

# The Informal

## ECONOMY REPORT 2024

Powered by  Moniepoint



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# Introduction





Every morning just after sunrise, Mama Odun opens her shop in a small corner of a busy market in Oyo state. To people who come to buy from her, she's just a trader they can depend on to show up every day in her little corner. To us at Moniepoint, she's part of a thriving network of businesses contributing up to 37% of the GDP in emerging markets.

This is the story of Nigeria's informal economy—crucial, colourful, and commonly underestimated.

Nigeria is home to approximately 40 million MSMEs<sup>1</sup>. Of these, it is estimated that about 89.4% are in the informal economy. The extensiveness of the informal market is undeniable; they're your neighbours, friends and family, with side hustles to supplement their income. You interact with them regularly, and they're an integral part of your life.

Unlike their formal counterparts, the informal economy comprises businesses typically described as untaxed and unregistered. This section of the economy has also been described using terms that include 'underground', 'cash-in-hand' and the 'shadow economy', signifying how hidden they are from formal systems and, often, regulatory bodies.

According to Schneider, Buehn, and

Montenegro in 2010, "Informality is typically defined as market-based and legal production of goods and services that is hidden from public authorities for monetary, regulatory, or institutional reasons". The terms "informal economy" and "informal sector" first appeared in academic literature and developmental policy circles in the early 1970s based on the fieldwork done by an anthropologist, Keith Hart, in Nima (a low-income neighbourhood in Accra) for his doctoral study in Anthropology at Cambridge University. More than fifty years on, its use has become widely acknowledged worldwide.

The International Labour Organisation, in 2002, also defined the informal economy as part of the economy not covered or sufficiently covered by formal

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1. NBS -SMEDAN National Survey Of Micro Small & Medium Enterprises (MSMEs), 2017



arrangements. In this context, formal arrangements vary from tax payment to alignment with government regulations for business registration. Another definitive frame sought to cast the informal economy is as covering the entire range of the urban economic cycle - from basic forms of production, to recycling, which includes goods and services such as housing, transport, infrastructure, credit and occupation of space, with extensions into the space of political negotiation.

But its contribution is not as negligible as its hidden nature implies. Invisible as this shadow economy may be, its impact is palpable, and in Nigeria, it is a major contributor to the economy.

As the business banking partner for millions of MSMEs in Nigeria, Moniepoint has been pivotal in integrating these businesses into the financial mainstream. Our products and services make seamless payments accessible to this sector, while giving us deep insights into what makes this sector tick. These insights, in turn, help us build the tools they need to thrive.

This report weaves key data, insights and expert perspectives to illuminate Nigeria's shadow economy and inspire deeper understanding of it.

# Foreword



## **Tosin Eniolorunda**

Founder and CEO, Moniepoint Group.

Moniepoint began in the markets and on the streets. As we started to build our financial products and services, we needed to understand people's needs and how we could help them. Being out there with them helped us put their reality into perspective in a way that conferences and office meetings could never.

It also grounded me in the experiences I'd lived through growing up. As a child, I learned to be scrappy by making my own toys since I didn't have any. By the time I was in university, I was helping other students and working class people conduct research to make extra income. This was my own first step into the informal economy. It was just a side hustle, so it never occurred to me to register a business and access tools that might have helped me build a practice. This ceiling is where most Nigerian businesses in our economy get stuck.



No Nigerian is a stranger to the informal market. Stalls, minimarts, hairdressers, plumbers, food sellers, and many others in varying sectors make up this part of the economy. Like any other business owner, they need access to simplified payments, banking, and credit—important ingredients for a successful business.

From day one, our mission has been to create a world where everyone experiences financial happiness. We've set out to do this from a sector often out of sight for many of the available systems and solutions. To us, the informal economy represents an opportunity to make the kind of impact that people can feel daily, regardless of their income level or societal status.

We started by providing them with a point-of-sale terminal that made it easy to accept payments reliably by card or transfer. Every month, over 72 million unique cards are used by Nigerians at Moniepoint terminals across the country, but we didn't stop there. We've also made it possible to access tools and financial instruments, from insights about their businesses that were previously unavailable or unreliable to credit that allows them to grow.

In just a few years, over 2 million businesses, many within the informal economy, have chosen Moniepoint as their essential growth partner. The commitment we feel to this sector inspired the creation of this report.

As a data-driven organisation, we've continued to iterate our processes based on the insights we've gleaned from this sector of the economy. With access to this large sample of the informal economy, it's become important for us to contextualise and share this information.

This is especially important because the Nigerian market is unlike many others. We believe these insights will help entrepreneurs and regulators alike as we work together to improve this part of the economy that contributes so much to Nigeria's GDP.

By quantifying the informal economy's impacts and nuances, we can better shape policies and programs to empower and uplift the entrepreneurs driving it forward. Their success is inextricably linked to Nigeria's continued growth and development. Please explore this report, gain insights into Nigeria's informal economic landscape, and join us in unleashing the sector's full, remarkable potential.

Finally, we would like to express gratitude to all the individuals, businesses and organisations that participated in making this happen.

Thank you.

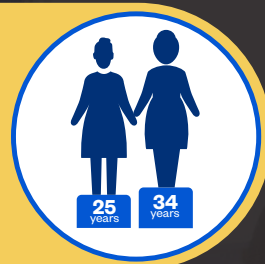
**To us, the informal economy represents an opportunity to make the kind of impact that people can feel daily.**

# Key insights on Nigeria's informal economy.



The average monthly income of an informal business is less than **₦250,000.**

Informal business owners are likely to be between **25-34 years.**



**Unemployment** is the most common reason for starting an informal business.

**89%** of informal businesses pay some form of taxes.



**Retail & General trade** has the highest number of informal business owners.

The lifespan of most informal businesses is **under 5 years.**



**70%** of informal business owners **borrow money** for their business.

**52%** of informal business owners prefer to be paid **via cash.**



**Feeding & Family Expenses** are what most informal business owners spend their income on.

**Half of the business owners** in the informal economy run more than one business.





# An overview of Nigeria's informal economy



We've established the importance of the informal economy to daily life in Nigeria, yet much of it is underexplored or misunderstood. As an essential partner, we're committed to supporting these businesses to thrive and showing everyone their potential.

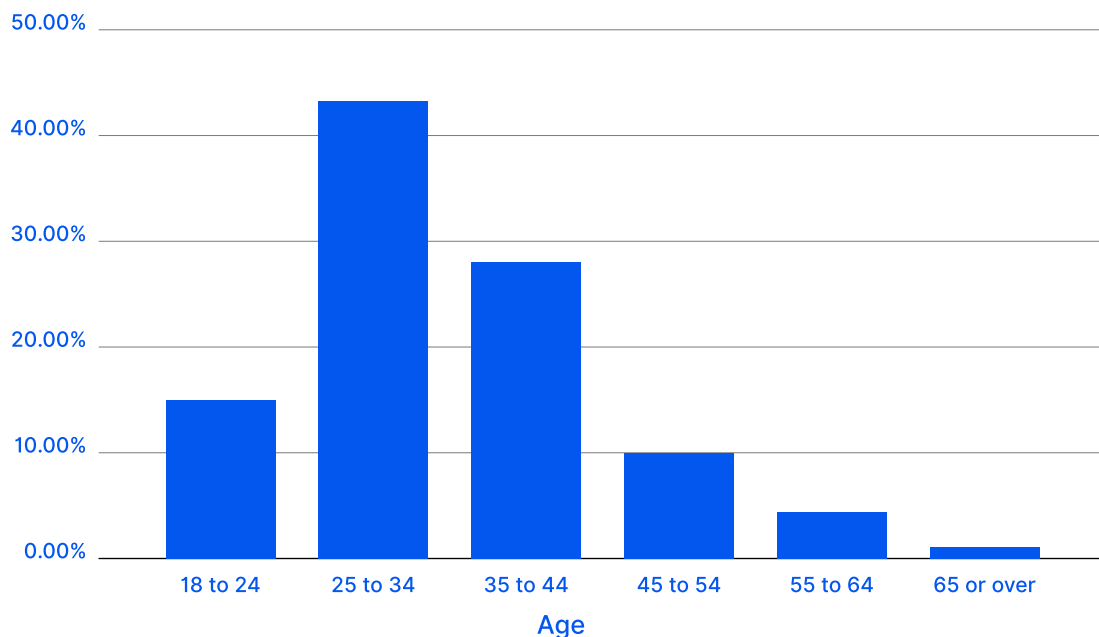
To illustrate how important they are for Nigeria's economy, we dug deeper to understand this sector, speaking to hundreds of business owners and analysing the data from over 2 million businesses across Nigeria. Here's what we found:

## 1.1 How old are they?

In Sub-Saharan Africa, a significant portion (85%) of employment is informal, and generally young<sup>2</sup>. Our data shows that almost 58% of Nigeria's informal workforce is below 34 years old. The largest group, making up 43%, is between 25 and 34. The second largest group of young people, 35 to 44-year-olds, represent 28.9% of the sector in Nigeria.

This youthful energy offers a tremendous opportunity for socio-economic transformation through innovation, entrepreneurship, job and wealth creation.

Fig. 1. Informal economy by age





## 1.2 How do men and women contribute?

For every 10 working women in Sub-Saharan Africa, 9 of them work in the informal economy<sup>3</sup>. Our data at Moniepoint shows that women own 37.1% of businesses in this sector. These data points show that the informal economy represents a crucial avenue for women’s economic empowerment in Nigeria and across Africa despite challenges in equity.

