaviour theories, due to their tendency to look to the long-term, will generally only have a limited application in those places.

⁸¹ Certain illustrations of these may be found in Commonwealth Secretariat (1990:125-126). Some of these issues are considered further in chapters 7 & 8.

⁸² None of the respondents to my survey of manufacturing and trading firms in South-Western Nigeria was able to say it carried out any formal long-term (i.e five years or more) production and marketing planning.

(iii) Following from (ii) above, and encouraged by the policies and published data of the governments of developing countries, international trade theorists propound theories that do not recognise the role of small scale private sector traders who in the developed world would exist alongside the MNEs (in an admittedly much-diminished role), and in most of the developing world, exist in a much more visible role, alongside the cooperatives, commodity trade boards and other public marketing parastatals. They tend to be dismissed as parasites but this is not always the case. Many of them promote sales and search for new products. In developing countries especially, they have consistently proved vital in the distribution of products from the primary producers to the consumers, whether or not such consumer is in the home country. The entrepreneurial trader continues to be visible and important in Nigerian non-oil exports, for instance, and although the trader may have been more important to international trade in the developed world's past than he is now, firms like *case 5* and *case 6*, and the more traditional trading conglomerates like the United Africa Company (UAC) and John Holt Limited continue to play a major role in the trade between Nigerian primary producers and end users, as well as between these, and producers and end users outside Nigeria, particularly in industrialized countries. These firms have developed a unique competence and structure to help them maximize their operations but their roles are not recognised in the international trade theories examined.

The common reason given for ignoring traders is that they are perceived as contributing nothing to the value of products made. However, as Kinsey argues, traders in developing countries "... are often a considerable and undervalued source of marketing entrepreneurship... Despite difficult conditions in which to work, they have provided

essential services to producers and consumers at no direct cost to the public purse"⁸³. They may take many forms - hawkers, distributors, processors, stall holders, and so forth - but they hold the system together. In Nigeria for instance, they have helped stimulate rural development by the establishment of marketing channels in rural areas, they have helped provide jobs for transporters and port personnel, they have stimulated packaging, storage and grading industries, and they have literally handed several farmers export markets and financial assistance to enter these markets. Even in some developed countries, they still have a role in packaging, processing and grading products for export, as well as providing relatively quick consumer feed back to manufacturers.

(iv) Sometimes, the findings of international trade theories in developed countries are markedly different when contextualized in LDCs. I will briefly consider, as an example, the factor proportion theory of Eli Heckscher and Bertil Ohlin, developed in 1933 as an extension of Ricardo's doctrine of comparative advantage. The theory essentially states that differences in international factor endowments explain differences in international factor costs, and ultimately a nation's ability to effectively produce certain products. Therefore a country will specialize in the production and export of any commodity that uses large amounts of relatively abundant production factors and import those commodities that require the use of large quantities of production factors that are in relatively scarce domestic supply. Thus, a country with an abundant supply of people in relation to land, other things being equal, ought to specialize in the production of products in which technology permits the use of minimum space per person. If the Heckscher-Ohlin factor proportion theory were applied

⁸³ Kinsey (1988:266). cf. Epstein's (1982) study of urban food marketing in Papua New Guinea, or Hill's (1971) study of the grains trade in Northern Nigeria.

to LDCs, the conclusion should be that these countries enjoy a cost advantage over developed countries in the production of commodities that make abundant use of labour as a factor of production. They ought therefore to be the most efficient production and export bases for these products. However, this is not always the case in practice. Agro-based products are, for example, more labour intensive than most other products. A large proportion of developing countries have a higher population density than developed countries, and a predominantly agro-allied economic base. Yet, they still import a significant number of agro-based products from the developed world, and in the case of those agricultural products which are available in both developing and developed countries such as wheat in India and USA respectively, production volumes are higher and costs are lower in the USA than in India. Anomalies such as these attack the heart of the entire factor proportion theory.

(v) International trade theories assume a total liberalization of trade, but in reality, few of the so-called "gains of trade" will be spread in an increasingly tariff-ridden global marketplace. Moreover, this assumption is also limited by governmental intervention which exists in one form or another in most countries of the world. However, it is usually in developing countries where one finds the most direct interference, usually as a result of the governments' desire to manipulate available economic resources toward their individual industrialization goals⁸⁴. Market forces are not therefore allowed to play the sort of central

⁸⁴ One might then argue that government interference is concentrated in the so-called "modern sector" with the informal sector (in which a high proportion of the private labour force is employed) largely left alone. This is however not always quite the case. In Nigeria for instance, the government's attitude to the informal sector is more accurately described as ambivalent. On the one hand, their activities are seemingly tolerated, largely because they are seen as job providers, and "incentives" are offered for these firms to graduate into the modern sector, while on the other hand, the government also seems to seek their elimination via constant police/armed forces raids. See further, chapters 7 and 8, in this study.

role which the trade theories envisage, and which they do play in most of the developed world⁸⁵. Where there is no free trade or competition, it is the small firm that is first squeezed out. In a less developed country like Nigeria therefore, small firms tend to commit most of their resources to retaining their niche in the market and frequently cannot grow in the strategic manner envisaged by the internationalization process models.

(vi) Other frail assumptions which can be noted in ITT have to do with the trading environment. First, ITT does not seem to have fully come to terms with the effect that MNEs have, as a block, on international trade. They may not be many, compared to the total number of businesses, but they possess much more power⁸⁶. Some of these firms are able to supply their own capital, technology and even components or raw materials for a range of products that they make in a range of countries.

It is also usually assumed that exporters in developing countries have as much infrastructural support, particularly information on, and access to foreign markets as their counterparts in developed countries, and that the amount of investment required to serve foreign market is always available. Even if this were to be largely true of developed countries, the same cannot be said of developing countries where, for instance, the electronic and print media cannot yet be relied on as suitable advertisement outlets because of their

⁸⁵ One illustration of this is Nigeria's structural adjustment programme (SAP), ongoing since 1986, which was intended to liberalise Nigeria's economy and trade. It has however had to endure a chequered implementation history, and was in fact effectively abandoned in 1994 when, in the budget of that year, the government reassumed centralised control of certain key economic sectors like the exchange rate and interest rates, with predictably unsatisfactory results. A new partially decentralised system was introduced in the 1995 budget, consolidated further in the 1996 budget, but with the state retaining control of most of the economy's key sectors and institutions.

⁸⁶ cf. Kinsey (1988:297); Kotler (1988:378).

limited availability and high cost; And access to finance, especially foreign exchange, is still beyond the reach of several would-be exporters. Telecommunication equipment, although increasingly available, is still underdeveloped, and even where operational, cannot as yet be relied on to give sustained, reliable service.

All of these serve as a check on an uncritical acceptance of the universal validity of ITT.

Although ITT shapes much business thinking and strategy, in order to find wider generalizability, it needs to move away from over-simplifying global trade conditions. Theorists, for instance, need to extend the scope of the theories to include a special consideration of the situation in developing countries having regard to their different characteristics, and recognize the fact that economic variables are significantly less settled in LDCs. One way of achieving this would be to ground the analyses in a fuller understanding of the economic history of LDCs, focusing for example, on the way policies and outcomes have developed in the LDCs under study.

2.6 Conclusion

In this chapter, I have focused mainly on a discussion of the theories on export behaviour of individual firms, in particular as they affect SMEs in Nigeria and other LDCs.

What appears to be the case with Nigerian firms is that internationalization is something that takes place almost always on an *ad-hoc* basis. In the case of the trading firms, many of the owner-managers of the export-oriented ones have no wish for their firms to grow into MNE size, but will readily take foreign sales and purchasing opportunities as they see them. The firms that have successfully done this for years (such as *case 3*) do not plan

to open overseas branches in the way envisaged by ITT. Yet, the forages of firms like these into the exporting/internationalization arena, as we shall come to see, are more regular, even routinized, than the term "sporadic" would explain. It is not enough therefore to say they are merely in the process of transition from "stage one" (from where they would be expected to graduate into other stages). The situation with many manufacturing firms hardly fits into the stages model either. Although an increasing number of firms, such as *case 6*, are producing goods for export, they tend not to be so directly involved in the actual transfer of goods to end users via export channels, this function usually being taken over by export traders, which sometimes gives the impression that local manufacturing firms are not involved in export trading.

Lastly, I have also offered my opinion on how export behaviour theories might be made more applicable to the type of export-oriented firms who are the subject of this study. There is not much controversy in the literature about why and how firms embark on the internationalization process, but on closer examination, given the purpose of this chapter, I have argued that the theories are perhaps less generalizable than as usually presented. Most of the points I make in this regard centre around the fact that the LDCs are developing in a vastly different environment from that which industrialized countries develop in. This forms the basis of the next chapter, in which I aim to examine the theories that explain underdevelopment and the transformation of LDCs into more advanced ones, with Nigeria as case in point.

CHAPTER THREE

MODERNIZATION AND STRUCTURAL DEPENDENCY THEORIES.

3.1 Introduction.

One of the major limitations of the classical international trade theories examined in the previous chapter is of their assumption of equality of the partners in trade, and even where, as in the doctrine of comparative advantage, a semblance of unequal exchange is allowed for the greater good, as it were, there is the underlying assumption that specialization in a relatively competitive product will result in a less endowed partner achieving equality of status with the better endowed partner. Global economic history however has not borne this out. Certainly, a pattern of unequal exchange exists in international trade. Furthermore (and partly as a result of this), capital accumulation occurs in different parts of the world at different rates, and although there is far less concurrence as to how it actually began, or its early development⁸⁷, this has been the case for several centuries.

In any case, by the sixteenth century, there was already a steady flow of international trade in existence. Also, considerably greater accumulation of capital had occurred in Europe than elsewhere in the world and the desire for fresh markets and investment outlets internationalized the accumulation process⁸⁸. Eventually trade relations were supplanted by

⁸⁷ Arndt (1987:10).

⁸⁸ Munro (1976:9-11); Lenin (1969).

colonial relations. It was during this time that a series of statistical studies of emergent Asian industrialization were published, apparently motivated by fears of eastern competition⁸⁹. As more of these studies were carried out, it became possible to quantify and compare international living standards.

Karl Marx, in *Capital* is reported as being the first to aim explicitly at a theory of economic development, and one at that, which encompassed the social consequences of economic development⁹⁰. In common with the thinking of his time, his image of non-European countries was one of undifferentiated backwardness. He expressed concern at the "mystery and unchangeableness" of such societies. Development, he believed, could only come about through the expansion and diffusion of western capitalism, although he appeared ambivalent about capitalism itself, expressing in one breath about it as "refined exploitation", and then as a "historical advance and a necessary developmental factor in the economic evolution of society". Marx's influence on subsequent "marxist"-oriented writers was, apart from his criticism of the exploitativeness of capitalism, his interpretation of the underlying social relations in capitalist societies as dominated by class wars, and his prediction of an ultimately revolution-inspired victory for socialism over capitalism in the war of ideologies.

Colonies continued to serve as mere outposts for western economies well into the interwar years⁹¹. However during World War II, colonial economic development, spurred by a wave of public and professional moral idealism, became a matter of central concern for the countries that colonized them, who incidentally, were beginning their own transformations from individually wealthy countries to regional and trading blocks of wealthy

⁸⁹ Arndt (1987:34).

⁹⁰ Marx (1848), cited in Arndt (1987:37); cf. Onyemelukwe (1974:3-4).

⁹¹ discussed further in chapter 5, in this study.

countries.

In the immediate post-war years, international development organizations, such as the UN and the Economic Commission for Latin America (ECLA), and in particular, some of their officials including Gunnar Myrdal, Raul Prebisch and others, attempted to grapple with the problem of transforming LDCs, both in theory and in practise. This resulted in a great deal of inter-disciplinary literature, many of which are still being applied, analyzed and revised in present times.

In this spirit, then, this chapter will examine theories that seek to provide explanations for the underdevelopment of less developed economies, and their transformation into more developed ones. Although broad attention is paid to the literature, further attention is paid to the Nigerian situation (usually by way of illustrations) in light of these theories.

The first part of the chapter examines ideas that achieved prominence in the 1950s (collectively grouped under "modernization theory") while the second part examines theories that achieved prominence towards the end of the following decade.

Norman Long provides an incisive summary of the central ideas in both these theories:

"Modernization theory visualizes development in terms of a progressive movement towards technologically and institutionally more complex and integrated forms of "modern" society... [while] On the other hand, [dependency theory stresses] the exploitative nature of these processes, attributing them to the inherent expansionist tendency of world capitalism, and to its constant need to open up new markets, increase the level of surplus extraction and accumulate capital"⁹²

My aim here is to explore the central ideas of these theories as they relate to the issue of the transformation of underdeveloped areas. In order to achieve this within the scope of this chapter, one must necessarily be selective with the literature, given its volume, which

⁹² Long (1992a:18-19), brackets mine.

Cristobal Kay⁹³ has likened to being confronted with the tower of Babel.

3.2 Modernization Theory

In ordinary terms, modernization is, in my opinion, a process of change to a situation or position which corresponds with, or is compatible to the contemporary stage of human advancement. Modernization ideas for the explanation of the development process became prevalent at about the end of World War II, and appear to have been derived from inductive generalizations of certain aspects of the past of industrialized western economies. The theory itself appears to have risen out of theoretical debates about the development of "peasant" economies and cultures⁹⁴, and is based on an analysis of such concepts as structural differentiation, the traditional/modern dichotomy, the rural-urban continuum, and the perceived cultural "obstacles" or pre-requisites to development.

"Modernization" in the classical model has been defined as a "total" transformation of a "traditional" or pre-modern society into the types of technology and associated social organization that characterize the "advanced", economically prosperous, and relatively politically stable nations of the western world⁹⁵. The modernization process, then, is thought of as the process of social change or transformation that accompanies economic development.

Mabogunje (1980:38) following Lerner (1968) has put it thus

"Modernization is the process of social change in which development is the economic

⁹³ Kay (1989:125-126).

⁹⁴ See for instance Foster (1962:52-53) who attempts to explain underdevelopment as a natural feature of peasant culture, brought about by factors including an inherent resistance to change and an inability to co-operate.

⁹⁵ Moore (1963:89).

component. Modernization produces the social environment in which rising output per head is effectively incorporated. For effective incorporation, the heads that produce (and consume) rising output must understand and accept the new rules of the game deeply enough to improve their own behaviour and to diffuse it throughout their society... [which] entails nothing less than reshaping and resharing of all social values such as power, respect, rectitude, affection, well-being, skill and enlightenment".

Economic development, for this purpose, is defined broadly as a sustainable increase in living standards⁹⁶. According to Smelser (1963), economic development takes place in the following four listed ways:

- (a) The modernization of technology, that is, the application of scientific knowledge, as opposed to "traditionalized techniques" to problem solving⁹⁷
- (b) The commercialization of agriculture, in particular, the move from subsistence to cash-cropping, and the development of wage labour in the agricultural sector⁹⁸.
- (c) The Industrialization process, described broadly here as the sustained use of machine power for production purposes⁹⁹, and
- (d) Urbanization, that is the transition from farm and village settlements towards the growth

⁹⁶ World Bank (1991:31); Kinsey (1988:14); Robuck & Simmonds (1989:482). cf. Adedeji (1989:276) "The human condition is the only final measure of development". This is a new emphasis on the human aspect of development. Previously, the definition ("increase in output per head") was somewhat index-linked, as the Mabogunje definition above, and the classical modernization models of Smelser (1963) and Moore (1963) indicate. But as has been pointed out by Onyemelukwe (1974:98-99) and others, index-linked definitions are often misleading as the mineral reserves which constitute the wealth of most African LDCs are independent of the populations of those countries even though they are linked in the definition. The more "advanced" African LDCs, relying exclusively on the index-linked criteria, then tend to be those with relatively large mineral resources and small populations.

⁹⁷ see further Katzin (1964:179-198); Kamark (1967:166-184); Mabogunje (1980:199-220).

⁹⁸ see further Stinchcombe (1965:184-196).

⁹⁹ see further Moore (1963:89-112); IMF (1975:298-304).

of large urban centres¹⁰⁰.

The processes of economic development listed above may occur simultaneously or, (as is usually more likely,) at different rates. For instance, the "commercialization" of agriculture in Nigeria from about the 1860s was not accompanied by industrialization, neither was the urbanization of Kano, Katsina and other places in Northern Nigeria earlier in the century accompanied by, or the result of their industrialization¹⁰¹.

In Smelser's model, economic development "modernizes" the social structure of "traditional" societies in two ways:

The first is what he calls "structural differentiation". This occurs as more specialized social units (such as wage labour) are formed to sustain new economic activities (such as cash-cropping)¹⁰².

The second is an integration (or reintegration) process as differentiated social structures are united on a new basis¹⁰³.

The modernization process, like the economic development which it accompanies, is often an uneven one. According to Eisenstadt (1970:25), different start-up points and

¹⁰⁰ see further Gugler & Flanagan (1978); Mabogunje (1980:151-198).

¹⁰¹ See Ekundare (1973).

¹⁰² cf. Wilson & Wilson (1945:101-102).

¹⁰³ cf. Moore (1964). These two points are at the heart of the modernization theory, and have been echoed in various ways by several other writers such as Wilson & Wilson (1945); Moore (1963); Nash (1958); Hoselitz (1960), Eisenstadt (1970) and Mazrui (1972). According to Hoselitz for example, an underdeveloped country, in order to be "modernized" into a developed one will undergo a structural shift of "functionally diffuse" economic roles (which are closely associated with political, family or religious roles) to "functionally specific" economic roles in which one does what one has to do irrespective of one's other societal roles. Such a restructuring is brought about by a process of differentiation of the kind described by Smelser. Similarly, in Wilson & Wilson's (1945:95-98) view, modernization involves extensive social and geographical mobility, resulting in a breakdown of traditional family patterns of production from which a new functional individualism arises.

populations, resources and abilities affect the modernization process. This may be true of societies in which modernization ideas have been externally imposed, and either because of a lack of resources or other reasons, it is not thoroughly diffused to the whole society. Such a situation could lead to opposition and social conflict which could be inimical to the process, as happened in Eastern Nigeria for example, when new development tax levies led to the unprecedented Aba womens' tax riots of 1929¹⁰⁴.

Other writers have therefore theorized that in order to be made sustainable, modernization ought to be institutionalized, such as happened in Japan at about the end of the nineteenth century when, to support their push for industrialization, Japanese elites were able to obtain the support of the peasantry because the traditional culture imposed a duty on the peasantry to support the elites, a situation that made the industrialization process in Japan a relatively smooth one¹⁰⁵. Traditional views on rights and appropriate behaviour have also been instrumental in the resolution of industrial and other conflicts¹⁰⁶. The "institutionalization of modernization" will only occur, according to Eisenstadt (1966:45) when

"[the modernizing or newly modernized society becomes] capable of dealing with new, changing problems and of absorbing within its central institutional sphere, new social groups and strata with their problems and demands"

In other words, the society ought to be able to adapt itself to dealing with any socio-political problems, which its new or reinvented identity might occasion.

¹⁰⁴ The riots are described in greater detail in Crowder (1978). cf. Gluckman (1955). Wilson & Wilson (1945) also describe Christian converts opposition to teachings on monogamy among the Nyakyusa people of Tanzania during their fieldwork there in 1934-1938.

¹⁰⁵ Geertz (1973:52). cf. *Japan's Long March* in "The Economist" (1/10 - 7/10/94:92-96).

¹⁰⁶ World Bank (1991:40).

3.3 Analytical Limitations Of Modernization Theory.

Transforming the structure of a society, particularly a multi-ethnic/cultural one as one is likely to find in a place like Nigeria and many other parts of Africa and Asia, involves, for this very reason, greater areas of complexity than the mere transfer of modes of production. Most "obstacles" to modernization policies can be traced back to the "pre-modern" society's opposition to such policies, or even if such policies have been externally imposed, the society has then gone and adapted them for implementation in another way to suit their own ends.

While it is recognised that some countries are obviously more "advanced", "industrialized" or "developed" than others, and that the modernization *process* is essentially the means by which a less developed country will be transformed into a more developed one, modernization *theory* itself sometimes fails to grasp the fact of the complexity of the so-called "traditional" societies. Intuition suggests that some members of the traditional society will resist transformation and instead seek to maintain the status quo, while other members in that society seek to change it, either by creating conditions for change, or adopting (adapting) externally generated conditions for change. A major limitation of modernization theory then is its inability to adequately incorporate such local variations into the process of transformation, perhaps because inspired by contrary claims, modernization models are patently ahistorical, and perhaps also because the models tend to be over-influenced by increasingly abstract quantifiable development indices such as per capita income, capital formation and savings and investment gaps. It is not enough to dismiss the variations as anomalies. This, from an analytical perspective, is the main crux of my examination of the limitations of the theory, and is presented below:

First, modernization theory liberally extrapolates from an understanding of the modernization process as it occurred in post-industrial revolution Western Europe¹⁰⁷. It then formulates simple, unilinear models for third world development, along the lines of what appears to have happened in Western European capitalist countries. This is ethnocentric¹⁰⁸. The models are largely irrelevant to understanding the social processes occurring in many of today's developing countries whose socio-historical and contemporary circumstances, as I argued in chapter 2, are different from those experienced by the developed countries. In the case of sub-saharan Africa for instance, modernization theory does not analytically allow for differential local responses to change processes, as expressed for instance through indigenous entrepreneurship (I shall presently return to this point), or a flourishing informal sector (seeing as the latter especially does not contribute to official "output per head" figures) which are a historically grounded part of the region's commerce and whose contribution to regional GDP is, according to the World Bank (1989) set to increase by 12% (to 47%) by 2020. Were one to apply modernization theory to the African situation as it is, the conclusion would be that indigenous entrepreneurship, from which so much was expected in the departing colonialists' modernization drives of the 1950s¹⁰⁹, has failed. Its application has

¹⁰⁷ Smelser's (1963) modernization model was in fact an extension of an earlier study he had done (1959) on the change process that accompanied the Western European Industrial revolution.

¹⁰⁸ This criticism is perhaps more easily justifiable in the case of the classical model of, say, Smelser (1963) than the more flexible one of Eisenstadt (1966) who qualifies his model by adding the "institutionalization" factor, although as Long (1977b:27) has noted, Eisenstadt's terminology (and I might add, his choice of illustrations) in fact give his underlying ethnocentrism away.

¹⁰⁹ cf. Fieldhouse (1986).

led some economists to conclude that Africa does not have enough entrepreneurs¹¹⁰, and those carrying it on are lacking in basic entrepreneurial skills¹¹¹. Yet, it seems that such a view is perhaps more evidential of the inability of modernization theory to look beyond the structural arguments into the micro-processes that make them up¹¹². Hagen (1971:125) makes much the same point when he talks about the inadequacy of merely transplanting productive enterprises, processes, and management methods from the West to LDCs.

This is not to say that some structural "differentiation" and "integration" are unnecessary tools of social change, but it appears that the conceptual framework of this particular approach does not go far enough. Modernization theory appears to assume that the characteristics of "traditional" and "advanced" societies can be isolated and identified (They would need to be, before they can be differentiated). Yet, experience shows that in virtually every society (and particularly in urban centres) one is likely to find elements of both differentiated and undifferentiated relationships and institutions. This was certainly my experience in the course of this study. I regularly came across firms in the modern sector which, with their acquiescence or encouragement, are serviced, usually by much smaller firms or persons (such as farmers or labourers) who employ family labour, or take on the children of friends and relatives as informal apprentices, all for little or no wages. Similar

¹¹⁰ See Geiger & Armstrong (1964); Steel (1979). It is only in the last decade that this view appears to have been empirically challenged. See Marsden (1990).

¹¹¹ Harris (1971); Kilby (1969). These skills are often interpreted in terms of formal education, although as I have argued elsewhere (Fadahunsi 1996), the precise links between formal education and entrepreneurship are arguably not necessarily clear-cut. A study in Accra, Ghana in fact revealed that increased formal education in a part of the town actually reduced business and trading activities in that location (See Robertson 1984).

¹¹² cf. Long (1968; 1977b); Adedeji (1989). Economic liberalization, coupled with political reform to allow individuals far more freedom to express their creativity now feature much more strongly in world bank proposals for sustained recovery in sub-saharan Africa (see World Bank 1995:73-75).

examples abound in the Nigerian industrial set-up, especially among the smaller firms that dominate the trading end of the set-up.

Should there then be a full or partial differentiation for "modernization" to occur? If it is the former, then the modernization approach is fundamentally inadequate for not even the western ideal on which it is modelled ultimately supports it. If it is the latter, then the theory still needs to state how much of it in fact constitutes modernization. The theory therefore needs to be made much clearer in terms of the types of institutions and relationships which need to be differentiated and integrated, although whether this can in fact be achieved seems to be a separate matter for discussion.

Secondly, and following from the first, the ethnocentricity of the classical models, and their inadequate understanding of historical processes lead them to plot a path for LDCs' modernization which bears little resemblance, in spite of contrary claims, to previously documented modernization processes. The European industrial revolution which provides the basis for the modernization models of Neil Smelser, Wilbert Moore and others was an internal, self-generating process and a process of slow accumulation, but the models prescribed for LDCs is expected to be generated by external forces such as direct foreign investments, colonialism, and other "big push" forces. The models do not show how the internal (traditional) system self-generates influences or actors who contribute to determining outcomes, particularly on a regional, national or even international scale. In particular, they do not seem to have taken cognisance of how such processes have occurred in the history of the LDCs in question (I am concerned here in particular with Africa). Ignoring the workings of the internal system in this way relegates local actors to a passive or similarly inconsequential role in the social and economic development process, but as Long (1968:8-9;

1992a)¹¹³ has noted, no theory of economic development is complete if it does not recognize the calculating or entrepreneurial abilities of the people in the society.

Thirdly, modernization theory appears to assume that for modernization to occur, LDCs' traditional structures will be replaced by a more differentiated structure which will cause the breakdown of "old" (or pre-modern) structures because both of these structures are always in conflict and are mutually exclusive¹¹⁴. Available empirical indications however reveal otherwise. Not only is this assumption not true for Japan¹¹⁵, it is not true either for the newly industrialized countries (NICs) of South East Asia (such as South Korea, Singapore and Malaysia) nor is it true for India, Pakistan, and several North African and Middle Eastern countries also presently undergoing rapid industrialization without a significant differentiation of existing social processes.

In Nigeria's case, both differentiated and undifferentiated relationships co-exist in a loosely dualist structure¹¹⁶. Despite increasing industrialization, traditional religious and political arrangements continue to flourish, as do other social arrangements, such as family

¹¹³ cf. Moerman (1968); Salisbury (1970).

¹¹⁴ Moore (1963).

¹¹⁵ Hirschmeier (1971). cf. Long (1977b:66-70); Geertz (1973:52).

¹¹⁶ I use this term in its broad, general sense, and not within the particular meaning of the theory of economic dualism which envisages the independent existence in LDCs of two radically different sectors - one a relatively small, modern, capitalist and market-oriented sector, and the other a relatively large, traditional, agrarian and subsistence sector. The theory conceptualizes modernization as taking place, when production factors (and accompanying social structures) are diffused to the traditional sector from the modern sector (Higgins 1962:99-115; Myint 1980:67-69; Jorgenson 1970:320-348). This is only partially true, but even more importantly, many of the assumptions of the theory, such as independence of the sectors, "disguised unemployment" in the traditional sector, and the social dimension of the diffusion of production values, are questionable. They are largely open to the same criticism of determinism as classical modernization models. See also Frank (1969) and Kofi (1980:252-283) for a marxist-oriented critique of the theory of economic dualism.

apprenticeships, extended family obligations, and so forth, as I witnessed during my fieldwork. These co-exist with more "modern" or formal commercial arrangements and there is a high degree of interdependence between them. Perhaps a more accurate description of what takes place is that some "traditional" societies are able to adapt their existing situations to changing social conditions (Japan is an obvious example). As Long (1977b:30) argues, many of these so-called "traditional values" are already congruent with development. It is therefore incorrect to conclude, as modernization models tend to do, when confronted with a so-called "non-capitalist" society, that where differentiated structures have failed to "totally" replace pre-existing ones, the "modernization" of such a society has failed, or such a society is an anomaly, or merely in transition.

These misconceptions, in my view, have largely arisen as a result of an inadequate understanding, on the part of the original theorists, of the socio-economic history of LDCs, leading the theorists to draw too much from the experiences of the now advanced nations, and may also be due to the fact that the theory enjoyed a renaissance in the 1950s as an ideological extension of the cold war¹¹⁷, in a period of increasing polarization of ideas between the capitalist and communist worlds. Whatever the reason may be, the structural differentiation model is criticised, not only for giving primacy to the effects of exogenous factors in promoting or analyzing social change in LDCs, but also for using "ideal type" traditional and advanced societies as tools for analysis, and over-emphasising the uniformity of their internal reception to change.

In its present form, I believe the theory is perhaps best useful as a model to make *post-hoc* statements about structural changes which have already occurred, as opposed to being used as a predictive tool. In Nigeria's case for instance, the theory could be useful for

¹¹⁷ See Vandergeest (1988); Arndt (1987); Leys (1996).

analyzing the consumption dimension of the industrialization programmes embarked upon by various Nigerian governments since the end of World War II, or of the federal government since independence in 1960¹¹⁸. However, in its present form, for as long as it continues to aim at broad predictive generalizations, it will have the problem of explaining the rather substantial exceptions to the theory.

Modernization theory, or at any rate its practice, is not dead. It is a simple, and easy-to-apply paradigm which suits a variety of interests¹¹⁹, in particular governments and aid agencies. Not only are the world bank's recommendations for the development of LDCs firmly rooted in the modernization paradigm¹²⁰, it continues, along with other international development organizations, to fund research and projects that have the modernization idea as their bedrock. Some of this latter research has however resulted in recent rationalizations of some of the assumptions of modernization¹²¹.

Perhaps more progress would be made if researchers recognize the heterogeneity of the various populations that they study, and are prepared to build it into their analyses that this affects the rate at which modernization programmes are accepted and implemented in

¹¹⁸ Eleazu's (1989:21-22) discussion of Nigeria's continued import-substitution strategy of industrialization since independence may be interpreted in this way, although this was not the author's stated intention.

¹¹⁹ Mabogunje (1980:28-29).

¹²⁰ See for instance World Bank (1995:5-8).

¹²¹ For instance, following the relative failure of several programmes applied from these assumptions (such as "Operation Feed the Nation" and the "Green Revolution" in Nigeria in the late 1970s to early 1980s), the idea of a centralized diffusion of production technologies as the method of commercializing agriculture appears to be tentatively giving way to providing access to such technologies coupled with a measure of land reform (an idea previously put forward by Shultz 1964), as a method of promoting "induced innovation" in the agricultural sector of traditional societies. See also World Bank (1991); Vandergeest (1988).

various parts of the world.

Another way forward in the development of modernization ideas is what Mazrui (1972:297) calls the modernization of "motivational patterns and social stratification" which takes into account the facilitation of a greater level of economic individualism, the facilitation of a horizontal division of labour among developing countries¹²², and the facilitation of mobility in the international system of stratification. Such an approach, in my view, essentially calls for trading unions among groups of LDCs, a readiness by the world at large to recognise and reward "progress" by such countries, and a preparedness by (African) LDCs to lessen their kinship and such other uneconomic loads which tend to mop up a degree of their economic surpluses.

3.4 Dependency Theory.

"Dependence is a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others. A relationship of interdependence between two or more economies or between such economies and the world trading system becomes a dependent relationship when some countries can expand their self impulsion while others being in a dependent position can only expand as a reflection of the dominant countries, which may have positive or negative effects on their immediate developments"¹²³

Although I will refer on a number of occasions to a "dependency theory", what is in fact commonly known as the dependency theory is not a single theory at all, but a complex network of part socio-economic models and assumptions, and part historical documentation, whose central theme is that the trade and development opportunities open to the world's LDCs are curtailed by the limited scope allotted to them as peripheral units within the

¹²² cf. Adedeji (1989:264-265).

¹²³ Cardoso ([1970] cited in Palma [1981:47])

international capitalist system.

The dependency arguments achieved prominence during the late 1960s as it became increasingly clear that after concerted "modernization" policies and programmes in the third world following World War II, subsistence-oriented and other non-capitalist forms of production were not undergoing universal transformation. Mineral extraction may have created new wealth for countries like Nigeria, Gabon and Ivory Coast in the 1950s and 1960s, but in practice, it had not eliminated traditional institutions or modes of production nor had it significantly increased the relatively low rates of technological productivity. Dependency theorists felt this was because low productivity was not so much a problem that capitalism was needed to eliminate, as the actual result of the sustained penetration of capitalism in LDCs which had already destroyed the "natural" economies of traditional societies by the time colonialists began implementing modernization ideas after World War II¹²⁴.

The inspiration for the theory was mainly provided during the 1950s under the umbrella of the Economic Commission for Latin America (ECLA), led by the Argentinean economist, Raul Prebisch. The ECLA's conclusions, in line with its subject of inquiry at the time, absolved individual Latin American ministers of blame for the severe fiscal problems being suffered by Latin American countries during that time, and instead blamed the background of the problems on external factors over which the ministers had no control.

In arguing for a limited protectionist policy to accelerate the industrialization of Latin America, Prebisch conceived of a world economic order in which a small "centre" (or core) of industrialized countries were the only places from which the rest of the world (that is, the

¹²⁴ a point Samir Amin illustrates with his explanation of the ruination of Indian and Egyptian craftsmen (see Amin 1974:142-159).

"periphery") could obtain the necessary inputs to pursue rapid industrialization goals. In that way, the periphery was dependent on the core¹²⁵; And as Paul Baran (1957:28) added, the industrialization of LDCs was "profoundly inimical to the dominant interests of the advanced capitalist centres" because the latter provided the former with raw materials and investment outlets for their technology and capital. These arguments can be summarized as follows:

The underdevelopment of Latin America, Prebisch argued, was due to its reliance on exports of primary products, the prices of which were determined in the world's financial capitals of Western Europe and North America, especially the USA. These latter countries invariably fixed commodity prices that suited their own needs. This then led to terms of trade which from the point of view of Latin America, fluctuated in the short term, and deteriorated in the long term. There was therefore inadequate capital to develop a viable local industrial sector. This situation precipitated a dependence on foreign manufactures which the Latin American governments sought to reduce by pursuing policies of import substitution and rapid industrialization.

Expectedly, these policies resulted in a reduction of the imports of some basic consumer goods such as basic electronic goods, clothing and some household effects. However, these same policies subsequently created a new kind of dependence on the importation of fuel, capital equipment, certain intermediate products, and reversing established trends, food. The inadequacy of local finance to procure these imports meant a greater reliance on MNEs which had the ability and willingness to provide the capital to finance the required imports, and the technological know-how to implement them. The MNEs, as suppliers of capital and technology, not only operated in oligopolistic, or even monopolistic environments, but ensured that supply inelasticities, and consequently their own

¹²⁵ See Prebisch (1984).

incomes were always safeguarded. The effect of these on Latin American economies was hyper-inflation, foreign exchange shortages and social unrest.

Prebisch was essentially concerned with reducing the emerging high income elasticity of demand at the periphery for manufactures from the centre. This influenced the policy recommendations that followed from his theoretical analyses. Thus, among the solutions proposed by ECLA were : removal of protectionism at the centre, the institution of limited protectionism at the periphery, curtailing the dominant role of MNEs by encouraging (for a period at least) import substitution at the periphery, and the establishment of a Latin American Common Market.

It was however Frank (1969) who set out to examine the theoretical implications of these for the meaning of structural underdevelopment at the local and national level. Proceeding from Baran's analysis, he rejects outright the modernist view that LDCs traditionally exist in dualistic economic systems¹²⁶, mainly on the ground that such a conclusion views the major obstacles to socio-economic development in terms of the interplay between these two sectors when it ought in fact to be viewing it in terms of a "metropolitan - satellite" relationship in which the industrialized countries are the metropolitan centres who dominate the satellites (LDCs) and ascribe peripheral roles to them in the international economic order. His model of this "metropolitan - satellite" relationship is premised upon

"a... chain of metropolises and satellites, which runs from the world metropolis down to the hacienda or rural merchants who are satellites of the local commercial metropolitan centre but who in turn have peasants as their satellites. If we take a photograph of the world as a whole, we get a whole series of such constellations of metropolises and satellites."¹²⁷

¹²⁶ The theory of economic dualism has previously been briefly mentioned in this chapter. Frank (1969:146) rejects it for being "factually erroneous and theoretically inadequate and misleading".

¹²⁷ Frank (1969:146-147).

Each connection between the satellite and metropolis is in general a channel through which the centre appropriates part of the economic surplus of the satellites¹²⁸. Dependency is perpetuated in this way. This is accompanied by a concentration of socio-political resources in the metropolis and, especially at the national level, by an increasing tendency towards centralization (and ultimately militarization)¹²⁹. Dependency thus creates an increasing polarization in the inequality of incomes, first between international centres and peripheries, then even more acutely, between local centres and peripheries where the local bourgeoisie resorts to various forms of coercive regimes to perpetuate their control of production factors¹³⁰. The higher the degree of metropolitan - satellite relationships, the more dependent the satellite bourgeoisie becomes linked to, and dependent on the metropolis¹³¹.

These analyses lead Frank to several conclusions which are summarized below:

Since satellites operate merely as an arm of the metropolis, the weakening of such a relationship would necessarily depend, not on the impulsion of the satellites, but on the metropolis. It follows therefore that satellites cannot by themselves sustain an autonomous pattern of development. If they attempt to do so, the development will either result in a

¹²⁸ Frank (1969:20).

¹²⁹ Frank (1981:260-264).

¹³⁰ Frank (1969:150; 1981:188). Frank cites a number of third world examples to back this view, and in the case of Nigeria, makes an example of the Trade Dispute (essential services) Decree of 1977 which effectively banned workers' rights to strike, reduced the numbers of approved trade unions and reserved power in the government to appoint their general secretaries. See further Frank (1981:206-207).

¹³¹ Frank (1969:149-150).

return to a subsistence-based economy¹³² ("passive capitalist involution") or at best, a kind of development severely limited in scope¹³³ ("active capitalist involution"). The dominant rural class is well integrated with urban elites and together, they constitute a ruling class as control of the means of primary production allows them to discriminate against the rest of the population not only in production and trade, but also, ultimately in socio-political and cultural matters. The national ruling class is in turn dependent on the foreign bourgeoisie which controls investment capital and commodity markets.

In Frank's view, as more capitalism cannot be used to eliminate the structural problems created by capitalism, the solution to the domination is necessarily political. He argues that the "top - down" discrimination creates social disaffection, and will continue to heighten political tension until in a socialist revolution, the regional and national bourgeoisie is overthrown, and the dependency chain is broken¹³⁴. This is the only alternative to underdevelopment.

3.5 Analytical Limitations Of Dependency Theory

To most observers, there is a significant gulf, certainly in economic and technological terms between LDCs and industrialized countries, and applying dependency arguments to the sub-saharan African case for instance provides attractive arguments linking the trans-atlantic

¹³² Amin (1974:289-290) cites examples from Senegal and North-East Brazil in agreement with this point.

¹³³ In this way Frank sought to explain the nature of the industrialization drives of Latin American countries - Brazil, Mexico and Argentina, after 1929 (Frank 1969:149). According to Amin (1974:371-372), this can also be used to explain attempts at industrialization in certain African countries, including Nigeria, Ghana, Ivory Coast and Kenya.

¹³⁴ Frank (1969:3, 11, 150). cf. Amin (1974:389-390); Kay (1989:72-75).

slave trade, the subsequent colonization of the region, and the industrialization programmes that accompanied the region's decolonization, to its present-day situation of relative underdevelopment¹³⁵. Dependency arguments therefore tend to find widespread acceptance, both in analysis and application, in Nigerian (and indeed African) development literature¹³⁶, although some cautionary voices such as Ubogu (1984) remain.

The dependency theory (especially as constructed by Frank) has been criticised on several fronts, from Frank's conceptualization of "development" and "underdevelopment"¹³⁷ to his political leanings¹³⁸. Several of the more frivolous criticisms appear to have taken away, as Palma (1981:44,46)¹³⁹ ruefully notes, from Frank's important criticism of modernist ideas on "dualism" in LDCs, and the volume of research his work has inspired. Thus the point of my critique is not to deny that most LDCs exist in a dependent state but to argue that dependency approaches to the understanding of underdevelopment are, in their present mode, analytically inadequate for this purpose. Frank's (and others) dependency

¹³⁵ See for example, Rodney (1972); Munro (1976); Yansane (1980); Zeleza (1993). These issues are explored in chapter 5 as part of a wider examination of issues in Nigeria's economic history.

¹³⁶ See for example Mabogunje (1980:42-50); Ogwu & Olaniyan ([eds.] 1989); Akeredolu-Ale (1976); Oyaide (1984); Onimode (1980); Ajakaiye (1985).

¹³⁷ Palma (1981:45-46), following Laclau (1971).

¹³⁸ Frank believed that a great part of Laclau's (and others such as Emmanuel, Marini, and Torres) criticisms of his analysis of pre-capitalist modes of production in Latin America were based on a reformulation of the questions he was trying to answer, which necessarily affected their analyses, and on a wrong assumption that he was a marxist (Frank 1984:264). Marxist scholars generally criticised both modernization and dependency theorists for various theoretical and empirical failures (Kofi 1980; Kay 1989; Palma 1981) but have not been given a specific mention in this chapter as their analyses, in emphasising the external appropriation of local surpluses and a political solution to such problems, are similar in form to much of dependency theory, the main difference being that ensuring class struggles are made a fundamental issue.

¹³⁹ cf Seers (1981:15-16).

arguments have been empirically examined, and aspects of them have been found to be methodologically wanting¹⁴⁰, the main argument being that although Frank provides useful insights to the theory of structural underdevelopment, his model is ultimately too simplistic, reductionist and deterministic to satisfactorily explain the apparent variations and complexities in metropolitan - satellite relationships. I will attempt to explain this through two of Frank's assumptions.

First, Frank assumes that the development of capitalism necessarily eliminates "traditional" non-capitalist modes of production¹⁴¹. However, it is doubted in some quarters whether pre-colonial modes of production can be described as non-capitalist¹⁴². Even

¹⁴⁰ See for instance Long & Roberts' (1984) study in Peru to discover the effects of the integration of a rural "satellite" into the world economy. cf. O'Hear (1987) and Milewski (1981) for (less intensive) Nigerian variations. My critique of Frank's model has these studies and my own observations during my fieldwork in Nigeria as its main empirical base. Long (1977b) also describes other Peruvian studies which, like his work with Bryan Roberts, are dependency-inspired, such as Mar et al (1969), and Cotler (in Mar et al 1969).

¹⁴¹ In developing this point, Frank criticised certain modernist conceptualizations of economic dualism, which I referred to earlier. However, he goes on to admit that feudalism (in Latin America) pre-dates, is penetrated by, and then co-exists with international capitalism, but that this is only possible because Latin American feudalism is inherently capitalistic in nature. He however regards this as an exception. Normally, in his view, the latter would eliminate the former. This view has been consistently criticised by Latin American writers (see Kay 1989:157-159 for a review of such criticisms). One must agree that empirical support for Frank's view is hard to come by. In Nigeria's case, Frank's views would appear to find no support either in much of the literature. For instance although Ekundare (1973) apparently concedes that prior to colonization, the society was feudal in nature, he however argues further that nonetheless, the Nigerian economy, such as it were, was already practising what he calls "competitive capitalism", a fact which he believes made it relatively easy for the British colonialists to practice a system of indirect rule in Nigeria which ultimately, though unwittingly, helped ensure that existing modes of production were not altogether eliminated. See also Milewski (1981:111-112) who similarly concludes that initial European penetration in Nigeria did not significantly affect pre-existing modes of production. This eventually happened with colonization. But the resulting division of labour did not lead to the elimination of pre-existing modes of production but a co-existence in which the old was subservient and dependent on the new.

¹⁴² Ekundare (1973), in my view, persuasively makes the point that the fact that the pre-colonial economy was "pre-modern" and "subsistence-oriented" does not mean it

among those writers who share the view that traditional modes of production were non-capitalist, the prevailing argument seems to be that the international development of capitalism, in some areas, far from eliminating traditional modes of production, unwittingly contributed to their perpetuation¹⁴³. This, in a sense, is what happened in the trans-atlantic slave trade, where slave traders purported to help transform the modes of production in the societies from which they obtained their slaves, while at the same time purchasing into slavery overseas, the same young persons who could have helped carry out the transformation. But as "modern" capitalist production modes were imposed through colonialism anyway, in the final analysis then, capitalist, and non-capitalist modes of production came to co-exist. Indeed, this is one of the major conclusions of the Peruvian study by Long & Roberts (1984) of a rural region closely linked to a foreign-owned mining firm, showing how local people adapt to an enclave economy.

Similar conclusion can be drawn from O'Hear's (1987) study of the craft industry in a Central Nigerian Region. In it, she attempts to show how craftsmen and women in Ilorin, early in the twentieth century (and continuing to present times), struggled to recover from losses occasioned by restrictive colonial trade regulations, and competition from European imports, to retain, and in some instances, increase their share of the market in the regional

must then be regarded as non-capitalist. He argues at p.384 that "The fact that the indigenous social and economic systems of the country were based largely on the extended family systems tended to give the impression that Nigerians were 'natural socialists'. This impression [however has...] no economic foundation. In a developing country, where the process of division of labour and exchange had not been fully entrenched into the economic system, a reliance on subsistence production, which is the main economic characteristic of the extended family system, was inevitable... While the main motive for production in this subsistence economy was to satisfy individual wants, surplus production over and above the subsistence level often formed the nucleus of an exchange system - either barter or money exchange"(Brackets mine).

¹⁴³ Long ([1977b], following Wolpe (1972), and Dupre & Rey (1973).

metropolitan centres of Lagos and Ibadan. This was done, not by abandoning their crafts in favour of trade in imported textiles which seemed to be getting popular at the time (and also had the government's support), but by adapting their production and transportation practices to make themselves more competitive.

Both studies also indicate that labour and capital were, and continue to be routinely recruited through several extended family (usually no wage), patron-client (usually low wage) and other traditional ("non-capitalist") production modes¹⁴⁴.

The weakness in Frank's analysis, according to Long (1977b) is that he analyzes development issues from an "exchange" point of view, rather than a "modes of production" point of view¹⁴⁵. Put differently, Norman Long means that the former point of view allows Frank to see the development of capitalism merely in terms of the fact of European - Third World commercial contacts, while the latter would have provided another insight which would permit a clearer look at how, (or if) local processes respond to foreign domination, whether or not they survive, and how they do it. Frank's method is what gives him a distorted view of history, and consequently weakens his analysis.

Secondly, Frank's view of a chain of relationships pre-supposes that metropolitan - satellite relationships are linear or hierarchical, with each succeeding metropolis appropriating the economic surplus of the satellite below it. There is however, an important omission in this analysis. Metropolitan exploitation is no doubt a feature of the global economy, as history has shown time and again¹⁴⁶, but again with Frank focusing on the

¹⁴⁴ cf. Hill (1971:310-312).

¹⁴⁵ cf. Long & Roberts (1984). Hill ([1970] referred to earlier in chapter 1), where she explains the drifting apart of "indigenous" and "mainstream" economics, may also be used to interpret Frank's argument in this way.

¹⁴⁶ Amin (1974); Zeleza (1993); Curtin (1969); Rodney (1972).

point of contact between external capitalists and the local economy, and his resultant failure to fully grasp local processes, his model is unable to explain those actors who do bypass their allotted roles, or in significant other ways, such as co-operation as opposed to confrontation with the metropolis or the expression of rebellion via innovative behaviour¹⁴⁷, do not conform to the hierarchical model constructed by Frank.

The Long & Roberts (1984) Peruvian study is a case in point. In it, the authors show how a set of rural villages maintain direct socio-economic links with the national capital of Lima, about 250 miles away, while maintaining minimal contact with the much nearer regional city and commercial centre of Huancayo, which, were one to apply Frank's model, they ought to have much closer economic ties with. Hill's studies of the grains trade in Northern Nigeria (1971), and migrant cocoa farmers in Ghana (1963b) as well as other studies (referred to earlier) such as O'Hear (1987) and Milewski (1981), and indeed the present study (as chapter 8 illustrates) all suggest a series of accumulation processes as well as regional linkages more complex than simple dependency theories can explain.

The complexity of the linkages would also suggest a rebuttal of the assumption that rural development, particularly in national satellites, is conditional upon the development of the metropolitan centre. This is at best only partially true as it presupposes that local people are unable to develop their own immediate and perhaps regional areas. Yet in Eastern Nigeria, towns like Onitsha, Enugu, Owerri, Umuahia and Aba have developed in precisely this manner, with significant overall impact on twentieth century commerce in Eastern Nigeria, which extends well beyond this into the political arena¹⁴⁸.

¹⁴⁷ cf. Hagen (1964; 1971; 1986).

¹⁴⁸ such as influencing indigenous demands for own state governments in the federal Nigerian set-up, rewarded for instance, in the case of Umuahia by the creation of Abia state (with Umuahia as the capital) in 1991.

Frank's dependency model therefore, although recognized for its contribution to the understanding of the impediments to economic development and social change, ought to be viewed in the light of the qualifications discussed above. Its grounding in history enables it to offer valuable insight to certain issues in structural dependency, but its deductionist approach then leads it to over-stress the uniformity of local responses to external domination. It is for this that it has been mainly criticised in this chapter.

3.6 Conclusion.

Modernization and structural dependency theories have been discussed here together because of their paradigmatic similarities¹⁴⁹. Although they represent different ideological traditions, one (modernization) espousing the "trickle-down" effect of development, and the other (dependency) viewing development essentially as a process of domination and exploitation of peripheral societies, they nevertheless contain a major point of analytic convergence, which is that both analyze issues of development and social change as emanating from centres of power in a "top-down"/interventionist manner.

Their implications for entrepreneurship are also similar. Under modernization theory, the assumption is that people in LDCs are "backward" and lacking in basic entrepreneurial skills and so need to be encouraged and taught how to be entrepreneurs. Under dependency theory, the assumption is that people are conditioned to serve the needs of exploitative capitalists, and therefore lack entrepreneurial skills. In both cases, no significant role is seen for local economic and socio-cultural heterogeneity under which indigenous entrepreneurship

¹⁴⁹ See Hewitt de Alcantara (1984:2-7) for a discussion of the waxing and waning of paradigms in social sciences.

can flourish. Yet, such heterogeneity is precisely what helps micro-enterprises in particular survive and contribute to macro-development processes. At the very least, the manner of development of activities such as the cross-border trade provide substantial exceptions to existing theories on development and social change in Africa, and possibly, one suspects, LDCs in general.

The trade, seen in a development context, then raises the question that if indeed cross-border trading is a continuation of an existing indigenous trading system, is it then an inherently backward system, or a parallel system that pre-exists more modern (and formal) methods of exporting, but nevertheless has adapted over the years to social change? I shall return to this issue in chapter 9, after a consideration of the mechanics of the trade.

In any case, neither modernization nor dependency theory is fully able to establish an analytical link between this form of indigenous entrepreneurship and the African development process, and indeed to relate these to change and development on a global scale. In applying the orthodox thinking to the cross-border trade, the theories would merely be able to see it as a function of the trading contacts between indigenous traders and traders from other parts of the world. Yet this would be an incomplete explanation, first because on a micro-level, it is unable to explain indigenous trade patterns, and secondly, because it has little historical grounding as full contact of the indigenous economy with the global trading system only occurred with the colonization of Africa in the nineteenth century, and intra-regional trade and development had already been on-going for several centuries before this¹⁵⁰. This suggests that indigenous entrepreneurship has survived these time periods, influencing patterns of change, but these have not featured much in development debates. Entrepreneurs have primarily achieved this by generating entrepreneurial choices and taking

¹⁵⁰ Zeleza (1993).

decisions that impinge on the change process.

These two issues shall form the basis of the next two chapters. First, in the next chapter, I aim to explore how entrepreneurship theory has attempted to explain such differential action amongst entrepreneurs, before going on to examine the historical dimension in chapter 5.

CHAPTER FOUR

THE ANALYSIS OF DIFFERENTIAL ACTION BY ENTREPRENEURS.

4.1 Introduction.

In the trade and development theories referred to in chapters 2 and 3, development was seen in terms of the gradual accumulation of "physical" capital. Eventually, later development models began to acknowledge the importance of the "human" capital, which co-ordinates the operations of the other resources, as a resource in itself. This resource is entrepreneurship. In the preface to the book *"Innovation and Entrepreneurship"*, Peter Drucker describes entrepreneurship as "neither a science nor an art. It is a practice"¹⁵¹. Marris & Somerset (1971:1) have, in the same vein, described it as a "quality in economic life whose influence is easy to recognise but hard to define, and harder still to place in economic theory". The authors are not side-stepping the issue. Academics have been struggling to arrive at a generally accepted definition of entrepreneurship for decades, and as we shall see below, even now, it continues to evolve according to various writers' disciplinary backgrounds and perceptions of present-day realities. These are well documented in the literature¹⁵², and it is not intended to enter into this particular debate here. Many other writers recognize the apparent futility of providing an exhaustive definition for the term¹⁵³. Some of the writers

¹⁵¹ Drucker (1986:10).

¹⁵² included here are the works of the original theorists, including Cantillon, Menger, Marshall, Say, Knight, and others. See further Bisht et al [eds]. (1989); Drucker (1986); W. Long (1983); McMullan & W.Long (1984).

¹⁵³ Rosa & Bowes (1990) cite several examples in illustration of this.

who do choose to jump in the fray, as it were, define it in terms of business ownership or new ventures; Others as a function of personal risk, while yet others view it as a function of innovation, and other forms of creative and/or opportunistic behaviour.

Adam Smith may have overlooked entrepreneurship as a factor of production in *The Wealth of Nations*, but a consideration of the history of international economic development shows the role that entrepreneurship has played in stimulating economic growth all over the world.

Still, there exist disparities in international economic development, and even within individual countries, disparities exist in regional or community development. It is recognized that several factors may be responsible for this, but certainly one to which inadequate attention is sometimes paid is the differential response to social change / opportunities exhibited by the entrepreneurial population. Understanding how and why differential response takes place can go a long way to explaining why some people succeed while others fail at entrepreneurship, which is in turn important to the wider study of economic development.

Proposed in this chapter therefore is an examination of some of the more established theories of entrepreneurship, in particular as they explain entrepreneurial choice (differential response/action), under the broad headings of Economic (or rational actor) theories; Psychological (or personality) theories, and Sociological theories.

Essentially, an economic model will tend to perceive entrepreneurship as a function of a fully rational or optimum matching of resources to opportunities; A psychological model will tend to view entrepreneurship as an end product of certain personality traits, while a sociological model will tend to view entrepreneurship as a component of a dynamic social process.

4.2 Economic Models.

4.2.1 Introduction

Economists were the earliest substantial contributors to the study of entrepreneurship. They still offer the most widely used definitions of entrepreneurship, and have been particularly important in advancing the knowledge on the contribution of entrepreneurship to economic development. Essentially, economic models take the view that any person who has a clear vision of what he wants and the necessary information, ought to then scan the market, select the niche that will maximize his returns and in so doing, become an entrepreneur.

It was however Joseph Schumpeter who expounded on the model and went on to become the architect of the theory of economic development in which the entrepreneur was the central character. Schumpeter saw real development in a society as a process generated within that society by forces co-ordinated by the actual members of that society. His entrepreneur facilitates economic development by disturbing the economic status quo through "innovations". This ability to innovate is the key distinguishing factor between the entrepreneur and other business managers. Innovation need not occur from the employment of new resources; A "new combination" of existing resources will suffice. The new combination could suffice in any of five different cases which are listed below:

- "(i) The introduction of a new good... or of a new quality of a good.
- (ii) The introduction of a new method of production, that is, one not yet tested by experience in the branch of manufacture concerned...
- (iii) The opening of a new market... which the particular branch of the country in question has not previously entered, whether or not this market existed before.
- (iv) The conquest of a new source of supply of raw materials... irrespective of whether this source already exists...
- (v) The carrying out of the new organization of any industry like the creation of a

monopoly position... or the breaking up of a monopoly position"¹⁵⁴.

The occurrence of these new combinations was predicated upon two assumptions. First, the new combinations will be carried out each time by new firms, who will commence production alongside the existing firms, who presumably, would still be employing the now "old" combinations. They would eventually be weeded out as they become less competitive. In this way, Schumpeter sought to explain entrepreneurial choice and the demise of certain firms. Secondly, the "new combination" of resources must necessarily draw on existing production means such as unemployed workmen, unsold raw materials and so forth, and recombine them to make them more productive. This, he felt, was the very essence of economic development.

From his innovation/new combination analysis, Schumpeter surmised as follows:

"The carrying out of new combinations we call enterprise; the individuals whose function it is to carry them out we call entrepreneurs"¹⁵⁵.

Schumpeter discussed, almost in passing, what sort of person an entrepreneur would be¹⁵⁶, and how this would affect entrepreneurial choice. This was taken up by later economists who theorized on entrepreneurship, among the most notable of whom is Israel Kirzner, who in fact developed a market and price theory that incorporated the entrepreneur. Kirzner's entrepreneur is similar to that of Schumpeter's in many ways. However, whereas Schumpeter asserts that the entrepreneur's primary effect on the market is to create disequilibrium in the market by shifting the curves of cost and revenue which face him, Kirzner's entrepreneur has an equilibrating effect on the market, not by himself shifting the

¹⁵⁴ Schumpeter (1934:66).

¹⁵⁵ Schumpeter (1934:74-75).

¹⁵⁶ This point is taken up again in section 4.3, in the discussion of psychological models.

said curves, but by noticing that they have in fact shifted. Hence his emphasis on knowledge as the entrepreneur's distinguishing feature.

The entrepreneur's knowledge is the trump card which gives him a unique perception of how to get the best value from an available, or discoverable resource. As he expresses it

"...the elusive notion of entrepreneurship is... not so much the substantive knowledge of market data as alertness, the knowledge of where to find market data"¹⁵⁷.

It is the knowledge so obtained that enables the entrepreneur to differentiate his activities as in discovering where to obtain resources more cheaply, sell products at higher returns, which innovations will prove most fruitful, and so forth.

4.2.2 The Analysis Of Differential Action.

If one proceeds upon the assumption that the ability to make, and stand by decisions, lies at the heart of entrepreneurship, it may then be argued that orthodox economic models, in tending to gloss over this particular factor, depersonalize decision making in entrepreneurs. They tend to match resources to opportunities with no particular consideration of the factor that carries out the actual or physical matching.

The classical models of Smith and Ricardo, for instance, assume that all the information required for the optimization of resources is readily available. This, of course, is not how it is in practice. Other social actors considerably shape the availability and processing of information available to the entrepreneur. Having said these, some of the more relatively recent economic models have become more accommodating of variables which conceive of the entrepreneur in not quite so heroic terms. From these, arguments on

¹⁵⁷ Kirzner (1973:67).

differential action by entrepreneurs may be inferred. One such model is Leibenstein's X-efficiency theory.

Leibenstein's X-efficiency theory was originally developed in 1966 for the analysis of resource allocation in firms¹⁵⁸. Briefly, X-efficiency is the degree of inefficiency in the utility of a given firm's resources¹⁵⁹. It arises when the firm's resources are used in a less than optimal manner or when they are not used at all. Entrepreneurship, Leibenstein argued, is the way by which firms counter X-efficiency.

Leibenstein's contribution to the differential action debate is based mainly on his understanding of the concepts of rationality and efficiency among business managers¹⁶⁰. He departed from the neo-classical models on two major fronts:

First, although he accepted the orthodox view that decision makers can be fully rational in their problem solving, and can always identify the choices which will maximize returns on their resource investment, he however qualified this (relying on McClelland [1961]) by arguing further that personality characteristics, or more specifically, the attitudes of different individuals affect the way they actually exploit available opportunities.

Leibenstein's second major point of departure is the now widely held notion that a firm is composed of different individuals (in this case, employees) who may each have different ideas of what the firm's objectives ought to be. In such a situation, each of the firm's members can be expected to be working hard towards the fulfilment of their individual perception of the firm's objectives. The firm therefore pulls in too many directions at once and becomes inefficient. It requires the efforts of an entrepreneurial employer via a series

¹⁵⁸ Leibenstein (1968:75).

¹⁵⁹ Casson (1982:364).

¹⁶⁰ Leibenstein (1978). cf. J. Martin (1978:273-274).

of bargaining and negotiations with the other firm members to make them maintain or increase their individual efforts, as may be required, toward the achievement of the firm's central objectives.

If X-efficiency persists in certain firms, it creates opportunities for more efficient entrepreneurs, who can better respond to change, to fill the resulting gap in the market. Leibenstein's arguments thus provide, not only an explanation for differential entrepreneurial action, but also ultimately for the demise of certain firms and business cycles in general.

However, Leibenstein appears to have an exaggerated view of the incompatibility of his arguments with those of the neo-classical school. Leibenstein appears to believe that his model "derationalizes" the decision maker (i.e. the entrepreneur), but the concept of the "rational economic man" simply implies consistent behaviour, and not necessarily the demonstration of genius. Both Leibenstein's and the neo-classical entrepreneur can be said to act quite rationally, given the environments that they operate in, although the Leibenstein environment may be described as the more practical one.

One of the reasons which has traditionally made it difficult for some economists to theorize on differential entrepreneurial action is the fact that firms within the same industry have always seemed, in the long run, to manage to maintain an oligopolistic competition or stability. Perhaps this is why the theory of the entrepreneurial firm, as opposed to the theory of the entrepreneur, appears to be relatively little researched. The neo-classical models, particularly, do not appear to have much to say on the subject, save for mathematical variations of assumptions about perfect market competition. In Andrews' (1964) theory of competition between firms, he argues that the reason why oligopolistic competition is maintained in the long run is because manufacturers are willing to forego short-run profit in order to maintain or increase long-term customer goodwill, rather than amending price and

output to maximize short-run profit, a move which may place long-term goodwill at risk. This presumably raises the barriers into this oligopolistic circle too high for competitors, and they are forced to either operate on a small or marginal scale, or even to abandon the market altogether. In this way, differential action is exhibited by firms within and outside the oligopolistic circle. However, Andrews' theory on competition between firms may be described as being too inward-looking in assuming that factors affecting differential action are mainly internal to the firms. Not to relate entrepreneurial choice to the wider social environment suggests an overly restrictive view of the entrepreneurial process.

A limiting factor in Andrews' theory was the facelessness of the entrepreneur, who is after all, a catalyst of the competitive process. In Andrews' theory, competition is postulated as arising as resources were matched to opportunities in, possibly novel ways, without any real recognition accorded to the agent (i.e. the entrepreneur) whose foresight or knowledge of market data stimulates the competitive process in the first place. An attempt to plug this gap can be inferred from Penrose's behavioural theory of the firm.

In Penrose's view, the growth and subsequent competitiveness of a firm is dependent on how well the creation and use of information is maintained in the firm. It is up to the entrepreneurs who run the firm to achieve this. However,

"Entrepreneurial services are contrasted with managerial services, which relate to the execution of entrepreneurial ideas and proposals and to the supervision of existing operations. The same individuals may, and more often than not probably do, provide both types of services to the firm"¹⁶¹.

In their entrepreneurial capacity, the firm's managers are expected to have "a psychological predisposition... to take a chance in the hope of gain, and, in particular, to commit effort and

¹⁶¹ Penrose (1959:32).

resources to speculative activity"¹⁶².

This quality is equated with driving ambition or versatility, and not competency or hard work. All the aforementioned qualities are characteristic of good businessmen but while the last two qualities may describe those businessmen who want to establish and run a fairly stable business, the first two qualities are more characteristic of those who aim to become "empire-builders". Their judgement of economic choices/decisions will therefore tend to vary slightly from what other business managers may perceive¹⁶³.

To take this argument further, it is probable that some firms will grow to become large concerns while others remain small. Intuition suggests that a firm cannot possibly exploit every single opportunity it encounters in its business life. Large and small firms may then co-exist with the smaller firms acting as feeder firms for inputs of the larger firms, or as suppliers of differentiated products or services to complement those being made by larger firms.

Von Hayek's contribution to the knowledge about differential entrepreneurial action also stems, like Leibenstein, from his disagreement with classical economists' assumptions of market equilibrium in the long term. He subscribes to the classical opinion that market equilibrium is achievable. However, in orthodox economics, such a situation rules out the need for the entrepreneurial function, since all businessmen will have the same knowledge and make the same decisions in similar circumstances¹⁶⁴. In reality though, business managers view change within the context of their perceived future expectations, and make

¹⁶² Penrose (1959:33).

¹⁶³ Penrose (1959:40).

¹⁶⁴ Kirzner (1979:109-111). cf. Casson (1982:367).

different judgements therefrom¹⁶⁵.

Kirzner subscribes to much the same views on market equilibrium as Von Hayek. He, as mentioned earlier, argues further that the degree of alertness to conditions of market disequilibrium is the key distinguishing factor between entrepreneurs¹⁶⁶. Entrepreneurs, then, are those who will procure at lower prices and sell at higher prices. They can thereby change the market price (which will be continually adjusted towards equilibrium) while the rest of the population change their purchase behaviour in the light of the newly quoted price.

Kirzner's view of the entrepreneur as an equilibrating force contrasts sharply with that of Schumpeter, whose view of entrepreneurship, as discussed earlier, proceeds from a state of equilibrium, which the entrepreneur disturbs by a series of economic innovations¹⁶⁷.

Neither Kirzner nor Schumpeter's analysis elaborated on the "special aptitudes" or "skills" which enable entrepreneurs to exploit opportunities in different ways, although they both recognized that these were necessary.

In Schumpeter's case, the difficulty may lie in the fact that his emphasis is on a narrow view of the carrying out of "new combinations" of "innovations", rather than an operational definition broad enough to include variables which explain why certain individuals pursue certain ventures in favour of others, such as "lateral" in favour of "longitudinal" exporting.

Similarly, Kirzner's concept of alertness to entrepreneurial opportunities does not

¹⁶⁵ Von Hayek (1949:41; 1939:16-18).

¹⁶⁶ "Disequilibrium" here is considered to be the emergence of more than one price for economically equivalent items.

¹⁶⁷ Schumpeter (1934:64; 1964:77-78).

pursue this matter. It is difficult for his theory to incorporate differential action by entrepreneurs because in his view, the entrepreneurial function ends once an exploitable opportunity has been spotted.

"Entrepreneurial profit opportunities exist where people do not know what it is that they do not know, and do not know that they do not know it... If people know that a gap needs to be filled, and that it is worthwhile to fill it, the task is no longer entrepreneurial. It can be handled by competent managers through routine production methods"¹⁶⁸.

Such a view removes most management practices and the building up of firms or markets from the entrepreneurial function, and to that extent, restricts the scope for differential action by entrepreneurs.

The theories and analyses presented above have not been presented in a chronological order but may, to a certain extent be viewed as such. More specifically, they may be viewed in terms of one taking off where the previous one left off.

