

DOING BUSINESS IN SPECIAL CONTEXTS: UNDER-SERVED COMMUNITIES

A Brief Case Study from Ajegunle, Lagos, Nigeria



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'Special Context' series offers insights into the tools, processes and factors driving success and stakeholder value in less-than usual social and economic circumstances. Insights are based on proprietary data from the various contexts discussed.



Setting the Scene...

This report provides insights into doing business in special contexts. The report starts by defining and characterising special contexts, using Ajegunle in Lagos Nigeria as a case study. The Ajegunle Case is used here to explore the impact of the Covid-19 pandemic on businesses operating in special contexts. The findings briefly present the tools, processes, and models of engagement that local businesses have adopted to navigate through the pandemic and associated lockdown/social distancing measures. The findings paint an evolving picture where engagement models are adapting and must continue to adapt drastically to meet needs.

Understanding special social contexts is important because of the untapped potential that these circumstances offer both for the people that live in them (at the micro level) and the broader communities that they form a part of (at the macro level). A special context is defined here as a low-to-no-income setting where institutional and trade relationships are largely informal, access to stable goods and services is limited and low in variety, access to conventional financial services is limited and labour/commercial activity is largely subsistence oriented.

The term low-to-no-income is used here to describe a situation of persistent high and indiscriminate unemployment across a population where large percentages of the population have no income, even in an informal setting. This term is particularly important because it sets the context for understanding trade and commerce in the community context described here.

At the start of the pandemic, individuals, households, and communities saw a contraction in already scarce disposable incomes, which led to drastic changes in spending patterns. At the macro-economic level, this contraction included investors who held back as a cautionary measure. The slowdown in investment which typically serves as the source of project financing, meant that there was even less cash going into circulation. While project financing at the scale mentioned here typically focuses on large, formalized projects (such as national road works, import, export etc), these projects serve as a source of liquidity in the informal economy, as a result of the auxiliary services needed by low-cost labor and often satisfied by low-cost and informal service providers.

The overall reduction in spending meant that there was limited cash circulating to sustain economies. As a result, many Governments both in developing and developed economies, had to develop and roll out economic stimulus packages that encouraged commerce. This increase in Government spending and the reduction in Government revenue (service fees, trade, etc) due to lock-down/social distancing measures meant that Governments would need to find alternative sources of income once lock-down measures started to ease up. Some of the things that have happened as a result are rising services charges and taxes across industries and sectors. Raw material suppliers have also increased the prices of goods (also impacted by limited supply due to import – export restrictions) which has translated into inflation in many economies.

The Covid-19 pandemic presented an unprecedented challenge for individuals, families and businesses living and operating in special contexts.

Because these contexts are characterized by low-to-no-income households that often find subsistence in the informal economy, the wiping out of the informal economy caused a lot of trouble. Take the example of a household where no member had a stable formal job, and which depended on stipends from neighbors for completing small tasks. Note that the neighbors here are also a low-income household operating in the informal economy. With the establishment of strict lock-down and social distancing, both households in this example have lost their source of subsistence even though only one member of one household was only somewhat engaged in the informal commerce. Several variations of this reality exist.

This report looks at Ajegunle as a case study to understand spending patterns as well as the tools that businesses have used to survive the pandemic.

"Large industrial projects serve as a source of liquidity in the informal economy, as a result of the auxiliary services needed by low-cost labor and often satisfied by low-cost and informal service providers"

Ajegunle, in Lagos, Nigeria

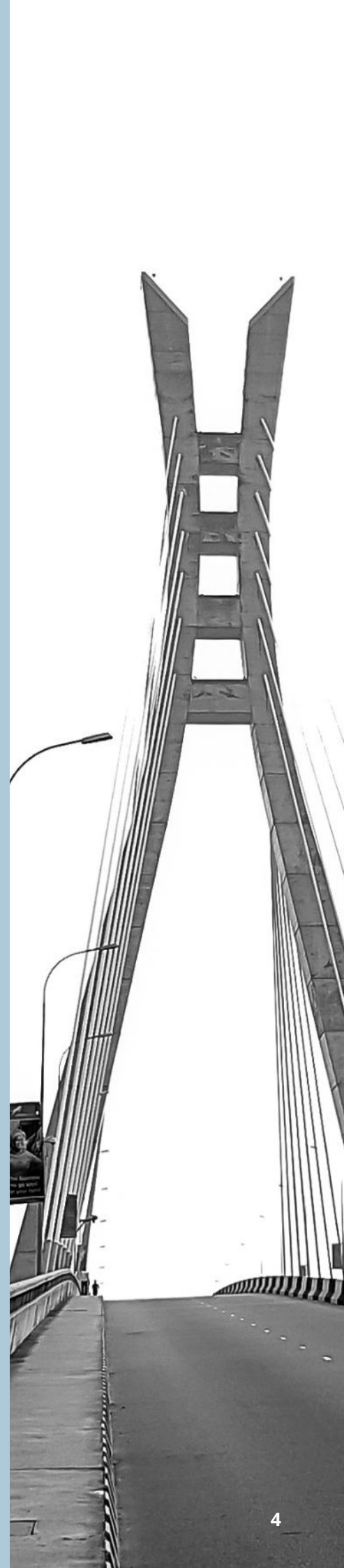
Ajegunle is a neighborhood/community in the Ajeromi-Ifelodun Local Government Area of Lagos State in Nigeria. It has a population of over 550,000 [1] permanent residents (permanent meaning that they consider the location their primary residence). Note however that population estimates for Ajegunle are upwards of 3,000,000 however no recent census has been carried out to determine the exact figures.

