

# **Intra-Urban Differentials in Poverty and Livelihoods in Selected Residential Neighbourhoods of Lagos Metropolis**

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## **1 ABSTRACT**

This paper critically examines Home Based Enterprises (HBE's) in residential areas of the Lagos Metropolis in order to determine their major characteristics as well as the effects their activities have on Urban Planning. Data was obtained by the administration of structured questionnaires on HBE owners in buildings with more than one informal economic activity. 929 questionnaires were administered in 5, 18 and 31 low, medium and high density residential neighbourhoods respectively. 712(76 %) were fully completed and thus fit for analysis. Analysis was by simple descriptive statistics as well as chi square among others.

The research revealed the importance of informal activities, particularly home based enterprises, as a major source of employment, income and services in urban areas. It was discovered that about 45 % of the respondents rely solely on their home enterprises and would otherwise have been destitute. 29.7 % of respondents earn between N7,500 and N15,000 monthly from their home enterprise. Across the income groups, multiple income earners are prevalent in the family. Also respondents are involved in multiple streams of income with 18.76 % being also employed in the formal sector of the economy.

The paper concludes by suggesting recommendations for harnessing HBEs at minimal cost to the environment. These recommendations include enabling the informal economy, encouragement of collective action and implementing planning reforms as well as embracing pro-poor planning and restructuring the National Poverty Eradication Programme

## **2 INTRODUCTION**

Poverty is an outcome of economic, social and political processes which most often result into the deprivation poor people face. Evidence of this phenomenon is quite common in both urban and rural areas. Though income data is scarce, low social indicators highlighting poor living conditions have existed for decades. While quantitative measurements are difficult to generate, the visual aspects of urban poverty are easy to record and according to Asaju (1996), they include extreme slum conditions, lack of basic services, ill health and malnutrition.

For many low-income households, the dwelling is one of the few resources that they have for generating income and they do this either through passive activities such as renting out rooms or more active home based enterprises (HBEs)(Tippel, 2000). Owners of HBEs have been able to consolidate their dwellings through the income from these micro-enterprises and many households would not have been able to afford their dwellings without the HBEs (Tippel, 2000). HBEs, which form a significant proportion of informal economic activities, are of particular interest to the urban planning professional.

This study investigates the activities of homebased enterprises across residential neighbourhoods of the Lagos Metropolis and the urban planning implications of their activities.

## **3 OVERVIEW OF THE STUDY AREA**

The study is set in the Lagos Metropolis, Lagos State, South Western Nigeria, on the narrow coastal plain of the Bight of Benin. Lagos Metropolis is situated within latitudes 6° 23'N and 6° 41'N and longitudes 2° 42'E and 3° 42'E. It comprises settlements that have grown from predominantly farming and fishing villages to highly urbanized settlements. Lagos Metropolis is bounded in the west by Ojo and Ijanikin, Lekki Peninsula in the east and Ikorodu and Alagbado towns in the north. Water is the most significant topographical feature in Lagos State as water and wetlands cover over 40 % of the total land area within the State.

Lagos is regarded as a mega city, because its population is estimated to be about 12 million people, with a population density of 20,000 persons/sq km (Mabogunje, 2002). Lagos state is on a built-up land area of about 18,558 Hectares made up of about 9,669 hectares (52.1 %). residential, commercial, 1,021 hectares (5.5 %); industrial, 1,448 hectares (7.8 %); institutional and special areas, 2,784 hectares (14 %); transportation 3,340 hectares (18 %), and open spaces 52 hectares (2.8 %). The Lagos metropolis comprises

88.7 % of Lagos State (Lagos State Economic Summit,2001). Based on its high urbanization rates and dense population, the poverty level in the Lagos Metropolis is quite high.