Fig. 2. Informal industry by gender

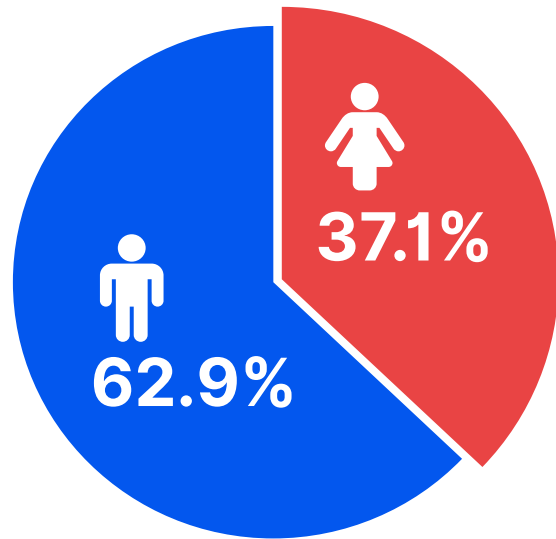
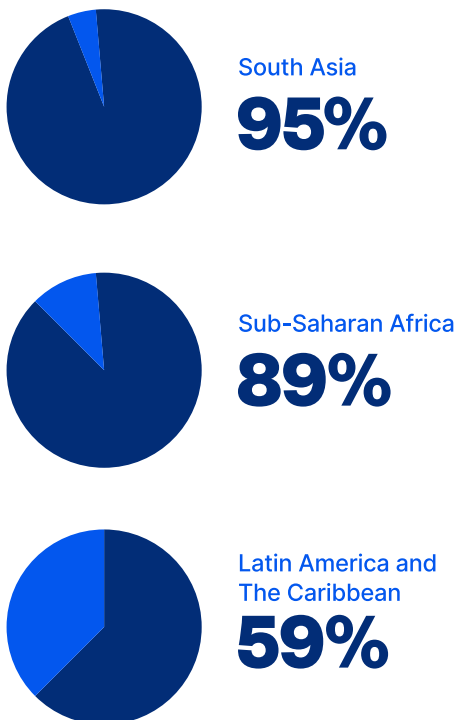


Fig. 3. Women in informal employment as a percentage of total employment



### Informal workers can include

- Street vendors
- Petty goods and service traders
- Subsistence farmers
- Seasonal workers
- Domestic workers
- Industrial outworkers

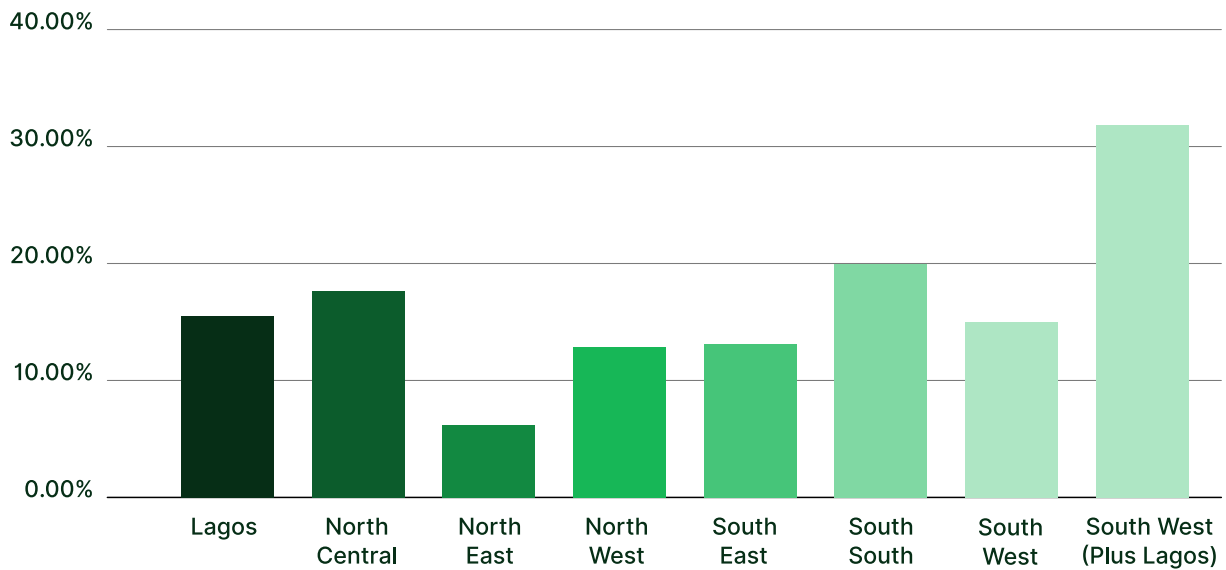


3. UN Women, Progress of the World’s Women 2015–2016. Chapter 2, p. 71.

### 1.3 Where are they located?

Nigeria's 36 states and Federal Capital Territory are split across six geopolitical zones. We found that the southwest had the largest volume of businesses in the informal economy, including Nigeria's commercial capital, Lagos.

Fig. 4. Informal economy by location





# A closer look at Nigeria's informal businesses



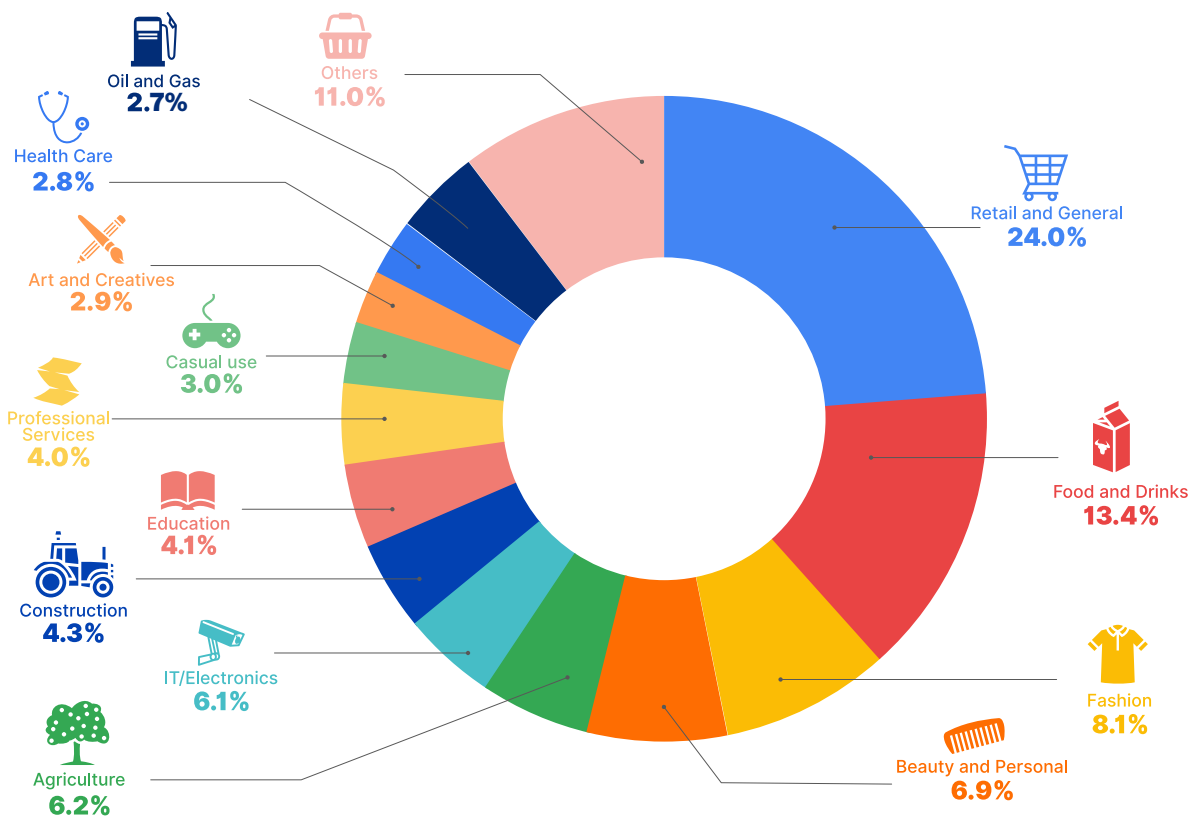


To understand the current fabric of the Nigerian informal economy, we analysed the data from over 2 million businesses that use Moniepoint. We classified them based on the industries most businesses operate in, their lifespan income, and motivations for starting a business. Here's what we found:

## 2.1 Industries you're likely to find them

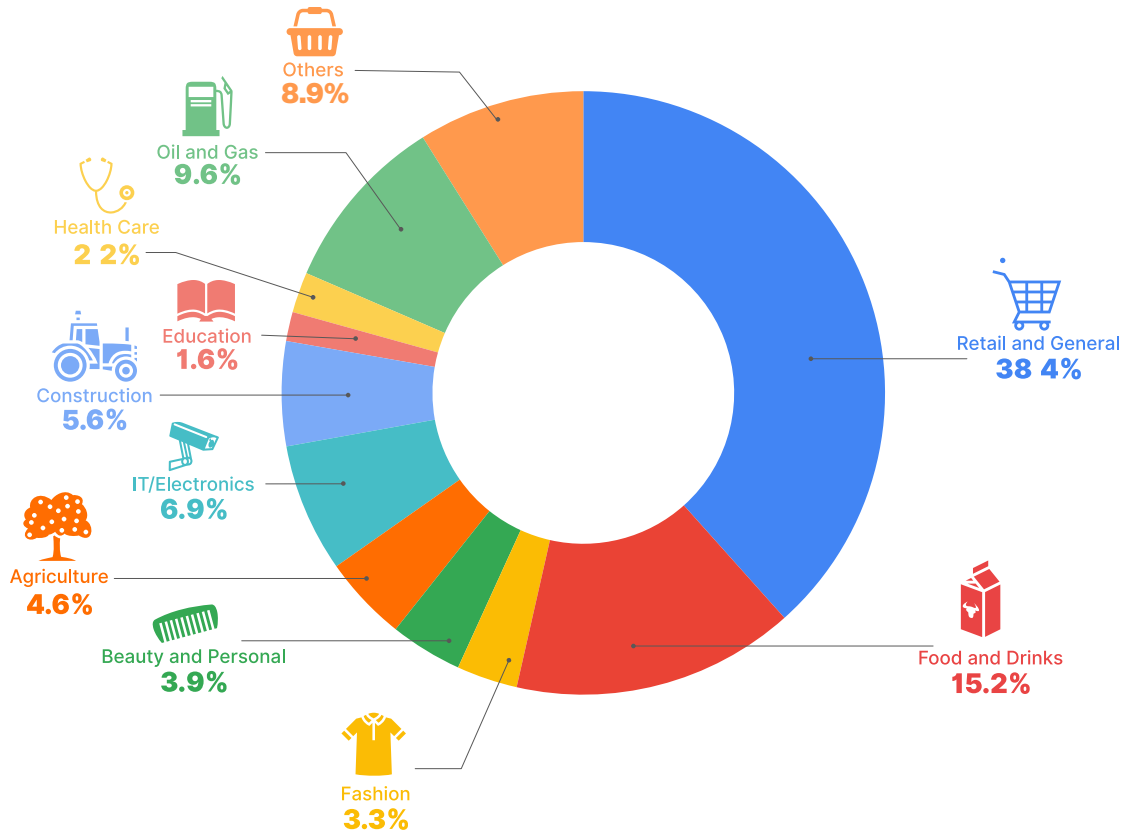
Retail and General Trade was the leading category in Nigeria's informal economy, containing 24% of all businesses. In addition to Food & Drinks, Fashion and Beauty, and Agriculture, this category accounts for 58.6% of all businesses in Nigeria's informal market.

