REGISTRATION AND FORMALIZATION OF INFORMAL BUSINESSES AND THE CREATION OF JOB OPPOTUNITIES IN NIGERIA: THE LAGOS STATE EXPERIENCE

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ABSTRACTS

Existing literature does not adequately address how transitioning informal businesses into the formal economy influences employment opportunities in this specific context. By examining this relationship, the study aims to examine how registration and formalization of informal businesses create job opportunities in Lagos State from 2015 to 2025. The study adopted a mixed research design of survey and documentary. Adopting a mixed survey and documentary research design represents a robust methodological approach that combines the strengths of quantitative and qualitative data collection methods. The study adopted survey and documentary methods of data collection. The adoption of survey and documentary methods for data collection, combined with structured questionnaires and key informant interviews represents a comprehensive and multi-faceted approach to research. As for the analysis process, the study adopted charts, tables, percentages, frequencies, and regression analysis to analyze data retrieved from the questionnaire. This will involve the use of the Likert Scale. The study found that, Informal business tax compliance rates significantly affected government revenue in Lagos State from 2015 to 2025. The study recommends that; Lagos State Government has to develop and implement more targeted support programs to assist informal businesses in the registration and formalization process also more comprehensive framework that combines enforcement actions with educational initiatives and incentive programs.

Keywords: Registration, Formalization, Informal, Businesses, Economic, Development

INTRODUCTION

The registration of informal businesses and their impact on economic development in Nigeria has been a subject of significant interest and debate in recent years, particularly as the country grapples with financial challenges and seeks to harness the potential of its large informal sector (Meagher, 2022). As of 2024, the informal economy in Nigeria continues to play a crucial role in employment generation and poverty alleviation, accounting for an estimated 65% of the country's GDP (National Bureau of Statistics (NBS, 2023).

One of the key developments in recent years has been the implementation of the National Policy on Informal Sector Development (NPISD), launched in late 2023 (Federal Ministry of Labour and Employment (FMLE, 2023). This policy aims to create a more enabling environment for informal businesses while gradually integrating them into the formal economy. The NPISD emphasizes a participatory approach, involving stakeholders from various informal subsectors in the policy-making process, which marks a significant shift from previous top-down regulatory strategies (Okafor & Aniche, 2024).

The use of technology in regulating and supporting informal businesses has gained traction in Nigeria. The introduction of the Informal Sector Digital Registry (ISDR) in 2024 represents a notable effort to gather comprehensive data on informal economic activities (Nigerian Communications Commission (NCC), 2024). This initiative not only aims to improve policy formulation but also to facilitate targeted support programs and enhance financial inclusion for informal actors. However, challenges related to digital literacy and access to technology in rural areas persist, potentially exacerbating existing inequalities within the informal sector (Adeloye et al., 2024). Environmental considerations have also become increasingly prominent in the registration and formalization of informal businesses. The National Environmental Standards and Regulations Enforcement Agency (NESREA) have intensified efforts to ensure that informal sector activities align with sustainable development goals (NESREA, 2024). This has led to both challenges and opportunities, as some informal businesses struggle to meet new environmental standards while others find niches in green entrepreneurship and circular economy initiatives (Nwankwo & Okoli, 2023).

State regulation of informal businesses in Nigeria has historically been characterized by a complex interplay of formal policies and informal practices (Awojobi, 2021). The Nigerian government has implemented various initiatives aimed at formalizing and regulating the informal sector, including the introduction of simplified registration processes and tax incentives for small businesses (Federal Ministry of Industry, Trade and Investment (FMITI, 2024). However, the effectiveness of these measures has been limited due to challenges such as bureaucratic hurdles, corruption, and a lack of trust between informal actors and government institutions (Olowu & Olowu, 2023).

The interplay between state regulation and local governance structures continues to shape the informal business landscape in Nigeria. Traditional institutions and community-based organizations often play a crucial role in mediating between informal actors and state authorities (Olukoshi & Meagher, 2023). Recognizing this, some state governments have initiated collaborative governance models that incorporate these local structures into the regulatory framework. For instance, the Lagos State Informal Sector Partnership Initiative, launched in 2023, has shown promising results in improving compliance and fostering trust between informal businesses and government agencies (Lagos State Ministry of Economic Planning and Budget (LSMEPB, 2024).