UNDP (2003) estimates that 51 % of men and 54 % of women resident in Lagos live below the poverty line. Lagos is simply the biggest node in the shantytown corridor of 70 million people that stretches from Abidjan to Ibadan: probably the biggest continuous footprint of urban poverty on earth, (Davis, 2006). The urban poor, who are dominant in Lagos, are transforming the city to meet their needs, often in conflict with official laws and plans. They reside in the slums and squatter settlements scattered around the city and are predominantly engaged in informal economic activities which encompass a wide range of small-scale, largely self-employment activities.

Lagos metropolis is stratified into various neighborhoods according to income levels. The income indicators used include some socio-economic characteristics of the neighborhoods, for example, type of accommodation (duplex, bungalow, flat, rooming), quality of buildings (good, dilapidated), monthly income of household etc. The income groups identified include; low income/high density, medium income/medium density and high income/low density.

#### **4 LITERATURE REVIEW**

Urban poverty, in particular, has been exacerbated in Nigeria by low levels of social development resulting from corruption, misallocation of funds, poor investment habits, poor family planning habits, minimum wage laws and declining life expectancy. The Human Development Report (2004) rates Nigeria as the 24th poorest country in the world. 70.2 % of the population live below the United Nations Poverty cohort (US\$1 per day).

Though many studies have been carried out on urban poverty and the informal sector, most of them have been in socio-economic, cultural and political settings quite different from what obtains in Nigeria. Bartone (1991), from a study of selected towns in the United Kingdom, posited that economic disadvantages usually as a result of unemployment/ underemployment are the root cause of urban poverty and consequently environmental degradation. Buvinic (1997) from studies cutting across Zambia and Bolivia submitted that poverty, especially when feminised, slows global economic growth. Other studies include Eversley (1990), Satterthwaite (1992), Menwhita (2000) and Gardener (2002). Studies on home based enterprises have been carried out in South Africa (Cross et al, 2001, Napier et al, 2005), India (Kellett and Tipple, 2000), Colombia (Gough and Kellett, 2001) and Zambia (Kazimbaya-Senkwe, 2004).

Reasonable research has been carried out on the twin issues of poverty and the informal economy in Nigeria. They include those of Okojie (1987) who did a measurement of poverty among women and their households in Benin City; Ogundele (1997) sought to develop an urban management framework for poverty reduction in Nigeria, while Olanrewaju and Okoko (2000) assessed women organizations and poverty reduction in Akure. Aina (1990) analysed the shantytown economy of Makoko, Lagos and discovered that the informal sector represents both the efforts and the response of low-income urban dwellers to cope with their problems of housing and seeking a livelihood. Other studies include those of Dawson and Oyeyinka (1993), Adeshina (1994), UNDP (2000), Olanrewaju and Okoko (2000), and Afolayan (2006).

These studies have highlighted the fact that poverty is a consequence, not only of the misfortunes and limited capabilities of individuals, but also of the structure and processes that determine the distribution of income. Furthermore the informal economic sector, estimated to employ over 80 % of the working population of Nigerians, provides a wide range of income generating opportunities for those lacking skills or opportunities of entering the formal sector. Participants in the informal sector are unable to separate economic life from such other aspects of social life as culture, religion, kinship and lineage. This necessitates an investigation on the HBEs which is the manifestation of the home as residence and survival mechanism

#### **5 RESEARCH METHODOLOGY**

The study population are Home Based Enterprises (HBEs). Small scale businesses located in and adjacent to residential buildings with multiple trade, service and production enterprises were sampled. The population was stratified on the basis of residential neighbourhood density into low, medium and high density residential areas. Administration of questionnaires within each of these subsets was by simple random sampling.

Questionnaires were administered to obtain data on components of poverty and livelihood. Questionnaires were structured to collate information on economic conditions and quality of life; socio-economic and socio-cultural peculiarities, environment and housing conditions.

