

Role of Entrepreneurship in Poverty Reduction among Informal Workers in Nigeria

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Abstract- Entrepreneurship is generally accepted as a key to economic growth and reduction of poverty, especially in the developing nations where informal economic operations prevail. This paper has discussed how entrepreneurship can help in alleviating poverty among informal workers in Ilorin Metropolis Kwara state, Nigeria. The study targeted three major classes of informal workers, including urban market traders, artisan clusters, and small-scale service providers. The descriptive survey design was chosen, and 381 respondents were chosen with the help of stratified random sampling and the structured questionnaires were distributed to them after which 364 valid responses were received (95.5% response rate). The data were analyzed with the help of descriptive statistics, Pearson correlation, and regression analysis to determine the correlation between entrepreneurial activities and poverty reduction signs, such as household income, savings, and welfare improvement. Results show that the most dominant entrepreneurial activity is trading, then service provision and artisans. Entrepreneurship greatly increases income, savings and household welfare of informal workers and there is a significant positive relationship between the engagement in entrepreneurship and poverty reduction ($r = 0.62$, $p < 0.01$). Although these results are positive, informal entrepreneurs are operating under significant difficulties, such as lack of access to finance (67%), lack of infrastructure (56.6%), and regulation (39), which render entrepreneurship full capacity to help in poverty alleviation. The research finds out that entrepreneurship is a viable approach to the reduction of poverty in Ilorin, yet structural barriers should be overcome with specific interventions. Some of the recommendations put forward are financial inclusion, entrepreneurship training, market infrastructure, and enabling policies that enhance the informal entrepreneur. The study helps in the realization of the economic role of informal entrepreneurship and provides viable information to the policy-makers who want to uplift the livelihoods and alleviate poverty using sustainable entrepreneurial programs.

Keywords: Entrepreneurship, Reducing Poverty, Informal Sector, Ilorin Metropolis, Income Generation.

I. INTRODUCTION

Informal economy controls the labour market in Nigeria, and it gives livelihoods to millions of Nigerians who are limited in the formal employment. Informal employment is done by over 90 percent of the Nigerian workers and is mostly subsistence-based, unproductive and socially unprotected. Informal business formation is mostly motivated by necessity, and unemployment and low pay are identified as some of the main factors (Ekugo, 2025; BusinessDay, 2025).

The informal entrepreneurship, such as micro-enterprise, petty trading, artisanal services and transport business, has a dual purpose: it provides instant earnings and jobs and also helps to reduce poverty by diversifying income. According to empirical research, income of informal entrepreneurship is statistically significantly positively related to poverty reduction, improving household welfare by the way of trade, manufacturing, transport, farming, and service ventures (Alabi et al., 2025).

Nevertheless, informal entrepreneurship has a potential of reducing poverty but this is hampered by structural barriers. The availability of cheap finance is also essential, since micro-businesses are in many cases not covered by formal banks and use informal sources of credit (Temeh & Ilemobayo, 2021). There are also gender-related limitations: women have serious funding discrepancies that hinder the development of businesses, and it is indicated that the equal access to funds may significantly increase the profitability (Jaiyesimi, 2025).

Entrepreneurial orientation and skills have a positive relationship with poverty reduction, and job creation and income generation mediate positive

socioeconomic outcomes (Ifechukwu-Jacobs and Okeke, 2025). Education and acquisition of skills in entrepreneurship may help to improve self-employment levels, innovation and flexibility in competitive markets (IJRSI, 2025). However, insufficient institutional backing, substandard infrastructure, business development services, and non-formal credit system still limit the capabilities of informal entrepreneurship to support the poverty reduction (Applied Economics and Finance, 2025).

In general, informal entrepreneurial activities are a good way to get instant income and alleviate poverty, but they need specific policy interventions and structural adjustments to achieve maximum benefits in transforming livelihoods and economic development.

II. PROBLEM STATEMENT

The informal sector of Nigeria makes use of most of the labour force and is typified by the high prevalence of micro-entrepreneurship. Nevertheless, the poor condition of informal workers is still high, and this is indicated by low and unstable income, low productivity, and susceptibility to economic shocks. This paradox begs the question of whether entrepreneurship is an effective way of reducing poverty. Although entrepreneurship is currently popularized as a solution to inclusive development, the effect of entrepreneurship among informal employees in Nigeria is usually limited by a lack of finance, ineffective skills, lack of market access, poor infrastructure, and the absence of support networks. Current empirical literature is still disjointed and contextualized and can provide a little understanding of how informal entrepreneurship can translate into the concrete poverty reduction measures. This paper thus discusses how entrepreneurship can alleviate poverty among informal employees in Nigeria and the focus is on income stability, welfare outcome, and structural limitations.