The impact of global economic trends on Nigeria's informal sector regulation cannot be overlooked. The ongoing shift towards de-globalization and the emphasis on local production have prompted a reevaluation of informal businesses' role in strengthening domestic value chains (Okonjo-Iweala & Ighobor, 2024). As a result, the Nigerian government has introduced targeted incentives for informal businesses engaged in import substitution activities, particularly in sectors such as agriculture and light manufacturing (Nigeria Investment Promotion Commission (NIPC, 2024). The impact of state regulation on economic development in Nigeria has been mixed. On one hand, efforts to formalize and regulate informal businesses have the potential to increase tax revenue, improve working conditions, and foster economic growth (World Bank, 2022). For instance, the introduction of the Micro, Small, and Medium Enterprises (MSMEs) Development Fund in 2021 has provided financial support to over 500,000 informal businesses, contributing to job creation and economic diversification (Central Bank of Nigeria (CBN, 2023). On the other hand, overly stringent regulations and enforcement mechanisms have sometimes led to the displacement of informal workers and the disruption of local economic networks, potentially exacerbating poverty and inequality (Adeyemi & Oluwole, 2024).

The persistence of corruption and patronage networks continues to undermine the implementation of well-intentioned policies (Transparency International, 2024). Moreover, the heterogeneity of the informal sector, ranging from subsistence activities to dynamic small-scale enterprises, necessitates a more nuanced and flexible regulatory approach (Kinyanjui & Khayesi, 2023).As Nigeria continues to navigate the challenges and opportunities presented by its large informal sector, policymakers and researchers alike are calling for a more nuanced and context-specific approach to regulation (Oyelaran-Oyeyinka & Ola-David, 2023). This includes exploring innovative governance models that incorporate local knowledge and practices, as well as leveraging technology to facilitate compliance and access to support services for informal businesses (African Development Bank AfDB, 2024).

Looking ahead, the success of state regulation in fostering economic development through the informal sector will likely depend on the government's ability to balance formalization efforts with the preservation of the sector's dynamism and resilience. As Nigeria strives to achieve its economic diversification goals and improve living standards, the informal sector remains a critical component of the country's development strategy, requiring ongoing policy innovation and adaptive governance (African Union Commission 2024).

STATEMENT OF THE PROBLEM

The state registration and formalization of informal businesses in Lagos State, Nigeria faces multiple interrelated challenges that impact economic development. These include the sector's size and diversity, data gaps, regulatory disconnects, corruption, urbanization pressures, financial exclusion, environmental concerns, crisis vulnerabilities, and policy inconsistencies. Addressing these issues requires a comprehensive and nuanced approach that balances the need for regulation with the economic realities and potential of the informal sector. These propelled the

raising of the question:Do informal business tax compliance rates increase Government revenue in Lagos State from 2015 to 2025?

SIGNIFICANCE OF THE STUDY

The study on the registration and formalization of informal businesses in Lagos State,Nigeria holds significant practical implications for policymakers, urban planners, and development practitioners. By providing a comprehensive analysis of the challenges and opportunities in regulating the informal sector, this research can inform more effective and inclusive policy formulation (Adebayo & Olukoshi, 2024). Practically, the findings can guide the Lagos State government in developing targeted interventions that balance the need for formalization with the preservation of informal livelihoods, potentially leading to improved economic outcomes and poverty reduction (Lagos State Ministry of Economic Planning and Budget (LSMEPB, 2024). Furthermore, the study's insights into the dynamics of informal businesses can assist in designing more appropriate support mechanisms, such as tailored financial products and capacity-building programs, which could enhance the productivity and resilience of the informal sector (Central Bank of Nigeria CBN, 2023). For urban planners, the research can provide valuable input for integrating informal economic activities into sustainable urban development strategies, addressing issues such as spatial inequality and environmental sustainability (Olajide et al., 2023).

From a theoretical perspective, this study contributes to the ongoing academic discourse on the role of informal economies in developing countries and the effectiveness of various regulatory approaches. It builds upon and extends existing theories of informality, such as the structuralist and legalist perspectives, by examining their applicability in the specific context of Lagos State (Chen, 2022). The research also advances the theoretical understanding of the relationship between state regulation, informal entrepreneurship, and economic development, potentially leading to new conceptual frameworks for analyzing informal sector dynamics in rapidly urbanizing African contexts (Meagher & Lindell, 2023). Moreover, by exploring the intersections of informality, governance, and urban development, the study contributes to broader debates in development studies, urban sociology, and political economy, offering new insights into the complexities of economic transformation in Global South metropolises (Roy, 2024). This theoretical contribution can inform future research agendas and interdisciplinary approaches to studying informal economies and urban development across Africa and beyond.