929 questionnaires were administered in the 16 local government areas that make up the Lagos Metropolis. This comprised of 75 questionnaires in 5 selected low density neighbourhoods; 301 questionnaires in 18 selected medium density neighbourhoods and 553 questionnaires in 31 selected high density residential neighbourhoods respectively. Of these figures, 712 (76 %) were fully completed and form the basis of this paper.

Data analysis encompassed univariate analysis using descriptive statistics, bivariate analysis by adoption of the chi square test and multivariate analysis including analysis of variables

## 6 DATA DISCUSSION

### 6.1 Spatial Distribution of Household Characteristics of Respondents

The respondents are made up of 51.8 % male and 48.2 % female. Results indicate that most of the respondents are within the working ages of 16 to 45 years, making up 82.5 % of the population. The population is relatively literate based on UNESCO standards, with about 74.6 % having a minimum of secondary school education. 19.5 % of low income respondents have only primary school education, compared to 15.6 % of middle income respondents and 9.5 % of high income respondents. Only 8 % of the population has no formal education.

Average household size is 4-6 for the entire households sampled. Household size of more than 10 occurs more among the low income class (14) compared to the high income (1). The study also revealed that over 60 % of the respondents are migrants to Lagos, who have lived in their neighbourhoods for more than 10 years. The major consideration for choosing the specific neighbourhoods is that it is profitable for business and that the average rent is relatively affordable.

Variables		High income		Medium income		Low income		Total	
		Fr	%	Fr	%	Fr	%	Fr	%
<b>Gender</b>	Male	29	46.03	128	50.19	213	53.78	370	51.82
	Female	34	63.97	127	49.81	183	46.22	344	48.18
	Total	63	100.00	255	100.00	396	100.00	712	100.00
<b>Age</b>	≥15	1	1.59	8	3.14	8	2.02	17	2.38
	16-30	33	52.38	105	41.18	165	41.66	303	42.44
	31-45	21	33.33	101	39.61	162	40.91	284	39.78
	46-60	7	11.11	36	14.11	50	12.63	93	13.03
	≤ 61	1	1.59	5	1.96	11	2.78	17	2.37
	Total	63	100.00	255	100.00	396	100.00	712	100.00
<b>Highest Level Of Education Attained</b>	None	10	15.87	18	7.06	30	7.58	58	8.12
	Primary	3	9.53	40	15.67	77	19.44	123	17.23
	Secondary	34	53.97	129	50.59	162	40.91	325	45.52
	Tertiary	13	20.63	68	26.68	127	32.07	208	29.13
	Total	63	100.00	255	100.00	396	100.00	712	100.00
<b>Household Size</b>	1-3	18	28.57	71	27.85	94	23.74	183	25.63
	4-6	26	41.27	130	50.98	225	56.81	381	53.36
	7-9	18	28.57	42	16.46	63	15.91	123	17.23
	≤ 10	1	1.59	12	4.71	14	3.54	27	3.78
	Total	63	100.00	255	100.00	396	100.00	712	100.00

Table 1: Socio-Economic Characteristics of Respondents

The relationships between income levels and household characteristics are further corroborated by chi-square tests as displayed in Table 2. The table shows that there are no significant differences in the gender distribution of the respondents. However there are significant differences in the levels of educational

attainment, household size and age with significance level of 0.000. It can therefore be concluded that the household grouping of respondents is a function of the educational attainment, household size and age.

<i>Pearson Chi Square</i>	<i>Chi Square Value</i>	<i>Degree of Freedom</i>	<i>Level of Significance</i>	<i>Comment</i>
<i>Gender</i>	558.384	1	.374	Not Significant
<i>Age</i>	.789	4	.000	Significant
<i>Highest Level of Education Attained</i>	224.816	3	.000	Significant
<i>Household Size</i>	384.758	3	.000	Significant

Table2: Chi Square test for Household characteristics and income classification of Respondents

## 6.2 Spatial Distribution of Income and Asset Ownership of Respondents.

It was discovered that about 45 % of the respondents rely solely on their home enterprises. 29.7 % of respondents earn between N7,500 - N15,000 monthly from their home enterprise, while 21.1 % earn below the national minimum wage of N7,500. This set of people automatically fall under the absolute poor category and their HBEs are subsistence enterprises. Across the income categories, multiple income earners are prevalent in the family. Also respondents are involved in multiple streams of income with 18.76 % being involved in formal employment. Other sources of income include income from abroad and returns from thrift/ cooperative collaborations.