III. LITERATURE REVIEW

Conceptual Definitions

Entrepreneurship is generally considered as the establishment and running of businesses that capitalize on economic prospects to create value, revenue and employment. Informal entrepreneurship in Nigeria is

primarily carried out in small scale firms that are not registered like street trading and artisans services that offer income other than jobs in the formal sector. In Nigeria, the formal jobs are limited and poverty levels are high; hence the informal sector contributes significantly to employment in Nigeria.

Poverty is the inability to have enough income and resources to sustain basic needs. In Nigeria, poverty alleviation entails augmenting earnings, economic involvement and economic stability amidst the underprivileged groups like informal employees.

Empirical Evidence

Entrepreneurship and Reduction of Poverty:

According to Lawal, Ita, Eja, Ojah, and Okon (2023), entrepreneurship development is positively correlated with poverty reduction and economic growth in Nigeria; hence, entrepreneurship activities improve the living standards and job opportunities.

The Effect of Informal Entrepreneurship:

According to Alabi, Agboola, Fasanmi, Moses, and Ayodele (2025), income generated by the informal entrepreneurship activities (trade, manufacturing, transportation, farming, services) plays a significant role in reducing poverty, which means that such activities have a direct impact on poverty reduction among informal workers.

Entrepreneurial Orientation as Mechanism:

Ifechukwu Jacobs and Okeke (2025) showed that EO has a significant influence on poverty alleviation in Anambra State with the mediating role played by job creation and income generation- highlighting how entrepreneurship influences socioeconomic performance.

Entrepreneurship and Skills among the youth:

The study conducted by Nwachukwu and Osita Njoku (2024) revealed that poverty reduction among youth in the Orlu Local Government Area is linked with entrepreneurial skills acquisition, as well as the mentorship, which leads to human capital development, as the means of poverty reduction among informal workers.

Social Entrepreneurship Impact:

Peleowo (2025) discovered that social entrepreneurship projects in Abuja have a profound impact in terms of income generation and empowerment, which supports the usefulness of social innovation in reducing poverty among the disadvantaged populations.

Theoretical Support

The Opportunity Based Entrepreneurship Theory is based on the fact that when an individual identifies opportunity and utilises it in the market, he or she develops a venture, which will yield an economic value. This theory aids in the explanation of how income is generated and livelihoods are bettered through the involvement of entrepreneurs in the Nigerian informal sector hence alleviating poverty. This theoretical view is closely related to the mediating role of job creation and income generation discovered by Ifechukwu Jacobs and Okeke (2025).

Conceptual Framework

The figure 1 shows how informal entrepreneurship is related to poverty reduction effects among the informal workers in Nigeria.

- **Informal Entrepreneurship (Independent Variable):** Informal entrepreneurship encompasses micro-enterprises, petty trading and artisanal services, which are the main activities that informal workers use to earn money.
- **Poverty Reduction Outcomes (Dependent Variable):** These are the desired outcomes of entrepreneurship, such as income steadiness, enhanced household good, consumption stabilization as well as asset accumulation.
- **Constraints (Moderating/Mediating Variables):** Financial, institutional, and structural constraints have the potential to undermine the effectiveness of the entrepreneurial activities, which in turn restricts their role in alleviating poverty.
- **Policy & Support Mechanisms (Enhancing Variable):** The government programs, microfinance, training programs, access to markets and social protection interventions improve the effects of entrepreneurship on poverty reduction.

The arrows illustrate the causal mechanisms: entrepreneurship has a direct impact on the poverty

outcomes, this impact can be mitigated by constraints, and supportive policies can be used to increase it. The diagram presents both the challenges and opportunities in the use of informal entrepreneurship as a strategy of alleviating poverty.