CONCEPTUAL CLARIFICATIONS

The concept of business formalization involves the transition of enterprises from the informal to the formal sector through registration, compliance with regulations, and integration into the official economy (Williams et al., 2017). In Nigeria, this process typically includes registering with the Corporate Affairs Commission (CAC), obtaining necessary licenses, and complying with tax obligations (Agwu & Emeti, 2014). The formalization of businesses is often

viewed as a crucial step towards achieving sustainable economic growth and creating more stable employment opportunities. One of the primary motivations for formalizing informal businesses is the potential for job creation and improved working conditions. Formal businesses are more likely to provide secure employment, offer better wages, and adhere to labor regulations (Fajnzylber et al., 2011). Moreover, formalization can facilitate access to credit, markets, and government support programs, which can lead to business expansion and increased employment opportunities (Bruhn & McKenzie, 2014).However, the relationship between formalization and job creation is complex and context-dependent. While some studies suggest that formalization can lead to increased productivity and employment (La Porta & Shleifer, 2014), others argue that the process may initially result in job losses as businesses adapt to new regulatory requirements and cost structures (Ulyssea, 2018). In the Nigerian context, where the informal sector is deeply entrenched, the impact of formalization on job opportunities may vary across different industries and regions. The concept of "decent work" as defined by the International Labour Organization (ILO) is particularly relevant when considering the formalization of informal businesses (ILO, 2002). Decent work encompasses productive employment, fair income, workplace security, social protection, and opportunities for personal development. By transitioning to the formal sector, businesses may be better positioned to provide these elements of decent work, thereby improving the quality of job opportunities available in the labor market (Okafor, 2012).

The registration process itself can be conceptualized as a series of steps designed to bring informal businesses into the formal regulatory framework. In Nigeria, efforts have been made to simplify this process through initiatives such as the CAC's online registration portal and the implementation of a single-window business registration system (Igwe et al., 2018). These measures aim to reduce the time and cost associated with formalization, potentially making it more attractive for informal businesses to register. However, the decision to formalize is influenced by a complex interplay of factors, including perceived benefits, costs, and risks. The concept of "formalization threshold" proposed by Gelb et al. (2009) suggests that businesses will only choose to formalize when the benefits outweigh the costs. In Nigeria, where institutional weaknesses and corruption persist, the perceived benefits of formalization may be limited, hindering the transition process (Akanbi, 2016).

The role of government policies in promoting formalization and job creation is crucial. Conceptually, effective policies should address both the supply and demand sides of formalization. Supply-side interventions focus on reducing barriers to entry into the formal sector, while demand-side approaches aim to create incentives for businesses to formalize (Benjamin & Mbaye, 2012). In Nigeria, policy initiatives such as tax incentives for newly registered businesses and simplified regulatory procedures have been implemented to encourage formalization (Onyebueke & Geyer, 2011). The concept of "strategic formalization" proposed by Bruhn and McKenzie (2014) suggests that businesses may choose to partially formalize, selecting which aspects of formality to adopt based on their specific needs and circumstances.

This approach recognizes the heterogeneity of the informal sector and the diverse motivations for formalization. In Nigeria, where the informal sector is characterized by a wide range of activities and business sizes, strategic formalization may be particularly relevant.

THEORETICAL FRAMEWORK

The study adopted Developmental State Theory.Developmental State Theory is a significant concept in political economy and development studies that emerged in the latter half of the 20th century. This theory seeks to explain the rapid economic growth and industrialization experienced by several East Asian countries, particularly Japan, South Korea, and Taiwan, during the post-World War II period (Johnson, 1982). At its core, the theory posits that state intervention and guidance in the economy can lead to accelerated development and industrialization. The developmental state is characterized by a strong, centralized government that actively intervenes in the economy to promote industrial growth and technological advancement. This intervention often takes the form of strategic economic planning, targeted investments, and close cooperation between the state and private sector (Evans, 1995). Unlike the neoliberal approach that advocates for minimal state intervention, the developmental state model emphasizes the importance of state capacity and bureaucratic autonomy in driving economic development.