Fig. 5. Informal economy by volume



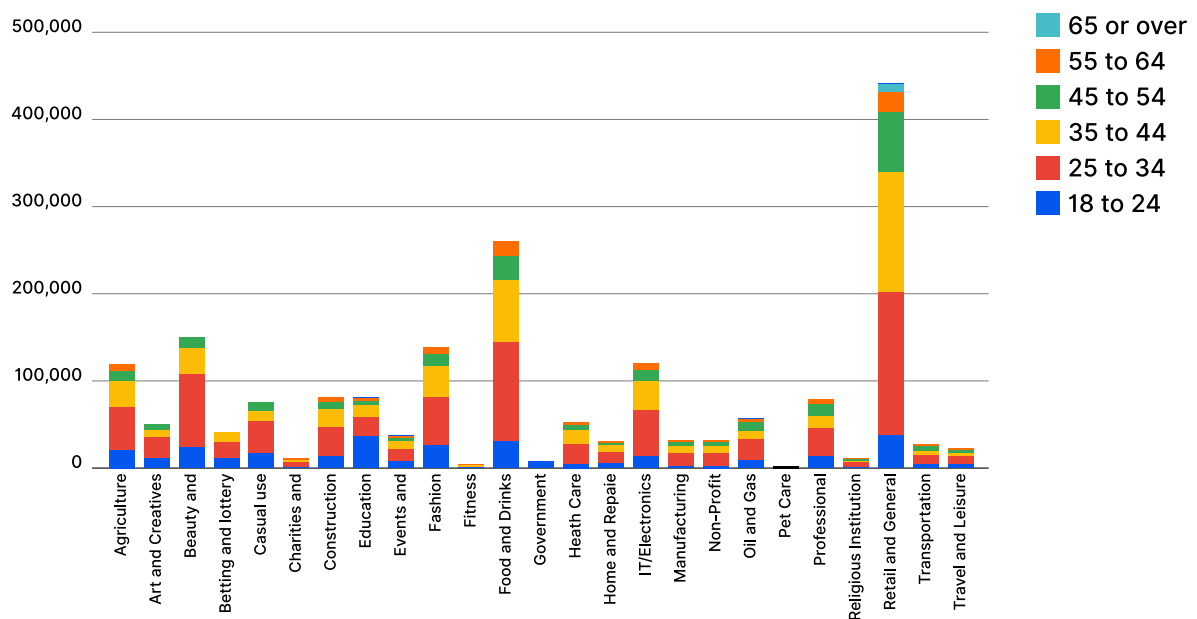
By transaction volume in Naira, Retail & General trade, alongside Food & Drinks, accounted for over half of Nigeria's informal economy at 53.6%. Businesses you'd typically find in this category include neighbourhood shops, restaurants, supermarkets, and others that sell "daily necessities".

Fig. 6. Informal economy by value



Across industries, people aged 25 to 34 own the most businesses. They account for 38.2% of businesses in Retail & General trade, with nearly half (47.2%) of all business owners in the industry being under 34 years old.

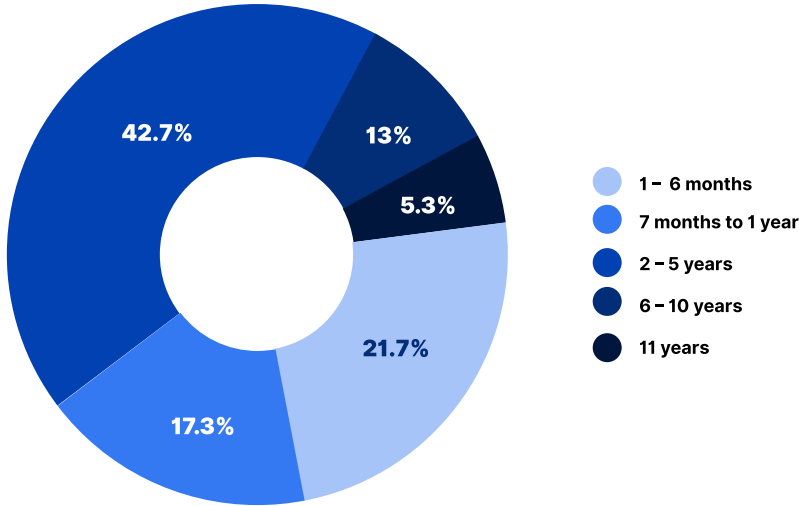
Fig. 7. Informal economy volume vs age





## 2.2 Lifespan of Nigeria’s informal businesses

Fig. 8. Informal economy by business age



42.7% of business owners in the informal sector have been in business for 2-5 years.

Eight in every ten small businesses are relatively new, running for less than five years. Less than 20% of businesses were over five years old, indicating the challenge of keeping businesses running for over five years. Programs designed to enhance business resilience, like improved access to financing and support and development programs, could be valuable.

## 2.3 How informal businesses expand

Half of the business owners in the informal economy own multiple businesses. We also found that those who had been in business for over 6 years were more likely to own multiple businesses. The chances went up from 48% for business owners who had been in business for 2 to 5 years, to more than 65% for those who had been in business for more than 6 years.

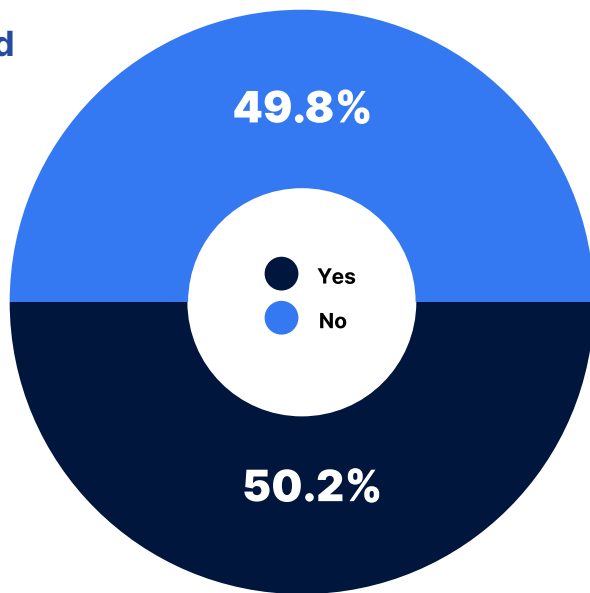
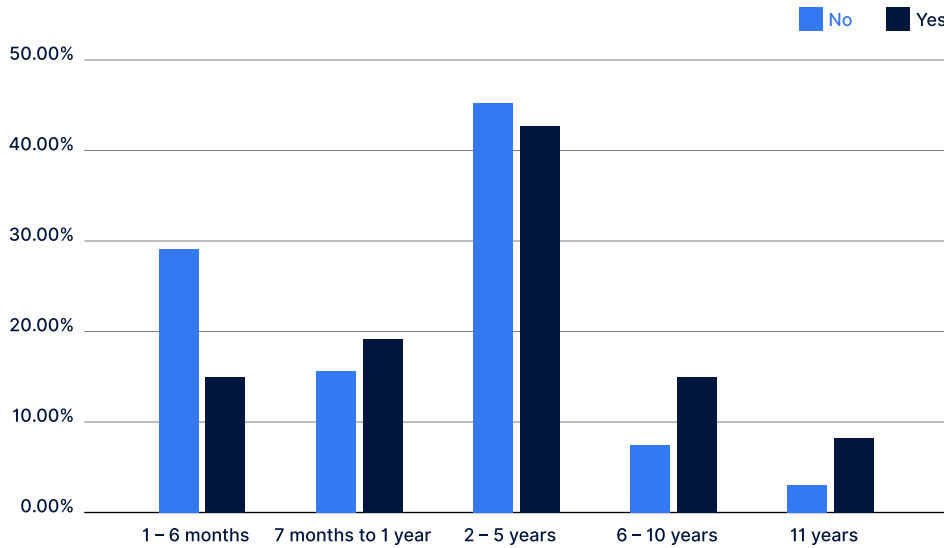


Fig. 9. Informal Economy by likelihood to own multiple businesses

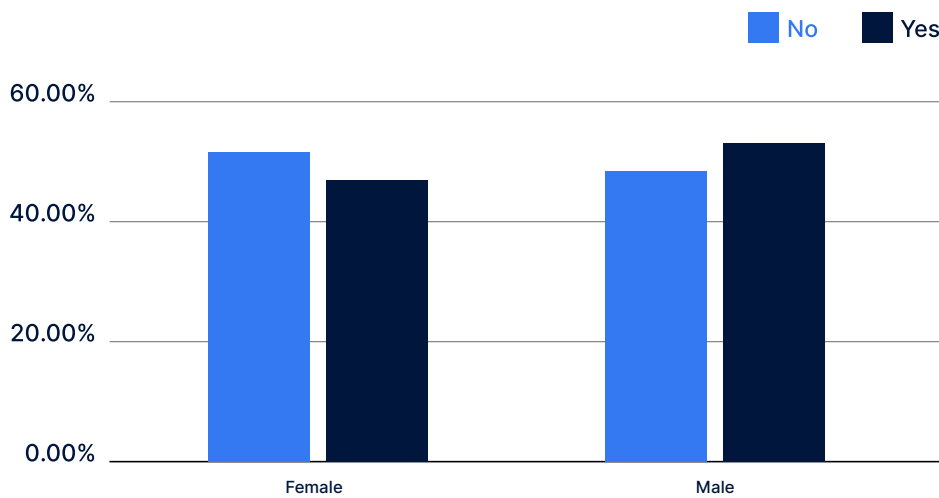
Fig. 10. Business lifespan vs likelihood to own multiple businesses



Business owners who had been around for longer were more likely to own multiple businesses.