Variables		High income		Medium income		Low income		Total	
		Fr	%	Fr	%	Fr	%	Fr	%
<b>Monthly Income From Home Enterprise</b>	≤ N7,500	15	23.81	43	16.86	97	24.64	155	21.70
	N7,500 - N15,000	23	36.51	74	29.01	115	29.21	212	29.68
	N15,000 - N30,000	12	19.04	81	31.75	94	23.59	187	26.18
	N30,000 – N60,000	8	12.70	38	14.90	61	15.49	107	14.98
	≥ N60,000	5	7.94	19	7.45	27	6.86	51	7.14
	Total	63	100.00	255	100.00	394	100.00	712	100.00
<b>Monthly Income From Other Sources</b>	None	20	31.74	101	39.59	201	51.05	322	45.08
	≤ N7,500	13	20.63	37	14.50	51	12.95	101	14.14
	N7,500 - N15,000	11	17.46	41	16.07	60	15.24	112	15.68
	N15,000 - N30,000	4	6.35	60	23.52	51	12.95	115	16.10
	N30,000 – N60,000	2	3.17	10	3.92	21	5.334	33	4.62
	≥ N60,000	13	20.63	6	2.35	10	2.54	29	4.06
Total	63	100.00	255	100.00	394	100.00	712	100.00	
<b>Other Family Income Earner</b>	Spouse	37	58.72	176	68.99	272	69.08	485	67.90
	Children	12	19.04	34	13.33	69	17.53	117	16.66
	Relatives	14	22.22	45	17.64	53	13.46	112	15.68
	Total	63	100.00	255	100.00	394	100.00	712	100.00
<b>Other Income Sources</b>	Office Job	12	19.04	40	15.68	82	20.83	134	18.76
	Inheritance	4	6.35	28	10.98	38	9.65	70	9.80
	Rent	11	17.46	24	9.41	17	4.32	52	7.28
	Income from Abroad	12	19.04	44	17.25	65	16.51	121	16.94
	Cooperatives/ Thrift	25	39.68	46	18.03	98	24.89	169	23.66
<b>Possession Of Assets</b>	Land	18	28.57	135	52.94	213	53.79	366	51.26
	House	23	36.50	133	52.16	210	53.03	366	51.26
	Car	17	26.98	79	30.98	119	30.05	215	30.11
	motorcycle	4	6.35	36	14.12	41	10.35	81	11.34
<b>Possession Of Household Items</b>	Generator	27	42.86	131	51.37	257	64.89	415	58.12
	Air conditioner	17	26.98	78	30.59	14	3.53	109	15.27
	Gas/Electric Cooker	15	23.81	86	33.73	123	31.06	224	31.38
	Deep Freezer	22	34.92	123	48.24	182	45.96	327	45.80
	DVD Player	48	76.19	213	83.53	335	84.60	596	83.47
	Electric kettle	21	33.33	141	55.29	218	55.50	380	53.22

Table 3: Income and Assets Distribution of Respondents

The analysis of variance tests shown on Table 4 further shows that the F value for income from home enterprises and income from other sources are significant at  $P < .05$ . That means that there is a significant intra-group variation