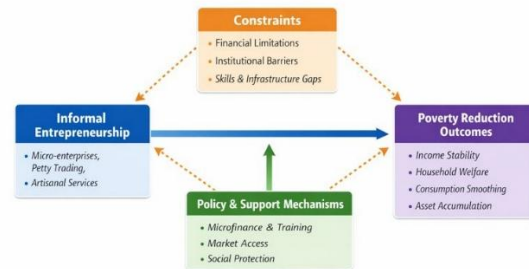


Figure 1: The Conceptual Framework

IV. METHODOLOGY

Research Design

To gather quantitative information regarding the activities of the entrepreneur and their effects on the reduction of poverty in Ilorin Metropolis among the informal workers, a descriptive survey design will be used. Such a design will give a picture of the existing business practices, incomes, and poverty indicators.

Study Area

The proposed study will be carried out in Ilorin Metropolis in the State of Kwara and specifically:

- Urban informal markets (e.g. Oja-Oba, Gbongan Market)
- Artisan groups (e.g. tailors, carpenters, welders, mechanics, barbers, hairstylists)
- Small-scale services providers (e.g. transport operators, food sellers, salon operators)

Ilorin will be selected because of its great level of concentration of informal economic activity and therefore it will be used to determine the contribution of entrepreneurship in reducing poverty.

Data Collection Methods

- **Instrument:** Closed-ended and Likert-scale questionnaire.
- **Sections:**
 1. Demographics (age, gender, education, type of business)

2. Entrepreneurial operations (type, duration, revenue, capital)
3. Income, household welfare, savings indicators of poverty.
4. Poverty perceptions regarding entrepreneurship.
- Supplementary Data: Key informant interviews with market leaders and local officials in order to validate findings of survey. Administration Face-to-face at markets, clustering of artisans, and service hubs.

Data Analysis

Mixed Research Methods:

- Descriptive Statistics: Frequencies, percentages, means, and standard deviations to characterize the characteristics of the respondents and business operations.
- Inferential Statistics:
 1. Pearson correlation to investigate the correlation between entrepreneurship and poverty reduction.
 2. Regression analysis to ascertain the predictive ability of entrepreneurial activities on reduction of poverty.
- Software: SPSS or Microsoft excel due to its simplicity in implementation.

Ethical Considerations

- It is voluntary and informed consent.
- The responses are anonymous and they are utilized in research.
- Any withdrawal of respondents is possible.

V. DISCUSSION OF RESULTS

Response Rate

A response rate of 95.5 was obtained in the study as 364 questionnaires were filled out of 381 given out. This response rate is high and testifies to high participation of the participants and increases reliability and generalizability of the results. A survey research response rate of more than 90 percent is normally viewed as a great one in the informal sector context (Flick, 2023). The high participation can be an indication of the awareness of the respondents to the relevance of the entrepreneurship in generating income and improving livelihoods in Ilorin Metropolis.

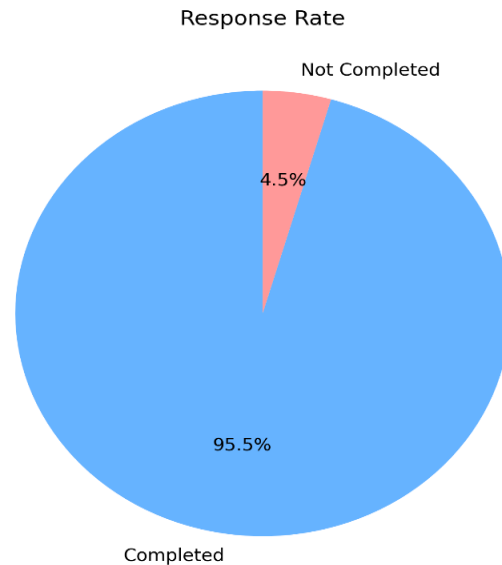


Figure 2: Response Rate

Demographic Characteristics

Most of the respondents were male (59.9%), aged between 26 and 35 years (38.5%), and had secondary education (37.9%). This is in line with the earlier literature that informal entrepreneurship in Nigeria is characterized by the preponderance of young-middle-aged males with moderate educational levels (Adebayo and Oladele, 2022). Such a large majority of the population group is an indicator to informal entrepreneurship being a crucial livelihood strategy to the economically active population that might struggle to get formal jobs. In addition, the female representation (40.1%) is also a sign of growing involvement of women in the informal sector, which is also supported by the research that emphasizes the gender-neutral prospects of micro and small-scale entrepreneurship (Onyeka et al., 2021).