In the informal economy, men often own multiple businesses, contributing to the apparent dominance of men in this sector by number of businesses.

Fig. 11. Gender vs likelihood to own multiple businesses



## 2.4 Breaking down income and revenue

Put together, businesses in the informal market contribute over half of Nigeria’s GDP . This is evident in their revenues with the bulk of them (72.3%) hitting monthly revenues of over N1,000,000 monthly. But their actual profit deviates from these high figures. Individually, most of them make less than ₦250,000 monthly. On the higher end of the spectrum, only about 1.3% of businesses in Nigeria’s informal economy earn above ₦2.5m monthly.

Fig. 12a. Informal economy by monthly revenue (Naira)

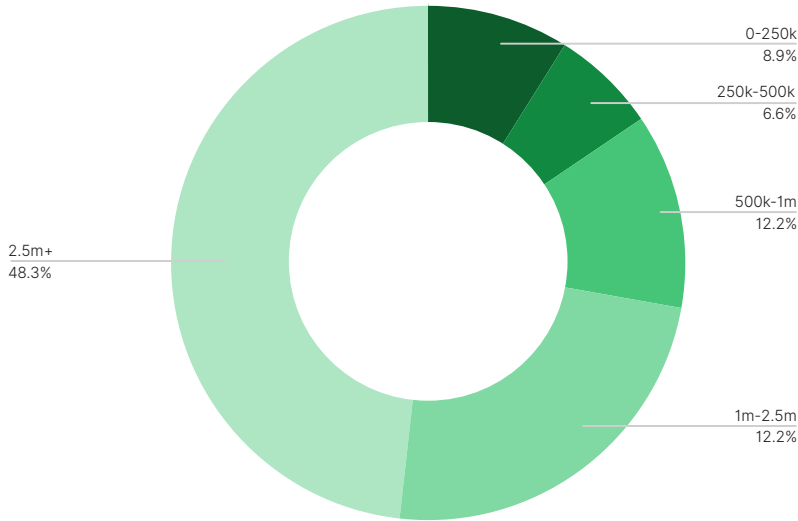
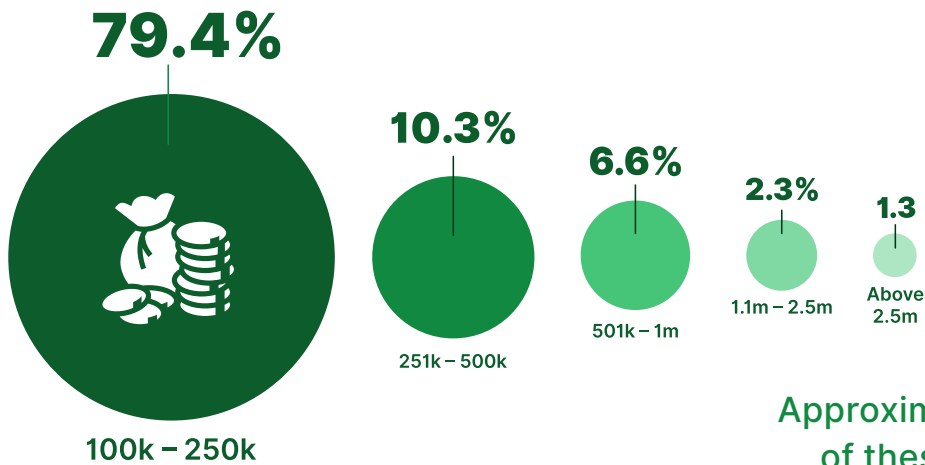


Fig. 12b. Informal economy by monthly profit (Naira)



Approximately 90% of these informal businesses make less than ₦500,000 in profit monthly.

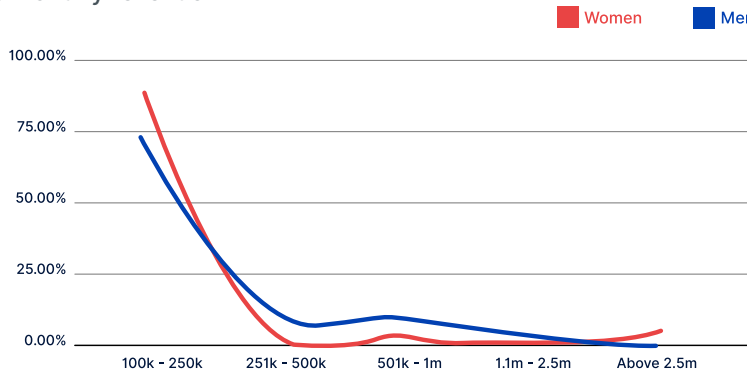
4. Tonuchi, Joseph E and Idowu, Peter, How Large Is the Size of Nigeria’s Informal Economy? A Mimic Approach (2020). International Journal of Economics, Commerce and Management, 2020, Available at SSRN: <https://ssrn.com/abstract=3683765>



### 2.4.1 Income by gender

Compared to women, men were more than twice as likely to earn more in the informal economy, even though the overall earning potential remains low. *9 out of 10 women-owned businesses in the informal economy earn less than ₦250,000 monthly.*

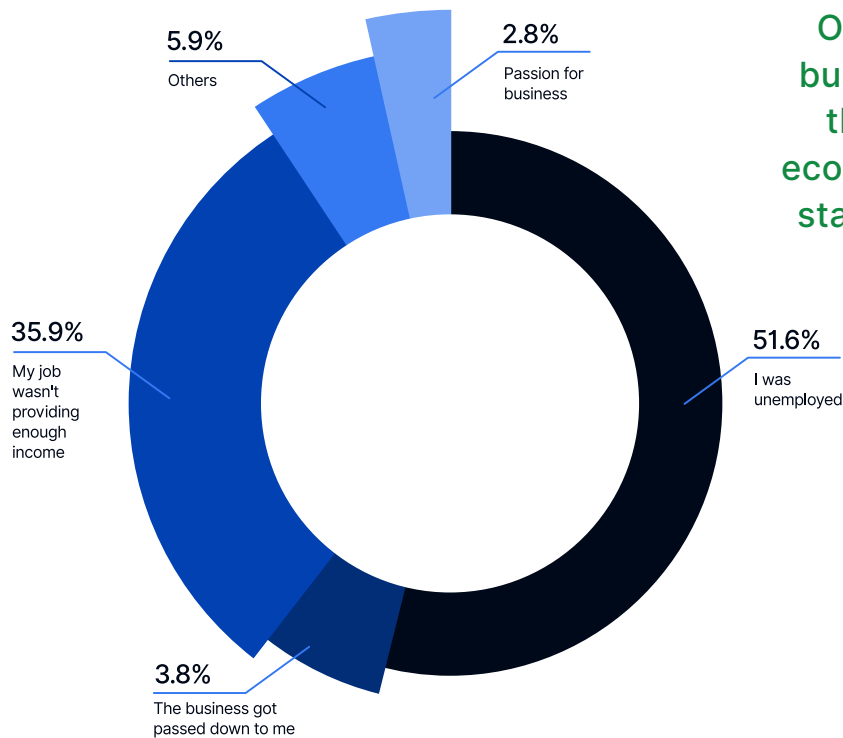
Fig. 13. Gender vs monthly revenue



### 2.5 Why informal entrepreneurs started their businesses

Businesses in the informal economy contributed up to 90% of employment in Nigeria. But what was the motivation for these business owners?

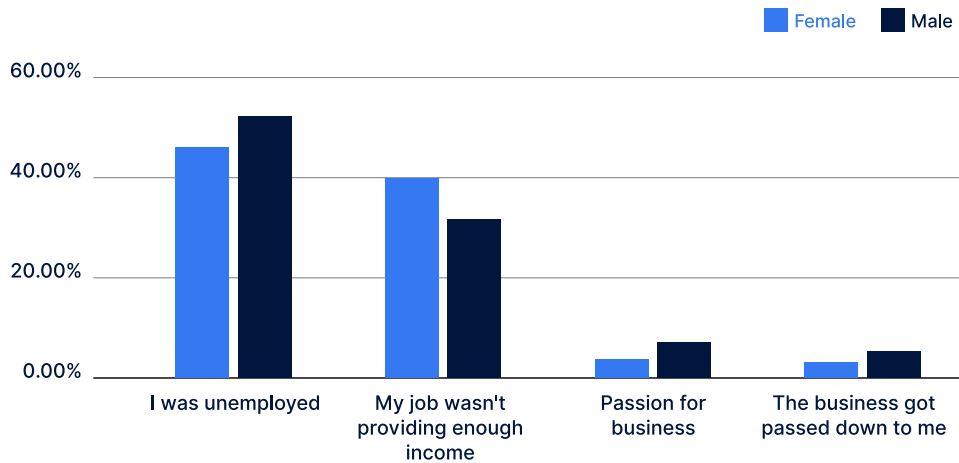
Fig. 14. Informal economy by motivation for starting a business



Only 2.8% of businesses in the informal economy were started out of passion.

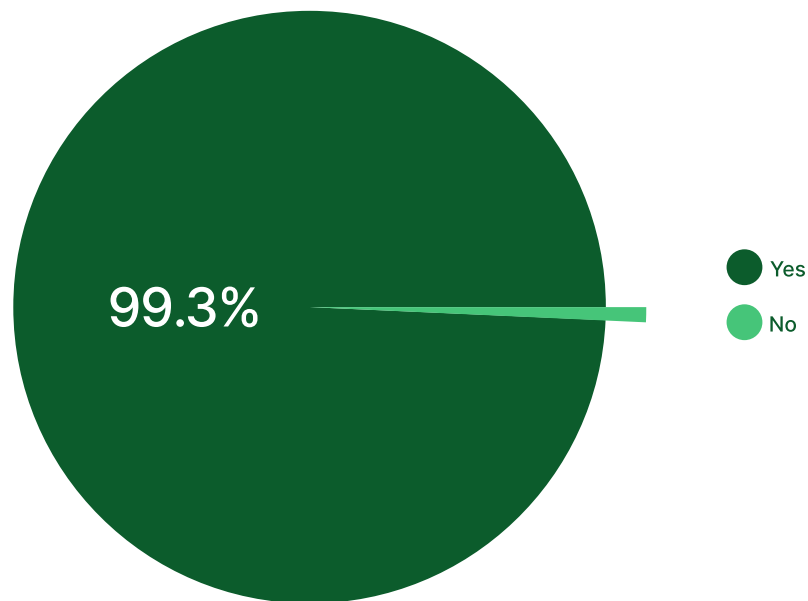
About half (51.6%) of business owners we spoke to chose unemployment as the reason they started a business. The closest primary reason to that were those who stated that they started a business because their current job wasn't providing enough income (35.9%).