Ajegunle is referred to as a slum community which can be defined as a settlement characterized by unsafe and/or unhealthy homes (e.g. poor ventilation, unsanitary environments, poor protection from outside elements etc), overcrowded living spaces, limited or no access to basic services including water, toilets, electricity and transportation. Slums also feature unsafe/unstable living structures usually made up of weak/inappropriate materials, and residents tend not to have secure land tenures meaning that tenants often do not have the legal rights to the land or legal rights to reside on the spaces. It is important to note that legal rights and land tenure are an extensive topic because of the multitude of contexts under which slums develop. There are for example instances where communities existed and thrived before a piece of land was re-allocated to a new owner. There are other instances where slums have emerged and expanded as a result of consistent rural-urban migration; this has been the case with Lagos State which has historically served as Nigeria's economic capital and as such attracted people from all around the country. Lagos State has a population of over 21 million people and an estimated Gross Domestic Product (GDP) of \$136bn in 2017.[2]

As part of this report, 449 surveys were collected across Ajegunle to gain insights on spending patterns, tools, processes, and models of engagement adopted over the recent past (2019/2020). The surveys were collected over a 2-week period by a team of residents engaging both individuals (consumers) and businesses. Some of the key findings are highlighted below:

- The most common business activities include trade (food, apparel, household, communication), service providers (cleaning, beauty, artists, laborers), transportation and manufacturing.
- Majority of the respondents indicated daily expenses ranging between US\$1.29 and US\$2.59.
- All respondents had mobile phones
- Over 70% of respondents indicated that their phones are used for transactions/ commercial purposes. This means limited cash changes hands.
- Over 60% of respondents indicated that they would be willing to receive only digital forms of payment for trade and services.

Despite the limitations of this special context, Ajegunle was/is a trade-based community where commerce no matter how small, remains an integral part of everyday life. The community is uniquely placed in between Tincan and the Apapa Wharf which are two of Nigeria's biggest seaports. This unique location means that Ajegunle's residents can benefit meagerly from the commercial activity happening around the port by providing low-cost auxiliary services.



The current reality however is that the pandemic slowed down and, in some cases, completely disrupted commercial activity. To navigate this atmosphere, local businesses have taken steps to ensure continuity and ensure that they can continue to engage with the customer bases. Some of the steps taken include:

- **Offering goods and services on credit** – an unrecorded credit system exists in special context communities where credit lines while limited in capacity, are open for extended periods of time. This tacit system is the foundation on which several micro-economies operate.
- **Utilizing the barter system** – the exchange of goods for goods or goods for services is a common feature in communities where needs are immediate, and interactions are subsistence oriented. Even the barter system is limited during social distancing.

Businesses have had to leverage technology and other tools to survive in this environment. Our findings from engaging with businesses in special contexts highlight the following tools as key to survival:

- Social media - primary platform for product marketing and customer engagement
- Mobile banking - allowing money transfer between banks
- Telecoms credit/ recharge/ top-up systems - payment platform also allowing people to trade on
- Remittance platforms - allowing money users receive money from abroad

Businesses struggled through the pandemic and though not many survived, the ones that did had a few things in common. They had tools that they could use to help them navigate a challenging environment that was made all the more difficult by the pandemic. These tools are however limited in variety. Findings suggest that these micro-economies (both informal and formal) are already largely cashless/digital, paving the way for new methods of engagement. Furthermore, findings show that even in circumstances with limited 'personal identification', mobile phone numbers continue to play a role in facilitating the tacit value system mentioned above. There are still significant infrastructure gaps, however, these haven't hindered businesses and residents from measuring, capturing, storing and transferring social and economic value. Brands that thrive here have understood the critical role that trust plays in business continuity, but even more importantly, these brands have also mastered mobile technology as the foundation for their engagement.