Critics of Developmental State Theory argue that its success in East Asia may not be easily replicable in other contexts due to specific historical, cultural, and geopolitical factors (Mkandawire, 2001). They contend that the theory underestimates the importance of global economic conditions and the role of external factors in shaping development outcomes. Additionally, some scholars point out that the model's emphasis on state intervention may lead to corruption, rent-seeking behavior, and inefficient allocation of resources (Wade, 1990).

Despite these criticisms, Developmental State Theory continues to influence development policies and debates worldwide. Many developing countries, particularly in Africa and Latin America, have attempted to adopt elements of the developmental state model in their pursuit of economic growth and industrialization (Routley, 2014). The theory has also evolved to address contemporary challenges, such as environmental sustainability and inclusive growth. In conclusion, Developmental State Theory offers a distinctive perspective on the role of the state in promoting economic development and industrialization. While its applicability to different contexts remains a subject of debate, the theory has significantly contributed to our understanding of the complex interplay between state, market, and society in the development process.

Application of the Theory

Developmental State Theory provides a valuable framework for analyzing the impact of registering and formalizing informal businesses on job creation in Lagos State. The theory's emphasis on active state intervention in the economy (Johnson, 1982) is evident in Lagos State's

efforts to formalize the informal sector, reflecting the developmental state's role in guiding economic transformation. This initiative aligns with the theory's focus on strategic economic planning and targeted interventions to achieve specific developmental goals (Evans, 1995). The formalization process can be seen as an example of the state's "embedded autonomy" (Evans, 1995), where it engages closely with the business community while maintaining the capacity to implement effective policies. The resulting job creation aligns with the developmental state's objective of fostering economic growth and structural change (Amsden, 1989). The state's focus on the informal sector demonstrates the theory's principle of selective intervention, albeit adapted to the context of a large urban economy rather than traditional industrial policy (Wade, 1990). The success in creating job opportunities suggests the presence of effective state capacity, a crucial element of the developmental state model (Mkandawire, 2001). Furthermore, the formalization of businesses can be viewed as an effort to enhance the state's ability to mobilize resources and implement coherent economic policies, key aspects of the developmental state approach (Woo-Cumings, 1999). However, it's important to note that this application of Developmental State Theory to Lagos State's formalization efforts and subsequent job creation diverges from the theory's traditional focus on large-scale industrialization and export-oriented growth (Gereffi, 1989). This suggests a more nuanced and context-specific adaptation of the model to urban governance and informal sector development, highlighting the theory's potential flexibility in addressing diverse developmental challenges.

METHODOLOGY

The study adopted a mixed research design of survey and documentary. Adopting a mixed survey and documentary research design represents a robust methodological approach that combines the strengths of quantitative and qualitative data collection methods. The adoption of survey and documentary methods for data collection, combined with structured questionnaires and key informant interviews represents a comprehensive and multi-faceted approach to research.

REGISTRATION AND FORMALIZATION OF INFORMAL BUSINESSES AND JOB OPPORTUNITIES

This paper explored the registration and formalization of informal businesses and job opportunities. It specifically examined business licenses and permits and opportunities for skill advancement and career growth, obtaining official registration documents from the government and entirely new businesses and industries, the legal structure of the companies, and access to government contracts and growth necessitating additional hiring.

Table 1: Business licenses and permits and opportunities for skill advancement and career growth

Do you think business licenses and permits create opportunities for skill advancement and career growth?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	257	66.8	66.8	66.8
	Agree	121	31.4	31.4	98.2
	Disagree	5	1.3	1.3	99.5
	Strongly Disagree	2	.5	.5	100.0
	Total	385	100.0	100.0	

Interview question: Comment on how business licenses and permits create opportunities for skill advancement and career growth; *The implementation and regulation of business licenses and permits in Lagos State have indeed created significant opportunities for skill advancement and career growth.*

This period saw a transformation in the business environment of Lagos, Africa's largest city and Nigeria's economic powerhouse, with far-reaching implications for professional development and career trajectories (Adebayo & Oluwole, 2021).One of the primary ways in which business licenses and permits have fostered skill advancement is through the formalization of business processes. As noted by Ogunleye et al. (2019), the stricter enforcement of licensing requirements has compelled businesses to adopt more professional practices, leading to an increased demand for skilled workers. This demand has, in turn, motivated individuals to acquire new skills and qualifications to remain competitive in the job market.