Fig. 15. Gender vs Motivation for starting a business?



While unemployment was the leading motivation for starting a business among men, we found that insufficient income from more formal employment was the higher motivation among women.

Fig. 16. If you were given a gift of ₦20,000,000 would you still run this business?



Despite this, 99.3% of these business owners say they'd keep running their business if they got a gift of ₦20 million. Even though a passion for business was the least common reason for starting it, business owners in the informal economy have a strong desire to stick it through. We also found, however, that passion had a significant effect as people try to build lasting businesses: 50% of the people whose businesses were more than five years old started out of passion.



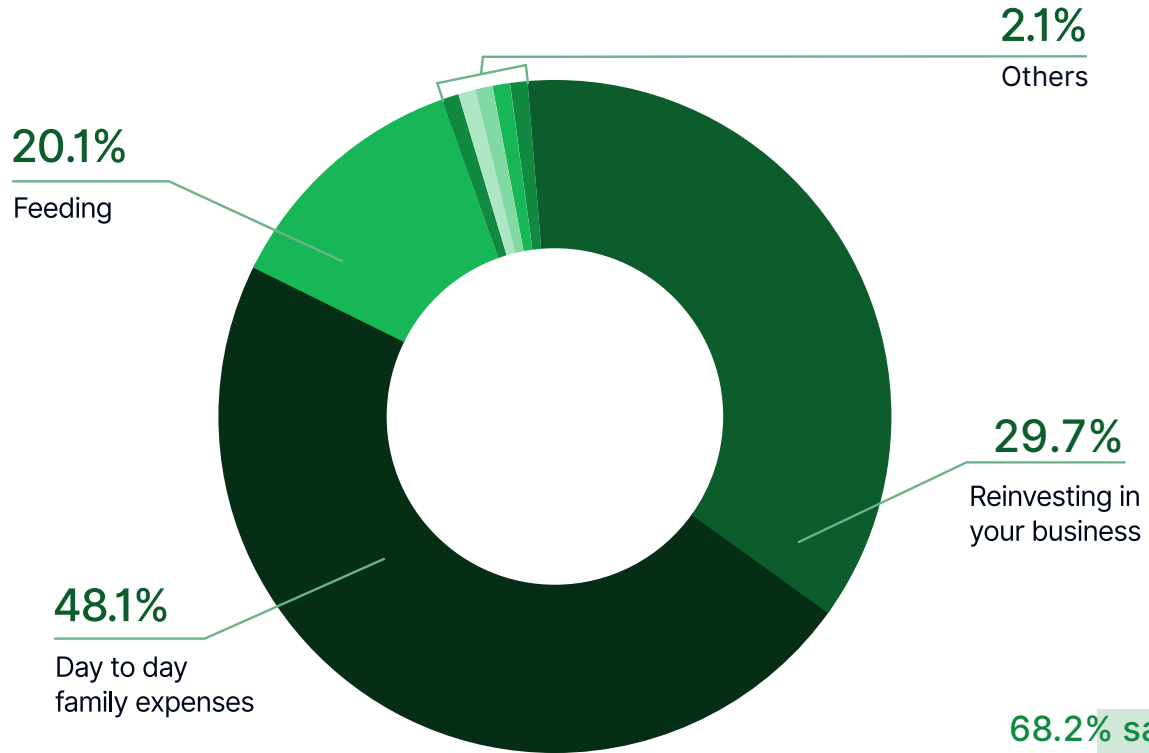
# Financial habits of businesses in the informal economy





### 3.1 What informal business owners spend their money on

Fig. 17. Informal economy by monthly expenses



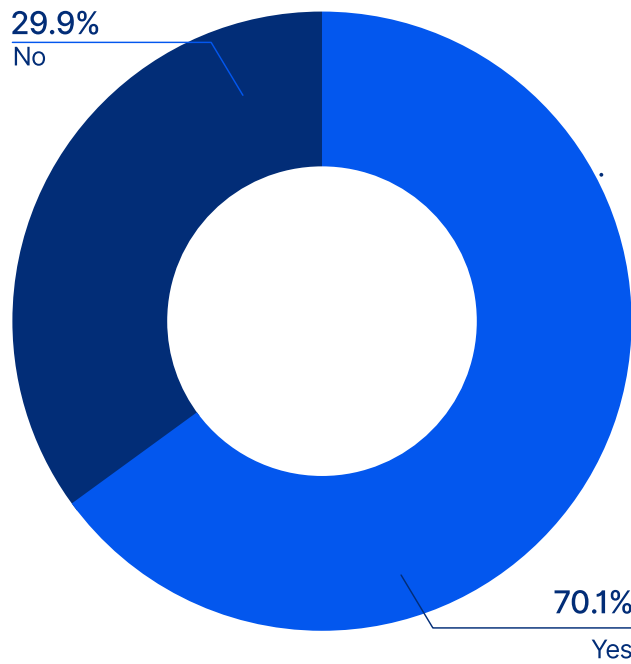
**68.2% say feeding and family expenses are the primary things they spend their money on.**

Most businesses in the informal economy earn money for daily living expenses and feeding. They also mention things like school fees and transportation as additional expenses. Only three out of ten of these businesses choose to reinvest in their business as their primary expense.

### 3.2 How informal businesses approach credit

According to the International Finance Corporation (IFC) 65 million businesses, or 40% of formal micro, small and medium enterprises (MSMEs) in developing countries, have an unmet financing need of \$5.2 trillion annually. In the informal economy, where businesses often face bleak odds, access to credit remains crucial. 70.1% of these businesses say they have accessed some form of credit for their business.

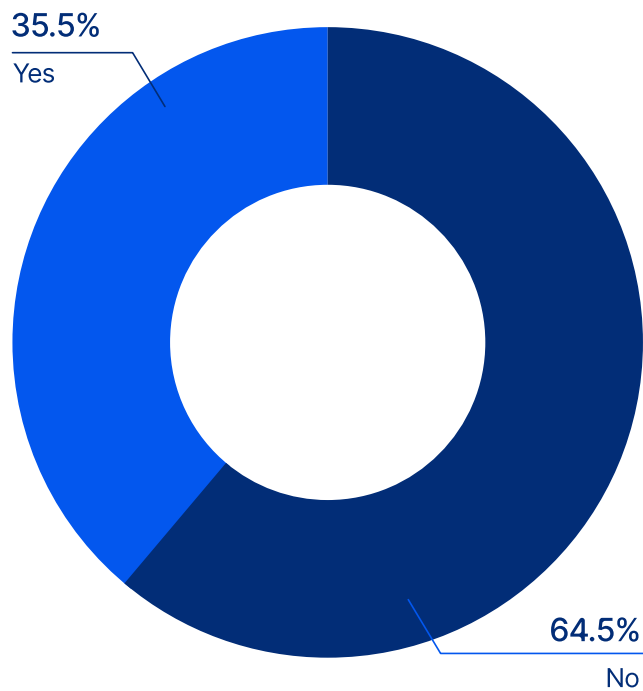
Fig. 18. Informal economy by likelihood to get credit



70.1% of these businesses say they have accessed some form of credit for their business.

For many of these business owners, loans help with restocking, expansion, and keeping the business afloat in unfavourable times. But these businesses aren't as lenient with their retail customers.

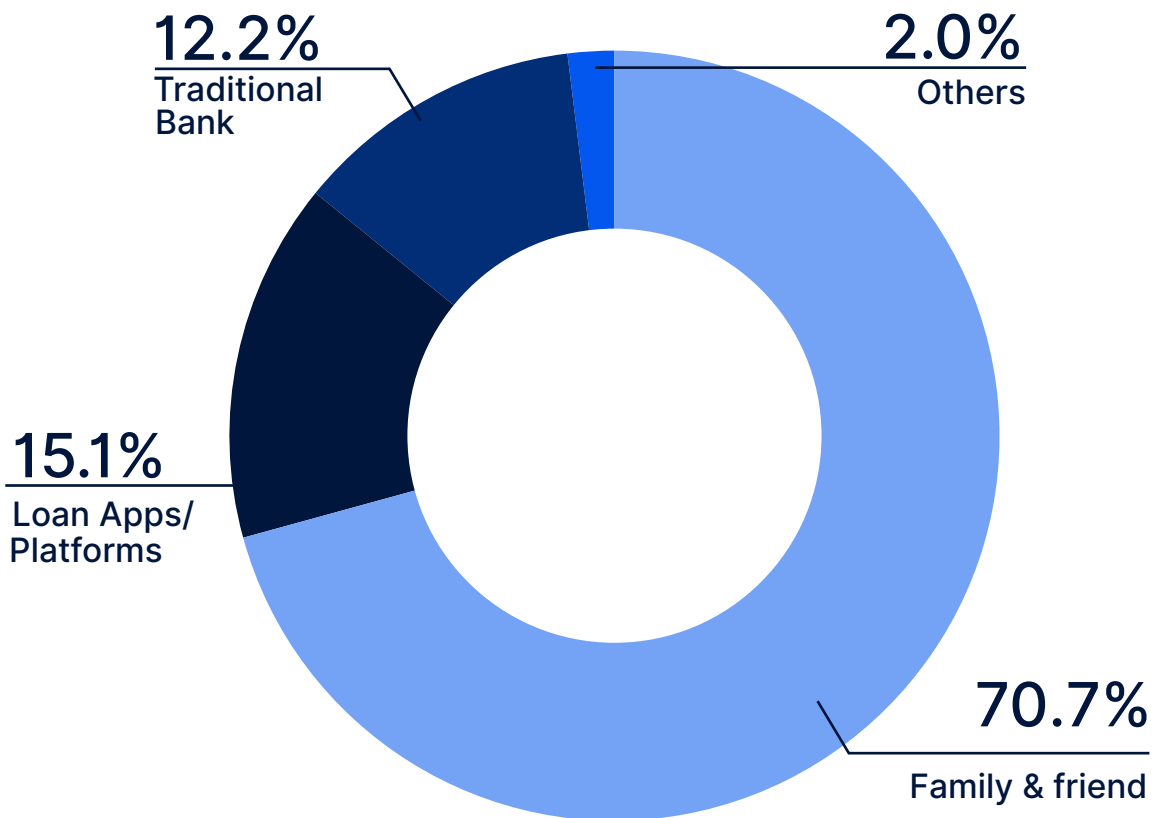
Fig. 19. Informal economy by likelihood to offer credit to their customers.