Leibenstein's theory, for instance, describes the environment in which the entrepreneur operates. It is the inefficiencies in the environment that provides the opportunities which entrepreneurs exploit. Von Hayek points out that entrepreneurs, like the rest of the population, are not always concerned with mechanical maximization of resources. They make those choices which in their particular circumstances suit them the best, and therefore tend to react differently to similar sets of circumstances. Both Kirzner and Schumpeter recognize this, albeit from different viewpoints, but neither of their theories leaves much room for differential entrepreneurial action because the entrepreneurial function is deemed over once the opportunity is spotted, or innovation completed, respectively. However according to the theory of growth of the firm, and competition amongst firms

¹⁶⁸ Kirzner (1982:273,275).

offered by Penrose¹⁶⁹ and Andrews, respectively, it takes specialist entrepreneurial skills to continue to manage a firm well after it has been established.

4.2.3 Analytic Limitations Of Economic Models.

The classical economic models discussed above show that economists are primarily function-oriented in their view of the entrepreneur. Virtually every one of the definitions, descriptions and theorization on the entrepreneur sees him in the light of how he influences events around him. Factors which in turn influence the aspiring entrepreneur are not discussed in any great detail and tend to appear merely incidental to the wider economic arguments. The models may then be said to present a static account of how differential response by entrepreneurs can affect overall economic development. These accounts are given a pseudo-dynamic image by the mere introduction of *ad-hoc* assumptions about adjustment lags. The usual argument is that the socio-political and economic structures in certain societies make them more quickly receptive to change than others. This apparently is why some societies are more developed than others. Accounts of this sort, far from unravelling the mysteries of differential entrepreneurial action, merely point to the inability of neo-classical economics to adequately theorize on the competitive process.

The models appear to assume that as many entrepreneurs as come into contact with opportunities and resources will exploit them. There is an almost total rejection, or ignorance of the effect of macro socio-political structures, or even the entrepreneur's own personality on his ability to obtain and process relevant information necessary for the exploitation of opportunities.

¹⁶⁹ See also the behavioural theory of the firm of Cyert & March (1963).

If these were so, it ought to mean that in the cross-border trade for instance, all the micro-enterprises employing essentially the same methods to trade in similar goods in the same environment ought to be making similar returns, but the findings indicate a disparity of returns that economic models *per se* are not able to explain. Any one of these factors may result in the aspiring entrepreneur misunderstanding the market signals or becoming otherwise unable to take advantage of them, not optimally linking opportunities and resources in the market or searching for information but limiting himself only to the information which can be easily obtained, or in any other way making a less than optimum use of market data. The way in which entrepreneurs obtain and exploit information is considerably shaped by other players in the environment such as family, friends, co-workers, employers, employees, and so forth. The economic models are not quite able to weave this into their theories, and yet to omit this would leave the entrepreneur in the impossible situation of rejecting all social contact.

4.3 Psychological Models

4.3.1 Introduction.

Psychological theories on entrepreneurship have arisen as part of research activity which has continued for most of the twentieth century in which writers (who are not necessarily psychologists) have sought to explain patterns of world economic development in terms of discrete personality characteristics of individuals who exercise control over production factors in certain regions of the world. These theories state that special or unique

traits or characteristics will make certain people prone to establishing business enterprises, and subsequently succeeding as entrepreneurs. The term "entrepreneur" is often defined more broadly by researchers in this aspect of entrepreneurship than those seeking an economic interpretation of the term. For instance, McClelland (1961:65) merely describes the entrepreneur as "someone who exercises control over the means of production and produces more than he can consume in order to sell (or exchange) it for individual (or household) income". Accordingly, an entrepreneur need not just be a manufacturer or other producer, but could well be a trader, independent artisan, or service provider. It has even been written in other personality-based conceptualizations of entrepreneurship that anyone who purchases or inherits an existing business with an intention to expand it is an entrepreneur¹⁷⁰.

Even before psychological models of entrepreneurship became widespread, economists had begun to make tentative enquiries in that direction. Schumpeter (1934) believed for instance that the entrepreneur's source of motivation is not merely profit, but also the desire to found a private dynasty, the will to succeed and conquer for the sake of success itself, and the joy of creating something out of one's energy and ingenuity. An entrepreneur has an insatiable craving for hedonistic satisfaction, he wrote, and will only retire when his strength is physically spent¹⁷¹. In his critique of Keynesian investment theory, David Wright (1958) asserts that economic models are unable to predict the investment pattern of certain "bull-headed" entrepreneurs, whose judgmental decisions always appear to go against the norm. He illustrates his argument with the story of a brewer who, having studied the market, decides to build an extra brewery in the face of falling sectoral sales. Such an act would be considered irrational at the time, but as McClelland (1961:14)

¹⁷⁰ Chell et al (1991:3).

¹⁷¹ Schumpeter (1934:92).

writes,

"We are accustomed to looking at [innovations] from the point of view of their subsequent history. If the invention proved an economic success, we almost unconsciously assume that the promotion of the invention was economically justifiable on rational grounds at the time...[However,] it was only the simultaneous *irrational* efforts of many people that ultimately justified the enterprise of some of them"¹⁷².

Not all writers who have commented on the psychology of the entrepreneur are in favour of searching for individual traits. Such writers are more in favour, it seems, of searching for entrepreneurs in situations rather than in personalities. Drucker, for instance, having declared that entrepreneurship need not be limited to the economic sphere but could be extended to other fields such as industrial relations, education and health-care, went on to argue that

"Entrepreneurship... is not a personality trait; In thirty years, I have seen people of the most diverse personalities and temperaments perform well in entrepreneurial challenges... everyone who can face up to decision making can learn to be an entrepreneur and to behave entrepreneurially. Entrepreneurship then is a behaviour rather than a personality trait"¹⁷³.

Nevertheless, the search for entrepreneurial traits continues to be carried out by many theorists, not least among whom are many acknowledged "entrepreneurs" themselves. Indeed, some of the most fascinating and controversial work on entrepreneurship have emanated from this aspect of its study.

Analyses of the entrepreneur have literally revealed dozens of "traits", especially within the last half century, some of which will be discussed later on in the chapter. The sheer number of published traits may be due in part to differences in operational definitions of "entrepreneur" or methodological differences.

¹⁷² emphasis mine.

¹⁷³ Drucker (1986:40). cf. McClelland (1961:206).

For instance, Alan Bartlett, himself a "Schumpeterian" entrepreneur, posits the following characteristics of archetypal entrepreneurs:

- i) All entrepreneurs desire to climb higher. This ambition is a driving force early on in the career of the entrepreneur but ultimately proves self-destructive.
- ii) Entrepreneurs have singleness of purpose, which can, "dependent upon the view taken by the observer...be known as ruthlessness, perseverance, determination, a one track mind or even limited capacity"¹⁷⁴. Bartlett argues that this must be viewed as a pragmatic, rather than a cynical trait in entrepreneurs.
- iii) Entrepreneurs tend not to have a great deal of formal education. Very few of them will have been to university. This results in a deprivation/inferiority complex which further motivates the entrepreneur to succeed in business.
- iv) Entrepreneurs are objective enough in their market analysis to identify opportunities earlier than most people and therefore take advantage of them more quickly.
- v) Entrepreneurs search for information rather than advice.
- vi) Entrepreneurs tend to select employees who are competent, but compliant. They discourage employee initiative, and according to Bartlett, this is the reason for the entrepreneur's success as well as the ultimate cause of his failure.

Although Bartlett concedes that there is no such person as the archetypal entrepreneur, he presents a "personality profile" of such a person, were he to exist: He

¹⁷⁴ Bartlett (1988:7-8).

would enjoy a physique which enables him to work hard; He would be an introvert, sometimes pretending to be an extrovert; He would be "self-centred, self-opinionated and self-contained"; He would desire absolute independence; He could be "generously selfish" and "ruthlessly charming... an actor of consummate skill".

Many of the traits discussed in Bartlett's analysis have also been identified by a number of other theorists on entrepreneurship. However, although Bartlett makes a number of references to the "entrepreneur", he does not attempt a formal, or even working definition of entrepreneur, against which it would have been possible to measure Bartlett's set of personality traits. Secondly, there is no reference to any survey of entrepreneurs, especially the ultra-successful kind who, it is presumed from his choice of illustrations, are being discussed by Bartlett. None of the case studies in the book contains information from which psychological characteristics of the kind discussed by Bartlett might be gleaned.

In his tribute to the entrepreneurial economies of Japan and the U.S.A, George Gilder, an American economist, having reviewed some of the more prominent entrepreneurial success stories of those countries concluded that his subjects tended to be optimistic, religious, pragmatic, dedicated, bull-headed, defiant, tenacious and creative¹⁷⁵.

From his case studies, Gilder concluded that to be successful, an entrepreneur needs to have the following personality traits:

- i) He needs to build up his firm from scratch. This gives him "a dynamic and integrated view of his company and a realistic view of enterprise".
- ii) He must develop a scepticism towards settled expertise. This will free him to make sound decisions in an uncertain market place. This way, he would not be trying to understand an existing market situation, but creating a new

¹⁷⁵ Gilder (1985:254-258).

one, which he would be master of.

- iii) He must be willing to understand and accept the risk of failure and learn from it¹⁷⁶.
- iv) He must seek money chiefly to perform his role in his community's economic growth, which is productive reinvestment.

Other studies have identified even more personal characteristics. Brockhaus & Horowitz (1986:33) report a finding of eleven personality traits which are the need to control and direct, self confidence, a sense of urgency, good health, comprehensive awareness, realism, superior conceptual ability, a need for status, an objective approach to interpersonal relations, emotional stability, and an attraction to challenge rather than risk.

4.3.2 The Analysis Of Differential Action

There are virtually as many personality traits as there are writers on the subject. Most writers have identified different kinds and numbers of traits, but certain themes can be identified in each of their works. Perhaps it is these more general themes that writers like Drucker and McClelland have in mind when they advocate a theoretical analysis of entrepreneurial *role* (as opposed to *status*) requirements. That is what is being attempted in the next three subsections.

For the purposes of examining how psychological models address the issue of differential entrepreneurial behaviour, the three themes or dimensions of personality

¹⁷⁶ Gilder (1985:178) quotes Soichiro Honda as saying "... success can be achieved only through repeated failure and introspection. In fact, success represents 1% of your work which results from the 99% that is called failure".

characteristics isolated by Chell et al will be adopted here¹⁷⁷. They are the need for achievement, locus of control and risk-taking propensity. These three have been selected for the purposes of this chapter, mainly because many of the individual traits or characteristics listed earlier come under their general heading, and secondly, under these general headings, the conflicts in evidence and opinions can be better highlighted.

4.3.2.1 Need For Achievement.

David McClelland's seminal work on the impact of achievement motivation has for long been perhaps the leading authority on the study of this aspect of entrepreneurship. He proceeded upon the assumption that "the presumed mechanism by which an achievement level translates itself into economic growth is the entrepreneurial class", and on the Freudian principle that motives, generally, are neither rational in themselves, nor can they be rationally inferred from subsequent action.

He followed Schumpeter (and Weber¹⁷⁸) in arguing that the entrepreneur is central to any region's economic development, but that his motivation is not exclusively profit-driven. He believed that certain non-economic factors which influence entrepreneurs, and consequently, economic development were taken for granted by economists, but deserved further understanding. Such factors include the will to develop, propensity to save and invest, political stability, rapid flow of knowledge, and so forth¹⁷⁹. He argued that these factors were psychological variables hence his interest in the personality of the entrepreneur.

¹⁷⁷ see Chell et al (1991:37)

¹⁷⁸ in particular, Weber (1947; 1949).

¹⁷⁹ McClelland (1961:11-12).

Drawing upon a substantial body of empirical findings, many of them his own, but also including those of Atkinson (1958), French (1955), and Winterbottom (1953), McClelland hypothesized that the key to entrepreneurial behaviour lies in achievement motivation, that is, the greater the need for achievement (n ach) is in any community, the greater the number of people who behave in an entrepreneurial way will be, with a corresponding impact on the economic development of that community. "Need for Achievement" was defined as

"a desire to do well, not so much for the sake of social recognition or prestige, but for the sake of an inner feeling of personal accomplishment"¹⁸⁰.

Following a series of tests carried out in several countries¹⁸¹, McClelland concludes that such people tend to possess the following attributes¹⁸²:

- i) They are moderate risk takers as a function of skill, that is, they undertake a level of risk which they are confident their skill can substantially reduce.
- ii) They are decisive persons, and take individual responsibility for their decisions. They do not respond positively to suggestions from others as to what they should think or believe. Achievement satisfaction comes from having launched a successful initiative.
- iii) They are physically energetic people who will work harder than other people when there is a chance that personal efforts will make a difference

¹⁸⁰ McClelland (1971:10). cf. McClelland (1961:43), and Levine (1966:12) who defines the term as "a latent disposition to compete with a standard of excellence, and involves both a persistent desire for such competition and an emotional concern with it".

¹⁸¹ These are described in full in McClelland (1961:61-106). In repeating the tests in various locations, some changes deemed necessary were made to the test subjects and contents.

¹⁸² for a full discussion of these attributes, see McClelland (1961:207-239; 1987).

in the outcome.

- iv) They perform better in situations in which there is a concrete feedback as to how well they are performing, such as money returns.
- v) They are able to anticipate future possibilities, and plan for them accordingly. In doing this, they will prefer to work with an expert, rather than a friend to solve a problem.

So then, how do people who behave in an entrepreneurial way actually end up occupying the status of entrepreneur? According to McClelland (1961:239-241), they could choose to, or feel forced to do so, in following their role models, usually their fathers. However, it would not matter how they get into entrepreneurship, because once there, their high n ach would ensure that they perform well.

Secondly, they could simply drift into or "find" themselves in entrepreneurship because they discover that the world of enterprise requires those characteristics that they possess. This may have been found out after having tried out other professions.

Thirdly, they could consciously choose a business career because they perceive at the outset that business involves the kind of risk which challenges them. They feel "cut out" to succeed in that world.

Even though McClelland recognizes that society does not tend to make it easy for persons with high n ach to enter business, he believes that

"there is a built-in mechanism which tends to bias occupational choice towards business among [persons] with high n achievement... we would expect that those with lower n achievement... would tend to be weeded out of managerial positions, leaving the n achievement level in such positions higher than in other occupations¹⁸³.

¹⁸³ McClelland (1961:259). Brackets mine.

McClelland's conclusions are important, stimulating and, if not entirely persuasive, have certainly inspired a great deal of research. It ought to be noted that he does not, in any case (as has sometimes been written)¹⁸⁴, claim that achievement motivation is *the* prime factor in economic development. He merely asserts its presence, although in the preface to *The Achieving Society*¹⁸⁵, he is quite immodest about its universality.

He asserts that a rise in the n ach of a given community immediately precedes a period of economic growth in that community. This assertion is not without merit, and some evidence of this, as he says, may exist in the case of countries like Germany, Brazil and the USA. This assertion is however impossible to test empirically to any great level. Leibenstein (1987) has also noted on this point that perhaps McClelland's arguments might have been couched in overly macro-terms.

Some of his other conclusions also ultimately appear to be too simplistic and reductionist with respect to distinguishing entrepreneurs from the general population, and especially in distinguishing between different entrepreneurs. Although on the one hand, one might perceive that entrepreneurs have a higher achievement motivation than people in general, and that achievement motivation can be changed or developed in adults through formal training¹⁸⁶, it has been shown that non-business managers can be just as highly

¹⁸⁴ See for instance Bruce (1984).

¹⁸⁵ McClelland (1961:ix).

¹⁸⁶ McClelland (1971:122) cf. Leibenstein (1987:195-196). Nafziger (1988:130) however argues, based on his own Indian studies, that in at least three instances, a programme of n ach acquisition may not be appropriate for expanding entrepreneurial capabilities in adults. First, he says that in a society with limited resource availability, persons with a high need for co-operation will tend to produce more than persons with high n ach. Secondly, persons with high n ach are more likely to be counter-productive in a society that places restraints on their decision-making, such as in "socialist"-oriented countries. Thirdly, high n ach is less applicable in explaining entrepreneurial behaviour in a society where the extended family is the basic unit of production or

motivated to achieve as entrepreneurs¹⁸⁷. Intuition suggests further that it is not a uniquely entrepreneurial trait to be hard-working, to desire feedback for one's actions, or even to take responsibility for one's decisions. To identify these in entrepreneurs may not therefore advance entrepreneurship theory as such.

The methodological link between high n ach and entrepreneurship appears somewhat weak. Tests generally reveal that most small businesses are by their own standards, successful¹⁸⁸, and this subjective feeling of success may contribute to their high n ach rather than the reverse, which McClelland maintains. It has also been demonstrated on a number of occasions that where respondents are aware that their performances will be evaluated, as was the case with the Thematic Apperception Tests (TATs) in McClelland's studies, they produce significantly greater levels of n ach than when they are not¹⁸⁹.

The link between children's stories (McClelland measured n ach in young children in this way), subsequent achievement motivation, and the decision to become an entrepreneur also appears somewhat weak in parts¹⁹⁰. In Robert Levine's study of achievement motivation among Nigerian school children, he conducts a largely similar test to McClelland's, and hypothesizes that of the three largest ethnic groups in Nigeria, the Ibos will have the largest proportion of people with high n ach, followed by the Yoruba, and then

enterprise.

¹⁸⁷ Brockhaus & Horowitz (1986:27).

¹⁸⁸ This has been the case in the present study. cf. Brockhaus & Horowitz (1986:27).

¹⁸⁹ Levine (1966:13); Nafziger (1988:130-131).

¹⁹⁰ McClelland himself, at (1961:79), appears to advocate some caution regarding their effectiveness.

the Hausa-Fulani¹⁹¹. He appears, however, to suggest in his conclusions that religion (of Nigeria's three largest ethnic groups, the Ibos have the highest concentration of christians in Nigeria, followed by the Yorubas, and lastly the largely moslem North), more than a desire for independence, is the central indicator of whether a Nigerian child has a high, or low n ach, and his subsequent entrepreneurial behaviour¹⁹².

Some of McClelland's other arguments, not least the one that a "built-in mechanism" exists in society, which tends to push high achievers in directions of business cannot be empirically substantiated, and reveals a possible lack of understanding of how society impinges on the supply or development of entrepreneurs¹⁹³. It is still probably more likely in Nigeria, for example (as it well could in certain other parts of the world), that "high achievers" will choose to become professional specialists, or be head-hunted into top public sector jobs¹⁹⁴. The assertion that the high n ach in entrepreneurs will always enable them to anticipate future trends and act accordingly¹⁹⁵, while no doubt applicable in certain instances, does not hold in all types of entrepreneur.

On the issue of achievement motivation, Bartlett states that entrepreneurs suffer from inferiority complex which they seek to remove by achieving success in-business. He argues

¹⁹¹ Levine (1966:41).

¹⁹² cf. Cohen (1969).

¹⁹³ cf. Eisenstadt (1963:423) "McClelland does not fully recognize that n achievement develops within a certain societal context and may decline if this context changes. But he seems to assume that once n achievement is there within a certain part of the population, it will work out its influence without being greatly influenced by the social context within which it operates".

¹⁹⁴ See Akeredolu-Ale (1976:109).

¹⁹⁵ McClelland (1961:237-238).

further that entrepreneurs discourage employee initiative¹⁹⁶, presumably because they desire all resulting accolades for themselves. Neither point has been shown to describe all, or even a substantial proportion of entrepreneurs.

4.3.2.2 Locus Of Control

It has long been hypothesized that individuals who have a high need for achievement also tend to have a higher degree of self-belief than the rest of the population¹⁹⁷. However it was Rotter (1966) who formally developed the locus of control theory. He identified two categories of locus of control which he defined as follows:

"When a reinforcement is perceived by the subject as following some action of his own but not being entirely contingent upon his action, then in our culture, it is typically perceived as the result of luck, chance, fate, as under the control of others, or as unpredictable because of the great complexity of the forces surrounding him. When the event is interpreted in this way by an individual, we have labelled this a belief in *external control*. If the person perceives that the event is contingent upon his own behaviour, or his own permanent characteristics, we have termed this a belief in *internal control*"¹⁹⁸.

From this, the argument is advanced that persons with high need for achievement tend also to have higher internal locus of control than the rest of the population, and that entrepreneurship was a common factor to both n ach and internal locus of control, thus

¹⁹⁶ Bartlett (1988:7-10).

¹⁹⁷ See for example McClelland (1961:230) where he contends that in order for a man to get any achievement satisfaction, he must retain some individual freedom and responsibility from generating and choosing among courses of action, although he need not work solely for himself in order to do this.

¹⁹⁸ Rotter (1966:1); (1975:57), emphasis added.

creating a link between locus of control and entrepreneurship¹⁹⁹. However, empirical tests have not always arrived at conclusions which consistently and unequivocally link the possession of an internal locus of control to entrepreneurial behaviour, and the methodology appears, on occasions, flawed. The following examples illustrate these points:

First, Berlew's (1975) test, in which he surveyed practising entrepreneurs, and Borland's (1974) test, which she carried out among students at an American University who stated an intention to become entrepreneurs both arrived at conclusions which broadly affirmed the locus of control / n ach connection stated above, although Borland's test indicated further that this conclusion only seemed to apply where the entrepreneurs-to-be also had a low n achievement, that is, among those who had low n ach, those with higher internal locus were found to have higher expectations than others of starting their own companies. She found that among those hopefuls who possessed high n ach, their locus of control scale made no difference to their expectations of starting a company. In fact, the variable that seemed to matter the most among the students was a desire to emulate their role models, who were usually their fathers. From here on, the evidence is conflicting.

In Hull et al's (1980) test, over 300 entrepreneurs and non entrepreneurs were surveyed, and locus of control was found not to affect entrepreneurial behaviour in any way. Brockhaus & Nord (1979) also concluded that locus of control does not significantly differ between business owners and managers, although in a further analysis of the same survey, Brockhaus (1980) added that it does differ between successful and unsuccessful entrepreneurs. The former have a higher internal locus of control than the latter.

As a methodological approach, Furnham (1986) discovered that the locus of control test as applied to entrepreneurs, or entrepreneurs-to-be was not acceptable as an objective and

¹⁹⁹ Gilad (1982); Ward (1993).

generic test because not only did peoples' response to the test vary according to sex, age, income or voting behaviour, the test necessarily elicited varying responses in different settings such as religion, health and education. This is not a surprising conclusion in view of the fact that people generally tend to attribute achievements or success to their personal efforts, and therefore intuition suggests that more successful people will tend to have a "higher internal locus of control" than less successful people. Rotter's locus of control "questionnaire" is itself an exercise which does not fully lend itself to all known forms of entrepreneurial activity, neither does it conclusively distinguish entrepreneurial action from that of the rest of the population.

Secondly, it is also arguable that the locus of control test is not a wholly accurate predictor of successful, from unsuccessful entrepreneurs because a given entrepreneur will tend to respond differently to the test depending upon the situation that his firm is in at the time of testing.

4.3.2.3 Risk-Taking Propensity.

Entrepreneurs' attitude to risk is one of the most discussed entrepreneurial "traits". That entrepreneurship involves a measure of risk is not disputed by most academics (and entrepreneurs themselves), although the extent to which attitude to risk taking permeates entrepreneurial behaviour continues to be the subject of much debate. Neither academic opinion nor empirical tests appears categorically able to say just how attitude to risk affects differential action in entrepreneurs, if at all.

The earliest economists to discuss entrepreneurship, such as Cantillon and Knight, as noted at the beginning of the chapter, in fact viewed entrepreneurship primarily as a

function of risk taking. Even more latter-day writers like Gilder and Bartlett attach a lot of importance to the risk element in entrepreneurship; a fact which, in each case, appears to have been influenced by their choices of case studies. In his conclusions, Gilder talks at length about the "inexorable reality of risk" that entrepreneurs constantly work under, and emphasizes that theirs is a life of "productive risks" caused by their constant desire to bring about economic development through change²⁰⁰. Bartlett (1988:30) in fact refers to risk taking as both "essential and laudable" aspects of entrepreneurial action, arguing that only those entrepreneurs willing and able to take on risks of marketing a new product or service are likely to be successful in the long term. Separate studies by Colton & Uddell (1976), Hoy & Carland (1983), and Hull et al (1980) have gone as far as concluding that creativity and attitude to risk are much better indicators of differential entrepreneurial action than achievement motivation and locus of control.

At the other end of the continuum, neither Schumpeter (1934) nor Drucker (1986) view attitude to risk as explaining entrepreneurial behaviour. According to Schumpeter, this is because the risk of failure of a venture never falls on the entrepreneur *per se*. It cannot therefore be viewed as affecting his performance. Such risk would only fall on the owner of production factors, or the owner of the money capital used to obtain these factors. The entrepreneur can thus only be affected if he takes on both roles simultaneously²⁰¹. Drucker does not totally discount the effect of attitude to risk on entrepreneurial behaviour, but he argues that while it is true that people who are averse to risk are unlikely to make "good" entrepreneurs, an entrepreneur need not possess a different attitude to risk from that of any

²⁰⁰ Gilder (1985:254-255); cf. Kirzner (1973:78); Ray (1988:4).

²⁰¹ Schumpeter (1934:75).

other person engaged in economic activity²⁰². In his opinion,

"Of course innovation is risky. But so is stepping into the car to drive to the supermarket for a loaf of bread. All economic activity is by definition "high risk"... The innovators that I know are successful to the extent to which they define risks and confine them... Successful innovators are conservative. They have to be. They are not risk-focused, they are opportunity-focused".²⁰³

Among those writers who have actually carried out empirical tests on the entrepreneur's risk taking propensity, the picture is no clearer. While Hull et al (1980) surveyed potential entrepreneurs and discovered that they had a higher risk-taking propensity than the general population, Brockhaus (1980) surveyed new entrepreneurs and managers, and discovered there was no significant difference in the risk taking propensity of new entrepreneurs and new managers, as well as between these two groups, and the general population.

From his n ach analysis, McClelland discovered that when there are no facts to estimate future performances by, high n ach subjects tend, because of their self-confidence to rate their chances of success as higher than low n ach subjects, but there is no difference between high and low n ach subjects when past performance already indicates what future trends will be²⁰⁴. Furthermore, since high n ach subjects will only choose to perform tasks that they perceive themselves challenged by, but able to do²⁰⁵, and since entrepreneurs will invariably have high n ach, it follows that entrepreneurs' risk taking be viewed as "moderate" or "calculated", inasmuch as it exists, but is not a gamble. Those whose attitude to risk

²⁰² "[All economic activity involves] the commitment of present resources to future expectations, and that means to uncertainty and risk" Drucker (1986:40)

²⁰³ Drucker (1986:161-162).

²⁰⁴ McClelland (1961:222).

²⁰⁵ McClelland (1961:211-212).

cannot be defined as moderate are not entrepreneurs as such. They are more likely to be "traditional" businessmen (n ach too low) or gamblers (n ach too high). Both Rotter (1966) and Berlew (1975) have supported this view in the case of persons with internal locus of control.

In summary then, although the evidence may pull in several ways, it does appear that entrepreneurs view risk taking as a necessary part of their business, but it is their ability to take certain business decisions, and have the total self-belief to stand by them that make their risks, at least in their own view, appear no more than moderate, or calculated.

4.3.3 Analytic Limitations Of The Psychological Theories.

Psychological (personality) models have contributed much to the understanding of the minds of entrepreneurs. However, as mentioned throughout the discussion, empirical evidence does not actually conclusively show all the traits as being strongly (or exclusively) associated with entrepreneurship. Several tests, such as the Hull et al test on risk taking propensity (referred to earlier), appear to suffer from selection bias. They generally survey successful entrepreneurs and then more or less attribute opposite characteristics to unsuccessful ones. For instance in the survey reported earlier in this chapter as Brockhaus & Nord (1979), and Brockhaus (1980) on the effect of locus of control and risk-taking propensity on entrepreneurship, not enough tests appear to have been made to discover why the "control" group, who owned businesses in 1975, no longer owned them in 1978. It seemed safe to regard them as "unsuccessful" entrepreneurs simply because they no longer owned the businesses.

Secondly opinion and survey results fluctuate far too much for risk taking propensity to be declared a settled way to distinguish between entrepreneurs and non-entrepreneurs, and between different kinds of entrepreneur. In fact, in certain regards, it may be viewed as a non-issue. Calculated risks are taken everyday by the general population in health, education, marriage, purchase, sports, investments and virtually every facet of life. It is therefore questionable that it should continue to be used as a distinguishing feature of entrepreneurship. Besides, where used, concepts of "low", "high" and "moderate" risks are ambiguously defined or not at all²⁰⁶. The concept ought to be operationalized for whatever purpose it is being used. Evaluation of risk is conceived differently anyway in different parts of the world, or even among persons of different ages or stations in life within the same geographical areas. In the present study, the respondents were almost equally split when asked to consider their own risk-taking propensity. Furthermore, risk tended to be identified in particular instances, as opposed to whole ventures.

From a more broadly social point of view, many of the characteristics attributed to entrepreneurs make them appear to be a deviant, maverick or even machiavellian group of people. They have been described in the most extremist terms. Kirzner, sees them as possessing the "ultimate" kind of knowledge; Bartlett believes they are "supreme egoists", while Gilder surmises the entrepreneurial role almost in messianic terms.

It therefore needs to be asked whether entrepreneurs (and entrepreneurs-to-be) possess these qualities to the exclusion of other professionals (or professionals-in-waiting) and the general population, because this is what the theorists suggest. However, the empirical evidence on the subject is still too weak to be of any general acceptance.

²⁰⁶ The only one of these concepts McClelland defines is at p.212, where he describes "moderate risk" as something with "one chance in three of succeeding".

4.4 Sociological Models.

4.4.1 Introduction.

In explaining why explanations of entrepreneurship ought to view entrepreneurial behaviour in its social context, Aldrich & Zimmer have written that

"People are limited by bounded rationality, suffer from limited or biased information and poor communication, and are subject to processes of social influence and reconstruction of reality. Hence comprehensive explanations of entrepreneurship must include the... social relationships through which people obtain information, resources and social support"²⁰⁷.

Sociological models of entrepreneurship thus are those which view entrepreneurship as embedded in patterns of continuing social actions and relations. They also make differential action an issue from the outset. Relating entrepreneurship to the environment in this way accords prominence to environmental variables in a way not achieved by economic or psychological models²⁰⁸. Sociological models recognize the interaction of chance, necessity and purpose in entrepreneurship, which are manifest either as facilitators or constraints on entrepreneurial behaviour.

The term "entrepreneurship" is given its broadest interpretation here. Barth (1963:1) for instance, is quite prepared to see the entrepreneur merely as "someone who takes the initiative in administering resources, and pursues an expansive economic policy". Long

²⁰⁷ Aldrich & Zimmer (1986:11).

²⁰⁸ Hagen (1971) for instance links innovative behaviour to a "withdrawal of status respect" from those who previously had it as of right. Briefly, in his analysis, sons of the second to fourth generations of the displaced class, driven by a desire to prove themselves, and rebel against the group disparaging them will rebel against the latter's traditional values and turn to innovation and other forms of creative behaviour.

(1977b:197) adopts this viewpoint, while Nafziger (1969:26), in his study of Nigerian entrepreneurship describes the entrepreneur as someone "with the principal responsibility for making the decision about the level of capital stock".

Certain sociological theories, such as those formulated under what one might call the "group approach" have been criticized as "oversocialized". These are those which posit that certain national, racial, cultural or religious groups of people possess certain beliefs, values, traditions or abilities which predispose their success in business ventures. However, this set of theories are virtually impossible to empirically test, nor are they, in any real sense, able to address the issue of differential entrepreneurial behaviour shown by different social groups or subgroups within the same cultural or national setting²⁰⁹. If any of the aforementioned groups or subgroups display any semblance of group characteristics, it is probably only when they are in a migrant mode, in which case they may have the moral or economic support of one another to count upon²¹⁰. Tentative examples of this may be found in the case of the Indian community in Britain, the Jewish community in America, or the Ibo community in Western Nigeria. Even this argument has to be cautiously advanced as the evidence in its favour is scant, and by no means conclusive.

Other (relatively recent) sociological theories of entrepreneurship will be briefly examined under the "Network" approach and "Actor-oriented" approach.

²⁰⁹ Long & Roberts (1984:14-15).

²¹⁰ See for example the "solidarity hypothesis" of Young (1971). Cohen (1969) also advances this argument in his study of Hausa migrants in Ibadan, and other towns in Western Nigeria. cf. Nafziger (1988:137-138).

4.4.2 The Analysis Of Differential Action

4.4.2.1 The Network Approach

Entrepreneurship is viewed, here, as an end product of social actions which may have occurred by chance, necessity or on purpose. Theories under the network approach posit then that the central factor in entrepreneurship development are the relationships that exist between aspiring entrepreneurs, resources and opportunities. These relationships must be continuous in order for the entrepreneurial character to be retained.

For the purposes of this argument, Aldrich & Zimmer take the view that the creation of entrepreneurial ventures takes place as a result of a continuous operation of the following four processes: Variation, Selection, Retention and Diffusion. *Variation* simply is the creation of a new enterprise, irrespective of whether the opportunities and resources presented themselves by chance, diligence or any other way. *Selection* criteria are then used by the up and running enterprises to acquire resources in the environment. The criteria selected by the more successful enterprises will tend to be the ones that businesses in general will adopt in that environment. The *retention* process occurs over time, and is the sum total of the competence that all enterprises in a given environment exhibit to exploit the resources of that environment. A *diffusion* of competencies will then occur (also over time) between existing and new enterprises, or between existing enterprises as employees leave to join rival firms or start new businesses, or in any other way.

The element of uncertainty or risk is introduced because for any number of reasons such as hostility, unwillingness to learn or pay for competence/experience, or even pure oversight, not all variations are diffused. This then creates new situations in the environment

which may manifest themselves as opportunities and/or resources for someone else who may otherwise not have had them. And so the cycle goes on. The authors have labelled this argument the "Population Perspective".

Every environment represents a unique opportunity and resource pool. Opportunity structures within them usually are "diverse, uncertain and imperfectly received"²¹¹. Success therefore comes to those enterprises that are better able to adapt to it or help shape it.

The starting point for most network theorists is a relation between two individuals, but this may be extended to include any number of entrepreneurs, customers, suppliers, creditors, chambers of commerce, trade associations, and so forth in any number of combinations, so long as these were part of the original entrepreneur's "action set"²¹². It may even take place on an international level²¹³. The number of possible relations or networks therefore becomes virtually endless, although the effectiveness of the networks (as measured by its density²¹⁴, reachability²¹⁵, and centrality²¹⁶) frequently depends on the individuals that make up the network. The extent and depth of an entrepreneur's network has

²¹¹ Aldrich & Zimmer (1986:10).

²¹² defined in Hansen (1995) as members of the entrepreneur's total networks who shared the entrepreneur's intentionality by contributing information and other resources to the entrepreneur's start-up.

²¹³ Ray (1988:9-10).

²¹⁴ The absolute number of present ties compared to the potential number (Aldrich & Zimmer 1986).

²¹⁵ The presence of a path between any two persons in a given network (Tavers & Milgram 1979).

²¹⁶ The number of persons in a given network that a focal person can reach, and the total distance from a focal person to all other persons (Freeman 1979).

been shown to be statistically significant to his firm's subsequent growth²¹⁷.

At the local level, aspiring entrepreneurs, because of common interests, tend to form business coalitions, if such coalitions are thought to be beneficial to any aspect of the individual businesses that make up the coalition, such as in purchasing. The coalitions may also form the initial markets for the individual businesses, and consequently, a base from which the benefitting enterprise can launch a growth strategy. If enough such coalitions exist at a system level, for instance in an ethnic group, then that group has an opportunity to develop an advantage over outsiders. Actual economic development will then be conditional upon the group's ability to exploit its given opportunity.

4.4.2.1.1 Analytic Limitations Of The Network Approach

The "population perspective", according to its authors makes minimal assumptions about the human ability to process information, and about the personal characteristics of individual entrepreneurs. It rejects the "group approach" as deterministic and oversocialized, although it appears to lean that way itself because the population perspective suggests ultimately that communities as a whole are capable of developing an entrepreneurial nature²¹⁸.

²¹⁷ Hansen (1995). One might then be tempted to assume that the more successful entrepreneurs will tend to be the more widely connected ones, but other research indicates that this is not necessarily so, and that the importance or necessity of formal networks might in fact be an over-stated concept (Blackburn et al 1990).

²¹⁸ Hagen's theory (1964) suggests for instance that all "underdeveloped" countries will achieve economic growth in this way, although he does not put a time frame on it.

4.4.2.2 The Actor-Oriented Approach.

The actor-oriented approach to the study of entrepreneurship has its origins in Cyert & March's behavioural theory of the firm (1963) which was developed to explain organizational decision making in business enterprises, particularly large ones²¹⁹. Essentially, the theory states that a firm consists of individuals with sometimes conflicting interests. Therefore, the firm's goals will normally be established by a bargaining process between the members. The firm's objectives will change over time in response to changes in the market, which must occur, and which will always demand fresh negotiations. This is how the concept of uncertainty is introduced. Thus, a firm will respond to, rather than try to predict uncertainty in the market, and will achieve this by its members bargaining or negotiating with themselves and with competitors to establish routine procedures and market conditions.

The relevance of this to anthropologists who have adopted the actor-oriented approach in studying entrepreneurship is the emphasis on bargaining (both within and around the firm), information (the search for which is a corollary of the bargaining process), and standard operating procedures (as a way of limiting uncertainty).

In applying the Cyert & March model to entrepreneurship, there is an implicit assumption of rationality in the actions of entrepreneurs. However, due mainly to differing personal objectives, individual actors are seen as having different and often incompatible conceptions of reality and consequent strategies. The conflicts are resolved by a continuous process of negotiation and accommodation, hence the perception of social actors, more than, but not excluding socio-economic or political structures, as ultimately being at the centre of

²¹⁹ cf. Long (1977b:107-108).

economic development²²⁰. This is because entrepreneurs are not passive recipients of opportunities, "but active participants who process information and strategize their dealings with various local actors as well as with outside institutions and personnel"²²¹. In this way, entrepreneurs can actually shape, or at least influence the sort of opportunities that arise in their locality, whether or not the local economy is dominated by, or is dependent on an external economy.

The models of entrepreneurship constructed under the actor-oriented approach include the following:

(i) The transactional models, which are those that identify the kinds of transactions that occur between entrepreneurs, and between entrepreneurs and their environments²²². Such a model envisages a community as being consisted of a pool of socio-economic opportunities and systems (or "spheres") of exchange that is liable to be exploited entrepreneurially by someone who constructs "bridging transactions" between different spheres in which discrepancies exist in the value attached to certain goods, services or other activity. The transactions may ultimately result in a redefinition of existing values, or in the formulation of new ones.

²²⁰ This does not mean that for methodological purposes, conventional primary and secondary data collection techniques are rejected per se. What is does reject is ultimate reliance on simple empiricist research practice and in its stead favours a more open-ended and ethnographic one which places greater importance on understanding the life-world of the researched. See further section 6.4 below.

²²¹ Long (1992b:21). cf. Greenfield & Strickon (1979).

²²² See Barth (1963) for various illustrations, and Caulkins (1988) for how this idea might be extended theoretically to analyzing transactions across corporate bodies.

(ii) The interactionist models, in which entrepreneurial opportunities are seen as the outcome of a series of interpersonal relationships between social actors over a period of time which frequently (but not necessarily) transcends institutional barriers²²³. Typically, the process starts with relatively minor transactions requiring little trust between the parties, eventually building up, if successful, to substantial transactions.

(iii) The decision-making models, which have as their starting point, the view that whether it is in establishing a particular entrepreneurial activity, or in managing such an activity, decision-making is at the heart of entrepreneurial behaviour. The model is constructed by focusing on a situation in which an entrepreneur has to choose between a range of mutually exclusive decisions that have probable outcomes, and analyzing why certain choices are selected over others²²⁴.

4.4.2.2.1 Analytical Limitations Of The Actor-Oriented Approach

The actor-oriented approach rejects modernization and dependency approaches to explaining differential entrepreneurial behaviour as overly linear and deterministic. As I argued in chapter 3, neither approach accords indigenous entrepreneurs any great abilities as facilitators of change and development. Development is chiefly construed in externalist terms in both approaches, with entrepreneurs tending to be seen as mere passive recipients

²²³ Long (1977a) provides an example. In it, he tries to show how two separate small-scale businessmen in Central Peru extract entrepreneurial values from affinal relationships developed as a result of their marriages, but which eventually are broken down and reconstructed into stronger ties using non-kinship normative criteria.

²²⁴ See Moerman (1968); Long (1968); Greenfield & Strickon (1979).

of any resultant opportunities. Although such a view is not without merit, the actor-oriented approach recognizes that within this, there is a plethora of choices which entrepreneurs and other social actors may take, either to respond to change, or even to create a situation of change. Thus the approach provides a methodology for operationalizing differential entrepreneurial behaviour, which also takes a practical view of the entrepreneurs' social environment. On this point however, there ought to be some caution.

First, the actor-oriented approach assumes (particularly under the decision making model) that the choices facing the entrepreneur are mutually exclusive, but this is not always the case, as entrepreneurs frequently have to take multiple decisions simultaneously.

Secondly, the actor-oriented approach, perhaps because a large proportion of its contributors are anthropologists whose studies tend to be restricted to relatively small economic units like households or villages, appears to accord individual entrepreneurs too much independence of action and manipulative power, and not enough to the limitations, restrictions or checks sometimes provided by regional, national or even international structures that these units, especially in LDCs, are inevitably a part of²²⁵. It is important to note that the everyday socio-political, cultural and ideological parameters, within which entrepreneurs operate may well affect their perception of, and ability to exploit their environment, and also the types of relationships or networks maintained, and choices made.

An actor-oriented model can be made to be operational beyond the village level while still giving primacy to the entrepreneur's creativity if the setting (say a region or country) is viewed not so much as a static entity but a continuous one. The analysis can then focus on how social actors have responded, over a period, to changing circumstances, or influenced

²²⁵ as illustrated for instance, by the Long & Roberts Peruvian study (1984) referred to earlier in chapter 3.

the formation of new ones. This of course implies a firm grasp of the history of the setting in question. An analysis of this nature provides a sound base for examining differential response to change, and is not limited to micro-processes at the village level, but can be extended to analysis at the regional or national level (and possibly even beyond).

In any case, it is within these qualifications of the actor-oriented approach that its strengths also lie, for no other approach to the study of entrepreneurship appears to have succeeded as much in linking the creativeness of entrepreneurs to the realities of their environment.

4.5 Conclusion.

At the start of this chapter, Entrepreneurship was described both as a "practice" and as a "quality", albeit one that can be learnt. Since then, I have carried out a review of some of those theories which have attempted to describe how, and why certain people are more likely than others act entrepreneurially, or to exploit entrepreneurial opportunities differently from others.

I elected to examine the concept of entrepreneurship under three broad headings partly for convenience reasons, and partly because they represent some of more fascinating, and better researched aspects of entrepreneurship. In the particular case of the sociological theories, the *population perspective* and *actor-oriented approach* are relatively recent developments in entrepreneurship research. They also underline the fact that contributors to the understanding of entrepreneurship are increasingly to be found outside the traditional ambit of economics and management, a fact that has helped stimulate lateral thinking on the subject, and shown the inadequacy of most models, by themselves, to theorise on differential

entrepreneurial behaviour.

In allowing for entrepreneurial choice, entrepreneurship theories may be seen on the one hand as analytically tempering the universal passiveness alluded to indigenous entrepreneurs under modernization and dependency theories. On the other hand however, the "blanket" explanations of some of the models of the entrepreneurial role in the trade and development process frequently leave them open to much the same criticism. Some, like the economic models, have to have much of their arguments on entrepreneurial choice inferred from other arguments as it is not an issue that they typically concern themselves with.

The psychological models do not suffer as much in this regard but their reductionist approach frequently leaves them ascribing personal characteristics to entrepreneurs that do not unequivocally distinguish them from the general population, nor from one another.

Sociological models recognise that an entrepreneur does not exist in isolation. He is only part of a wider social process that includes customers, creditors, suppliers, customs officials, co-operatives, and so forth. It is in this social process that the entrepreneur will find both his opportunities and his obstacles. In the less structured world of informal enterprise where many of the research objects in this study operate, the importance of the entrepreneur's ability to manipulate such environmental variables to his competitive advantage (and the necessity for a methodology able to study this in practice) cannot be over-emphasised.

In the sociological framework therefore, it is up to the entrepreneur's abilities as a decision-maker to select his preferred opportunities and remove, or negotiate his way around his obstacles. This is essentially what the cross-border traders are all about, and this is how the trade continues to survive and evolve despite considerable environmental difficulties. The trade is not a new development either. It has been evolving and been a part of the

development process in much the same manner for several centuries. In the next chapter, I will attempt to trace, historically, Nigeria's trading patterns, focusing on external trading patterns, and how indigenous entrepreneurs have reacted to, or in certain cases, influenced the patterns of change.

CHAPTER FIVE

INDIGENOUS NIGERIAN TRADE AND ITS RELEVANCE TO EXPORT TRADE ACROSS MODERN NATIONAL BOUNDARIES.

4.1 Introduction

In the discussion on various theories of economic development examined between chapters 2 and 4, I argued that some of the analytical limitations of those theories have to do with a lack, or inadequate understanding of historical processes in the LDCs to which they are supposed to apply. It is this historical process that I intend to address in the present chapter, with regard to Nigeria. Proposed in the chapter therefore is an historical examination of the development of indigenous Nigerian trading patterns.

The chapter aims to show that local and foreign trade have been an integral part of Nigerian entrepreneurship for several centuries, and that colonialism, and later, the discovery of oil effectively redirected the flow of Nigeria's external trade, hampering, but not eliminating indigenous patterns of trade.

As much as is practicable, local and foreign trade will be discussed separately but this will not always be possible because as will be demonstrated, local trade, particularly after colonization, has frequently proven to be no more than a segment of a wider chain of events which culminates in foreign trade.

In order to accentuate the different characteristics of trade in different periods in Nigeria's history, the main body of this chapter has been divided to cover five socio-economically distinctive time periods. They are:

- (a) The Pre-Colonial Period (Before 1860)
- (b) The Early Colonial Period (1860-1910)
- (c) The Late Colonial Period (1910-1960)
- (d) The Early Post-Colonial Period (1960-1975), and
- (e) The Present Times (1975 to date)

5.2 The Pre-Colonial Period (Before 1860)

5.2.1 Local Trade

Indigenous specialized Nigerian trade had certainly evolved before the nineteenth century when the colonial programme began. Before this, the communities now known as Nigeria, like several other regions, may be said to have had a mainly subsistence domestic economy. The societies were largely agrarian, and the usual unit of production was the household. The products available for exchange therefore were those that represented excess production over and above the subsistence level. Trade was initially limited to foodstuff but soon extended to barter for different goods like soaps and textiles. Trade only took place among geographically proximate communities because the traded products could only be transported on the human head. Eventually, closer community ties resulted in the development of an early type exchange economy by the establishment of local "market days" at fixed intervals, usually weekly, in different villages in various districts or chiefdoms. These were large markets sometimes attracting up to 15,000 people from several

communities²²⁶, and still survive in various forms to present times in Nigeria. Soon, some villages developed specialized markets, and traders and customers alike knew on which market days, and in which villages they could obtain certain kinds of products.

In order to ease the pressure on individuals and increase the volume of trade, the donkey was introduced into Nigeria from the Western Sudan to transport market produce from the household to the market place. It eased the pressure on individuals and increased the volume of trade. The donkey was cheap to obtain and maintain, but traders found it difficult to load, apart from which the donkey has a legendary dislike of water. It had to be carried across the many streams and rivers of Southern Nigeria, and became wholly unfit to carry goods in the rain²²⁷. Because it frequently rained in southern Nigeria from April to October, the donkey was only of limited use. In Northern Nigeria, there was less of this problem because of the drier climate, but there was an additional danger caused by Tsetse flies which stung, and sometimes killed the donkeys. The net effect of this was that until the British merchants took control of the Nigerian waterways in the mid-nineteenth century, the practice of transporting goods to the market by carrying them on the head was still the most widely used, and continues to be used in the certain Nigerian communities. Transportation by waterways was used fairly extensively in Southern Nigeria and in the northern area around the river Benue in Central Nigeria. But people who lived further north had to travel several miles on foot to get to the rivers so that the goods that tended to be traded in were still frequently limited to the amount that could be carried on the head. This made slave

²²⁶ Ogunremi (1980:100). cf. Sender & Smith (1986:6-9).

²²⁷ Ogunremi (1980:104-105); Munro (1976:27).

acquisition an important part of the early exchange process²²⁸.

Barter was the usual unit of exchange and so conversations did not have to extend beyond minimum levels. However, where haggling was to take place barter proved quite cumbersome, and along with the transportation problem described earlier, these were the major problems of the early exchange economy in Nigeria.

It would seem that by the beginning of the nineteenth century, extensive infrastructures for the furtherance of intra-regional trade were already in existence²²⁹. Certainly, the "caravan" trading system, whereby a company of traders, usually, but not exclusively women²³⁰, travelled from their bases to a target location, picking up along the way other traders as well as soldiers on the lookout for firearms, had already been developed to an advanced state. Goods and traders from various regions of the world were involved. As W.H Clarke, the nineteenth century British missionary/explorer records it

"The trade in native produce and art keeps up continual intercommunication between the several adjacent towns, the one inter-changing its abundance of one article for that of another. Thus, on those smaller routes may be seen caravans of fifties passing almost daily from one town to another, acting as the branches of the great reservoir of trade... a network of trade is carried to a distance of hundreds of miles, with an energy and perseverance scarcely compatible with a tropical people... Hundreds and thousands of people are thus engaged in the carrying trade... Not infrequently the articles from the Mediterranean and the Western coast may be seen in close proximity, and the productions of the four quarters of the globe within a circumference whose diameter may be measured by a few yards... a correct idea of the extent of the trade may be found in the imposing numbers that stretch over several miles in length"²³¹.

²²⁸ It is reported that at the time, female slaves were each required to carry about 80 Ibs, and their male counterparts, about 120 Ibs of produce per trading trip (See Folayan 1980:90).

²²⁹ See Falola (1991).

²³⁰ These women, as described in some detail by Hopkins (1973), were traders in their own right, and not wives or concubines of other travelling traders.

²³¹ Clarke, *Travels And Explorations In Yorubaland, 1854-1858* (1858), cited in Falola (1991:111). According to Falola (1991:119), various historical sources suggest estimates of

By 1860, the local economy was growing rapidly as trade volumes increased due to an increased international exposure. Foreign merchants from North Africa and Europe introduced currency such as the cowrie, which became the most widely accepted currency. Other largely regional currency included iron bars, manilla, brass rods, salt and cotton strips²³².

Although most of the population were farmers, some industries sprang up, their location being mainly dictated by geographical factors. For instance, along the coastal areas of Southern Nigeria, canoe building industries developed and these helped establish small scale fishing industries along the Nigerian coast line. Local fibres were used to make fishing nets. In the northern parts of Nigeria, cotton manufacturing industries began to evolve. The finished product was sold to cloth weavers among the Yorubas of Western Nigeria who developed a special cloth dyeing industry, using vegetable dyes derived from certain local plants. The cloth was soaked in the dye, and then dried before it was resold all over Western and Southern Nigeria. In all regions of Nigeria there were fledgling mining industries in gold, iron, tin and salt. The mines stretched from Ijebu-Ode and Ilorin in the west, to Bida in the north, to Awka in the east, covering in the process, a combined distance of more than a thousand miles. The mined products, and the products of the coastal trade centres of places like Dahomey, Porto Novo (both in present-day Republic of Benin) and Badagry (such as corals and tobacco), went through trade routes stretching northwards from Badagry on the coast, through Ilaro, Iseyin, Shaki, and through to Old Oyo. From Oyo, where those products would be joined by the staple exports of the old Oyo empire such as native cloth, palm-oil, pepper and slaves, they would be sold on to the Hausa-Fulani traders from Kano

up to 4,000 for each group of caravan traders.

²³² Ekundare (1973:46-49).

and other parts of Northern Nigeria²³³. With the eventual destruction of Old Oyo's imperial might in the 1830s, other locations such as Abeokuta and Ibadan became more important and powerful as regional trade centres. To the south, Lagos, Badagry and Porto Novo continued to serve as important gateways to the coastal trade with European traders. The fine timbers of Southern Nigeria encouraged wood carving and sculpting industries. The sculptures and like products were mostly exchanged as gifts between well-to-do people and are still to be found in museums around the world. The so-called "Sokoto Reds", which were actually domesticated farm animals to be found in North-Eastern Nigeria, were famous for their fine skin and provided the leather which was one of the staple products of the trans-saharan trade for several centuries. Finally, there were flourishing brewing industries in the South, first in palm-wine, tapped from palm trees and only sold in the locality, and a strong wine brewed from kolanuts. This was sold in Southern Nigeria and across West Africa. Other industries, mainly in Eastern Nigeria, also existed in household furniture, agricultural tools, war implements, and so forth²³⁴.

5.2.2 Foreign Trade

Trade between Nigeria and the rest of the world before colonization can be grouped as follows:

- a) The Trans-Saharan Trade (mostly with North Africa)
- b) The Coastal Trade (mostly with Europe)
- c) The Intra-West African Commodity Trade.

²³³ See Folayan (1980:83-87).

²³⁴ Afigbo (1980).

5.2.2.1 The Trans-Saharan Trade

Nigeria's earliest recorded regular export trade appears to have been with North Africa. It may have started as early as 1000 B.C, during which time the desert crossing took place on oxen or horse-drawn carriages²³⁵. Other sources also report that sporadic trade with Carthaginians was in existence from about the fifth century B.C by a barter process called the "dumb trade" because it involved trade transactions by a form of sign language due to the language barrier²³⁶. The trade with North Africa would appear, in any case, to have been well established by the eighth century A.D .

There were three major desert trade routes in existence by the eighth century and two of the three southern termini were in areas which are part of present-day Nigeria. The routes were:

(i) the Taghaza - Timbuktu route in the West. The Southern terminus of this route is in present-day Mali.

(ii) The Ghadames - Aïr route to Hausa in the centre. This in present times would roughly translate to a route from Algeria/Tunisia in the north to North-Central Nigeria (and further westwards) in the south.

(iii) The Fezzan - Kowar route to Bornu in the East. In present times this would mean that the route extended from Libya/Egypt in the North to the Lake Chad area between present-day Chad Republic, and North-Eastern Nigeria.

The trans-saharan trade took place under tortuous conditions as traders frequently got caught in the middle of desert skirmishes between Romans, Carthaginians and the desert

²³⁵ See Hopkins (1973:79-80).

²³⁶ See further Ekundare (1973:21).

Nomads. They were sometimes attacked by pockets of soldiers from any of the warring sides, and if they survived these, they also had to contend with sand-storms and other natural disasters. The journey, if successful, took from two to twelve months depending on the problems faced by the traders. This factor limited the amount and type of goods that could be traded on any one trip and contributed to the casual nature of the trans-saharan trade for several centuries.

However, the pace of the trans-saharan trade quickened from about the third century A.D. with the introduction of the camel, which could carry a lot more goods than a human being, and could travel for several days without food or water. The time taken to cross the Sahara desert was now reduced to an average of about six weeks. Camel traders travelled as far south as the Niger River²³⁷, in the middle-belt of present-day Nigeria²³⁸. By the eighteenth and nineteenth centuries, a sophisticated exchange economy had evolved in both North and West Africa. Towns like Kano, Katsina and Zaria in Northern Nigeria had grown to become important commercial centres with highly cosmopolitan populations. Kano's population for example, was recorded by the explorer Barth in 1824 to be about 40,000 and this included significant numbers of merchants from Libya, Morocco and Ghana²³⁹. The desire to maximize profits resulted in a trade of products that were mostly of small bulk and high intrinsic value. This was fairly typical of world trade at a time when relatively rudimentary transport technology made it uneconomical to trade in distant locations in several items of mass consumption. Thus, West African exports included slaves, gold and other precious metals, ostrich feathers, ivory, kolanuts, honey, incense, soap, tobacco, rice, dried

²³⁷ Meillasoux (1971:17).

²³⁸ representing in some cases, an extra three hundred miles' journey. See Map 1.

²³⁹ Ekundare (1973:28).

fish and raw leather. Southbound goods from North Africa included manufactured iron tools, garments, spices and perfumes, cotton, salt, copper, beads, swords, horses, arabic books and certain food stuffs such as wheat, nuts and dried grapes²⁴⁰. Several West African exports were in-turn re-exported from North Africa to Europe by Arab merchants, just as a lot of the products which the Arabs eventually sold to West African traders were originally imported from Europe. Such products included cotton from England, silks from France and glass beads from Italy.

There is no historical evidence of regular trade between West Africa and Southern Africa other than that in cowrie shells (which served as currency in British West Africa) between West African kingdoms and states that are now part of Namibia and other parts of South-West Africa in the nineteenth and early twentieth centuries. There does not appear to have been any significant trade incentives between the two regions. Indeed, what evidence there is points instead to sporadic direct trade between Somalia and Ethiopia on the one hand, and Egypt, Yemen, China and Indonesia on the other hand; And more settled trade in gold, slaves, perfumes and silk between Eastern and Southern Africa on the one hand, and India and the Persian Gulf on the other hand²⁴¹.

The growth of the trans-saharan was a vital catalyst in the development of intra-West African trade but its influence on world trade, having already suffering a setback with the conquering of the Songhai Empire (mostly in present-day Mali) by the Moroccan army in 1591, was drastically cut in the nineteenth century²⁴², and by the beginning of the twentieth century, it had virtually disappeared from the world trade map. The immediate reason for

²⁴⁰ Wickins (1981:148-149).

²⁴¹ Wickins (1981:174-177).

²⁴² See sections 5.3 and 5.4, below.

this included competition from European merchant firms who were financing the building of roads and railways in the interior of West Africa thereby diverting trade away from the North. This made transportation to European vessels on the coast a far more attractive proposition to traders than the long trek through the savanna regions of Northern Nigeria and the rest of the Central Sudan. Also, the West African empires which participated in the desert trade were increasingly having to defend themselves, not only against internal uprisings, but also against invasions from Moroccan imperialists from the North, who wanted to control the gold and slaves markets, and spread Islam.

5.2.2.2 The Coastal Trade

Prior to the colonization, and subsequent partition of Africa in the 1880s, most of the coastal export trade from Nigeria and other parts of West Africa was already taking place with Portugal and Britain.

It appears that sporadic trade existed between traders in the Niger Delta area of Mid-Western Nigeria and Portuguese sea-merchants as early as the fifteenth century. Initially, the Portuguese were content to obtain their gold coin currency from Moroccan traders but became aware from about 1415 that the Moroccan gold was in fact obtained from further south across the Sahara Desert. The Portuguese traders, in order to cut out the Arab middlemen and bypass the troublesome trans-saharan trade routes, sailed around Africa and by 1442, were already carrying on trade across the west coast of Africa. The Portuguese progressed steadily across the coast and into the interior of present-day Liberia, Senegal, Gambia, Sierra-Leone and the Cape Verde Islands, purchasing relatively small quantities of salt, gold, slaves, ivory, pepper, hides, wood and beeswax. In return, they sold silk and wool

to the Africans, especially those on the coast who then mixed these with locally grown cotton to make garments for resale on mainland West Africa²⁴³.

A desire for greater quantities of gold led the Portuguese further westward across West Africa and between 1471 and 1482, they arrived in present-day South-Western Nigeria. Here, they traded in much the same goods but found the organization of trade was quite different from their earlier experiences. They were barred from progressing further into the interior by the Yoruba and Benin kingdoms who were anxious to protect their own local economies. There was already a thriving trade in slaves and kolanut between these kingdoms and other West African states, and especially with Northern Nigeria from where the goods were re-exported to North Africa and Europe. In 1485 the Portuguese established a trading post (or "entrepot") at the coastal town of Ugholo, near present-day Benin City in Mid-Western Nigeria²⁴⁴. Here they obtained large quantities of pepper and ivory, and sold beads and cloth. They did not find the expected gold and therefore concentrated on obtaining slaves for re-export to the mines of the Gold Coast (present-day Ghana) where large quantities of gold had been discovered and were being mined.

By the start of the sixteenth century, there was a huge demand for cheap labour in the plantation of Europe and South America and from then on until the early nineteenth century, British, French, Dutch, Portuguese, and to a lesser extent, Spanish, Danish, and Swedish vessels purchased little else but slaves from West Africa. Up to eleven million Africans are estimated to have been sold in this way²⁴⁵. The main destinations for the slaves were the plantations of the USA, West Indies, Cuba and Brazil, although many of them also ended up

²⁴³ See further Wickins (1981:158-160).

²⁴⁴ Ekundare (1973:24-25).

²⁴⁵ See Curtin (1969); Wickins (1981:166); Hopkins (1973:101-103).

in domestic service in various parts of the world. In return, the slave purchasers mainly sold guns, gunpowder, rum, gin, textile, gum and copper bars. The domination of the transatlantic slave trade in indigenous enterprise, by redirecting the flow of trade towards the coast, not only stunted the development of trade in other areas, it effectively destroyed the existing export trade via the desert routes to the North. In 1807, the slave trade was abolished in England²⁴⁶ but was still carried on in a clandestine manner for most of the nineteenth century (and in some cases, beyond), therefore it continued to have a negative effect on other forms of trade for that period.

By 1860, the European demand for slaves had given way to an equally frenetic demand for palm produce. Although the virtual halting of the slave trade had hurt the African ruling classes, entrepreneurs were quick to adjust to the new "legitimate" trade in agricultural produce²⁴⁷. Palm oil, which was already an important local commodity, subsequently became Nigeria's chief export commodity as well because of the demand for it in Europe for the manufacture of candles and soaps. Families, which were previously content to leave fresh palm fruits to rot after obtaining enough for family consumption all became involved in the trade. At a point in 1892, fifteen million trees were estimated to be in production in Western

²⁴⁶ or 1817, if one is to go by the proclamation of the "Treaty of Vienna" (Meillasoux (1971). See further Lovejoy & Hogendorn (1993) for an account of the jerky steps to end slavery in Northern Nigeria, extending well into the twentieth century. cf. Falola & Lovejoy ([eds.] 1994) for a study of pawnship, in which a person could be held as collateral for a loan or debt. O'Hear (1994:219) explains a pawning contract as follows: "A man lends money to another. He charges no interest in money - but until the capital is paid back, half the debtor's day's labour is for the benefit of the lender, and half at his own disposal". cf. Lovejoy & Hogendorn (1993:264-267). It was a common practice in many parts of the world up to the nineteenth century, but seems to have obtained a new importance in parts of Africa, Asia and Latin America, particularly after the official abolition of slavery. Ann O'Hear, Felix Ekechi, and Judith Byfield, all contributors to Falola & Lovejoy (cited above), explain in their papers, the workings of the pawnship system in different parts of pre-colonial, and colonial Nigeria.

²⁴⁷ Meillasoux (1971:56-61).

Nigeria alone for the export market²⁴⁸.

The West African palm export trade was unstable in the years following the official slave trade abolition due to the effects of the unpredictable civil wars in West African states as communities battled one another to supply the clandestine slave market which, as mentioned earlier, existed for most of the nineteenth century. Thus, West African palm oil exports to Britain increased from 281,372 cwt (hundred weight) in 1838 to 343,449 cwt in 1839 only to fall back to 315,458 cwt in 1840. Likewise, there was a rise from 414,570 cwt in 1844 to 500,833 cwt in 1845 which subsequently fell back to 360,452 in 1846²⁴⁹. The same was true of imports for that period. Other West African products being exported in appreciable quantities from the 1840s included raw cotton, mahogany, ginger, hides and pepper. British imports, in order to induce local interest were usually limited to luxury articles such as mirrors, toys, alcoholic drinks, guns and gunpowder. As with the Portuguese before them, the kingdoms of Oyo, Benin and the city states of Eastern Nigeria were hostile to any efforts of the British to trade directly with the interior of Nigeria. They acted as middlemen in such trade and were able to resist attempts to cut their influence on the trade until towards the end of the nineteenth century.

5.2.2.3 Intra-West African Trade

Although much attention in the literature on pre-colonial West African commerce is focused on a combination of the trans-saharan desert trade with Arab merchants, and the coastal trade with Europeans, regular trade also existed between the regions of the present-

²⁴⁸ Hopkins (1973:126). cf Lugard ([1922] 1977:17).

²⁴⁹ Ekundare (1973:51-52).

day West Africa. I will distinguish such as follows:

(i) Trade in products which were not of the same international significance as gold, slaves or ivory.

(ii) Trade between geographically close communities that occurred in commercial centres which did not directly participate in international trade.

Agriculture dominated this trade. Most of the area south of the river Niger across West Africa is arable and at the end of the seventeenth century, the explorer William Bosman in reported to have found a thriving indigenous local and export trade in millet, rice, yams, potatoes and palm oil among the Axim people in present-day Ghana²⁵⁰.

Early in the fifteenth century, Nupe traders from the middle belt of present-day Nigeria introduced the kolanut to consumers and merchants further north in Katsina in exchange for shea-butter, who resold them to Arab merchants via the trans-saharan trade. The Nupe traders themselves purchased the kolanut from present-day Northern Ghana. By the early nineteenth century, kolanut had become the prime commodity across West Africa and following repeated attacks on Katsina between 1804 and 1807 (and less intensely, beyond) in the *jihad* (Islamic holy war) of Uthman Dan Fodio, Kano, which had been easily conquered, replaced Katsina as the major centre for the kola trade. It became the biggest and wealthiest city in Central Sudan and developed an economy so advanced that the explorers Denham and Clapperton are reported to have described it as the best regulated in Africa²⁵¹. Kano was fortunate to be surrounded by largely friendly neighbours. By 1851, Katsina, ravaged by war was almost in ruins while Kano had seized on its peace advantage to secure and increase its agricultural and industrial output. The area within a fifty mile radius of Kano

²⁵⁰ Wickins (1981:154-155).

²⁵¹ Lovejoy (1980:64-67).

was relatively densely populated and continuous cultivation of the land produced onion, pepper, tobacco, cassava and sugar-cane for export to North and West Africa while millet and kolanut were the chief agricultural imports. At the same time, Kano had a craft industry unrivalled in African history, characterised by an extensive division of labour²⁵². In addition, products not manufactured in, nor necessarily consumed in the Kano area were brought in for solely trade purposes such as plums, mangoes, asses, bullocks, horses, wheat, camels and pawpaw. This were all subject to a local trade tax. Trade practices were sophisticated enough to enforce a warranty system. If for instance, a trader discovered after leaving Kano that his goods were faulty, he could return them for a refund. All these combined to make the Hausa economy supported by the hegemony of Islam, and the wealth of Kano, one of the most developed in pre-colonial Africa.

The kingdom of Ife (Western Nigeria), between the fifteenth and nineteenth centuries exchanged slaves for Asante (Ghanaian) metal, with which it made its celebrated bronzes and brasses, while Benin (Mid-Western Nigeria) sold cotton goods to the Western Sudanese states in exchange for horses and copper, although the majority of its overall external trade was carried out with European traders on the coast²⁵³.

As mentioned earlier, the area now known as Cameroun westwards did not develop advanced local trading cultures because of the sparseness of the population relative to land, and consequently, the relatively long distances between communities.

²⁵² See Lovejoy (1980).

²⁵³ Wickins (1981:157-158).