The digitalization of the licensing and permit process, implemented gradually from 2015 onwards, has been a significant driver of technological skill development. According to a study by Oluwadare and Akinwale (2020), the introduction of online application systems and digital documentation has necessitated improved digital literacy among both business owners and employees. This shift has created new job roles in areas such as digital compliance management and e-government liaison, offering novel career paths for tech-savvy professionals. The regulatory framework surrounding business licenses and permits has spurred the growth of consultancy services. Ekezie and Nwankwo (2021) observed a 30% increase in the number of business consulting firms in Lagos between 2015 and 2022. These firms specialize in guiding businesses through the licensing process, creating opportunities for individuals with expertise in business law, accounting, and regulatory compliance. This trend has not only generated new jobs but also facilitated knowledge transfer and skill development within the business community.

The emphasis on compliance with licensing requirements has also led to an increased focus on professional certifications and continuous learning. A survey conducted by the Lagos Chamber of Commerce and Industry (LCCI, 2022) revealed that 65% of businesses in Lagos had invested in staff training programs related to regulatory compliance and business management between 2018 and 2022. This investment in human capital has created pathways for career advancement and specialization within organizations. The stratification of business licenses based on the scale and nature of operations has encouraged entrepreneurship and career diversification. Adeleke and Fashoyin (2021) argue that the tiered licensing system has made it easier for individuals to start small businesses or freelance services, providing opportunities for skill development through hands-on experience. This has particularly benefited young professionals and recent graduates looking to gain practical business skills.

The enforcement of industry-specific licenses has also contributed to the development of specialized skill sets. For instance, the introduction of more stringent environmental compliance requirements for manufacturing licenses has led to an increased demand for environmental management professionals (Nwosu et al., 2020). Similarly, the tech industry has seen a surge in demand for cybersecurity experts due to enhanced data protection requirements in digital business licenses (Oladipo & Ajayi, 2023).However, it is important to note that the relationship between business licenses and skill advancement has not been without challenges. Critics argue that the complexity of some licensing requirements has created barriers to entry for small businesses and aspiring entrepreneurs, potentially limiting opportunities for skill development in certain sectors (Adebayo et al., 2022). Additionally, there are concerns about the equitable distribution of skill advancement opportunities across different socioeconomic groups in Lagos.

Despite these challenges,*the impact of business licenses and permits on skill advancement and career growth in Lagos State appears to be positive. The regulatory framework has catalyzed a more professionalized business environment, driving demand for skilled workers and creating new career pathways. It has also incentivized continuous learning and adaptation, essential qualities in a rapidly evolving global economy. The evidence suggests that business licenses and permits have indeed created significant opportunities for skill advancement and career growth in Lagos State.* These regulatory tools have not only shaped the business landscape but have also influenced the professional development trajectories of individuals across various sectors. As Lagos continues to evolve as a major economic hub, the interplay between business regulation and skill development will likely remain a crucial factor in shaping the state's workforce and economic future.

Table 2: Obtaining official registration documents from the government and entirely new businesses and industries

Obtaining official registration documents from the government creates entirely new businesses and industries		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	322	83.6	83.6	83.6
	Agree	58	15.1	15.1	98.7
	Disagree	3	.8	.8	99.5
	Strongly Disagree	2	.5	.5	100.0
	Total	385	100.0	100.0	

Based on the data provided, there is overwhelming support for the statement "Obtaining official registration documents from the government creates entirely new businesses and industries." Out of the total 385 respondents, an impressive 322 (83.6%) strongly agreed with the statement, while an additional 58 (15.1%) agreed. This means that a combined 98.7% of respondents held a positive view on the impact of official registration. In stark contrast, only 3 respondents (0.8%) disagreed, and 2 (0.5%) strongly disagreed, representing a mere 1.3% with a negative perspective. This distribution strongly suggests that the vast majority of participants believe that government registration plays a crucial role in fostering new business creation and industry development, potentially by providing legitimacy, access to resources, or other benefits that come with official recognition.

Interview question: Briefly comment on how obtaining official registration documents from government create entirely new businesses and industries; *the process of obtaining official registration documents from the government has indeed been a catalyst for the creation of new businesses and industries in Lagos State between.*

This phenomenon has had a significant impact on the economic landscape of Nigeria's most populous state, fostering entrepreneurship and driving economic growth (Adebayo & Oluwole, 2020).One of the primary factors contributing to this trend has been the streamlining of business registration processes by the Corporate Affairs Commission (CAC) of Nigeria. The introduction of online registration systems and the simplification of documentation requirements have made it easier for entrepreneurs to formalize their businesses, leading to an increase in the number of registered companies (Nwankwo, 2018). This ease of registration has encouraged many informal businesses to transition into the formal sector, thereby expanding the tax base and contributing to the state's revenue (Okonkwo et al., 2022).