Credit for these businesses includes BNPL offerings to their customers, providing goods and services for repayment at a later date. Business owners cited low trust from previous bad experiences for not extending this service to their customers.

Fig. 20. Informal economy by source of credit



When businesses in the informal economy do get access to loans, their primary sources are from friends and family (70.7%). Other sources are from loan platforms (15.1%) and traditional banks (12.2%).

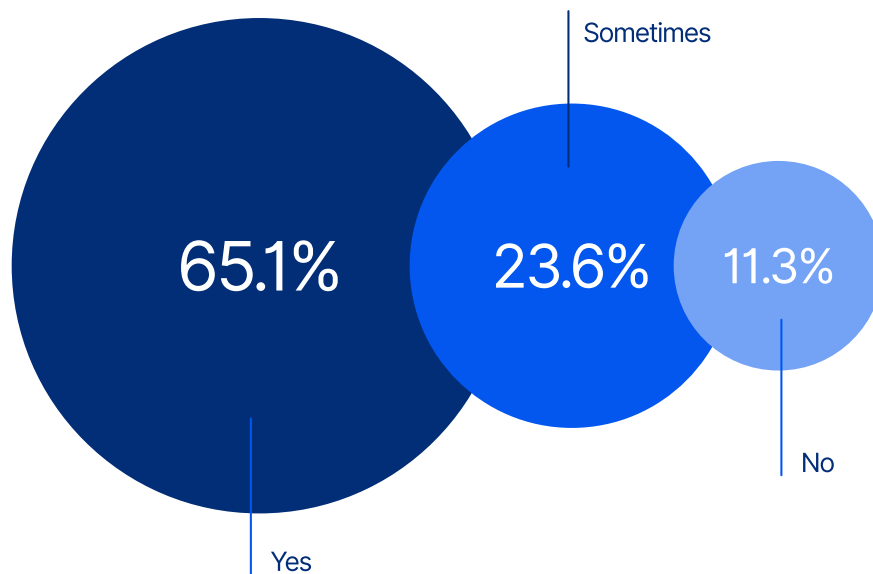
**Approximately half of businesses in the informal economy get credit from family and friends.**

### 3.3 How informal businesses pay taxes

Taxation is one of the key areas used to define the informal economy, as most of these businesses typically do not pay taxes. However, our research pointed in a different direction regarding Nigeria's informal economy.

Fig. 21. Informal economy by likelihood to pay tax

**89% of businesses in the informal economy say they pay some form of taxes.**



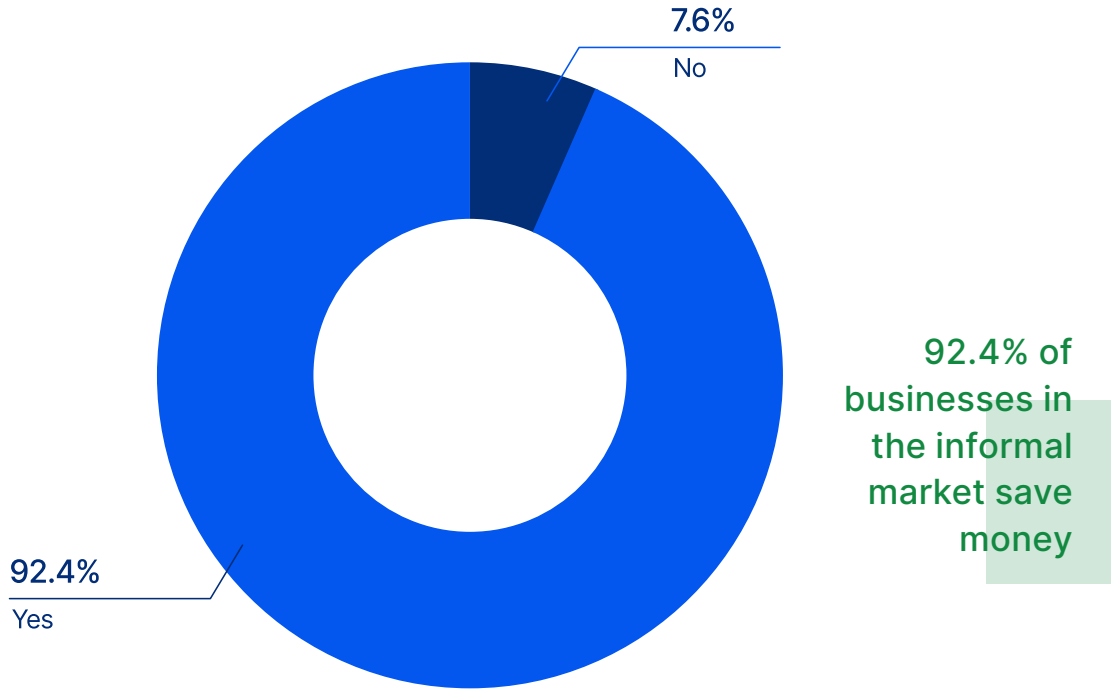
Although businesses in the informal economy are often identified by the fact that they do not pay taxes, the reality is that taxation just looks different to them. For them, taxation comes in the form of market levies, which most of them pay. Almost 9 out of 10 of these businesses say they have paid some market levies in their lifetime. 65.1% pay these levies regularly, 23.6% pay sometimes, and only 11.3% do not.

For many of them, these levies are paid to local councils and bodies, which determine how much and how regularly they are to pay. Businesses that do not pay their levies risk losing their goods and/or having their businesses closed by these local councils.

The amount these businesses pay in taxes varies based on location and size. Those factors can affect their taxes (or levies), which can range from ₦3,500 to as high as ₦15,000 yearly.

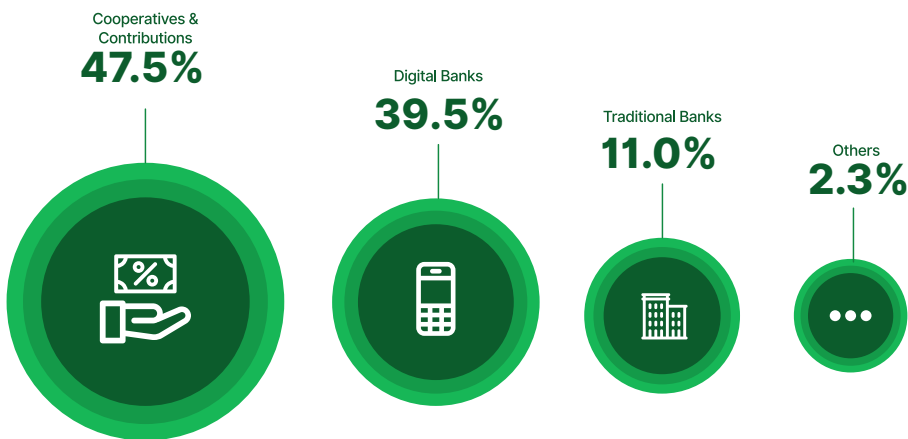
### 3.4 How informal businesses save money

Fig. 22. Informal economy by likelihood to save money



Savings are a huge part of business in the informal market, as over 9 out of 10 of these business owners say that they save money. For them, these savings are tied to regular responsibilities that can't be met with immediate cash flow. And just as with taxing, how they save is unique as well.

Fig. 23. Informal economy by means of saving



Cooperative and group contributions form the bulk of how these businesses choose to save. For many, this feels “closer to home” than other means. A close next option is digital banks (47.5%), and least frequently, traditional banks (11%). Their choice could be due to a lower entry barrier entry, and potentially higher returns.



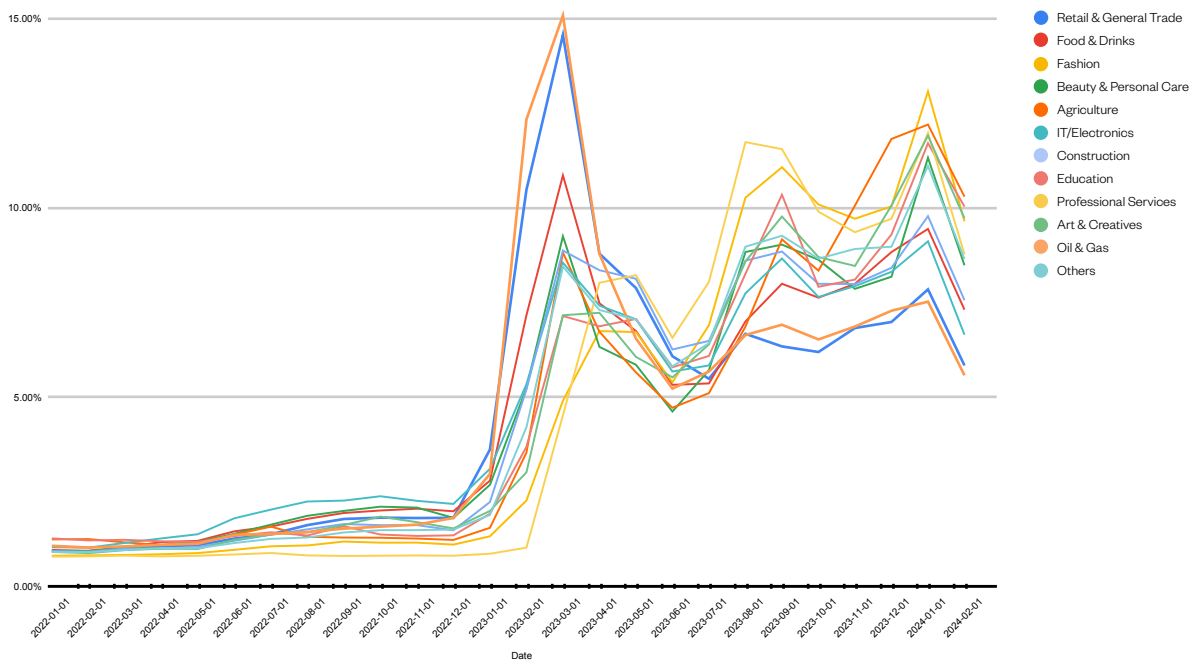
# The rise of digital payments in Nigeria's informal economy



The consensus is that cash is king due to its ease of use in low-trust environments. This has been especially true for small businesses, mainly because of their low income and need for cash flow. This reality has begun to change in the last few years.