5.3 The Early Colonial Period (1860-1910)

5.3.1 The European Partition Of Africa.

Much of Nigeria's current trade practices and patterns were laid in the colonial period. The early colonial period in this chapter is being limited to the years between 1860, when Britain created the colony of Lagos, and the eve of World War I.

In the years immediately following 1860, the British were content to let the existing trading patterns continue partly because they did not wish to venture beyond the coast of Nigeria into the tropical interior for fear of perceived health risks, and partly because existing trade practices were not alien to them. They may not, in addition, have wished to get caught in the crossfire of the unpredictable Yoruba civil wars which raged for much of the nineteenth century. This did not stop them from using the force of the gunboat to deal with troublesome coastal communities which disrupted trade along the coast, and may explain why, following the defeat of Akitoye in Lagos in 1851, Britain created the colony of Lagos but did not immediately venture northwards to Ibadan and other important trading centres in southern Nigeria which were some way into the tropical forest²⁵⁴. However, in the scramble for Africa which officially began with the Berlin conference of 1884, all caution was thrown to the wind as Britain sought to reassert its position as the world's leading economic and political power. This, along with the enduring effects of the abolished slave trade contrived to alter the scope of Nigerian, and indeed, West African trade from the late nineteenth century onwards.

²⁵⁴ Further details on the colonization of Lagos are contained in Rodney (1972), and Hopkins (1973).

The Leninist theory of imperial capitalism has often been used to explain the European scramble for the occupation and partition of Africa. Lenin believed that capitalist societies were inherently imperialist in nature. In criticising the ideas of Hobson, and of Kautsky on imperialism, he wrote in 1916 that

"Imperialism is capitalism in that stage of development in which the dominance of monopolies and finance capital has established itself; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun; in which the division of all territories of the globe among the great capitalist powers has been completed..."²⁵⁵.

This, in his view, is a necessary result of the international development of capitalism. Essentially, he argues that imperialism has both political and economic dimensions, and it is the latter, particularly as exhibited with the development of finance capital that gives rise to annexationist policies because in that way, accumulated finance can be made even more productive²⁵⁶. Although comparatively little is known about the efforts of Africans themselves to assist or oppose the colonization and partition of the continent, when applied to the partition of Africa, the theory supports the view that the scramble was chiefly led by economic motives. It works out roughly as follows:

At about the end of the 1850s, France, Italy and Germany were beginning to join Britain as newly industrialized countries (NICs). As technological capabilities and confidence increased, production volumes boomed. The NICs needed raw materials to feed into their new machines and new markets to sell their increasing volumes of manufactured products to. Britain, for instance, was already exporting £2.3 million worth of goods per annum to tropical Africa at about 1860, but there was a desire to increase this amount as it represented

²⁵⁵ Lenin ([1916] 1969:53).

²⁵⁶ Lenin hypothesized further (at p.55) that following the annexation of LDCs, the next stage of the imperialist process would be for the industrialized countries to turn their expansionist policies onto one another.

a mere 1.3% of Britain's non European exports by value²⁵⁷. By the 1870s, the NICs of France, Italy and Germany were suffering from supply gluts. France and Germany in particular were needing to raise the capital to pay for their war with each other. They became the two most aggressive proponents of African partition. They increasingly saw Africa as a vast untapped reservoir of investment opportunities, cheap production factors and markets. They were ready at this stage to compete with Britain for the expected gains to be made from trade with Africa. As Lord Lugard, the celebrated colonial administrator was to later write

"Europe was impelled to the development of Africa primarily by the necessities of her own people... Europe is in Africa for the mutual benefit of her own industrial classes, and of the native races in their progress to a higher plane"²⁵⁸.

The Leninist theory has also been used to explain why the scramble did not commence until the 1880s despite the fact that its direct foundations were laid much earlier in the century, the argument being that up to that point, Britain was the sole industrial power with real political influence in Africa, and was content to limit this influence to an informal indirect rule for financial and logistical reasons. In the early days of the industrial revolution, the NICs were still able to easily dispose of their products internally and therefore had no reason to look overseas. It was not until the late 1870s that they began to look to Africa as a possible raw material base and end market, and for that fact became wary of the pre-industrial transport system and multiple tolls, which were all contributing to "unnecessary" costs of trade in Africa²⁵⁹.

On closer examination however, it appears that the theory is, on some counts, at variance with the actual events of the nineteenth century European presence in Africa.

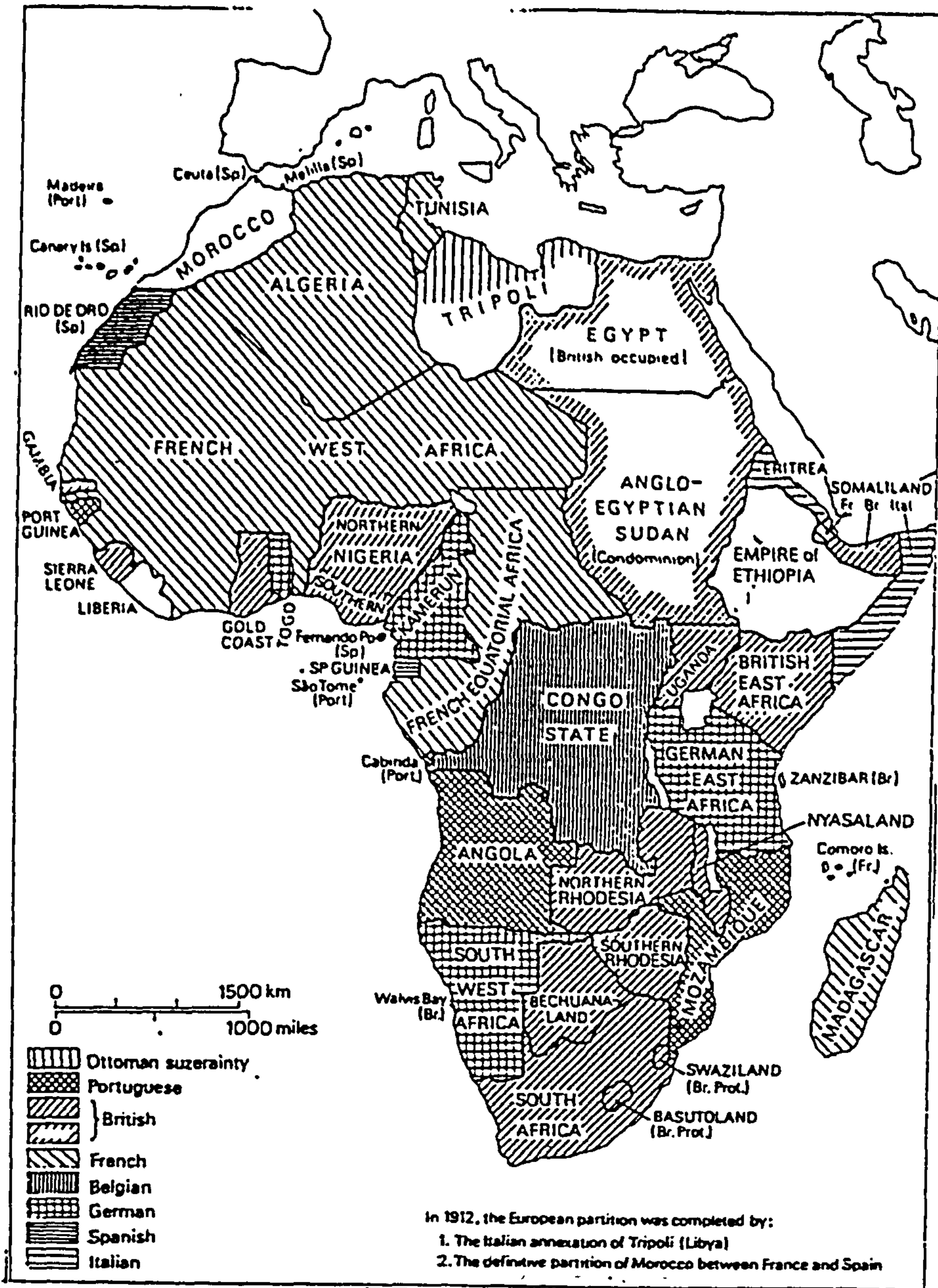
²⁵⁷ Sanderson (1985:100-101).

²⁵⁸ Lugard ([1922]1977:17,19).

²⁵⁹ cf. Hopkins (1973:164-166).

Historical evidence shows that neither France nor Portugal waited until the 1880s to attempt the partitioning of Africa. In fact, as Sanderson (1985) describes, both countries made attempts to annex certain parts of Africa at various times between 1815 and 1857, and only the superior sea power of Britain prevented this from taking place on a wide scale. It seems rather more accurate to argue that there was not in fact, in any broad sense, a pre-planned pattern to the partition process. This is certainly the impression created by Map 3, below, showing Africa at the beginning of the twentieth century.

Map 3: Africa (c.1902)



It is a compelling argument that because there was no pattern to the partition, the scramble did not take place for purely strategic, and even less for purely economic reasons. It is important to understand this fact because it profoundly affected European policy on trade and development in Africa. It is also important to realize that the British annexation of Nigeria was only a part of a wider European scramble for Africa and so some of the motives for Britain's annexation of Nigeria may have been a response to other factors not necessarily having anything to do with Anglo-Nigerian relations. It is therefore appropriate to discuss the wider European motives for the scramble for, and partition of Africa. They are derived from, but go much further than the Leninist theory. They were sometimes inter-related, and are briefly examined below.

5.3.1.1 Economic Considerations

Economic considerations, as discussed above in section 5.3.1, undoubtedly influenced the European colonization programme. Steady trade had been carried on with the African coast for at least four centuries before the scramble officially began, and initially at any rate, European traders may have genuinely believed in the mid-nineteenth century that with their capital and superior technological expertise, they could help increase the productivity of the African primary producer. As mentioned earlier the value of British exports to tropical Africa already averaged £2.3 million per annum in the 1860s, but by the 1870s, European explorers into the interior of Africa were returning to their merchant sponsors with real or imagined tales of vast fertile lands with millions of potential customers. This partly accounted for French and German interest in competing with Britain for the expected vast rewards to be reaped from investing in Africa. In South Africa, Britain had major economic interests to

defend as it had by 1900 already invested up to £200 million in the Rand gold mines. Equally important was Britain's determination not to let South Africa fall into French or German hands as this would have made them individually rich enough to challenge Britain's supremacy in the region which Britain did not want. South Africa's export trade, worth £52.2 million in 1897, accounted for 75% of all sub-saharan Africa's external trade²⁶⁰.

5.3.1.2 National Prestige

By 1900, Britain had become the most active imperialist nation. Within Nigeria, it conquered the Sokoto Caliphate, the Benin Empire, and a host of emirates and kingdoms, and incorporated them into the protectorate of Nigeria²⁶¹. Lord Frederick Lugard, the British Colonial General, first in Uganda, and then British High Commissioner and (later still) Governor of Nigeria between 1900 and 1918, published "*The Dual Mandate In British Tropical Africa*" in 1922 in which he wrote in defence of colonialism:

"We hold these countries because it is the genius of our race to colonise, to trade and to govern"

and re-stated the intention of the colonial government not to relinquish power²⁶². The perceived arrogance with which Britain had continually proclaimed its supremacy since the abolition of the slave trade angered other European countries, in particular those, such as Portugal, that believed they had longer ties with Africa than Britain had.

Portugal, for instance, had been left behind in the European industrial revolution of

²⁶⁰ Munro (1976:82-83).

²⁶¹ See further Hallet (1974:288-292); Sanderson (1985:141).

²⁶² Lugard ([1922] 1977:20).

the mid-nineteenth century partly because of its reluctance to let go of the abolished transatlantic slave trade as a vehicle of development. Its economy was therefore not as technologically developed as those of its European rivals when the scramble began but it felt that its "historical claims" on Africa had not been recognised by the early partitioners. It responded to this by arbitrarily annexing large parts of Southern Africa, which merely created further burdens on an already struggling economy. It literally had nothing economically to offer its colonies.

Italy was a newly industrializing country at the start of the scramble in the 1880s. It already had close economic ties and further prospects, with Tunisia to whom it was relatively geographically close. However, Italy conceded Tunisia to France in 1881 while it acquired parts of Ethiopia and Somalia which held no economic prospects for Italy, and merely proved a heavy burden on the Italian economy. Italy ended up having a heavy military but little economic presence in its colonies. However, it was the Italian government's view that Italy would look like a great power if it acquired African territories²⁶³.

Germany's expansionist policy in Africa seems to have been mainly driven by dismay at British paramountcy in Africa. The German government described it in 1884 as "an affront to our national self-esteem"²⁶⁴, and from 1895 until the start of World War I, Germany unsuccessfully argued for the repartition of Africa. In the meantime, it acquired what it could find and ended up with a curious mix of portions of West-Central Africa, East Africa, and South-Western Africa.

For most of the nineteenth century, France felt slighted by British supremacy on the African coasts and continuously tried to tilt the balance of power in its own favour with little

²⁶³ Sanderson (1985:107).

²⁶⁴ Sanderson (1985:109).

success. France had already lost out to Britain in North Africa, particularly for the control of Egypt, but was determined to become the dominant power in the West and thereby confirm its world power status. By 1882, France was rapidly annexing parts of West Africa and had established a formal protectorate in Porto Novo (present-day Republic of Benin) to the west of Lagos with plans to extend this eastward to Cameroon and westward to the Gold Coast (present-day Ghana)²⁶⁵ - moves that were opposed by Britain. For these, and other trivial territorial differences of no great economic consequence, Britain and France were perilously close to going to war in 1898.

In the event, France avoided a coastal confrontation with Britain by advancing instead to the Northern regions of West Africa such as Niger and Mali via Senegal. Britain did not respond to this for it had by then abandoned any hopes of reviving the now largely extinct trans-saharan trade, but it held on to the important coastal regions of present-day Ghana and Nigeria which offered safe harbour, relatively friendly rulers, and a high population density, which potentially signified ample trading opportunities.

5.3.1.3 Domestic European Politics

At least in Germany and Italy, it appears as if there was a deliberate move by the ruling parties of the 1870s and 1880s to be seen to be influential in world politics in order to gain votes at home. African territorial acquisition was used to advance the image of the ruling Social Democratic Party in Germany as a party of statesmen while in Italy, it was hoped that the Italian populace would become less excited by the grandeur of being an empire to concentrate on internal divisions.

²⁶⁵ Hopkins (1973:162); cf. Sanderson (1985:124).

From the 1890s onwards, the British political propaganda used to justify its continued colonization of Nigeria, largely consisted of annual colonial reports, and other like treatises, especially those of Lord Frederick Lugard, Nigeria's colonial Governor at the turn of the twentieth century, in which it was continually stressed that Nigeria was a country of two kinds of people - the slave raiders and the enslaved, and the British government was winning the war against the slave raiders. It was the duty of the British government to occupy Nigeria in order to crush the illegitimate slave trade, and stay on in order to ensure that it did not reappear²⁶⁶.

It was also important to be seen to be actively involved in the administration of the African interior, and in that way helping to improve the quality of life in those areas. It was this argument that the Gladstone Government adopted in 1893 to counter the Labour Party's charge that the general effects of European policy in Africa had been "wholly evil"²⁶⁷.

Other factors which certainly existed, but in seemingly reduced importance, included the spread of christianity which usually, but not always followed British occupation. For instance, christianity was selectively imposed on the Nigerian population with the moslem North largely being left alone. Also France's aggressive policy in West Africa encouraged its soldiers stationed in the region to continually seek new territories to acquire as a means of earning rapid promotion in the French Army. This may explain the eagerness of French soldiers to conquer and colonise the semi-desert regions of Mauritania, Mali and Niger which held no significant economic prospects for France, after being kept out of the Ghanaian and Nigerian coasts by Britain.

²⁶⁶ Lovejoy & Hogendorn (1993:199). cf. Shenton (1986:22).

²⁶⁷ See Lugard ([1922]1977:18).

5.3.2 Trade In Early Colonial Nigeria

The plethora of motives for the partition of Africa necessarily affected the economic policies of the colonialists once the partition was over. As will be shown later, the colonies eventually came to exist mainly to supply Europe's raw material needs. The African countries that enjoyed any benefits whatsoever from colonialism were those that had plentiful natural resources to supply European manufacturers. These countries included South Africa, Ghana, Nigeria and the Ivory Coast (Cote d'Ivoire). Only belated and often limited efforts were made to develop the manufacturing sector in Africa. For decades, it was believed mutually beneficial for Africa to supply Europe's raw material needs and import the finished products.

This was roughly the position that Nigeria was in, and it is in this light that trade in Nigeria will be considered in the early colonial period.

5.3.2.1 Local Trade

At the start of the twentieth century, the British government was firmly in control of Nigeria and agriculture was the mainstay of the local economy. The products which were mainly produced for local consumption, and therefore almost solely traded in locally included kolanut, an important local commodity, rootcrops like cassava and yams; and cereals like rice, maize, millet, guinea-corn and beans.

At about this time, the colonial government began to orchestrate agricultural production in Nigeria by offering extra incentives to farmers to produce "cash crops", that is those agricultural products destined for export. At first, local foodstuff production did not

really suffer because in most places, cash and food crops could be grown side-by-side. Cocoa harvesting, for instance did not begin until at least five years after the planting season, and in the meantime, farmers grew, harvested and sold yams, cocoyams and cassava on the same land. Furthermore, the colonial government developed roads, rail-links and improved water transport systems around the cash crop producing areas of Kano, Calabar and Lagos, which was taken advantage of by local food producers and traders in the development of local trade. In Western Nigeria for instance, the mean distance from farms to any of the new main transport lines had been reduced to less than five miles at the eve of World War I²⁶⁸, and the railways were themselves being given significant competition by an emerging local road transportation industry²⁶⁹. All of these made the farmers become exposed to the volume and types of products that the colonial government was purchasing from farmers as a whole, and developed their awareness of "commercial farming", with the result that they began to juggle their harvests between food and cash crops, depending on whichever appeared to be more profitable in any given season.

Apart from selling food products to one another, some other indigenous entrepreneurs were involved in small scale mining of gold, tin and diamonds on a level which did not require expensive or complex prospecting²⁷⁰, but more Nigerians concentrated on small scale retail trading for export, leaving wholesaling and large scale retailing to European merchants since local traders lacked the capital or transportation means to engage in large scale trading.

The "new" era of legitimate commerce created a new series of entrepreneurial

²⁶⁸ Ekundare (1973:198).

²⁶⁹ Milewski (1981:114).

²⁷⁰ Hopkins (1973:210).

opportunities which existing, and a new generation of traders, significantly made up of ex-slaves were able to exploit. Most traders operated as agents or middlemen, purchasing locally produced cash crops for onward re-sale to the European merchants on the coasts who would then transport them to the European manufacturing industries²⁷¹. In addition, they purchased manufactured goods from the Europeans on the coast for resale in the interior.

Anthony Hopkins (1973:205-206) writes thus of the role of middlemen in this trade

"[The middlemen]... were highly competitive and generally efficient channels of collection and distribution. The idea of direct trade with the producers, though appealing at a time when expatriate firms were trying to cut their costs, was an economic fantasy. In a situation where producers and consumers were both numerous and scattered, abolishing the middlemen would have meant reducing the size of the market".

Up to about 1910, middlemen usually operated on "trust", which was a form of credit extension by which a European merchant would entrust his products such as gunpowder, rum, toys or cotton goods to a middleman for a period sometimes as long as two years, during which time the middleman would attempt to exchange the imported goods for the desired local produce, which could be timber or palm produce²⁷².

From about 1910, the British West African currency became more widely accepted in Nigeria, and the middlemen began to be paid a fixed amount of money per transaction.

The trading arrangements suited middlemen. They operated with small capital

²⁷¹ A few middlemen such as the ex-slaves *Nana Olomu* of Itsekiriland, *Ja ja* of Opobo, and *Richard Blaize*, a Sierra Leonian who made his fortune as a Lagos trader, became rich and powerful enough in the late nineteenth century to threaten the monopoly influence of European middlemen on the coasts, and make (largely unsuccessful) attempts to engage in direct exporting to European (mainly British) firms. The stories of Blaize, and in particular, Ja ja, are well documented in several texts. See for instance Gertzel (1962) and Hopkins (1973). That of Nana Olomu, as well as the very successful careers of two Eastern Nigerian female entrepreneurs of the same period, *Omu Okwei* and *Okim Ofufu* may be found in Nwabughu (1982) and LLoyd (1963).

²⁷² Ekundare (1973:89-90).

injections, and their profit margins were usually small, but by the 1920s, they had become powerful as the links between the primary producers of goods and the European produce buyers, and were fiercely protective of their markets. Some of them were able to unscrupulously offer ignorant farmers small cash advances to buy up an entire year's, or several years' harvest which they resold on the coast to waiting Europeans at substantial profits. Indebtedness to middlemen was rife, and in several cases, the middlemen became the *de-facto* farm owners. This state of affairs was however relatively short-lived. Increased British penetration of Nigeria, and the effect of the global depression from 1929 was constantly eroding the influence of the middlemen²⁷³. By the early 1930s, most of the remaining middlemen had been effectively reduced to the level of petty-traders who relied mainly on their bicycles for transporting goods in a two-way trade between the coast and the interior²⁷⁴.

5.3.2.2 Foreign Trade

By 1902, there were two major fiscal factors limiting Nigerians' access to the colonial administration's preferred pattern of foreign trade.

First there was no generally accepted currency, and secondly, there were only two commercial Banks, neither of which had any tangible dealings with Nigerians. The colonial government took several steps to alleviate this.

In 1902, the colonial government proclaimed fixed sterling values for manillas and Maria Theresa Dollars, and banned their importation into Nigeria, in order to maintain their

²⁷³ See further, section 5.4 in this chapter.

²⁷⁴ Nwabughuogu (1982:375).

value, and force the local people, who preferred the barter trade system to trade with "money". It proved to be a failure, as the people still appeared to prefer informal savings and loans methods, so in 1908, the colonial government introduced a new coinage consisting of a penny and 1/10 of a penny, with holes in the centre, so the people could string the coins together in the same way that they strung the more popular cowries. This eventually became widely accepted²⁷⁵. By 1912, a West African currency board had been established in London which took over the British West African monetary policy until the region's independence in the 1950s and 1960s.

Secondly, at the turn of the early twentieth century, there was no banking law in Nigeria. Banking was not popular with the local traders because of an innate suspicion of the banking system, plus a specific suspicion of the all-powerful British Bank of West Africa (BBWA) which had acquired two of the first three indigenous commercial banks to be established in Nigeria, while the third had gone into voluntary liquidation. The expatriate banks (BBWA and Barclays Bank) were not willing to extend credit facilities to local traders and so, indigenous patronage of banking did not pick up until the establishment of the National Bank of Nigeria in 1933. Even then, not much is known about the exact nature of the individual banks' influence on Nigerian foreign trade because of the non-availability of banking records for that period.

Nigerian farmers were encouraged to grow those primary products which were required in the British manufacturing industry. Although there were several of these products, the main ones were cocoa, cotton, palm-produce, rubber and groundnuts. Over a period of time (certainly by the start of World War I in 1914), Nigerian farmers became locked into the production of these products as British demand for them grew.

²⁷⁵ Miracle (1971:400-401). cf. Ekundare (1973:188)

Up to about 1900, palm oil had remained the most important cash crop in Nigeria, accounting for about 75% of total exports, but the discovery of palm oil substitutes in the U.S.A., and of palm kernels in Nigeria, reduced Nigeria's dependency on palm oil exports. Germany now purchased about 70% of Nigeria's palm kernels, while Britain took advantage of the low international demand for palm oil to purchase almost all of Nigeria's palm oil at rock-bottom prices. Britain also purchased about 90% of Nigeria's cotton and cocoa, although cocoa was not yet a major commodity, having first been exported only in 1886. It did not become the leading export commodity until after World War I. Livestock was another substantial export of Northern Nigeria but its sale was usually on the cross-border routes within West and Central Africa.

Britain also dominated imports into Nigeria, accounting for about 75%-80% of Nigeria's total imports in the years around 1900²⁷⁶. The chief imports were processed cotton goods, which Nigeria had earlier exported to Britain in its raw form. Nigeria also imported several other goods, among which were salt, books, mirrors, iron, steel and cement from Britain. Other imports included quantities of spirits from Germany; wine and rum from Belgium, Holland and Portugal; tobacco and lamp oil from the USA; And cowrie shells from Mozambique and Zaire. Since the 1880s, Hausa merchants had also been importing kolanuts into Nigeria from Ghana by way of steamships, although by the mid-1920s, kola was being planted in Northern Nigeria, eventually supplanting imports²⁷⁷. Trade was by no means limited to these products and countries, but the above list does represent Nigeria's major import trade partners in the early twentieth century, and the main products which Nigeria purchased from those countries.

²⁷⁶ See further Ekundare (1973:96-97).

²⁷⁷ Hopkins (1973:248).

This export - import pattern continued until 1914, although by then, Britain had also become the largest purchaser of Nigerian gold, tin and groundnuts. Groundnut in particular had become the main export of Northern Nigeria in order to satisfy increased European demand for margarine (into which groundnuts were made). It was greatly aided by the opening of the Kano-Lagos rail line in 1912. The effect of the easier transportation brought about by the rail line was such that groundnut export increased astonishingly from 2,518 tonnes in 1912 to 19,228 tonnes in 1913, being the first year the rail line was available to move the nuts²⁷⁸. It grew to even larger quantities in subsequent years, but in the meantime, the advent of World War I in 1914 changed the entire trading scenario in Nigeria.

Initially, trade boomed. Nigerian exports by volume were growing, and although trade had ceased with Germany because of the war, this was cushioned by increased trading with France, the U.S.A., and especially Britain. The colonial government's income, which was mostly in form of customs revenues, was not immediately affected.

As the war dragged on, the central government in London increasingly saw Nigeria as a country whose resources, controlled "properly", could contribute significantly to the war effort. Therefore, in 1917, Britain banned the export of palm oil from Nigeria to any country other than Britain, and furthermore levied a £2 duty on palm kernels exported from Nigeria to countries outside the British Empire. The motive behind this was so that Britain would not only control the world's palm produce market, it would also limit the capability of the rest of the world to manufacture an explosive called glycerine, for which palm oil was a central ingredient. In addition, it would give Britain the world's largest raw material base from which to improve its competitiveness against Holland, Germany and the USA for the world's

²⁷⁸ Shenton (1986:76).

booming margarine market. Although the export restrictions were lifted at the end of the war in 1918, they were re-introduced only two years later in order to raise additional revenue for the colonial government.

Britain was also influential in deciding which, and how imports got into Nigeria. For instance, in 1919, the importation of spirits from Germany was banned. This had constituted 50% of Nigeria's imports from Germany. It may have been an example of post-war economic action against Germany although the official reason was that drinking less spirits would enable the local farmers concentrate better on crop production! Later, when Japan began to emerge as a leading exporter of consumer goods to Africa, Britain reacted in 1932 by imposing import quotas in its African colonies on popular consumer goods like textiles, shirts, singlets, cement, paint, and galvanised iron sheets. The quotas, and the goods they applied to, were designed in such a way as to exclude Japan, which was offering competitive goods at lower prices because of the availability of cheaper labour in Japan.

By the mid-1920s, the post-war boom had given way to a depression, which continued in varying degrees into the 1930s, but at its inception in 1920-21, it led to a chain of events in Nigerian commerce, the effects of which are arguably still being felt in present times. These events were in the form of marketing institutions, and may be roughly broken into the following:

- (i) The Multinational Enterprises (MNEs)
- (ii) The Buying Agreements
- (iii) The Commodity Marketing Boards

In the next section, I will attempt to present these three institutions as continuous events of the later colonial period in Nigerian trade history.

5.4 Trade In The Later Colonial Period (1910-1960)

As towns and populations grew at the beginning of the twentieth century, so did demand for local produce, particularly foodstuffs. The new specialization in expanded export production, particularly in fast-emerging commercial centres like Onitsha and Aba, in Eastern Nigeria, led to complex linkages in production and transportation which transformed subsistence goods into commodities. At this time, the leading commercial concern in Nigeria was the Royal Niger Company. During the 1919-20 boom, it greatly increased its cotton and oilseeds purchase in Northern Nigeria and financed these purchases with short-term commercial credit. When the depression commenced early in 1920, there was a resultant credit squeeze. The Royal Niger Company could not pay off its loans because of its unsold accumulated wares and was acquired by Lever Brothers, a rival company which also purchased oilseeds but used them in manufacturing soap.

Lever Brothers was now the largest Nigerian commercial concern, although the Niger Company continued to trade under its own name. Lever Brothers' main Nigerian rival then became the African and Eastern Trade Corporation (AETC), an amalgamation of independent trading firms founded in 1919. By 1927, the oilseed market was once again threatened by the renewed depression of that year. The AETC could not pay any dividends in 1928, and in order to stay afloat, it was merged with the Niger Company (under Lever control) to form the United Africa Company (UAC), which became one of the world's largest suppliers of oilseeds, and remains one of the largest companies in Nigeria to date, with dominant interests in many aspects of local and foreign trade²⁷⁹. It is presently involved in industrial manufacturing, large scale agricultural production and processing, as well as importing,

²⁷⁹ Pedler (1978). cf. Shenton (1986:83-91); Fieldhouse (1978:345-379).

exporting, wholesaling and retailing of consumer products.

The 1920s depression continued into, and became worse in the 1930s. Pushed by local middlemen and European produce buyers to whom they now owed vast sums of money, the indigenous farmers increased their production output which in turn increased export volumes. However, in the ongoing depression, the farmers' returns continued to fall in absolute terms for most of the period. For instance, in 1928, 49,000 tonnes of cocoa were exported at a value of £2.42 million. But in 1934, although the export volumes were increased to 78,000 tonnes of cocoa, the value fell to £1.29 million. This situation was fairly typical of the rest of Nigeria's cash crops during the depression years²⁸⁰.

In 1927, the now longstanding uncertainty in cocoa, and other commodity prices led the UAC and Cadbury to lead other European firms into what were called "Buying Agreements" in Western Nigeria, by which European firms were to dictate in advance to indigenous farmers the quantities of cocoa they would purchase, and the amounts they would pay for them over a period of time. The prices set were designed to guarantee profits to the European traders against any envisaged falls in world prices. This however meant that the primary producers usually had very low prices offered for their products. Different buying agreements were set for about ten years thereafter, until in 1937 the farmers fought back by suspending cocoa sales to UAC and the other European firms, and boycotting European imported goods²⁸¹. A commission of enquiry was set up in London in 1938, which declared the buying agreements as undesirable and in its place suggested a statutory body to

²⁸⁰ See further S. Martin (1989); Ekundare (1973:205).

²⁸¹ This period (and the world war II years) also saw the first sustained rise and circulation of nationalist literature in West Africa, typified initially by the writings of Diagne, Casely-Hayford, and Macaulay, and later by the more radical views of, in particular, Azikiwe, Nkrumah, Awolowo and Senghor.

impartially supervise the sale of cocoa. The start of World War II in 1939 delayed the implementation of this recommendation.

Once again, trade with Germany ceased, joined this time by Japan. In addition, there were severe shipping shortages. In effect, world trade was severely curtailed. Soon after the war started, the British government bought the entire 1939-40 cocoa, oil seeds and palm oil harvest at reduced prices and transferred all the products to the newly set-up West African Produce Control Board (WAPCB) with instructions to sell them wherever practicable at current world market prices. The WAPCB was also charged with achieving stable prices in British West African cash crops.

On the imports side, Britain introduced import licensing in order to control the type and volume of products entering Nigeria, and in addition introduced currency legislations which were designed to safeguard the position of the pound sterling in the country.

The formal establishment of the WAPCB in 1942 went a long way in stabilising, and thus preventing a possible collapse of the Nigerian export trade during World War II because it guaranteed the primary producers a set price, albeit a relatively low one, for years at a time and thus protected them from short-term fluctuations in world prices. The operating idea was for the WAPCB to accumulate trading surpluses if it sold the produce on the world market for more than it paid the indigenous farmers, and to subsidise deficits if it sold the produce for less than it paid for it. But in the event, the prices paid to local farmers were so low that between 1942 and 1960, the marketing board only ever had to subsidise prices in respect of one product, palm oil, in 1953 and 1954.

By 1947, four separate commodity marketing boards had been created out of the old WAPCB. The boards had responsibility for cocoa, palm-produce, groundnuts and cotton. At the end of World War II, there was a sustained trade boom, which effectively ended the

lingering recession from the 1920s²⁸². The British government also devalued the pound sterling to make British products more competitive in international markets. This in turn had a positive effect on Nigerian exports, whose volumes and values soared. The four marketing boards, which by then were still paying farmers pre-1945 commodity prices, acquired enormous reserves at the expense of the primary producers, whose per unit incomes did not once increase between 1947 and 1954. In that period, the marketing boards accumulated a total in excess of £100 million²⁸³. In that same period, Nigeria earned less from its regular principal income sources, that is, export duties (£56.7 million) and import duties (£93.5 million). But in attaining the £100 million mark, the commodity marketing boards had, in the immediate post-war years sometimes withheld up to 40% of international market prices from the local producers. From 1953, a regional produce sales tax, and export duties were also charged on to the farmers, pushing the potential income withheld from the farmers to as high as 66% on occasions. The marketing board surpluses were mostly held as stabilization reserves in form of commonwealth securities in London and were earmarked to be spent on an intensive economic development programme which the colonial government had planned from 1945 in readiness for granting political independence to Nigeria.

The constitutional changes in Nigeria in 1954 resulted in the creation of three regions:- the Western, Eastern and Northern regions. The assets of the four commodity marketing boards were transferred to the regional marketing boards in proportion to the contribution of each region to the trading surplus enjoyed by the old marketing boards. Although the new regions were withholding less of the farmers' earnings in "stabilization

²⁸² See further Hopkins (1973:185).

²⁸³ Helleiner (1977:90). The figure stood at £238 million shortly after independence in 1961 (Akeredolu-Ale 1976:108). cf. Hopkins (1973:265-267).

schemes", they were earning more in absolute terms from export duties and sales taxes because of increased productivity brought about by the introduction of fertilizers, and had enough to begin acting as supplementary banks to the regional governments. The farmers were producing more than they ever did but were not reaping the kinds of rewards they expected, and this period, that is post-1954, more than any other before then, saw disillusioned farmers beginning to invest parts of their earnings in training their children in vocations that would take them away from the farms. Even the farmers of the time began to abandon farming and take up politics, trade, labour or clerical work²⁸⁴. Some of them retired from active farming and rented out their farms to migrant workers. This was therefore the period in which real agricultural production, especially in Western Nigeria entered a period of gradual, but steady decline, although it was not immediately apparent in Nigeria's export earnings.

5.5 Trade In The Early Post-Colonial Period (1960-1975).

Between the end of world war II and the time Nigeria obtained political independence from Britain in 1960, a number of industries sprang up in the country. The earliest industries to emerge in Nigeria from about 1950 to the mid-1960s included food canning at Ibadan; boat building at Opobo, Makurdi and Epe; textile at Kano, Lagos, Kaduna and several other locations; cement at Nkalagu; tobacco at Ibadan, Port-Harcourt and Zaria; And petroleum at Afam and Oloibiri. There were other mining industries concerning gold, tin and columbite in the Ile-Ife, Ilesha and Jos areas, as well as industries in soap, margarine, plastic, and beer manufacturing dotted around the country. There was already an indication of the potential

²⁸⁴ S. Martin (1989:86).

of crude oil to contribute significantly to Nigeria's finances in the future. In the independence year, a total of 6.4 million barrels of oil were produced in Nigeria, and were mostly exported²⁸⁵.

On the local front, trade continued in much the same kinds of foodstuff as had been traded in for much of the century, but increasing industrialization meant that a much wider variety of goods were available to be traded in locally. There was especially a growing local market for previously unavailable consumer goods, some of which were referred to above, although by then a trade in some of these products was already being engaged in across the West African borders as far west as Senegal, and to the east of Nigeria in Cameroun, simply because a demand existed for the manufactured goods in those places, and not necessarily because of over-supply, or insufficient demand in Nigeria.

Political independence for Nigeria in 1960 immediately altered the scope of import trading in the country. Earlier in 1952, Britain had placed fresh restrictions on Japanese, American and Canadian imports into British colonies, including Nigeria, initially to strengthen the devalued pound sterling in world trading and improve Britain's trading position in its colonies. But the restrictions also served from about 1958 to protect a few Nigerian industries like canned fruits, clothes and beer, and other businesses in road haulage, construction and entertainment from cheaper foreign competition in the 1950s²⁸⁶. However, by the end of 1960 (the independence year), there was an almost total liberalization of imports and Japan's competitively priced products appeared to be the main beneficiaries since the penchant then was for imported radios, televisions, and garments which the Japanese could supply more cheaply than its competitors. The total value of imports for 1960-1961

²⁸⁵ Ekundare (1973:298).

²⁸⁶ See Hopkins (1973:273) for some specific illustrations of these.

therefore soared by more than £24 million over the preceding period to £215.9 million while exports increased by a more modest £5 million to £169.6 million²⁸⁷.

In the export market, Britain's dominance of the purchase of Nigerian products began to be challenged, shortly before Nigeria obtained political independence, by the USA, France and the Netherlands. For instance, by 1960, the proportion of Nigerian cocoa purchased by Britain had fallen from virtually 100% at the start of the twentieth century to 27%, while that of the USA and the Netherlands had increased from negligible amounts to 22%, and 20% respectively, in the same period. Italy and the Netherlands also became significant challengers to the dominance of Britain in the purchase of Nigerian groundnuts. In the early 1960s, Nigeria also began to export timber, bananas and beniseed in significant quantities.

Free trade continued to prevail in Nigeria for about two years after independence, but from 1962 onwards, Nigeria began its steady evolution into the inward-oriented country it was to become. At the time, 68% of all large-scale industries were foreign-owned, 3% was privately owned by Nigerians, and the rest belonged to the federal and regional governments²⁸⁸. Nationalists' suspicion of Britain's continuing post-economic influence on Nigeria resulted in a sustained political pressure which eventually forced the government to promulgate the Immigration Act of 1963 which restricted the number of foreign employees that a foreign entrepreneur could employ. This initially slowed down foreign trade, but it began to pick up in about 1965, only to become slowed again by two military coups in 1966, and a civil war from 1967-70, during which there were severe import restrictions in force. Local trade, particularly in agro-allied products, also suffered badly as the war destroyed a number of produce lands, some of which have never been farmed again. In addition, the

²⁸⁷ Ekundare (1973:330).

²⁸⁸ Fieldhouse (1986:152-153).

Nigerian federal government imposed full economic sanctions against the breakaway eastern region, which also undermined local trade. By the time the war-time restrictions were lifted in 1970, severe, and in some cases, irreparable damage had been done to the resources, morale and confidence of Nigerian crop farmers and such other entrepreneurs. The uncertainty of the 1960s therefore had a negative effect on Nigerian trade generally. The foreign capital in the economy was only being maintained by an international interest in the emerging oil industry.

In the period immediately after the civil war, Nigeria still had an essentially agro-based economy. More than 70% of the labour force was employed in agriculture and about 75% of all agricultural products were internally consumed, and by implication, traded in locally. The rest were exported, mainly to Western Europe and the USA, and these earned between 60%-75% of Nigeria's foreign exchange revenue in and around the civil war years, that is 1965-1972. In this period, Nigeria was the world's biggest exporter of columbite and groundnuts, accounting for up to 95% and 36% of world trade in these products, respectively. Nigeria also exported 20% of the world's cocoa supply; 18% of the world's cotton seeds supply; 11% of the world's vegetable oil supply and 5% of the world's tin supply²⁸⁹.

The face of post-colonial Nigerian trade began to undergo its most drastic change in 1971 when Nigeria, somewhat reluctantly, joined the Organisation of Petroleum Exporting Countries (OPEC). The cartel adopted a uniform pricing strategy, and when the energy crises occurred in 1973, oil prices, which had been rising steadily since 1970, suddenly jumped from US\$5.21 per barrel in July 1973 to US\$22.60 per barrel by December 1973²⁹⁰.

²⁸⁹ Ekundare (1973:15-17).

²⁹⁰ Turner (1978:184).

Nigeria began to produce more oil at these higher prices to satisfy the growing international demand for oil. By 1974, despite the establishment of the Nigerian Export Promotion Council (NEPC) to boost other areas of Nigerian exporting, oil exports were already accounting for 90% of Nigeria's export earnings.

5.6 The Present Times (1975 To Date).

During the 1970s oil boom, Nigeria appeared to lose interest in, and virtually halted the production of every other mineral and agricultural product, and presently, although Nigeria's oil export revenue has fallen from its peak of US\$26.73 billion in 1980 to a low of about US\$7 billion in 1987²⁹¹, and an estimated US\$10.5 billion in 1995²⁹², the impact of oil has been such that in the thirty years to 1995, despite increased mechanization, cocoa production fell from 300,000 tonnes per annum to 135,000 tonnes per annum²⁹³; and tin production from 11,000 tonnes per annum to less than 100 tonnes per annum. Exports of tin, bauxite, columbite, livestock and some of Nigeria's other "traditional" exports have become sporadic and monetarily insignificant due to insufficient international demand, falling world prices, inadequate investments to enable the products remain internationally competitive, and an increasingly complacent economy as oil prices soared in the 1970s.

On the import side, Nigerian trade has moved from being almost totally liberalized

²⁹¹ Financial Times (London) 16/3/92, section 3, p.3 .

²⁹² Financial Times (London) 26/5/95, section 3, p.2 .

²⁹³ About half of this, including small amounts of processed cocoa, is exported annually, earning about US\$100 million per annum (since 1993), and making it, although at a mere 1.2%, the nation's second highest export earner. See further Financial Times (London) 1/4/93, section 3, p.9; Tell 23/10/95:36-37; West Africa 22/5 - 28/5/95:807 .

in 1960 to being increasingly inward-oriented ever since. The effect of the 1963 Immigration Act has already been mentioned above in section 5.5 . A further indigenization act - the Nigerian Enterprises Promotion Decree - was promulgated in 1972 (there was a yet later one in 1977) largely to further the Nigerian private ownership cause. The assembly of a large number of domestic appliances, including television sets, radios, tape recorders (and so forth), the blending and bottling of alcoholic beverages, newspaper publishing, road haulage, the manufacturing of certain garments, and certain other enterprises were reserved for exclusive Nigerian ownership²⁹⁴. In 1978, several products which were formerly produced locally but were now being imported were prohibited from being further imported by the Obasanjo administration²⁹⁵ in order to stimulate local production. These products included certain luxury goods, textiles, cigarettes and foodstuff like maize and live poultry. Even so, by 1984, Nigeria was spending US\$2 billion per annum on food imports alone mainly from the USA, the Netherlands, Britain, Malaysia and Indonesia²⁹⁶. In the 1986 and 1987 budgets, the banned list was extended to include wheat, rice, vegetable oil, stockfish and palm oil.

Successive Nigerian governments, especially those since the Buhari administration²⁹⁷ have tried to stimulate local trade in these banned products and related goods. This has mainly taken the form of subsidising the local manufacture of banned imports and promoting

²⁹⁴ The 1977 decree has since been amended in a 1989 decree. Under it, there is only one schedule of forty businesses reserved for exclusive Nigerian ownership. Foreigners can now own 100% of new, unscheduled businesses with the exception of banking, insurance, mining and petroleum. There were further relaxations in the 1995 budget.

²⁹⁵ 1976-1979.

²⁹⁶ Financial Times, London 16/3/92, section 3, p.5 .

²⁹⁷ 1983-1985.

the export potential of Nigeria's traditional (that is, pre-oil) exports - agricultural produce and industrial raw materials, such as cocoa and rubber, respectively, as well as the products of its much-maligned steel industry, expected, when established in the mid-1970s, to spearhead Nigeria's renewed dash for industrialization.

This process is at the heart of the structural adjustment programme (SAP), begun in 1986. On the social front, the SAP has resulted in public demonstrations and short, sporadic and largely unco-ordinated riots. Economically, the results are mixed. For instance, maize importation was banned in 1986. That has helped stimulate local production which is now estimated at about 2.5 million tonnes per annum, and comfortably meets the national maize demand. However, rice import prohibition which has helped push annual local production to about 600,000 tonnes (since 1991), up from 100,000 in 1983, still does not fully meet the local rice demand, besides which locally produced rice costs 30% more (at 1992 prices) than it does on the international market. This has led to rice smuggling into Nigeria the volume of which is estimated at 150,000 tonnes per annum²⁹⁸. Likewise, palm oil production has also increased from its 1960s high of 300,000 tonnes to 1991 levels of 700,000 tonnes, although no export takes place as yet because local demand alone is estimated at around 900,000 tonnes per annum. There is consequently a smuggled trade in an estimated 100,000 tonnes of Malaysian and Indonesian palm oil to plug the market short-fall.

Curiously, products in which Nigeria has no "comparative advantage"²⁹⁹, and should by definition be importing, are also on the banned lists. An example of this is wheat, which is not well suited, climatically, for large-scale production in Nigeria. Prior to the 1987

²⁹⁸ See FOS (1993) which contains details on other trends in food production and trade. cf. Financial Times (London) 16/3/92, section 3, p.10 .

²⁹⁹ within the meaning of ITT as discussed in chapter 2.

import ban, Nigeria imported 1.5 million tonnes annually from the USA. It was expected that the import ban would boost annual local production to about 300,000 tonnes, which would then be supplemented by production of maize as wheat substitute. However, local production has only ranged between 30,000 - 50,000 tonnes per annum since 1987, with a trade in smuggled wheat estimated to involve up to 550,000 tonnes every year. Most of the wheat is purchased from across the borders in Cameroun and the Republic of Benin where wheat imports exceed local demand.

Trade with the rest of Africa has never, since 1960, been formally actively developed. Even in the case of oil, exports to other African countries account for less than 8% of Nigeria's gross exports, compared with the USA (51%) and Western Europe (34%)³⁰⁰. Imports from other African countries barely constitute 1% of Nigeria's recorded gross imports. Within this, trade with the West African sub-region remains an enigma. Exports to the sub-region account, according to official records, for 71.5% of all African exports, while regional imports account for 7.6% of all African imports³⁰¹.

In 1975, after almost a decade of drawn-out negotiations, and under the patronage and encouragement of the governments of Togo, Ivory Coast and Nigeria, fifteen heads of West African governments (later rising to sixteen) signed the ECOWAS treaty in Lagos³⁰². At its inception, the ECOWAS was intended as a crucial vehicle for the stimulation of renewed

³⁰⁰ Federal Office of Statistics (1993).

³⁰¹ The figures for 1992, being the latest published figures as at August 1994, were N9.88 billion, and N460 million, respectively (FOS 1993:80).

³⁰² See Map 2. The member countries, in alphabetical order, are Benin, Burkina-Faso, Cape Verde, Cote D'Ivoire (Ivory Coast), Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra-Leone and Togo. The treaty was signed on 28/5/1975.

industrialization in the sub-region. Article 2 of the treaty³⁰³ reads:

"It shall be the aim of the community to promote co-operation and development in all fields of economic activity particularly in the fields of industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions and in social and cultural matters for the purposes of raising the standard of living of its peoples..."

The same article goes on to say that for these purposes, the ECOWAS shall ensure, among member states, the elimination of customs duties and other restrictions on the movements of goods and persons, the harmonization of agricultural, monetary, economic and such other policies including the development of a common commercial policy towards third countries.

Despite various statements expressing a commitment to trade liberalization following the signing of the treaty, a formal Trade Liberalization Scheme (TLS)³⁰⁴ was not in fact agreed until June 1989, and even this has since suffered from implementation problems. The community's progressive development into a full customs union was expected to have been completed by 1990³⁰⁵, but this has proven to be unattainable. In fact, for several reasons, many of them administrative, ECOWAS was soon to lose the initiative in its objective of regional integration. However, with the advent of the Babangida administration³⁰⁶ in Nigeria in 1985, the country took on a leading role in the attempted revitalization of an

³⁰³ The treaty is reproduced in Nwachukwu (1991:137-253). It was revised and re-ratified in Abuja, Nigeria in 1993. The new version retains most provisions of the original, while expanding others, and introducing some new ones, such as the proposed monetary union (cf. West Africa [no. 4050, 22/5 - 28/5/95, p.782], and Iyoha [1984:31-37] for an analysis of the potential benefits of ECOWAS as a customs union).

³⁰⁴ Under the scheme, as approved in the Nigerian budget of 1991, twenty five products originating from any of the member states, including live animals, raw textile fibres, cereals, coffee, tea, vegetables, tobacco, some minerals (including crude oil, bitumen and crude fertilizers), and others, are to enjoy a 25% annual reduction of import duty until a zero rate is reached in the fourth year of operation of the scheme.

³⁰⁵ Article 12, ECOWAS Treaty, Lagos, 1975.

³⁰⁶ 1985-1993.

apparently tired ECOWAS. It provided a new secretariat and has since chaired the body on more occasions, and provided more of the running costs, than any other country in the region. The economic objectives of ECOWAS are once again at the forefront of intergovernmental discussions so much so that in the re-ratified version of the ECOWAS treaty, the trade objectives have undergone more reworking than any other provisions of the original treaty.

Nevertheless, several producers and traders across the region, have, especially since the 1980s, become increasingly involved in wholesale and retail trading across West Africa. How much of this is attributable to ECOWAS activities or initiatives is debatable. In any case, most of the trade is regarded as "unofficial", and so, no appreciable records are kept³⁰⁷. But the continued existence of the trade demonstrates the existence of a market. Furthermore, since about 1990, overall agricultural production appears to have been steadily increasing in Nigeria, and limited exports of cocoa and some other "cash" products have begun in relatively small quantities across the borders to other West and Central African countries, although some of this is illegal. The same applies to manufactured goods, where smuggled products are in direct competition with legal exports³⁰⁸. These products are mainly soap, beer and other beverages, household furniture, crafts, records, textiles, plastics, and other basic consumer goods. A great number of traders, including several thousand petty traders who mostly operate informally, are involved in this trade. The traders mostly use land routes, although some shipping and air carriage does take place. This cross-border trade is the main focus of this study, and is explored further, mainly in chapters 7 and 8.

³⁰⁷ Officially, formal intra-ECOWAS trade was estimated at 4.4% of the region's total trade in the mid-1980s (Iyoha 1987:37), and is thought to be declining as a proportion of the region's overall trade (ECOWAS 1989:14).

³⁰⁸ Eleazu (1989:27); Financial Times (London) 16/3/92, section 3, p.5 .

5.7 Conclusion

I have tried, by presenting the main body of this chapter as a historical document, to show that the philosophy of trade and what Ekundare (1973:383) calls "competitive capitalism" has been entrenched in Nigerian entrepreneurship for several centuries. I subdivided the years after 1860 into relatively short periods primarily to demonstrate the fact that despite Nigeria's exposure to regular international trade for more than twelve centuries, the colonization of Nigeria (in particular the first thirty years), and the discovery of oil (in particular the 1970s oil boom) have probably had more effect in shaping Nigeria's present-day foreign trade patterns and practices than centuries of the trans-saharan and intra-regional trade. I have tried to show, in each of the time periods, how entrepreneurs have responded to changing socio-economic conditions, and indeed in certain cases, precipitate those situations.

It was necessary to discuss the reasons behind European occupation of Africa in order to substantiate my statement that colonization involved more than the mere perceived economic attractions of Africa.

This leads one to ask to what extent colonization has influenced subsequent Nigerian economic development. That the British colonial government ruled over Nigeria in the period that saw Nigeria operate commercially as little more than an extension of the British economy is not in question. But if, as historical evidence tells us, the colonialists were content to let the existing economic philosophy continue (with a direction of the flow of trade towards Britain), is the colonization effect on the "LDC" status of present-day Nigeria not being over-stated? Academics disagree on the degree of influence that European colonization has had on Africa's economic development. They however seem to be agreed on the fact that

European colonies in Africa have not attained the level of development which the colonial governments envisaged in the 1950s and 1960s, when several African countries were being granted political independence, although many of those expectations arguably had doubtful foundations.

The divisions appear to be based as much on academic, as they are on ideological differences. There is an essentially right-wing or conservative argument to the effect that colonization in fact provided the foundations for the growth of Africa. If Africans had been left to continue the trans-saharan trade, and other intra-regional trading arrangements uninterrupted, they would not have come into contact with European capital or technology which has actually helped develop Africa. It goes on to say that Africa does in fact possess comparative advantage in producing raw agricultural and mineral resources, and it was colonization which maximised the exploitation of Africa's main assets - land, labour and climate. Because of the political nature of Africa in the nineteenth century, it was necessary for Europe to impose colonial rule on Africa as comparable economic growth could not have been effected any other way. The present state of Africa's relative underdevelopment is then attributed by the right-wing school to the disruptive effects of two world wars, and the long periods of economic depression in between, which affected the whole world³⁰⁹.

Certain historians sympathetic to the African cause have dismissed such views as "racist clap-trap"³¹⁰, and seem instead to favour an essentially left-wing argument (which is generally adopted by marxist-oriented academics) that as colonies of Europe, African countries were manipulated into becoming nothing more than peripheral extensions of the

³⁰⁹ See further Myint (1980); Hallet (1974).

³¹⁰ Zeleza (1993:13).

international capitalist economy³¹¹.

Since the 1970s, a third, somewhat median school of thought has arisen which asserts that neither political nor economic forces of colonialism proved strong enough to change Africans' enterprise instincts. The central argument here is that following the colonial period, Africans essentially remained peasant producers who got lured into the attractions of foreign capitalism, but did not thereby relinquish their indigenous economic background. They retained the choice to do so, and as they have not, their relative state of underdevelopment must be down to them, and not colonization³¹².

Whatever the case may be, it would appear that there is a direct link between the erstwhile, and present-day (export) trading patterns, and in particular, for the purposes of this study, between the intra-regional trade of old, and the present-day cross-border trade. Then, as now, price imbalances, various protectionist practices, and even accidents of history created entrepreneurial opportunities which producers and traders alike were able to exploit. It was as much the case in West Africa as it was in eastern and southern Africa³¹³. In Nigeria's case, from initially sporadic coastal export trading, through a more settled trans-saharan trade and the second coming of European coastal traders which laid much of the foundations for present-day trading patterns, the indigenous trading system has had to continually adapt to a changing world system. In all these cases, intra-regional West African trade was neither destroyed nor even diminished in importance. In fact, in certain periods such as the mid-nineteenth century, it seemed to become even more important as the premium on products like slaves and kolanut rose. This is mirrored by present-day economic

³¹¹ See further Rodney (1972); Obasi (1989); Wallerstein (1973).

³¹² See further Fieldhouse (1978; 1986).

³¹³ See Sanderson (1985); Zeleza (1993).

realities which, as shown in sections 5.6 & 5.7, are once again forcing the region to look to itself in the search for new marketing and development opportunities.

CHAPTER SIX

RESEARCH METHODOLOGY.

6.1 Introduction: Data Collection In Social Research.

The main aims of the study were outlined in chapter 1. Between chapters 2 and 5, four disciplinary approaches to explaining the behaviour of the cross-border traders were examined. Each approach has been found to have important contributions to make to the understanding of entrepreneurial behaviour within the context of the cross-border trade.

Together, they suggest some questions:

- * Who are the cross-border traders?
- * What do they trade in?
- * How do they carry out their trade / What facilitates the trade?
- * Are their trading processes entrepreneurial?
- * How do they contribute to development processes?
- * Do these processes affect orthodox theory? If so, how?

And such other questions. Simultaneously, certain limitations of each approach to explain entrepreneurial behaviour within the given setting have also been apparent. This comes as no surprise, given the multi-facetedness of life itself. Afterall, "reality is an unbroken totality, a seamless robe, and is not compartmentalized into social and economic spheres"³¹⁴.

The central reason for these limitations, particularly in the case of trade and entrepreneurship models, would appear to be the relative unfamiliarity of theorists with the

³¹⁴ Nafziger (1988:128).

process of indigenous trade and indigenous entrepreneurship. This may, in turn, be due to the ahistorical approach they tend to take. Obviously, by their very nature, this is much less of a problem with the development and historical perspectives. But the overly macro approach of several development theorists, as argued in chapter 3, is liable to result in incorrect understanding of micro-processes, while historical perspectives, which can be fundamentally important as a means to an end, would appear to be much less so as an end in themselves.

What I believe the foregoing have done, from an analytic point of view, is expose the fact that very little is known about the subject matter, while at the same time pointing us in the direction to take in achieving the understanding we seek. However, at this stage, given the extent (or lack of it) of existing knowledge on the subject matter, it is important to make attaining this understanding our first major undertaking. It would, for this same reason, be inappropriate to impose too rigid a conceptual framework on its study. In a relatively new area of study, the gaining of well-grounded insights into the phenomenon under study seems to me to be of paramount importance, and one must be mindful of not falling into the traps of ethnocentricity.

With these in mind, the present chapter proposes to see how the aims of the study were operationalized in terms of the fieldwork.

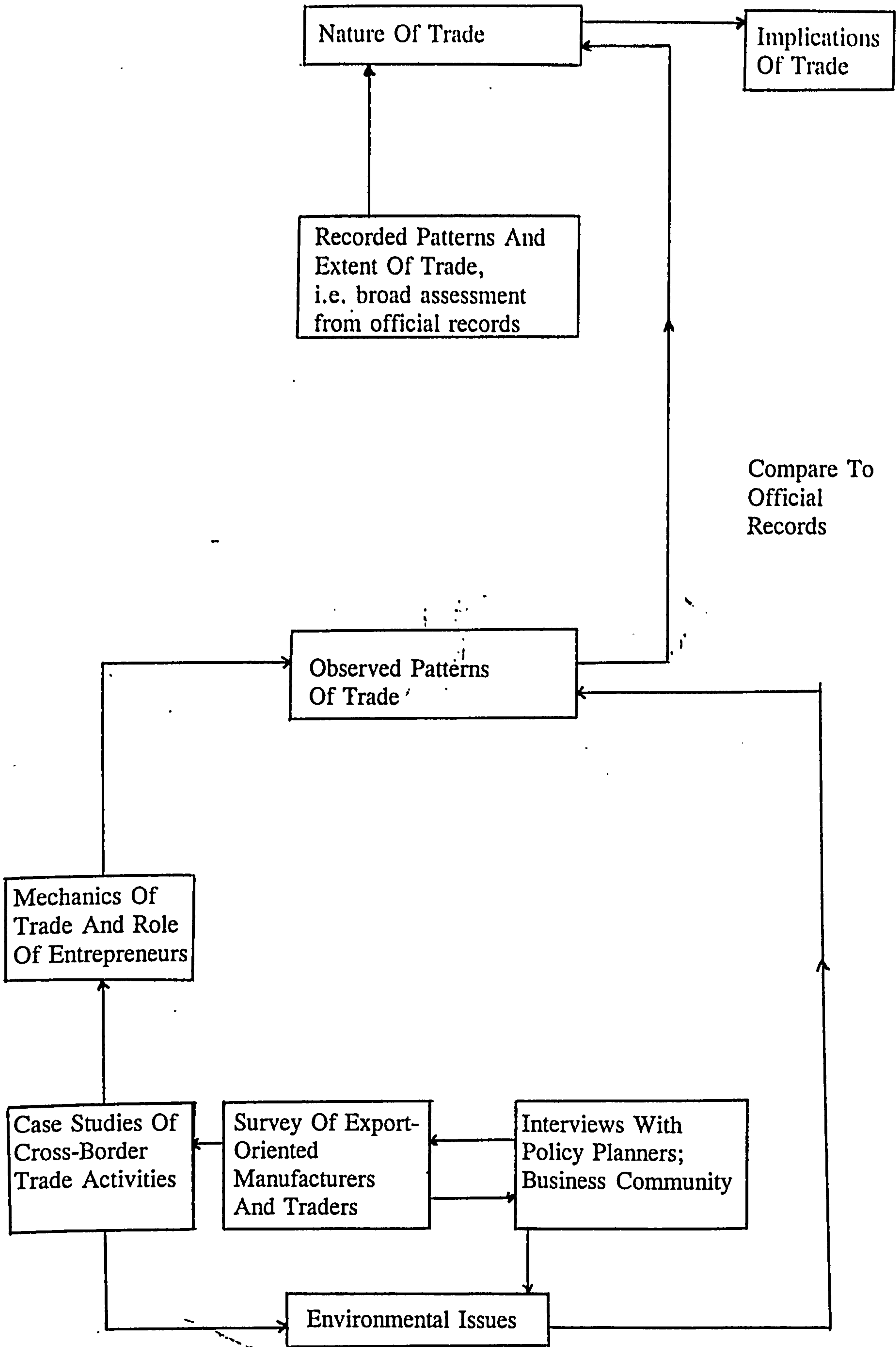
The indispensable part of any form of social research is the collection (or creation) of data. What however counts as data in any given study is any material that researchers perceive as necessary for the furtherance or achievement of their research objectives. This is not an overly broad statement (as a methodological purist might think) when one considers that "data" has been held to include materials as diverse as demographic statistics, housing

plans, folk customs, art, and imaginative literature³¹⁵.

The data collection process in this study is summarized below in fig. 6.1.

³¹⁵ Stone (1977), cited in Ackroyd & Hughes (1992:27). In David McClelland's seminal publication, *The Achieving Society* (1961), the "data" relied on by the author and his associates included folk tales, childrens' tales, various statistical analyses, psychological tests, interviews, archaeological evidence, and so forth.

Fig. 6.1 THE DATA COLLECTION PROCESS



Social research is far too wide in its coverage for one method of data collection to suffice in all situations. This, in my opinion, affects some of the more spurious arguments on the dichotomy between quantitative and qualitative research methods, in particular those of choice of method. While there are certainly important differences between both styles (as is well documented in the literature)³¹⁶, and certain methodologists advocate certain methods because those are the only ones they are familiar with³¹⁷, it nevertheless seems perfectly normal to me that a researcher in any given study may adopt either or both approaches³¹⁸.

The techniques discussed below in sections 6.2.1 and 6.2.2 have all been employed in this study. Different methods have different strengths, and they are not necessarily mutually exclusive. As Denzin says:

"No single method is free from flaws - no single method will adequately handle all the problems of causal analysis ... no single method will yield all the data necessary for a theory's test"³¹⁹.

Each method ought to be exploited for its strengths in the light of the research problem.

The emphasis in this study³²⁰ is on flexibility and inventiveness. This is not to be misconstrued as sloppiness of method. Pearson's point in this area is well taken. In arguing

³¹⁶ A full discussion of this issue is available from a number of sources, including Silverman (1985); Hammersley (1989); Bryman (1984;1988) and Marsh (in Bulmer [ed.] 1984). See also further discussions of individual methods in Mitchell (1983); Long & van der Ploeg (1988;1989); Halfpenny (1979).

³¹⁷ H.W Smith (1975:272 [cited in Ackroyd & Hughes 1992:162]).

³¹⁸ cf. Bryman (1984); Gadourek (1976).

³¹⁹ Denzin (1970:3).

³²⁰ as is the case in the actor-oriented paradigm, discussed below in section 6.4 .

that being in the right place at the right time is just as important in field-work as skill and technique, he writes that

"There can be few if any hard-and-fast rules for the successful conduct of ethnographic research, other than a commitment to the maintenance, sustenance, and adequacy of one's information-base and the veracity of one's attempts to render this accessible to a wider audience"³²¹.

This is not as simple as it is presented, as the specific techniques employed with respect to this study illustrate. The main point of undertaking research is to contribute to knowledge in a certain discipline or area, and a given research project may have one or more research problems. It is the specific research problem that ought to determine which approach or strategy will best serve it. There ought not to be a rigid pre-selection of the techniques of data collection before the research process itself is begun. What is necessary in all cases is an awareness, first of the research problem, and secondly of the issues involved in working within each of the traditional research strategies. The strategy ought always to follow the research problem, and not the other way round. Furthermore, specific data collection techniques, such as questionnaires or observations, need not be tied to specific research strategies. To do that would be to effectively deny the dynamism of the environment one is studying, and the initiative which researchers must (at least from time to time) demonstrate, especially when one is in the field. Unfortunately, however, as Bulmer (1984:5-6) notes,

"research methods are sometimes taught as if they were a set of skills, rather like those of cookery or vehicle maintenance... This is a misleading way of presenting research methods, which should always be viewed in the context of the problems and theories which they are used to illuminate".

A hybrid strategy may well be the most effective way to approach certain research

³²¹ Pearson (1993:ix).

issues. It is quite often employed by researchers, in particular by social researchers³²². Indeed, the present study adopts such a strategy. Although the in-depth interviews and such other techniques on which reliance have been placed in this study may be styled "qualitative", I nevertheless felt it necessary to undertake some statistical ("quantitative") surveys to address certain issues in some parts of the study where, to my mind, an awareness of the frequency of certain events (as opposed to their "meaning" cf. Van Maanen 1983:9) was deemed necessary for the purposes of my study. I will illustrate this with the following account:

At a stage during my field research, I wanted to find out whether the sales of a firm I was studying was mainly to traders or to end users, as the firm itself did not seem sure. I therefore conducted a short, structured interview with all the firm's customers that came in over a period of two days which indicated that the firm's customers were mainly re-sellers³²³. This complemented, rather than detracted, from my main observation-based study of the firm.

Data does not exist in isolation. It needs to be constructed. According to Bateson (1984:15), the proper construction of data ought to be based on the following four factors:

- (i) The social world about which knowledge is sought
- (ii) The respondents from whom data are obtained

³²² Wallis' (1977) study of the Church of Scientology for instance involved using a questionnaire, conducting formal interviews, and some direct observation during a brief training period. cf. Robson (1993:54-55) for illustrations of research projects that employed multiple strategies in studies concerning, respectively, stress in the workplace, and the treatment of kidney dialysis patients; And Yin (1989) on the versatility of the case study method, as he discusses how it can be used to fulfil various research purposes.

³²³ This illustrates the process described by Casley & Lury as the "ad hoc" survey. The method is examined in some detail in Casley & Lury (1981:54-56).

- (iii) The researcher himself
- (iv) The researcher's intended audience.

It is therefore sometimes suggested that perhaps a multi-method approach to the study of single subjects will lead to a fuller understanding of that subject. This proposal is however based, not so much on flexibility, as on totality of approach. One such proposal, referred to by Denzin (1970), one of its proponents as "triangulation", requires that for the construction of data

"empirical events must be examined from the vantage provided by as many methods as possible"³²⁴.

Although not without its own methodological problems³²⁵, triangulation, if merely for its fullness, boasts the potential to produce more valid data. Present trends however indicate that its costs, both in material and professional terms, makes it more likely that it is not an approach that will be practised widely. The present emphasis would appear instead to be on a more flexible application of "conventional" methods such as observations and surveys, whose cornerstone is the researcher's freedom, unlike previously, to use these methods in conjunction with one another to shed light on the research-problem, as he sees fit³²⁶.

³²⁴ Denzin (1970:3).

³²⁵ cf. Ackroyd & Hughes (1992:172-173); Brewer & Hunter (1989:82-83).

³²⁶ Bulmer [ed.] (1984); Long & Long [eds.] (1992); Wallis (1977); Robson (1993).