		Sum of squares	df	Mean square	f	sig
<b>Monthly Income From Home Enterprise</b>	Between groups	7.458	2	3.279	3.194	.042
	Within groups	660.739	566	1.167		
	Total	668.197	568			
<b>Monthly Income From Other Sources</b>	Between groups	0.451	2	.225	.182	.834
	Within groups	426.540	344	1.240		
	Total	426.991	346			
<b>Other Family Income Earner</b>	Between groups	18.181	2	9.091	4.969	.007
	Within groups	1291.511	706	1.829		
	Total	1309.693	708			
<b>Other Income Sources</b>	Between groups	29.325	2	14.663	10.210	.000
	Within groups	594.550	414	1.436		
	Total	623.875	416			

Table 4: Analysis of Variance test for Income Distribution of Respondents

### 6.3 Spatial Distribution of Employment of Respondents

Only about 19 % of the respondents are employed in the formal sector. Of these, 7.7 % work with the government, while the others are employed in private companies. Over half of the respondents are involved in informal trade activities. These range from petty trading to hawking, selling of cooked food, raw farm produce and other minor household items. Informal service sector accounts for 38 % of the respondents. These activities include hairdressing and barbing, tailoring, secretarial services, horology, sign writing, photography and auto repair services. Informal manufacturing is done by 7 % of the respondents and includes cobbling, production of sachet water and packed food, nylon production, crafts, carpentry and metal works.

Table 5 shows that more than 70 % of the businesses are sole proprietorships. Source of funding for most of the businesses is a combination of savings, thrift and cooperative loans. Only 45 % of the respondents claim to have registered their businesses with any government body, with about 26 % operating with local government trade permits.

Majority of the enterprises employ between one and four apprentices. Only 17 % of the businesses have more than five staff. Business location is usually rented shops for about 65 % of the respondents, with about 15 % of them operating along the street. About 9 % use part of their living quarters for their enterprise. More than 90 % of the respondents live within the vicinity of their businesses. i.e. less than 2 km

While 81 % of the respondents are wholly engaged in the informal economy, 7.7 % hold government jobs while 11.09 % are privately employed. About half of the respondents are engaged in the informal trade sector. 38 % offer services while manufacturing only accounts for about 7 %. This disparity may be due to the fact that skills are required for services and manufacturing. They are also relatively capital intensive since one will need to purchase equipment and plants to operate in the subsector.

Over 80 % of the respondents run kinship based enterprises in which the ownership of the business lies with them and/or members of their families. Average staff strength is 2. About 35 % of the businesses are run by single individuals, while 43 % have paid employees or apprentices of between one and three. Only 17 % employ more than three workers. Unpaid family workers make up about 8 % of the staff strength.

About 65 % of the businesses are located in rented shops while 10 % use part of their living quarters as commercial entities. 28 % of respondents engage in their commercial activities outdoors. 27 % of respondents in the high income areas use open sheds while none are located on the street. This may be because high income areas are usually planned and any disruption to the aesthetics and harmony of the environment are frowned on. 25 % of respondents in the middle income area and 14 % of those in the low income area operate on street premises. It was also discovered that about 97 % of the respondents live within the neighbourhoods of their businesses, 80 % reside less than 1km from their businesses.

Business registration status is weak as more than 50 % of the businesses have no form of registration with appropriate authorities. About 26 % have local government trade permit; while only 10 % of the respondents have registered their businesses with the Corporate Affairs Commission. However, it was discovered that all the respondents pay daily service charges to itinerant agents of the local government.

Sources of funding for business are multiple with the predominant ones being savings, thrift and cooperative loan. The reliance on bank loan occurs for less than 1 % of respondents and this may be attributed to the fact that most HBEs lack legal status and so are unable to access credit from the formal financial sector.

