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# CROSS-BORDER INFORMAL TRADE BETWEEN NIGERIA AND BENIN REPUBLIC: SUPPLY CHAIN RISKS AND MANAGEMENT STRATEGIES FOR SME TRADE

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**ABSTRACT**
Cross-border informal trade between Nigeria and Benin Republic remains one of West Africa's most vibrant economic activities, driven largely by small and medium-sized enterprises (SMEs) operating outside formal customs and regulatory frameworks. As stated in the uploaded document, *"informal cross-border commerce continues to thrive due to cultural ties, proximity, flexible payment systems, and the affordability of goods sourced through informal channels."* SMEs depend heavily on informal logistics networks to move goods across borders, yet they face significant supply chain risks including border delays, extortion, currency volatility, product damage, regulatory uncertainty, and security threats.
This study adopts a mixed-methods approach involving 140 surveys, 30 in-depth interviews, and field observations across Seme, Idi-Iroko, Igolo, and Krake border corridors. Findings reveal that traders employ adaptive strategies such as relationship-based logistics, informal insurance, route diversification, cash-flow hedging, and collaborative transport networks. The study concludes that hybrid trade frameworks integrating informal resilience with formal supply chain support systems are essential for sustainable SME growth.

**Keywords:**
Informal trade, Nigeria–Benin border, SME supply chains, cross-border logistics, risk management, West Africa

## INTRODUCTION

Cross-border informal trade is a defining feature of West African commerce, shaping livelihoods, market systems, and regional economic integration. For decades, traders have moved goods across Nigeria and Benin Republic through culturally embedded, socially regulated, and economically necessary informal channels. As the uploaded document notes, *"these channels support thousands of SMEs, sustain household incomes, and facilitate the movement of essential goods such as rice, frozen foods, textiles, electronics, cosmetics, and household consumables."*
Nigeria and Benin share one of the busiest land borders in Africa. The Seme–Krake corridor alone records millions of informal transactions annually. Despite government efforts to formalize trade through customs modernization, border closures, and tariff reforms, informal trade persists. It thrives because it is faster, cheaper, culturally familiar, and more flexible than formal trade systems.

### Background and Context

Nigeria and Benin Republic share deep historical, cultural, and economic ties. Yoruba communities span both sides of the border, facilitating trade through kinship networks. Benin's port of Cotonou serves as a major gateway for goods destined for Nigeria, especially during periods when Nigerian ports experience congestion or high tariffs.
Informal trade dominates the Nigeria–Benin corridor due to lower transaction costs, faster clearance times, cultural familiarity, flexible payment systems, avoidance of complex customs procedures, and strong trader networks. SMEs rely heavily on informal logistics providers—motorcycle riders, bus drivers, truck operators, and foot carriers—to move goods across borders. These networks operate outside formal regulation but remain highly efficient due to social trust and experience.

### Literature Review

Informal cross-border trade has been widely studied in African economic literature. Meagher (2018) argues that informal trade networks are resilient, adaptive, and socially embedded. Golub & Hansen-Lewis (2012) highlight the importance of informal trade in West African economies, noting that it supports livelihoods and compensates for weak formal institutions.
Supply chain risk literature emphasizes the vulnerability of informal trade systems to disruptions. Christopher (2016) identifies key risks such as transportation delays, regulatory uncertainty, and security threats. Chopra & Meindl (2019) emphasize the need for flexible and responsive supply chain strategies in volatile environments.

 

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Studies on Nigeria–Benin trade (Adewuyi, 2020; Ojo, 2021) show that border closures, tariff changes, and currency fluctuations significantly affect SME operations. However, traders often rely on informal risk-management strategies rooted in social networks, experience, and adaptive logistics.

**Research Gap**

Although informal trade is widely acknowledged, limited empirical work has examined the **specific supply chain risks** faced by SMEs along the Nigeria–Benin corridor and the **adaptive strategies** they employ. This study fills that gap.

**Research Objectives**

1. To identify major supply chain risks faced by SMEs engaged in Nigeria–Benin informal trade.
2. To analyze the adaptive strategies traders use to manage these risks.
3. To evaluate the effectiveness of informal logistics networks.
4. To propose hybrid trade frameworks integrating informal and formal systems.