6.2 Techniques Of Data Collection.

As mentioned earlier in section 6.1, several individual data collection techniques have been used in this study. In this section, the major individual techniques employed will be briefly examined under the general headings of primary and secondary data collection techniques.

6.2.1 Primary Data Collection Techniques.

Data may be described as "primary" when it has been obtained by the researcher first hand from a sample population. The major primary data collection techniques employed in this study, described below, are questionnaires, interviews, and observations.

6.2.1.1 Questionnaires.

These are among the most widely applied techniques of social research. I used them in my study mainly to indicate broad demographic profiles of the kinds of firms and owner-managers covered in my field-study. My questionnaires were self-completion ones. However, owing to the relative underdevelopment of the Nigerian postal service, I personally had to distribute and collect each form, rather than have them posted.

The major advantages of using questionnaires would appear to include, among others, having a potentially wide geographical coverage; standardizing questions (to eliminate internal bias), and guaranteeing respondents' anonymity (thereby increasing the chances of obtaining truthful answers). Piloting can also be done in order to obtain the most effective

wording and targeting of the questionnaire.

There are further advantages in administering the questionnaires personally, the way I did. For instance, I was able to explain the objectives of the survey to the apparent satisfaction of the respondents, and provide such other help as was required of me³²⁷; I mostly met the respondents at their work-places, thereby eliminating the problem (as stated in Moser & Kalton 1971:258) of the respondent not being around when the surveyor, as it were, calls.

This being a self-completion questionnaire, respondents are given time to consider their opinions before giving them, which can be particularly beneficial when they have to remember dates, figures or mentally weigh their attitudes. Finally, especially in cases where there is relatively little contact between the surveyor and the respondent, some respondents are more willing to answer personal questions and provide more critical comments on a self-completion questionnaire, away from the gaze of the surveyor³²⁸.

The questionnaire method of data collection is not without its disadvantages: A major one being its inflexibility. One ordinarily cannot probe an ambiguous or reticent answer once the questionnaire is filled in and returned. Yet intuition suggests that on most issues, some people will have stronger or weightier opinions than others, none more so than in questions of attitude. As Ackroyd & Hughes (1992:165) express it,

³²⁷ cf. Ognibene (1970:18). This fact is reflected in the response rates achieved by the study. The pilot survey in January 1994 achieved a 100% response rate. While the actual study can lay no such claims, I should mention that the overall response rate of 56.11% which it does achieve, could have been higher but for the socio-political tension in Nigeria, which has been simmering since June 1993, and escalated at various points during 1994, making it impossible to reach some respondents for the return of the questionnaires. A summary of the crises' impact on the field-study is provided in section 1.7 above.

³²⁸ Moser & Kalton (1971:258); Hoinville et al (1978:125).

"unless we let [respondents] speak for themselves, and go to considerable lengths when doing so, we will always distort the way they actually think. By the use of questionnaires in particular, we may be foisting on respondents attitudes on subjects about which they have very little concern, or tying their answers to specific alternatives on subjects where their opinions are very subtle indeed"³²⁹.

This particular issue has however been dealt with here by the backing up of each completed questionnaire, at the point of reception, by a face-to-face interview structured around the questions asked in the questionnaire, during which any apparent ambiguities were discussed³³⁰. This exercise has also eliminated the need to discard any questionnaires because of response error.

A further disadvantage is the time a questionnaire survey of the sort that I conducted can take. Not only are they subjected, as are all self-completion questionnaire surveys, to the time lags that can occur while one waits for an "acceptable response rate"³³¹ to be reached, in my own case, I had to personally hand out each questionnaire, answer all attendant questions that each respondent had for me, and follow-up the progress of each questionnaire by personal visits. Doing this by telephone was largely impossible as the telephone is not yet a commonly available (and efficiently run) service in Nigeria. These certainly slowed the process. However, many of the follow-up visits, even when not actually producing the questionnaires, produced several insightful conversations useful for the development of the ethnography and so were ultimately not a waste of time.

Other disadvantages of the questionnaire method have to do with a lack of knowledge

³²⁹ Brackets mine. cf. Reisman (1958:360) "coverage and comparability [of questionnaires] mean that the same questions will be asked of those who are virtually "know nothings" and those who could write a book on each theme".

³³⁰ See Appendices Dii and Eii for a schedule of the interviews.

³³¹ According to McNeil (1990:40-41), this would be a response rate of at least 30% - 40%. In fact, this study achieved an overall response rate of 56.11%. How this was done is explained in section 6.5 below.

about the respondent's circumstances at the time of answering the questions which could have affected the quality of the answers supplied³³², or even whether it was the intended respondent that actually filled in the questionnaire³³³. Various authors have suggested ways in which the design and layout of the questionnaire can be manipulated to minimize such effects³³⁴. Others, like Ackroyd & Hughes (1992)³³⁵ argue from a more philosophical standpoint, to the effect, first that data emanating from surveys ought to be viewed as indicative, and not definitive evidence, and secondly, that in order to be viewed more as the latter, they ought, where possible, to be supplemented with other kinds of data, especially about the social life (or "life world") under investigation. However, while it might be safe to assume that all researchers are keen to eliminate sub-standard research, it is unlikely that researchers inherently favouring the survey method will be willing to accept this recommendation, which appears to call into question the use of the method as a whole. Nevertheless, this has been done here, although in this case, it is the survey which has been used to supplement the other methods on which greater reliance has been placed. Bateson's (1984) recommendation that psychologists be more involved in studies aimed at discovering conditions which are more likely to elicit reliable data from respondents may be more welcome in theory, but of course carrying this out in practice, in the light of what is known

³³² I have in mind here Agnew & Pyke's point that "on a questionnaire, we only have to move the pencil a few inches to shift our scores from being a bigot to being a humanitarian". This sounds rather dramatic, but the point remains that based on a questionnaire response, respondents may end up being classified as something they are not simply because they, and the questionnaire designer have attached different meanings to a question wording, with no opportunity for clarification.

³³³ Hoinville et al (1978:126-127) contains examples of such instances.

³³⁴ See for instance Billet (1991:66-80); Easterby-Smith et al (1991:119-121); Robson (1993:243-250); Marsh (1984:97-98).

³³⁵ cf. Bateson (1984)

about some of the limitations of the questionnaire method, and surveys in general, would be a difficult exercise indeed.

6.2.1.2 Interviews.

A research interview is one in which a researcher asks a respondent questions concerning issues relevant to the research. Some writers have proclaimed it the "best method" of data collection³³⁶. This might be a contentious assertion but it certainly is one of the most important sources of case study information³³⁷, finding particular application with sociologists. It would appear to be best employed when a considered opinion is sought in response to a question or when a particular response needs further clarification. As Burgess (1982:107) puts it:

"[The interview provides an]... opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to serve vivid, accurate, inclusive accounts that are based on personal experience"

It is this ability to probe for new insights that distinguishes interviews from, say, open-ended questionnaires.

In an oft-quoted paper, Benny & Hughes (1984) have stated that two underlying assumptions characterize the interview. The first is the "fiction or convention" of equality of the interviewer and the respondent, at least for the duration of the interview. By this they mean that any apparent inequalities, such as in age, status, or intelligence, must be minimized. Interviewers are not enjoined to act ignorant, but rather to demonstrate just

³³⁶ cf. Easterby-Smith et al (1991:72).

³³⁷ Yin (1989:88)

enough knowledge to direct the interview³³⁸. Respondents ought to be allowed to freely state their views without "denial, contradiction, competition or other harassment"³³⁹.

The second assumption is that of "comparability" in which the authors argue that a single interview, by itself has no meaning, unless viewed in the context of other interviews in which similar issues have been discussed. This, it ought to be said, is not necessarily the case in all interviews, however, in certain interviews, it is necessary to view information obtained as social variables, as opposed to details about the respondent. It would subsequently be necessary to focus on those aspects which are generalizable across a range of interviews³⁴⁰.

There are various types of interviews, often classified according to the degree of standardization of the format and content of the questions asked. The four types of interviews adopted here, in decreasing order of standardization, are structured, semi-structured, focused, and unstructured interviews. At various times during my fieldwork, I found it useful to adopt each of these techniques.

In a *structured interview*, the interviewer is permitted little room to vary the format or content of the interview from one respondent to another. This is so it cannot be said that responses have been affected by the framing of the question. This technique is commonly employed in statistical surveys, but not as much in field research. Having said that, I adopted it myself in an *ad-hoc* survey of buyers from one of my case subjects³⁴¹. I used that method

³³⁸ cf. Burgess (1982:107).

³³⁹ Benny & Hughes (1984:219-220).

³⁴⁰ cf. Jones (1985:107).

³⁴¹ See appendix A, case 4. The interview schedule referred to here is contained in appendix F.

at the time because I only needed to indicate a fact, not probe an opinion, and it was relatively cheap to set up, required a minimum of time and effort, and did not significantly distract from my main observation-based study of the firm.

A *semi-structured interview* arguably covers the widest area between the two extremes of the structured and unstructured interview. Here, the interviewer is likely to be following a set list of questions but is free to probe beyond them as long as he feels necessary. How deep the probing is, and how long it goes on for depends on how willing the respondent is for these to occur. I adopted this method in my interviews with public officials and members of the OPS, most of which tended to be formal and pre-arranged. I also adopted it on a number of occasions with the principal subjects of my case studies, in particular for the formal interviews which I conducted with them, usually in their own homes.

The *focused interview* shares many similarities with both the unstructured, and the semi-structured interview. For instance, like the unstructured interview, it may adopt a conversational mode³⁴²; And like the semi-structured interview, it may involve interviewing from a set pool of questions³⁴³. The focused interview differs mainly in the amount of control exercised by the interviewer. The respondent is left with plenty of freedom to move the discussion as suits his desires.

Burgess (1984) provides an apt illustration with respect to interviewing a group of school children:

"Before each interview began, I explained that I had an "agenda" of topics that I wanted to cover. However, I indicated that there was no requirement for us to cover all my topics and themes in one session nor to cover these topics in a particular

³⁴² Merton & Kendal (1951).

³⁴³ Yin (1989).

order"³⁴⁴.

I sometimes applied this method in the field whenever I unexpectedly came across an informant. This generally applied to "unofficial" border personnel, some hawkers and other traders, and in particular traders and officials outside Nigeria. I also used the method to accompany my questionnaires.

The *unstructured interview* has been described as "conversations with a purpose"³⁴⁵. It is particularly favoured by ethnographers, and a large part of its appeal is that it can be conducted as an ordinary, informal conversation³⁴⁶, although this is not always necessarily so³⁴⁷. This is a method that I employed with virtually every informant that I encountered at one time or another during my field-study. It was a particularly useful tool for my case studies when interviewing my principal respondents' subordinates, (occasionally) family members and other associates, as well as border officials.

The questions in an unstructured interview generally are descriptive, as part of its purpose is to assist respondents explore their own beliefs³⁴⁸. It is however more than a mere conversation. Directing such a "conversation as interview" while introducing ethnographic elements requires rigorous preparation and a high level of alertness on the part of the interviewer who, sometimes, would need to generate both questions and answers from respondents, or be aware when a respondent has provided these³⁴⁹. This is an important

³⁴⁴ Burgess (1984:107).

³⁴⁵ Burgess (1984:102).

³⁴⁶ Spradley (1979); MacGaffey (1987).

³⁴⁷ Hammersley & Atkinson (1983).

³⁴⁸ Easterby-Smith et al (1991:74)

³⁴⁹ cf. Spradley (1979:84).

aspect that is likely to confront several ethnographers early on in the field. After my principal customs informant first introduced me to her colleagues in their offices at the Nigerian/Beninoise border at Idi-Iroko, getting to know them well enough to hold "conversations as interviews" was a slow process indeed. They have a very low reputation with cross-border travellers generally, a fact of which they are well aware. They therefore tend to be quite defensive in answering questions about their jobs, or even their perceptions of their own roles in the trade. Because they soon got used to my visits, I was eventually able to do some initially discreet observation. Most of the information they did give was either unwittingly supplied or as a result of interviews started by chance. On an occasion for instance, following the usual small talk, an officer remarked that he would be doing no "favours", on that day, for people importing vehicles into Nigeria. This provoked a reaction from two other officers, and what followed was a debate that provided insights into their perceptions of their jobs, and their day-to-day dealings with cross-border traders.

There are some problems with the interview method, many of which centre around the validity or reliability of the data obtained from it.

I was aware, in carrying out my interviews that certain respondents like to "suss out" the interviewer, and this, at least in the initial instance, may affect the quality of their response. They may refrain from fully speaking their mind, or otherwise expressing their opinion³⁵⁰. McClelland's (1965:89-92) study on achievement motivation indicated that people cannot be trusted to be entirely forthcoming about what their motives are. What I did to minimize this with each of my case respondents in particular, since I conducted multiple interviews with them, was to sometimes seek clarification for views earlier expressed. Some other times, I would merely rephrase certain questions previously asked in order to establish

³⁵⁰ Whyte (1991:104); Easterby-Smith (1991:76-77).

the reliability of the view expressed. I would say to a respondent, words to the effect of "You said [this] the last time. Can you please explain further what you meant?". People generally seemed happy with this approach, as it showed that their views and opinions were being taken seriously.

It is important that the respondent is "broadly" representative of a category of persons. I tried to deal with this by selecting my case respondents from my survey population, representing every category of respondent.

Being Yoruba from Western Nigeria, my understanding of the language and culture was enormously advantageous for the conduct of the interviews, and indeed various other aspects of the study³⁵¹. I mostly conducted my interviews in Yoruba, English and Pidgin English. These are by no means an exhaustive list of languages spoken throughout South-Western Nigeria (or in Ghana, Togo or Benin Republic, for that matter) but remarkably, most people involved in commerce right across all these places have learnt one or more of these languages, in particular Pidgin English, as a second language³⁵². I only occasionally needed to use interpreters, and this tended to be restricted to particular situations in Togo and Benin Republic. As time went on, I learnt to hold "discussions" with traders, border personnel, and other people on the ground, and request "interviews" with academics, the OPS, and public officials. I expunged the word "customer" from my questionnaires and learnt to interpret it in context after realizing at the piloting stage that traders freely use the

³⁵¹ cf. Deutscher (1984:233-234).

³⁵² Having said that, the Yorubas are the largest ethnic group in South-Western Nigeria, and there are significant numbers of Yoruba communities right across West Africa, particularly in Ghana and the Republic of Benin. Pidgin English has virtually evolved into a language by itself, based essentially on the English language but also incorporating words and phrases or a recontextualization of such from Yoruba, Hausa and Ibo, as well as other words created for the exclusive purposes of the language.

word to represent not only buyers, but their suppliers as well, and this can occur in the same sentence.

The interview is, in conclusion, not *the* perfect method, but to my mind (having benefitted from various data collection techniques), its ability to maximize the richness of data constitutes a "large and significant gain" over unalloyed quantification for the purposes of this study³⁵³.

6.2.2 Secondary Data Collection Techniques.

Data is defined for the purposes of this study as "secondary" when it has not been obtained first-hand by the researcher but is already in existence at the time he comes to use them. It would normally have been produced for use other than the researcher's. They sometimes have the advantage of having been produced from a census of the entire population or from large samples well beyond the resources of the individual researcher.

One may also choose to carry out a further analysis of an existing data set for the purpose of reaching an additional, or different conclusion from the original report. This process is sometimes referred to as "secondary analysis"³⁵⁴.

The most obvious examples of secondary data in this study are the publications referred to at various points in the study on areas such as export behaviour theories, patterns of Nigeria's external trade, entrepreneurship theories, research methods, and so forth. Because each of these areas is so wide in itself, attention has been primarily paid to them, only in so far as they directly affect this study. Reliance has also been had on other pre-

³⁵³ Ackroyd & Hughes (1992:119).

³⁵⁴ Bulmer (1984:134); Robson (1993:282).

existing sources including newspaper reports, maps, news magazines, and an internal report from one of the case subjects³⁵⁵.

In referring to statistical records from Nigeria, particularly on patterns of external trade, I have relied mainly on the following:

(i) The Federal Office Of Statistics Review Of The Nigerian Economy 1992 (1993).

(ii) The Annual Abstract Of Statistics (1991 edition).

These were the latest and most comprehensive data on the Nigerian economy, published by the Federal Office of Statistics, Lagos, as at August 1994.

The relative dearth of statistical records is a point referred to elsewhere in this study³⁵⁶. Indeed, it is one of the reasons why more studies of this nature need to be carried out in Nigeria.

6.3 Towards A Reflexive Ethnography.

I commenced my study with a positivist frame of mind. In the early days of preparing to leave for the field, my main concern was whether I would be able to obtain enough "data" to carry out my analysis. I worried considerably over this, and studied various research techniques texts.

I had my first major doubts about this approach even before I left for the field when, turning to the literature on West African trade history and related issues, I realized that the various local actors that the study would touch on had more complex relationships with one

³⁵⁵ that is, case 6.

³⁵⁶ See section 1.1 . Ajakaiye (1985:267-268) illustrates some of the difficulties of obtaining comprehensive, or up-to-date secondary statistical data in Nigeria. cf. MacGaffey (1987:7-8) for similar experiences in Zaire.

another than a casual glance might suggest. Amidst their expressed unity of purpose (development of external trade), there is such diversity of action by the local actors that cannot be adequately represented or discussed in questionnaires. This was ultimately borne out in the field. I attempted to fill the gaps, as it were, with my focused interviews, but I was always conscious of a need to see the arena as the traders themselves saw it, and to actually see the traders do the things they said they did.

The literature eventually led me to various anthropology-based approaches, which seemed to me to be capable of providing the kind of insight that I sought. I then committed myself to an actor-oriented approach to the field-study, but in fact remained quite unaware of the epistemological difficulties that this would present.

On getting to the field, I began to ask myself why, if as most of the actors said, they were doing their best to develop the trade (or at least their bit of it), did they think the other actors were such saboteurs? Why, for instance (following my exploratory interviews), did cross-border traders seem so inherently suspicious of the government's every trade policy? Why did they take such risks with their finances, health and even personal liberty? How did they physically carry on the trade anyway? What made them continue to pursue this trade in spite of seemingly overwhelming environmental odds? Why were they so dismissive of the trading activities of the "organized private sector" (OPS)? I felt that in order to provide answers for questions like these, I needed to see the social arena as the traders themselves saw it. It was imperative to enter the lifeworlds of these actors at the basic everyday level in order to get a clear picture of the daily struggles, decisions and negotiations which their existence entail. It would have been easier, but far less revealing, to seek explanations in terms of personality types or "strictly" rational arguments, because this would have meant glossing over the complexities of the situation.

Each of the local actors has a contrasting view of the "reality" of the social arena. I will briefly illustrate this with the following: The cross-border traders for instance tend to see themselves as oppressed by government agents, and envied by the OPS; The government believes it strikes the right balance between issuing populist trade policies, and complying with the particulars of the world bank-supported SAP; while the OPS is of the view that the government is not doing enough to provide industries with necessary infrastructural support, and that local traders, and cross-border traders in particular, siphon its potential export "profits". It wants a market economy of the kind run in Western Europe and the USA, so long as these are liberally spiced with doses of government subsidy and import protection. It is hardly surprising, then, that notions of structural adjustment, state assistance, external trade, entrepreneurship, and so forth, are differently constructed by each of these groups.

Being allowed into the local actors' lifeworlds, although ultimately fruitful, was not easily attained. As previously mentioned, seven businesses are featured in my ethnography. These include one MNE (*case 7*), one family-owned medium-scale manufacturing firm (*case 6*), two other owner-managed manufacturing (*cases 4 & 5*) and three trading firms (*cases 1-3*). The development of my ethnography was dependent on my ability to develop relationships with certain key informants without whom access to other local actors would have been considerably more difficult.

For instance, I initially met the chief executive of the MNE quite by accident in a social setting after several unsuccessful attempts to proceed through official channels. I was thereafter granted unfettered access to the company's offices, factories and personnel. On another occasion, after several fruitless trips to Oshodi market in Lagos, I found out I was not making any significant progress with the traders because I had not obtained "clearance" from the *Iyaloja* (market womens' leader) who was greatly influential in the market, a fact

of which I had not been aware, and which is not an official requirement. This I eventually did however, and once I was able to demonstrate this to the rest of the traders, as well as show that I was not from the police or the local council, they freely talked. In fact, many of them seemed to relish our meetings. Quite unexpectedly, some of them were willing to talk in some detail about their finances, although in several cases it took up to two months for us to get that far.

A typical day started at about 6 a.m because traders have such early starts to the day. I would normally spend the first two or three hours attending to the statistical survey that I was carrying out. Thereafter, it was on to the government departments or parastatals, banks, and such other bodies for scheduled interviews or to obtain secondary data. I would then split the rest of the day between two or three "informant" individuals and/or firms. I would also spend the evenings after tea-time with informants, although these were not necessarily in a working environment. I frequently worked seven day weeks, although Sundays were spent more relaxedly conducting (mostly taped) interviews at informants' homes³⁵⁷.

I have no doubt that I impacted on my informants' lifeworlds, and that they did on mine. I know I directly, though often unwittingly, affected the decision making process of some of my informants on occasions, just as I know I was heavily dependent on them for gaining certain insights into the cross-border trade. I may have thought I was the one enrolling them into my ethnographic project, but there is no doubt that I was more or less enrolled into theirs as well, and this mutual enrolment helped shape my ethnographic text.

³⁵⁷ While I did in fact have days like the preceding account depicts, it is more accurately described as a composite of field experiences that I routinely had while in Nigeria, as certain days were unavoidably different. Sometimes, for instance, I travelled to the border posts, or even beyond; sometimes interviews or particular events overran or were cancelled. Occasionally, I was ill or took the odd fatigue-induced weekend break from the field. The political tension in Nigeria, especially in July and August 1994, sometimes affected previously laid plans.

This is why I term my ethnography "reflexive"³⁵⁸, and I am of the opinion that the accessing of each others' lifeworlds by the researcher and researched influences the research process beyond the actual field study and analysis stage.

Back from the field, I was forced to start to think of the mass of information I had obtained in analytical form, for instance, producing a working model of the cross-border trade from my experiences and the accounts of various local actors that I had interacted with for a period of eight months. I wondered how ethical I was to have "allowed" personal experiences in the field to impact on my ethnographic analysis and found reassurance in the literature on interpretive forms of understanding. Previous accounts of ethnographic projects such as those of the various contributors to Hobbs & May ([eds.] 1993), and others, such as Caplan (in Oakley & Calloway [eds.] 1992), Rapport (1991) as well as the social construction ideas of Shutz (1967), Strauss (1978), Steier (1991), Denzin (1989), and others, comfortably reassured me that my field trip had been a useful exercise. Frederick Steier, in particular, argues persuasively that social research be looked upon as a "translation process" for field experiences, and Norman Denzin continues in the same vein with arguments about the analytic strengths of what he calls "interpretative interactionism"³⁵⁹, a six-step process of social analysis which starts with framing the research question, and then proceeds to the deconstruction, capture, bracketing, construction and contextualization of various field experiences, from which generalizations, themes or hypotheses may be built up.

Cohen (1992) takes the point about reflexivity of ethnographic studies slightly further in his article about nineteen years of fieldwork done in the Shetlands. He argues that

³⁵⁸ as opposed to, say, "critical" which appears to me to be more suited to action research in the sense that such an ethnographic approach seeks to change the field or cultural setting which it describes. See further Thomas (1993).

³⁵⁹ closely related, for most practical purposes, to symbolic interactionism.

continuous extraneous experiences as well as ethnographers' memories unavoidably colour the analysis and writing-up of our fieldnotes, but that this is a natural process, and not "bias". He terms this process "post-fieldwork fieldwork". In his view,

"It is in the nature of anthropological analysis and writing that our headnotes³⁶⁰ continue to develop and to construct our informants long after we have ceased to observe and consult them"³⁶¹.

No matter how immersed we become in the lifeworlds of our informants, it is our duty as researchers, whether or not in practice we are able to fully detach ourselves from our field experiences³⁶² to stand back and reflect upon our experiences and information, and provide a conceptual analysis for our audience. In this way, we help shape a less ethnocentric idea of field "reality". The resulting ethnographic text, to quote Hans Seur, "... is more than an interpretative performance. It is the product of analytical work which is expressed in its thematic organization into chapters and sections and through the construction of the argument. It does not only describe a set of relationships, it also intends to say something, to provide illumination on aspects of social life that belong to a reality which the ethnographer has had the opportunity to be part of, but which after all is not his own"³⁶³.

³⁶⁰ defined for our purposes here as reconstructions from memory of field events or experiences.

³⁶¹ Cohen (1992:345). cf. Oakley (1992:17); Davis (1984:304).

³⁶² as wonder Stebbins (1991) and Gallmeier (1991).

³⁶³ Seur (1992:79).

6.4 The Actor-Oriented Paradigm.

As a research philosophy, the actor-oriented approach is more phenomenological (that is, proceeding from a world view that "reality" is socially constructed)³⁶⁴ than positivist (that is, proceeding from a world view that reality is external and objective)³⁶⁵, although it is recognised that in practice, elements of both philosophies are often adopted³⁶⁶.

Although not fully presented in theory form as a research approach until relatively recently, the actor-oriented paradigm, along with others, has been in employment as a counterpoint to structural (that is, externally focused) analysis since the 1970s³⁶⁷. Therefore, it is by no means a novel idea³⁶⁸. Certainly, researchers from several disciplines, including interestingly enough, some from economics, dissatisfied with the dominant theories of underdevelopment, have been advocating for such an approach in economic development studies since the hey-day of these structuralist approaches in the 1960s³⁶⁹.

An actor-oriented approach is not to be confused with action-research. While the latter may be said to provide a methodology for the design and implementation of action

³⁶⁴ Shutz (1967). cf. Easterby-Smith et al (1991:24).

³⁶⁵ Aiken (1956); Marsh (1984). cf. Easterby-Smith et al (1991:22).

³⁶⁶ Halfpenny (1979); Wallis (1977). cf. Robson (1993:18-20); Easterby-Smith et al (1991:25).

³⁶⁷ see Long (1977b); Ortiz (1973); Giddens (1987:73-108).

³⁶⁸ Mitchell's (1983) discussion of the usefulness of "social situations" (situational analysis) and the extended case study method for purposes of theoretical analysis, for instance has strong actor-oriented connotations.

³⁶⁹ See further Hill (1963a); Long (1968); Moerman (1968); Mitchell (1969).

programmes usually aimed at ameliorating certain social ills or disadvantages³⁷⁰, the former, more broadly, provides a useful conceptual framework for the analysis of societal issues, possibilities of change, and possible strategies for action. According to Norman Long, "it is concerned primarily with social analysis, not with the design or management of new intervention programmes"³⁷¹.

He says further

"The essence of an actor-oriented approach is that its concepts are grounded in the everyday life experiences and understandings of men and women, be they peasants, entrepreneurs, government bureaucrats or researchers"³⁷².

Such an approach, I believe, recognizes the "multiple realities" in any given environment which is necessary for us to be able to understand just how different social actors, with seemingly incompatible world views interpret various patterns of social change and economic indicators, and how through a series of negotiations and accommodation, these actors all end up contributing to their communities' economic development, albeit by playing separate and distinct roles. The actor-oriented approach, being interested in the daily struggles of human existence, will not necessarily count the beliefs, experiences and expectations that actors bring to conversations, interviews and other parts of the research as "bias" against them. In the main, it merely wishes them to be truthfully recorded. Afterall, these are the very things that shape their life-worlds.

³⁷⁰ As Winter (1987:88) put it, "Action research... has as its central feature the use of changes in practice as a way of inducing improvement in the practice itself, the situation in which it occurs, the rationale of the work, and in the understanding of all these". It is normal practice for this form of research to include the active participation of the research in every stage of the study from the research proposal and design to the implementation of its recommendations. cf Whyte [ed.] 1991; Clarke 1976.

³⁷¹ Long (1992c:271).

³⁷² Long (1992a:5).

In carrying out my fieldwork, I did find the actor-oriented approach to research practice to be time consuming, and there is always the possibility that one may accumulate a series of unnecessary or unwanted data through which painstaking analysis may be required to extract relevant data³⁷³. Some other times, I obtained information, the sociological significance of which did not dawn on me until much later when I was able to interpret it in the wider context of my ethnographic text³⁷⁴. On the positive side however, it aims, first, to avoid the empiricist (or positivist) trap of believing that one can simply describe the "reality" of social life, and secondly, to reveal the interplay between strategic action and social meaning³⁷⁵. The results are data, rich in content, and providing an insight valued particularly by policy planners and implementors, which conventional surveys are not always able to provide.

³⁷³ Hans Seur's restudy of the social responses to agricultural change in a rural Zambian community for instance involved persuading some local actors to comment on his (i.e Seur's) findings and analyses, and drawing upon these to operationalize later aspects of the study (Seur 1992:124-127). I had somewhat similar experiences in the sense that after each cross-border trip I made for instance, I would present a picture of the mechanics of the cross-border trade to the "informant" trader that I had made the trip with (and sometimes to others as well), and discuss the technicalities of the trade with them. It helped for a fuller understanding of the events around me, and also helped me to look out for particular events or activities in subsequent trips. Specific methodological limitations of an actor-oriented approach to the study of entrepreneurship are discussed in chapter 4 of this study.

³⁷⁴ cf. Oakley (1992:17) "we cannot write down knowledge at the time of experiencing it".

³⁷⁵ Long (1992c:268).

6.4.1 Participant Observation.

This is the method on which reliance has largely been placed for the gathering of primary data in this study. As the central aim of this study has to do with describing, for analytical purposes, the actions and behaviour of cross-border traders, a natural and obvious technique of obtaining "data" for interpretation and analysis is to watch what they do. However, as Shutz (1967) points out, the observational field of the social scientist has a specific relevance and meaning (what we call the "social reality" or "life-world") to the persons living, or otherwise acting in it. This of course accords with actor perspectives which view the social world as involving subjective meanings and experiences constructed by participants in social situations. Participant observation is thus a pre-eminent tool of the actor-oriented approach. The meanings of the experiences of the observed are explained through the experiences of the observer. It is the interpretation of these "meanings and experiences" that provides the first-hand data we seek, and this can only be achieved through participating with the actors involved.

The participant observer's role is not one of bland or idle watching. In fact it is anything but. In participant observation, unlike other methods, the observer, not some external object, is the research instrument, and as Lincoln & Guba (1985:195) warn "an extensive background of training and exposure" is required to be undertaken by the researcher even before the field observation commences. Participant observation measures its validity in terms of access gained to the informant's knowledge and experiences. It seeks to understand not only what appears to be the more extraordinary features of the phenomenon under study, but also the seemingly mundane parts of it, which in any case, is frequently

where the most revealing bits of research information are to be found³⁷⁶.

Once in the field, the participant observer should aim to establish some role within the group. This goes beyond mere physical presence. It also involves entry into the "symbolic" world of the observed through their use of language and non-verbal communication, and so forth³⁷⁷. The observation should ideally, by a "logic of discovery" result in theory formulation or testing³⁷⁸. Where it is theory building, such theories must be well grounded in concrete human realities³⁷⁹. Participant observation is then useful as a flexible, open-ended method which is able to respond to different, as well as changes in field events and persons, as is normal in human interaction.

Howard Becker (1969:245) aptly surmises the participant observer's field tasks as follows:

"The participant observer gathers data by participating in the daily life of the group or organization he studies. He watches the people he is studying to see what situations they ordinarily meet and how they behave in them. He enters into conversation with some or all of the participants in these situations and discovers their interpretations of the events he has observed".

A rudimentary analysis of data may take place simultaneously with the gathering of data. This, in my experience, is mainly to help shape future developments of the study.

The participant observer is unlikely to be freely given access to most lifeworlds. It usually has to be earned, and it is not unusual for the researcher to be put through all manners of difficult situations, and even then access is not a certainty³⁸⁰. In my own case,

³⁷⁶ cf Silverman (1993:30).

³⁷⁷ cf. Robson (1993:194-195).

³⁷⁸ Jorgensen (1989).

³⁷⁹ Glaser & Strauss (1967).

³⁸⁰ as Lee's (1995) experiences in Northern Ireland demonstrate.

I endured all manners of teasing, gawking, intensive querying about my motives, and other tests, before being granted audience, particularly by public officials. But this diminished somewhat as the study progressed. I quickly became used to signing multiple forms and waiting for long periods in order to see and talk to certain people, usually, senior public and OPS officials. I tried to keep this to a minimum by scheduling interviews with such actors at the start of the day when lunch, prayers, and previously forgotten appointments were less likely to interfere with the my talking with them. Access was generally easier with people on the ground, and even more so when I got tired of explaining what a doctoral thesis meant, and simply said I was writing a book about them.

Some of the most repeated criticisms of the participant observation method have to do with the fact that the researcher, merely by being present at the setting affects the behaviour of the observed; And that the researcher's social characteristics cannot only affect the level of access he is given but his interpretation of the material obtained. These particular issues do not seem to me to be peculiar to participant observation. It seems to me that any form of organizational research, or any research project employing the use of detailed interviews is potentially at risk from these same things. Particularly, with representativeness, it needs to be said that with the exception of an actual census, the representativeness of most other samples can be questioned to some degree, as opinion polls and "market research"³⁸¹ data have illustrated in the past.

The participant observation method has also been criticized for its non-objectivity, and lack of generalizability. However, participant observation counts its subjectivity as a strength,

³⁸¹ Kotler (1988:380) contains a list of marketing blunders following a period of "market research". cf. Elvy (1982:30-37).

and does not pretend to be anything else³⁸². In my view, symbolic interactionism and such other social constructionist (or life-world) models most closely associated with participant observation require an interpretative approach to their understanding. As constructed realities tend to vary from group to group, the methodology for their understanding ought to be flexible enough to accommodate these shifts. The participant observation method does this, hence its "subjectivity". However, to insist on "blind" objectivity in these situations is to put the researcher in the unsatisfactory position of having to analyze life-worlds that he probably does not understand.

Participant observation does not claim universal applicability either. It may offer the most complete information about concrete social events³⁸³, but it is obviously not very practical for documenting most kinds of frequency data.

In this study, participant observation has enabled me by watching, listening, asking and participating to see why and how cross-border traders take certain decisions. It is what made it possible to see how they negotiate with other local actors in order to maintain a form of stability in the market place.

Participant observation may take any of several forms in the field, each determined by the levels of participation and covertness. The classic theoretical categorization of field observation, in increasing levels of participation, as stated by Gold (1969)³⁸⁴, are as follows:- complete observer, participant-as-observer, observer-as-participant, and complete

³⁸² Adler & Adler (1987); Jules-Rosette (1975).

³⁸³ McCall & Simmons (1969:341).

³⁸⁴ This categorization was itself adopted from earlier work done at the University of Chicago by a research team of which Raymond Gold had been a member.

participant³⁸⁵.

For this study, I adopted, principally, although not exclusively, a participant-as-observer approach³⁸⁶. For example, while travelling with any of my case subjects, I would alternate between being a participant-as-observer, and a complete observer, depending on the situation. In order to get a chance to talk to currency traffickers inside and outside Nigeria, it was necessary to become a "complete participant". Access would have been denied otherwise.

6.4.1.1 Complete Participant.

The complete participant role involves the observer concealing the fact of the observation, acting as naturally as possible and seeking to become a full member of the group. It has been used to study aspects of deviancy and criminology³⁸⁷. Ricken (1969) contains an account of a study employing this technique in which he, and two other colleagues³⁸⁸ infiltrated an apocalyptic group. Justification for the researchers' covertness was sought in the fact that they did not want to affect the behaviour of the group members they were studying.

³⁸⁵ Variations of these themes exist in various texts although they refer, essentially, to the same phenomena. See for example Adler & Adler (1987); Easterby-Smith et al (1991:96-101); Robson (1993:196-198); Schwartz & Schwartz (1969:96-100).

³⁸⁶ that is, more participant than observer. Further explanations are provided in section 6.4.1.2, below.

³⁸⁷ Adler & Adler (1987).

³⁸⁸ The other colleagues in the well-known study are Leon Festinger and Stanley Schacter. A full account of the study has been published as *When Prophecy Fails* (1956) Minneapolis, University of Minnesota Press.

This technique appears to be becoming an increasingly rare method of data collection. It is no wonder, given the amount of criticism it endures both for its ethical implications and technical limitation.

On the ethical side, the critics do not mince words. The covertness of the approach is deemed improper. Kirby & McKenna (1989:78) put it plainly thus: "Research from a covert or manipulative perspective is not generally acceptable". In Robson's (1993:196) view, it is "indefensible". In Easterby-Smith et al (1991:98), the authors recall a previous study in which one of them (Richard Thorpe) had adopted a complete participant role, later developing misgivings about "deceiving" his research subjects who had also become his friends. The authors do not report however how this affected the data collection and analysis. Even Gold (1969:34) finds it "difficult to justify", although in reality, it is difficult to see how else such a closed organization could have been researched.

On the technical side the Ricken study itself provides an illustration. Ricken (and colleagues) had stated that they adopted the complete participant role so as not to influence the "conviction or commitment" of their research subjects but admitted that the method failed to achieve this particular "unrealistic goal"³⁸⁹. In the course of the study, they felt that they actually ended up enhancing the morale of the group, one of them even being asked to lead a group meeting.

Secondly, the complete observer role prevents the observer from applying some other tactics that "naturally" accompany field observation. For instance, the covertness of the role will prevent the researcher from carrying out formal or extended interviews or even from following spontaneous leads with a line of "conversations as interviews" without a serious risk of revealing his identity.

³⁸⁹ Ricken (1969:42).

Finally, there is a risk that the researcher becomes so immersed in the role of complete participant that he "goes native" (that is, loses the research perspective of being in the field) and finds it impossible to analyze or report his findings; Or the observer may become so fixated with concealing his identity that he is unable to adequately carry out his pretended role. Gold (1969) recommends breaks from the field so researchers can have a period of introspection and analysis in order to counter these.

Not all researchers however share the view that going native is a hinderance. In Jules-Rosette's (1975) study of religious conversions (she was herself converted and baptized), and Hayano's (1982) study of poker players (he turned "professional"), both authors felt that "going native" was in fact fundamental to the success of their studies; Hayano (1982:155) stating categorically that only "full, complete, long-term immersion, even communion" could help him interpret the life-world of the professional poker player, although for a time, he reported feeling more comfortable at a cardtable than in the classroom, or indeed, any other place; A feeling that only began to diminish when at the end of the fieldwork, he withdrew finally from the setting.

6.4.1.2 Participant-as-Observer.

As mentioned earlier, this was my principal field observation technique. I used it because it was the method that naturally presented itself to me. It was not exactly pre-selected although I was quite aware, going into the field, that I would need to use some form of participant observation whilst I was there.

This technique demands the fact that the observer is an observer for research purposes be made clear at the start. This frees the researcher not only to observe, but also to converse

with informants, asking them to explain various aspects of what is going on. He is also free to move around the organization or group being studied, as the unfolding data dictates³⁹⁰.

In order to perform these tasks successfully, it is imperative that the researcher obtains the trust, at the very least, of key members of the observed group. This takes time³⁹¹. In one of the firms I studied (*case 4*) the Chief Executive Officer (CEO) had permitted me to carry out my observations in his firm but seemed personally reluctant to answer my questions himself. The effect of this, I felt, was beginning to trickle down to the rest of the staff. By chance, he mentioned one day in passing that he had been on a "work for yourself programme" (WFYP)³⁹² some years earlier. It was when I said in reply that I was somewhat familiar with the programme, that, from my point of view, we had our first "real" discussion, and I was able to build a rapport with him. Access became much easier after that conversation. The firm's factory and offices were in the same building so without great difficulty, I was able to witness the production process, meetings with suppliers, interview workers informally, help carry out sales to their buyers, interview the CEO and his wife (the Deputy CEO) both formally and informally a number of times, and so forth. When, about six weeks later, I needed to carry out a mini-survey of the firm's customers, I was given every clerical assistance.

Although this method allows an observer to gather virtually as much data as he wants to, there remains the danger, as in complete participation, of losing one's research

³⁹⁰ cf. Burgess (1984:82-83). The application of this method is virtually the norm in action research. See Cole (1991) for an account of its application.

³⁹¹ Illustrations of these may be gleaned from Appendix A, cases 1-3, in this study.

³⁹² An entrepreneurial development programme devised in Durham University, and run in conjunction with (in Nigeria) the National Bank For Commerce And Industry (NBCI).

perspective and as a result, becoming biased³⁹³, or as Gold (1969) reiterates, of going native. This may occur if the observer over-identifies with the informant, perhaps through personal friendship. I was certainly made aware of this during my fieldwork. To a manager in one of the firms I was studying (*case 5*), I once suggested in conversation the hiring of a french language graduate to be internally trained for management, in order to counter a relatively small organizational problem the firm was facing. This apparently went down well with the CEO, and thus began a process in which a few of the managers would routinely ask me what I would do in their situations. I had to be conscious of a need to remain non-committal in such conversations with them. A key informant (*case 1*) enrolled me into helping her pick out a line of men's clothing on trips to Cotonou in the Republic of Benin, when she decided to expand into that market. She also regularly sought my opinion on whether to exchange her Naira notes for CFA³⁹⁴ or some other currency on the black market in Lagos, or some other place outside Nigeria, and on possible ways of extending her trade beyond West Africa. On some of these occasions, I realized I was being pushed into becoming more of a participant than I was willing to be. Yet, I did not want to upset or antagonize a key informant whose trust I had finally seemingly earned. So, in her case, I would occasionally offer an opinion when asked.

My way of dealing with the threat of a loss of my research perspective, which the above events invariably represented, was not so much to periodically withdraw from the field (cf. Gold 1969)³⁹⁵ but to constantly remind myself of my purpose and responsibilities in

³⁹³ Burgess (1982; 1984).

³⁹⁴ The Communante Financiere Africaine (CFA [pronounced "cepha"] franc, a.k.a Franc CFA or FCFA) is the currency of Francophone West African countries.

³⁹⁵ I did occasionally disengage from the field, but did this more out of fatigue than actual realization that it would help with any introspection that I might wish to do.

the field, and to be aware, in my thinking, of the dangers of "going native". Although I came to generally empathize with my case subjects, I took great care to retain my objectivity. I had to be conscious of a need to remain non-committal in my conversations with them, and to instead direct them towards the achievement of my own objectives.

6.4.1.3 Observer-as-Participant.

This technique is similar to the participant-as-observer role to the extent that the observer's status as an observer is made clear at the outset, ostensibly in order to gain the attendant advantages. It also boasts the advantage of very little danger of the observer going native³⁹⁶. However, two main features of this method tend to work against its overall effectiveness as a field research tool.

First, because of the relative brevity of the field relationship between the observer and the observed, the observer is unlikely to have obtained the trust of the observed to any appreciable degree, and thus gain access, or even if he has, to be sufficiently immersed in the life-world of the observed to be able to adequately understand and interpret their meanings and experiences. As Benny & Hughes (1984:223) express it:

"Anthropologists have long realized - if not always clearly - that the transitory interview held with respondents who do not share their view of the encounter is an unreliable source of information in itself. It is not until they have been in the society long enough to fit into one of its better defined roles that they can tap a valid communication system and hear the kind of messages that the others in the culture hear"

Secondly, and following from the first, most of the observation that then takes place

³⁹⁶ Adler & Adler (1987:47-48); Burgess (1984:82).

is formal and brief³⁹⁷. There is a real risk therefore, of a misunderstanding in recording or interpreting the information supplied, if such a method is used to study a socially constructed reality. It therefore seems to me to be most useful, not so much as an end in itself but as support for other techniques. I used this method for instance to obtain additional information, or gain additional understanding of my principal case respondents through their employees, associates or relatives. Some of the interviews I conducted with officials of certain parastatals, and perhaps more so with those of certain trade associations, would also fall into this category.

6.4.1.4 Complete Observer

This involves observation by the researcher without any social interaction with the observed, sometimes because they are unaware they are being observed, or that they are informants. Even where such observation is overt, it may displease the informants.

The method may initially sound uncomfortably voyeuristic but it can be a useful research tool if employed as I did for instance, as a prelude to the "real research". Once I began to ascertain my central field locations, I visited the places on my own, taking a general look at the places, the things, the people, the activities, but not paying particular attention to any one person or thing. It was a kind of personal introductory tour.

However, when used as a technique in itself, one runs the methodological risk of potential ethnocentrism. The observer may witness events and not understand why they have occurred; He may overhear a word and not have the opportunity to clarify any nuances or

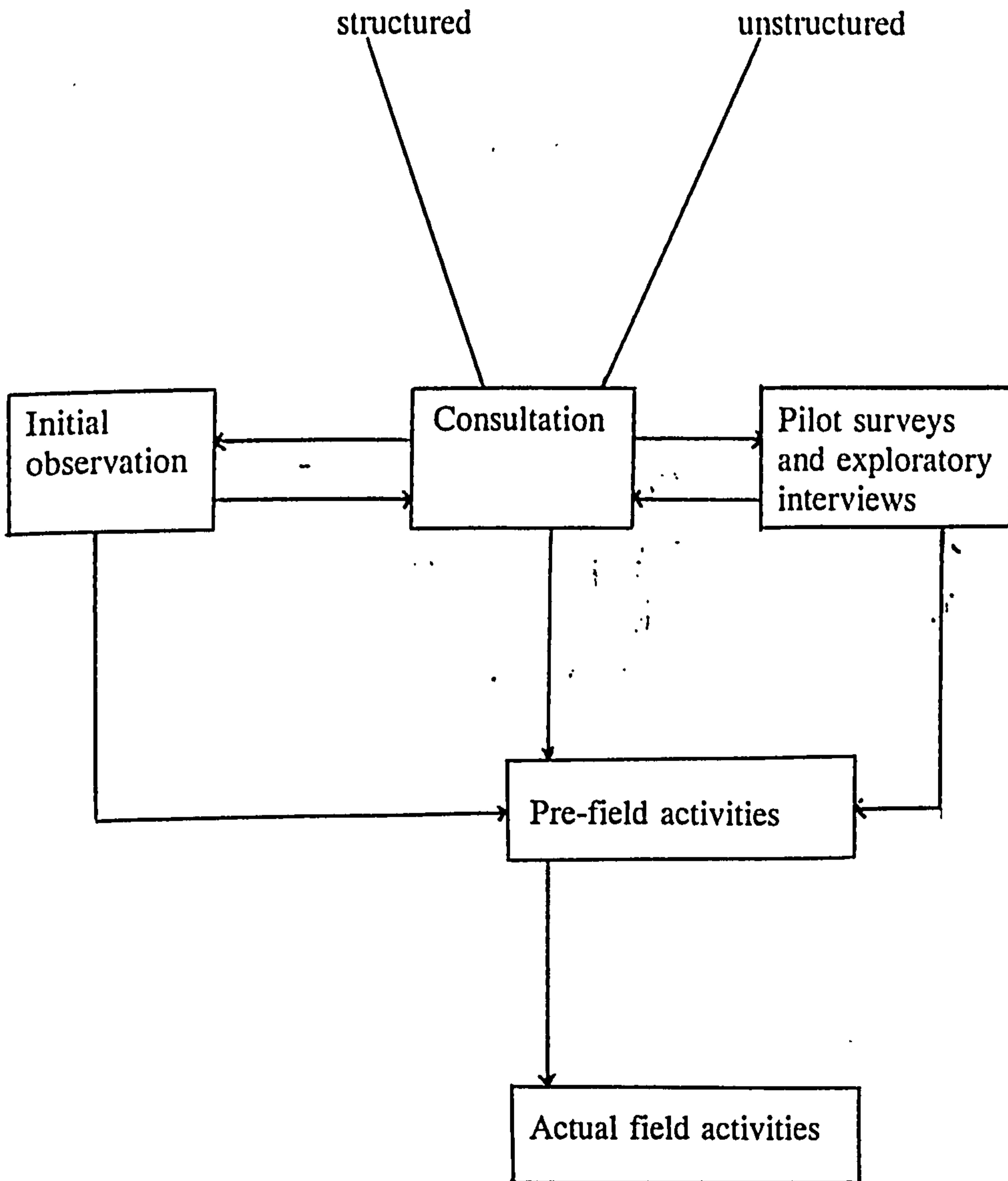
³⁹⁷ Gold (1969:36) refers to the observer-as-participant role as that "used in studies involving one-visit interviews".

words said; A combination of events may release a train of questions in his mind which the method does not permit him to ask. In all these cases, without interacting with the observed, the observer seems likely to undertake a flawed analysis and arrive at incorrect conclusions.

6.5 Application Of Techniques.

At various points in the study, I have attempted to explain how and why particular field activities were carried out. In this section, I aim to briefly show how particular techniques have been applied. The activities are represented by fig. 6.2 below.

Fig. 6.2 THE APPLICATION OF FIELD TECHNIQUES.



The "actual field activities" section in fig. 6.2 above is in turn represented by fig. 6.1, shown earlier.

6.5.1 Initial Consultation

The aim at this stage was to obtain initial information on the kinds of businesses and products involved in the trade. The consultation phase in fact spilled over into the piloting stage and in effect then lasted about six weeks. The activities can be subdivided into "structured" and "unstructured" consultation.

6.5.1.1 Structured Consultation

I was introduced to a lady who was an occasional cross-border trader. It was from her that I first began to get a picture of the trade. I talked to her as much about the trade as how to act around the traders, potential taboo subjects, and so forth. Other lines of initial enquiries led me through the Centre for Management Development (CMD) and the Centre for Industrial Research and Development (CIRD) of the Obafemi Awolowo University to the Lagos state branch of the National Association Of Small Scale Industries (NASSI), partly through whom I initiated the survey of manufacturing firms in this study.

6.5.1.2 Unstructured Consultation

I concentrated my initial enquiries on Ketu Market, more for convenience reasons (it was the nearest major market to my residence) than for any position it might have as a cross-border trade centre. Introduced to several traders by a local leader, I talked on a number of occasions with them and with other local people. My aim at this point was to establish a comprehensive list of the largest cross-border trade centres in the Lagos area. These,

invariably, were the markets. As the *case 7* CEO told me on a number of occasions, "it is [in the markets that] the battle for market share is being fought". Kinsey (1988:22) recognises that "the Nigerian collective markets remain at the heart of the economy, representing an effective adaptation of the needs and facilities of the people to the environmental setting of the land".

Some of the markets have evolved specialisms in certain products - such as Alaba International Market for electrical/electronic products, Balogun market for textiles, Oke-Arin market for "provisions", and so forth. Most of the markets in Lagos can count on drawing continuous patronage from a radius of up to twenty five miles³⁹⁸, and a few, including some of the ones used in the present study, have true international patronage.

I finally came up with nine locations. They are - Alaba International Market, Mushin, Ikeja, Oshodi, Tejuosho, Oke-Arin, Apongbon, Iddo, and Balogun markets. I also confirmed that the geographical spread of this study covers three official land border crossings into the Republic of Benin - Seme (in Lagos state), and Idi-Iroko and Imeko (both in Ogun state).

6.5.2 Pilot Studies.

My activities here can also be subdivided into two parts. First, I surveyed twenty randomly selected traders from a section of Ketu market, referred to above, where mostly building materials were sold; And in addition carried out formal semi-structured interviews with two of them. I also randomly selected for survey six manufacturing firms in a relatively new industrial/residential area, Shangisha, Lagos. These were a baker, a shoe manufacturer, an auto mechanic and three cement block makers. I had a 100% response rate at this stage.

³⁹⁸ Kinsey (1988).

The pilot studies were useful in other ways. Going by the responses I had, and discussions therefrom, I was able to refine the questionnaires. I was able to reformulate and rearrange some of the questions, for instance, asking "personal" questions at the end, rather than at the beginning of the questionnaire. Prior to the pilot surveys, I had not expected to include questions about turnover in the final version of the questionnaire, knowing how notoriously reticent traders (in particular those in the informal sector) are supposed to be in discussing their personal finances. But the responses were favourable, and it gave me further confidence to raise the matter in my subsequent interviews.

Secondly, I conducted some "pilot" observations, which in fact continued intermittently throughout the field study. Initially, I used it as a kind of familiarization tour of the nine markets and other locations. It finally settled into periodic visits to the commercial motor-parks at Oke-Arin, Mushin and Mile 2 (in Lagos) and Sango-Otta (in Ogun state).

6.5.3 The Questionnaires

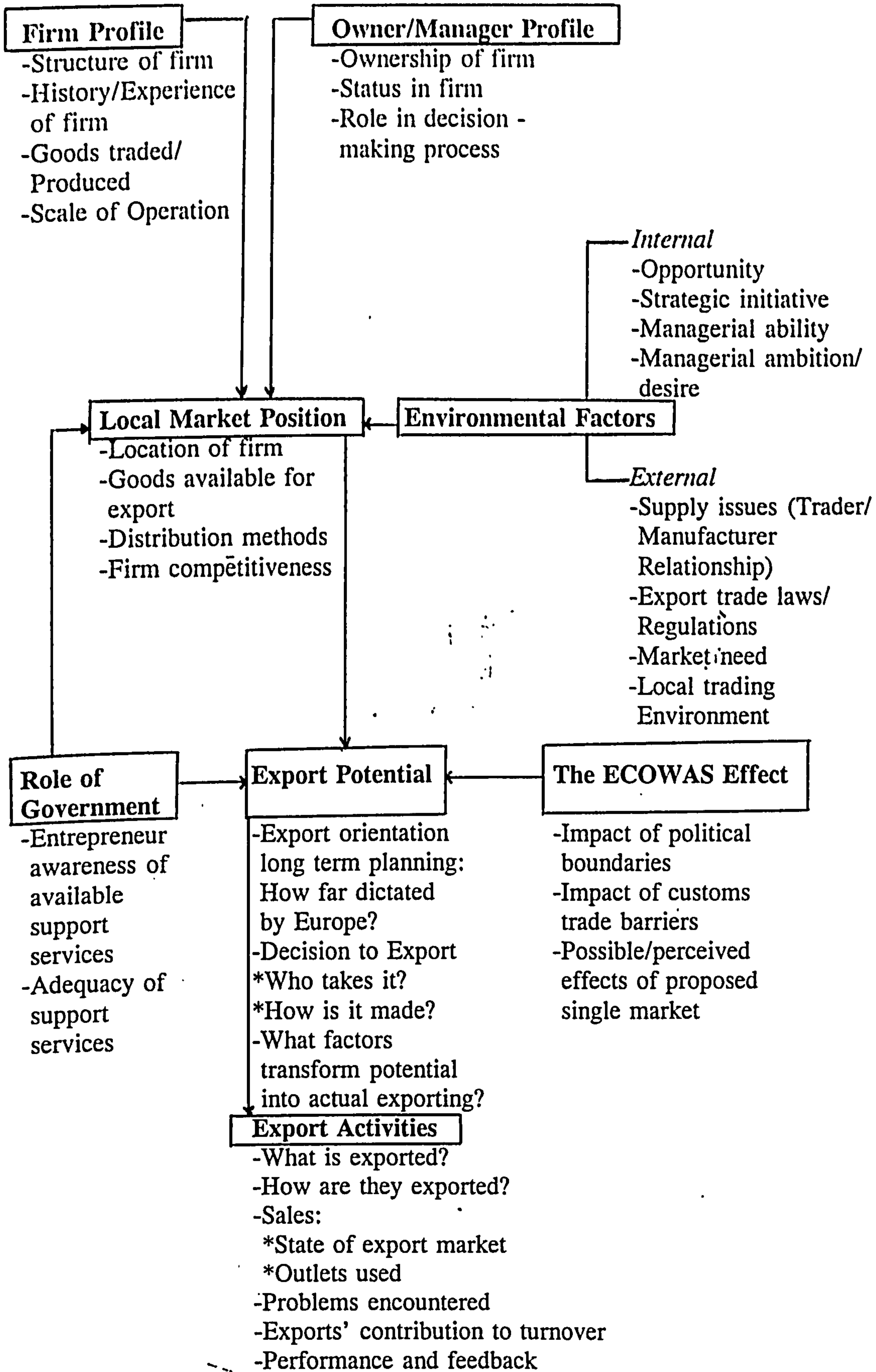
There were two sets of questionnaires - one each for manufacturing firms and for traders. The manufacturers' questionnaire (Appendix Di)³⁹⁹ was primarily designed to obtain preliminary demographic information and the businesses and their owner-managers. It was divided into six sections and contained sixty four questions. The questions had to do with the firm's ownership status, product lines, transfer/transportation of goods, turnover, export orientation (and activities) and their perception of the ECOWAS market as well as of the government's policies pertaining to their business.

³⁹⁹ See Fig. 6.3 for a modular representation of the questionnaire.

The traders' questionnaire (Appendix Ei)⁴⁰⁰ covers much the same issues, but was designed slightly differently to reflect the activities of the traders. In this case, there were forty five questions, grouped into four sections.

⁴⁰⁰ See Fig. 6.4 for a modular representation of the questionnaire.

Fig. 6.3 QUESTIONNAIRE MODEL FOR SURVEY OF MANUFACTURING FIRMS



The questionnaires contained both open-ended and closed questions with the latter outnumbering the former by about two to one.

At the point of collecting each questionnaire, I conducted formal, focused, face-to-face interviews that generally lasted about forty five minutes (see Appendices Dii & Eii). The questions I asked at this point were mainly to clear up any apparent ambiguities and seek further clarification of certain responses. For instance, in response to the question on turnover (Appendix Di, Q7; Appendix Ei, Q8), respondents were further asked, as corresponding questions on Appendices Dii & Eii indicate, for their opinions on how much of it was actually due to unit sales, and how much to other factors. It became an effective platform for discussing interest and exchange rates, loans, banks and so forth. At the end of each interview, I tried to arrange further meetings, and where successful, these took place as semi-structured or unstructured interviews.

6.5.3.1 Sample Population Selection.

It is trite knowledge in Nigeria that relatively few businesses belong to the so-called "modern" sector. It turned out in the pilot study for instance, that none of the twenty six respondents was registered with the Lagos state chapters of the traditional OPS umbrella bodies of:

- (i) Manufacturers Association of Nigeria (MAN)⁴⁰¹,
- (ii) National Association of Small Scale Industries (NASSI)⁴⁰², and
- (iii) Lagos Chamber of Commerce and Industry (LCCI)⁴⁰³.

Only four of the respondents (15.38%) were registered under the Companies Decree, or the Registration of Business Names Act. However, seventeen of the traders (85%) were officially licensed to operate in Ketu market by virtue of paying rent and other local charges to the local government council but for definitional purposes, they would be classed in the "informal" sector.

There is thus no real or explicit sampling frame, and sampling here has to be purposive⁴⁰⁴. I decided against explicit quota sampling at this stage because of the greater risk of bias introduced, in the absence of prior research, by the assumptions about which specific characteristics should be considered in developing quotas. Although purposive sampling also relies on the researcher's prior theoretical and empirical understanding of the population being studied, it is more concerned with a sample population which is

⁴⁰¹ The MAN has a national membership list running into "thousands", as I was informed at the MAN headquartes, but it was not available for sale or any kind of viewing, except for association business. I was however granted interviews for the research, and they were helpful in other ways.

⁴⁰² Lagos NASSI claimed to have an unpublished register of members (not available for perusal) which was in the process of being collated into a formal directory. That was however being held up by a comprehensive membership drive going on, which was expected to last throughout 1994.

⁴⁰³ The LCCI does publish a slightly outdated directory of members which is not, in any case, of much statistical use in relation to observable evidence. It is a "national" directory of just 1200 entries which also includes Accountants, Hotels, Caterers, Health clinics, Newspapers, and others not directly part of the population being sought.

⁴⁰⁴ as opposed to probability sampling. cf. Kinsey (1988:100-101); Robson (1993:140-142).

theoretically, though not necessarily statistically significant. Because of these, and the size of the sample, I decided on a form of stratified sampling (described below) which does not aspire to the same levels of statistical generalizability as a large scale statistical survey employing probability sampling⁴⁰⁵.

6.5.3.1.1 Manufacturers.

With the help of the officials of Lagos NASSI, and CIRD, I established that the largest industrial estates in and around Lagos are Agbara (technically a part of Ogun state), Ikeja, Ilupeju, Isolo, and Matori industrial estates. I then sought to distribute the questionnaires as follows:

- (i) Twelve questionnaires randomly distributed to firms in each of these estates,
- (ii) Ten to firms randomly picked from the original enterprise district of Lagos, that is, along the twelve mile stretch of Ikorodu Road on Lagos mainland, and
- (iii) Ten to firms in the border town of Idi-Iroko.

Both Seme and Imeko were excluded from the manufacturers' survey because although there are significant amounts of commercial activities going on there, they have no industries as such. Seme is a border post, and not a residential town, while, for residential purposes, Imeko is little more than a transit village dominated by a massive customs presence.

⁴⁰⁵ See further Easterby-Smith et al (1991:122-125); Robson (1993:135-140); Brewer & Hunter (1989:111-113).

There were eighty questionnaires in all, with a response rate of 67.5%. Some further element of bias was unavoidable as I was unable to even get beyond the security guards in some firms. From this sample, a further eight were randomly approached, and all indicated a willingness to partake in further, more in-depth studies. Using dimensional sampling, an extension of the quota sampling idea⁴⁰⁶, I selected four of these for my case studies.

6.5.3.1.2 Traders.

Of the five locations earlier selected in Lagos, dimensional sampling was used to select the following five - Oke-Arin, Alaba International Market, Tejuosho, Oshodi, and Apongbon markets⁴⁰⁷. I sought to distribute the questionnaires as follows:

- (i) fifteen questionnaires randomly distributed in each of the five markets, as well as
- (ii) six, eight, and ten questionnaires randomly distributed in the border communities of Imeko, Seme, and Idi-Iroko, respectively. This roughly reflects their positions, relative to one another, as entry/exit points into/out of Nigeria.

Ninety nine questionnaires were distributed in all to traders, with a response rate of 47.47%. From this sample, twelve out of fifteen randomly selected owner-managers indicated a willingness to partake in further studies. From these, I selected six, and eventually did my in-depth studies on three of them.

⁴⁰⁶ Robson (1993:141) aptly describes it as follows - "The various dimensions thought to be of importance in a survey (perhaps established by pilot work) are incorporated into the sampling procedure in such a way that at least one representative of every combination of these factors or dimensions is included.

⁴⁰⁷ Oke-Arin and Alaba were pre-selected because they enjoy a reputation as the largest cross-border trade centres for consumable, and non-consumable goods, respectively.

6.5.4 The Case Studies.

Multiple case-studies have been employed in this study, more for analytic than statistical generalization. I relied, as earlier mentioned, mainly on interviews and observations for their construction.

6.5.4.1 Interviews.

Apart from the focused interviews that accompanied the questionnaires, of which the case subjects had all been respondents, there were in-depth interviews carried out with all the case subjects. In all cases, there were two or three formal, semi-structured interviews, lasting anything from about half an hour to about three hours, as well as a number of unstructured interviews. There were more individual interviews in the larger firms. In *case 7* for instance, I conducted formal interviews with four senior managers, two middle-level managers and two drivers. I also conducted informal interviews with them all, and with other personnel.

I conducted other interviews at the CMD, NBCI, LCCI, Lagos NASSI, MAN (National), MAN (Ikeja Branch), the Lagos office of the Centre for Industrial Research and Development of the Obafemi Awolowo University, Nigerian Export Promotion Council (NEPC), Nigerian Employers' Consultative Association (NECA), Nigerian Textiles Manufacturers' Association, Federal Inland Revenue Service (FIRS), Nigerian Customs Services (NCS), Nigeria Association of Chambers of Commerce, Industries, Mines and Agriculture (NACCIMA), ECOBANK Ltd, The Nigerian Export - Import Bank (NEXIM), The Guardian Press, National Union of Road and Transport Workers (NURTW), Federal

Office of Statistics (FOS), Lagos State Ministry of Trade and the University of Lagos (UNILAG). There were some additional interviews and secondary data obtained from the Ibadan regional office of the Central Bank of Nigeria (CBN), Community Bank, Eleyele, Ibadan, and the Nigerian Institute of Social and Economic Research (NISER) office at the University of Ibadan.

The focus of the interviews varied from academic perspectives on the trade, public policy, the role of the banking sector, perceived mechanics and contributions of the trade, export orientation of Nigerian manufacturers, efficacy of existing distribution channels, and so forth.

6.5.4.2 Observations.

Most of my participant observation activities were with owner-managers, and also sometimes, with their employees, assistants or associates. In the two most formally-managed firms however (*cases 6 & 7*), I tended to spend more time with the sales teams and managers than the CEOs.

6.6 Conclusion.

As stated at the beginning of the chapter, the focus on this study has been on flexibility and inventiveness. I have discussed what, in my own experience, have been the advantages and disadvantages of each technique in order to highlight the fact that given the nature of the study, each technique has, in fact, been exploited for its strengths.

A fairly conventional initial approach was shown to successively give way to an

increasingly actor-oriented one, in the light of my field experiences vis-a-vis the research problem. In doing this, I have also tried to show how participant observation grew to become perhaps the principal technique employed in the study. It must however be stressed that the participant observation method was not employed as a replacement for the conventional survey and interview methods, but as an additional method, used for the insights it could provide.

In the next two chapters, I will report on the findings of the questionnaire surveys and the particular insights on the cross-border provided by the anthropological approaches to the collection of primary data.

CHAPTER SEVEN

ANALYSIS OF FINDINGS (I): A REPORT ON THE SURVEYS.

7.1 Introduction.

This chapter is presented in two parts. The first part focuses on presenting the findings of the questionnaire surveys, and the interviews which were employed as back-up for clarification purposes. I concentrate here on providing mainly demographic information on the trade and its principal actors - the manufacturers and traders. Certain other issues to do with the trade are examined in chapters 8 and 9. As mentioned earlier in chapter six, two sets of surveys were carried out - one each in samples of manufacturing and trading firms. In the surveys, the findings are presented under the following four themes, representing relevant sections of the questionnaires. The themes are listed below:

Theme 1: A Profile of the Respondents and their Businesses.

Theme 2: Trading Activities.

Theme 3: The ECOWAS Effect.

Theme 4: The Role of Government.

A number of sub-issues are considered under each theme. The responses of each sample group to each of the themes are examined in order to highlight specific findings.

The second part contains a listing of the seven firms that have been the subject of more in-depth study. A summary of each of the cases is presented in appendix A, although

relevant references to each of them are made throughout the study.

7.2 Data Analysis

7.2.1 Theme 1: A Profile Of The Respondents And Their Businesses

As noted earlier in chapter 6, there were fifty four respondents to questionnaire 1 (for the manufacturers) and forty seven to questionnaire 2 (for the traders).

A high number of the respondents were actual owner managers. This was the case with forty eight (88.9%) of the manufacturers and thirty nine (82.9%) of the traders. The rest were employed managers. In more than 90% of the case in export-oriented firms in both questionnaires, the respondent was either solely or jointly responsible for decision making in export/import trade matters, as in other, more routine matters.

82.5% of all respondents to *questionnaire 1* (the manufacturers' survey) were however male, indicating, not a bias in the survey itself, but more of a confirmation of an observable dominance of men in the field. On the other hand, 80.2% of all respondents to questionnaire 2 (the traders' survey) were female, again indicating a predominance of women in this field⁴⁰⁸. Although a vast majority of the traders are female, most of the other actors in the cross-border trade, who the traders invariably see as adversaries, tend to be male - these include customs personnel, the armed forces, civil servants, drivers, carriers, and the like. In an essentially male-dominated society, the traders' efforts to sustain the trade (explored

⁴⁰⁸ This proportion is a little lower than has been traditionally assumed (see for example West Africa No. 3796, 28/5 - 3/6/90). The figure above may then also be interpreted as being indicative of observable evidence that more males are entering the field, especially the cross-border side of it.

further in chapter 8), given the proportion of females involved are all the more remarkable.