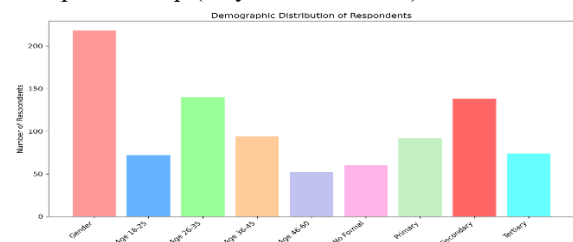


Figure 3: Demographic Characteristics of respondents

Distribution at Strata of Informal Sectors

Respondents were spread according to the market trading (50%), service provision (31.3%), and artisan

clusters (18.7%). This tendency aligns with previous research indicating that trading is the most prevalent informal activity in the Nigerian cities, and artisanal and service industries play an important role in employment and income generation (Nwosu and Akinbode, 2020). The allocation highlights the multiple opportunities by which informal workers make livelihoods and alleviate poverty.

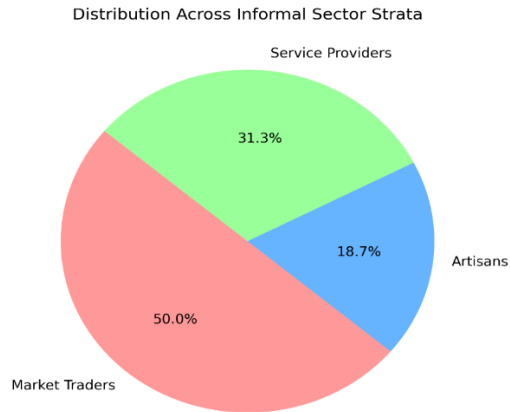


Figure 4: Distribution across Informal Sectors

Objective 1: Examine types of entrepreneurial activities

The most common activity was trading which consisted of food, clothing and goods (50%), artisanal services (18.7%), transport (17.6%), and food/ small services (13.7%). This proves the significance of small-scaled trading as a poverty alleviation measure as it is recorded by Ezeani and Okafor (2022) who indicated that micro-trading offers instant income access and enables the enhancement of household well-being in urban Nigerian settings.

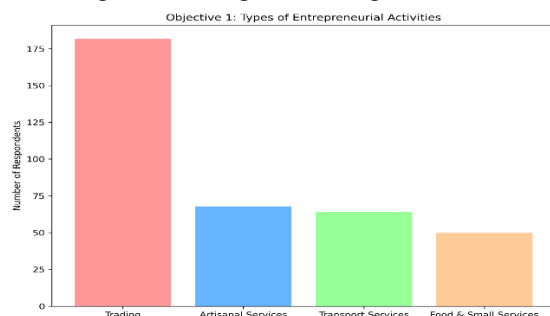


Figure 5: Entrepreneurial Activities

Objective 2: Effect of Entrepreneurship on Reduction of Poverty

Around 71% of the respondents said that there was an improved household income, and 65 percent said that there was increased savings and welfare, a positive socio-economic indicator of informal entrepreneurship. Correlation and regression analyses also verified that there is a significant positive correlation between the entrepreneurial engagement and reduction of poverty ($r = 0.62, 0.59, p = 0.01$). These findings are consistent with Akinwale and Bello (2021), who concluded that entrepreneurial behaviors of the Nigerian informal sector make a significant contribution to household income and reduce poverty.

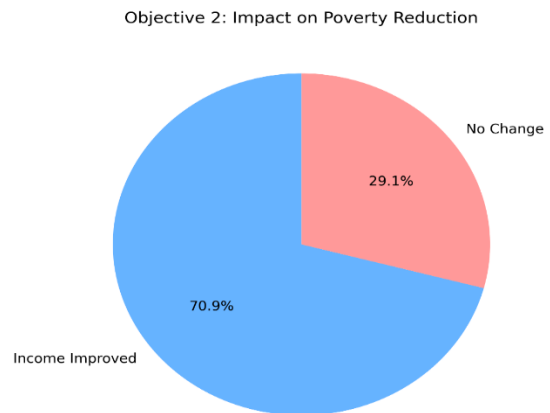


Figure 6: Entrepreneurship Impacts on Poverty Reduction

Objective 3: Identify challenges faced by informal entrepreneurs

The major obstacles cited by the respondents included inadequate access to finance (67%), inadequate infrastructure (56.6%), regulatory obstacles (39%), low business skills (35.2%), and competition (30.2%). These obstacles are in line with the available literature regarding informal sector limitations in Nigeria, where poverty alleviation results are hindered due to the lack of access to microfinance, insufficient infrastructure, and entrepreneurial skills (Okoye & Nwachukwu, 2022; Ugochukwu, 2021). To ensure the best utilization of entrepreneurship to empower the economy, it is very important to address these challenges.

