

Research Paper

The Impact of the 2019–2021 Border Closure on Nigeria's Informal Trade: Challenges and Adaptation for Traders

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Abstract

The informal trade sector in Nigeria is a crucial part of the country's economy, providing employment and affordable goods to millions. However, between 2019 and 2021, Nigeria's government implemented a partial border closure aimed at curbing smuggling and boosting domestic production. This paper investigates the impact of this border closure on informal traders, with a focus on the challenges they encountered and their resilience in adapting to the situation. The study aims to fill the gap in existing literature by exploring how such policy measures specifically affected informal trade in Nigeria. Using secondary sources, including academic studies and official reports, the research highlights the disruptions in supply chains, the rise in commodity prices, and the increased operating costs faced by traders. Despite these difficulties, traders exhibited significant adaptability by seeking alternative trade routes and local sourcing methods to maintain their businesses. The findings suggest that while the closure temporarily strained the sector, it also highlighted the vital role informal trade plays in the national economy. The study concludes that supporting informal traders through improved infrastructure, regulatory reforms, and financial support could enhance their resilience and contribute to economic stability. Recommendations emphasise fostering a more enabling environment for informal trade to mitigate future disruptions and strengthen its contribution to Nigeria's growth.

Keywords: Border; Border Closure; Trade; Informal Trade; Nigeria

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Introduction

The informal trade sector in Nigeria represents a vital aspect of the nation's economy, serving as a significant livelihood source for millions of Nigerians. It is an expansive and dynamic segment, largely unregulated, that encompasses a variety of goods and services traded outside the formal legal framework (Etim and Daramola, 2020). According to the Nigeria Bureau of Statistics (2024), the informal sector contributes over 60% of Nigeria's Gross Domestic Product (GDP) and employs more than 76.7% of the country's workforce. This sector plays an indispensable role in providing affordable goods, services, and employment opportunities to many Nigerians, especially in urban and peri-urban areas. Despite its significant contribution, informal trade is often overlooked in policy-making and economic planning, primarily due to its lack of formal structures and recognition.

The period between 2019 and 2021 marked a critical juncture for Nigeria's informal trade sector. The Nigerian government, seeking to curb smuggling, protect domestic industries, and ensure national security, imposed a partial closure of its land borders starting in August 2019. This measure had far-reaching effects on both formal and informal trade across the

country, disrupting long-established cross-border trading routes and networks. The closure was particularly significant for informal traders, who had relied heavily on goods imported through informal means from neighbouring countries, particularly Benin, Niger, Ghana, and Cameroon (Abdulkarim and Ibrahim, 2021). These traders, often small-scale, unregistered, and operating outside the formal tax system, were severely impacted by the closure, as they lacked the means to access officially regulated imports.

The closure was initially intended to curtail the illegal flow of goods such as rice, petroleum products, and arms across the borders, which had posed a significant challenge to Nigeria's economy. However, it also provided an unexpected opportunity for the country to focus on domestic production and self-sufficiency. During the period of the border closure, Nigeria saw a notable increase in local production, particularly in sectors such as agriculture and food processing (Emmanuel et al., 2020). Local producers, encouraged by government policies, began filling the supply gaps created by the border closure. For instance, rice production in Nigeria surged as local farmers and the federal government scaled up their output to meet the growing demand for staple food products.

However, the border closure was not without its challenges. Informal traders, often reliant on goods from neighbouring countries for their operations, experienced a profound disruption. These traders found themselves unable to source essential commodities, facing high costs for smuggled goods, and navigating increasingly complex black markets. Many were forced to pivot their business models, seek alternative trading routes, or even abandon their operations altogether. In addition, the economic implications of the closure led to a rise in inflation, as the prices of basic goods soared due to the reduced availability of imports (Abegunde and Fabiyi, 2020). This economic hardship, particularly among lower-income Nigerians, highlighted the vulnerabilities of the informal sector.