Majority of the respondents to both questionnaires, in almost equal proportions (51.9% of *questionnaire 1* respondents, and 53.2% of *questionnaire 2* respondents), are sole proprietors⁴⁰⁹. Apart from 9.3% of the respondents to *questionnaire 1*, all the businesses were either partnerships, sole proprietorships, or private limited companies, with the latter two accounting for an average of 79% of all businesses. Given the preponderance of informal sector activity, this is not a surprising finding. Perhaps just as interesting is the fact that with several respondents, the decision to operate the business as a sole proprietorship is a calculated one, as opposed to one taken out of ignorance, a sole proprietorship being generally equated with personal control, which most of the entrepreneurs appear to desire. For similar reasons, most of the firms are not formally registered under the Registration of Business Names Act, or the Companies Decree, although most pay a variety of local rates and levies towards things like cleaning, security as well as more general "development" levies, which they tend to equate with formal registration.

There does not appear to be a high incidence of owner managers giving up their businesses in spite of the considerable environmental difficulties they operate under, as 81.5% of the manufacturers, and 85.1% of the traders in the survey have had their businesses for five years or more. Even over a ten year period, the figure only drops off to 50% and 44.7% of the respondents, respectively. There ought, however, to be a note of caution here. Apart from the entrepreneurs' own managerial qualities, one pertinent reason which may explain the apparent longevity (or high survival rates) of businesses in the sample is that some of the

⁴⁰⁹ The proportion of sole proprietorships would almost certainly be greater than is recorded here but for certain, mostly female owner-managers who label their businesses as being partnerships with husbands who, it later transpired, in fact have little, if anything, to do with the running of the said businesses.

entrepreneurs are able to cease one business operation in favour of another without necessarily counting the previous business as a non-surviving one⁴¹⁰.

One also tends to find that, especially in cases where the owners do not personally manage the businesses (at least not on a full-time basis) but employ managers for this purpose, the owners have other jobs, usually, as middle or senior-level public servants. Furthermore, female owner-managers who list their ownership status as partnerships also tend to be spouses of such public servants.

Many of the smaller-sized firms are family-run businesses. This is not an uncommon development in LDCs⁴¹¹. However, even though several entrepreneurs are in turn the children of entrepreneurs, there is a very low incidence of children joining the family business, or continuing it, as it were, after the parents' demise. The children invariably choose to establish their own business, even though this tends to be in a similar line to their parents' business. Part of the reason for this may be that the parents do not retire early enough for their control-seeking offspring. Even so, what tends to happen on the parents' (or at any rate, the fathers') demise is that the business stock is shared as part of the inheritance. Rarely is the business continued into a second generation as a family owned and run business, the way *case 6* is.

⁴¹⁰ It may not be as visibly pronounced in the case of traders, even though they are generally able to switch, almost at will, between different suppliers and product lines when sales or margins drop off. Manufacturers, to a lesser extent, do the same. A follow-up interview of a questionnaire 1 respondent (the owner/manager of shoe manufacturing firm), who had reported his shoe manufacturing business as being in existence for 9 years revealed that the owner-manager had previously made bags and crafts on the same premises and the same equipment. That venture failed in 1991, and the plant was shut down and the staff laid off. After about six months, there was a fresh capital injection with which some workers were hired, and the production equipment was refurbished and adapted, this time to make shoes, shoe soles and shoe laces. It was that business that was in existence at the time of the survey in 1994.

⁴¹¹ Nafziger (1988).

The relatively low levels of technological inputs in most aspects of the trade generally means that the ventures tend to be labour intensive. It is therefore not surprising that although most ventures tend to be small or even artisanal, only a tiny proportion of them (about 6-7% in both surveys) in fact employ just the owner-manager, although this employment tends to be informal, and so registration documents, in most cases where they exist, tend to record the owner-manager as being the firm's sole employee. Most of the respondents claiming to be their firm's sole employees in fact make informal use, as other indigenous entrepreneurs also tend to do, of (mainly) kinship labour which is for the most part unpaid⁴¹². Interestingly, the generality of firms, even where they are seeking growth in terms of operating profit, do not seem to also seek growth in terms of employment, stock held or firm capitalization.

About 25% of the respondents in both surveys employ between one and three persons. The highest distribution of firms in the employment category however was to be found amongst manufacturing firms employing between six and fifteen (40.8%) and trading firms employing between six and ten (31.9%). Having said that, there was a concentration of such firms among the trading firms located in Oke-Arin and Alaba markets, arguably the leading markets in their sectors, and manufacturing firms located in industrial estates, as opposed to other locations. The employees tend not to have any real responsibility in the running of the firms as the entrepreneurs are usually their own *de facto* head of personnel, marketing,

⁴¹² The case 1 summary in appendix A provides an apt illustration of such incidence of the use of unpaid, informal labour. This, as well as the incidence of female owner-managers described above, who may, or may not be actual partners with their spouses illustrate the sort of relationships I stated earlier in chapter 3 as "differentiated" and "undifferentiated" relationships existing in a loosely dualist structure.

accounts, and even, as I witnessed on a few occasions, security⁴¹³. A significant proportion of employees also tend to be, in reality, apprentices learning specific skills of the trade from the owner-manager⁴¹⁴. It is common, also, for apprentices to be related in some way to the owner-manager⁴¹⁵, especially in the case of the traders, 53.2% of whom claim to employ relatives.

The owner-managers tend to see their main functions in terms of business generation and purchasing. Actual sales tend to be left to senior assistants and apprentices after a suitable training period. In the absence of a widely available or reliable telecommunication system, the indigenous entrepreneur's chief functions mean he usually has to physically travel in order to purchase his wares, pursue leads, generate sales, and so forth. They also generally do not have adequate storage space, therefore what ought to be routine functions like opening up, closing up, lunch breaks, and so forth, become significant issues for a busy entrepreneur who invariably has to have employees, if only to cover these rather mundane areas of the business for him, or risk potential losses. As one trader told me when I asked her exactly what her sole shop assistant did, if, as she said, he was not a formal apprentice

"... at least he's learning something by watching me... (After further thought) I need someone here. I may want to go out. What if I hear that supplies have just arrived from the factory and I want to go and see what they've brought, I wouldn't want to close my shop for that reason. And yet, if I don't hurry along, there will only be remnants left for me to buy... Besides, who will buy my lunch? Look, the boy has

⁴¹³ An illustration may be found in appendix A, case 4, where in a firm of 14 employees, only the CEO, and his wife, the DCEO, appear to have any managerial responsibilities. A more extreme example is that of case 5, where the C/MD presides over most matters in a firm regularly employing at least 300 persons, despite the fact that the company has 14 designated managers.

⁴¹⁴ see cases 2 & 3.

⁴¹⁵ The apprentice system is further examined in chapter 8. See also appendix A, case 2, in this study.

a lot to do here *jare*, and he can also sell a bit now..."⁴¹⁶.

7.2.2 Theme 2: Trading Activities

Traders, as one would expect, generally are rather more adventurous than manufacturers in their choices of products sold. Manufacturers generally are limited to selling only those goods that they can make. One imagines further that the smaller a manufacturing concern is, and the less access to modern process technology it has, the more restricted such a firm is going to be in terms of the products that it can make and therefore sell.

Even so, due to a combination of the desperate nature of the economy and society in general, as well as the dynamism of the entrepreneurs themselves, virtually all products are bona fide trading goods on the cross-border trade routes. There are however some "core" goods. Many of these goods have already been referred to at various points in this study, particularly in sections 1.3 and 5.6. I will return to this issue in chapters 8 and 9, but suffice to say at this point that the trade is dominated by consumer goods of relatively low technological inputs of which food, textile and household products appear to be the dominant ones. Petro-chemical and pharmaceutical products are also traded in significant numbers, although the trade in these products are so regulated that a great deal of the private sector involvement in them, particularly in petro-chemical products tends to be overtly illegal.

What observable evidence has further shown is that manufacturing firms in Nigeria tend not to be particularly strong in the formal marketing area⁴¹⁷. This is reflected in their

⁴¹⁶ Taped interview 13/4/94. Brackets mine. The word *jare*, in this context, is used as an expression of irritation or perplexity.

⁴¹⁷ This is not necessarily intended as a criticism. The merits or otherwise of the traders' formal marketing methods are beyond the scope of this study.

responses to the open-ended questions to do with their marketing strategy. Their answers generally concerned having attractive shop displays, and very limited offering of credit facilities to buyers. Formal advertising is almost never done, except perhaps in the case of some of the larger-sized firms, a few of whom, like *case 7*, have a considerable presence in the mass-media. Some of the larger sized firms, especially, also rely on market feedback to guide their production process or strategy, but by and large, the production process occurs the other way round - manufacturers decide on a product to make (guided almost solely by production, as opposed to marketing factors), they begin production and then offer the goods for sale to traders. In *questionnaire 1* for instance, where manufacturers were asked to list up to three reasons why they selected particular product lines, the highest single stated factor considered by them, at 53.7%, was that production materials were easy or cheap to obtain. Marketing-related factors (such as competition analysis) seem to have been a significant factor with only about 10% of the respondents. Traders also speak in much the same pragmatic terms, but, as noted above, are more readily able to discontinue unprofitable lines and chase up potentially profitable ones, which is why it is perfectly normal to *case 2* for her to trade simultaneously in breakfast cereals and used cars.

Not only do traders tend to be more adventurous than manufacturers in their choice of products sold, they also tend to be more adventurous in their choice of locations in which to sell their products. As mentioned earlier, manufacturers tend to over-emphasize the production aspect of their overall marketing strategy, sometimes in the belief that wherever they choose to market their products, they will always sell as much as they can produce, but sometimes also from having their "strategy" dictated by the uncertainties that dominate the domestic environment. These are the primary factors that also inform their exporting strategy. Thus while virtually 100% of the respondents are aware of probable markets for

their products outside Nigeria, relatively only 34% of traders claim to be directly involved in export trade, and the figure falls to 22% among the manufacturers⁴¹⁸.

It is not however that indigenous entrepreneurs are oblivious to the benefits of international trade. On the contrary, when the non-export oriented manufacturers were asked to list the reasons why they have concentrated their sales within Nigeria, only one respondent (0.02%) claimed not to be interested in foreign trade, and a mere 14.3% felt that foreign trade was not profitable enough. The most stated reason was in fact a lack of opportunity, listed by 47.6% of the respondents, followed closely by a perception of foreign trade as being too risky, which was given by 38.1% of the respondents⁴¹⁹. This may also explain why manufacturers who do get involved in foreign trade are more inclined to generate export sales via the satisfaction of unsolicited foreign orders⁴²⁰, while traders tend to actively seek foreign sales. The two most-listed reasons were explained during interview sessions with manufacturing firm managers generally to mean a reluctance to compete directly with the traders who were frequently the manufacturers' own distributors and who, in any case, are regarded by manufacturers as having a better understanding of the intricacies of foreign trade, and moreso, the cross-border trade, the mechanics of which is the central issue in the next chapter.

However, those that do get involved in foreign trade seem to be making a success of it as attested to by the 66.7% and 8.3% of export-oriented manufacturers who classify their

⁴¹⁸ However, 61.9% of the non export-oriented firms claim to be either actively thinking about it, or to be already involved in the process of getting involved in the trade.

⁴¹⁹ Some respondents interpreted "risk" in terms of official or underworld harassment, rather than the more conventional meaning of the chance of failure of the business operation itself, as interpreted by a majority of the respondents.

⁴²⁰ illustrated for example in appendix A, case 7.

foreign sales as either expanding or stable, respectively. A total of 25% and 62.5% of export-oriented traders make respectively similar claims. One explanation for manufacturers enjoying greater rises in sales may be found in the predominance of unsolicited orders in their export sales, which may be rising, especially from other African countries, as it becomes increasingly unaffordable for African firms to do regular business with their erstwhile traditional business partners in Western Europe and North America. In absolute terms, their turnover, even allowing for inflation, is encouraging. Most of the export-oriented respondents (including all export-oriented manufacturers) reported annual turnovers in excess of N1 million for each of the years 1991 to 1993. A few of them (no traders, but an annual average of 3.7% of manufacturers over the period) even broke the N20 million mark.

Having said that, export sales generally tend to be regarded as an addition to local sales, as opposed to being the firms' primary sales focus. Hence 50% of the export-oriented manufacturers in the survey actually make no more than 20% of their overall turnover in export sales, and the same is true of 56.3% of the traders. Republic of Benin, Togo and Ghana are their most popular export markets, although most export-oriented manufacturers and traders alike have a wide coverage of West Africa. Ivory Coast, Senegal and Gambia are considered particularly good places to do business - traders are quick to compare them with Europe - and were it not for the distance of those countries from Nigeria, they would probably be used by even more traders. For indigenous entrepreneurs, West African markets are definitely regarded as growing markets. Traders are also active in Arab countries where opportunities provided by islamic pilgrimages are exploited to the full - even by non-muslim traders. Beyond that, Western Europe, the USA, Canada, and South East Asia, in particular, Hong Kong and Taiwan are popular trading partners, although on these latter routes, there would seem to be far more importing than exporting taking place. When asked why the

preference for these routes, they are generally described as the most profitable by both manufacturers and traders. Also mentioned in significant numbers were reasons of proximity (mostly by traders dealing regularly with Western Europe) and the fact that there is less corruption and/or bureaucracy in some of these places than in Nigeria.

This is however not to say that indigenous entrepreneurs consider foreign trade a trouble-free undertaking, although admittedly, several of their stated trading problems abroad tend to have local backgrounds. Chief among these is the availability of foreign exchange to pay for imports and to finance other transactions abroad, mentioned by 58.3% of manufacturers and 81.3% of traders, perhaps evidencing the greater difficulty that traders have, relative to manufacturers, of obtaining foreign exchange via official channels. It is therefore not surprising on the whole that informal/unauthorised foreign exchange supply thrives as much as it does.

Monetary policy in Nigeria has undergone significant changes in each of the last five years to 1996, including extreme movements from deregulation to regulation, the value of the Naira, the process of auctioning available funds, including deciding which of the funds are to be allocated to each industrial sector, and so forth. Although these are policies internal to Nigeria, such is Nigeria's influence on regional economics that the impact on many of Nigeria's West African neighbours, particularly in terms of the cross-border trade, is significant. What then tends to happen is that each year, there is a general lull in commercial activity just before the end of the year, extending in some degree to all kinds of non-oil foreign trade, while entrepreneurs wait to see in what direction monetary policy will go when the new budget is announced, normally in January. Similar impacts on regional trade may be attributed to the level of bureaucracy in Nigeria, which is a major operational problem for 25% of manufacturers and 28.3% of traders.

Outside the country, entrepreneurs claim to have a further problem with a lack of credibility of Nigerian businessmen (identified by 33.3% of manufacturing respondents), and overseas' partners' lack of faith in the Nigerian economy as a whole (identified by 25% of manufacturing respondents), both of which are largely evidenced, in their opinion, by the reluctance of overseas financial institutions to grant them any kind of credit. They therefore usually have to try and arrange their finances locally, which, as is discussed further in chapter 8, invariably means on the parallel market. It becomes a vicious cycle. Other listed problems concern routine banking problems (33.3%), official corruption - a running theme throughout the study (33.3%), tariff levels (8.3%), and language (8.3%) among their trading problem areas.

Traders also list official corruption (or harassment by public officials [43.8%])⁴²¹, and many of the sentiments expressed by their manufacturing counterparts among their trading problem areas⁴²². In addition, export-oriented traders have problems with the unstable political environment (especially in West Africa [17.4%]), transportation problems (17.4%), unscrupulous foreign sales agents, and so forth. Some of these issues are addressed further in chapter 9.

Strategies for the physical transfer of goods depend on whether the transfer is within, or outside Nigeria. None of the respondents claimed to make deliveries within Nigeria through the mail, once again underlining the relative underdevelopment of the Nigerian postal

⁴²¹ In both this, and the manufacturers' figures on the same subject referred to above, the figures would have been higher but for entrepreneurs who no longer consider paying bribes operational problems once they are able to come to some form of "arrangement" with actors who might otherwise have formally demanded a bribe, or make such other demand on them.

⁴²² It is interesting however that no trader lists difficulties with tariffs as an operational problem. One explanation for this may be sought in the fact that as they almost always operate (all or some of the time) informally, tariff levels are not really a factor in the running of their businesses.

system. Occasionally, private delivery companies are used, but this tends to be for specific transactions, such as exchanging formal contracts, making payments (these are usually made in cash), and the like.

The single most popular method of selling within the country is direct to consumers. 85.1% of traders, and 42.9% of manufacturers use this method. In spite of this, it ought to be noted that rarely are goods transferred straight from manufacturers to end-users. There are usually multiple channels of distribution between one and the other, as previously mentioned in chapter 2. Essentially, most producers will sell their products to whoever will buy them. In practice, the most common sell-on route for manufacturers tends to be to wholesalers, as is done by 76.2% of them, or to retailers (71.4%)⁴²³. Either way, these are people who will sell on the product without adding any "technical" value. A product may sometimes be exchanged between up to four different sets of traders before the end user finally buys it. To illustrate this further, 51.1% of the traders in the survey claim to obtain a majority of their supplies from other traders, as opposed to 42.9% who obtain a majority of theirs direct from manufacturers. But most trader respondents have obtained supplies from either traders or manufacturers at one time or the other. Furthermore, 59.6% of the traders claim to sell their products on to other retailers and 21.3% to designated wholesalers. What tends to happen is that several "wholesalers" (including *case 2 & case 3* for example) also do some retailing, although it is not a function to which they fully lend themselves. When one adds to these the 25% of traders who sell their products via salaried or commissioned agents, the indications are of a dominant position occupied by local traders in the entire distribution process, and a rather cyclical journey undertaken by goods between

⁴²³ During the course of the field study, I put a similar question to the customers of case 4 (see appendix F), and found that 72.2% of the firms's customers also sold on their purchases to persons other than end-users.

the producers and the end-users, with further indications that customers may consequently be paying more than they might have paid under a different system.

Outside Nigeria, and especially in the cross-border trade, the situation is a little different. All export-oriented manufacturers report that they sell direct to the public outside Nigeria (compared to the 42.9% reported earlier for the same method within Nigeria), although it is not the only method they use. The reason for this is because many firms, especially SSEs, will respond to individual orders from outside Nigeria for two main reasons - one being that they can sometimes charge a premium, and the other being that they are sometimes paid in hard currency, which in many regards, not least the declining value of the Naira vis-a-vis most hard currency, is like being paid a premium. On the other hand, only 14.3% of export-oriented traders in the survey sell directly to the public outside Nigeria, and these tend to be those that fall into the category described above for manufacturers. Traders tend to sell their goods to other traders, in the various markets that they ply across West Africa, or to informal agents, where the traders are dealing with, say, Western Europe. Hence the responses of exporting traders reveal that 50% of them sell a majority of their goods to other retailers, 37.5% to wholesalers, and 25% (presumably those engaged in overseas trade) sell via salaried or commissioned agents.

All the export-oriented manufacturers use both formal and informal agents outside Nigeria. They also sell to wholesalers (66.7%) and retailers (50%). The main difference between them and traders in this respect is that while traders tend to have to go out to chase up their markets, particularly in the cross-border routes, it tends to be other way round for manufacturers.

The actual process of goods carriage in the cross-border trade is examined in chapter 8.

7.2.3 Theme 3: The ECOWAS Effect

A mention of the formation, objectives, and development of the ECOWAS has been previously made in chapter 5. It was noted in that chapter that although there has been a resurgence of efforts (or at least treaties and agreements) by West African governments, the implementation of various agreements (I am particularly concerned here with trade agreements) reached since 1980 have not been as expected. Entrepreneurs on the ground have also been generally sceptical about the operation of the various agreements, especially the ECOBANK, and the West African Clearing House (WACH), designed to make monetary transfers and other transactions in the region easier, and the TLS, designed to ultimately reduce tariffs on the transfer of a number of goods within the region to zero. It has however emerged from several interviews that a number of the entrepreneurs are in fact ignorant of what the various agreements mean; in addition to their scepticism as to their workability.

There is, in any case, a sharp division of attitudes to the proposed West African common market by the two groups of respondents, with manufacturers generally being rather more positive than the traders about it. While every one of the manufacturing respondents claims to be aware of the aspirations of the ECOWAS to establish a West African common market, a third of them were not aware of any existing law, guideline or directive along this line, which did, or could affect their businesses. Traders generally pleaded ignorance to both of these issues, most of them derisively dismissing the governments' plans.

According to the indigenous manufacturing entrepreneurs, they would normally expect information and updates on the common market to come from the federal or state ministries of trade and industries, the Nigerian (or individual states') chamber of commerce, and the MAN. Yet, only 0.9%, 0.7%, and 14.8% of them, respectively, claim to have received any

kind of correspondence on the matter from the bodies. It also transpired in the interviews that most of these were not dedicated pieces of information but promotional literature to do with the West African Clearing House (WACH) and ECOBANK. It would appear that NASSI and NACCIMA, through their regular bulletins on new development and trading opportunities have been rather more active in this area, at least as far as their members are concerned.

None of the respondents thinks the single market, whenever it comes into being, will mean the end of its business. In fact, on the contrary, a massive 92.6% of them claim to be ready for whatever changes the single market brings, although the feeling about what it actually means is rather less clear-cut, with 48.1% believing it offers them more customers, as opposed to 40.8% who interpret it as increasing the competition.

What is more clear is the fact that the entrepreneurs generally have a "bottom line" attitude, which is that ECOWAS aspirations concern them if it means less harassment, less road blocks, less bribery and such other matters which are the reality of their day-to-day business. Otherwise they mostly claim to remain unaffected by the ECOWAS ideal.

7.2.4 Theme 4: The Role Of Government

That the governments of LDCs have an important role in their own economic development has long been a conclusion of academics⁴²⁴. However, the fact that government policies and other state regulations do not diffuse into the population at large is not entirely a surprise in a society like Nigeria⁴²⁵, given its size, the availability and

⁴²⁴ See Petrof (1980:55-56).

⁴²⁵ See Kurer (1996) for a discussion of the political foundations that tend to result in the failure of economic development policies in developing countries.

reliability of mass-communication instruments, the "patron-client" effect, and other, largely socio-political reasons. It affects not only enterprise development, but most facets of Nigerian life.

The historically tense government-business relationship is one that has been referred to at various points in this thesis. The feeling of being in an unending game with government agencies is one that is ingrained in most businesses, especially informal and/or small ones, even from formation. It has thus been a surprising finding, given the fact of entrepreneurs' general distrust of government, that traders recognise the good in any government policy that concerns them. What has shown itself to be the problem, is not so much that the traders feel the schemes are no good for them, but an expressed scepticism that government is able to sustain the implementation of the schemes, and that they (entrepreneurs) in the meantime would have been sucked into the formal system where they would be forced to pay much higher taxes, for what they regard as no returns by way of benefits from the state.

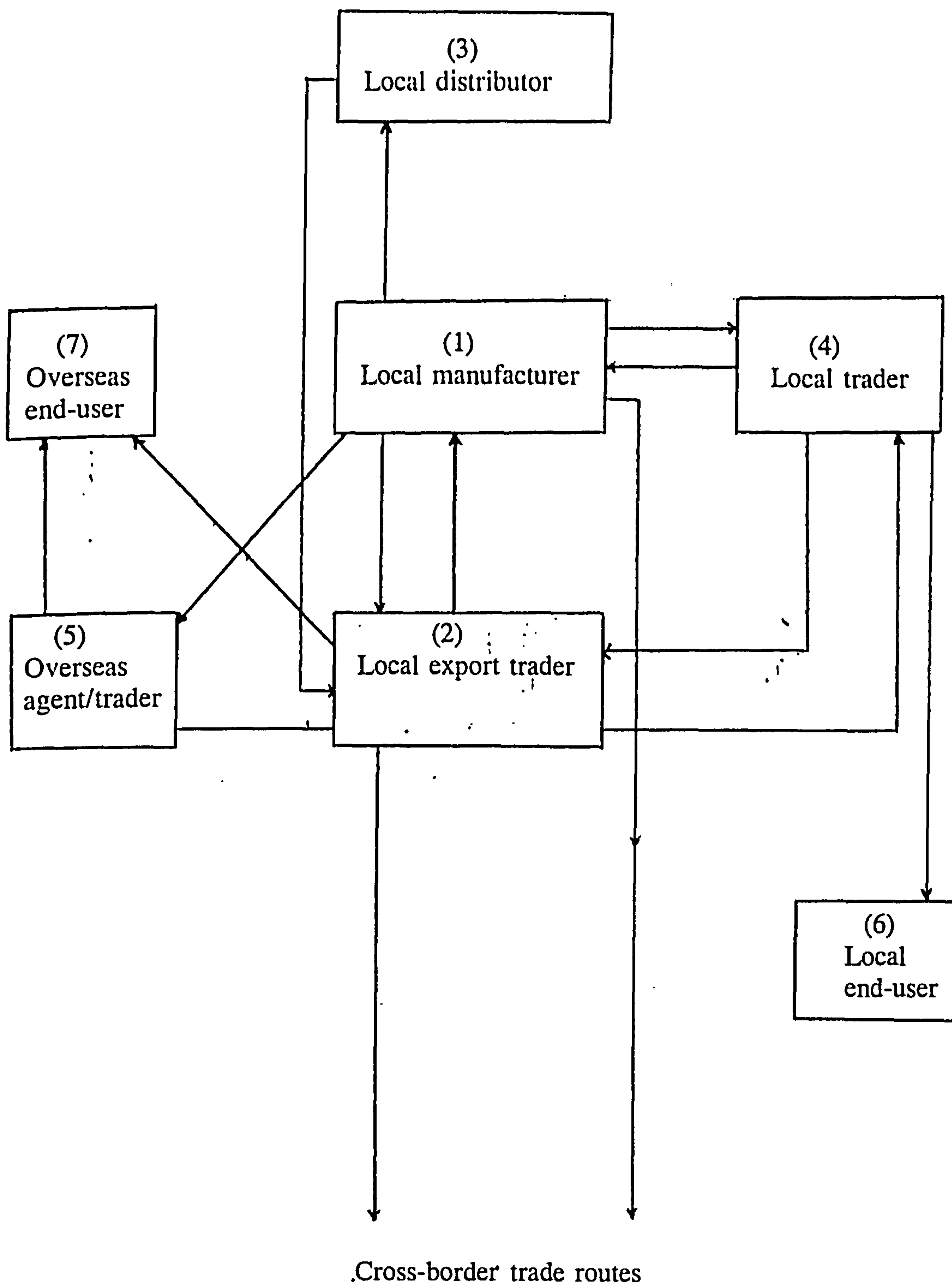
So, although most respondents (92.6%) claim to be aware of one government scheme or the other that could possibly assist their businesses, only about half of these (48%) say they actually benefit from any of these schemes. The number would, in fact, be much lower but for some owner-managers who interpret their mere membership of certain (even informal) associations and societies as "benefitting" from government schemes. Interestingly, some beneficiaries from some of the assistance schemes do not do so out of choice, many of them seeing the schemes as ill-advised and others tending to see the schemes as government's ploys to elicit more tax. When asked why they were partaking of the schemes, the general response was that it was on the off-chance of gaining access to hard currency credit. It is no surprise therefore, that of the respondents who think there is more the government can do for them, 96% would like to see improved access to capital,

demonstrating what a big problem entrepreneurs have, not just with the foreign exchange auction system, but with routine banking matters such as bank withdrawals and deposits, a single transaction of which can sometimes take several hours. 50% would like to see lower income or corporate tax level, although rather surprisingly, a number of respondents in both surveys did not know for certain, their exact tax liabilities. 44% would like improvements in public utilities. This concerns basic things like electricity and water supply, as well as telecommunications, transportation and the like. These are major problems for most businesses, and for those who can afford it, privately supplied electricity, water and so forth are not a luxury but an essential part of their business. Some of the larger-sized firms (including *case 7*, and certain other firms that I observed, particularly in Agbara Industrial Estate, near Lagos) do not even bother to be connected to public water and electricity supply systems. Some of them go as far as building their own access roads. Other suggested areas of improvement by the manufacturing respondents are in the collection of import tariffs and the administration of the trade TLS.

7.3 Entrepreneurship In The Cross-Border Trade.

This discussion, though introduced here, forms the core of the discussion in chapter 8, and concludes in chapter 9. For the purposes of this chapter however, fig. 7.1, below, is a general representation of the role of the indigenous entrepreneurs (nos. 1-4 in the diagram) in the transfer of goods to both local and overseas end users (nos. 6 & 7).

Fig. 7.1 THE INDIGENOUS ENTREPRENEURSHIP ROLE IN THE CROSS-BORDER TRADE



An examination of the diagram immediately throws up the centrality of the local export-oriented trader (no.2) to the whole process of goods transfer. He is both a supplier to, and a buyer from the local manufacturer, through whom he supplies other traders and end-users both locally (no.6) and abroad (no.7)⁴²⁶. Many local producers, particularly of agricultural produce such as cocoa, and craftsmen such as those who specialize in garment-making and made-to-measure furniture usually lack the ability, resources or even more frequently, the relevant information necessary to market the products in lucrative overseas markets; And here the export traders, with superior information at their disposal, are able to exhibit a distinct advantage. Many of them provide goods or reach markets that even even large firms cannot or will not reach.

It is quite common to find that the export-oriented trader is also a local distributor (no.3)⁴²⁷.

The local trader (no.4) is also a key part of the set-up. Apart from his important role in the distribution of goods to local end-users (no.6) which was referred to in chapter 2, he also acts as an important provider of information to export-oriented traders about exploitable opportunities, frequently linking up local producers and export-oriented traders himself⁴²⁸. With the survey revealing as many as 85.7% of non-export oriented traders to be so due to information-related factors, the potential for local traders to profit from being information providers is enormous.

The manufacturer (no.1), as expected, fulfils the traditional role of supplier to various

⁴²⁶ Cases 1-3 in appendix A , variously illustrate this function.

⁴²⁷ see for instance cases 2 & 3.

⁴²⁸ case 2, who occasionally supplies made to order garments to overseas customers, mainly in the U.K, sometimes employs this method.

traders, and, as illustrated especially in the case of the smaller-sized manufacturers, they are becoming increasingly, though seemingly warily, directly involved in the cross-border trade⁴²⁹.

It ought to be noted that although fig 7.1 describes the general role of the core actors in the cross-border trade, there are sometimes occasional deviations from the standard set-up not adequately represented in fig. 7.1 . For instance, several local distributors (no.3) also act as retailers (or local traders, see no.4). Such is the situation with *case 3* who, as is shown in appendix A, will just as easily sell to a passing customer interested in a single unit, as she will to an international customer interested in several hundred units. A few traders are in fact able to successfully combine functions 2, 3, and 4. Furthermore, *case 6* is a manufacturer (no.1) that sells, on one day of the week, direct to local end-users (no.6) primarily to boost its revenue and buttress its public image. This is however very much of an exception to the general rule.

7.4 Conclusion

In summary, the survey reveals the following about the survey's respondents.

Cross-border trading enterprises, like other indigenous business enterprises, are most likely to be run by the persons who actually established them. In a manufacturing firm, this is most likely to be a male while it would be a female for a trading firm. In all cases, the firm is most likely to be a sole proprietorship and to operate in the informal sector. Manufacturing firms are most likely to employ between one and fifteen persons, while trading firms will normally employ up to ten persons, some of whom will be apprentices

⁴²⁹ see for instance, case 4.

related to the employer. Trading firms will, in addition, tend to make extensive use of informal labour sources. Many of the surveyed firms have no apparent desire, and certainly no strategic plans, to grow significantly beyond their current operational levels.

Trading firms tend to be far better able to exploit export trading opportunities, although both traders and manufacturers tend to face similar operational problems - corruption, over-bureaucratization and foreign exchange availability being the most common.

Most of the entrepreneurs' perceived problems with the state tend to stem, not so much from a disregard for the state's initiatives, but from a scepticism that the state is able to implement its own plans.

7.5 The Case Respondents - An Introduction⁴³⁰

Case 1 is a specialist cross-border trader, albeit on a very small scale. She is a relative newcomer to the business. The products she sells are normally purchased in the Republic of Benin for sale in Nigeria.

Case 2 is a much more experienced trader involved in both local and foreign trade. She regularly buys and sells both ways although the balance of her trade is more tilted towards purchasing outside Nigeria and selling within.

Case 3 is also involved in a two-way overseas trading system. Her involvement in the cross-border trade however is mostly as a supplier of household goods to various customers who come to her Lagos base from all over West Africa.

Case 4 is a small, relatively young, and moderately successful establishment involved in the manufacture of various plastic goods. These are mostly sold within Nigeria although

⁴³⁰ full case summaries are contained in appendix A.

the firm has recently taken calculated steps which have turned it into a limited exporter to certain West African countries.

Although managed more like a sole proprietorship, *Case 5* is in fact a large multi-focused firm, being involved in the farming, production and trading of a number of goods. It has been involved in export trade since its inception, and in fact only developed its cross-border outlets after the success of its initial overseas ventures.

Case 6 is a medium-sized, family-owned manufacturing concern. It is only nominally an export-oriented firm although its products are a mainstay of the cross-border trade.

The products manufactured by *case 7* are also among the most popularly traded goods in the cross-border trade, although the firm itself is officially not export-oriented. The firm is the publicly-owned Nigerian arm of a Multinational Enterprise.

CHAPTER EIGHT

ANALYSIS OF FINDINGS (II)

THE MECHANICS OF THE CROSS-BORDER TRADE⁴³¹.

8.1 The Trade Routes, Actors And Activities.

There are, as I indicated in chapter 6, three main border points out of Nigeria in the study area. They are, in arguably declining order of importance, Idi-Iroko (in Ogun state), Seme (in Lagos state), and Imeko (also in Ogun state).

The three areas share certain characteristics, such as relatively small sizes, a largely migrant (and mobile) local population, and a considerable customs presence. However, as will be explained, the range and volume of trade vary somewhat between these locations. In particular, these locations, like certain other border routes and locations, have evolved specialisms for certain types of goods and services. So, while one may find a little bit of everything on most cross-border routes, generally, traders understand the specializations, and will normally choose to conduct a particular transaction where they feel the best returns are obtainable. It is with this in mind, as well as for reasons of convenience, that I examine, in turn, each of the three locations.

⁴³¹ Unless otherwise specified, all prices and exchange rates referred to in this chapter were those in operation as at July 1994, and should therefore be considered subject to the views on inflation expressed in chapter 1. It should also be noted that in January 1995, five months after the completion of my field study, the CFA Franc was officially devalued by 50%. I shall return to this point in section 8.1.2 below. The net effect of this on the trade should however be seen in perspective as the traders had always employed a more "realistic" exchange rate for the CFA, and indeed for other currency.

8.1.1 Idi-Iroko.

Idi-Iroko lies about sixty miles north-west of Oshodi market in Lagos, which also serves as the principal motor-park serving commercial vehicles at the Lagos end of the Lagos - Idi-Iroko route. It is however seldom possible to cover the distance in under two hours by road, such is the bustle and congestion in and around Oshodi market. The driver of a van into which fourteen passengers have squeezed themselves onto eleven seats would normally charge N20 for a through ride to Idi-Iroko.

The next town north of Lagos along the Lagos - Abeokuta expressway, and which serves as a kind of gateway to Idi-Iroko is Sango-Otta, some twenty five miles from Oshodi. Lagos, however, never really comes to an end. All the way to Sango-Otta are residential buildings with Lagos addresses, street-traders, small scale manufacturers (usually of building materials), larger-sized trading firms (usually of vehicles and foodstuff), and other enterprises. This leg of the journey is a visual testimony to the enterprising nature of the people of Lagos.

Sango-Otta is a town that singularly owes its development in recent years to commerce, particularly that which may be described as resulting from demand for cheap land and labour by Lagos-based firms. It is, by Nigerian standards, easily accessible from Lagos. Several large firms like Sona Breweries, Nigerian Distilleries, Nigerian Bottling Company (Cocacola), Nestle, Honda, Nigerian Sewing Machines, and so forth have their farms and factories there. There is also a thriving transportation sector in the town, in particular, the shuttle services into Lagos and Idi-Iroko.

The thirty five-odd miles between Sango-Otta and Idi-Iroko provides the first real impression of being away from the bustle of Lagos. There is a rich rain forest all the way

save for the six or seven villages that dot the road. The most prominent of these are Ajilete and Owode. They are, respectively, about twenty and ten miles from the Nigeria/Republic of Benin border. These towns have evolved a specialism in the informal exporting of foodcrops, especially yams, maize and vegetables to other West African countries. A great number of the townswomen are involved in this trade. After the men have harvested the crops and loaded the lorries, women are to be found in their dozens, accompanying the lorries on the short but risky ride into Igolo, the town situated in the Benin Republic, but separated from Idi-Iroko in Nigeria by a six foot-high fence, or Ifonyin (Ifahin), some ten miles north of Igolo. There the women will stay all day or longer, in the town's central market, as is necessary to sell their wares. With the money so made, they will usually buy rice, livestock (especially frozen poultry) and Nigerian-made "provisions", which can sometimes be considerably cheaper in Igolo/Ifonyin than in the Idi-Iroko/Sango-Otta or even Lagos area. These products are selected because they can be fairly easily sold off to the many *bukas* (cafes) or more upmarket hotels and conference centres in Sango-Otta, Abeokuta, and the surrounding areas, which are constantly in need of such products. Some of the women have their "customers", to whom they regularly sell. The arrangement also suits the buyers. The *bukas* for instance, which are traditionally small establishments, usually seating between six and twenty persons at a time, do not normally have specific storage space for stocked-up supplies. Many of them purchase their supplies on a daily basis, which are, as far as possible, used up on the day of purchase. They are therefore happy for the market women to turn up daily with fresh supplies. In the specific case of the frozen poultry, the relatively small but constant supply lines also means they do not have to worry about privately generating the electricity required to properly store them, publicly generated electricity supply being, at the best of times, far from regular. The market women will

generally retain a "balance" to take home to their families, which will serve as family spending money.

An overtly illegal industry has also evolved in Owode, and to a lesser extent, in some of the smaller towns and villages along the Sango-Otta - Idi-Iroko road. It services the trade in motor vehicles. Some motor vehicle traders in Nigeria prefer to import their products into Cotonou in the neighbouring Benin Republic rather than Lagos because they find it generally easier or cheaper to clear their products at the Cotonou port, not least because they pay much less in bribes there. Cars which are purchased in the Benin Republic or cleared at the Cotonou port, are driven to Owode (and environs) where fake temporary registration and number plates are fairly easily obtainable. This is apparently so less attention is drawn to the vehicle while it is being transported to its Nigerian buyer. Workshops have been set up for this purpose and for about N500, plates and papers can be produced in about an hour⁴³². Some of these workshops employ up to twelve workers and apprentices. A few of them combine this function with standard automobile services. Several rest houses have also, since about 1991/92, sprouted up in the area, apparently to cater for the "importers" who are having their papers "organized".

Idi-Iroko itself is very much a transit town. It is small, although it has a busy look about it. Most of it can be covered on foot. There is however a constant flow of heavy goods vehicles (HGVs) plying the town's only major highway. There is what appears to be an unusually high number of *bukas* in the town, most of which are situated right beside, or close to the highway. According to some of the traders, there are not many permanent residences in the town, that is, most of the traders prefer to rent modest apartments in the town, and

⁴³² An equivalent industry, mostly for vehicles purchased or stolen from Nigeria, exists in Ifonyin, in the Benin Republic.

build more grandiose houses in their hometowns. Customs and immigration officials constitute another large rented property bloc.

Trading is by far the most common commercial activity in the town with building materials, beer, wines and spirits, petroleum products, pharmaceuticals and vehicle parts being the most popular goods for sale. These are complemented by light manufactures (such as cement blocks, garments, bread, saw-milling, and so forth) and some farming. The traders informed me that most of their customers are from neighbouring countries, and comparatively not much from Nigeria. This is so because most of the fastest-selling products are manufactured in and around Lagos, or have been imported there from overseas. Even those products manufactured in plants in and around Sango-Otta tend to be distributed from bases in Lagos. The Idi-Iroko traders therefore do most of their purchasing from Lagos, same as many other Nigerian traders, and there is not much incentive for Nigerian traders, except for those on a micro or cottage level to obtain their supplies from Idi-Iroko. Their customers tend to be dealers, contractors and other bulk-purchasing individuals from West African countries as far away as Ivory Coast or Gambia who are wary of a trip into Lagos or who may not be buying in quantities that warrant travelling as far as Lagos or have simply been persuaded from making the extra journey by the Idi-Iroko traders.

Sometimes, particularly for small quantities of bulky purchases, a Nigerian customs official is "hired" as a paid guide, hand and interpreter by a visiting trader. It is also the duty of the customs official to see the trader safely across the Nigerian/Benin border after the purchase has been made. I witnessed a number of such activities. A lady customs informant told me after one such instance that the customs men involved would each have been paid N200.

Some of the goods sold by the border traders on the Nigerian side originate from

other African countries and are in turn sometimes resold to other traders and individuals from these same countries. This involves products like kolanuts and salt from Sudan, costume jewellery from Ivory Coast, and also textiles and accessories from the Republic of Benin. It happens both ways because sometimes, products like rice, fertilizer and flour get imported or smuggled into Nigeria through Cameroun or the Republic of Benin, only to be sold off in a single transaction to a distributor from one of the West Coast countries from whom smaller Nigerian retailers now purchase for reimportation into Nigeria. Situations such as these ensure that there are constant frenzied activities along West African borders, albeit sometimes without a set pattern.

Hundreds, and quite possibly, thousands of people are involved in the hawking of all sorts of goods on both sides of the border. From the Nigerian side, the most popular product "exported" this way appears to be bread, particularly the variety popularly, but somewhat curiously, referred to as "*Ghana Special Butter Bread*". Other popularly hawked Nigerian goods are fruits, fish, hair and beauty products and home-made soaps. From the Beninoise side come apples, rice, fowls, flour and assorted snacks. The hawkers cross from one country to another largely ignored by border personnel. Several of the hawkers are in fact not fully aware of the fact that they are regularly criss-crossing between two countries. Most of their trade is done in Naira, although at a special rate of N0.1 : CFA1 (that is Naira to CFA franc), certain transactions in CFA do take place⁴³³.

I was always struck by the sheer numbers of HGVs crossing, or preparing to cross into, or out of Nigeria. Arriving at the border one morning, I counted sixteen such vehicles waiting to enter Nigeria, and twenty eight preparing to leave, all stacked full of goods

⁴³³ The official rate of exchange for most of the duration of the field work was N0.04 : CFA1, although the market transactions that I witnessed were invariably conducted using the "parallel" rate which averaged N0.09 : CFA1 for the period.

sometimes rising as high as twelve to fifteen feet from the base of the trailers. Although most of the drivers claimed not to be really aware of the contents of their cargoes, I noticed that a large portion of the goods leaving Nigeria seemed to be processed foods and beverages, and in particular, I noticed the products (or at any rate, the packaging) of Cadbury-Schweppes, Eleganza, Nestle, Lisabi Mills, Unilever, Nigerian Distilleries, and others. There were also several plastic products, beddings and boxes that indicated plates and other glass products.

There is an overbearing "*settlement*" (bribery) culture at the border whereby virtually as many customs, immigration, police or military personnel as traders, and in particular, HGV drivers come into contact with have to be bribed ("settled"). I once spoke, over a period of two days, with three such drivers waiting to enter Nigeria, who explained that it is usually easier to leave Nigeria than it is to enter because there were more people to "settle" going in than coming out. One of the drivers claimed to have been at the border for three days awaiting the arrival of his *Oga* (boss) from Lagos to settle the border officials so that he could continue his journey. He was not worried, he explained, when I asked him if it was unusual for him to wait so long for his boss. He had once had to wait for almost two weeks. It was all part of the job. The only problem with his situation, according to him, was that they were frequently raided at night by armed bandits who he suspected to be *Kelebes*⁴³⁴ by day. Trailer drivers have however learnt to organize themselves into vigilante groups to thwart such moves.

None of the drivers seemed certain how much their bosses paid in *egunje* (bribes),

⁴³⁴ *Kelebe* means "small person" in Yoruba. It is the derisory term by which touts, informally employed to carry out checkpoint duties by duty officers while the duty officers themselves sit in the shade, are referred to by the public. In recent times however, it has also been used to refer to all kinds of touts involved in various legs of the cross-border trade.

but guessed it could be up to N50,000. My customs acquaintance in fact said it could be up to three or four times as much depending on the value of the products being taken in or out of Nigeria, and that anything up to a hundred border personnel could share in this windfall depending, usually, on the "generosity" of the highest-ranking officer involved in the racket.

All three drivers claimed their final destination to be Oke-Arin market in Lagos, although at other times I met HGV drivers who were headed for Iddo market in Lagos, Ojoo market in Ibadan, and other markets in Ilorin, Benin-City and parts of Eastern Nigeria. Vehicles such as theirs were usually to be found containing fifty kilogramme bags of rice, and also textiles, flour, stockfish and kolanuts. They would normally have set out variously from different West African countries as well as Sudan.

8.1.2 Seme.

I travelled by road through Seme to the Republic of Benin (and beyond) on several occasions both by public and private transportation, although public transportation may be said to provide a truer view of the travelling conditions of cross-border traders.

For those travelling by public transportation, the likeliest departure point is the Mile 2 terminus on the Lagos - Badagry expressway. Here, one may board a Seme-bound taxi for N60, or as rather more travellers from Mile 2 tend to do, wait by the road-side for a passing private car or mini-cab which will make the same drop for N20. Such a car will however pack six passengers as opposed to the more usual four. Apart from his human cargo, it is common practise for commercial drivers to smuggle small quantities of petrol (usually four-litre containers per trip) and other petroleum products into the Republic of Benin where

petroleum products are five times more expensive than in Nigeria⁴³⁵. There are also other termini at Mushin, Alaba and Oke-Arin markets in Lagos, but these tend to be for traders prepared to pay the full fare, or traders journeying right through the Republic of Benin into Togo and beyond. It costs, for instance, N1,200 for a ride from Oke-Arin market to Abidjan in the Ivory Coast.

The journey from Mile 2 to Seme takes about seventy minutes. A Seme-bound taxi will normally stop on the Nigerian side of the border. Seme, unlike Idi-Iroko and Igolo, is not a residential area, but merely a border post. Over the years however, a market has also evolved there which extends from the Nigerian side to the Beninoise side of the border, and the activities that take place here are markedly similar to those that take place at the Idi-Iroko/Igolo border. Apart from everything else, I noticed on several occasions that a great number of imported used vehicles (in particular luxury models (like the Mercedes-Benz series) are for sale on the Beninoise side of the border. There is also a sizeable presence of informal currency dealers.

Even so, a senior customs officer at Seme was still informing me in a mid-1994 interview that the volume of trade across the border was in fact only just picking up again after having undergone a drastic reduction following not only the traditional post-christmas lull, but also the 50% devaluation of the CFA Franc in January 1994, which is the official currency of nine ECOWAS member-states. The value of the CFA Franc is tied to that of the French Franc. For forty eight years to 1994, the rate was fixed at 50:1⁴³⁶ (that is, CFA to

⁴³⁵ This was prior to the government's announcement of an increase in the pump price of petrol from N13 per gallon to N44 per gallon, ostensibly to discourage this kind of activity.

⁴³⁶ See, among others, *In Defence Of The Franc Zone in West Africa 6/12 - 12/12/93*, pp.2198 - 2200, which traces the influence of the CFA - French franc relationship on the regional economy.

French Franc), prompting cries of over-valuation of the currency from other West African governments and overseas investors. In January 1994, the rate was increased to 75:1 .

The devaluation was initially bad for business because it upset the existing pattern of trade, which is usually that Nigerian manufactures are exported to other West African countries, while (mostly) banned goods such as certain components used to make other products, certain food items such as rice or wheat, and certain luxury goods are imported into Nigeria. But when the devaluation occurred, it obviously affected the value of Nigeria's exports. With the Nigerian government also announcing in its annual budget around the same time, a new fixed-exchange rate for the Naira of N22:US\$1 (the informal value at the time was approximately -N45:US\$1), and purporting to outlaw the informal currency trade (unusually, the enabling decree was not passed for several months after the ministerial announcement), it made for a period of uncertainty while the traders waited to see how the new system would operate. The new dispensation was expected to make it easier for commercial concerns in all sectors to finance their projects, and in particular, to obtain foreign exchange. Both traders and producers, especially those in the informal sector, had feared that with new funds poured into the economy at these cheaper rates, they would be stuck with over-priced stock and raw materials, a high cost of capital, and would lose the initiative in export trading to the OPS. In the event, the effect of the new rates did not filter through the economy as expected. Not a single trader of the hundreds that I spoke to had been able to purchase foreign exchange at the new fixed-rates, and according to the informal currency traders, within a month, they were back in business.

There is a walk through the border-crossing at Seme to the motor-park on the Benin side where, for around CFA300, taxis are available for the twenty five minute ride to Cotonou, the capital of the Benin Republic, and the country's commercial nerve centre.

One of the first things to catch the eye in the Benin Republic is the manner in which fuel is sold. There are not many filling stations in the entire country and fuel is not readily available in most of them. However, every few hundred metres or so along the highways are several petrol "retailers", or hawkers. The seller is typically female and has no more than five litres of petrol to sell at any one time. The driver of a vehicle I once travelled in had to stop and purchase two litres off a hawker. He later said that most of the displayed petrol come from Nigeria, and are usually sold by Nigerian military personnel to Beninise dealers at Seme. They would then resell in small quantities to the hawkers who in turn sell to motorists. A litre of petrol so obtained sells for CFA150, he added.

Cotonou's leading markets are Topa, Misebo and Dantokpa markets. They are very busy markets indeed. Topa market is essentially a brocade, jewellery and currency centre, specializing in (but not limited to) various West African currency and is therefore generally the first port of call for Nigerian traders coming into Cotonou, and also sometimes for other West African traders heading for Nigeria. The traders in this market disclosed that the majority of their goods for sale are imported from Ivory Coast and France, with others coming from places like Romania and Italy.

A much larger and busier market than Topa is Misebo market. Buyers and sellers from all over West and Central Africa congregate here everyday for concerted haggling and trade. Misebo is a huge shopping district where virtually every common shopping item, from foodstuff to household goods, clothes, electrical items, different kinds of machinery, building materials and so forth, can be found. There are literally thousands of shopping outlets in Misebo. Many of the sellers in the market are Lebanese, Indian and Pakistani, referred to by Nigerian traders as "*Kora*". They tend to deal mainly in upmarket textile materials, and they, like most of the other traders that I spoke to, state that majority of their sales are to

bulk-purchasing Nigerians. French-made products are mostly in evidence, although the traders claim to also import goods from Switzerland, Austria and Ivory Coast. Not a great deal seems to be actually made in the Benin Republic itself.

Dantokpa market is often described as more of a dumping ground for various used manufactured products from Europe. Several electrical/electronic items, as well as other household goods such as refrigerators, washing machines, cookers and such other goods can be found here, most of them second-hand. There is also some "kora" presence here.

The Koras claim to have learnt to "deal" with Nigerians. Many of them speak a smattering of Yoruba and pidgin English, and they work hard at cultivating personal relationships with them. The average Nigerian shopper tends to be perceived as wealthy but tight-fisted. They are seen as aggressive and cunning hagglers. Some Koras are quite willing to do business in the Nigerian currency at the special rate of N0.1 to CFA1.

8.1.3 Imeko.

The third major border post covered in this study is at Imeko. It is a smaller town than Idi-Iroko, and is about a hundred miles north of Lagos which, as a border town, exists very much in the shadow of Idi-Iroko and Seme.

There are two main routes to the town through Aiyetoro and Abeokuta, but the roads that lead there are almost unmotorable. The forty miles between Abeokuta/Aiyetoro and Imeko, though not unusually heavy in traffic, can take more than two hours to travel, and are almost totally avoided by commercial vehicles. Odd by their presence however are the sizeable numbers of fuel stations present particularly on the stretch of road between Abeokuta and Imeko. There is a N20 charge between Lagos and Abeokuta or Aiyetoro, and another

N20 for those vehicles that do ply the route between these towns and Imeko. Cross-border traders do not generally use the Imeko route, and there are hardly any checkpoints on it.

There is not a lot of commercial activity in Imeko town itself. Although there are several large farms in and around the town, most traders tend to be those that display small amounts of foodstuff on stalls in front of their homes. What is instead striking about the town is the rather large customs presence it has. There are several dozen customs officers to be found at any time in the precinct of the customs compound which is about the biggest in the town.

The impression I got on my early visits to the town was that there was not a lot of work for the customs officers to do. Compared to Seme or Idi-Iroko, only a few vehicles, and hardly any hawkers or other traders on foot pass through the town. Most of those that do are generally headed for "*Paraku*" (a local name for hinterland, Benin Republic). Their wares are mostly light manufactures like soaps, detergent and beverages from Nigeria. There did not seem to be much by way of return traffic. But that was before I learnt from a male customs informant at Imeko that a lot of the business that goes through Imeko occurs at night and is illegal. It mostly involves lorry-loads of petroleum products and crops such as cocoa and cotton. Products like vehicle spare parts, used tyres, wheat, palm-oil and several industrial products are among the most common imports. These activities occur with the collusion of the customs personnel who will sometimes also arrange armed "escorts" for certain vehicles travelling in or out of Nigeria. I took my informant's advice and posed as a prospective transporter in order to obtain various confirmations of these activities.

8.2 How Entrepreneurs Become Involved In The Trade.

How entrepreneurs become involved in the cross-border trade seems to be broadly dependent on the availability of information available to the entrepreneur in question. It would appear in most cases that those traders who become involved in the cross-border trade take a conscious decision to do so having considered to the best of their ability the consequences of doing so. An indication of this may be found in responses to the traders' survey where more than 50% of the respondents indicated that they act generally of their own impulsion and to fulfil their own ambitions. The impression created however is that traders tend to have a more limited, or narrow view of the future of their business when trading commences, but they are able to seize exporting opportunities whenever they arise. The manufacturing firms tend to consider the exporting issue much earlier in the firm's life, although whether these opportunities are taken up is quite another matter. Illustrations of these with respect to starting a cross-border business may be gleaned from some of the case studies.

To become a trained full-time trader may take several years' apprenticeship⁴³⁷, but being a largely informal process, it is not an absolute requirement. *Case 3* for instance is a trained secretary/personal assistant who got into trading quite by accident⁴³⁸ - she had only taken it up initially as something to occupy her free time in-between jobs, while she looked for a secretarial appointment, while *case 2* had two years' part-time, and four years' full-time apprenticeship, albeit with her own parents. Both her parents were seasoned and respected traders who also had other apprentices sent to them (mostly) by relatives from all over the

⁴³⁷ Oyeneye (1981).

⁴³⁸ See Appendix A, case 3 for more details.

old Western region. In *case 1*'s case, she had nine years' part-time, but unbroken training, including spells as a hawker, alongside her primary and secondary schooling. She did not quite finish the latter before becoming a trader in her own right.

The informal training which a lot of the trading population tends to receive however, by its nature of the tutoring of specific tasks, may be said to be geared towards the learning and development of routinized methods. Because it is usually taught by an indigenous entrepreneur in a particular trade to his apprentices in that trade, it is arguable first that such skills are not usable to improve the production system on which the trade depends, and that on the whole, what it in fact encourages, is not innovative behaviour but competency skills, and this may be the thinking behind the modernist advocacy of Kilby (1969; 1971) and others concerning the education of would-be entrepreneurs, referred to in chapter 3.

Although the level of formal education among indigenous entrepreneurs tends to be relatively low, this is not to class them as untrained. I have argued elsewhere⁴³⁹, not only that the precise links between formal education and entrepreneurship are not so clear-cut, but also that specifically within the context of indigenous entrepreneurship, the widely-practised informal apprenticeship system probably bears more direct relevance to the perseverance of certain trades than formal western-style education⁴⁴⁰. I pointed out further that trading apprentices, in any case, are likely to have simultaneously received formal primary education and part-time informal coaching before going on to full-time apprenticeship. This is certainly the case with most of the traders who own shops in the major markets that I spoke to, whether or not they are cross-border traders, and it is the case with *cases 1 - 3*.

Marris & Somerset (1971) have suggested in their study of Kenyan entrepreneurship

⁴³⁹ Fadahunsi (1996).

⁴⁴⁰ cf. Fafunwa (1974:34-48); Nafziger (1988:146-147).

that formal education seems to be significantly related to successful indigenous entrepreneurship only when the business in question is of a relatively high technical sophistication, or when the entrepreneur in question has professionally (formally) trained subordinates⁴⁴¹. This explanation appears to be true of some of the more formalized case respondents.

In the case of the C/MD at *case 5*, although it was working alongside his parents on the family farm that fuelled his desire, as a child, to establish his own business⁴⁴², it was in fact while studying Business Administration in an American university that he finally decided on the specific venture that he would engage in (computer supplies), and how he was going to set about it. What he specifically credits his university education for, is having given him an ability and a confidence, at the time, to sell himself and his ideas eloquently via the various business plans he was required to prepare while he searched for the necessary funds to set up his business.

The same may be said of the CEO at *case 4* who in fact finished studying and got a job in a Lagos bank with no real intention of setting up a business someday. The idea for his business only came to him from working, on behalf of the bank, on a programme to advance capital to prospective indigenous entrepreneurs.

It is most uncommon to find a cross-border trader who has not previously had experience, as it were, as a "conventional" trader. This was the case with most of the traders I spoke to in the field, and the traders who make up *cases 1 to 3* also provide illustrations of this.

Case 1 for instance had been in full-time "conventional" trade for six years before

⁴⁴¹ cf. Tiffin & Osotimehin (1988), cited in Ray (1988:10-11).

⁴⁴² See Appendix A, *case 5* for more details.

deciding to specialize in cross-border trading. Even then, she went on some trial runs with her mother who was familiar with the various routes although she was not a cross-border trader herself. It was only after this that she decided to take it up. As at the time my observation period with her commenced, she had been in full-time cross-border trading for seven months.

Although both owner-managers in *cases 2 & 3* are involved in cross-border trading, *case 3* did not actually set out to be a cross-border trader, setting up in Oke-Arin market merely because it was a well patronised market, but well before its metamorphosis into a leading cross-border trade centre, although having found herself amid the trade, she has aggressively developed her interests in it. Unlike the generality of cross-border traders, she does not personally engage in cross-border travelling, mainly because on the cross-border routes, she does no importing. She only exports. To support this, she spent several years securing distributorships with several leading manufacturing firms, and so does not actually need to travel to obtain the goods that she sells, and she happens to be based in a market which is recognized as the leader in the distribution of the "provisions" that she sells. Manufacturers' representatives and their customers from all over West Africa, frequently converge on the market, so her marketing activities need not be directed to attracting prospective customers to the market, but to her shop once they get there. This is reflected in her marketing strategy, as the *case 3* summary illustrates.

Case 2 however regularly makes the cross-border trips in which she mostly trades in textiles. She became involved in it in 1982 after five years as a Lagos-focused trader in order to broaden her supply base to cope with her growing business. Until then she had purchased most of her stock of from her trader parents in Ibadan. As her business grew, she found that purchasing the majority of her stock from her parents could no longer keep her shop stocked

in the manner she wished, nor did it make her as price-competitive as she would have liked.

She initially took to accompanying her mother on the latter's trips to Iseyin and Shaki (about 200 miles north of Lagos) to purchase *aso-oke* (embroidered cotton), *ankara* (patterned cotton) and *adire* (dyed cotton) so she could buy greater quantities of those materials direct from the makers. However, she hated the journey because of the bad roads and rickety buses that plied them. She was frequently sick on the buses and sometime fell off her seat altogether, even though her mother as well as her assistant seemed to manage just fine. She would not send either of the two assistants she had at the time on their own, at the time, because she felt they were not yet experienced enough to undertake the journey on their own.

More importantly, market demand, reflecting fashion trends, had for about a year previously, been noticeably shifting from *adire* and *ankara* to silk and a type of linen referred to locally as *wonyosi*. Although these materials were available for sale in Lagos, it was common knowledge in the trading community that the dealers imported variants of the materials from different parts of the world, especially Asia and the middle east. Some variants also came from different parts of Africa, notably Guinea, Senegal and the Republic of Benin. In November 1982, *case 2* made her first trip to Cotonou to purchase some stock for sale the following christmas, and has regularly made that, and other cross-border trips ever since.

Although not, perhaps as quickly, or to as great an extent as their trading counterparts, some manufacturing firms are also able to respond to changes in the market place. *Case 4's* tentative involvement in the cross-border trading of some of its products for instance was in direct response to a perceived apathy on the part of Nigerians to purchase leisure products in significant numbers. It had not been originally a part of the firm's agenda,

but nevertheless commenced in the second year of the firm's operation, in spite of the CEO's personal reluctance to engage in export trading. As for *case 5*, it was always the intention of the C/MD to export his products globally even before he began to make them. The cross-border trade was a venture the firm became involved in as an addition to its other exporting activities around the world.

8.3 Transporting Goods Across Borders.

It is arguably in this field that traders have consistently outperformed manufacturers, so much so that in the cross-border trade, manufacturers generally are seemingly unwilling or unable to themselves engage in that specific function as part of their production process, either to complement or compete with the traders. I have already cited, in illustration of this, the example of *case 6* and the distribution of its pre-packed food products in chapter 2. While the larger export-oriented firms have been trying to get their products exported to rich western countries, many traders, including some of the firms' own appointed distributors have been developing a specialism in the more realistically exploitable cross-border trade. It has got to the point where for the moment at least, it makes economic and logistical sense for manufacturers to export to cross-border markets via indigenous entrepreneurs.

There appears to be four principal means by which goods physically cross borders between Nigeria and the Benin Republic. I will discuss them in groups of two, headed broadly under "conventional" and "unconventional" methods.

8.3.1 Conventional Methods

First, it is in fact quite common, contrary to popular belief, for goods to be transported in what may be described as a conventional manner. By this, I mean for example that firm "A" in Nigeria orders goods from firm "B" in another West African country such as Ghana, and firm "B" either then delivers the goods to firm "A" with its own vehicles, or commissions a transporter to do so. The payment of bribes when employing this means is however accepted as an inevitability. The method is more commonly employed by modern sector and larger-sized firms. Both *case 4* and *case 5* regularly employed this method during the course of the field-study. While *case 4* would normally commission delivery agents to transport their cross-border orders, *case 5* have delivery vehicles of their own. I made two such trips with the firm in May and June 1994. Both journeys, apart from several instances of bribe demands and offerings along the way at several checkpoints⁴⁴³, were largely uneventful. One was a delivery of computer hardware to a firm in Cotonou, and the other was a delivery of processed cotton to a Togolese firm in Lome. Each of the trips was completed within the day. Crossing between Ghana and Togo, as mentioned earlier in chapter 1, was always a tense affair.

Alternatively, some traders will simply cross the border as they should - either carrying their purchases as they walk across the border, or in some form of transportation. But not many traders will do this as it leaves them vulnerable to all sorts of extortionist practises at the borders.

⁴⁴³ totalling in each case, more than N20,000.

8.3.2 Unconventional Methods

It is more usual, particularly in the case of smaller-sized trading firms to attempt various forms of concealment when transporting goods, hence their blanket labelling as "smugglers". They insist however that this is more of a reaction to the various forms of extortion they experience when in transit, than a desire to avoid the payment of legitimate duties. However, such is the normality of the process of concealment to the traders that most of those that I spoke to only had vague ideas of what "legitimate duties" actually were. The extent to which a trader will go in concealing his purchases from border personnel seems to depend to a large extent on the relative wealth or status of the trader in question.

Case 2 for instance, usually travels in her chauffeur-driven Peugeot 504 estate, accompanied by a trader friend. On each journey, she purchases enough materials to fill most of the unused space in the vehicle. She does not therefore even attempt to hide her purchases⁴⁴⁴ and is quite resigned to having to pay out bribes at each one of the checkpoints that she encounters on her way back into Nigeria, and even sometimes on her way out. She reserves a wad of N50 notes for this purpose on her journeys.

Probably the most common method employed by Nigerian cross-border traders, and in particular by artisanal and other small scale trading firms who do not have, or choose not to use their own vehicles for their trips is the practice whereby a trader transports in the first instance, the goods he has purchased to the Beninise end of the border where he hands them over to one or more of the several touts (also known as *kelebe*) who operate as independent carriers along the borders. On the Nigerian/Beninise border, where they are present in their

⁴⁴⁴ except for the odd occasion when she purchases accessories, and this is because in the past, border personnel have relieved her of such goods, rather than the more usual monetary bribes.

greatest numbers, they have "stations" a short distance from either end of the border post, although they are mostly to be found on the Beninise end. The *kelebe* will then carry the trader's bags (or such other container) containing the goods while the trader casually walks across the border to the make-shift motor-park on the Nigerian side⁴⁴⁵. Customs and immigration officers of both countries pretend to look the other way when these occur. Once across, the bags are handed back to the trader who then pays, depending on the size of each bag, about N10 per bag to the *kelebe*. If necessary, the *kelebe* will "sub-contract" out to another tout to help carry the bags in the crossing, which must be completed on a single journey, otherwise the trader will need to pay bribes to the border personnel each time he returns. *Case 1* and her friends routinely use this method.

The trader - *kelebe* relationship is necessarily based on an element of trust as a *kelebe* can very easily make away with a naive trader's goods. Some traders therefore choose to walk beside their chosen *kelebe* during the crossing. There can however be further risks attached to doing this because sometimes, while the carrier is allowed to cross the border unchallenged, an unfortunate trader (linked to the carrier) might find himself detained and bribes taken from him. During this time, the carrier has an even better opportunity to escape with the goods. In *case 1's* case therefore, what she does is let her *kelebe* go across ahead of her while she mingles in a group of walkers not far behind him. She uses any one of a pool of three carriers with whom she had no problems on any of our trips. Most regular traders have, over the course of their travels, settled on particular *kelebes* who they will use to the exclusion of all others, and will rather take the time to locate them in their "station"

⁴⁴⁵ Some traders will, for a substantially higher sum (see for instance section 8.1.1 above), rather hire a border official for this purpose. Although this is probably more reliable in practice, it can be rather cumbersome to arrange and so happens far less frequently than *kelebe* hiring.

area, than settle for the first one they see. The *kelebes* are also impressively able to constitute themselves quite quickly into an impromptu body to seek retribution against foul-play by, or against one of their number. It is therefore unusual to hear of cases of carriers absconding with traders' goods. It was Ade, one of such carriers, who informed me that each of the "recognised" *kelebes* that works the area has to pay N50 at the end of every working day to a designated point-man in the immigration office. In return, they are not harassed, but uncooperative carriers (and other "*kelebes*", within the meaning explained in chapter 6) are routinely locked up, sometimes for several days at a time for their "offenses". Ade also informed me that he lives not too far away in Badagry, and because he works about twelve hours daily, he personally has no trouble meeting his daily quota of payments, which may explain why he sees nothing wrong or irregular with making such payments. In one particular "peak period", I counted close to a hundred people who could be in Ade's profession, although several drivers that I put this to tended to estimate the figure in the thousands. The *kelebes* come from all over West Africa so that even Bantu and Ewe people from Senegal and Sierra Leone can find their kinsmen on the border with whom they tend to feel safer. This, as Ade says, is however not a problem, because there are always enough "clients" to go round. Another *kelebe* (Kehinde) claimed to have been shown the ropes by an uncle. He never went beyond primary school because he always wanted to be in this "business", make lots of money and retire early. He seems to be on his way. As he said:

"I was born and bred in this area, I'm a son of the soil... I make enough money to eat well and I have a (Peugeot) 504. Soon I will build my house... I have already bought a piece of land in Ijanikin (near Lagos)"⁴⁴⁶.