**Adoption of digital payments doubled after the cash crunch in Q1, 2023.**

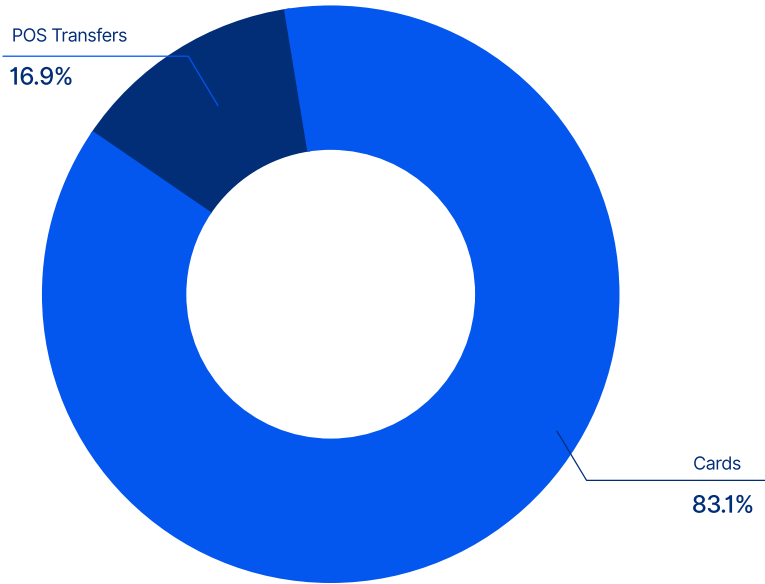
Fig. 24. Informal economy digital adoption between 2022 and 2024



The introduction of the cashless policy by the Central Bank of Nigeria at the start of 2023 saw a 2x increase in the adoption of digital payments across different industries - an increase that has been maintained despite a reversal of said policy.

### 4.1 The most popular digital payment method for small businesses

Fig. 25. Digital payments collection: Cards vs POS transfers

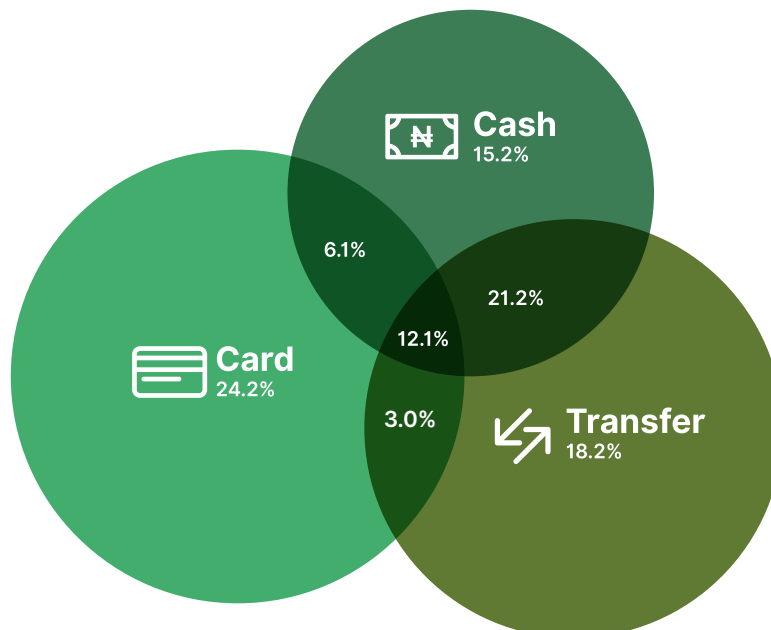


When digital payments are considered exclusively, point-of-sale card payments account for the bulk (83%) of how these businesses receive payments.

### 4.2 How informal businesses receive payments

For more context on their payments experience, including how they relate to cash, we asked these businesses how their customers generally preferred to pay them. Digital payment methods like cards and transfers accounted for the bulk of how they were paid. Businesses who listed transfers as the preferred payment option of their customers, also showed a higher tendency for their customers to also use cash.

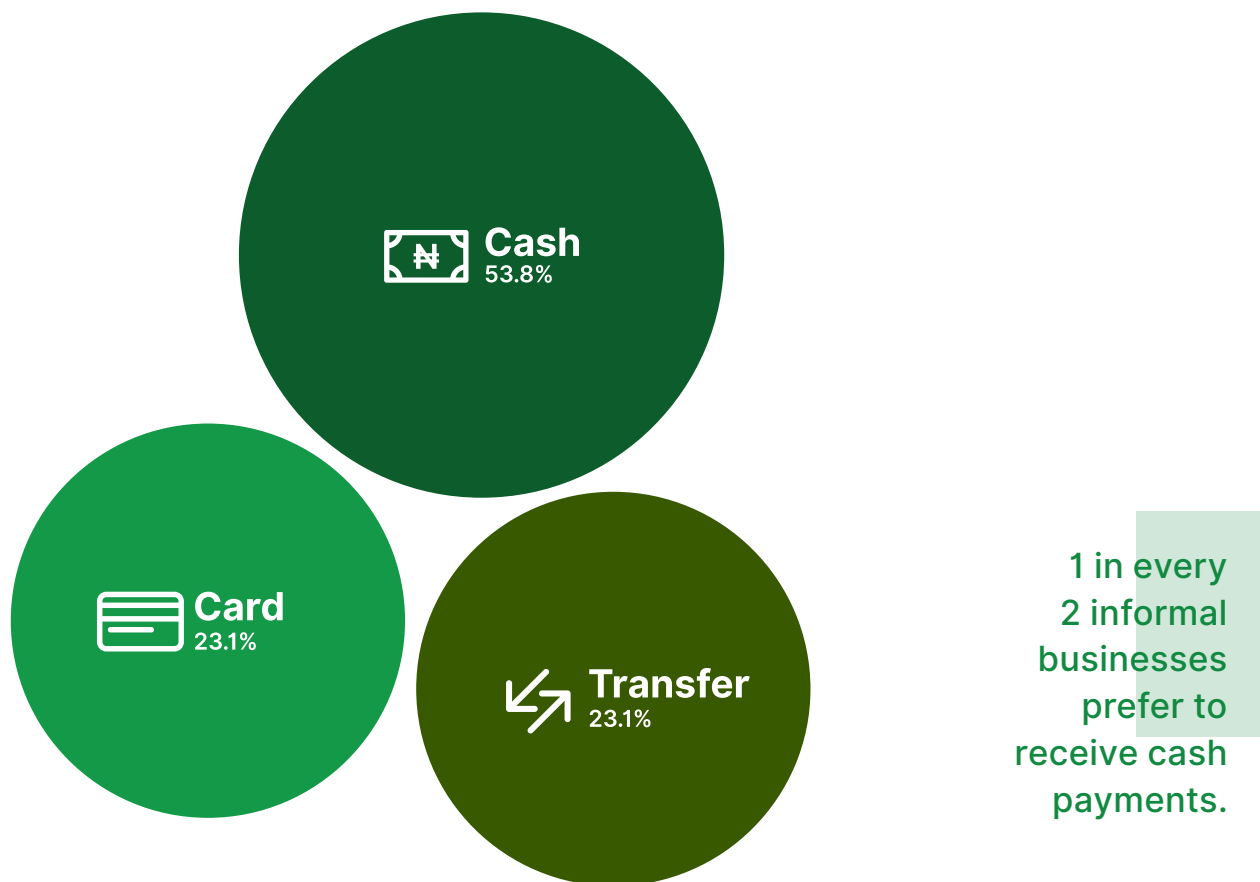
Fig. 26. Informal economy customer’s preferred means of payment





When asked how they preferred to receive payments, 1 in 2 businesses in Nigeria's informal economy said they prefer to receive cash payments. The preference for cash was connected to safety and ease of doing business. For businesses that needed to use cash to pay for the goods and services they sold, cash was their preferred means of receiving payments. Still, digital payments accounted for 48.2%, split between card payments and transfers.

Fig. 27. Informal economy business owners' preferred means of payment



# Expert commentary and insights







**Joshua Olufemi**  
CEO, Dataphyte

### Why is Nigeria still a heavy cash dependent society?

The challenges with citizen identity and credentials management impact the cashless policy of Nigeria. From policy communication to identity issuance and personal data security, a lot is yet to be done to speed up the cashless policy. Likewise, the level of investment in the research and innovation within the banking sector also has a lot to do with Nigeria's dependence on cash for transactions and beyond.

### In terms of formalizing the informal sector, what will be required in terms of approach, resources, forms of education, and timespan for this transition?

Proper identification of individuals and groups through incentives such as training, loans, and grants by LOCAL GOVERNMENT enterprise hubs is key to formalising the informal sector. Likewise, coordination with the financial sector, mobile money and digital payment platforms in order to do clustered identification and formalisation. Efforts must be made to ensure that such data is used in a responsible and ethical manner. It

is important for the government not to introduce any sanction or punitive measures when using anonymized but geotagged data from digital payment actors in the identification and formalization measures need to be reduced.

### How can data research organisations contribute to bridging the information gap surrounding the informal economy?

We need to be more purposeful in conducting research that can identify the complex issues faced by informal sectors, and develop effective information literacy programs to support entrepreneurship extension and education programs across and beyond such subsectors. Furthermore, it is important for allied sectors, particularly banking and finance, logistics, manufacturing, and information technology to collect hyperlocal data in a way that is fair and inclusive of informal sector players and then return this data to support informal sector and formal sector actors.

### What data initiatives would you advocate for in terms of monitoring and understanding the evolving dynamics of the informal economy, particularly in the face of technological disruptions and economic shifts?

Investing in local surveys and data collection is crucial to understanding the challenges faced by informal sector players. This data can be combined with household surveys and satellite imagery datasets from various sources to create a more comprehensive picture of the informal economy. Mobile money platforms and digital payment providers need to collect anonymized, geo-tagged transaction data ethically to reveal trends in economic activity across different regions and sectors within the informal economy. Furthermore, stakeholders need to aggregate and analyze data from online marketplaces where informal businesses sell goods and services for trend insights on digital e-commerce in the informal sector.