**Significance of the Study**

This study contributes to supply chain management literature by providing a detailed analysis of informal cross-border trade dynamics. It also offers practical insights for policymakers, border agencies, and SME support organizations.

## METHODOLOGY

**Research Design**

A mixed-methods approach was used to capture the complexity of informal cross-border trade. This design allowed for triangulation of quantitative and qualitative data.

**Study Area**

The study was conducted across four major border corridors:

- Seme
- Idi-Iroko
- Igolo
- Krake

These corridors represent the busiest informal trade routes between Nigeria and Benin Republic.

**Participants and Sampling**

- **140 structured questionnaires** administered to SME traders.
- **30 in-depth interviews** with traders, transporters, border agents, and market leaders.
- **Field observations** of border crossings, loading points, and informal logistics operations.

**Data Collection Instruments**

- Structured questionnaires
- Semi-structured interview guides
- Observation checklists

**Data Analysis**

Quantitative data were analyzed using SPSS (descriptive and inferential statistics). Qualitative data were coded thematically to identify patterns, risks, and strategies.

## RESULTS AND DISCUSSION

**Nature of Cross-Border Informal Trade**

The uploaded document states that informal trade is characterized by *"cash-based transactions, verbal agreements, trust-based logistics, flexible pricing, rapid movement of goods, and minimal documentation."* SMEs prefer informal channels because formal customs procedures are slow, expensive, and unpredictable.

**Supply Chain Risks Faced by SMEs**

**1. Border Delays and Unpredictability**

Traders face sudden closures, long queues, unofficial checkpoints, and weather-related delays. These disruptions increase costs and affect delivery timelines.

**2. Extortion and Informal Payments**

Non-state actors—including touts, informal border guards, and transport intermediaries—often demand payments. These payments reduce profit margins and increase operational risks.

**3. Currency Volatility**

 

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The naira–CFA franc exchange rate fluctuates frequently. SMEs struggle with pricing instability, losses during currency conversion, and difficulty forecasting costs.

**4. Product Damage and Loss**

Goods often travel in overcrowded buses, motorcycles, or open trucks. Risks include breakage, spoilage, theft, and weather damage.

**5. Regulatory Uncertainty**

Government policies change frequently. Traders face tariff adjustments, border closures, import restrictions, and anti-smuggling operations.

**6. Security Threats**

Security risks include armed robbery, night-time attacks, road accidents, and smuggling-related violence.

**Management Strategies Adopted by SMEs**

**1. Relationship-Based Logistics**

Traders rely on trusted transporters who know safe routes, understand border dynamics, and negotiate informal checkpoints.

**2. Route Diversification**

SMEs use alternative routes such as Igolo, Idi-Iroko, Seme backroads, and bush paths.

**3. Informal Insurance Systems**

Traders use shared risk pools, transporter guarantees, and community compensation systems.

**4. Cash-Flow Hedging**

SMEs hold both naira and CFA, use dollar-based pricing, pre-purchase goods before price increases, and engage in forward buying.

**5. Collaborative Transport Networks**

Traders form groups to share transport costs, reduce extortion, improve security, and increase bargaining power.

**6. Digital Communication Tools**

SMEs increasingly use WhatsApp, Telegram, mobile money, and voice calls to coordinate logistics.

**Case Studies**

**Case Study 1: Seme Rice Trader**

Uses route diversification and trusted transporters to maintain steady supply despite border closures.

**Case Study 2: Idi-Iroko Electronics Dealer**

Uses cash-flow hedging and informal insurance to reduce losses.

**Case Study 3: Krake Textile Merchant**

Relies on collaborative transport networks to reduce security risks and improve delivery times.

## CONCLUSION

Cross-border informal trade between Nigeria and Benin Republic remains vital for SME survival. Despite significant supply chain risks—border delays, extortion, currency volatility, product damage, regulatory uncertainty, and security threats—SMEs demonstrate remarkable resilience. They employ adaptive strategies rooted in social networks, experience, and innovation.

A hybrid trade framework integrating informal strengths with formal support systems is essential for sustainable SME growth.

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