Despite these challenges, informal traders demonstrated remarkable resilience. Adapting to the changing environment, many traders turned to local sourcing, innovation, and community-based networks to sustain their businesses. The ability to weather these challenges is a testament to the resilience and entrepreneurial spirit that defines Nigeria's informal sector. Analysing the impact of the 2019–2021 border closure is therefore crucial in understanding not only the vulnerability of informal trade to external shocks but also the adaptive strategies that traders employ in response to adversity.

Conceptual Review

Border

The concept of a 'border' has evolved over time, influenced by political, social, economic, and cultural dynamics. A border represents more than a mere physical boundary between two entities; it encompasses a complex network of interrelations that reflect identity, power, sovereignty, and control. Borders are not just lines drawn on a map; they are fluid, dynamic constructs that shape both the spaces they separate and the people who interact with them (Themistocleous et al., 2023). A comprehensive review of the term 'border' reveals various definitions, each offering a distinct perspective. However, these definitions also invite critique, as they may not fully capture the complexity of borders in the modern world.

A common definition of a border is that it is a physical line or demarcation separating two distinct geographical areas. This view emphasises the tangible aspect of borders as lines on a map or fences in the physical world. Historically, borders were established to define territorial limits, ensuring that a particular territory belonged to one political entity and not another (Sofield, 2006). This physical dimension of borders remains relevant today, as states continue to defend their sovereignty through territorial demarcations.

Nevertheless, this definition is limited in several ways. Borders can shift over time due to diplomatic efforts, wars, or changes in political regimes, thereby challenging the notion of a border as a fixed and unchanging line (Newman, 2016). Another definition views borders as symbols of sovereignty — expressions of a state's power to control its territory and population. The state's capacity to regulate the movement of goods, people, and ideas across borders is central to its sovereignty (Bohringer et al., 2022). In this sense, borders serve as instruments through which states assert their autonomy and independence in the international system.

A third definition frames borders as markers of identity and cultural distinction. Borders represent the boundaries of cultural and social communities, highlighting differences in

language, religion, ethnicity, and customs (Laine et al., 2020). A more contemporary definition emphasises borders as spaces of interaction and exchange — not only places of separation but also sites where cross-border exchanges occur, such as trade, migration, and cultural enrichment (Wadley et al., 2020).

Border Closure

A border closure refers to the official act of a government to restrict or completely halt the movement of people and goods across its national boundaries. In the Nigerian context, the 2019–2021 border closure was a deliberate policy measure instituted by the federal government to address pressing economic and security concerns. The closure can be viewed through multiple lenses: as an economic protectionist tool, a security mechanism, and a disruptor of regional trade networks. The closure affected not only formal import and export activities but also the informal cross-border trade that sustains millions of livelihoods across the country.

Informal Trade

Informal trade refers to the exchange of goods and services outside formal regulatory frameworks, often involving small-scale traders who operate without official registration or compliance with state regulations. In Nigeria, informal trade is pervasive and deeply embedded in the national economy. It encompasses street vending, market trading, cross-border petty trade, and artisan activities. The sector accounts for a disproportionately large share of employment, particularly among women, youth, and low-income households. Informal traders typically rely on social networks, flexible market arrangements, and personal trust relationships to conduct business, making them especially vulnerable to sudden policy disruptions such as border closures.

Theoretical Framework

Institutional Theory

Institutional theory provides an insightful lens to understand the behaviour of individuals and organisations within the context of external pressures, rules, and norms. It is rooted in the idea that institutions — both formal (such as government regulations) and informal (such as cultural norms and social expectations) — shape the actions and survival of actors within a society (Williams and Horodnic, 2016). The proponents of institutional theory argue that institutions serve as the 'rules of the game' that guide economic behaviour, emphasising that these institutions are essential in shaping economic outcomes and strategies.

The border closure presented a significant disruption to the usual trading practices, which were largely shaped by informal institutional structures. Traders rely on established networks and social ties that often bypass formal government regulations. However, when the government imposed the border closure to curb smuggling and promote local industries, these traders had to adapt to the changing institutional environment. The hypothesis of institutional theory suggests that formal policies such as a border closure will disrupt the informal market, but that informal institutions — social networks and adaptive strategies — will play a crucial role in helping traders adapt and sustain their businesses (Faundez, 2016).