The technology sector has been one of the most notable beneficiaries of this streamlined registration process. Lagos, often referred to as the "Silicon Valley of Africa," has seen a surge in tech startups and digital service providers (Ekezie, 2021). These new businesses have not only created job opportunities but have also attracted foreign investment, further stimulating economic growth in the state (Adebayo & Oluwole, 2020).Moreover, the formalization of businesses through official registration has led to the emergence of ancillary industries. For instance, there has been a rise in business consulting firms specializing in company registration, tax compliance, and regulatory advisory services (Nwankwo, 2018). These firms have become an integral part of Lagos's business ecosystem, facilitating the entry of new players into various sectors of the economy.

The agricultural sector has also experienced significant growth due to easier access to official registration. Many small-scale farmers and agribusinesses have been able to formalize their operations, enabling them to access credit facilities and participate in government agricultural programs (Okonkwo et al., 2022). This has led to increased productivity and the development of agro-processing industries, contributing to food security and export potential.However, it is important to note that challenges still exist in the business registration process. Corruption and bureaucratic bottlenecks continue to hinder some entrepreneurs from obtaining official documents, particularly those in rural areas or with limited resources (Ekezie, 2021). These issues will be crucial for sustaining the positive trend of business creation and formalization in Lagos State. The process of obtaining official registration documents has played a pivotal role in fostering new businesses and industries in Lagos State from 2015 to 2025. *By facilitating the formalization of businesses, this process has contributed to economic diversification, job creation, and increased tax revenue. As Lagos continues to position itself as a major economic hub in Africa, further improvements in the ease of doing business will be essential for maintaining this trajectory of growth and innovation.*

Table 3: Legal structure of the businesses and access to government contracts and growth necessitating additional hiring

The legal structure of the businesses helps access government contracts and growth necessitating additional hiring		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	306	79.5	79.5	79.5
	Agree	70	18.2	18.2	97.7
	Disagree	8	2.1	2.1	99.7
	Strongly Disagree	1	.3	.3	100.0
	Total	385	100.0	100.0	

The data for the statement "The legal structure of the businesses helps access government contracts and growth necessitating additional hiring" shows strong support among respondents. Out of 385 total responses, 306 (79.5%) strongly agreed, and 70 (18.2%) agreed, resulting in a combined positive response of 97.7%. This overwhelming majority suggests that respondents believe a proper legal structure significantly enhances a business's ability to secure government contracts and achieve growth, which in turn leads to increased employment opportunities. In contrast, only 8 respondents (2.1%) disagreed, and 1 (0.3%) strongly disagreed, representing a minimal 2.4% with a negative view. The stark difference between positive and negative responses indicates a widespread perception that formal legal structures are crucial for businessesto expand, particularly through government contracting, and consequently contribute to job creation.

Interview question: Do you think legal structure of the businesses helps access government contracts and growth necessitating additional hiring? *The legal structure of businesses in Lagos State has played a crucial role in facilitating access to government contracts and promoting growth, which in turn has necessitated additional hiring of more workers in the state*. This phenomenon has had a significant impact on the economic landscape of Lagos, Nigeria's commercial hub, and has contributed to the state's development in various sectors (Oladipo & Akinwande, 2019). The primary advantage of having a proper legal structure is the enhanced credibility it provides to businesses when bidding for government contracts. The Lagos State Government, like many other public entities, often requires potential contractors to be registered companies with specific legal structures. This requirement has encouraged many informal businesses to formalize their operations, leading to an increase in the number of legally structured enterprises in the state (Nwosu et al., 2021).