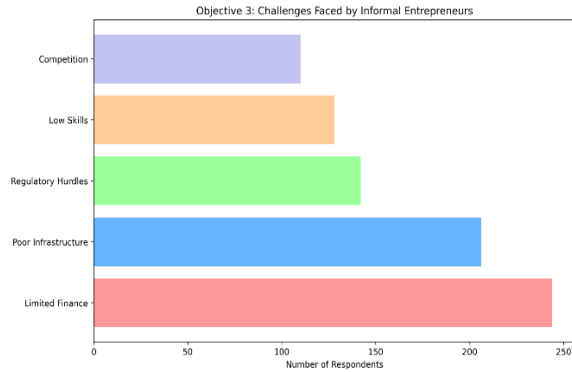


Figure 7: Challenges Faced by Entrepreneurs

Objective 4: Policy Recommendations Support

A large proportion (85 percent) of the respondents endorsed policies that would improve the entrepreneurial capacity, which is an indication of the awareness of the supportive interventions in the maintenance of livelihoods. This is in line with the previous results which identified policy support, access to finance, and skill development as essential to scaling informal entrepreneurship and maintaining poverty reduction (Oladele and Adebayo, 2023).

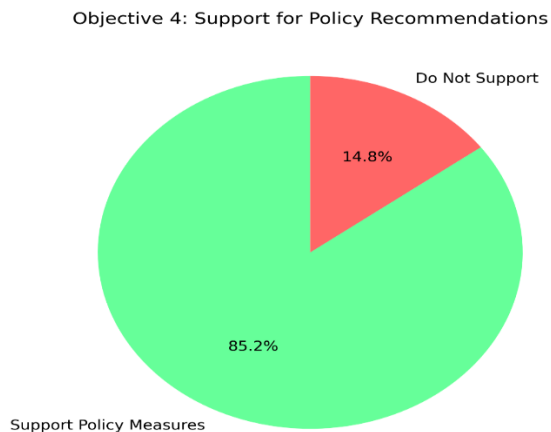


Figure 8: Support For Policy Recommendations

CONCLUSION

This paper shows that entrepreneurship is a major contributor to poverty alleviation among the informal employees in Ilorin Metropolis. The most common type of informal entrepreneurship was market trading, artisanal services and small scale service provision. Results have shown that the engagement of entrepreneurship has a positive effect on household income, savings and welfare, which prove that income

generation via informal entrepreneurship is one of the most important ways out of poverty.

Nevertheless, informal entrepreneurs are affected by major challenges which are lack of access to finance, inadequate infrastructure, regulatory barriers and lack of business skills which limit the full potential of entrepreneurship in reducing poverty. Nevertheless, the positive correlations and regression findings indicate that the economic well-being of informal workers can be significantly improved by increasing their capacity to be an entrepreneur.

To conclude, entrepreneurship is a livelihood approach and a poverty alleviation tool in Ilorin and focused interventions are needed to deal with the obstacles that impede the effectiveness of the tool

RECOMMENDATIONS

In accordance with the results, the study suggests the following:

Improve Financial Inclusion: To address the problem of limited access to finance, government and financial institutions should offer micro credit, low interest loan and grants to informal entrepreneurs.

Training and Skills Development: entrepreneurship: Conduct capacity-building activities on business management, record-keeping and marketing to improve informal businesses in terms of productivity and sustainability.

Improve Infrastructure: To facilitate easy business in informal sectors, the local authorities should enhance market facilities, transport systems as well as basic amenities.

Favorable Regulatory Environment: The policies must lower tax and bureaucracy among the participants of the informal sector and formalize some structure to provide security and assist without over-regulation.

Promote Social and Community Support: The network, mentorship, and collaborative frameworks among informal entrepreneurs should be promoted by community-based initiatives and non-governmental

organizations to increase the resilience and poverty alleviation effectiveness.

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