The fourth method is one that seems to be a lesser-used alternative to the third method described above. It is more commonly employed by traders who trade beyond the Benin

⁴⁴⁶ Taped interview, 11/7/94. Brackets mine.

Republic and so have to cross more than one national boundary with the logistic problems that this entails. It is also used by "cottage" and other small scale Nigerian traders in the Benin Republic who make heavy, or bulky purchases that need transporting into Nigeria. It involves handing over goods purchased, say in Cotonou or Lome, to a specialist commercial driver who, for a fee, is expected to deliver intact a trader's goods at an appointed time and place in Nigeria, usually a residence in Lagos the day after the goods are handed over. The trader then boards a bus, or drives back to his Nigerian base in relative peace, to await the delivery of his goods.

Such a transaction is obviously built on trust, since there is no formal right of restitution as such for a trader whose goods are not delivered because of the informality of the arrangement. To reduce the risk of foul play by the driver, such arrangements will ordinarily only follow the personal recommendation of someone who is usually a kin of the driver, and acts rather like a guarantor for the safe delivery of the goods.

The drivers assume all the risk of getting the goods into Nigeria. This invariably involves, according to some of them, paying bribes to join armed convoys when possible, creative driving on occasions to avoid robbers and checkpoints, sometimes because they are not easily differentiable, and so forth. They mostly drive at night. Unless a driver thereafter wishes to retire from the business altogether, there does not seem to be much of an incentive to deliberately not deliver a trader's goods. According to *case 1* and other traders, word-of-mouth spreads very quickly about unreliable drivers, and they are simply avoided by other traders. The drivers are usually therefore quite prepared to go to extra-ordinary lengths to ensure safe delivery of goods in their care.

Although several traders claimed to have used this method, I only actually saw it being used once, on my very first cross-border trip with *case 1*, who, for this purpose,

generally relies on the services of a driver who is the father of a trader friend of hers.

The foregoing is not to say that traditional petty smuggling does not remain. Several residents of the various border communities think nothing of going across the border to buy or sell items, either for their own use or for trade. Traders are however increasingly less likely to engage in bush smuggling, preferring to engage in the kinds of acts of concealment described earlier in this subsection. Those that continue to engage in petty smuggling have however evolved an unlikely alliance with *Okada*⁴⁴⁷ riders, who will usually transport the petty trader (or smuggler) and his wares, which must be small enough to be transportable on the motorcycle through the border post, or just as commonly, through the several bush paths beyond the immediate vicinity of the border-post.

8.4 Entrepreneurs' Other Exporting Activities

For several Nigerian manufacturers, their aspiration is to export their products to rich western countries where they can earn hard currency, but several barriers mitigate against this in the form of high tariffs, quality control measures and such other regulations. These aspirations therefore remain largely unfulfilled. There remains steady, if diminished, exporting of Nigeria's traditional exports of cocoa, timber and the like, but these are mostly mineral resources as opposed to manufactured goods.

Occasionally, there are local press reports of firms exporting software technology to the USA, or made-to-measure furniture to Canada, and so forth, but these are very much the exception. Certain bottlers of local beers and palmwine can also claim a measure of

⁴⁴⁷ "Okada", the name of a popular local airline, is also now the affectionate term used to describe commercial motor-cycles. The same vehicles are referred to as "Bebe" in the Benin Republic.

continued success in exporting mainly to the U.K and the USA.

However, cross-border traders have also been moving into this overseas trade, and initial indications are that they are doing so with some success.

Their numbers would seem to be relatively few - they are more likely to be from the upper echelon of already successful cross-border traders - but even so, they follow what seems to be the Nigerian entrepreneurial instinct of operating informally. *Case 3* for instance, who may be described as operating predominantly in the formal sector, does virtually all her overseas trading informally. International traders are also more likely to be found importing products for sale in Nigeria, as opposed to exporting them.

It has already been indicated in chapter 7 that food and textile products are important constituents of the overseas trade. To this list can be added used vehicles, including new and used vehicle parts. It is hardly surprising that trade in imported used vehicles has risen to such magnitudes when production in the country's vehicle assembly plants has become sporadic and prices beyond the reach of most private buyers⁴⁴⁸.

I shall presently return to this point.

Many traders speak of exporting foodstuff, "provisions", and fabrics to customers in locations in parts of North Africa, the Middle East and Western Europe. For some of them, the money made is used to pay for the relatively small quantities of beverages, computer hardware and accessories, beauty and other household products they tend to import from the USA or Western Europe, or the hard currency, where such is earned, is quite simply sold on the Lagos black market for high Naira returns.

⁴⁴⁸ To have an idea of the sort of price increases being referred to here, a new Peugeot 504 which cost just under N15,000 in 1984 sold for just over N750,000 in 1994. Average wages just about doubled in the same period. Starting prices for small-to-medium used *Tokunbo* (as most imported products are referred to) cars in Nigeria were about N75,000, for the duration of the fieldwork.

Their methods are quite simple. They may ship, or more commonly, airfreight, or hand over small quantities of their exports to Europe or America-bound friends, relatives or paid agents who will, on arrival, either hand the goods to named contacts, or themselves sell the goods directly to buyers introduced to them by their overseas contacts. These buyers will, in turn, sell them, mainly to afro-caribbean shops or other interested retailers, from where end-users are finally able to buy them. Both *case 2* and *case 3* are involved in a two-way overseas trade of this nature, although the trading pattern is heavily tilted towards importing into, as against exporting from Nigeria.

Case 1 does no overseas exporting but is extremely keen to begin an import trade in western style clothes as soon as the opportunity arises. *Case 3* exports locally-made beauty products and popular local provision brands to Britain and Germany. She also sells other light Nigerian-made products such as sponges, chewing sticks, and, occasionally, processed foods. She usually airfreights modest quantities of these goods in the names of her two sons who live in Britain. They then arrange their onward distribution in London. She admits to making up to £5000 per annum this way, although the sum is probably greater than this.

Case 2 is also involved in a modest export trade which, according to her, normally earns her a net sum of more than £2000 per annum. She mostly exports *Guinea brocade* and *adire* materials, either uncut, or sewn into casual style clothing. She sells up to fifty units of the sewn materials every year, sending only a few of them at a time as part of the luggage of various agents, to be sold on commission basis. She also sells hand-made shoes, sandals and other accessories, and will occasionally accept individual orders to produce and deliver sewn, ceremonial outfits. *Case 2* explains that there is no shortage of people going to, or coming from London and Cairo (her usual export destinations) who, for a fee, are willing to act as couriers for these products. She herself has up to four such "agents" in her regular

employ. She sometimes sends her exports as unaccompanied air cargo in the name of an agent, but avoids this as much as possible because of the substantial amounts she has to pay in bribes.

Although more and more traders are beginning to take up overseas export trade, the more likely scenario is still for traders to import products into Nigeria for sale there. Here, one is more likely to find evidence of formalized methods being employed, although observable evidence still indicates a general tendency to lean towards informal methods. *Case 2* estimates that she obtains about 50% of all her supplies from Saudi Arabia and only about 10% from within Nigeria. The rest are obtained via the cross-border trade and from Western Europe.

Importing on the Saudi route is the cornerstone of *case 2's* overseas trade. She usually teams up with up to six other traders at a time and they contribute money into an informal cooperative. She may contribute up to N200,000 per trip, although usual contributions are only about half that. They then search for a reliable trader who is willing to undertake a trip to Saudi Arabia on their behalf. Sometimes, it is one of the traders' assistants. They put up the trader's airfare and arrange accommodation as well. In return, they present the travelling trader with a list describing in precise details the kinds of goods they require. Arriving at a list is a complex process involving a series of meetings during which the traders attempt as much as possible to harmonize their requirements, which will enable the traveller to purchase larger quantities of fewer kinds of materials, and reduce unit costs to each contributing trader. The preferred purchases are usually upmarket fabrics (lace, silk, jacquard) and accessories.

The travelling trader is expected to link up with the traders' contacts in various Saudi towns who would assist in obtaining the traders' exact requirements. The traveller is usually

gone for about three weeks, although on one occasion, we were at the airport to meet a trader who had been gone for over two months.

On the day of the traveller's return (usually Sundays), we would spend all afternoon at the airport in the company of other market traders who were also there for the same or other traders. It is normal practice for the traders to transport their Saudi purchases as excess cargo on the same flight that they are on, and not by some other cheaper means, such as unaccompanied air cargo, for instance. This way, additional customs complications are avoided, and the purchases can be shared before quarrels develop over alleged malpractice. The first such trader I accompanied *case 2* to meet at the Murtala Mohammed Airport in Lagos arrived with eight large trunk boxes of materials, while the second arrived with six. The traders will then immediately go in a convoy to a pre-arranged rendezvous where the goods are shared according to the initial contributions. The trunk boxes are also sold and their proceeds shared as well.

Case 2 engages in this arrangement about five or six times a year. She maintains that in her trade, the Saudi imports invariably work out cheaper and better and says only the sheer difficulty of arranging each trip's logistics prevents her from employing this means more often.

She is also trying to expand her supply base. In April 1994, she flew to Banjul in Gambia to be interviewed by a textile manufacturer whose Nigerian distributor she had previously applied to become, but was unsuccessful. A similar trip to Lome two months later looked more promising, but had not been followed-up by the end of my period of observation.

Case 3 is also more of an importer than an exporter on the overseas route. Most of the money she makes from her modest exports is ploughed into a used car importation

business begun in partnership with her British-based son in 1993. The remainder is made up by the son who travels, usually to Germany or Belgium, where he purchases the cars and arranges their shipment to Nigeria. At the Nigerian end, *case 3* enlists the help of a close relation who is stationed at the Tin Can Island Port in Lagos to obtain the vehicles with minimum fuss and maximum speed. The two shipments that took place during the period of observation were for a total of five vehicles, expected to gross about N1 million. She also imports popular brand-name breakfast cereals, pasta sauces and preserves like Marmalade and honey from Britain, but this arm of her business is by no means steady as it is dependent on her ability to raise the necessary funds (that is, sterling) on the black market, which she would only do when she feels the rates are relatively favourable. This means she sometimes misses deadlines to meet particular shipments, but accepts this as a necessary price. In June 1994 she concluded arrangements to import different provisions including fresh fruit juices, artificial sweeteners and tonic wines from Argentina, with the Argentine firm agreeing to be paid in Naira⁴⁴⁹. Delivery had not yet taken place when the field study ended, but *case 3* was estimating that the arrangement would cost her about N250,000 annually, in the first instance. She was also hoping to eventually replace her existing British suppliers with her new Argentine ones since the latter had Nigerian offices and personnel, and were also willing to be paid in Naira.

Several firms are involved in importing automobile engines which local engineers and mechanics use in the assembly of private mass-transit buses which, compared to the state-run transport services, dominate the lucrative transportation sector. The vehicle parts are essential for what is presently a rudimentary but nonetheless fast-growing vehicle assembly industry.

⁴⁴⁹ A firm like this will invariably use the Naira to purchase and export other products from Nigeria such as Cocoa or timber for sale in Argentina or elsewhere. This is how the money is usually recouped.

Although partly state-owned assemblers in the modern sector like Peugeot Automobile (Nigeria) Limited [PAN] and Volkswagen Of Nigeria [VON] remain in operation, the real growth is to be found in the operations of the privately-owned assembly plants operating in the Epe area of Lagos State, and also in the Onitsha and Aba areas in Eastern Nigeria. With production in firms like VON falling from an early 1980s high of 5,000 units per annum to present levels of less than 100 units per annum, the opportunity exists for firms that can adapt local technology to fill the production gaps⁴⁵⁰. This has so far not worked for family-type vehicles, but there is something of a boom in the assembly of commercial vehicles and attendant parts. The same situation exists in the assembly of power generators due to the erratic nature of publicly-supplied power. The importation of the engines for the two products are essential, and from that point on, the assemblers can usually knock together a body and other fittings that go with it.

Components necessary for the assembly and repairs of most audio-visual equipment and other domestic electrical/electronic products are also popular imports. These goods are produced mainly for local consumption. An increasing number of people are also involved in the importation of new and used information technology equipment (including both new and used parts of these).

⁴⁵⁰ Perhaps this, as well as the normal process of change and development, may be said to account for the current growth in this area of the market.

8.5 Major Constraints Of The Trade

I have previously recorded that one of the most notable things about the cross-border trade is that it takes place amid considerable constraints. Without a doubt, some of these are caused by the traders themselves. Some of their expressed problems, such as pilfering of stock by employees, account books that do not add up, and so forth, are things that can be reduced by more professional management practices. But the most severe constraints on the development of the trade appear to be externally inflicted, and as shown in chapter 7, are wide-ranging. The same chapter also reveals that the most repeated trading constraints are associated with illegality, (related to this) officials' harassment of traders, and the availability, or otherwise, of foreign exchange. The issue of illegality in the trading environment is one that permeates the entire thesis. I will return to it in section 8.6 below, and focus, for now, the discussion in this subsection on the two issues of harassment and foreign exchange scarcity.

8.5.1 State Officials' Harassment Of Traders

One of the most serious impediments to the development of the cross-border trade is the constant harassment of cross-border traders by various law enforcement agents. For many traders, it is a way of life. Not many traders can remember a time when they did not have to endure some form of harassment.

"Harassment" here may take many forms. There are those that take place by law enforcement agents pursuant to official duties and those that are unauthorised. In the former category are included instances such as happened to *case 2*, one of whose shops was

summarily pulled down by Lagos state environmental health officials as an "illegal" structure despite the fact that the stall had been erected and let by the local council⁴⁵¹. It is the latter type of harassment which however appears potentially more damaging. It concerns the various law enforcement activities on the various border posts, as well as the various checkpoints on the cross-border trade routes. While I was unable to actually confirm which of the checkpoints were authorised ones, their sheer numbers, locations and the activities that took place in most of them seemed to indicate that not all the checkpoints, and certainly not the activities were authorised.

At various times on various trips between Nigeria and the Benin Republic, I counted between nine and fifteen checkpoints on the Idi-Iroko route, and between four and six on the Seme route. The only checking that takes place on the Imeko route, is on the border itself. There were generally about five or six checkpoints on the main highway between the Benin end of the Nigeria/Benin border and the Benin/Togo border to the west.

Among the Nigerian checkpoints, there would generally be one army, and one customs checkpoint. The rest are usually manned by the police. When driving on my own, I would usually be waived on in about half of these checkpoints, but travelling in the company of any of my informants (more often than not in commercial transportation) meant that we were stopped at virtually every checkpoint - some were within two or three hundred metres of one another - and searched in most of them. These searches are usually prelude to a demand for bribes. The procedure does not vary much. The searching officer would demand one document after another until there was one which the driver was unable to

⁴⁵¹ See appendix A, case 2 for further details.

produce⁴⁵². Then would follow the bribe demand, in lieu of arrest. Several drivers would avoid this situation by following a "wey your papers? / wetin you carry?" demand with an amount of money tucked inside the document being handed over.

Most of these activities are also present in other West African countries, although perhaps due to their lesser numbers, one detects a less aggressive countenance from roadblock personnel outside Nigeria.

These checkpoints and other border practices invariably slow down journey times and add unnecessary costs to traders which are simply passed on to consumers. Yet constant travelling is an inevitable feature of the cross-border trade. In an environment where telecommunication services are notoriously unreliable and underdeveloped, it is normal practice for traders to constantly travel from place to place, even when merely carrying out enquiries and not actual transactions.

At a checkpoint, one might initially be confronted by *Kelebes*. They are to be found in most checkpoints, especially in those manned by the Police. The *Kelebes* would stop and search the vehicle, demand relevant registration papers and (especially from commercial vehicle drivers) bribes. The attention of the officers on duty need only be drawn to drivers perceived as "difficult".

Individuals and vehicles crossing the border into both Nigeria and the Republic of Benin are routinely charged an unofficial "crossing fee". At the Idi-Iroko/Igolo border post, the amount is negotiable although from people crossing on foot who look like they might be on some sort of business trip, the border officials and their *Kelebes* usually try to extort at least N10 (or CFA 100) from passport holders, and N20 (or CFA 200) from non-passport

⁴⁵² On one occasion, a demand for a road worthiness certificate was followed by a curious demand for the vehicle's fire extinguisher and the driver's birth certificate.

holders. For people crossing in vehicles, the negotiations are earnest, and there is really no upper limit as such. For people refusing to accede to these demands, the minimum consequence is an indefinite delay, with possible loss of earnings. However, traders, especially, recognise the futility of such a countenance, and such incidents are firmly in the minority.

Going across the Idi-Iroko border was for me, not a problem as early on in the field, I had made the acquaintance of a customs official who frequently escorted me back and forth⁴⁵³. This informant explained that officially, their duties are essentially the same as those of their counterparts at the air and seaports. However, my rather cautious talks with her and her colleagues about corruption on the borders showed their pre-occupation with their unofficial revenue collection activities. This they generally blamed on "poor" pay and "harsh" working conditions.

Although largely similar arrangements obtain at the Seme crossing, things are rather more regimented there. The officials also collect N10 and N20 bribes from foot-crossing passport, and non-passport holders, respectively. On two separate occasions, I refused to pay the bribe at the Benin end before crossing into Nigeria, insisting as in Idi-Iroko/Igolo that I would rather go through the official process, and on each occasion, I was promptly frog-marched into an office and detained there with other people, mostly drivers, who were in a similar situation. Eventually, the drivers would have to pay more or less the sums demanded from them. So did I.

⁴⁵³ Occasionally, I would make the crossing on my own, and when I had the chance, insist on following the official procedure for border crossing. On one occasion, in signing a register of travellers for that day, I saw that mine was only the fourth name registered as travelling out of Nigeria on a day when I had personally seen no less than twenty passenger vehicles, as well as dozens of hawkers and other people go back and forth between the two countries on foot.

Firms in the modern sector, in particular, the more conventionally managed ones like *case 7* and *case 6* also suffer from an additional form of harassment by state officials. Managers from both companies claimed that severe pressures are sometimes brought to bear on them to hire distributors at times when the firms do not need them. Instances were recalled where wives and relatives of senior government officers are asked, not just to be made distributors, but to be given large allocations of products for distributorship. The management of both firms feel obliged to carry out these favours in order to remain in the good books of the government of the day. Sometimes, distributorships have had to be withdrawn immediately after the person whose influence resulted in the allocation of the distributorship has left power.

8.5.2 Foreign Exchange-Related Problems

The foreign exchange situation is a nightmarish one for several Nigerian firms engaged in international trade. There is not only a problem of availability, but of value, as the Naira has been undergoing an unrelenting loss of value since the SAP began in 1986. A typical scenario may be illustrated through a purchasing problem faced by *case 6* early in 1994. The firm ordered a quantity of preservatives from another Nigerian firm, an order that came about because *case 6* had been unable to purchase the foreign exchange needed to order this direct from its European suppliers. The supplier firm is an importer and exporter of commodities which normally purchases its own foreign exchange in the parallel market. When *case 6*'s order was put through, it was to cost N22,000. In the four weeks it took for delivery to be made, the government had issued new foreign exchange regulations relieving bureaux de change of their powers to sell foreign exchange. Rather than accede to this, the

bureaux closed shop and began lobbying the government to revert to the old system. The ensuing foreign exchange shortage resulted in a pattern of depreciation of the Naira in the parallel market, and just before delivery was due, the supplier informed *case 6* that the price had risen to N32,340. The delivery date itself fell in the middle of the first of several fuel shortages that occurred during the fieldwork. This delayed delivery by a further three days, and as an enraged sales director informed me, caused the price to further increase to N35,000. Even multi-billion Naira businesses like *case 7* are not immune from the uncertainties surrounding the Naira. It is this (coupled with the country's perennial political uncertainties) that dissuades most firms from engaging in any long-term strategic planning.

It is common to think of problems associated with Naira exchangeability as affecting it only vis-a-vis hard currencies such as American dollars, or Pounds Sterling. But the problem goes beyond this. The most widely-used indigenous currencies in the West African cross-border trade are the CFA franc, Naira and Cedi. Yet, observable evidence indicates that none of these currencies are easily interchangeable, or even available in official channels, although it appears to be less of a problem among francophone West African countries. They belong to the West African Monetary Union (WAMU)⁴⁵⁴, which means they have a common currency (the CFA franc) which is tied to the French franc and there is free transfer of funds between them. It is not the case with the rest of West Africa where the establishment of the WACH has yet to eliminate the problem of regional monetary transfer⁴⁵⁵ so much so that the ECOWAS estimates that 60% of all the monetary transfers

⁴⁵⁴ WAMU's members are Benin, Bourkina-Faso, Cote D'Ivoire, Mali, Niger, Senegal and Togo.

⁴⁵⁵ FOS (1993).

concerning formal regional trade is done informally⁴⁵⁶. Observable evidence indicates further that this might be more of an issue in Nigeria than in other West African countries, the banks of which tend to take the availability of Naira seriously. The reverse is not quite the case in Nigeria, where the U.S dollar and some Western European currency are the only ones of particular interest. On a few occasions, I walked into five targeted banks in Ilupeju Estate, Lagos, four of whom displayed rates of sale of Cedis and CFA, and none of whom had any for sale. Unsurprisingly then, traders routinely use the black market. The first time I asked *case 1* whether she had made any previous attempts to purchase CFA francs through the banks, she said no, but could not think why. Other traders claim to have been previously able to exchange various West African currencies at the bureaux de change before their mode of operation was changed in the budget of January 1994⁴⁵⁷.

Apart from her involvement in the West African cross-border trade, *case 3* also does steady export - import trade with Britain, Germany and latterly, Argentina. While she is paid mostly in Naira, when she has to pay her suppliers, she purchases sterling and American dollars from currency traffickers, dozens of whom are situated within a few hundred yards of her Oke-Arin market base. She believes trying to obtain foreign exchange at the official rate is a waste of time and refuses to even try. However, the extra charges of the black market are mostly passed on to the buyer.

Case 2 gave up trying to make foreign exchange transactions through the banks in 1989 after more than two years of trying unsuccessfully. In 1993, following the further deregulation of the foreign exchange market by the Babangida administration the previous

⁴⁵⁶ ECOWAS (1989:15).

⁴⁵⁷ This situation has been previously referred to in chapter 6. It was subsequently partially reversed in the 1995 budget, five months after the end of the field study.

year, she became a backer for a bureau de change situated along Agege Motor Road, near her Oshodi outlet, and did all her foreign exchange transactions through it. It however closed down early in 1994 as a result of the Abacha administration's new regulations on the powers of bureaux de change. She then reverted to the black market. She does not feel she has a choice, although she realizes that ultimately, the buyer bears the extra costs. Her attitude is fairly typical of what traders generally feel. As she says:

"Tell them (the government) we are only harming ourselves with this exchange rate *wahala* (fuss). As for me, whether the rate is fifty or a hundred to one (that is, Dollar - Naira parallel market exchange rate), I don't care. I will buy whatever I can afford, and I will not sell at a loss. I won't even sell on credit... My children and I must eat. I also have wards in my care who must eat and be clothed. No government can tell me not to earn a living; Not when I don't owe them a kobo, nor have I stolen from any of their forefathers..."⁴⁵⁸.

As the foregoing indicates, for many traders, the solutions to their financial difficulties, especially those to do with foreign exchange supply, are frequently to be found in the informal sector. *Cases 2 & 3* have both demonstrated a willingness to step away from the black market if it is to their advantage, but have reverted to it when problems have arisen with the state-funded foreign exchange market. The frequent shortages in the state FEM are astonishingly virtually unknown in the informal sector. This was evident in a most remarkable demonstration of strength-in-depth during a month-long strike by Lagos bank workers between July and August 1994, when money supply was essentially down to the traffickers. One such trafficker, Ibrahim, who trades out of Tejuosho market, casually informed me more than two weeks into the strike referred to above, that he had the authority to "change" up to N1 million on the spot in seven listed currencies, including U.S dollars, French francs, Deutch marks, and Pounds sterling. Greater amounts could be done, but would necessitate a visit to a shadowy "brother at Bristol [hotel]" on Lagos Island. His actual

⁴⁵⁸ Taped interview 2/6/94 (brackets mine).

brother, Mohammed, also in the trade, referred on a number of occasions to the top dealers based at Kaduna in Northern Nigeria, if there was a really large transaction to be made, such as amounts of U.S\$1 million and above (his example).

One can only begin to wonder at the relative smoothness with which this parallel market runs, the fact that it has never appeared unduly stretched, and most significantly, I believe, the fact that it has been able (in 1995) to force the Federal Government to revise its foreign exchange policy in order to bring it in line with what obtains in the parallel market after the former's glaring failure to contain the latter.

Case 7 constantly needs foreign exchange in order to procure new, or maintain existing equipment and other materials. As it is not involved in the direct exporting of its products, it is not a substantial foreign exchange earner. It therefore relies for its foreign exchange requirements, on the government's bi-weekly auction where there are no guarantees that a firm will receive all, or sometimes, even any of its foreign exchange requirements.

Unlike most firms which can easily obtain hard currency on the black market, albeit at a more expensive rate, the firm's SAM told me that his firm cannot. A firm of their stature, he said, cannot afford to run foul of the law under any circumstances, and so they can only keep trying to make the best possible use of the auction system, however much nonsense it makes of their strategic/production planning.

Case 5 also joins other manufacturers in applying for foreign exchange allocations at the state auctions, although given the proportion of its turnover earned through exports, the firm may well already have significant funds built up abroad, which ought, in theory, to make it more immune to the near-standstill in the manufacturing sector which the failure to provide enough foreign exchange for sale sometimes brings. The C/MD would however not confirm this. But if it were true, it would substantiate the government's claim that its

performance in supplying foreign exchange for sale at the auction is always made to look worse than it actually is because participating firms tend to apply for more than they actually need in the hope of eventually receiving just enough. It is a practice that *case 6*, and some other firms, admit doing.

8.6 Does "Legal" Trade Exist?

One of the most expressed themes throughout the discussion in this chapter has been the ubiquity of apparently unethical or illegal acts by various actors in the cross-border trade (as well as in several other commercial activities). It leads one to ask whether it is in fact possible to partake in the Nigerian cross-border trade, or any trade at all in Nigeria, without breaking one law or the other.

Most managers express a desire to operate within the law but seem resigned to not actually achieving this. It appears generally that the larger and/or more high-profile a firm is, the more confidently the firm expresses its ability to operate entirely within the law. Appearances, however, do flatter to deceive because on closer examination, it can be seen that even such expressions operate with some inevitable ("practical") limitations, as are discussed below, and in any case, such firms, such as *case 7* in this study, do so not strictly out of choice, as the firm's SAM explained in section 8.4.2 above, and are always counting the cost of such adherence. Some firms within the OPS (including *cases 6 & 7*), for instance, are able to purchase American dollars through the banks, supposedly at the "official" rate of 22:1 . But they complain that the rates they actually pay the banks, after a series of contentious charges, are nearer 40:1⁴⁵⁹. The same applies to interest rates which were

⁴⁵⁹ cf. Business Times (Lagos) 13/6/94, p.2 .

pegged in the 1994 budget at 21% but which businesses insist actually operates at a rate nearer 35%⁴⁶⁰. Apart from these, managers freely admit to also having to pay out vast sums in bribes to bank, customs, tax and such other officials⁴⁶¹. Some bankers unofficially confirmed this, although there were several more denials and refusals to comment. The situation would appear somewhat exacerbated in transactions involving foreign exchange, the relative shortage of which increases the "premium" that goes towards obtaining it. These, combined with overhead costs, have led some firms in the OPS to conclude that they are not able to compete on equal terms with firms in the informal sector.

Traders, for their own part, generally believe it is impossible to do business in Nigeria without going against the spirit of the law, and are fairly dismissive of legislations designed to enforce this, such as those to do with business formation or the supply of foreign exchange. As I indicated in chapter 1, most of them routinely conduct their affairs with tax avoidance more or less taken for granted. In April 1994 for instance, the Lagos state government destroyed several market stalls belonging to *case 2* and other traders in Oshodi market. They were then asked to produce, among other things, three years' income tax returns before they could be considered for alternative locations. The traders did not have the required tax documents, but were easily able to bribe certain state officials to produce such for them. Acts such as these are considered normal practice, and examples abound. The same applies to VAT returns, introduced in September 1993 to take effect from January 1994. Very few firms outside of those that have direct dealings with the Nigeria Customs Service actually implement the VAT regulations. Many of the traders I spoke to in fact professed ignorance of the VAT system, and just as curiously, several managers in the OPS

⁴⁶⁰ cf. The Guardian (Lagos) 16/3/94, pp.13,15,17; The News 19/12/94, pp.12-14.

⁴⁶¹ See further The Guardian (Lagos) 24/5/94, p.11 .

did not actually know the prevailing VAT rate, calling into question whether their firms in fact paid the tax.

In several interviews I conducted, firms in the formal sector complained about unfair competition with informal sector enterprises. What some of the former have therefore decided to do is establish informal sector subsidiaries, while for others, it is to support government action to eliminate informal sector competitors, such as legislation prohibiting informal foreign exchange supply, and subsequent moves to make foreign exchange available only to registered members of MAN⁴⁶².

Observable evidence in this study seems to suggest that it is extremely difficult within the prevailing business climate in Nigeria to carry on trade in the country without breaking any laws, regulations or basic business "ethics"⁴⁶³. It is recognised however that it is beyond the scope of this study to over-generalise on this issue, given particularly that what may be considered ethical or otherwise may vary between locations. Nevertheless, considering the almost uniformly negative views expressed, in particular, by traders on issues concerning bureaucratization and corruption in trade, it is hardly surprising that they choose instead to take their chances outside of the system, that is, in the informal sector, dealing with the state only when they consider there is no viable alternative. They realize that within the system, they are liable for not only the fees and charges prescribed by law, but also those dictated by the whims of the state officials they come in contact with. Outside the system, they stand a better chance of outwitting the said officials, but the downside is that they can virtually pick and choose which legitimate fees and charges to be responsible for, and the

⁴⁶² See further *The Guardian* (Lagos) 23/2/94, pp.15;17.

⁴⁶³ And going by what has also been witnessed in other border-posts, markets and other commercial centres in West Africa, this situation is not peculiar to Nigeria.

state suffers financially in the process. In the final analysis, cross-border traders outside the official system appear to end up with less interference and overhead costs and can then seemingly operate at a greater speed than their formal sector counterparts, resulting in potentially greater efficiency. In reality though, it is not difficult to conceive of a scenario where traders' overall efficiency would be greater if they did not have the state as an adversary. So much of their resources are spent trying to outwit the state at the expense of developing their businesses that there are no clear winners here. Neither trader nor state is in fact able to operate optimally as things remain and improvements in the system are necessary.

8.7 Where Does The Entrepreneurship Lie In This System?

In arguing, as has been done in the present study, that numerically at least, SSEs dominate the informal sector, there is an implication that the cross-border trade consists of informal traders in tiny establishments (mostly just the owner-manager) with developed routines for trading the same type of goods. Once the routine is established, it could be argued, there is little innovation or opportunity-seeking involved, or required. The traders will tend to protect their system and minimise their risks. An illustration of this may well be found in *case 1*, a trader illustrative of the most common form of cross-border trader, who (as is demonstrated in appendix A), after six years as a conventional trader, showed entrepreneurial initiative in the way she left, and sub-let her regular market stall. She thereafter learnt to trade across the border with the Republic of Benin, where she minimises risks by obtaining orders in advance, and only buying to serve those orders. In this way, she established a well-tried routine, and in her first year in the trade, succeeded in trebling her

income. Among the manufacturing firms, the *case 4* owner-manager may also be argued to have played safe by establishing in a growing industry, where he identified a nearby market as a reliable sales outlet, from where he has sought to expand his market. When opportunities arose to export, limited steps were taken to export on well researched cross-border routes.

While the level of entrepreneurship in the methods of *cases 1 & 4* may be debatable (and has been addressed, to an extent, in section 1.4), what, in addition, has become apparent from the case studies in particular, is that there are other kinds of cross-border traders, with possibly stronger entrepreneurial drives, who are constantly on the look-out for new profitable products or ventures. As *case 2* illustrates, some of them are prepared to travel the world in search of new opportunities. The findings further indicate that the higher one goes in the echelon of cross-border traders, the more likely one is to come across more "Schumpeterian" entrepreneurs, richer and more successful than the average trader, pulling the strings, as it were, strategizing the trade as a whole, and accumulating wealth from it by so doing. Traders like these are also more likely to be found sub-contracting the risks of the trade (other than perhaps, financial), and not themselves operating on a day-to-day basis as cross-border traders. *Cases 3* (whose cross-border trading activities cover most of West Africa even though she does not herself leave her Lagos shop) & *5* (who entered the cross-border trade with all the knowledge and experience of a successful international businessman) illustrate this point. The policy of non-direct participation of firms like *cases 6 & 7*, despite their knowledge of the importance of their products to the trade, may also be viewed in this way, as a strategic decision designed to protect the sales of their products to their distributors, many of whom are engaged in the cross-border trade. The various participants in the trade, direct and indirect, are all involved in an on-going evolvment of roles or niches in the trade, which they are all taking steps to protect.

The cases illustrate further that while it takes the mastering of mechanics of trading in difficult conditions to succeed in those conditions, it requires the ability to use the skills of others to enhance larger-scale entrepreneurial operations in such conditions.

8.8 Conclusion

What this chapter has tried to do is present a composite picture of the cross-border trade, focusing on the three trade routes geographically covered in the field-study area. I have tried to explain the different specialisms evolved in each area as well as certain operational similarities that they share.

In discussing how entrepreneurs become involved in the trade, I have tried to show that the cross-border trade is one that a trader is more likely to graduate into, rather than commence with. The centrality of smuggling and the "kelebe" system to the distribution of goods in the trade has been highlighted, but I have also argued further that conventional distribution practices nevertheless remain. Cross-border traders have also been shown to be becoming increasingly involved in more "regular" exporting activities, although in this, as in most other things, their involvement is almost always informal. In fact, the theme of informality is one that has run not just through the chapter, but through the entire thesis, since formal rules and regulations tend not to fully penetrate the system. Admittedly, the continued existence of the informal sector is sometimes the reason why the rules and regulations do not penetrate.

Within the distribution system described above is an ordered economic behaviour in which many of the participants involved in the trade continually demonstrate their actions to be those of opportunity-led business persons whose decisions are more governed by the

availability of information and other resources, than by non-economic reasons such as kinship obligations or the burdens of bureaucracy. There is a continuous process of negotiation and accommodation which keeps the "market" in order. Some are involved in the development and protection of routinized methods, while others are more "innovative". In all these cases however, their decisions are essentially profit-oriented. They are constantly on the lookout for new products and/or new markets to sell in or buy from, and competition exists for the servicing of any existing markets.

Another theme that has run the length of the thesis is one of illegality perpetuated either by entrepreneurs themselves (mainly in the form of tax avoidance) or by state officials, and the effect this has on trade. I have tried to show that in the final analysis, neither state nor entrepreneur operates optimally, and this forms the background to the recommendations to be made in the next chapter.

CHAPTER NINE

SUMMARIES, CONCLUSIONS, REFLECTIONS AND RECOMMENDATIONS.

9.1 A Review Of The Study.

The background research to this study revealed several possible themes for study, as identified in chapter 1, from which I elected to focus this study on an analysis of the mechanics of the cross-border trade engaged in by small scale entrepreneurs in South-Western Nigeria. This is partly because although several references are made to the existence of the trade, such a study has not actually been done before, and it can serve as a foundation for further studies on the topic. Inspiration was drawn from, among others, Polly Hill's advocacy for an alternative analysis of the economic behaviour of indigenous West African enterprises to explain what might otherwise sometimes appear as unexplainable or irrational behaviour.

Chapters 2 and 3 essentially consisted of a critical review of the literature on various aspects of economic development theories. I argued in chapter 2 that for a number of analytical and empirical weaknesses largely centring around the different real-life development processes in developed and LDCs, existing export behaviour theories are not fully able to explain SME (and sometimes, even larger enterprises) involvement in exporting activities in developing countries. A fundamental short-coming of the this set of theories, I felt, was the underlying assumption that productivity, status and production factors are always equal. However, for several centuries, it has not been so, as development processes

in different regions of the world tell us. This formed the background to chapter 3.

In that chapter, I concentrated on theories, which from different ideological viewpoints attempt to grapple with the thorny issue of underdevelopment and the transformation of LDCs into more advanced ones. On the one hand are modernization ideas which are represented here by Neil Smelser's elegantly constructed "differentiation" and "integration" model. These theories posit that development takes place gradually as "traditional" social structures are broken down and replaced by "modern" ones. On the other hand are dependency ideas, "led", in a sense, by Andre Frank, which see development in much the same externalist terms, but conclude that the replacement process leads to a chain of domination and appropriation of a large "periphery" of underdeveloped countries by a small "core" of advanced countries. Both sets of theories were criticised, among other reasons, for over-emphasizing external linkages and for tending to ignore internal processes. These allow scholars, in constructing various models, to glide over the complex reality of the economic history of (African) LDCs, with Nigeria as a case in point, often leading to incorrect macro-theorisation, and it was argued that both modernization and dependency theories in this way reinforce the view on the failure of indigenous entrepreneurship to contribute to the economic development process, especially in the area of export trade. They fail to adequately allow for indigenous entrepreneurial behaviour in this field and its overall ability to affect the process of social change.

In chapters 4 and 5, both these issues were considered. Chapter 4 was an examination of various theories of entrepreneurship, in each case focusing on the ways in which the theories address the issue of differential entrepreneurial behaviour. It is apparent to any observer that entrepreneurs do not all act the same with respect to the exploitation of opportunities, although it is not an issue which most theorists have directly concerned

themselves with. Those that do have the added problem of reconciling set hypotheses to future, and potentially dynamic behaviour.

This is most apparent with economic models. Much economic theory in fact ignores the entrepreneur because it is assumed that market forces will always act to optimally match resources to opportunities. The economic models that do recognize the need for entrepreneurs are sometimes too beclouded by the concept of the rational economic man to adequately explain differential entrepreneurial behaviour. As Israel Kirzner concedes:

"We do not clearly understand how entrepreneurs get their flashes of superior foresight. We cannot explain how some men discover what is round the corner before others do. We may certainly explain... how men explore for oil by carefully weighing alternative ways of spending a limited amount of search resources, but we cannot explain how a prescient entrepreneur realizes before others do that a search for oil may be rewarding"⁴⁶⁴.

Psychological models do profess reasons why entrepreneurs in similar circumstances may act differently. The reasons offered (by David McClelland and a host of other writers on the subject) are mostly of a personal nature and centre around the entrepreneur's own desire to succeed and willingness to assume risk of failure. Ultimately however, many of the reasons given appear virtually as deterministic and reductionist as the economic models which they criticize because, though engaging, they make many predictive, but largely empirically unsubstantiated generalizations about how personality traits affect entrepreneurial behaviour.

Sociological models of entrepreneurship are largely derived from issues originally raised in economic models. However, they are the only ones to explicitly make differential entrepreneurial behaviour an issue at the outset. They are also the only ones to closely explore the relationship that the entrepreneur has with his environment and with the other players therein. The main shortcoming of this approach lies in a rather extremist view of how

⁴⁶⁴ Kirzner (1976:121).

the environment impinges on the entrepreneur. On the one hand, the structuralist approaches (encompassing the modernization and dependency ideas discussed earlier) respectively see either a fundamental lack of ability, or a hierarchical chain of domination and exploitation as severely curtailing entrepreneurial choices and ability, while on the other hand, actor-oriented perspectives on the same argument tend to accord indigenous entrepreneurs virtually unfettered abilities to make decisions whatever the wider socio-economic issues might be. Neither of these views is, in my opinion, correct beyond question, although both correctly describe an aspect of the social interpretation of entrepreneurial behaviour.

From here I moved on, in chapter 5, to an historical examination of patterns of indigenous Nigerian trade, paying further attention to export trade and the role that indigenous entrepreneurs have played both in the production and distribution process over the ages. It was discovered that what Richard Ekundare refers to as the spirit of "competitive capitalism" has been a fulcrum of indigenous Nigerian entrepreneurship for several centuries.

It is a matter of interest that many of the features of pre-colonial commercial organization, such as landlords, brokers, middlemen, informal credit, "market days"⁴⁶⁵, specialist markets, the family firm, entrepreneurial mobility, long distance trading, and so forth have adapted and survived to present times. Present-day cross-border trading is, for practical purposes, a continuation of many of these long-standing traditions. Ironically, it was with the attainment of political independence in several African countries that most of the existing internal barriers to the flow of goods and services were erected. I argued further that although Nigerians have traded among themselves and with foreigners in all that time, the background for the current patterns of Nigerian trade ought to be traced mainly to the country's colonization (1860-1960), and the discovery of oil (c.1958).

⁴⁶⁵ or "rotating markets" cf. Hopkins (1973:251).

Although references are made to it at various points in the study, the methodology for the study was formally considered in chapter 6. In the early part of that chapter, I attempted to make a case for a flexible approach to data collection, arguing that it is the specific research problem that ought to determine which research technique or approach will best serve it, rather than a pre-conceived idea of a "best" method of data collection.

In this study, both quantitative and qualitative methods have been employed, and these have included both primary and secondary techniques. Initially, these meant questionnaire and interview surveys, with further, more substantial interviews to follow. In each case, I considered further what had been, in my experience, the strengths and possible weaknesses of each technique. However, the more the study progressed, the more I realized, with the help of the literature, that in order to attain my objectives, it would in fact be necessary for me as a researcher to enter into the "lifeworld" of the cross-border traders, and see the environment as the traders themselves see it. The conventional questionnaire and interview method, while adequate for a number of purposes, seemed ultimately incapable of providing the depth of insight which it seemed apparent I would need. The methodological approach therefore became increasingly "actor-oriented" (as Norman Long and other practitioners call it), an approach which relies principally, though not exclusively, on participant observation. This was what opened up what had previously on occasion seemed impenetrable symbols and interpretations.

Chapter 7 provided interesting indications concerning the profiles of indigenous entrepreneurs. It was not a surprising finding that most of the surveyed firms are, by definition, small. That merely confirms observable evidence. The firms, especially the manufacturing ones among them, do not take kindly to that description. It turns out however that not only are they small, they by and large plan to remain that way. They are also for

the most part, although more so for traders than for manufacturers, to be found operating informally.

Traders are far less limited in what they sell and are far more likely to attempt some form of exporting than their manufacturing counterparts. These exporting activities tend to be directed towards either the cross-border trade routes and Western Europe/USA, with middle and far eastern countries also featuring as prominent trading partners. There are virtually no long-term strategic management practices, especially in the marketing area, even among the larger-sized manufacturing firms, although not all of them think it would be a useful tool, even in a more conducive environment. Nevertheless, it was possible to glean a division of labour in the market place in which the manufacturing sector essentially produces as much as its circumstances allow, and not so much to a set target. Manufacturers tend to have little role in the actual transfer of goods to end-users, this usually being left to traders. There tends to be no great strategy involved in the selection of manufacturers' distributors either.

Indigenous entrepreneurs are clearly sceptical concerning most initiatives emanating from the state, as well as the proposed single West African market, about which there is no discernible air of expectancy. Their concerns are firmly on matters of more immediate consequence.

The data analysis continued in chapter 8, and it was here that the benefits of an actor-oriented methodology were most visible. Several months spent interacting on a daily basis with various direct and indirect participants in the cross-border trade helped, among other things, follow the paths of several goods and actors across several countries, and explain various ways in which entrepreneurs and other actors deal with one another to create social order out of potential chaos. The abuse and incomplete penetration of official rules and

regulations (and boundaries) were shown to provide a number of obstacles, as well as exploitable opportunities taken up by the entrepreneurs. The importance of the informal *kelebe* system to the transfer of goods in the trade, and the importance of trust in the operation of the *kelebe* system were also highlighted.

9.2 A Cross-Border Trade Model

9.2.1 Introduction

Certain concepts or themes emerge, with respect to entrepreneurship, from the discussion of the trade process engaged in, particularly in chapters 7 and 8. These include the following:

* *The role of trust in indigenous entrepreneurship* - which we see especially in informal enterprise. The use of *kelebes* and other carriers, discussed in chapter 8, is particularly illustrative of this. We see also in that chapter, particularly through the experiences of *case 1*, the forms of self-regulation that exist both on the side of the traders and of the carriers to maintain order in what is potentially an anarchic situation.

* *The nature (and role) of training for indigenous entrepreneurship*, which we see as being mostly informal, task-oriented, and not particularly encouraging of innovative behaviour. This in itself, is an interesting observation in a profession where success singularly demands innovative behaviour. Exactly what role, then, one may ask, does the training play in subsequent success of ventures, or is success determined by some other

personal or environmental factors? We see also that most trading apprenticeships take place alongside formal education, although the role of the latter in the training process tends to be for the specific acquisition of basic literacy.

* *The nature of informal enterprise*, and what we notice of it within the context of the cross-border trade is that informal entrepreneurship does not always operate within the context of the informal sector, as *case 2* illustrates so clearly, and indeed, neither does formal enterprise mean that opportunities that exist informally are not exploited. As I pointed out in chapter 8, especially among the traders, an ingredient of success seems to be an ability to move freely between the formal and informal sectors. *Case 3* is a good example of this. Also, while it is common to think of informality as something that exists only on the fringes of the economy, perhaps in order to provide supplementary income to salaried workers, firms like *cases 2* and *5* show that it is almost the norm in Nigerian entrepreneurship to find firms in the informal sector doing better than mere survival on the economic fringes. *Case 5* in particular shows how a small firm, starting informally, might grow and graduate into the formal sector, creating new business links and opportunities in that sector without losing its informal networks, inputs, markets, and so forth.

* *The role of "sickness" or "slackness" in the formal economy in acting as the stressor that stimulates the development of entrepreneurship in the informal sector.* Many illustrations exist in this regard. Perhaps the most obvious example is that of the trade in banned consumer goods, initially identified in chapter 5. The ban on the importation of many of the goods (in particular those effected between 1978 and 1986) was not subsequently followed, as had been promised, by increased production of locally-made substitutes, and traders have moved to fill the obvious supply gaps. Other traders, as discussed in chapter 8,

are moving to fill export gaps in the West African region because for a variety of reasons, several local export-oriented manufacturers are themselves wary of doing so.

** The role of traders in increasing the influence of the informal economy, and its possible consequential role in transforming the formal economy.* An obvious illustration here discussed primarily in chapters 7 and 8, is that of the emerging parallel financial system. It would appear that presently, the only enterprises in the formal sector covered by the present study who do not employ the system are those who, for whatever reason, choose not to, and not because they do not have access to it, or their requirements cannot be met. Their potential implications for the struggling formal financial sector are self-evident, and are, in part, responsible for the central administration's efforts, since 1995, to align formal and parallel rates for the transaction of certain businesses.

This subsection is an attempt to picture how these concepts play out in practice.

9.2.2 The Traders

Cross-border traders tend to emerge from those group of traders who have previous experience as "conventional" traders. Although it is quite conceivable that someone who fails at conventional trading might then try his hand at cross-border trading, or even commence his trading career at that level, more commonly, one is likely to have attained a measure of success as a conventional trader before becoming a cross-border trader. It is in most cases a considered decision that traders take.

9.2.3 The Goods

It has been demonstrated in chapters 7 and 8, and to a lesser extent in chapters 1 and 5, that all manners of goods are traded on the cross-border routes. However, certain goods do appear to have taken on precedence in the trade.

At the most general level, it would appear that a greater proportion of the traded goods originate from locations outside West Africa than from within West Africa. It appears further that of the goods that do originate from within West Africa, more are actually made in Nigeria than in any other West African country. Nevertheless, apart from minerals, West African countries tend to produce a similar range of goods, suggesting an inherent competition rather than complementarity in regional trade, and cross-border traders have to be creative in the marketing and sale of their products. It would seem, in any case, to be in the import/export trade that traders are most able to differentiate their products. The West African-made goods tend to be characterized by relatively low levels of technological inputs. They are usually edible consumables like the so-called "provisions", and other basic household items including flasks, batteries, various glass and plastic-products, soaps and detergents, crockery, furniture, building materials, and so forth. There is also a considerable trade in garments and textile materials. Those that tend to be produced and exported in significant numbers from Nigeria tend to come more from what may be termed the lower (or more casual) end of the range of fabrics. They are perhaps more easily mass-produced. The more upmarket or exclusive the fabric is, the more likely it is that it has been imported into Nigeria. Sometimes, such materials are imported direct from middle and far-eastern countries, or more realistically for most traders, from francophone West African countries via the cross-border trade. Certain Nigerian-made upmarket or ceremonial fabrics are also

exported, but many of these fabrics, such as *ofi* or *aso-oke*, are specialist, labour-intensive products. They are usually hand-made or finished, and so are distinguished from other, machine-made alternatives. Certain markets have also developed specialisms in the trading and after-sales service of certain products in this class of goods - for instance, Seme and Owode-Onirin markets for automobiles and attendant accessories, Ojuelegba and Alaba markets for electrical goods, Balogun and Tejuosho markets for various textile materials, and so forth.

Generally speaking, cross-border imports into Nigeria tend to comprise the following:

9.2.3.1 Plugging Shortfalls In Local Supplies

This, as one would expect, is the most obvious rationale for trade anywhere. Interestingly enough however, this portion of the cross-border trade is in many respects, technically a trade in smuggled goods. Many of the most traded goods in this regard - rice, flour, palm and vegetable oil, wheat, fertilizer, and such other products being the leading ones - are "essential goods" which have had their importation into Nigeria prohibited in the years since 1986 (in some cases since 1978) with a view to stimulating Nigerian self-sufficiency in these products or their substitutes. However, as discussed earlier in chapter 5, local production has not quite matched expectations and there is an obvious gap in the market which several traders have moved to fill. Many of the goods originate from various parts of the world (for instance palm oil from Malaysia; wheat from U.S.A) and are imported into other west and central African countries, either by private or government agencies in those countries, and sometimes too by Nigerian traders. From these countries, the goods are then transported into Nigeria.

By the same token, there is a trade in smuggled exports from Nigeria to plug shortfalls in other West African countries. Again there are various goods in this category with petro-chemical, pharmaceutical, and basic household products appearing to take a leading part in it.

9.2.3.2 Luxury Goods

As in most places, a market exists for products of high intrinsic value, and certain other products not normally considered as essential by the population at large. Generally speaking, the goods traded in here tend to include automobiles and automobile parts, various electrical/electronic goods, and such other goods. That they are referred to here as luxury goods is merely to indicate their relative inaccessibility, in the area of study, to the population at large.

9.2.4 The Informality Of The Trade

The traders tend to operate in the informal sector, and certainly avoiding tax payment is a major reason for this. But as I argued in chapter 1, the tax issue is not that clear-cut, and certainly not the sole reason, because traders are not significantly less likely to avoid paying income taxes than many other groups of self employed Nigerians. Since most firms tend to aim to remain small anyway, and having regard to the nature of the economy as a whole, operating informally might well be viewed as a logical way to keep all manners of costs

down⁴⁶⁶.

Another reason why they tend to operate informally, in my view, ought also to be sought in the corruption and over-bureaucratization of the formal sector. It is human nature to avoid going where one has been previously burned. Dramatic falls in the purchasing power of the Naira and in general living standards, particularly since the 1980s, seem to have induced a bribery and patronage culture in most facets of Nigerian life, public or private. It is a nightmare process, as I personally witnessed on a number of occasions, to obtain export documentation, go through VAT formalities, clear imported goods at the ports, or perform such other activities in Nigeria⁴⁶⁷. Some traders in fact claim that it is a more preferable (and sometimes cheaper) option to pay bribes than to experience on a continuous basis, the Nigerian bureaucratic system. In addition to this, the various forms, approvals, personnel, and so forth that a trader, and moreso, an international trader must go through in Nigeria provide ample opportunities for the most astonishingly unethical (or sometimes even overtly extortionist) practices. It comes as no surprise then that traders tend to side-step the process altogether. In physically carrying on international trade, certain public officials are unavoidable contacts. In the case of the cross-border trade, these include border personnel and, judging by their sheer numbers and activities, what one can only conclude are largely unauthorised check-points on the cross-border trade routes. The traders have evolved various pragmatic mechanisms to accommodate the officials within the ambit of their trade - avoidance (where possible) and bribery being the main ones. The decision of many traders to operate informally, and of many "modern" sector firms to maintain informal subsidiaries

⁴⁶⁶ It might be worth restating here that the aim is not to justify the informal sector, but to provide explanations for its existence.

⁴⁶⁷ See for instance the Nigerian Business Directory (1993:43-47) for illustrations of the bureaucratic elements of various transactions involving the state in some capacity.

may then be construed in fact as a considered one given the actual and potential problems associated with the alternative.

Finally, it ought to be noted that it is by no means common for informal sector firms to remain entirely outside the system. *Case 2* (primarily informal) and *case 3* (primarily formal) provide illustrations of how firms, whatever their sectorial orientation, dart in and out of both sectors in their search for gain.

9.2.5 Capital Accumulation In The Trade

In many cases, concurrent with the decision to operate informally is that to remain small, and this tends to be equated with the "pettiness" of the trade⁴⁶⁸. This, in turn, tends to be the thinking behind views such as expressed by de Soto (1989) or Majumdar (1980) that little, if any, capital accumulation takes place in informal enterprise. With regard to the cross-border trade, the findings in this study suggest that this story does not end here.

Although many petty traders take part in the cross-border trade, it involves more than petty trading to a number of participants. Several participants, down to some of the touts on the border posts, rigorously and resiliently pursue an expansive economic policy which sometimes result in significant capital accumulation. It is however difficult to plot a real growth path in this area because of the general problems associated with measuring informal activity, and other problems to do with the absence or reliability of much published data. Nevertheless, what emerges from the study is that the fact that several firms choose to remain structurally small appears to be due less to a lack of ambition, and more to a desire on the part of their owner-managers, first, to remain one step ahead of an "interfering"

⁴⁶⁸ See for instance Nwachukwu (1991); Orimalade & Ubogu [eds.] (1984).

government, and secondly, to remain in personal control of a unit that can exploit a market for what it is worth and swiftly move on to another market before a mass of less enterprising market "followers" enter the market.

It does not generally seem to be the case either, as has been suggested that they do not make use of the banks⁴⁶⁹, although several traders in addition use informal savings and loans methods, in particular, informal co-operatives, but the amounts involved tend to be a fraction of their income, and the reasons for doing it appear to be as much social as they are economic. Most of the surveyed manufacturing and trading firms in fact operate bank accounts, although they tend not to operate business accounts.

There is also reinvestment taking place, but perhaps not commonly as is the norm (that is reinvestment aimed at some kind of longitudinal growth of the firm). Firms like *case 5* (through an expressed desire to become the largest exporter of cotton products in Nigeria) and *case 7* (through its efforts to invest more of its earnings in sourcing an increasing amount of its supply factors from within Nigeria) provide illustrations of firms engaged in what may be termed conventional capital accumulation practices. Reinvestment among the smaller and indigenous entrepreneurs tends to be somewhat different. Because they want to retain personal control of their businesses, many of them will only permit growth up to a certain point, at which they will then switch to new businesses, again staffed in a way that enables

⁴⁶⁹ See for instance Roitman (1990); Majumdar (1980). It is perhaps for reasons such as this that economists have tended to conclude that savings and investment are rare in African entrepreneurship. Hill (1970:11), in arguing that conventional economics is often unable to explain indigenous African enterprise, writes further that "the [conventional] economist is so unfamiliar with the forms such savings and investment are apt to take that he does not know where to look for evidence of their existence. I have heard UN financial experts seriously argue that the admitted unwillingness of individual Ghanaians to buy government securities is evidence of their inability to 'save' in any sense of the word".

them to retain overall personal control. The "expansion" plans of *cases 2,3 & 4*, can be interpreted in this way. Some of them also have overseas accounts and a good number of the entrepreneurs as a whole have invested in plots of land and real estate, which, especially in urban Nigeria, are in a state of perpetual boom. I witnessed land price rises well in excess of 25% in the greater Lagos area, during the eight months of my fieldwork. With returns more or less guaranteed at these levels, it is hardly surprising that the traditional evidence of capital accumulation, such as reinvestment in manufacturing technology or VAT returns, is scant on the ground. Until such a time when an environment exists to make manufacturing more profitable (and/or less risky), or real estate less profitable, the present disposition, though not necessarily desirable, can be expected to continue. It is easy to criticise the traders' investment patterns as unproductive for the economy as a whole, but given the economic climate they exist in, what they do makes perfect economic sense, to them at any rate.

9.3 Some Suggested Recommendations

9.3.1 Theoretical Considerations, Or Areas For Future Research

It is my hope that in describing the nature of the cross-border trade, I have demonstrated not only that there are several activities of practical and analytic interest involved or contained in the trade, but also how one might go about researching these activities.

As identified in chapter 1, the question of how great the trade actually is, is an important one, and one which will probably have the greatest influence in deciding how

prominent an area of study this aspect of entrepreneurship eventually becomes. I shall presently return to this point. To this end in any case, perhaps similar studies to that engaged in here may be replicated in various parts of Nigeria that share land borders with other West African countries, and indeed between other African countries⁴⁷⁰. Such studies will need to be mindful of the socio-economic history of the areas of study because there is a wrong assumption that "the past is past" and it has no bearing on the future. However, as Anthony Hopkins (1988:23) has rightly noted

"A historian is not equipped to recommend solutions to present-day problems, but he can help ensure that the questions are properly posed".

This is especially important for studies involved in rethinking the African development process.

The conclusions reached in this, and in other studies will be in a unique position to provide an authoritative insight into the indigenous economics of West, and other parts of Africa. It is an important foundation upon which further research questions can be formulated.

Theoretically speaking, we do not presently seem to have progressed very far from the situation in the early 1970s when Polly Hill observed that

"Lamentably, there is hardly any non-anthropological, non-statistical material fit for the consumption of economists desirous of acquiring a local background... I am insisting that if (development) economists would persist with detailed studies in the field, they would soon learn to discern a variety of forms of standard economic

⁴⁷⁰ Present indications seem to be that the form of cross-border trading described in this study will not be dissimilar (in form) to the kind to be found elsewhere in Africa. According to MacGaffey (1991:119) "In Africa, the circulation of goods and persons continues to escape in large part from the controls and laws of the state. Alongside official exchanges and the networks of modern transport, an informal commerce, always more dynamic than the formal, develops in parallel, taking no account of frontiers".

behaviour amid the diversity"⁴⁷¹.

The "detailed studies in the field" indicate in the present study that indigenous entrepreneurship in LDCs like Nigeria may have a more significant role in the macro-development process than has been previously thought.

If this were so, then as a matter of analytic and practical interest, one may ask the question whether the cross-border traders are only enhancing the system up to a point, beyond which their involvement and control serves more to dampen free trade. In other words, is the interface between consumers and producers controlled by traders in such a way that they become a limiting factor in the growth of the economy?

Secondly, if as is also suggested in this study, the evolving informal economy seems to be on a path to a possible eventual merger with the formal economy, what is the risk that the traders will be displaced as development facilitators, the more the amount of change increases, or as their activities increasingly become part of, or linked to the formal economy? And what are the likely effects, in the event of this happening, on the economy as a whole? Put differently, are the traders at present appropriately compensated for the value they bring to the distribution system? And if they are creating wealth as a result of their involvement, will they continue to grow and benefit from increased trade as the economy grows, or will the law of diminishing returns set in?

Thirdly, a more general question which, in my view, activities such as the cross-border trade seem to be asking in the wider area of development economics/sociology, and which may also have important policy ramifications, then is this: In view of the fact that the cross-border trade is the outlet through which several exporters, who are unable or unwilling to exploit formal exporting opportunities, actually sell their goods outside the country, does

⁴⁷¹ Hill (1970:10). Brackets mine.

the cross-border trade represent a new direction or orientation in Nigerian development thought? By extension, when considered in context of previous research in indigenous West African⁴⁷² or East African entrepreneurship⁴⁷³, does it in fact provide the basis for a new model for the development process in Africa, and perhaps other LDCs?

To take the discussion further, there have been various references, throughout the thesis, to a significant, and perhaps even dominant role of the informal sector in the cross-border trade. The hypothesis put forward in this thesis that entrepreneurs instinctively seek to operate in the informal sector is one that would benefit from further study. It would be advantageous to provide a broad assessment of its extent. This can only be carried out at the present time with certain limitations since informal sector activities are by definition, unmeasured and unrecorded.

The correlation between social class, entrepreneurship, the informal sector, and the development process may also be an area worthy of further study in order to help in the understanding, first of why entrepreneurs in poorer countries like Nigeria tend to gravitate towards the informal sector. Secondly, it may help advance the theory on how entrepreneurship enhances the development process in such countries (that is, LDCs), an area in which relatively little would seem to have been done since the 1970s. The received knowledge in this area that the informal sector is a social system through which the great mass of the unemployed and underemployed find creative opportunities⁴⁷⁴, while no doubt correct in a number of cases, is one that does not adequately explain some of the findings in the present study that certain entrepreneurs (including some "Schumpeterian" ones)

⁴⁷² Hill (1971), Orimalade & Ubogu [eds.] (1984).

⁴⁷³ MacGaffey (1987;1991), Seur (1992).

⁴⁷⁴ See for instance Ray (1988).

attaining "success" in their vocation choose to remain in the informal sector, and especially that several firms in the "modern" sector maintain informal sector subsidiaries. Ultimately, the question in this area seems to be whether the informal sector is a symptom of underdevelopment (and therefore to be eradicated) or a positive development mechanism (and therefore to be encouraged, or at least tolerated). Successive Nigerian governments would appear to have been doing both.

These are unavoidable questions in the study of the indigenous economics of LDCs such as one finds in West Africa, even though the type of fieldwork advocated here may not immediately appear attractive. This in itself may be a reason why research in indigenous entrepreneurship and the informal economy are not as much as might be desired. However as researchers, we must readily show a willingness to grapple with the basic fabric of economic life in such places - for this is primarily where the knowledge we seek is to be found - and not be put off by the compartmentalization of indigenous life - perhaps into lingual, ethnic, religious, occupational (and so forth) groups - or the effect that this may have on subsequent economic behaviour⁴⁷⁵.

To this end, the testing of methodologies would also be appropriate. This is one of the reasons why a mini-debate has been carried out on the issue of methodology in the present study.

It would seem for instance that even when academics talk of entrepreneurial firms, they are beginning to lose sight of the fact that it is the people in the firms that make them entrepreneurial. By this, I mean that perhaps more research ought to be directed at persons who run businesses, understanding their histories and personal values, and using them as

⁴⁷⁵ as Hill in Ghana (1963b), and in Nigeria (1971), or Long (1968) in Zambia have shown.

units of analysis, as opposed (but not ignoring) the businesses that they establish, in order to attain better understanding of the workings of such businesses. If the present study had not focused on "the person behind the business", it might not have been possible, for instance, to understand the linkage between the cotton and information technology businesses in *case 5*, or how some entrepreneurs perceive business' growth. If it had focused primarily on the annual reports, stock or accounting records, and so forth of the firms being studied, or only on firms listed in, say, the Nigerian business directory, very different findings would have been arrived at, and much of the skills and strategies that drive the cross-border trade would have been lost. Even where firm-level analysis is being done, not enough general research attention would seem to be paid to self-employed persons without employees such as *case 1*, or other entrepreneurs engaged in "unattractive" businesses or sectors of the economy, despite their large numbers.

It has also appeared to me for instance in the present study that in order to carry out studies on economic behaviour in regions such as West Africa, purely statistical studies may in fact be inherently flawed in the sense that they are not always able to ask the "right" questions. At this early stage of cross-border trade research, more fundamental, basic or background questions which are well grounded in history require answers before real progress can be made. It is important, at this stage at least, to enter into the "lifeworld" of those that we seek to study. Only then, perhaps, can we begin to have a proper understanding of their reality, and go on to ask, and answer relevant research questions. In my experience, these are not issues that can be adequately resolved by pilot surveys, for all their usefulness, because pilot surveys are traditionally concerned with procedural matters, and the questions I refer to here are of a fundamental nature - the issue which I have made the central aim of this study being a prime example.

9.3.2 Recommendations For Policy Makers

Throughout the course of this study, indigenous entrepreneurs demonstrated time and again the gulf that exists between their world and that which the government creates for them. Most of them (and I would add a good number of the OPS community to this group) in fact view it as a sign of weakness or failure on their part if the government is, at any time, able to have some direct influence on the conduct of their business. This has, in a sense, created a somewhat anarchical existence for several businesses which must be resolved. While I am not calling for constant government interference in the running of businesses, it is obvious that businesses are not performing optimally in the present disposition and the government/business community gulf must be bridged.

The state must realize this and accept that small scale enterprise and informal enterprise are an integral part of indigenous entrepreneurship in Nigeria. At the present time, it is important for their advantages to be harnessed. Perhaps in another age, this might not be the path to progress, but the reality of present-day Nigeria is such that these entrepreneurs are the providers of the goods and services that sustain a not insignificant part of the population, and it seems capable of doing even more.

Essentially, the Nigerian government needs to redirect the thrust of its policies for the private sector. It is interesting that not even the harassed cross-border traders feel that state policies by themselves, as a whole, run contrary to their interest. It is not so much that the traders feel that existing policies are perfect, but rather that their main concerns have more to do with the state's commitment to those policies. This requires the state itself to become more entrepreneurial in the manner of the governments of South Korea, Taiwan, Japan and Singapore, taking an active, and not mere rhetorical interest in the success of local SME

producers and ensuring the fair implementation of its incentives programme.

There do not seem to be any inherent socio-psychological factors generalizable to the population at large which inhibits entrepreneurship. On the contrary, entrepreneurial behaviour is almost rampant among the population. Indigenous entrepreneurs have become especially adept at exploiting entrepreneurial opportunities whenever and wherever such arise in their environment. Indeed, this is the main reason for their continued survival. Furthermore, as chapter 7 indicates, it is fairly commonplace for people to establish small businesses with their own capital. The entrepreneurs have themselves alluded to having more problems with working capital than with initial capital. Assistance programmes ought to reflect this via additional focusing on assistance to businesses that have already been established (by way, for instance, on technical advice and credit for extensions) rather than the prevailing tendency to concentrate policy on business set-up.