**Victor Oluwole**  
Editor, Business Insider Africa

### Overview of the Informal Economy

The informal economy is a dynamic and critical component of Nigeria's economic fabric, encompassing a vast array of unregistered and often small-scale activities. At Business Insider Africa, our editorial focus extends to this vibrant sector, recognizing its role in driving innovation, providing employment, and sustaining livelihoods. The sector's

resilience and entrepreneurial spirit are central to our reporting, as we aim to illuminate both its challenges and its contributions to the Nigerian economy.

### Demonization vs. Recognition

While there is a perception of the informal economy being marginalized, it's essential to recognize its indispensable role in the broader economic ecosystem. Contrary to

views of demonization, it's more about insufficient spotlight and recognition by both government entities and media. However, the narrative is changing, with the media, including our organization, increasingly highlighting the sector's significance and the remarkable stories of resilience and innovation within it.



### Amplifying Voices and Influencing Policy

Business Insider Africa is committed to being a platform that amplifies the stories of informal workers and businesses. By reporting on their challenges, successes, and the broader trends affecting them, we aim to influence policymakers and stakeholders. Our collaborations with think tanks, research institutions, and policy advocates are designed to elevate the discourse around the informal economy, ensuring that it receives the attention and support it deserves.

### Editorial Strategies and Opportunities for Collaboration

To ensure the informal economy's adequate coverage and understanding, our editorial strategy focuses on in-depth reporting, partnerships with research institutions, and leveraging data analytics to uncover and narrate the sector's complexities. Collaboration with policymakers, industry stakeholders, and the international community is crucial. These partnerships not only enhance our reporting but also contribute to a more nuanced understanding of the informal economy's role in Nigeria's development.

By blending on-the-ground insights with analytical depth, Business Insider Africa aims to foster a more informed and constructive dialogue around the informal economy, highlighting its challenges, opportunities, and its indispensable role in shaping Nigeria's economic future.



**Ngozi Chukwu**  
TechCabal

### Can you give us a brief overview of the informal economy in relation to the work that you do at TechCabal?

Nigeria's informal economy is huge and the data backs up this position, with the informal sector accounting for 65% of the country's GDP in 2017. At TechCabal, we constantly report on startups that are attempting to layer technology on top of informal or analogue businesses. Some other startups are also attempting to bring technology and data to these small businesses. B2B ecommerce is one of the best examples of this. The popularity of such business models means TechCabal often speaks to businesses and players in the informal economy and startups trying to disrupt them. We often think about consumption patterns, the peculiarities that have made the informal sector difficult to disrupt and study the companies that have engineered behavioural changes.

### Anecdotally, what are some of the major challenges faced by informal players in the areas that you operate?

Access to loans to help grow businesses is definitely one of the biggest. Credit is such a critical tool for business success and many small

and medium businesses in informal sectors stay small because finding finance to expand and dream big is generally difficult. In Nigeria, the informal sector suffers from excessive taxation as well. Businesses have to pay multiple taxes that don't result to better infrastructure. This poor infrastructure also hampers business and opportunities.

### What role do you see your organization playing (now or in the future) in amplifying the voices and stories of informal workers and businesses, potentially influencing policymakers and stakeholders to address their challenges?

TechCabal plays a huge role in documenting the real struggles of the informal sector players, talking up solutions that can improve their businesses and the technology that can make a huge difference. Three short years ago, opening bank accounts was a huge problem for many informal workers and businesses. Today, technology and disruptors have improved access and inclusion. These stories about the kinds of technology that makes a difference and the real problems that need solving are critical.

### How do we ensure balanced and

### responsible reporting on the informal economy, avoiding perpetuating negative stereotypes while highlighting the need for inclusive economic policies and regulations?

The first and most important thing is simply not to repeat easy narratives. It's critical for reporters to go out and engage the players in the informal economy. There's nothing that dispels stereotypes than really seeking to understand a phenomenon. This kind of active knowledge makes for stronger arguments.

### Considering that the informal economy is a way of life for many in Nigeria, what kind of future should we look forward to?

An interesting future. Nigerian startups are currently in a phase where they're trying to layer technology to solve challenges that they see in the informal economy. Some of these solutions will birth market creators, some others will move the needle in different ways. But one thing is clear, expect more technology and a landscape of more businesses trying to solve hard problems.

# How Moniepoint is making inroads into the informal economy





## 6.1 Key challenges of Nigeria's informal economy

Despite its importance to the growth of the economy, some key challenges affect the informal economy. Banking systems provide leverage for many formalised businesses, from payment collection to the ability to perform business transactions at a larger scale. Many of the businesses in the informal economy previously were locked out of these banking systems, so they have been unable to benefit from the advantages that come with being included. Without a bank account, for example, they are limited to doing transactions with only people they can physically interact with.

This lack of access to banking also impacts them in other ways. Many programs and initiatives from development institutions, including the Nigerian government, exist to support businesses of all sizes in the country. However, with most of the businesses in the informal economy invisible, access to them remains constrained. They also do not have the requisite documentation to apply for these grants. This means that although opportunities for them do exist, they are often unable to access them in ways that can help them grow meaningfully.

This extends to a larger problem with access to funding for informal businesses. Funding remains crucial to the growth of businesses in any economy. Despite its importance, many businesses in the informal economy cannot obtain external funding, with many seeking loans from family and friends as earlier established. Lack of a financial history also makes it impossible for many of them to access credit from the existing formal systems.

## 6.2 How Moniepoint solves these problems

Moniepoint's mission is to create a world where everyone experiences financial happiness. Since 2019, we've worked towards this mission by providing payment solutions to businesses of all sizes, especially in the informal economy. To enable the digitisation and formalisation of these businesses, here's how we've made inroads into Nigeria's informal economy:

### 6.2.1 A supportive distribution system

Before Moniepoint, financial services were not distributed at scale in Nigeria. This meant that while some areas had access to ATMs and banks, many others were left out of the financial system. Our approach to solving this was creating a distribution system that relies on local presence to provide digital payment solutions. Trust is important to businesses in the informal economy, and for them, it's easier to use digital solutions when people in their communities recommend them. By creating a system to make financial services available to people locally, we've been able to directly include many people and businesses in the financial system. Our approach is modelled on similar systems used by other organisations like FMCGs, Churches and even transport workers. Bringing financial services to the grassroots level has allowed us to onboard businesses in the informal economy and provide them with access to digital solutions and banking.



## 6.2.1 Making access to banking services easier

Access to banking services has been difficult for businesses in the informal economy, as they often did not have the requirements to be banked traditionally. Building banking and payment services with these businesses in the focus has enabled us to provide them with tools that meet their specific needs. Providing banking services for these businesses, in line with existing regulations, can see many of them transition to a more formalised system. This means increased access to systemic benefits that are typically available to their more formalised counterparts. Our simplified onboarding process and distribution system have made it easier for these businesses to access a banking solution that meets them where they are. As digital payments remain on the rise, these businesses are better positioned to thrive as they can keep up with evolving payment systems.

## 6.2.3 Simplifying access to credit

Getting credit remains challenging for many businesses, especially those in the informal economy. Without formal banking records or financial history, correctly accessing these businesses has been difficult or impossible for many traditional players. Where they are given credit, they are often not given enough to move the needle for their businesses.

As a banking and payment services provider for these businesses, we have gained insights into their financial history. This, alongside a credit assessment system built specifically for informal businesses, means we can provide credit to them in a way that matches their needs and gives them a better chance at success. For 30% of these businesses, getting loans from Moniepoint is the first time they've ever been able to access credit. And for the other 70%, we provide them with two to three times the last loan they could get from typical financial institutions.

## 6.2.4 Collaboration with relevant agencies

Traditionally, providing banking services to businesses required processes and documentation that many of these businesses couldn't access. This lack of access meant that many of them remained left out of the formal banking system, making it harder for them to access the systems that could assist in their growth. Data shows a direct link between businesses' income levels and their likelihood of formalisation. Hence, simplifying the process of becoming formalised will greatly improve the success of these businesses.

By partnering with government agencies, we've made it easier for businesses to obtain the necessary documentation to become formal. Our ongoing partnership with the Corporate Affairs Commission (CAC) allows business owners to register their business names with the CAC directly on our platform. We've also collaborated with the Federal Inland Revenue Service (FIRS) to enable these businesses to obtain their Tax Identification Number easily. Collaborations like this will see the formalisation of about 30 million businesses in the next five years.



# Conclusion





While often underrepresented, the informal economy continues to play an undisputable role in Nigeria's economic fabric. Our analysis reveals that this sector includes a significant portion of Nigeria's entrepreneurial activity, though it faces significant sustainability challenges.

This sector is young, and with many businesses under 5 years old, there is much potential for growth. Growth, which, given the extensiveness of this sector, can have a ripple effect across the country.

Moniepoint has already made strides in providing essential financial solutions that solve some of this sector's problems. Our efforts aren't just about giving them a lifeline but putting them on a path to sustainability.

By collaborating with regulatory bodies like the CAC and the CBN, we're looking to help many of these businesses become registered, opening them up to many benefits that their formalised counterparts already enjoy.

This report is not just a collection of data; it is a call to action. It invites all stakeholders, from government bodies to private sector partners, to recognise the untapped potential of the informal economy. Together, we'll not only create a path that improves the fortune of our young entrepreneurs but pushes our country towards more prosperity.



# Methodology





## Internal Data

We analysed our internal data on over 2 million businesses across Nigeria that signed up on Moniepoint between 2019 and February 2024. We excluded users who signed up as CICO agents, and used data exclusively from business owners.

## Business owner survey

We spoke to small business owners in the informal economy. The business owners were from across Nigeria, and anonymously responded to questions about their business experiences.

## Street interviews

Based on our internal data and survey, we spoke with some business owners to obtain additional context on their experiences. This provided specific insights that guided analysis and interpretation of our data.

## Publicly available data

We also used publicly available data, which we've listed in our references section.



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Moniepoint is Africa's all-in-one financial ecosystem, empowering businesses and their customers with seamless payment, banking, credit, and management tools. In 2023, we processed >\$150 billion and are Nigeria's largest merchant acquirer.

[www.moniepoint.com](http://www.moniepoint.com)