Evaluating institutional theory in the border closure context reveals both strengths and limitations. The theory effectively highlights the adaptability of informal traders who, despite government-imposed challenges, relied on their social

networks and informal market strategies. However, the theory does not fully account for the long-term structural damage or the impact of informal market fragmentation that may have occurred due to the closure (Idris et al., 2024). The resilience of informal traders, facilitated by social networks and informal rules, helped them navigate the challenges, yet the theory's limitations become apparent when considering the broader economic and structural consequences that go beyond mere adaptation.

The Economic Impact of the Border Closure on Informal Trade

The economic landscape in Nigeria has long been characterised by informal trade — a crucial sector that sustains millions of livelihoods and plays an integral role in the national economy. Informal trade in Nigeria refers to the exchange of goods and services outside the formal regulatory frameworks, often crossing borders and relying on non-official channels (Gambo and Ya'u, 2021). In August 2019, the Nigerian government closed its borders as part of an effort to combat smuggling, promote local production, and address national security concerns. While the government's intentions were aimed at enhancing economic growth, the immediate and long-term consequences on informal trade were profound.

The immediate impact of the border closure was stark for informal traders, many of whom rely on the free flow of goods across borders to sustain their businesses. The closure disrupted supply chains, which are essential for the informal sector's daily operations. Goods such as rice, cement, poultry products, and other imported consumables became significantly more difficult to access. Traders who had relied on cross-border transactions found themselves unable to procure the goods at the same volume or at the previous costs, leading to supply shortages in local markets (Shola and Olanrewaju, 2020).

Furthermore, the closure triggered an increase in the costs of goods. With the direct routes to neighbouring countries closed, many traders resorted to more expensive, indirect routes. This not only raised the price of transportation but also extended delivery times, creating a knock-on effect on the cost structure for informal traders. The price hike was often passed down to consumers, leading to inflation in markets where informal trade is prevalent (Golub and Mbaye, 2023). For instance, food prices, particularly staples such as rice, witnessed sharp increases. As informal traders struggled to adjust, their operating margins shrank, significantly affecting their profitability in the short run.

The lack of proper infrastructure for tracking or organising informal trade further compounded these challenges. Unlike formal trade, which can rely on clear and established trade routes and customs regulations, the informal sector operates in a more fluid environment. This flexibility, while advantageous during times of ease, turned into a disadvantage when faced with sudden border closures (Akiyode, 2017). The border closure also had a direct impact on employment and livelihoods. Many traders employed family members or hired informal workers such as loaders, transporters, and market vendors. As trade volumes shrank, these workers found themselves out of work, leading to a surge in unemployment in areas dependent on informal trade (Babalola and Olasupo, 2020).

Over time, some traders began to adjust. A small number found ways to adapt by switching to locally sourced goods.

This shift, while helping to cushion the immediate financial pain, did not fully mitigate the damage done. Traders who were able to adapt often faced the challenge of building new relationships with local suppliers, which took time (Omeihe et al., 2021). The absence of certain foreign goods from the market meant that traders had to turn to smaller or less reliable suppliers, who often did not have the same scale or efficiency as larger, cross-border suppliers.

Challenges Faced by Informal Traders During Nigeria's Border Closure

The partial closure of Nigeria's land borders in August 2019, and the subsequent total shutdown in October 2019, was a significant policy shift aimed at curbing smuggling and boosting local production. While these measures were intended to protect domestic industries, they had profound implications for informal traders who rely heavily on cross-border commerce. Informal traders, particularly those operating in border towns like Idroko and Seme, experienced immediate disruptions as the closure severed traditional supply chains. Goods such as rice, frozen poultry, second-hand clothing, and fuel, which were previously imported through neighbouring countries like Benin, became scarce. This scarcity led to inflated prices and limited availability, compelling traders to seek alternative sources, often at higher costs (Busari et al., 2024).