The way forward, in the short term at least, must therefore lie not so much in creating entrepreneurs, but in creating the right stimulus to evoke or encourage response from the population of indigenous entrepreneurs in a way that is mutually beneficial to both the government and the entrepreneurs. The government would get the revenue it deserves, and certainly needs, as well as the freeing of resources to catch real offenders, while entrepreneurs would trade in an environment free from the additional stresses of having the government as a constant and unnecessary adversary. One imagines such a situation will increase the competitiveness of the firms as a whole.

Still on a general level, SSEs can best be encouraged by creating a neutral policy environment that recognises the potentials of both small and large scale business activity, but is not biased in favour of either. The situation, for instance, where the federal government made membership of MAN a pre-condition for allocation of foreign exchange under the FEM

in 1994 was particularly ill-advised. Similarly, it does not make for a settled market-place that the government commits itself to a rhetoric of an export-led industrialization programme, when its policies are essentially rooted in import-substitution.

The government must recognise that the vast majority of non-oil commercial activity in Nigeria can be grouped under the SSE umbrella, and further still, in the informal sector. Many of these firms, as has been discussed, rightly or wrongly do not plan any substantial expansion, usually because the owner-managers want to retain personal day to day control of the firms. There is however no total absence of growth in many of the small, informal firms studies. Perhaps because there are many "organized" small businesses operating informally, there is a relatively developed level of self-regulation, as well as strategy and competition within the sector. Poverty is a major reason why people operate informally, but certainly in the Nigerian case, it is not the only reason. Programmes of assistance ought to reflect this. In other words, small businesses have to be nurtured. It is not enough to simply assume that firms that are small and informal merely symptomise Nigeria's relative underdevelopment. Previous studies in the still-growing Singaporean economy have shown that the informal sector continues to thrive there in spite of the relatively high level of urbanisation and economic development that the country has come to attain and vigorous state activities to suppress the sector⁴⁷⁶. I am not arguing that it is the informal sector which will necessarily spearhead Nigeria's (and indeed Africa's) development in the twenty first century⁴⁷⁷, but various world bank projections⁴⁷⁸ as well as observable evidence can be

⁴⁷⁶ Clammer (1987).

⁴⁷⁷ although as discussed earlier in chapter 1, it definitely has an important role to play, particularly in the area of employment and in the production of products requiring relatively low levels of technological inputs because until wages and general living standards rise, demand will normally be for products such as these.

read together to indicate that it is not worthwhile, indeed it will be damaging, certainly to virtually any sub-saharan African economy which ignores, or attempts to suppress this sector. Yet, such a situation will continue to be the case for as long as the state and indigenous enterprises continue to work at such cross-purposes.

In chapter 1, I referred to an apparent paradox in Nigeria's recorded patterns of trade, compared with observable evidence. The reasons for this are not in themselves hard to find. Recorded trade, whether it is with West Africa or anywhere else in the world, is dominated by oil, and there is no doubt that it is the single most important commodity in Nigeria's foreign trade. It is not surprising then that, according to the figures released by Nigeria's Federal Office of Statistics, Nigeria's most important trading partners in West Africa, in order of importance, are Ivory Coast (purchasing 53.5% of the value of Nigerian exports, and supplying 24.4% of its imports within the region), Ghana (26.1% & 3.7%), Senegal (9.7% & 6.7%), and Niger (1.3% & 45.6%)⁴⁷⁹.

It is difficult, at the present time, to comment with any great authority on the actual figures involved in the cross-border trade. However, taking as an example, the value of Nigeria's recorded exports and imports from the neighbouring Republic of Benin of N7.8 million and N3.8 million respectively in 1990⁴⁸⁰, even allowing for inflation, and comparing these with the observed regional exporting activities of firms like *cases 4 & 5*, and others like them, the recorded values would appear to be a gross underestimate.

Furthermore, with oil listed as comprising 90% of Nigeria's exports to the region,

⁴⁷⁸ See World Bank (1989; 1991; 1995, all cited earlier). cf. Lim (1992: 2-3).

⁴⁷⁹ see FOS (1991: Tables 194 & 195 at pp. 233-234), being the latest figures available as at August 1994. cf. ECOWAS (1989:119).

⁴⁸⁰ FOS (1993).

non-oil exports are officially limited to alcoholic beverages (0.7%), cotton products (0.7%), cocoa (0.3%), and iron and steel (including aluminium) products (0.2%). No reference is made in these figures to informal exporting activities, where most non-oil exporting is concentrated, in spite of various governmental literature "recognising" their contributions⁴⁸¹. The same is the case with the FOS' annual review of the Nigerian economy, which purports to explain the state of the economy. My point here is not to celebrate the informal nature of much indigenous entrepreneurship, but to question the wisdom of ignoring them in quantifying trade activities as a whole. Examples cited in the course of this study show how the vast majority of cross-border commercial activities go unrecorded. While I cannot over-stress the need for further research in order to fully appreciate its extent, all indications point to the fact that it is substantial, in all probability, to a significantly greater degree than is acknowledged, and is certainly not to be ignored. It has been suggested in this study that the cross-border trade involves considerable capital accumulation, and that this accumulation process is similar to that in other sectors in the economy⁴⁸². It is therefore up to the state to harness these resources for its own benefit as well as that of the traders. One way could be for the government to create a conducive commercial environment, and a formula with the banks (many of which it owns or controls anyway) which encourages traders and other entrepreneurs to open up "business accounts", perhaps at preferential rates, initial tax

⁴⁸¹ see for instance OAU (1982), referred to earlier in chapter 1. See also Dozie & Bickersteth (1993). There is a rather vague reference to "Commodities and Transaction [sic] not classified" in the "Exports by Commodity" section of the annually published FOS Review of the Nigerian Economy ([under which exports via the cross-border trade might conceivably fall] See FOS 1993). This unclassified section is listed as contributing 0.7% of Nigeria's exports. Even if this were so, it would only serve to reinforce the view that the cross-border trade, which involves the export and import of many listed goods, is not officially acknowledged.

⁴⁸² that is, traders have bank accounts, invest in their existing businesses or in new ones and in landed property.

holidays, and such other advantages. This is a policy that, perhaps, can only succeed in the longer term.

Although the present study has not specifically concerned itself with the actual extent of the cross-border trade, further indications are that as far as the cross-border trade is concerned, traders in Ghana, Togo and the Republic of Benin, would for instance, appear to be larger West African trading partners of Nigeria's than, say, Senegal or Ivory Coast, who are listed at the top of the official figures. Not only this, but several of what would appear to be the more dominant class of goods in the cross-border trade do not feature at all in the official version of major regional trade goods. Herein lies the root of the paradox of Nigeria's trading figures vis-a-vis observable evidence, and the usually-taken easy option is to either ignore the trade and its participants, and pretend they do not exist, or declare them illegal and in so doing not have to take them into account. This, however, is not a solution. There are several thousand traders, many of whom are successful and employ thousands more. To deny their existence with a blanket air of dismissal misrepresents the trading environment for both practical and analytical purposes, makes the environment that more difficult for the entrepreneurs, and only serves to perpetuate the illegal and unprogressive elements that no doubt exist in the trade.

In summary, what is needed is akin to a Nigerian industrial (or commercial) "revolution" in which businesses of all sizes and sectors see the future as worth fighting for. Before this is dismissed as being overly idealistic, it ought to be remembered that in the industrialized world, Germany and Japan did it. The fastest growing economies of South Korea, Singapore, China, Taiwan, and others like them, are doing it. Closer to home, Botswana, Namibia, South Africa, Zimbabwe, Mali and Ghana are on their way, while Zaire, Zambia, Liberia, Cameroun and certainly Nigeria, are not keeping up the pace. The

size, resources and potential of Nigeria, coupled with its relatively dominant position in sub-Saharan Africa's politics and economics, makes it a particularly sorry case. There is no doubt that the entrepreneurs I interacted with in Nigeria (and across West Africa) are keen to move forward, and that they have the ability to do so. The state must then give them the freedom, opportunity and resources to do so.

It is against the background of the foregoing that the following specific recommendations are suggested for the attention of policy planners.

(i) *Census Of Firms*

Remarkably, no one at present seems to have a definite idea of the number of business enterprises in Nigeria. In the 1991 edition of *Basic Facts On Manufacturing Industry In Nigeria* in the "Know Nigeria" series, the Federal Ministry of Trade and Industries estimated that there are about 2,000 manufacturing concerns in Nigeria. Even if one were to unwisely ignore the firms in the informal sector, this appears to me, in the face of observable evidence, to be a gross under-estimate. Observable evidence, in my view, indicates that there must be more than this number in the greater Lagos area alone, and almost as many in Nigeria's South Eastern and South Central states. There is therefore a need for a census of such enterprises and a mechanism for keeping such figures up to date. Such a census needs to be official since independent research organisations lack the resources or status to survey everybody. These figures and the attendant statistics are better able to help the government target more effectively those firms that actually require assistance, as well as determine what kind of assistance is required.

The registration drive embarked on in 1994 by NASSI may go some way in

addressing the situation, but without a specific state-backed measure to ease the registration process, a voluntary registration drive such as this which seems ultimately doomed to under-achieve.

(ii) *Assistance Programmes*

According to the survey in chapter 7, the take-up rate of state assistance by local manufacturing firms is low, relative to their awareness of such programmes. There is much to be gained in the promotion of state assistance schemes, but this is a medium-term objective. In the shorter term, government and other agencies may assist indigenous entrepreneurship by concentrating export assistance in the first instance, particularly in the manufacturing sector, on those who have already demonstrated an ability or willingness to be involved in that field. According to the survey, this will apply to about 30% of existing businesses.

The problem here is not so much that the government has never done this, but like many other state initiatives, it suffers from ineffective/uncommitted implementation. I have cited various illustrations in the course of this study, but here, I will focus on some of those aimed specifically at improving non-oil exporting activities.

The first is the Export Expansion Grant Fund (EEGF), established as part of the SAP package in 1986/87. It was designed to provide cash inducements for exporters who have exported a minimum of N50,000 worth of manufactured, or semi-manufactured products. The scheme itself is in the spirit of what is proposed above, although this particular programme virtually never got off the ground, as it was said soon after its establishment that there were not enough funds to support it.

The Export Development Fund (EDF) is only marginally more successful. It is designed to give financial assistance to exporting companies to cover a part of their initial export-promotion expenses. But because it focuses on activities like seminars, symposia and formal training courses, patronage by the industrial sector (much less the informal arm), which tends to be more interested in more visibly practical assistance, is rather poor. Add to that, the patronage culture and general over-bureaucratization of public-sector management in Nigeria, and it is little wonder that both the EEGF and EDF perform as poorly as they do. The same can be said of several others, including NERFUND⁴⁸³, and the Export Adjustment Fund (AF), designed to assist export-oriented manufacturers supplement production costs exacerbated by infra-structural deficiencies (such as in water and electricity) beyond the control of the firm. Managers claim fund officials are corrupt and unsympathetic to their cases. They describe the scheme as "unworkable".

The Export Credit Guarantee and Insurance Scheme (ECGIS) on the other hand, appears to be thriving. It is, perhaps, the most active of all the SAP-induced export trade facilitators. It guarantees the loans provided by Nigerian banks, first to export-oriented firms for the production of export-bound goods, and secondly, to foreign importers of Nigerian products. It also insures Nigerian exporters against non-payment by foreign importers. It is a popular scheme, one imagines, because of its immediately beneficial nature, although entrepreneurs are still wont to lament the pace at which the ECGIS is administered, while the scheme's officials in turn accuse the OPS (its usual clients) of sometimes making dubious and frivolous claims, which stall the operation of the scheme for other beneficiaries.

⁴⁸³ The National Economic Recovery Fund (NERFUND) was established in 1989 to provide relatively long-term loans (5-10 years) for fully-owned Nigerian SMEs engaged in manufacturing activities at a rate lower than the prevailing commercial rates. Such loans may be disbursed in foreign exchange or its Naira equivalent. I shall presently return to the NERFUND issue.

(iii) *Tax*

The government needs to take another look at the present taxing system in the country for businesses. Apart from addressing, in particular, manufacturers' expressed concerns about duplicity of taxes, retroactive tax legislation (now more or less a feature of each federal budget) and so forth, it ought also to invest more in communicating its exact tax requirements to the business community, and for this purpose, target indigenous entrepreneurs and other tradespeople in markets and other commercial centres up and down the country. This is perhaps another objective that can only be fully achieved in the longer term. But if, as the FIRD insists, the tax climate is fair, its provisions ought to be better communicated and open to examination.

The government needs to recognise and address the fact that it receives, one suspects, far less tax than is accruable to it. Tax avoidance is nominally a serious offence in Nigeria, although as pointed out at various times in this study, it is fairly routinely done not only by individuals, but by businesses. Yet, prosecutions for the offence of tax avoidance are not common. I believe, from observable evidence that part of the reason for this, certainly in the case of businesses, must be found in the extraordinary discretionary powers given to the Federal Inland Revenue Department (FIRD) in the administration of tax laws. Specifically, it is empowered to determine whether particular transactions are taxable, which gives ample opportunities to its officials to turn a blind eye to certain activities that they might otherwise have taxed⁴⁸⁴.

⁴⁸⁴ I did not actually witness this in operation although it was freely suggested, on more than one occasion, in the FIRD itself. A similar situation occurs, perhaps even more glaringly, in the administration of the VAT, introduced in 1994. A ridiculously low number of companies file VAT returns; most of the VAT revenue is in fact collected by the NCS at the ports. The Federal Government however seems happy

(iv) *Location Of Businesses*

There ought to be more and better plans for the location of both small and large scale enterprises in markets, industrial estates, and the like. In particular, the Isolo and Matori industrial estates, as well as Alaba and Balogun markets, all in and around Lagos, demonstrate how advantageous specialized locations such as these housing loosely related businesses can be for all concerned. Apart from the obvious advantages with town planning, such locations also provide increased opportunities for introducing new methods, concentrating infrastructures, quality inspection, standards specification, trade marking, manpower (apprentice) training and development, dissemination of information, collection of statistics and other activities important for modern economic growth.

(v) *Membership Of Trade Organizations/Foreign Exchange Policy*

The government ought to encourage increased membership of service, trade and other business associations, and more importantly, devise a greater role for the associations to play in what is after all, their own destiny. At present, traders, especially, are not convinced there are any advantages for them to gain by joining organizations such as these. Even members of NASSI, National Association of Textile Exporters, National Association of Plastic Manufacturers, and others, say that membership of these bodies is hard to justify as a business outlay. The lethargy of NACCIMA and the evidential government bias towards

enough with the fact that up to N6 billion (more than its initial projections) has been collected annually since the inception of the new tax, something that has been trumpeted with each succeeding budget reading, and does not appear to be doing much by way of ensuring a more efficient VAT return rate among the indigenous corporate community.

MAN in matters such as foreign exchange allocation also leaves the vast majority of Nigerian manufacturers, being non-members of these bodies, feeling excluded from the official set-up.

In the particular case of NASSI, its members and officials feel aggrieved at what they call unfair treatment by NERFUND, the funds of which NASSI members ought to be leading beneficiaries, but NASSI member firms and officers repeatedly told me in interviews that they have received little of the NASSI windfall. NERFUND, according to its own officials, has disbursed more than \$100 million to more than 200 projects since its inception in 1989. However, say the small scale industrialists, they tend not to get NERFUND money because they are generally unable to meet a particular NERFUND requirement for them to get a Participating Bank (PB) in the NERFUND scheme to assume the credit risk on behalf of their firms. NERFUND loans are normally channelled to needy SMEs via the PBs, who do the actual on-lending⁴⁸⁵.

The regulations decree that the accounts of a PB with the CBN are automatically deducted to the tune of any default by a NERFUND beneficiary - a stipulation the banks are unsurprisingly not enamoured with. The bankers are not comfortable with the sole proprietorship status of most SMEs that tend to come to them for assistance, nor are they comfortable with the long-term nature of most loan requirements, because of the volatility of the Nigerian economic environment and the perceived inability of SMEs to repay loans. Both PBs and industrialists also criticise the stipulation in the NERFUND decree whereby

⁴⁸⁵ In order to get this in perspective, it is perhaps worthwhile to note that NERFUND is expected to lend the money out to a PB at a rate not exceeding 1% above NERFUND's cost of borrowing. The PB is in turn expected to charge the SME beneficiary a rate not exceeding 4% above the NERFUND rates. But the beneficiaries I spoke to invariably reported obtaining the loans at rates of 25-35%. In addition, they spoke of having to repay foreign exchange loans in Naira at the prevailing FEM rates, which, since 1986, has deteriorated considerably, further increasing the cost of capital to the SMEs.

the banks also provide the NERFUND beneficiaries with working capital in addition to their risk, while NERFUND concentrates on providing fixed capital. Given the understandable reluctance of PBs to do this, especially with SMEs, the NERFUND ideal becomes lost on the very SMEs it was designed to assist. Usually, as the SME owner-managers allege, it is only those SMEs who act as fronts for larger-sized firms, that tend to be successful in their loan applications.

It is also curious that NERFUND's definition of a small scale enterprise is one with cost of fixed assets and new investments not exceeding N10 million (about U.S\$150,000)⁴⁸⁶ while the minimum qualifying project cost, according to NERFUND is U.S\$3 million. It is no wonder then that ultimately, it is the larger-sized firms with sounder resource bases who, in practice, can afford the NERFUND loans. There is an obvious anomaly here which goes to the heart of the entire foreign exchange policy. As pointed out at various points, Nigeria has oscillated between various regulated and partially deregulated exchange rate systems in recent years, ostensibly to curb the rising influence of the parallel market. Goldberg's (1995) study of parallel foreign exchange rate markets explains the futility of such an approach. She indicates that a regulated exchange rate system, "[even] in the long run... has no effect on the exchange rate differential between black and legal markets"⁴⁸⁷. Using the Russian economy as an example of an economy, which like Nigeria, is "in transition", she presents a persuasive case for a flexible exchange rate system, arguing further that the extent to which this would work depends on the extent to which the local central bank intervenes to control the interbank exchange rate. Operating a flexible exchange rate sends "clear and stable

⁴⁸⁶ Average 1995 rates, although this amount would have been the equivalent of about US\$1 million at the time of the promulgation of the NERFUND decree in 1989. Please note also average 1992-1994 rates referred to in chapter 1 (section 1.3).

⁴⁸⁷ Goldberg (1995:169). Brackets mine.

pricing signals to producers, consumers and investors within the economy... eliminates some of the volatility of exchange rates [between formal and informal markets]"⁴⁸⁸ which are caused when central banks intervene, an act which widens adjustment lags between formal and informal markets and result in the volatility referred to.

Organizations such as NEPC and NACCIMA ought to become less self-congratulatory about their supposed role in Nigeria's present exporting climate. In interviews with their officials, as well as in speeches and seminar papers I have come across⁴⁸⁹, they are full of praise, not only for their own activities, but for the outcomes of those activities - outcomes which tend to be disputed by most of the supposed beneficiaries. These bodies, on the contrary, appear to be underperforming, and in certain respects, have become rather irrelevant to the reality and the needs of large sections of the exporting community, especially the smaller-sized members it was mainly set up to assist. The NEPC has, for instance, in the past implicitly admitted the over-bureaucratization (or at any rate, the excessive documentation) of export trading in Nigeria. With a functional research department, it ought to be making viable proposals for alleviating this. The council's consultants ought also to be working harder at its relationship with SMEs. They should spend more time finding out what individual clients need as opposed to approaching those it does come into contact with, with a ready list of what it wants to do for them. The council, with seven overseas offices in London, Geneva, Brussels, Warsaw, New York, Jeddah, and Abidjan, can help willing market traders with developing overseas marketing contacts. At present, though present on paper, such a relationship is virtually non-existent. Even the larger, more formalized manufacturing firms, who in reality tend to be the NEPC's main

⁴⁸⁸ Goldberg (1995:184). Brackets mine.

⁴⁸⁹ See for instance Itegebe (1992); Ajiboye (1990).

clients, will require rather more than the (more or less) annual exhibitions it organises in selected overseas cities.

(vi) *Corruption*

The government ought, also, to examine ways of reducing the scope for official corruption among its agents, which, in its various forms, is the single most expressed operational difficulty faced locally by Nigerian traders, as discussed in chapter 8. Any function which involves the collection of revenue ought to be looked at closely for ways of improvement. Several illustrations in this area, as it affects the cross-border trade, have already been provided in the course of this study. A further illustration may be found in the collection of excise duty which is currently being undertaken by the NCS. It has been alleged on a number of occasions that the NCS officials abuse this position to such an extent that not only the entrepreneurs themselves⁴⁹⁰, but also independent international agencies⁴⁹¹ are calling for this function to be removed altogether from the ambit of the NCS, and reassigned either to private collection agencies or some other official body. At the very least, there seems to be a case for increased accountability and greater control mechanism of the revenue collection function within the NCS. While I have been astounded by some of the acts of corruption perpetrated at Nigeria's (and other West African) borders, according to various press reports, it is in Nigeria's ports that the greatest acts of corruption are perpetrated.

There is no doubt that the widespread practice of corruption, though encouraged in part by indigenous entrepreneurs themselves, demotivates and impoverishes the

⁴⁹⁰ see for instance Financial Guardian (Lagos) 24/5/94, p.11 .

⁴⁹¹ see for instance Business Times (Lagos) 21/3/94, pp.1,13 .

entrepreneurial population by stripping them of the value that their endeavour add to their traded goods. The traders, by their own admission, end up passing the costs, where they can, on to consumers, with attendant inflationary consequences. Corruption in the formal sector is certainly one reason for the perpetuation of informality in several aspects of the production and distributive sectors of the Nigerian economy, and is also a reason why formal sector firms perform certain functions or operations informally when they can get away with it. In all these cases, the state is caused the loss of revenue and other development resources. There are further implications for the population at large⁴⁹², for as noted earlier in chapter 8, the "*egunje*" culture is one that appears to have diffused from the commercial arena into the population at large. There is an urgent need for the government to get stuck into this situation and redress it.

9.4 Closing Remarks

To reiterate, what this study has set out to do in this under-researched area of West African economic behaviour is build a foundation from which future studies can proceed, and I hope I have gone some way towards achieving this.

I have, in part, attempted in the study to show how indigenous entrepreneurs contribute to the development process in regions like Nigeria. I have also presented some arguments about how their roles can be further augmented.

Although the data and discussion in the study extends to firms of all sizes, "micro"-entrepreneurs are, perhaps, at the heart of the study, to the extent that the core research problem in this study may be described as the notion that there is not enough wealth creating

⁴⁹² cf. Kurer (1996:655-656).

indigenous entrepreneurship in Nigeria (and other like LDCs). What there is, it is said, is survivalist in nature, and exemplifies the structural underdevelopment of places like Nigeria. Indigenous entrepreneurship does not therefore play a significant role in economic development, and trade statistics back these up.

The discussion in the early part of the thesis is built around the four "pillars" of trade, development, entrepreneurship, and historical perspectives. All four disciplinary approaches, despite having important contributions to make in explaining entrepreneurial behaviour of our objects of study, provide essentially conflicting explanations and focus points, which is understandable, given the differences in definitions, objectives and methodology that each discipline tends to employ. Having introduced in section 9.2, certain concepts in entrepreneurship that this study introduces or illuminates, it may now be possible to share some thoughts as to how the findings feed back into the preceding chapters.

** International Trade Perspectives*

The trade theories examined in chapter 2 are based on the premise that free trade is in the best interest of all trading countries. It concerns itself with important questions like "why do firms export?", and is one of the most widely applied of all economic doctrines, although the relevant contribution of this study may well be in the area of "how do firms export?".

The findings in this study question the conceptual framework of several orthodox, largely western models which, in the Nigerian case, have tended to over-estimate the directness of the link between manufacturers and consumers, not just locally, but overseas as well. That link is mostly provided by middlemen who, as illustrated in figure 7.1, and

more thoroughly through the experiences of *cases 6 & 7*, dominate both the internal and external distribution process. Figure 7.1 also shows that export-oriented middlemen maintain the most wide-ranging external relations of all the groups of distributors in Nigeria. In fact, the figure reveals them as being as widely connected as the actual makers of goods, the main difference being that they are able to exploit these relationships in ways that most distributors cannot.

However, because of the nature of markets that they are best placed to exploit (regional), and the fact that Nigeria's "traditional" exports are either closed to them (e.g oil) or externally controlled (e.g cocoa), the net effect of is that the incentive of (physical) internationalization is lost, both on middlemen, and on primary producers, and the process, where it takes place, tends to be *ad hoc*. This provides a substantial exception to the pre-planned, incremental internationalization models provided in orthodox theory.

* *Development Perspectives*

The modernization and dependency ideas examined in chapter 3 illuminated development patterns in LDCs and the socio-economic processes that can evolve from these. They explain, *inter alia*, the unequal trading patterns between countries. The findings however challenge, on a number of levels, orthodox models of economic dualism which envisage the independent existence of a small, capitalist/market-oriented (differentiated) sector, and a large, subsistence-oriented (undifferentiated) sector.

First, it appears that there is, in Nigeria, considerably greater interdependence of the sectors than orthodox development theory tends to assume. We can glean this from the extent of inter-sectoral activity that goes on within both the formal and informal sectors in Nigeria.

Following from this, it is arguable that in a societies like Nigeria with relatively active informal sectors, the necessity for a "structural differentiation" of the kind proposed in the classical models of Neil Smelser and Wilbert Moore in order for modernization to occur, may be an over-stated concept as there is reduced need, moreso in small scale entrepreneurship, for the formation of new, specialized social units to sustain the new economic activities on which economic development depends. Thirdly, the argument can be more broadly advanced, backed up by several illustrations of linkages and accumulation processes (mostly in chapters 3 and 8) that "top - down"/interventionist/externalist methods of analyzing change processes tend to be unable to account for local variations or heterogeneity in responding to, or creating conditions of change, which more grounded studies of micro-processes are better placed to reveal.

** Entrepreneurship Perspectives*

In chapter 4, it was recognized that entrepreneurs themselves have a major part to play in the development process, and indeed some of the most interesting empirical evidence came from this chapter. It must however be noted at the same time, that within the context of the present study, much entrepreneurship theory is to be found wanting.

The study is primarily about the actions and behaviour of a number of enterprises, many of them small, who in various ways, and to varying degrees of success, pursue an expansive economic policy. In the case of the small firms, as is revealed in chapter 7, many of them do not seek to expand the size of the business itself beyond a point where they are unable to exercise day-to-day control over it. Is this to be interpreted as a weakness or a lack of ambition or dynamism on their part? Given the socio-economic environment that they

operate in, that is, an environment deficient in infrastructures, where even the most formalized companies are unable to carry out any real strategic planning, I believe it is arguable that one of the next best things, in the circumstances, surely is a unit tight enough to respond swiftly to change if and when it happens. Many of the traders I interacted with, moreso the successful ones, have alluded to precisely this. But it does not stop them from seeking out new products or markets, or novel ideas in wealth creation or accumulation.

However, many of the economic models on entrepreneurship will not even recognize the traders' role as entrepreneurial. The same is, to an extent, true of psychological models. Under these, cross-border traders will be expected to demonstrate high n ach, high internal locus of control and moderate risk-taking propensity, or otherwise fall outside psychological conceptualizations of "entrepreneur". Yet, in a place like Nigeria, which has mostly had military leaderships since independence in 1960, and where the state has such an uneasy relationship with the entrepreneurial population, but is nonetheless present, indeed dominant, at the basic everyday level in the life of entrepreneurs, it is difficult to see how the latter can have a "high" internal locus of control, or for that matter, be described as "moderate" risk takers.

Entrepreneurial choice/behaviour in the trade is perhaps more adequately explainable under sociological models. But even these have to operate under certain analytic limitations since sociological models, as shown in chapter 4, tend to accord indigenous entrepreneurs too much individual freedom of choice. I nevertheless favour sociological perspectives in explaining entrepreneurship in the cross-border trade because of the primacy given to environmental variables (a most important factor governing the mechanics of the trade), and the identification of entrepreneurship as the ability to manipulate these to one's advantage. Both economic, and to a lesser extent, psychological models, are unable to relate

entrepreneurship to the wider society in this manner. Within the sociological models, explanations on the cross-border trade are perhaps most closely related to the transactional models of Frederick Barth, which recognise that it is the value attached to a given good at a given time and place that creates the "sphere of exchange" which provides the opportunity liable to be exploited by an "entrepreneur".

** Historical Perspectives*

In chapter 5, an attempt was made to see if, and how indigenous Nigerian entrepreneurs have done this through the ages. As summarized in section 9.1, there are some "cultural" explanations for the nature of the cross-border trade, at least to the extent that particular features such as middlemen, specialist markets, long-distance trading and so forth have long histories in indigenous Nigerian entrepreneurship.

However, several theorists have been loathe such incorporate such explanations into their arguments, and this lack, or inadequate attention to history has, on occasion, led to questionable theorisation. Although I had earlier referred to this point in examining modernization theory in chapter 3, I then went on in chapter 5 to make an observation that the hundred years of British colonial rule along with the discovery of oil in the 1950s, were mostly responsible for present-day trading patterns in Nigeria. To what extent, then, has colonialism influenced Nigeria's subsequent economic development, especially bearing in mind the fact that its economy is both dependent and underdeveloped?

This, as shown in the conclusion to chapter 5, is a questions on which historians are divided. It is not proposed to theorise at any length on the colonial inheritance. That is beyond the scope of this study. However, chapter 5 teaches that one must not lose sight of

the fact that although Nigeria had carried on international trade prior to colonialism, at the time of the country's integration into the world economy, the level at which it entered, the products with which it entered, and the pace at which it developed in the crucial formative stages, even right up to 1960 (and many would argue, beyond), were all determined by the fact of its colonization to Britain. At the same time, it has been possible to see in the study, how entrepreneurs remain entrepreneurially creative and opportunity-seeking in a post-colonial dependent economy, entrepreneurship that was shown to pre-date, co-exist, and finally post-date colonialism. Based on this joint premise, one must reject the arguments of the "right-wing" school on grounds of a distorted interpretation of history. The "left-wing" school correctly identifies the peripheral role of Nigeria and other European colonies in the 19th and 20th century international capitalist order, but then fails in the analysis to adequately provide explanations for the development of indigenous entrepreneurship during the period. I am myself persuaded that the "median" school does this but the analysis on which it is based appears somewhat suspect on the issue of the colonial inheritance. Perhaps because it is a relatively recent development which has had contributors from various disciplines, historians have not themselves tackled the issue of explaining indigenous entrepreneurship in "median" school terms. In any case, as Anthony Hopkins (1973:244) observed more than twenty years ago, "no one has attempted to write an economic history of the domestic trade of West Africa during the period of colonial rule". Were this to be done, it would give the median school a far sounder empirical base than it can currently lay claim to.

* *The Methodology*

My "hybrid" methodology was presented in chapter 6. I have favoured an actor-oriented approach which, I believe, for the purposes of this study, provides a methodology for operationalizing deferential entrepreneurial action which also takes a practical view of the entrepreneur's environment. In doing the background work on this thesis, including the early fieldwork, I gradually came to realize that so little is known about the subject-matter that to impose too rigid a conceptual framework on its study would introduce a very real danger of ethnocentrism. The study has therefore taken an inductive route. One of the issues facing the thesis then has to do with reconciling the findings with existing frameworks, albeit produced by people who, it appears to me, are unfamiliar with the area of study.

* *Data Analysis/Findings*

The findings, although used to illustrate a number of issues throughout the study, are primarily discussed in chapters 7 and 8. Some of the issues introduced in chapter 7 are discussed in the following chapter.

The descriptive analysis engaged in, in that chapter, reveals first, that the reality of the cross-border trader might itself be considerably removed from the oft-portrayed image, and second, that indigenous entrepreneurs may not be quite as inward-looking or lacking in dynamism as is often thought.

There is no doubt that the trade is carried on in an environment of illegality. Naturally, it is to be considered morally undesirable. In reality however, illegality is

operationalized as an environmental variable, virtually as any other⁴⁹³. Illegality hampers the trade for certain entrepreneurs and provides opportunities for others, including the army of intermediaries between the production line and the end-user who make a living out of the trade. Export-oriented manufacturers, often severely lacking in information and infrastructures, are spared the extra hassle of marketing their goods to remote foreign customers, and left free to develop that end of their businesses at their own pace.

Capital accumulation does take place, and the market, though informal in significant portions, is in many respects (self) regulated.

Many successful cross-border traders are, without a doubt, part of an emerging *bona fide* entrepreneurial class from the informal sector. They exist in significant numbers, and appear, on the whole, to be seeing to the evolution of an alternative economy, co-existing with the formal economy, but which may ultimately merge, or supplant it. In many regards, cross-border trading offers riskier, but potentially more lucrative business than is locally available, and due in part to the level of illegality that accompanies it, the various cases illustrate the fact that the trade offers significant scope for innovative behaviour.

* *The Recommendations*

The basic premise of the recommendations suggested earlier in this chapter for the development of the cross-border trade is that the Nigerian government needs to work harder at promoting and supporting private, even informal enterprise. If the government ignores it or tries to suppress it, it will be unable to kill it, and will only end up making the sector's

⁴⁹³ Fadahunsi & Rosa (1996).

contributions to economic development smaller, resulting in further waste of scarce development resources. An uncommitted or lack-lustre approach to its development will not do either. Businesses will not be able to take government policy at face value. This will precipitate an already tense government - business relationship and fuel further, the entrepreneurial instinct of Nigerians to operate in the informal sector, thus costing the government further loss of potential revenue.

And Finally

By relying on a great deal of anthropologically-oriented material, this study has sought, not only to explain *why* it is that entrepreneurs take certain decisions, but *how* they come to take such decisions. Such a study can, in my view, be greatly complementary to statistical studies that seem to be the norm in present times, not only for explaining the nuances behind certain findings of such studies, but also by providing an essential local background, and in so doing acting as a very useful aid to the design of such studies. It also leads naturally to what I consider to be the next stage of the research,- which is to attempt to quantify the actual extent of the trade, and its further implications for theories on economic development.

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APPENDIX A

CASE 1

MISS ADIJA WILSON

Adija is a bubbly twenty five year old, single, and has been a full-time trader for nine years. Prior to that, she combined her high-school studies with some part-time trading. She says she never really liked school, and was glad to get out after her son was born in 1987. She has always felt cut out for business. She always wanted to trade, earn lots of money, and be her own boss, just as her mother was. As a child of seven or eight, she recalls always being eager to go hawking fruits that she had picked herself, in order to raise some pocket-money for herself.

She is the youngest of her mother's three children (she has two older brothers), although her father has several other wives and children. Her mother and father are members of different royal families in Lagos and Ondo states, respectively. Her mother however raised Adija and her brothers away from the expansive set-up where their father resides. Her immediate family is thus rather large. She maintains friendly relations with the rest of the family although Adija herself does not have a close relationship with her father, and appears to have only really developed close relationships with those half-siblings, and their spouses, who seem able to contribute to her economic well-being. From them, she gets occasional cash gifts, and they also sometimes introduce actual or potential customers from their network of friends to her. She would occasionally get them gifts of silk ties, handkerchiefs, scarves, and so forth in return.

She lives in a tenement building popularly known as "Face Me I Face You". Such

buildings usually consist of uniformly sized rooms on either side of a long corridor which culminates in the shared areas of the kitchen, bathroom and lavatory. The rooms may be let singly or in batches. Adija and her son occupy two of such rooms. There are ten other rooms like hers on her floor, and three floors in all. She likes living there, she says, because everyone knows what she does for a living, and regularly patronize her. She knows and likes her fellow tenants, and she can leave her son, when necessary, to be watched by just about any of the other mothers in the building.

We first met in February 1994 when I interviewed her, along with some other traders, at Apongbon market in Lagos Island where Adija used to be a stall holder, although on the occasion of the interview in question, she had sub-let the stall, and was in the market on other business. She was one of those I later approached to be a case subject. Over the next six months, I saw her about three days each week, apart from July-August at the height of the Nigerian political crises, when everyone's movements was effectively restricted. I mainly observed her at work in her home, where her living room also serves as a shop of sorts, or went around Lagos with her on her business. We had countless discussions, including four formal, semi-structured and unstructured interviews. I also met her occasionally at her mother's - either during muslim festivals⁴⁹⁴), or more commonly, as a convenient departure point for the trips that I accompanied her on.

Although Adija has been a trader for several years, when I first met her, she had been involved in cross-border trading for just seven months. She had left her regular stall at Apongbon market mainly because she had become tired of the long and physically demanding hours, but even more so because of the physically intense competition for prospective buyers'

⁴⁹⁴ Adija has a christian father and a muslim mother. Her mother brought her up as a muslim, and but she has recently converted to christianity, while retaining her muslim name.

attention. Apongbon is generally regarded as the best stocked market in Lagos for imported wines and liqueur. Its clientele is mainly trade and upmarket individuals. In Adija's former patch of about fifty square metres, there were usually up to about twenty traders invariably selling the same products. The moment a vehicle slows down to park anywhere in the vicinity, the traders shoot out from their stalls and shops to the vehicle, all screaming out the same products and prices. When the prospective customer is finally able to get out of the car, the products that are finally purchased depends on the customer's haggling abilities, and which sellers are prepared to drop their asking prices the most. Adija's voice sounds permanently half-hoarse, which she says is a legacy of her years at Apongbon.

Adija says she considered getting involved in the cross-border trade for at least a year before she actually did it. She had been impressed with some of her friends who were in the trade and appeared better off than she was. She had also travelled by road to some major West African markets with her mother as a young girl mainly to buy textile materials in bulk for special family occasions. Before embarking on the venture, she spoke, not to her friends who were already on the job, but to her mother, an experienced cross-border traveller (but only an occasional trader) who advised her to go ahead. She made two "trial" trips to Cotonou and Lome, before deciding to commit her life savings of N4,000 into the project.

Adija now works mainly from home. Although her hours are, if anything, longer, and she still hustles a great deal (especially to obtain payment), she is much happier with her new vocation because she is at last, as she says, a "proper businesswoman". She makes more money, she travels, and has cultivated economically important relationships with some of her suppliers and customers. She had not initially planned to work from home. She felt forced into it when the agreement she negotiated for a shop at Tejuosho market fell through at the last minute. But she realizes that ultimately, her home is a risky sales outlet for her and she

is working on obtaining another outlet in Tejuosho market. At the moment, her home is open to all prospective customers.

Adija does not travel beyond Cotonou in the Republic of Benin, or Seme, on the country's border with Nigeria, and is thus never away from home from more than a day. When the lease for her new shop comes through (expectedly early in 1995), she says it may become necessary for her to start obtaining the jewellery she sells from Abidjan in the Ivory Coast where she believes most of the stock of her Cotonou suppliers originates, although this will mean a change in her current travel arrangements. Usually, she travels three or four times a month, but at peak trade periods, such as during the Christmas or Eid-el-Kabir seasons, she can make two trips per week.

Adija operates under a commercial name, but it is unregistered. She recognizes the benefits of having a business name for identification purposes, but like so many other traders in Lagos, she believes that formal registration such as that stipulated under the Registration of Business Names Act, or Companies Decree, does not advance her business, but merely brings with it unwelcome government interference, and is as such a waste of money. We talked about this quite a few times, with me, for argument's sake, gently attempting to make a case for the operational advantages of trading under the law. She would listen with apparent interest, but remain, unsurprisingly, unconvinced. Her major reason for not registering, as with thousands more such enterprises in Nigeria, is the avoidance of tax.

Adija works alone. She employs no assistants, although her mother sometimes accompanies her on her travels. She does sometimes makes use of her network of family and friends to carry out duties she might have otherwise employed an assistant for. These include occasional deliveries, and chasing up payments. In her former business, she had traded in imported wines and spirits, as well as popular brand sodas in two and three litre bottles

which are something of a novelty in Nigeria. In her current trade however, she trades mainly in fashion accessories - jewellery, shoes, handbags, make-up, underwear and so forth, as well as clothes and other textile materials. She only considers herself moderately successful, but is very ambitious, and confident about the future. She keeps a simple stock and double entry account book which she is proud of, and which I was finally allowed to take a look at more than a month after the study began. It revealed that her turnover had more than trebled to over N6,500 per month by March 1994, from just under N2,000 in September 1993, and was in fact approaching N9,000 in June 1994, before the political crises escalated the following month, adversely affecting most businesses. She had travelled only twice in the first half of July, before deciding that it was becoming too expensive and risky a journey. In fact, her second trip that month, which I accompanied her on July 11th, was merely to stock up her wares in anticipation of what we all expected was going to be grim time for the country. It was the only time she purchased goods with the express intention of building up stock. In the event, the crises proved to be as damaging for business as expected, and Adija was unable to make any more trips, or do any substantial trading before I left Nigeria the following month. In summary, she recorded a turnover of over N70,000 in the eleven months to July 1994, and a net profit of almost N15,000. Significantly though, she grossed more than N25,000 in the three months from April to June 1994, and netted profits approaching N7,000.

Adija's trading pattern is straight-forward. She buys in Cotonou or Seme, and sells in Lagos. It is hardly ever the other way round. In fact, in six months of observing her, she only ever once bought a batch of hand-made leather sandals in Lagos, to be sold to two business partners in Cotonou in response to the latter's unsolicited order. Even then, she needed convincing. She considered it an exceptional favour and is most reluctant to carry on

a two-way trade. She fears that she would be at the mercy of two currencies (Naira and CFA Franc) with a reputation for wild fluctuations. Besides, there are the border troubles she would have to contend with on both legs of the journey to Cotonou, and she would need a trading partner there as well, which will not give her the kind of overall control she desires.

On travel days, Adija departs her Ebute-Metta home at about 6 a.m, and arrives in Cotonou at about 9 a.m. On a quick trip, she might depart for home by 1 p.m, but more often than not will stay on till the markets are shut at about 6 p.m. She is very well known to the border personnel, especially after having had a few robust exchanges with them over their demands for bribes. To them, I was her "brother", and therefore got a bit of the rough treatment as well.

As she makes her way round her suppliers in Cotonou's markets, she is all charm with each of them. She is never seemingly in a hurry (although I knew better) and chats in Pidgin English and Yoruba with various traders about their families, new products, politics and general market gossip. What she really wants to find out in these discussions is what kinds and quantities of goods her competitors are buying. The only competitors she knows are her friends, and occasionally, they meet in Cotonou, and all act rather coy about their purchases. Adija always tries to differentiate her purchases from her competitors' (that is, her friends') purchases. She says she is still in the process of discovering her ideal suppliers, and has come so far by trial and error.

Adija only goes on her cross-border trips when she has secured enough orders at home to guarantee a profit (apart from a single occasion in July 1994). This is why there is no set pattern to her trips. She then purchases some extra items, and selling these extra items is what occupies her between trips. She does not consider herself a risk taker. She is very proud of the fact, for instance, that she did not borrow any money to start her business, nor

has she borrowed any since. She also refuses to centre an entire trip around the purchase of goods she has not been specifically requested to obtain. Once, when I asked her about this she said

"I am not a fool. Why should I go and spend my money buying something that I am not sure of selling for a profit? I am better off not spending it at all. After all, if I don't spend my money on a maybe-maybe not project, it will remain in my pocket, and I can still use it to feed myself and my son with it. No. I will rather wait until I'm sure I've found something worthwhile to buy with my money. Only a mad person will go all the way to Cotonou to go and throw her money away. God forbid."⁴⁹⁵

Whenever Adija is supplying a product which has been pre-ordered, whether or not she delivers it to the customer, or it is picked up is purely a matter of convenience for both parties, and one that is usually agreed upon before she travels. If the good has not been pre-ordered, she literally spreads the word that she has certain items for sale. She contacts members of her network who work in schools and offices, she informs certain co-tenants and other people she knows to be connected to her customers. If such a good is one of the more expensive brocades, such as uncut *Jacquard* or *Satin Lace* bales, she tends to take those straight to Tejuosho or Oshodi market, where she tries to sell them in bulk to retailers who would in turn resell them in smaller quantities to members of the public. Goods like these are an occasional indulgence on Adija's part as she rarely gets orders for them, but she only requires a single sale to realize a handsome profit, and so she sometimes buys them at Cotonou and devotes time to selling them in Lagos. During the course of the study, Adija also managed to begin selling western-style casual menswear after she took a decision to expand her largely female clientele to include more men. Her reasoning was that as it was sometimes men who ended up actually paying the bills for her female customers' purchases, she might as well try to interest the men themselves in certain products. By the end of the

⁴⁹⁵ Taped interview 20/4/94

field-study, she had developed this part of her business into a steady, though small sales outlet, having added a few customers introduced to her by one of her brothers.

CASE 2

ALHAJA SHAKI AMUWO-ODOFIN

I first struck up conversation with Alhaja Amuwo-Odofin in January 1994 at her Oshodi market shop when I went, on a date previously agreed to collect a questionnaire which she had earlier agreed to fill in for me. The questionnaire had not been filled. On the contrary, she seemed rather suspicious of me and my motives and asked me a series of questions designed to establish whether I was a government or police spy, or the like. After about a week of similar exchanges, she seemed to have satisfied herself as to my identity and motives, and became quite co-operative. She ended up helping to coordinate the part of my survey that was carried out in Oshodi market. I carried out my observations for five months from February to July 1994. I would go to either of her shops about three or four days a week, and spend about three hours per visit, except for those days in which we went out or I had interviews to do with her or her assistants. Those days were usually longer.

"Alhaja" (as she is popularly known) is a streetwise woman who, I eventually learnt (though not from her), is forty four years old. She is originally from Ibadan (about ninety miles north of Lagos), and is the second of six surviving children. She has been married for twenty one years and has five children. Her husband married a second wife in 1986, and was expected to marry a third by the end of 1994.

She has been a full-time trader for nineteen years, and comes from a family of traders. Both her parents have been trading in textiles, particularly the hand-woven ceremonial fabric, *aso-oke*, as well as hand-made head-ties and baby wrappers for almost forty years at Ibadan.

She recalls that she, as well as her brothers and sisters had to spend time helping their

parents at the shop. It was considered a formal apprenticeship and, as such, taken seriously, although the boys never really stayed long before some other vocation was found for them. Prospective apprentices were also sent by the extended family to her parents for training, who considered it a great honour.

Alhaja's own apprenticeship commenced when she was about twelve years old. She helped out in the shop every afternoon after school, and all day on Saturdays, and became a full apprentice when, at fourteen, she dropped out of high school. This training went on for another four years before she decided to go back and complete her education. By this time, she had decided she wanted to be a teacher. She enrolled herself in a "modern" [middle] school, from where she went on to the Teacher Training College at Sagamu in Ogun state. She graduated in 1974, and started to teach in Lagos later that same year. She got married the following year, but her husband lost his job in the firm where he worked only a few months after they were married. It became more difficult to make ends meet, and so she started to trade on a stall in front of the house they rented in the afternoon after school. Her parents, who had never supported her going back to school, gave her N200 worth of textile materials to start her up in full time trade. Her husband and herself were able to put up another N400, which paid for six months' rent of a shop in Idumota market, as well as some more materials to sell. She went straight into the textile trade, purchasing lace and some other clothing materials from dealers around Lagos, *aso-oke* from her parents in Ibadan, and accessories like hats, beads, head-ties and so on from other parts of Ibadan, as well as in Abeokuta and Ijebu-ode, both in Ogun state, for sale in Lagos. To earn extra money, her husband would drive her on many of those trips. On the outward journey, he would pick up Ibadan-bound passengers, and charge roughly half the going rate for commercial vehicles. On the return journey, he would purchase quantities of foodstuff,

mainly *gari* (cassava), yam flour, yams, beans and vegetables. These he would sell, with his wife and two nieces' help, to retailers and *bukas* (cafes) around their home who would re-sell them in single meal quantities (or in the case of the *bukas*, cook and sell) to members of the public.

Alhaja is nowadays still involved in the textile trade. But now she has three shops, where she employs a total of ten assistants, including four nieces. These assistants are all referred to as apprentices, and the apprenticeship normally lasts for up to five years before what is commonly referred to as their "freedom" (graduation), an occasion celebrated with much pomp. Two of the shops are in Balogun market in Lagos Island, and the third is in Oshodi market on the mainland, just three miles from her Ikeja home. This latter shop is where she is usually to be found, although she makes unannounced trips to the island shops several times a week. The second Balogun market was only opened in November 1993 in the run-up to the christmas shopping season.

Her combined turnover was more than N2 million in 1993, and she seemed confident of surpassing that in 1994. By the end of the easter 1994 season, total sales had already topped N1 million, which was her total sales figure for 1991. Her expectations are borne, not out of general inflationary tendencies, but because her sales are actually going up. The Nigerian fashion industry, as a whole, has appeared rather oblivious of the desperate fortunes of the rest of the economy. She also admits to making about £2,000 per annum from an occasional involvement in overseas export trade, mostly in tailored Nigerian fabrics.

Her shops are small, each measuring about twelve square feet, but this is not unusual in Lagos where there is not a great deal of land available.

Her husband (the "Alhaji") is also still in the foodstuff trade. These days however, he purchases truckloads of rice, beans, yams, vegetables and other foodstuffs from Nigeria's

middlebelt and northern regions, and transports them to Lagos markets to be resold to market traders.

Alhaja sometimes trades as a wholesaler, and some other times as a retailer, depending on what kind of textile materials are being purchased from her. For instance, she only retails the ceremonial fabrics *aso-oke* and *ofi*, which she still purchases from her parents in Ibadan; But she is a registered distributor for some other fabrics with such textile manufacturers as Nichemtex, Samaco and Rhema in Lagos.

She also has what she calls her "corporate customers". These are the firms who ask for a mixture of several types of textile materials which is made up into a "clothes hamper" to give out as corporate gifts during the christmas season. It is a market that exists for barely four weeks in a year, but it is worth a great deal of money, and requires Alhaja to do a great deal of personal selling to company directors, and then calling on Alhaji and his friends to put in good words for her, wherever possible.

She does not advertise, and feels it is irrelevant in her line of business. She is, it seems, increasingly less involved in the actual selling of her products, although she still does all the purchasing.

It is however overseas trade which is now the centre of her business. Despite the fact that Alhaja has several useful contacts within Nigeria, and is a registered distributor with several firms, only about 10% of her entire stock is obtained within Nigeria.

She has been a cross-border trader since 1982, and obtains about 25% of all her supplies this way, mostly from suppliers in Cotonou and Lome, but occasionally from as far away as Abidjan. Becoming a cross-border trader was a conscious decision that she took when she felt that her business had grown to a size and nature that merited closer ties with

the makers of her products⁴⁹⁶. She tends to make this trip about once every two months. This is a small number compared to that of many other traders, but each one of Alhaja's trips is a major occasion as she attempts to purchase enough goods to keep three shops going for another two months.

The majority of her supplies however come from Saudi Arabia, where she went on the *hajj* (islamic pilgrimage) in 1987. Before she returned, she purchased some materials to sell in her shops, and has traded on the route ever since. Again on this trade route, she mostly does purchasing and comparatively little selling. She obtains, by her estimation, over 50% of all her supplies on the Saudi route.

I would sometimes drive two of Alhaja's assistants on some of their occasional visits to the Murtala Mohammed International Airport, in Lagos, to try and land new business. There, they would approach passengers on in-coming flights from other African destinations and try to persuade them, speaking pidgin english to visit one of their shops during their stay in Lagos. They mostly approached women who, in their opinion, looked like traders, and in particular targeted flights from Cameroun and Ghana.

After I had witnessed this for the first time, I commented on their knack for picking the right people to approach, and one of them said:

"... it is not difficult really. These market women are easy to spot, although you'll never see me dressed like that. Once you can arrive here on time to meet the first flight, like we did today, the rest is easy... the first ones you notice are those with big pieces of luggage which look empty or nearly empty. It means they have come to buy goods, and will probably return in the evening. Sometimes, they carry those *jankara* bags⁴⁹⁷. Not me. And they tend to travel in groups because they are scared

⁴⁹⁶ discussed further in chapter 8 (section 8.2), in this study.

⁴⁹⁷ "Jankara" is the name of a Lagos market. It is being used in the context of the quote to denote the apparent cheapness of the bag in question.

of 'area boys'⁴⁹⁸ ...⁴⁹⁹

I asked them if they could tell from appearances alone, as Alhaja had once said, if a passenger was a potential customer of theirs, and they contributed this reply:

"Oh yes... so if you see them with their expensive shawls draped over a nice dress, and maybe even a nice head-tie, and they are then wearing bathroom slippers on their feet, from an aeroplane, *haba!* How many people do you think can dress that way?... although they are not all like that... sometimes they come to you. Afterall aren't we all traders? We ought to know one another then..."⁵⁰⁰

Alhaja also purchases goods from the U.K. and Egypt. Although she does not purchase quite as much here as she does from Saudi Arabia or from the cross-border routes, these are the only trade routes in which she carries on a two-way trade. The balance is however heavily tilted towards importing to, rather than exporting from Nigeria. She had known about the existence of the London route for many years before she actually began to use it in 1985, after a holiday in London. The Cairo route followed in 1987 at the same time as she began trading on the Saudi route. Now they act as buffers when Saudi supplies are for any reason not forthcoming. She imports much the same things on these routes as she does on the Saudi route. Smaller quantities of purchases are also made from suppliers, through informal agents based in Italy, Austria and Switzerland, although these are usually arranged through her U.K.-based suppliers and agents. Alhaja would like to develop her business on these routes but wants to see the markets for herself first. So far, she has had an application for an Italian visa turned down.

Her exports are remarkably similar products, that is, textile materials and attendant accessories. She exports *Guinea brocade* and *adire* materials, either uncut or sewn into casual

⁴⁹⁸ adult street urchins

⁴⁹⁹ taped interview 7/4/94

⁵⁰⁰ taped interview 7/4/94

style clothing as well as hand-made leather suede and alligator skin shoes and sandals.

Alhaja is a popular figure both in Oshodi and Balogun markets. She is a protege of the *Iyaloja* (market women's leader) at Oshodi market. She campaigned, side by side the *Iyaloja*, vigorously among the market women in support of their favoured candidates at the 1991 and 1993 elections. She is therefore regarded as an *alagbara* (powerful person) within the market community.

Alhaja considers herself a risk taker. She told me:

"Once upon a time, things were much simpler. But how many years would I have sat peddling *aso-oke* for? How many people are even buying the *aso-oke*? Yet if you go to Oje market (in Ibadan), that's what they're all doing. The world is far more advanced these days, and you have to advance with it... But when you have struggled to put together N100,000 and you then give it to somebody to go and spend on your behalf in a strange country, where you can't see them, even if it is your mother's child, let me tell you, my brother, you are taking a big risk, or don't you think so?..."

⁵⁰¹

She maintains that her single biggest trading problem remains the scarcity of foreign exchange. She purchases most of her hard currency requirements on the black market, supplemented by about half of her London earnings. She is generally reluctant to plough back her foreign exchange earnings into her trade, preferring to keep it aside in London for "shopping" on her occasional holidays.

Alhaja's Oshodi market shop was bulldozed by the Lagos state government "environmental sanitation task force" soon after easter in April 1994, along with twenty one other shops that made up the "railway line shopping complex" part of the market. They were adjudged to be "illegal structures". Alhaja is one of the fortunate ones. Although she still had not been allocated replacement premises by the local government council at the time of the end of the period of observation in July 1994, she, unlike most of the others, at least had two

⁵⁰¹ taped interview 28/3/94, brackets mine.

other thriving outlets in Lagos.

CASE 3

MRS ADENIKE SOLUADE

Mrs Soluade is a wealthy fifty three year old business woman who has been operating out of the same shop in Oke-Arin market, Lagos Island since 1976. She has been married for twenty nine years to a civil engineering contractor. She has four children.

Her father is a retired railways employee and labour activist while her mother is also retired after many years as a school teacher and administrator. Soluade studied secretarial administration at the Yaba College of Technology in Lagos, from where she graduated with a national diploma, and held various secretarial posts between 1966 and 1975, eventually rising to become first, confidential secretary, then personal assistant to the chief executive of the oil company where she worked. This meant spending long hours away from her husband and two young children, and it was dissatisfaction with this state of affairs that eventually led to her leaving paid employment. When an opportunity arose in 1975 to take voluntary redundancy, she took it.

She initially invested N500, which her husband gave her, in a petty trading business, for want of something to do, which paid for six months' rent of a stall at Sabo market and a few "provisions". She recalls now that at the time, she never felt cut-out for "sitting behind any stall" and in fact only intended to continue as a petty trader while she looked for a job which offered more convenient working hours than her previous job. She was specifically looking for a job as a secretary/typist or receptionist in a school. Her plan was to then take the job and find someone to look after the shop and earn some extra money. It took her longer than she expected to find the kind of job she wanted, and by the time the job offer was actually made, she had made up my mind to concentrate her energy, and invest more

money in her trade.

In 1976, she move to her present shop in Oke-Arin market. She put in another N500, almost all that was remaining of her redundancy payout. In her early days, she used to buy her wares from wholesalers located in Oke-Arin market where she herself was now based, or in nearby Tinubu and Idumota markets. She would buy quantities, mostly of powdered and condensed milk, sardines, sugar, tea, coffee, chocolate drinks, corned beef, baked beans, canned salads, fruit cocktails, and other "provisions".

Her business grew over the next five years, and her husband became increasingly well-known in political circles as Nigeria moved towards its second republic⁵⁰². This combination, as well as letters of introduction from her husband's well-connected political friends, enabled her to apply to be a distributor for some manufacturing companies, including Lever Brothers (Nig) Ltd, where eventually, she was successful. This was in 1980, and she was suddenly a major player in Oke-Arin market, the largest "provisions" market in Lagos, and the nerve centre of the West African cross border trade in household consumables.

Throughout the 1980s, Soluade reduced her range of goods while she worked hard on increasing her distributorships, with the result that more than 80% of her turnover in recent times have come from wholesale trade. She is a distributor for six leading manufacturers of household consumables, namely, Cadbury-Schweppes, Nigerian Vegetable Oil, Cocoa Industries Limited, Unilever, Nestle, and West African Milk Company. She operates out of her twelve square feet shop and a garage/warehouse at her Ikoyi home.

Although Soluade had been a questionnaire respondent back in February 1994, my observation period with her was for five months from March until the beginning of August 1994. I worked with her in three hour shifts for three or four days each week, until the days

⁵⁰² Oct 1st 1979 - Dec 31st 1983

and times became staggered by the political crises which intensified in July 1994. She also took me on a tour of the market, during which time, I was introduced to the owner-managers of some other distributorships and sub-distributorships in the market. I sometimes also went with her to her suppliers to obtain or query supplies. Usually though, I stayed in her shop with her and two assistants, or went out with the other six assistants who were stationed in other parts of the market. They worked in teams of two, and their job, essentially, was to solicit for business.

One way they did this was to go into the huge motor park adjoining the market and approach drivers of parked motor cars, commuter vans, and especially, the trailers that appear to come from, or are bound for various West African destinations. A section of this motor park is filled exclusively with commercial vehicles bound mainly for Cotonou, Lome, Accra, and Abidjan. This is where the assistants concentrate their efforts, and in the times that I spent with them, it was not unusual to find potential buyers as early as 7 a.m, having arrived the previous night, waiting to be "found" by sales persons such as the ones I sometimes worked with. It was not always necessary to approach the principals directly. Sometimes, it sufficed simply to make the acquaintance of the drivers of the commercial vehicles. The drivers would then inform the sales teams of their businesses in the market, and in particular, inform the sales assistants where their principals may be found and what they are buying.

Another way was simply to approach people directly if they thought such people were potential bulk purchasers. They would hand out Soluade's business card to interested persons and direct them to the shop. Sometimes they would recognize old customers and try to get them to make repeat purchases.

In these ways, Soluade carries on steady trade with businessmen and women from all

over West Africa, as well as Cameroun and Sudan. She herself does no travelling in pursuance of her business, but maintains telephone contacts with some favoured customers.

About three quarters of the space in the shop is taken up by cartons of her wares and an "office" space she has carved out for herself and her customers. The shop has been somewhat extended by a canopy which is attached to the front of the shop. Under this canopy is the stall where she carries on her comparatively modest retail trade. Her two assistants usually sit by this stall from where they call out to potential passing customers, and at least one of them will always get up to assist Soluade whenever a customer comes into the shop. Soluade is pleased with her assistants' collective inputs and puts this down to not employing relatives, who she has found in the past to tend to take their wages for granted. She described some of her past employee-relatives as incompetent, lazy, and even corrupt. She says she has since learnt her lesson and her present team had to go through a rigorous selection process. In return, she pays them nearly twice what, in my experience, was the going rate.

Soluade's business is legitimately registered. She recalls that she only did so to comply with her husband's wishes in 1978 when his political career was taking off. These days, her business affairs are handled by the same firm, owned by her husband's friend, which also handles her husband's affairs.

She says that since 1991/1992, she has been intensifying her efforts to find regular buyers for her products from outside Nigeria to compensate for falling sales in Nigeria; she has started to sell products to sub-distributors and retailers on credit, still something of a novelty in Nigeria. She purchased a pick-up van in 1993 for the sole use of her assistants. In groups of two at a time, they fill up the van with her products and drive from one retailer to another, all over Lagos, offering to sell goods to them. She is courting other distributors from Northern Nigeria with a view to becoming their Lagos supplier, and she has taken her

first steps in becoming involved in used car importation from western Europe.

All of the above have contributed to her turnover leaping from N4 million in 1992 to nearly N6 million in 1993. She estimates that about 30% of all her sales are of goods that will end up outside Nigeria. She also makes about £5000 per annum from modest, but steady exports of popular local beverages to Britain and Germany.

About half of the money Soluade makes in this way is now ploughed into her new car importation business. The remainder is made up by her British-based eldest son who also travels to Germany or Belgium where he purchases used cars and arranges their shipment to Nigeria. She expects to earn N1 million annually from this for the partnership.

Soluade also imports preservatives like marmalade, jam and honey from Britain, but this arm of her business is by no means steady. She told me that in order to pay her British suppliers, she has to purchase sterling from one of the dozens of illegal currency traffickers situated within a few hundred yards of her shop. She waits until the informal exchange rate is "favourable" before making her purchase. This means that she sometimes misses deadlines to meet particular shipments, but she regards this as an unavoidable price. She says she tried several times to obtain foreign exchange from banks without success in the early days of the SAP. This became easier, albeit more expensive when full deregulation went ahead early in 1992 and she was able to purchase foreign exchange as required from bureaux de change. But when the foreign exchange regulations were changed yet again with the 1994 budget, the bureaux closed down, she subsequently went back in the position of having to purchase her foreign exchange requirements in the black market⁵⁰³. Now she says she will not even

⁵⁰³ It is perhaps worth noting once again at this juncture that new foreign exchange regulations, partially deregulating foreign exchange management in the economy, were passed with the 1995 budget (following the conclusion of the field study), and consolidated in the 1996 budget.

bother trying official channels for her foreign exchange needs as she considers it a waste of time.

I once told Soluade that I thought she took incredible risks, bearing in mind the uncertainty of the environment she operated in, but she disagreed. She pointed out that even when she first started, she was afraid to commit her entire redundancy payment to the business in case it failed. She said many times she was not "materialist", did not feel a compulsive need to make money, and certainly would not commit her money to a project whose success she is not convinced of. Having said that, not every venture she has embarked on has been a resounding success. In 1988, she was appointed a distributor for Nigerian Bottling Company (makers of Coca-Cola), but she says now that it was not an ideal business to operate from her Oke-Arin base. It was a venture for which she realized that she needed more floor space than she has at Oke-Arin, but she was unwilling to give up her outlet there because it is one that she attaches great value to. She did not want to set up separate premises either just for this purpose as she did not feel she would be able to devote the time necessary to manage it properly. She finally gave up the distributorship in 1992. Still, she does not really see herself as a risk taker:

"If I was... I would have left Oke-Arin many years ago where God has been blessing me, and gone to one of those shops I've been offered at Surulere (a mostly-smart Lagos suburb), or even one thousand and four (residential estate on the exclusive Victoria Island, Lagos)... How many people will I go and explain to if it all fails? At my age? Won't people say I brought it on myself?... even my husband has been saying that what fits me is one of those large supermarkets, but I won't attempt more than I can handle. May God continue to protect us here. The few pennies I make at this business are enough for me. Isn't it all about feeding and clothing oneself?..."⁵⁰⁴

⁵⁰⁴ taped interview 20/6/94, brackets mine

CASE 4

RENA PRODUCTS LIMITED: Mr Uzoma Agoha (Owner-Manager).

Uzoma Agoha is 38 years old. He has a wife and three children. Straight after he obtained a business administration degree from the University of Port-Harcourt in 1981, he moved to Lagos, and was employed by the Nigerian Bank for Commerce and Industry (NBCI).

The NBCI is the bank through which the Federal Government of Nigeria channels loans to SMEs. In furtherance of this function, the bank also runs several workshops and programmes designed, among other reasons, to help indigenous entrepreneurs prepare proper business plans, improve (formalize) their management practices, make judicious use of any grants or loans and generally run their businesses more efficiently. One of such programmes, and the one which Agoha himself worked on, was the work-for-yourself programme (WFYP).

The WFYP was adapted from a programme originally developed in Durham University, England, and focused on helping would-be entrepreneurs, particularly those wishing to engage in manufacturing, start up their businesses. At the end of each programme, the trainee-participants would, based on what they learnt on the programme, present a business plan to a panel of assessors, mainly bank evaluators, who would decide whether, and to what level the bank would finance the project. Agoha was on such a panel and toured the country carrying out this function.

It was on one of these trips that a long held idea finally crystallized in his mind, and he decided to apply to become a participant himself, rather than an assessor on a particular programme in 1990. He presented his business plan at the end of the programme in the name

of Rena Products Ltd, a firm he had incorporated earlier in 1989, but which was not carrying on any trade at the time. The NBCI eventually agreed to provide a soft loan which funded 65% of the N1.5 million required to start the business.

Agoha did not immediately resign his bank appointment although he was actively taking steps to start off the business. For the first year of its operation, his wife served as the firm's managing director. After this period, Agoha himself took over as managing director & chief executive officer (MD & CEO) while his wife became Deputy CEO (DCEO), with main responsibility for the firm's supplies. The firm employs fourteen people and manufactures plastics products - mainly household items, educational toys and cosmetic jars.

Turnover has risen, but not uniformly, since operations commenced. In 1991, its first full year, turnover was N230,000, rising to N1.1 million in 1992, but falling back to N880,000 in 1993. Around N1.5 million was forecast for 1994. By selling to anyone who walks through its doors and not imposing a minimum order quantity, Rena does a lot of retail trade, although towards the end of 1994, the firm began to take steps to concentrate solely on wholesale trade. My ad-hoc survey of May 1994 revealed that 27.8% of Rena's turnover, rather lower than the firm itself thought, can be classified as retail trade. Although unit sales have fallen and risen with Rena's turnover, Agoha is particularly proud of his firm's utilization of installed machinery. It was 40% in 1991, but is now, at 72%, nearly twice as high as the national average. The firm's factory is on the ground floor of the Rena office complex. It has two central pieces of machinery working alternate twelve hour shifts from Monday through Saturday.