The preference for Limited Liability Companies (LLCs) and Private Limited Companies (PLCs) in government contract bidding processes has led to a surge in the registration of such entities. These legal structures offer benefits such as limited liability protection for owners and a clear separation between personal and business assets, making them attractive options for entrepreneurs (Adeleke, 2018). As a result, many sole proprietorships and partnerships have transitioned to these corporate structures to enhance their eligibility for government contracts.The formalization of businesses through proper legal structures has also opened up opportunities for access to finance. Banks and other financial institutions are more likely to extend credit to legally structured businesses due to their perceived stability and accountability (Oladipo &Akinwande, 2019). In addition to the interview question, another key informant added that; *This increased access to capital has enabled many companies to expand their operations, invest in new technologies, and take on larger projects, including government contracts.*

As businesses have grown and secured more contracts, the need for additional manpower has become evident. The period from 2015 to 2023 saw a significant increase in hiring across various sectors in Lagos State, particularly in industries closely tied to government contracts

such as construction, information technology, and consultancy services (Eze & Oluwole, 2022). This trend has contributed to job creation and helped address unemployment challenges in the state.Moreover, the legal structure of businesses has facilitated partnerships and collaborations, both locally and internationally. Well-structured companies are better positioned to enter into joint ventures and form consortiums to bid for large-scale government projects (Nwosu et al., 2021). These collaborations often require additional expertise and manpower, further driving the need for hiring and contributing to knowledge transfer within the Lagos business ecosystem.

The technology sector, in particular, has benefited from this trend. Many tech startups in Lagos have adopted formal legal structures, enabling them to participate in government digitization projects and secure contracts for the development of e-governance solutions (Eze & Oluwole, 2022). This has not only led to the growth of these companies but has also created a demand for skilled IT professionals, contributing to the state's reputation as a tech hub in Africa.However, it is important to note that challenges still exist in this landscape. Small and medium-sized enterprises (SMEs) sometimes struggle with the complexities and costs associated with maintaining certain legal structures, which can impact their ability to compete for government contracts (Adeleke, 2018). Additionally, there have been concerns about the transparency and fairness of the contract awarding process, which can potentially disadvantage smaller, legally structured businesses in favor of larger, more established firms. The legal structure of businesses in Lagos State from 2015 to 2023 has significantly influenced their ability to access government contracts and achieve growth, subsequently driving additional hiring. This trend has contributed to the formalization of the economy, job creation, and overall economic development in the state. Moving forward, it will be crucial for the government to continue supporting businesses in adopting appropriate legal structures while ensuring a level playing field for all entities, regardless of size, in the contract bidding process.

Table 4: Test of Hypothesis: The registration and formalization of informal businesses significantly affected job opportunities in Lagos State from 2015 to 2024.

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.974[a]	.948	.948	.159	6951.002	.000[b]

The above table is an analysis of regression analysis conducted to assess the significance of registration and formalization of informal businesses on job opportunities in Lagos State from 2015 to 2025. The result showed that the correlation coefficient of .974 indicated registration and formalization of informal businesses significantly affected job opportunities. The R^2 coefficient of .948 indicated that 94 percent of the variation in job opportunities is attributed to the effectiveness of formalization of informal businesses. The F-value of 6951.002 with an associated p-value (sig.) of .000 indicated that registration and formalization of informal

businesses significantly affected job opportunities in Lagos State from 2015 to 2024. Our hypothesis is, therefore, accepted.

CONCLUSION AND RECOMMENDATION

The registration and formalization of informal businesses in Lagos State from 2015 to 2025 led to a significant creation of job opportunities. As businesses transitioned from the informal to the formal sector, they gained access to financial services, government support programs, and larger markets, enabling them to expand their operations and hire more employees (Nwosu & Eze, 2021). The Lagos State Ministry of Commerce and Industry reported that over 500,000 informal businesses were formalized during this period, with an average of 2-3 new jobs created per formalized business (Lagos State Ministry of Commerce and Industry, 2022). This formalization process also led to the emergence of new industries and services that catered to the needs of newly registered businesses, such as accounting firms, business consulting services, and regulatory compliance agencies, further contributing to job creation. Moreover, the increased visibility and credibility that came with formalization allowed many businesses to secure contracts with larger corporations and government entities, necessitating workforce expansion to meet increased demand (Oluwaseyi, 2020). The ripple effect of this job creation extended beyond direct employment, stimulating growth in ancillary services and contributing to overall economic development in Lagos State.

The significant job creation resulting from business formalization suggests that continued efforts in this area could yield substantial economic benefits. It is recommended to develop and implement more targeted support programs to assist informal businesses in the registration and formalization process. These programs could include sector-specific guidance, mentorship schemes pairing newly formalized businesses with established ones, and tailored financial literacy courses.

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