In response to the border closure, there was a notable surge in smuggling activities. Traders, driven by the need to sustain their businesses, resorted to illegal routes to import goods. The porous nature of Nigeria's borders facilitated these activities, with smugglers using various methods to bypass customs checks (Abdullahi and Gawi, 2021). For instance, modified vehicles and concealed compartments were employed to transport goods clandestinely. The increase in smuggling not only undermined the intended objectives of the border closure but also exposed traders to legal risks and potential penalties. Moreover, the proliferation of illicit trade activities contributed to the erosion of state revenue, as goods that would have been subject to customs duties entered the country without proper documentation.

The Nigeria Customs Service (NCS) and other border enforcement agencies intensified their operations during the closure, aiming to prevent the illegal inflow of goods. However, the effectiveness of these measures was often compromised by challenges such as inadequate infrastructure, limited personnel, and corruption (Omale et al., 2023). Some customs officials were involved in facilitating smuggling activities, either through bribery or negligence (Oramalugo, 2021). This compromised enforcement not only hindered the achievement of the border closure's objectives but also created an environment where informal traders had to navigate a complex and often corrupt system to conduct their businesses (Okegbemi, 2024).

The border closure had significant economic repercussions for informal traders. The scarcity of goods led to price hikes, with some products doubling in cost. Traders, unable to absorb these increases, passed them on to consumers, resulting in reduced demand. Additionally, the increased costs associated with sourcing goods through alternative, often more expensive, routes further eroded profit margins. Many traders reported a decline in sales volume, with some businesses experiencing up to a 60% reduction in turnover. This decline in income led to financial instability, with traders struggling to cover operational costs and meet personal financial obligations.

Conclusion

The 2019–2021 border closure in Nigeria, aimed at curbing smuggling and promoting domestic production, had a significant impact on the informal trade sector. This sector, which accounts for a large portion of the country's GDP and employs millions, was severely disrupted by the sudden imposition of border restrictions. Informal traders, reliant on cross-border trade for their goods, were forced to adapt to the loss of their primary supply routes. The immediate consequences were severe, with price hikes, reduced product availability, and loss of income for many traders.

However, amidst these challenges, the resilience of the informal traders stood out. Many adapted by sourcing goods locally or navigating black markets, showing remarkable flexibility and ingenuity. Despite the economic hardships, such as the increase in inflation and job losses within affected communities, informal traders continued to sustain their businesses. Their resilience highlighted the critical role that informal trade plays in Nigeria's economy, not only in terms of economic contribution but also in providing employment and affordable goods to the populace.

Moving forward, it is essential to support informal trade through better infrastructure, regulatory reforms, and access to financial support. This will not only mitigate the risks of future disruptions but also strengthen the sector's capacity to contribute to Nigeria's economic growth in a more sustainable manner.

Recommendations

Based on the study findings, the following recommendations are proposed:

(i) **Improve Border Infrastructure:** Government should invest in improving border infrastructure to facilitate legitimate trade while controlling smuggling. Effective management of borders can reduce the vulnerabilities of informal traders.

(ii) **Provide Financial Support:** Establish microfinance programmes and credit facilities targeted at informal traders to help them weather economic disruptions caused by policy changes such as border closures.

(iii) **Implement Regulatory Reforms:** Develop and implement regulatory frameworks that formally recognise and support informal trade, including simplified licensing procedures, reduced tariffs, and dedicated market spaces.

(iv) **Strengthen Enforcement Integrity:** Address corruption within border enforcement agencies to ensure consistent and transparent implementation of trade regulations, thereby reducing the competitive disadvantage faced by compliant traders.

(v) **Foster Regional Trade Cooperation:** Nigeria should strengthen bilateral and multilateral trade agreements with neighbouring countries — particularly Benin, Niger, Ghana, and Cameroon — to provide more predictable trading environments for informal traders.

(vi) **Develop Social Safety Nets:** In the event of future border closures or trade disruptions, social protection mechanisms should be in place to cushion the impact on informal traders and their dependent households.

Declarations

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