My time with the firm lasted from the end of February to mid-August 1994. I assisted in the plant supervisor's office on Tuesdays, Thursdays and Saturdays with stock

control duties, and with buyers whenever they came to the office, which was anytime. ~~Rena~~ Products is located inside the Lagos Small Scale Industrial Estate, Matori. The estate also houses the Lagos state branch offices of the National Association of Small Scale Industrialists (NASSI), of which Agoha is an active member. Although Rena is the only plastics manufacturer located in the industrial estate, there are several other plastics manufacturers in the Matori area. The CEO told me once that he had himself decided on entering the plastics industry mainly because he believed it to be relatively easy to understand and procure materials for. It also happened, at the time, to be a fast growing industry. It is still growing, but at an apparently slower pace, hence Agoha's efforts, first to secure long term contracts for the supply of cosmetic jars to large scale beauty products manufacturers, and secondly, to explore means by which his firm can commence the production of plastic domestic water reservoirs, which is currently a fast-growing sub-sector in Nigeria. The second matter will require a large capital injection and a second site before production can commence. So far, the firm has been able to source its raw materials and machinery entirely from within Nigeria. This helped keep its set-up, and running costs relatively low for a firm of its size, and was a plus point for the firm when it was still seeking its initial capital from NBCI. To expand its operations would change this picture, hence the banks' present unease to finance the expansion. As at the time the observation period ended in July 1994, nothing had been settled, but various negotiations were in progress, particularly with the NBCI.

The firm's operations centre around its founder who, for the time being, apart from his duties as CEO, also functions as the de facto general manager, marketing manager, accounts manager and public relations officer. Apart from the CEO and his wife, there is virtually no other worker in the firm who can be classified as senior staff. The CEO takes all major decisions affecting the firm while his wife's main executive duties presently seem

to consist of keeping the firm's supply lines open, and trying to reorganize the firm's unordered sales system. Presently, there is a simple "first come, first served" system which has led to some delivery problems.

The firm produces almost entirely for a clientele based in the nearby Mushin and Oshodi markets. I spoke to several of the firm's customers in the periods that I was there, and most of those who indicated that they would resell the products had come from those two markets. Buyers generally pick up their own purchases, but in some instances, Rena will arrange to deliver special orders. For instance, the firm does considerable business producing plastic crockery on order for special occasions such as weddings and funerals. It offers free delivery in these circumstances. These types of orders are usually unsolicited, and there are usually no more than one or two of them every month.

The Rena CEO, unlike the DCEO, is personally unenthusiastic about foreign trade, which he describes as "risky", although he recognizes that it is an exploitable avenue for his firm, and is taking steps in that direction. He is particularly anxious for the line of "educational toys" to be an international success because he designed all of them himself. He told me he would get a great deal of personal satisfaction out of that.

According to the CEO, he would much rather prefer to concentrate his selling efforts on the Nigerian market, but he has felt compelled to look to foreign markets because of the continuing weakening of the Nigerian economy which has occasioned Nigerian consumers' seeming apathy towards leisure and/or luxury purchases like childrens' toys. He finds overseas marketing risky because he believes he does not have as much information as he should to compete effectively in it (such as trade journals, databases, information about new product developments and prices, and so forth), although he considers himself a risk-taker because, otherwise, as he said, he would not have left his good job at the bank, with all his

perks to set up his business.

Although the DCEO, in particular, has been attending trade fairs throughout Nigeria and West Africa with an eye to exporting since 1992, Rena Products only began to take definitive steps early in 1994 to internationalize its operations. These, so far, are limited to the ECOWAS market. There are no immediate plans to take it beyond. The CEO himself led the firm to a series of trade fairs in Nigeria, the Republic of Benin, Ghana, Sierra-Leone and Ivory coast between November 1993 and February 1994 where the firm exhibited its line of educational toys, especially the "Renablock" series which consists of a range of toys from a variation of the popular lego kids' blocks, to plastic dolls, and also a version of the rubik's cube. These generated a great deal of interest and led to some export sales in 1994, although not as much as had been hoped.

CASE 5

JIMSINA INTERNATIONAL LIMITED: Mr Adebayo Salawu (Owner-Manager).

Adebayo Salawu is the Chairman/Managing Director (C/MD) of Jimsina International, a business group with interests in information technology, manufacturing, farming and commodity trading. Although 10% of the shares are registered in his wife's name, this is in fact merely aesthetic. She takes no part in running the business, and so, Mr Salawu is to all intents, the sole owner of the firm. He is a very successful businessman, and his is a classic rags to riches tale.

He was born into a humble home of farmers in Okaka, near Iseyin (about 200 miles north of Lagos) where he was required to combine his studies with helping out his parents on the farm. He says however that he was never given the impression that his work on the farm was an apprenticeship, unlike with his siblings. It was always recognized within the family that he would stay on in school. He was a bright student, an ability which, after his studies in Nigeria, also won him a scholarship that took him to Oklahoma State University, where he graduated in business studies. He further obtained an MBA before returning to Nigeria in 1987 with a strong desire to be successful in business.

Influenced by his parents, who ran their own farms in an otherwise largely migrant farming community, Salawu had always wanted to be his own boss. But he did not enjoy the toiling on the farms and had therefore made up his mind at a young age that he was going to be instead like some of the businessmen who arrived in cars to purchase his parents' produce.

Salawu had been impressed during his studies in America by what he calls the "economics of capitalism", and even more so by computer technology, which, was now

apparent to him as still being in its earliest stages in Nigeria. The technology and market could only grow, and he wanted to have been established in it when it started to. He targeted computer sales/service, and computerized secretarial services. He incorporated Jimsina International in New York City, and on his return to Nigeria, he prepared a business plan, which he presented at several banks, along with a loan application. His plans were commended, but loan applications turned down for lack of collateral. In the meantime, he took on employment as a bank administrator. He was eventually able to obtain his loan requirement of N1.3 million in 1989 from Ultimate Finance Company, a private financial organization in Lagos, with which he incorporated and commenced the operations of Jimsina International in Lagos. At its inception, the firm employed, apart from the C/MD, a secretary, a part-time accountant, and a lawyer on retainership.

Jimsina International has been involved in export trading from its very beginning, and only developed a home market after its successes abroad. When I asked him why he appears to have gone against the grain in the internationalization process, he replied that he had simply gone where he believed the rewards to be greatest at the time, and he did not believe it to be so unusual, after all, firms specifically established to take part in the Import/Export trade abound in Lagos.

The firm's initial business was the importation of computers (including software packages), raw cotton fibre and a host of exotic household items such as automatic garage door openers. A few months after incorporation, Jimsina extended its business to include the exportation of various agricultural produce, especially cocoa and coffee, using the C/MD's family's extensive connections among the farming communities of Iseyin and environs in Oyo state, as well as some other areas of Ondo state. The firm's increasing difficulties in obtaining foreign exchange on the government-run foreign exchange market (FEM) needed

to import cotton fibre led the firm to commence the production of its own raw cotton fibre on a 2,000 acre farm (Sinafarm [Nig] Ltd), and eventually processing the cotton fibre (SinaCott [Nig] Ltd) both for export and for sale to leading Nigerian textile manufacturers like Nichemtex, Globespin, Spintex mills, and others. Sinafarm currently produces in excess of 5,000 tonnes of raw cotton per annum, which now reportedly makes it one of Nigeria's largest producer and exporter of raw cotton.

Jimsina International has grown, in five years, into a conglomerate with an asset base of N10 million, and a 1993 record turnover of N601 million⁵⁰⁵. Unlike most of the other firms that I had contacts with, whose turnover increases were due mainly to inflation and not unit sales, Jimsina was actually achieving impressive growth in unit sales year after year, which has unavoidably been made to look even more impressive by Nigeria's high inflation rate. Prior to the political turmoil that engulfed Nigeria for much of 1994, the firm was confident enough to predict a 40% sales growth for that year. Although the crises will have almost certainly made that target unattainable, the firm is obviously still growing.

Salawu now owns five firms which can be regarded as part of the Jimsina Group. It is run in an informal "holding company - subsidiary" manner, with Jimsina International as the holding company, although each of the firms is independently incorporated.

Apart from Sinafarm and SinaCott, the Jimsina Group (so to speak) also includes Sina706 Oil, which is involved in the distribution and selling of fuel and petroleum products.

⁵⁰⁵ Some of this turnover has been calculated from a straight conversion of the firm's foreign exchange earnings, calculated at deregulated 1993 rates of N50:\$1. I was never able to confirm the exact proportion of JimSina's earnings that was paid for in foreign exchange, but it was generally estimated to be about 60% (that is about the equivalent of \$3.5 million). With the official rates becoming fixed from 1994 at N22:US\$1, one would expect that Jimsina's overall (Naira) turnover for 1994 would fall, seeing as the firm is most likely to use the official rates to convert its overseas earnings for repatriation purposes, even if only to reduce its corporate tax liability.

All three concerns are located in and around the C/MD's hometown of Okaka, partly , according to him, because land and labour are easily and cheaply available, and partly because of his desire "to...make my village look like Lagos"⁵⁰⁶. The Jimsina International office, where the C/MD himself is based is in Lagos. It also houses the firm's business centre, as well as its computer sales and service division, and computer training centre. Jimsina International (New York) is staffed by a solitary manager whose job mainly involves initiating new business and co-ordinating funds transfer. The latest addition to the group is SinaSpin International limited. Its factory/office is in the high-brow Agbara Industrial estate in Ogun state. In this factory, the firm will spin and process cotton mainly for export. It was expected to have gone into production by the end of 1994.

I studied the activities of Jimsina for four and a half months between March and July, 1994. I was in the office almost everyday for about two to three hours, and generally assisted in the sales and legal departments. Three times I met the C/MD at his Ogudu home for formal, unstructured interviews, but more often around his offices for, usually, informal chats.

Despite the size that the Jimsina Group has grown into, Adesina Salawu sits firmly at the top of the corporate tree. He takes all major decisions in Jimsina International as well as in the four other members of the Group from his Lagos office, although he pays occasional visits to all the firms' sites. All the firms' divisions and offices have General Managers who run their day to day affairs. It is in overseas trade matters that the C/MD most exhibits a hands-on approach. Jimsina International effectively operates the exporting side of the business for all the firms in the group.

There are thirty managerial staff, who oversee about three hundred other staff, a

⁵⁰⁶ Taped interview 15/5/94

number that rises to over one thousand at peak harvesting periods. It is a team that appears to place more of a premium on diligence and compliance over initiative. It is a relatively young management team, the C/MD having personally recruited many of them straight from University or Polytechnic. The Management team seems terribly impressed with its boss, and some of the managers' comments bordered on hero-worship. All fourteen that I spoke to generally said they were most impressed by the C/MD's energy and enthusiasm. They were happy with their pay and genuinely felt the company belonged to them.

The C/MD himself says he works hard at reminding his managers how invaluable their contribution is to the firm's success. He has no immediate plans for the firm to go public.

Jimsina's initial involvement in overseas trade was with the USA. Then followed Canada, Britain, and some Asian countries. The firm has only done steady exporting to ECOWAS countries, as well as Cameroun since 1993. This is however on a comparatively small scale. There are no plans as yet to expand the trade to the rest of Africa, although the firm would be able to meet any order that does arise from there, even at this time, as one of the export managers said.

The C/MD once explained that the firm had attempted to make inroads into the West African market back in 1990, but had been frustrated by high custom tariffs, the language barrier and most importantly, by the inability of many potential customers in these countries to pay for their purchases in hard currency. He had therefore decided at the time that they would concentrate on the markets which could. However, early in 1993, the firm attended trade fairs in Dakar, Senegal and Abidjan, Ivory Coast through the C/MD's personal french contacts. These proved successful and led to a steady, but still somewhat ad-hoc involvement in cross-border exports to ECOWAS countries.

The firm has also made exploratory visits to Ghana, Guinea and Cameroun where there are potentially lucrative markets for raw and processed cotton. Although the firm still faces, in varying degrees, the same problems it did in 1990, it is currently mainly concerned with real and perceived transportation hazards, attributed mainly to customs personnel, armed robbers and bad roads.

Towards the end of my observational period in July 1994, the firm began to consider selling off some of its trucks and switching over to shipping its West African exports, as it did most of its other exports. However, at that time, the Nigerian Ports employees were in the middle of a two month strike action, so no trial runs could be made. The firm was also having trouble negotiating a financial arrangement with the Nigerian National Shipping Line (the national shipping carrier) that did not include advance payment for shipments in hard currency.

Altogether, the firm finds it more straightforward and more rewarding to deal directly with Europe, America, and the Far East, and so tends to focus more on those markets.

Salawu is married with three children. Although he has achieved much, he is still only 39. He describes himself as "a proud capitalist". He works from 7 a.m till about 9 p.m on most days, for six days, although as often as practicable, he interrupts his days to say the five islamic daily prayers. He is nominally off on sundays. On this day, he may play tennis or squash in the afternoons. He closely follows international business news via newspapers like the European, and the London Financial Times, and more especially on the satellite T.V network which he has installed at home and in his offices.

Although the C/MD admits that he took a risk in setting up Jimsina International, he argues that setting up any business whatsoever is risky, especially bearing in mind Nigeria's economic climate. The country's weak economy, and official corruption, more than his own

ability, were in fact his biggest worries once the loan needed to set up his business had been approved. But beyond this, he says he avoids taking risks as much as possible, and "certainly" does not see himself as a risk-taker over and above that which anyone in business undertakes.

He says his days of doing business purely for the rewards are over. He has as much interest in providing employment and contributing to the development of his home community and his country. He also said that after all the frustrations and disappointments he has had in selling cotton to West African markets, he ought to just simply ignore the market. But he believes many firms in these markets are being "over exploited" by the European and Asian firms that they deal with. He "knows" he can produce cotton that is at least of equal quality, for a lower price, and therefore feels that it is his "duty" to continue to do so. He recognises his firm as a market leader, particularly in cotton production, and he feels this places a certain social responsibility on him.

Jimsina International was established at a time when the Nigerian economy was still reeling from the initial shocks brought about by the commencement of the government's SAP in 1986, and its exports are growing at a time when the economy as a whole appears to be suffering from under-investment which industrialists, Salawu included, generally tend to attribute to the government's inability to provide, on occasions, only about 15% of the amount demanded by industry at the government's bi-weekly foreign exchange auctions.

Salawu is typically bullish about his continuing success. According to him,

"for you to succeed in your business endeavour, you need to look deep. Put your imaginative foresight into motion, exploit every available opportunity, work and conquer with the guts of the lion. Nigeria has the largest black population and the largest market in Africa. So if you can't sell or make a business impact here, you can't sell anywhere... Good management is indispensable. You need to learn from experienced people with your own individualistic determination. Carry all your staff along and let them have a sense of belonging... Be a realist, as it is easy to get carried away by emotions. Be persistent and don't get bogged down by unfavourable

comments. And whatever your condition, never lose hope" ⁵⁰⁷.

⁵⁰⁷ Taped interview 3/7/94

CASE 6

LISABI MILLS (NIGERIA) LIMITED.

Lisabi Mills is one of the oldest surviving indigenous manufacturing firms in Nigeria. It processes and manufactures foods and beverages. Although it is no longer among the country's largest firms, it nevertheless remains successful. It makes many successful product lines, and one of its products, "Gold's custard" is the leading brand in the Nigerian custard market.

The firm was formally incorporated in October 1939, although its proprietor is said to have been in active production for up to five years before actual incorporation. The firm remains a private limited company with no immediate plans to go public. In fact, it is in many respects, very much a family business. The shares are all held within the family. The widow of the original proprietor, while no longer active in the firm's affairs, remains the board chairman and managing director, while her son and daughter respectively occupy the two all-important directorships of corporate affairs and sales. They joined the firm straight after their degrees in 1974 and 1975 respectively. They are the ones who really run the company, and their children are expected to continue to do so after them.

The firm's business back in its early years was the processing of millet (*Egusi*). Essentially, the firm purchased harvested millet in bulk from farmers in many parts of western Nigeria. Its milling machines were then employed to break individual millet shells and grind the millet so gathered into a powdered form in which they could be cooked. Individual millets are only about an inch in diameter, and manually breaking off their shells in preparation for grinding is a process which then, as now, was a regular chore in most homes, but it is a long and tedious process. It is not unusual for a family to spend several

days breaking millet shells that would be ground and cooked for a single meal. The venture became a success, and the success was repeated when advancing technology enabled the firm, after World War II, to branch out into the processing of *gari* (cassava meal) and *elubo* (yam flour), both of which are staple foods in many parts of Nigeria. The firm eventually moved out of millet processing in order to increase its processing capacity for *gari* and *elubo*. There were not many competitors in Lisabi's early years, and although still relatively a small firm, it was successful enough to have had its first experience of exporting by the early 1960s, servicing a mainly Nigerian student clientele in the London and Liverpool areas in the U.K.

The Nigerian civil war of 1967 to 1970 very badly affected the firm's activities, as it did most firms that depended upon farms for their raw materials. The period after the war saw a different market place where Lisabi virtually had to start from scratch like other new entrants to the market, and it is from this new beginning that it has developed into the business that it now is.

I made initial contacts with Lisabi Mills in January 1994 through the sales manager. This proved to be most useful as he is the one who deals with distributors on a daily basis. He is their initial contact in Lisabi Mills regarding any transaction with the firm and was able to bring in several of their distributors and subdistributors into the study at an early stage. Shortly afterwards, I was introduced to the sales director by a social acquaintance, and the director was the one who then arranged unlimited access to the firm's plants and offices. She, as a prominent member, indeed ex-official of the Manufacturers Association of Nigeria (MAN), also made several useful introductions which helped the course of interviews with the OPS in the Lagos area. I remained with the firm, in the sales department, through to the end of June 1994, going into the firm almost everyday, usually for up to about three hours, although the times varied. I tried to be in every tuesday and thursday in the morning period,

which are distributors' collection days. Mondays were good for wandering around the firm itself to see the production process (as the plants and offices are conveniently located on the same premises) and chat to middle/junior level staff as the day was usually taken up by various committee meetings for the senior staff. Things invariably slowed down throughout the firm on most afternoons, and was thus the best time to get the attention of the sales manager and director for interviews. I therefore mostly juggled my times in the firm between those days and times.

Lisabi Mills currently employs 151 personnel, but this number is increased during the harvesting season when extra hands are needed at the company farm near Abeokuta, Ogun state. The firm still processes cassava and yam flour, to which it has added corn flour processing. It is also now a manufacturer of chocolate drinks, oatmeal (*Pawa*, *wheat-o* and *muesli*), custard in three different flavours (vanilla, Banana and chocolate), and since 1992, snacks and babyfoods.

Its turnover increased every year for the seven years to 1993, achieving a N48 million turnover, and profits of N10 million in that year. These were expected to rise by up to 20% during 1994. The sales director however explained that this was largely due to inflationary trends. Overall unit sales have actually dropped in each of the last three years.

Lisabi Mills' national spread, in terms of its network of distributors, has been steadily shrinking over the last seven to ten years. It is increasingly looking like a Lagos-focused firm. The management blames this on the increasingly unstable business environment created by the federal government's foreign trade policies, particularly those to do with the importation of certain materials, and foreign exchange regulations. These affect production costs, and the firm now produces at about 38% of installed capacity. It is also an essentially ad-hoc production, and by extension, distribution system. Their foreign exchange

requirements, which are obtained at the federal government's bi-weekly auctions, tend to come in fits, with a knock-on effect on production. They quite simply produce what they can, when they can, and although allocation papers are prepared for their distributors, most of the firm's sales takes place on a first come, first served basis. The firm even does a limited amount of retailing on its premises direct from its factory in an effort to boost sales.

In my time with the firm, there were periods when the factory staff were idle because they were awaiting necessary materials from suppliers, who were in turn holding on to the supplies while they awaited payment by Lisabi Mills, who in turn were unable to pay because their allocation of foreign exchange had not yet come through. There were also times in which the factory staff would be working desperately to finish a production run while an army of distributors literally waited outside the door to take delivery of the goods as they came off the line. Sometimes, I would observe the sales manager explaining to angry distributors why they must purchase certain less popular products, like the cereals for instance, "for the good of the company", even though the distributors did not require them. They would haggle back and forth until an agreeable compromise was reached. The decrease in supply of the popular Gold custard to non-compliant distributors is, at times like this, usually held as a subtle threat when all else fails.

Lisabi's problems with adequately servicing the national market has resulted in an over-reliance on the Lagos area market. The management does not accept that over-relying on the Lagos market contributed to the firm's inability to adequately service the national market in the first place, but admits the growing dependency anyway. According to the director of corporate affairs, more than 50% of the firm's annual turnover is made from sales to the "minor" distributors in the Lagos area. About 20% is made up of sales to other "minor" distributors and supermarket chains (such as A.G Leventis, and the United Trading

Company [UTC]) in the rest of the country, while medium/large scale dealers/distributors purchase the rest. Most of these latter firms, such as G.B. Olivant, and John Holt (Ltd.) are based in Lagos. It is from there that the goods make their way around the country. "Minor" distributors are so-called because they are mostly owner-managed sole proprietorships operating out of a single outlet.

Interestingly, 65% of Lisabi's so-called minor distributors are concentrated in Oke-Arin market in Lagos island, and while Lisabi is trying to develop other outlets in Lagos, it recognizes the importance of Oke-Arin as the leading "provisions" market in the country, and places a great premium on maintaining its share of the market there. But the firm is unlikely to be able to develop other substantial sales outlets in Lagos for as long as it does not actively seek to develop its sales outlets but instead relies on merely processing applications from enterprises acting on their own initiative.

Not only does the firm ultimately rely on its minor distributors to get its products to end users in Nigeria, it also appears content to rely on them to get its products to buyers outside Nigeria as well. Lisabi does not have an export department, or a manager specifically in charge of this market. It does list three distributors in its register of distributors as being in charge of the overseas market. All three are thought to service the London market. The firm does not, in practice, have an export policy, although the firm's own notes on policy and strategy contain the following extracts:

"... We view ECOWAS, Europe (EEC) and the USA as separate export markets requiring varied and unique policies and approach. While work continues on the development of an export policy proper, we shall continue to service the export market through local distributors. The distributors will be afforded all necessary support, until such a time as we establish our own export network"⁵⁰⁸

Lisabi Mills is however, in spite of the rhetoric, at best a passive exporter. In spite

⁵⁰⁸ Lisabi Mills MCA Policy and Strategy Update (1992:4)

of statements expressing a wish to take a more active role in exporting ("...a well defined export policy, with us at its distribution nerve centre..."), in practice, it seems content to sell its products to its distributors, and let the goods make their own ways abroad by whatever means possible. Once, when I informed the sales manager that I had actually seen several Lisabi products in British and American shops, he replied that he was aware their products were being exported by several minor distributors, and that the firm would continue to look the other way until such a time as it deemed fit to formally join the process.

Lisabi is similarly not directly involved in the cross-border trading in its products. Lagos is the centre of this trade, and it is mostly done from, as usual, Oke-Arin market, and also from Mushin, Jankara, Iddo, Alade markets, with a host of other markets serving as smaller depots. In these markets, traders from all over West Africa converge on the so-called minor distributors, and it is from these distributors that the foreign traders actually make their purchases. The Lisabi distributors who are involved in this trade say they sell more goods this way than if they actually tried to physically transport the goods themselves to, say, Togo, themselves. They also say they have been able to substantially increase their volume of trade in this manner since Lisabi introduced credit sales to some of them in 1992.

The firm is, according to the sales manager, not sufficiently informed of the modalities of the West African cross-border trade to become directly involved in it. The market place is rather unpredictable, and this would make any planning impossible, particularly concerning pricing and delivery. They therefore consider it expedient, for the foreseeable future, to leave this arm of marketing in the hands of those who can deal with it, that is, the market traders. They also do not wish to antagonize their distributors by appearing to compete with them for the ECOWAS market.

Their goal, "when the market permits it", is to be able, someday, to sell their

products in Western Europe and other wealthy countries which will earn them hard currency.

CASE 7

NESTLE (NIGERIA) PLC.

Nestle (Nig) PLC began operating in Nigeria in 1961, and is today one of Nigeria's most successful firms. It makes some of the nation's best known beverages (*Nescafe, Nescao, Milo*); babyfoods (*Nutrend, Cerelac*); breakfast cereals (*Golden Morn*); sweets (*Choco-Milo*); the *Maggi* series of seasonings, and various flavours of noodles. Although since the indigenization decrees of 1972 and 1977, Nestle has had 60% Nigerian ownership (more than 8,000 Nigerian shareholders), it still operates in many regards as the Nigerian arm of the Swiss-based multinational. The latter apparently wields considerable influence in the running of the Nigerian Nestle.

It is run in a tight, professional manner, as one would expect with a firm of that size and tradition, with a board of directors, a myriad of national and regional sales managers and representatives, administration managers, accountants, and so forth. It employs more than one thousand people, and its turnover, which has enjoyed tremendous increases in recent years, attained a record N1.03 billion in 1993. In 1986, the turnover had been a comparatively modest N96.1 million. This figure however, according to the National Sales Manager (NSM), merely reflects the hyper inflationary trends in the Nigerian economy because unit sales had more or less stagnated in the previous three to four years.

Nestle remains prominent in the minds of Nigerians as a result of its series of television and radio commercials which advertise its many products, usually one at a time. It also has a high profile involvement in the sponsorship of sporting personalities and events nationwide, as well as television programmes and other televised events.

The company's head office is situated in Ilupeju industrial estate in Lagos, which also

doubles as the Lagos area distribution centre. The firm has got two factory sites located in Sango-Otta, and the high-brow Agbara industrial estate, both in Ogun state. Nestle's original product lines of *Nescafe* and *Maggi* stock cubes were simply an adoption of its parent company's products, but over the years, the Nigerian subsidiary has developed several new products. In April 1994, during the course of the field-study, the firm launched its latest product - the *Maggi Noodles*, with much fanfare.

My period of observation lasted from February to August 1994, and in this period, I was attached to the Lagos area sales office, and in particular to a veteran sales representative. I went in to the head, and Lagos area offices nearly everyday for varying lengths of time. The sales representative and I made several sales and distribution trips to his regular beat of Oke-Arin market, as well as some large distributorships and supermarket chains on Lagos Island. For the month of April 1994, we also added Mushin and Alade markets, as well as Surulere based supermarkets to our beat in order to cover for another team broken up by holiday and illness. In addition, I visited the firm's factories at Agbara and Sango-Otta.

Nestle's factories run twenty four-hour production shifts and the firm has distribution centres all over Nigeria. It also maintains several farms managed through its subsidiary, Agro-Development (Nigeria) Limited, from which it obtains some of its raw materials. Since 1985, its Sorghum and Soya Beans farm has expanded from fifty hectares to more than eight hundred, underlying the firm's new strategy emphasizing the local sourcing of raw materials. Nestle now obtains more than 50% of its Sorghum requirements for the manufacture of *Nutrend* and *Cerelac* from its farms, and purchases the rest from small scale farmers to whom it supplies seeds, fertilizer and technical advice. Most of its new products such as *Nutrend* and *Nescao* now have up to 80% local sourcing. The firm sub-contracts the

manufacture of some of its packaging materials to other Nigerian manufacturers. For its overseas supplies, such as certain chemicals and machine spare parts, its first port of call is the Nestle headquarters in Switzerland. The parent company may either sell the required part to Nestle (Nigeria), or refer it to a specific place to make the purchase. For instance, when in 1992, Nestle (Nigeria) approached the parent company about its need for coffee beans with which to make nescafe, it was instead directed to import the finished product from the Ivorien subsidiary.

Nestle's largest market is the Lagos market. It has more than two hundred distributors and subdistributors in the Lagos area alone. They can be found in virtually all the major markets in Lagos - Ikeja, Mushin, Oke-Arin, Oshodi and others. Some are supermarket chains - U.T.C, A.G Leventis, Bisket, Dominoes, and some are professional distributors - John Holt, G.B Ollivant, Al-Wajun, and so on. In February 1994, the firm held an "open day" for about five hundred of its distributors nationwide, in which the latter were invited to Lagos on an all-expenses paid trip to hold frank discussions with the management on all that they felt was right and wrong with the company, especially its distribution system. The problems most aired did not have to do with the distribution process per se, but with the fact and timing of price increases on the one hand, and wanting the firm to take a more decisive role in enforcing its recommended retail prices, and so discourage unfair competition.

The company's policy is to allocate individual sales persons or teams to a particular geographical area over a long period of time, and take advantage of the familiarity that this brings. For instance, the sales representative that I was attached to had been with the firm for sixteen years and was only in his third beat. He was in his sixth year on his current beat, and had been in the one before that for eight years. The traders I spoke to claimed to enjoy a more efficient service from Nestle than from most other manufacturers. Despite the large

number of distributors that Nestle already has, there are always several hundred more applying or re-applying to become distributors. It can be difficult, according to the SAM to keep a strict control on the numbers of distributors that the firm has.

Nestle (Nigeria) does not yet do any considerable direct selling outside Nigeria. Until 1993, it was not even a strategy that the firm was inclined to pursue at all, and the main reason, according to the NSM was that there was no incentive to do this as Nestle was already present in all parts of the world. There was nothing that Nestle (Nigeria) would want to export that could not be found in the local markets.

However, Nestle (Nigeria) is significantly larger than most of the other African subsidiaries, and fairly regularly, there are instructions from the parent firm to make up production shortfalls in those subsidiaries. I noticed on my travels that several of the most popular beverages on urban market stalls in many parts of West Africa were made by Nestle (Nigeria). Some of its other products, especially its seasonings and babyfoods are also mainstays of the cross-border trade. The CEO admits as much, and says that this is why, since 1993, talks have been held with the parent Nestle, as well as the subsidiaries in Ghana and the Ivory coast on how the intra-regional distribution of all Nestle's products in West Africa can be best managed.

In spite of these talks, Nestle (Nigeria) is decidedly reluctant to pursue an export policy. According to the SAM, it will be an expensive and complex situation which is not even guaranteed to significantly increase the firm's sales. There is no assurance that the firm will sell enough units abroad to justify the investment which such a move would need. In the NSM's opinion, the firm is already selling roughly as much as it produces to its distributors in Nigeria, and so has no need to export. The CEO argues further that Nestle is aware, in any case, that many of its distributors all over Nigeria are actively involved in the exporting

of its products. Cameroun, for instance, is serviced by dealers in Cross river state; Towns in Sokoto, Kano, Katsina and Bornu states service the Niger Republic, Sudan and the Chad Republic, while Lagos and Idi-Iroko are very important centres for the distribution of the firm's products across west Africa. Some of Nestle's market trader distributors that I spoke to not only confirmed their involvement in cross-border exporting of Nestle products, but described in addition how they were exporting some of these products to more seemingly unusual destinations like Egypt, Saudi Arabia and Western Europe.

My conversations with Nestle's senior managers brought out two major themes concerning the firm's trading difficulties. One has to do with the Nigerian political environment. Three of Nigeria's four governments of the last ten years have gone into power via military coups. Even the present government has existed amidst rumour of coups and counter coups. Each of the governments has invariably overturned the trade policies of its predecessor. The uncertainties and turnarounds that have dominated Nigerian politics and economics, particularly since 1992/93 have made any sort of planning virtually-impossible for the firm. Because of these, obtaining foreign bank credit is almost impossible now, according to the CEO. The senior managers that I spoke to are in no doubt that they are in a risky business.

The second theme, leading from the first, has to do with obtaining foreign exchange. This is necessary in order to procure certain raw materials and machine parts. At the time of the fieldwork in 1994, firms could (once again) only purchase foreign exchange in an auction system, and there were no longer any guarantees that any firm will receive all, or sometimes, even any of its foreign exchange requirements. Unlike most firms which can easily obtain foreign exchange on the black market, albeit at a much more expensive rate, the SAM told me his firm cannot. A firm of their stature, he said, cannot afford to take the

risk of running foul of the law under any circumstances, and so they can only keep trying to purchase their needs from the government's auction, however much nonsense it makes of their strategic/production planning.

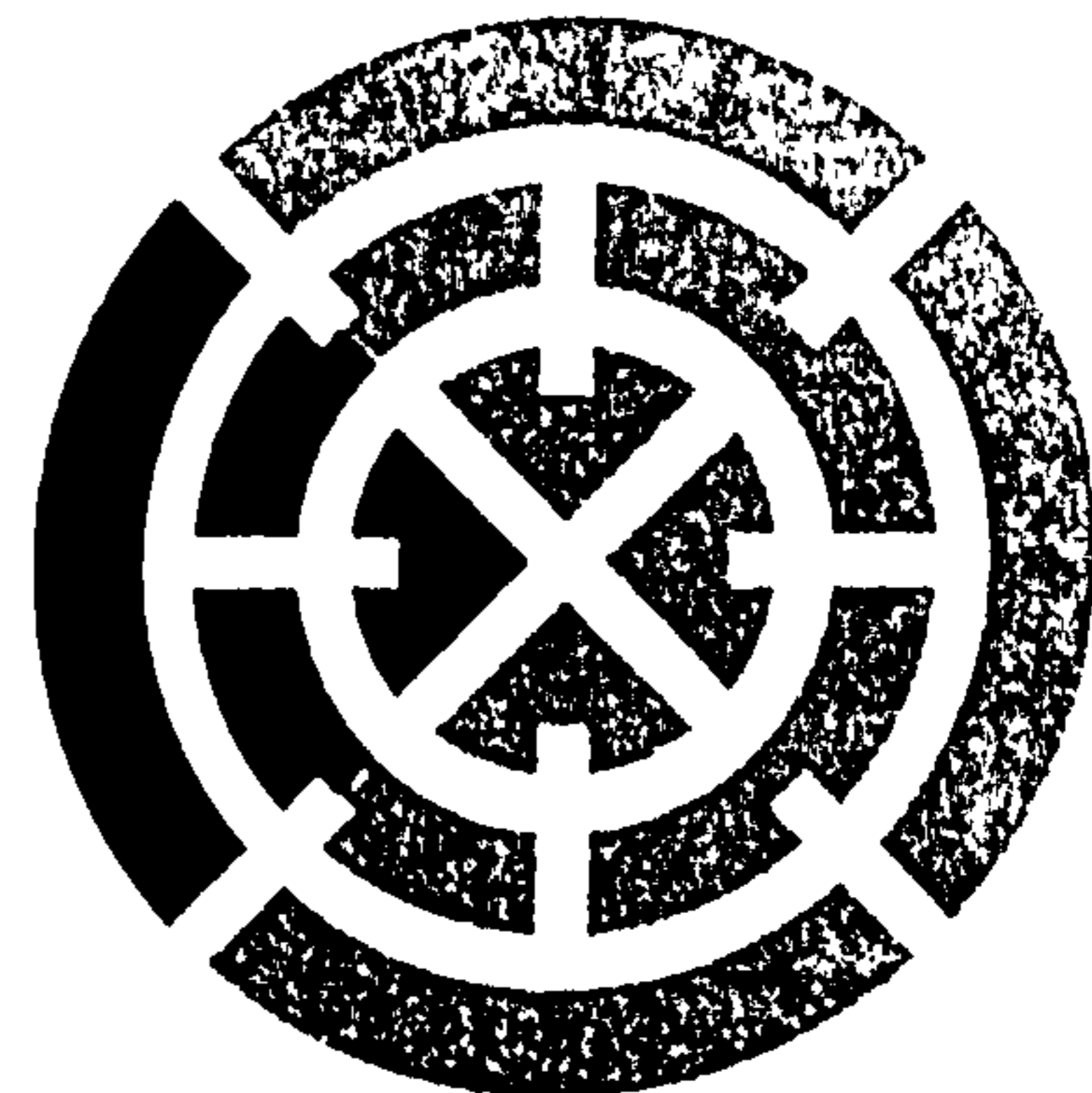
APPENDIX B

LETTER OF INTRODUCTION FROM UNIVERSITY OF STIRLING.

Director: Professor Michael Scott
Scottish Amicable Professor of Entrepreneurial Studies

SCOTTISH ENTERPRISE FOUNDATION
UNIVERSITY OF STIRLING
STIRLING, SCOTLAND FK9 4LA

TELEPHONE: (0786) 473171
SEF FAX: 0786 450201
DIRECT LINE NUMBER:



TO WHOM IT MAY CONCERN

This letter confirms that Mr Akin Fadahunsi is studying at the University of Stirling for his doctorate (PhD) in Small Business Studies.

He is studying the exporting behaviour and practice of small firms and traders between Nigeria and its African neighbours. He will be in Africa collecting information for his study from January to December 1994.

Your help will be very much appreciated.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dr Peter Rosa'. The signature is written in a cursive, flowing style.

Dr Peter Rosa
Director of Postgraduate Research Studies

APPENDIX C

RESPONDENTS' INSTRUCTIONS NOTE.

Dear Respondent,

- * The questionnaire begins on the following page.*
- * Each question has clear instructions indicating the type of response required.*
- * Please answer all questions as far as possible. If you are unable to answer any question, or you feel it is inapplicable to your situation, please skip the question and move on to subsequent questions.*
- * You do not need to put your name on this questionnaire, and your answers will be treated in the strictest confidence.*
- * There are no correct answers to the questions asked. What counts is your opinion, given in the light of your personal experience. This will be greatly appreciated.*

Thank you for your help.

*Akin Fadahunsi
December 1993.*

APPENDIX Di:

QUESTIONNAIRE FOR MANUFACTURING FIRMS.

SECTION A: NATURE OF THE FIRM.

1. Approximately how many years has your firm been carrying on business?
_____ Years

2. What is the ownership status of your firm?

Please tick one box only.

- | | |
|-------------------------|---|
| Sole Proprietorship | 1 |
| Partnership | 2 |
| Private-Limited Company | 3 |
| Public-Limited Company | 4 |
| Cooperative | 5 |
| Other | 6 |

If you ticked box 6, please specify below:

3. How many people are presently employed in the firm, including yourself?

4. Please write down your firm's main products (maximum 10).

5. Why have you selected these product lines?
Please tick applicable boxes (maximum 3).

- | | |
|--|---|
| Little or no competition | 1 |
| Government backing/encouragement | 2 |
| Previous association or employment
in similar or related activity | 3 |
| Higher profit margins | 4 |
| Existence of similar businesses in
neighbourhood | 5 |
| No difficulty in securing marketing
or technical knowhow | 6 |
| Raw materials/resources are easy/cheap
to obtain | 7 |
| Other | 8 |
- If you ticked box 8, please specify below.
-

6. What are your firm's main activities?
Please tick applicable boxes.

- | | |
|-----------------------------|---|
| Manufacturing | 1 |
| Farming | 2 |
| Transportation | 3 |
| Packaging | 4 |
| Wholesaling/Distributorship | 5 |
| Retailing | 6 |
| Other | 7 |

If you ticked box 7, please specify below:

7. Please indicate below the range of your firm's gross annual turnover for the years 1991 to 1993.

	1991	1992	1993
N1 million or less	1	1	1
N1 million - N5 million	2	2	2
N5 million - N10 million	3	3	3
N10 million - N20 million	4	4	4
N20 million - N50 million	5	5	5
N50 million - N100 million	6	6	6
N100 million or more	7	7	7

8. Why have you selected your present location?
Please tick applicable boxes (maximum 3).

- | | |
|---|----|
| Advice of Family/Relatives/Friends | 1 |
| Availability of Land or Premises in the location | 2 |
| Nearness to Suppliers/Raw Materials | 3 |
| Nearness to Customers | 4 |
| Nearness to Hometown or Place of Residence | 5 |
| Existence of similar Units in the neighbourhood | 6 |
| Non Existence of similar Units in the neighbourhood | 7 |
| Good Infrastructural Facilities
(eg Transport, Electricity, Water) | 8 |
| Government Recommendation/Encouragement | 9 |
| Other | 10 |

If you ticked box 10, please specify below:

9. Is your firm directly selling products outside Nigeria?
Please tick one box only.

- | | | |
|-----|---|-------------------|
| Yes | 1 | Go to Question 20 |
| No | 2 | Go to Question 10 |

SECTION B: MARKETING ACTIVITIES WITHIN NIGERIA.

Please note that Questions 10 - 19 relate ONLY to firms that answered "No" to Question 9. If your firm directly sells products outside Nigeria (i.e. you answered "Yes" to Question 9), please ignore section "B", and move straight to Question 20 in section "C".

10. Why have you concentrated your efforts solely on selling your products within Nigeria? Please tick applicable boxes (maximum 3).

- | | |
|---|---|
| No interest in foreign trade | 1 |
| Foreign trade not profitable enough | 2 |
| Too expensive/difficult to start-up or compete in foreign trade | 3 |
| Lack of opportunity | 4 |
| Not enough understanding of the demands of foreign trade | 5 |
| Foreign trade too risky/unpredictable | 6 |
| Other | 7 |

If you ticked box 7, please specify the reason(s) below.

11. How would you describe the sales of your firm's products over the period 1991 to 1993?

Please tick one box only.

- | | |
|------------|---|
| Expanding | 1 |
| Stable | 2 |
| Declining | 3 |
| Don't Know | 4 |

12. How do you usually sell your products? Please tick applicable boxes.

- | | |
|--|---|
| Direct to the public (in shop/store/stall etc) | 1 |
| Mail order | 2 |
| Via salaried or commissioned sales agents | 3 |
| To wholesalers/dealers/distributors | 4 |
| To retailers | 5 |
| Other | 6 |

If you ticked box 6, please specify below.

13. How are your products physically transferred from you to your buyers?
Please tick applicable boxes.

- | | |
|---|---|
| By mail | 1 |
| Our firm's vehicles: No charge to buyer | 2 |
| Our firm's vehicles: Charged to buyer | 3 |
| Buyer picks up or arranges delivery | 4 |
| Independent transport/delivery agents: We pay | 5 |
| Independent transport/delivery agents: Buyer pays | 6 |
| Other | 7 |

If you ticked box 7, please specify below.

14. Please state briefly your usual methods of establishing sales outlets.

15. Who are your main suppliers?
Please tick applicable boxes.

- | | |
|--------------------------|---|
| Self | 1 |
| Government parastatals | 2 |
| Manufacturers | 3 |
| Wholesalers/Distributors | 4 |
| Small firms | 5 |
| Other | 6 |

If you ticked box 6, please specify below.

16. Who, physically goes out to purchase/obtain supplies for your firm?
Please tick one box only.

- | | |
|--------------------------------------|---|
| You, alone | 1 |
| You, in association with others | 2 |
| Some other person(s) within the firm | 3 |
| No one | 4 |

If you ticked box 3, please state the person(s)' position(s) within the firm.

17. Please state briefly, your firm's usual methods of establishing supply contacts.

18. Please state briefly what you have found to be your firm's main trading problems.

19. Is your firm thinking of, or already in the process of commencing direct sales outside Nigeria?

Please tick one box only.

- | | |
|------------------------------------|---|
| Yes, we are thinking about it | 1 |
| Yes, we are already in the process | 2 |
| No | 3 |

SECTION C: EXPORT ACTIVITIES.

Please note that Questions 20 - 48 relate ONLY to firms that answered "Yes" to Question 9. If your firm does not directly sell products outside Nigeria (i.e. you answered "No" to Question 9, and you have answered Questions 10 - 19), please ignore section "C" and move straight to Question 49 in section "D".

20. Which of your products does your firm directly sell outside Nigeria (maximum 5)?

21. The information below relates to the products you identified in Question 20, and how your firm obtains and markets them.

Please tick the boxes that are applicable to your firm.

Sales:

My firm directly sells products:-

	Yes	No
within Nigeria	1	2
to parts of West Africa	1	2
to East/South/Central/North Africa	1	2
outside Africa	1	2

Purchases:

My firm directly buys products:-

within Nigeria	1	2
from parts of West Africa	1	2
From East/South/Central/North Africa	1	2
From outside Africa	1	2

22. How would you describe your sales (of the products identified in Question 4) over the period 1991 to 1993, within Nigeria?

Please tick one box only.

Expanding	1
Stable	2
Declining	3
Don't know	4

23. How would you describe your sales (of the products identified in Question 20) over the period 1991 to 1993, outside Nigeria?

Please tick one box only.

Expanding	1
Stable	2
Declining	3
Don't know	4

24. How do you usually sell your products within Nigeria?

Please tick applicable boxes.

Direct to the public (in shop/store/stall etc)	1
Mail order	2
Via salaried or commissioned sales agents	3
To wholesalers/Dealers/Distributors	4
To retailers	5
Other	6

If you ticked box 6, please specify below.

25. How do you usually sell your products outside Nigeria?
Please tick applicable boxes.

- Direct to the public (in shop/store/stall etc) 1
- Mail order 2
- Via salaried or commissioned sales agents 3
- To wholesalers/Dealers/Distributors 4
- To retailers 5
- Other . 6

If you ticked box 6, please specify below.

26. How are your products physically transferred from you to your buyers?
Please tick applicable boxes.

- By mail 1
- Our firm's vehicles: No charge to buyer 2
- Our firm's vehicles: Charged to buyer 3
- Buyer picks up or arranges delivery 4
- Independent transport/delivery agents: We pay 5
- Independent transport/delivery agents: Buyer pays 6
- Other . 7

If you ticked box 7, please specify below.

27. Please state briefly your firm's usual methods of establishing sales outlets within Nigeria?

28. Please state briefly your firm's usual methods of establishing sales outlets outside Nigeria?

29. Do you receive unsolicited orders from outside Nigeria?
Please tick one box only.

Yes 1 Go to Question 30
No 2 Go to Question 34

30. If yes, do you fulfill these orders?
Please tick one box only.

Yes 1 Go to Question 32
Sometimes 2 Go to Question 31
No 3 Go to Question 31

31. Please state briefly why you don't fulfill these orders.

32. Please estimate the average number of unsolicited orders you received per year from 1991 to 1993.

33. Please estimate the average annual value of these orders in Naira.

N _____

34. In what other ways, apart from fulfilling unsolicited orders, does your firm sell products outside Nigeria?

35. Please estimate the average number of orders you have fulfilled, in these other ways, per year from 1991 to 1993.

36. Who are your main suppliers in Nigeria?
Please tick applicable boxes.

- | | |
|--------------------------|---|
| Self | 1 |
| Government parastatals | 2 |
| Manufacturers | 3 |
| Wholesalers/Distributors | 4 |
| Small firms | 5 |
| Other | 6 |

If you ticked box 6, please specify below.

37. Who are your main suppliers outside Nigeria?
Please tick applicable boxes.

- | | |
|--------------------------|---|
| Self | 1 |
| Government parastatals | 2 |
| Manufacturers | 3 |
| Wholesalers/Distributors | 4 |
| Small firms | 5 |
| Other | 6 |

If you ticked box 6, please specify below.

38. Who, physically goes out to purchase/obtain supplies for your firm?
Please tick one box only.

- | | |
|--------------------------------------|---|
| You, alone | 1 |
| You, in association with others | 2 |
| Some other person(s) within the firm | 3 |
| No one | 4 |

If you ticked box 3, please state the person(s)' position(s) within the firm.

39. Please state briefly your usual methods of establishing supply contacts within Nigeria.

40. Please state briefly your usual methods of establishing supply contacts outside Nigeria.

41. Who takes decisions concerning export activities within the firm?

Please tick one box only.

- | | |
|-----------------------------------|---|
| You, alone | 1 |
| You, in association with others | 2 |
| Some other person within the firm | 3 |

If you ticked box 3, please state the person(s)' position(s) within the firm.

42. Which countries do you trade with outside Nigeria?

Please tick applicable boxes.

- | | |
|---------------------------------|---|
| Republic of Benin | 1 |
| Togo | 2 |
| Ghana | 3 |
| Ivory Coast | 4 |
| The rest of West Africa | 5 |
| East/South/Central/North Africa | 6 |
| The rest of the world | 7 |

If you ticked box 5, 6, or 7, please state the country(ies).

43. Please state briefly why you trade with these countries to the exclusion of others.

44. What have you found to be your firm's main trading problems within Nigeria?

45. What have you found to be your firm's main trading problems outside Nigeria?

46. Please indicate briefly how you cope with, or minimize the effects of these problems.

47. Approximately what percentage of your gross annual turnover (identified in Question 7) is made up of sales outside Nigeria?

Please tick one box only.

20% or less	1
21% - 35%	2
36% - 50%	3
51% - 65%	4
66% or more	5

48. Please indicate the approximate % of your sales outside Nigeria that is earned in the following countries.

Rep. of Benin	20% or less	21-35%	36-50%	51-65%	66%+
Togo	20% or less	21-35%	36-50%	51-65%	66%+
Ghana	20% or less	21-35%	36-50%	51-65%	66%+
Ivory Coast	20% or less	21-35%	36-50%	51-65%	66%+
Rest of West Africa	20% or less	21-35%	36-50%	51-65%	66%+
East/South/Central/North Africa	20% or less	21-35%	36-50%	51-65%	66%+
Rest of the World	20% or less	21-35%	36-50%	51-65%	66%+

SECTION D: THE ECOWAS EFFECT.

49. Are you aware of the aspirations of the Economic Community Of West African States (ECOWAS) to establish a single West African market.

Please tick one box only.

- | | | |
|-----|---|-------------------|
| Yes | 1 | Go to question 50 |
| No | 2 | Go to question 52 |

50. Are you aware of any current ECOWAS guidelines/directives for the proposed single market which will affect your business?

Please tick applicable boxes.

- | | |
|--------|---|
| Yes | 1 |
| No | 2 |
| Unsure | 3 |

51. Which of the following organizations have sent you advice about the proposed West African single market?

Please tick applicable boxes.

- | | |
|--|---|
| Manufacturers' Association of Nigeria (M.A.N) | 1 |
| Federal/State Ministry of Trade and Industries | 2 |
| West African Chamber of Commerce | 3 |
| Nigerian/Lagos State Chamber of Commerce | 4 |
| Your Local Government Authority | 5 |
| No one | 6 |
| Other | 7 |

If you ticked box 7, please specify below:

52. Will the commencement of a West African single market have an effect on your business.

Please tick one box only.

- | | | |
|-------------------------------------|---|-------------------|
| Yes, and we are prepared for it | 1 | Go to question 53 |
| Yes, but we are not prepared for it | 2 | Go to question 53 |
| No | 3 | Go to question 54 |
| Don't know | 4 | Go to question 54 |

53. What kind of effect?
Please tick one box only.

- | | |
|------------------------------------|---|
| Increase the competition | 1 |
| Offer more opportunities/customers | 2 |
| Both | 3 |
| Unsure | 4 |
| Other | 5 |
- If you ticked box 5, please specify below:
-

54. Why do you think it will not/may not affect you?

55. Do you plan to continue your present business after the West African single market comes into being?
Please tick one box only.

- | | |
|------------|---|
| Yes | 1 |
| No | 2 |
| Don't know | 3 |

SECTION E: THE RÔLE OF GOVERNMENT.

56. Are you aware of any Federal or Lagos State government schemes promoting or assisting businesses like yours?
Please tick one box only.

- | | | |
|-----|---|-------------------|
| Yes | 1 | Go to question 57 |
| No | 2 | Go to question 59 |

57. If yes, please state them (maximum 3).

(a) _____

(b) _____

(c) _____

58. Are you benefitting from any of these schemes?
Please tick one box only.

Yes 1
No 2

59. Do you think there is any more the government can do to assist firms like yours?
Please tick one box only.

Yes 1 Go to question 60
No 2 Go to question 61

60. If yes, in which areas do you feel the need for more assistance (maximum 2)?

(a) _____

(b) _____

SECTION F: PERSONAL INFORMATION.

61. Please state the name and present address of your firm.

62. What is your position within the firm?
Please tick one box only.

Owner/Partner 1
Founder 2
Manager 3
Supervisor 4
Professional 5

63. Please state your sex.

Male 1
Female 2

64. Please give a brief account of a routine working week in your firm.

Thank you for your help.

APPENDIX Dii

INTERVIEW SCHEDULE TO ACCOMPANY MANUFACTURERS' QUESTIONNAIRE.

The numbers and questions listed below refer to the corresponding numbers and questions in the questionnaire.

1. Has the firm always carried on this business?
- What was it doing before?
2. Is the business part of a larger enterprise? Is it an independent company in a group of companies, or is it a unit within a company?
4. - (Categorize into industrial sectors)
7. Turnover going up or down?
- Is increase/decrease in turnover due to increased/decreased unit sales or Naira exchange rate?
- If both, how much weight would you give to each factor?
8. (Type of location)
 - * Industrial Estate
 - * Residential Estate
 - * "Commercial Centre"
 - * Airport Vicinity
 - * Seaport Vicinity
 - * Railway/Bus Station
 - * Border Town/Village

Section B/C (general)

- Awareness of / Strategies for dealing with competition
- How do you anticipate/respond to price changes in the market? Do you influence / Have you influenced such before? Please give examples.
- Internationalization strategy: give story behind (try to ask leading questions with export behaviour theories in mind.
- How do you keep abreast of international developments in your field? Do you think you are sufficiently well informed?

12. Probe:

e.g. Whose shop?

- Have you tried and discarded any other systems? If yes, name them.
- Are you aware of other methods being used by other people? How influenced are you by these?

14. How important are network relationships in developing these?

- Do you use any? which?
- Are palms greased?

15. How important are network relationships in developing these sources?

- Do you use any? Which?
- Are palms greased?

17.

- What is your level of personal involvement?
- How important are network relationships in developing these?
- Do you use any? which?
- Are palms greased?

18. (Are systems of management making it impossible/difficult to exploit opportunities outside Nigeria?)

- Encourage respondent to open up. Suggest possible problems, if necessary, with government, banks, religion, competition, infrastructures, bureaucrats e.t.c)

19.- If No, is there something that would make you consider foreign trade? What?

- If yes, how so? (i.e exactly what are you doing/have you done/do you propose to do?)

21. Probe:

- Where exactly?
- Have you sought and discarded other outlets within (or outside) Africa?
- What advantages do outlets outside Nigeria (or Africa) have?

23. Do you have more success outside Africa, than within? Do you know why?

24. Probe:

e.g Whose shop?

- Have you tried and discarded other methods? Name them.
- Do you know of any other methods, perhaps as practised by other firms? To what extent are you influenced by these?

25. Probe:

e.g Whose shop?

- Have you tried and discarded other methods? name them.
- Do you know of any other methods, perhaps as practised by other firms? To what extent are you influenced by these?
- What are the practical differences between transfer of goods to buyers in Nigeria, and those beyond?

27. How important to your sales are network relationships?

- What sort do you use?
- Are palms greased?

28. How important to your sales are network relationships?

- What sort do you use?
- Are palms greased?
- What are the practical differences between this function in, and outside Nigeria?

29. Which countries do these orders come from?

- Why do you think they wanted your firm

31. Anything to do with their country of origin (specific political or such other consideration)?

34. e.g use of networks

36. Probe:

- Company names
- Use of networks

37. Probe:

- Company names
- Use of networks: Does this work as well outside Nigeria, as within?
- Do you have more success within Africa than outside? Why do you think this is so?

43. Probe:

- Are there specific socio-political or personal reasons (or is it due more to ignorance, previous indoctrination, management style e.t.c)

44. Encourage respondent to open up. Suggest possible problems with bureaucracy, banks, competition, own staff, infrastructures, religion, politics e.t.c.

45. Encourage respondent to open up. Possible problems - international politics, trade barriers, unfriendly/corrupt customs, and those in Q44, above.

48. Probe.

- Boxes 5,6 & 7:
Exactly where?
- Pattern of increase/decrease
- Result of strategic initiative?
- Are there specific plans to increase any country's contribution?

49. What understanding do you have of ECOWAS?

- Do you think it is a good idea?
- Do you think it is working/will work?
- Why/Why not?

62. (Establish whether respondent is owner and/or manager)

- Did you have role model as a child / Do you still have one ? Who?
- What is your attitude to risk taking
 - *in life?
 - *in business?
- How much time do you spend daily at work?
- What is the firm's capitalization?

64. Any issues which this questionnaire has not addressed which would be beneficial?

- When I interview policy makers, what issues would you like me to raise with them?

APPENDIX Ei

QUESTIONNAIRE FOR TRADING FIRMS

SECTION A: NATURE OF THE BUSINESS.

1. Approximately how many years has your firm been carrying on business?

_____ Years.

2. What is the ownership status of your business?

Please tick one box only.

- | | |
|-------------------------|---|
| Sole proprietorship | 1 |
| Partnership | 2 |
| Co-operative | 3 |
| Private-Limited Company | 4 |
| Other | 5 |

If you ticked box 5, please specify below.

3. How many people are presently employed in your business, including yourself?

4. Apart from yourself, does the business employ any other members of your family?
Please tick one box only.

- | | | |
|-----|---|------------------|
| Yes | 1 | Go to Question 5 |
| No | 2 | Go to Question 6 |

5. If yes, please state the number below.

6. Please write down the goods you sell (maximum 10).

7. What are the main activities in your business?

Please tick applicable boxes.

Manufacturing	1
Farming	2
Transportation	3
Wholesaling/Distributorship	4
Packaging	5
Retailing	6
Other	7

If you ticked box 7, please specify below.

8. Please indicate below the range of your gross annual sales for the years 1991 to 1993.

	1991	1992	1993
N1million or less	1	1	1
N1million - N5 million	2	2	2
N5 million - N10 million	3	3	3
N10 million - N20 million	4	4	4
N20 million - N50 million	5	5	5
N50 million or more	6	6	6

SECTION B: TRADING ACTIVITIES.

9. Which of your goods do you directly sell outside Nigeria (maximum 5)?

10. How would you describe your sales (of the goods identified in Question 6) over the period 1991 to 1993, within Nigeria?

Please tick one box only.

Expanding	1
Stable	2
Declining	3
Don't Know	4

11. How would you describe your sales (of the goods identified in Question 9) over the period 1991 to 1993, outside Nigeria?

Please tick one box only.

- | | |
|------------|---|
| Expanding | 1 |
| Stable | 2 |
| Declining | 3 |
| Don't Know | 4 |

12. How do you usually sell your goods within Nigeria?

Please tick applicable boxes.

- | | |
|--|---|
| Direct to the public (in shop/store/stall etc) | 1 |
| Mail Order | 2 |
| Via salaried or commissioned sales agents | 3 |
| To wholesalers/dealers/distributors | 4 |
| To retailers | 5 |
| Other | 6 |

If you ticked box 6, please specify below.

13. How do you usually sell your goods outside Nigeria?

Please tick applicable boxes.

- | | |
|--|---|
| Direct to the public (in shop/store/stall etc) | 1 |
| Mail Order | 2 |
| Via salaried or commissioned sales agents | 3 |
| To wholesalers/Dealers/Distributors | 4 |
| To retailers | 5 |
| Other | 6 |

If you ticked box 6, please specify below.

14. How are your goods physically transferred from you to your buyers?

Please tick applicable boxes.

- | | |
|---|---|
| By mail | 1 |
| Our firm's vehicles: No charge to buyer | 2 |
| Our firm's vehicles: Charged to buyer | 3 |
| Buyer picks up or arranges delivery | 4 |
| Independent transport/delivery agents: We pay | 5 |
| Independent transport/delivery agents: Buyer pays | 6 |
| Other | 7 |

If you ticked box 7, please specify below.

15. Please state briefly your usual methods of establishing sales outlets within Nigeria.

16. Please state briefly your usual methods of establishing sales outlets outside Nigeria.

17. Do you receive unsolicited orders from outside Nigeria?
Please tick one box only.

Yes	1	Go to Question 18
No	2	Go to Question 22

18. If yes, do you fulfil these orders?
Please tick one box only.

Yes	1	Go to Question 20
Sometimes	2	Go to Question 19
No	3	Go to Question 19

19. Please state briefly why you don't fulfil these orders.

20. Please estimate the average number of unsolicited orders you received per year from 1991 to 1993.

21. Please estimate the average annual value of such orders in Naira.

N _____

22. In what other ways, apart from fulfilling unsolicited orders, do you sell goods outside Nigeria?

23. Please estimate the average number of orders you have fulfilled, in these ways, per year from 1991 to 1993.

24. Who are your main suppliers in Nigeria?

Please tick applicable boxes.

- | | |
|----------------------------------|---|
| Self | 1 |
| Government Parastatals | 2 |
| Manufacturers | 3 |
| Wholesalers/Dealers/Distributors | 4 |
| Small firms | 5 |
| Other | 6 |

If you ticked box 6, please specify below.

25. Who are your main suppliers outside Nigeria?

Please tick applicable boxes.

- | | |
|----------------------------------|---|
| Self | 1 |
| Government Parastatals | 2 |
| Manufacturers | 3 |
| Wholesalers/Dealers/Distributors | 4 |
| Small firms | 5 |
| Other | 6 |

If you ticked box 6, please specify below.

26. Who, physically goes out to buy/obtain supplies for your business?

Please tick one box only.

- | | |
|--|---|
| You, alone | 1 |
| You, in association with others | 2 |
| Some other person(s) within the business | 3 |

If you ticked box 3, please state the person(s)' position(s) in the firm.

27. Overall, how many suppliers do you have?

28. Please state briefly your usual methods of establishing supply contacts within Nigeria.

29. Please state briefly your usual methods of establishing supply contacts outside Nigeria.

30. Who takes decisions concerning your trading activities outside Nigeria?
Please tick one box only.

- | | |
|---|---|
| You, alone | 1 |
| You, in association with others | 2 |
| Some other person/persons within the business | 3 |
- If you ticked box 3, please state the person(s)' position(s) in the firm.

31. Which countries do you trade with outside Nigeria?
Please tick applicable boxes.

- | | |
|---------------------------------|---|
| Republic of Benin | 1 |
| Togo | 2 |
| Ghana | 3 |
| Ivory Coast | 4 |
| The rest of West Africa | 5 |
| East/South/Central/North Africa | 6 |
| The rest of the world | 7 |

If you have ticked box 5,6,or 7, please list the countries below.

32. Please state briefly why you trade with these countries to the exclusion of others.

33. What have you found to be your main trading problems within Nigeria?

34. What have you found to be your main trading problems outside Nigeria?

35. How do you cope with, or minimize the effects of these problems?

36. Approximately what percentage of your gross annual sales (identified in Question 8) is earned outside Nigeria?

Please tick one box only.

- 20% or less 1
- 21% - 35% 2
- 36% - 50% 3
- 51% - 65% 4
- 66% or more 5

37. Please indicate the proportion of your sales outside Nigeria that is earned in the following countries?

Please tick applicable boxes.

	20% or less	21-35%	36-50%	51-65%	66% +
Rep. of Benin					
Togo					
Ghana					
Ivory Coast					
Rest of West Africa					
East/South/Central/North Africa					
Rest of the world					

SECTION C: PERSONAL INFORMATION.

38. What reasons initially made you interested in a business career
Please tick applicable boxes (Maximum 3).

- | | |
|--|---|
| Fulfilling the ambition of self/spouse | 1 |
| Securing self-employment | 2 |
| Making Money | 3 |
| Continuing the family business | 4 |
| Gaining social stature/prestige | 5 |
| Other | 6 |

If you ticked box 6, please specify below.

39. What was most instrumental in steering you to your present business?
Please tick one box only.

- | | |
|---|---|
| Dissatisfaction with previous Job/Occupation | 1 |
| Unemployment | 2 |
| Desire to make use of professional/technical skills | 3 |
| Desire to invest/make use of available funds. | 4 |
| Spotting a market opportunity | 5 |
| Government campaign/encouragement | 6 |
| Other | 7 |

If you ticked box 7, please specify below.

40. What factors do you think have helped you develop/succeed in this business?
Please tick applicable boxes (maximum 3).

- | | |
|--|---|
| Self-belief/determination | 1 |
| Previous association or employment in a similar line of activity | 2 |
| Money or property inherited, acquired or belonging to self or spouse | 3 |
| Luck | 4 |
| Advice or influence of family/friends/relatives | 5 |
| Formal training or apprenticeship | 6 |
| Government programmes/encouragement | 7 |
| Other | 8 |

If you ticked box 8, please specify below.

41. Please state below, your last job or occupation prior to this present one.

42. What is your position within this firm?

Please tick one box only.

Owner/partner	1
Founder	2
Manager	3
Supervisor	4
Professional	5

43. Please state your sex.

Male	1
Female	2

44. Please state the name and present address of your firm.

45. Please give a brief account of a routine working week in your business.

Thank you for your help.

APPENDIX Eii

INTERVIEW SCHEDULE TO ACCOMPANY TRADERS' QUESTIONNAIRE.

The numbers and questions below refer to the corresponding numbers and questions in the questionnaire.

1. Has the firm always carried on this business? What was it doing before?
5. Which family members, and how did they come to be involved in the business?
 - Level of involvement of kin
 - Kins' demographic information
 - How does respondent single out particular sibling and affinal relationships for consolidation?
6. Why have you selected these product lines?
8. Turnover going up or down? Is increase/decrease in turnover due to increased/decreased unit sales or inflation? If both, how much weight would you give to each factor?

Section B (general).

- Awareness of/Strategies for dealing with competition
- How do you anticipate/respond to price changes in the market? Do you influence/Have you influenced such before? Please give an instance.
- Membership of any social clubs. Do any of respondent's partners/associates belong to these clubs? Are business relationships developed in this way?
- Find out any social events in their lives - births, deaths, marriages e.t.c, and watch out for links with, or implications for their businesses, e.g, do associates attend, are these taken as opportunities to build or cement business networks?
- Internationalization strategy: let respondent tell story (let any questions reflect literature on export behaviour theories).
- How do you keep abreast of international developments in your field? Do you think you are sufficiently well informed?

12-13. Probe:

e.g, Whose shop?

- Have you, maybe, tried and discarded other systems? If yes, name them
- Are you aware of other methods being used by other people? How influenced are you by these?

13. What are the practical differences between selling in, and outside Nigeria?

14. What are the practical differences between the transfer of goods to customers within, and outside Nigeria?

15-16. How important to your sales are network relationships? What sort do you use? Are palms greased?

16. What are the practical differences between this function within, and outside Nigeria?

17. Which countries do these orders come from? Why do you think they wanted you in particular?

24-25. Probe:

- Suppliers' actual names
- Use of networks: Does this work as well outside Nigeria, as within?
- Do you have more success outside Africa than within? Why do you think this is so?

33. Encourage respondent to open up (suggest, if necessary, possible problems with banks, competition, own staff, competition, religion, politics e.t.c).

34. Encourage respondent to open up (suggest, if necessary, possible problems with international politics, trade barriers, as well as those listed in Q33, above).

38-42.

- How much did you start the business with?
- How do you run your company (i.e what kind of management structure do you have)?
- How much time do you spend daily at work?
- Did you have a role model as a child, or do you still have one? Who?
- What is your attitude to risk-taking
 - *in life
 - *in business

(Q40 indicates "preliminary" locus of control measurement)

APPENDIX F

RENA PRODUCTS MINI-SURVEY: INTERVIEW SCHEDULE.

1. Are you a regular customer here?

Yes 1
No 2

2. How long have you been buying from Rena Products?

Less than 6 months 1
6 months - 1 year 2
1 year - 3 years 3

3. What do you usually buy? (Maximum 3)

4. Please indicate what you do with your purchase from Rena.

Do you

buy them for personal use 1
resell them 2
both 3
other 4

If you picked box 3, please indicate in what proportions

If you picked box 4, please specify what you do with the purchases

5. Who physically goes out to buy/obtain supplies for your business?

You, alone 1
You, in association with others 2
Some other person(s) within the business 3

If you picked box 3, please state the person(s)' position(s) in the firm

6. What is your position within the firm

Owner/Partner	1
Founder	2
Manager	3
Supervisor	4
Professional	5