Variables		High income		Medium income		Low income		Total	
		Fr	%	Fr	%	Fr	%	Fr	%
<b>Nature Of Employment</b>	Not formally employed	51	80.95	215	84.28	312	79.25	578	81.18
	Government employed	1	1.59	14	5.49	40	10.16	55	7.72
	Private Employed	11	17.49	26	10.19	42	10.67	79	11.09
	Total	63	100.00	255	100.00	394	100.00	712	100.00
<b>Category Of Informal Sector</b>	Trade	31	49.197	136	53.31	193	49.02	360	50.4
	Service	30	47.61	85	33.32	156	39.62	271	37.94
	Manufacturing	2	3.17	30	11.76	30	7.62	53	7.42
	total	63	100.00	255	100.00	394	100.00	712	100.00
<b>Nature Of Business</b>	Sole Proprietorship	50	79.35	181	70.95	292	74.17	523	73.22
	Partnership	5	7.94	46	18.03	97	24.64	97	13.58
	Family owned	8	12.70	37	14.50	71	18.03	71	9.94
	Total	63	100.00	255	100.00	394	100.00	712	100.00
<b>Business Registration</b>	Not registered	45	71.42	120	47.04	234	59.44	399	55.86
	Local Govt trade permit	7	11.11	85	33.32	100	25.40	192	26.88
	Lagos state govt	7	11.11	16	6.27	7	1.78	30	4.2
	CAC/ Federal Govt	4	6.35	26	10.19	44	11.18	74	10.36
	Total	63	100.00	255	100.00	394	100.00	712	100.00
<b>Source Of Business Funding</b>	Bank loan	1	1.59	3	1.12	2	0.51	6	0.84
	Thrift	13	20.63	58	22.74	199	50.55	270	37.8
	Cooperative loan	22	34.91	73	28.62	134	34.03	229	32.06
	Savings	30	47.61	111	43.51	162	41.15	303	42.42
	Family aid	17	26.98	52	20.384	84	21.34	153	21.42
<b>Position In Business</b>	Owner	33	52.37	158	61.94	281	71.37	472	66.08
	Paid employee/ Apprentice	23	36.50	86	33.72	79	20.07	188	26.32
	Unpaid family worker	7	11.11	10	3.92	35	8.89	52	7.28
	Total	63	100.00	255	100.00	394	100.00	712	100.00
<b>Staff Strength</b>	1	25	39.68	96	37.63	131	33.27	252	35.28
	2-4	30	47.61	99	38.81	181	45.97	310	43.4
	5-7	7	11.11	24	9.41	37	9.40	68	9.52
	≤ 8	1	1.59	25	9.80	37	9.40	63	8.82
	Total	63	100.00	255	100.00	394	100.00	712	100.00
<b>Business Location</b>	Rented shop	41	65.10	131	51.35	298	75.69	470	65.80
	Part of living quarters	3	4.761	41	16.07	26	6.60	70	9.8
	Open shed	17	26.98	17	6.66	15	3.81	49	6.86
	Open space	1	1.59	18	7.06	38	9.65	57	7.98
	On the street	0	0	66	25.87	36	9.144	102	14.28
	Total	63	100.00	255	100.00	394	100.00	712	100.00
<b>DISTANCE OF WORK FROM HOME</b>	0-1km	55	87.29	205	80.36	313	79.50	573	80.47
	1-2km	5	7.94	25	9.80	47	11.94	98	17.10
	2-4km	2	3.174	16	6.27	23	5.84	41	5.73
	Total	63	100.00	255	100.00	394	100.00	712	100.00

Table 5: Spatial Distribution of Employment

The relationships between income levels and informal employment characteristics are further corroborated by chi-square tests as displayed in Table 6. The table shows that there are significant differences in the categories of informal activities engaged, nature of business and type of business registration as well as staff strength.

<i>Pearson Chi Square</i>	<i>Chi Square Value</i>	<i>Degree of Freedom</i>	<i>Level of Significance</i>	<i>Comment</i>
<i>Category of Informal Sector</i>	3.365	4	.499	Significant
<i>Nature of Business</i>	22.567	8	.004	Significant
<i>Business Registration</i>	16.171	8	.040	Significant
<i>Source of Business Funding</i>	26.476	10	.003	Significant
<i>Staff Strength</i>	11.931	6	.064	Significant

Table 6: Chi Square test for Informal Employment characteristics and income classification of Respondents

#### 6.4 Determining the Spatial Pattern of Informal Activities in the Study area

To determine the spatial pattern of home based enterprises in the study area, Hypothesis 1 is tested. It states that

H0: Home based enterprises are not evenly distributed within the study area

H1: Home based enterprises are evenly distributed within the study area

The Nearest Neighbour Analysis was used to determine the pattern of distribution of home enterprises in the study area.

The formulae for the Nearest neighbour analysis is as follows  $R_n = \frac{\bar{d}\sqrt{n}}{A}$

Where  $R_n$  = Nearest neighbour Index

$A$  = Size of the Area Concerned

$\bar{d}$  = Mean Distance between Points

$n$  = Number of Points

The base map of the study area was generated and the coordinates for all the points where questionnaire administration occurred were imputed. Out of the 712 points located, midpoints of every cluster were identified and polygons generated to determine the distance from the nearest neighbour.

Using the formulae above, the following values were obtained

$A$  = 402637675.457 sq m

$\bar{d}$  = 1134.086 m

$n$  = 101

On computation, the value obtained for  $R_n = 0.99332$ .

$R_n$  values range from zero to 2.15.  $R_n$  values of between +1.5 and 2.15 signify a significant element of regularity. Significant element of clustering is signified when the  $R_n$  value is between 0 and 0.5. Values in between these figures point to a random distribution of identified phenomenon. With  $R_n$  value of 0.919, it means that there is no regular pattern to spatial distribution of home enterprises within the study area.

Casual observation corroborates this statistics as the phenomenon was prevalent across the three residential densities in no clear pattern. Clusters of specific trades and services were identified across the neighbourhoods and some clusters had concentration of more than one prevalent HBE.

## 7 POLICY ISSUES AND RECOMMENDATIONS

The research revealed the ubiquitousness of informal economic activities, particularly home based enterprises, as a major source of employment and income in urban areas. HBEs have provided means of survival to many who would otherwise have been unemployed otherwise. Many have improved their

capabilities and incomes. This suggests that it is possible for home based economic activities to be the launch pad for upward economic mobility especially for the absolute poor.

The prospects for reducing urban poverty in developing countries depend critically on the overall economic performance of these home based enterprises and indeed the informal sector as it employs a preponderant percentage of the working population. With the requisite support from appropriate authorities, poverty and low capacity for enterprise can be mitigated significantly.

The major policy implications from the findings of this research are therefore outlined as follows:

- (1) Enable the Informal Economy
- (2) Encourage Collective Action for Informal Entrepreneurs
- (3) Articulate the National Poverty Alleviation Policy and Restructure the National Poverty Eradication Programme

### **7.1 Enabling the Informal Economy**

The Informal Economic Sector should be recognized economically as a viable and legitimate means of sustenance. Support for the sector can include creating a new scale for the registration of such enterprises with the Corporate Affairs Commission. This scale must have fewer conditions attached to it and a more flexible regime for operations. Enabling the informal economy will give the practitioners access to credit and thus many will be able to grow from subsistence enterprises to growth enterprises. This will also benefit the government because, according the informal sector legal status renders returns from informal activities taxable.

From the results of the survey, it is evident that entrepreneurs in the informal sector frequently face the problem of acquiring suitable premises and sites for their commercial activities. In addition, restrictive policies of local municipal authorities and planning agencies regarding location amounts to harassment and on other occasions leads to fire hazards, public health hazard and traffic congestion. At other times, there is a lack of basic services - roads, drainage, water, etc. In this connection, especially for the trading sub-sector, efforts could be made to set up small market areas in existing neighbourhoods for the manufacturing and servicing sub-sectors, workshop clusters and light industrial estates located at strategic points in the city can be developed. The advantage of this approach is that firms could be provided with adequate infrastructural facilities, paid for by the artisans in easy instalments and this would also reduce the threat of eviction that most informal sector operators experience and which has an adverse impact on their production and quality of life. Furthermore, the environmental impact of their activities will be better monitored as certain standards will be required such as types and materials of kiosks, sphere of influence and even quality control of their outputs.

### **7.2 Encouraging Collective Action for Informal Entrepreneurs**

The study revealed the importance of their cooperative societies as lenders and protective cover for the HBEs. Collective action and organizational membership have a positive influence on productivity. This calls for government support to relevant collective actions.

Collective action has to be carried out at different levels. At local level, collective action should take the form of cooperatives or associations to increase bargaining power in economic terms and in political participation, and thus to obtain better services which in turn facilitate market access and increase productivity as well as protection. At national level, policies have to be promoted in favour of the sector – from infrastructure to credit, industrial and trade policies.

Cooperatives must have better organization and self-regulation to be able to engage more constructively with government and other development partners, and to increase their power to lobby, negotiate, and influence public policy in favour of their sector. They could pool resources through clustering and other ways of cooperating that foster mutual support to help their businesses grow and mature. They will be better organized and able to access credit from formal financial channels.

Collectively they must curb some of the socially unacceptable strategies that tend to discredit them, such as adulteration, crime, and other sharp practices, and confine themselves to genuine activities for livelihoods.

### 7.3 Articulating and Implementing the National Poverty Alleviation Policy

The National Poverty Eradication Council must, without delay form the National Poverty Alleviation Policy. This policy must set forth strategies aimed at promoting a high and sustainable rate of economic expansion and job creation through programmes aimed at evolving an enabling environment for poverty alleviation; providing basic infrastructure necessary for the growth of the informal sector; expanding opportunities for the poor to engage in gainful economic activity by widening their access to land, credit and other factors of production; channeling the benefits from increased participation in the world economy towards the poor segments of the society through policies promoting the expansion of labor intensive exports such as agriculture, and a reduction of trade restrictions on consumer goods.

The blue print of the National Poverty Eradication Programme must also be modified and implemented without political interference. Emphasis should shift from ad-hoc measures to developing programmes that will bring about sustainable improvements in the quality of life of majority of the population. Vulnerable groups must be given special concessions such as reduced interest rates for loans for women and identified absolute poor. Those informal entrepreneurs that show innovation and ingenuity must be encouraged through the patenting of their products and legislation that insisits that at least 40 % of government supplies must done by these local merchants.

## 8 CONCLUSION

Effective urban poverty control can only be actualized through the application of a pragmatic approach involving civic reorientation, urban redevelopment and the entrenchment of a result-oriented system of urban management.

Pro poor planning is a marriage of Community Development and Urban Economic Development. Communities suffering economic insufficiency, stagnation or decline often seek remedies for these shortcomings through strategic economic development planning. Such activity aims to amass within communities and regions the resources needed to insure employment opportunity, to supply necessary public and private goods and services, and thereby to sustain or improve the quality of life

For the future, Pro-poor Planning Strategies must be adopted for the planning of cities and new towns. Physical planning of the city must be placed at the service of the fight against poverty, creating a facilitating environment for the development of informal activities, by delineating certain areas as market areas within residential neighbourhoods, encouraging mixed use development and making provision for light industrial areas to serve cottage industries

This study had discovered that home based enterprises, apart from having a positive effect on average household income also have a positive economic impact on the general welfare of the local neighbourhood. If, in the attempt to improve the housing environment, livelihoods are destroyed through inappropriate attitudes towards home based enterprises, then sustainable livelihoods and indeed sustainable development remain a mirage. On the other hand, if improvement policies assist the viability of HBEs, and accept them as a component in the quality of life in a neighborhood, then settlement improvement and poverty mitigation will be a reality. The resulting economic and environmental dynamics will then help to reduce the unemployment and misery of urban areas.

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