



Smuggling and Ricepreneurship in Ibarapa Central Local Government Areas, Oyo State

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Abstract:

This study investigated smuggling and ricepreneurship in Ibarapa Central Local Government Areas of Oyo State through ascertaining socioeconomic characteristics of ricepreneurs in the study areas, ascertaining reasons why ricepreneurs smuggle rice, ascertaining opinions of ricepreneurs on effects of rice smuggling on national economy. Survey design was adopted to include 100 purposively sampled rice-entrepreneurs as participants in the study. At 56% questionnaire return-rate, possibly due to sensitivity of the research subject, responses from returned copies of questionnaire were analyzed through descriptive statistics of frequency counts, simple percentage, tables and bar charts. Results established that ricepreneurs were mostly male, middle aged, Muslims, married and literate. It is also reviewed that ricepreneurs are aware of the negative effects of their business on national economy but continue in the business because it provides them the opportunity of amassing wealth especially as they hope to escape law enforcement agencies due to alleged corruption of the agencies. In view of this, the study recommends that training on patriotism, discipline, and corruption control should be occasionally organized among the law enforcement agents in the government's bid to control smuggling.

Keywords: Border, Importation, Law enforcement, Rice, Ricepreneurs, Smuggling

Introduction

Smuggling is an illegal transportation of objects, substances, information or people such as out of house or buildings into a prison or across an international border in violation of applicable laws or other regulations (Gallien and Weigand, 2021). Smuggling is often associated with efforts by government to prevent importation of certain contraband items or nontaxed goods. When the nation states established borders and sought to regulate traffic across them, they created markets for the smuggling of human as well as goods e.g. Rice, Groundnut oil, tobacco, cigarettes, wool and silks etc.

Smuggling occurs when enterprising merchants attempt to or actually supply a good that is illegal in a country or transport a good that is legal but without sufficient permission or authority from government. This act is perpetuated by the enterprising merchants by avoiding the customs payment in order to achieve underbilling of the prices of the good, or, at times, under billing of the quantity of the good and also sometimes overbilling the good to get unmerited tax exemption from government. As the smugglers face significant risks of civil and criminal penalties if caught

with such contrabands, smugglers usually impose significant price premium on smuggled goods and the profits involved in smuggling goods appear to be extensive. This is because the goods, once smuggled in, are re-sold in the local markets at a prices that are often lower than the market prices providing these smugglers with a wide margin of profits. As a result of awesome profit derivable from smuggling, smuggling is widespread and noted by (UNDOC, 2023) to be on increase in Nigeria.

According to Giumelli and Viet (2019), different goods are common items of smuggling in different regions of the world. In Nigeria, the following are common items of smuggling: fuel; food items: rice and groundnut oil; drug and narcotics: cocaine, heroin, tobacco products; commodities, arms and weapon, electronic, information, cultural and natural heritage, migrant smuggling and human trafficking

While smuggling pervades on different items, at different scales and using different methods; the fulcrum of this paper is on rice smuggling by the enterprising merchants in Nigeria. Rice – is a staple food in most Nigerian households. Due to its popularity, rice investment and



business is common among the enterprising merchants either in wholesale or in retail stalls in most Nigerian neighbourhoods. Much of the rice on sales in the nooks and crannies of Nigeria, especially in border-towns, are smuggled; and this not only undermines government policy at enhancing local industrialisation of rice, but has also contributed in reduction of government revenues (Taiwo, 2023) as rice entrepreneurs, henceforth refers to as ricepreneurs, often seek to evade all taxes and regulations in their bid to smuggle rice into Nigeria's territories.

Resulting from rice smuggling, the Nigeria government lost billions of Naira in capital flight, lost local employers and industry in rice plantation and production, thereby increasing the current state of unemployment, governmental spending on security and border control against rice importation and has caused substantial losses of lives and properties in the process of controlling rice importation. Yet, rice importation continues, and on a continuous. This scenario was substantiated by the Childs, N. and LeBeau, B. (2023) in their report which projected that Nigeria will import not less than 2.1 million tons of rice in 2024 only; and the problems created by continuous importation of rice is noted to frustrate government policies to sustain the production and marketing of local rice economy.

Causes of Rice Smuggling

Katsios (2006) pointed out several reasons and causes for the development of shadow economies, in form of rice smuggling. Some of these causes are given below:

Tariff Burden: Due to high trade restrictions, traders often find illegal ways of trading i.e. smuggling and mis-invoicing. In literature, a positive relationship is observed between tariff burden and smuggling

Unemployment: Unemployment and underemployment are often cited reasons some people venture into rice smuggling. Nigeria is rated among countries with highest incidence of unemployment and underemployment in the world.

Rule of Law: Smugglers intend to maximize their net profit (difference between expected revenues and expected costs) from smuggling. The expected cost comprises of penalties on illegal trade. Smuggling becomes less profitable when

the difference between the expected cost and expected revenues increases. Strong rule of law ensures less chances of smuggling. A negative effect of index of rule of law on the size of smuggling is established in empirical studies.

Corruption: Corruption and shadow economy are perceived as twins which means, theoretically, they can either be complements or substitutes (Schneider and Buehn, 2009).

Tax Burden: The most popular and significant cause of the shadow economic activities, as found in literature, is the tax rate. Dell'Anno (2007) states that an increase in tax burden acts as a motivation to engage in smuggling of contrabands including rice.

Inflation: Macias (2008) pointed out that a higher official inflation rate may lead to substitution effect from official goods towards underground output and wiped out small businesses which developed black market economy.

Effect of Rice Smuggling

Notwithstanding all efforts to promote local production of rice in the country, the protracted smuggling of the commodity appears to have grown to the extent of dominating the market, just as it sucks away the foreign exchange by way of capital flight.

Rice is actually, the most preferred staple food for Nigerians, this makes it so popular and ever sought for by Nigerians, young or old. Major markets across the country can never be short of rice. But the more worrisome aspect is that about 70 per cent of rice in the local market are foreign parboiled rice, while the locally made rice has been overwhelmed and barely has no place in the market. For these facts, rice continues to receive more attractions from core businessmen, manipulators and the smugglers. Indeed, the Nigerian Customs Service (NCS) has adjudged rice as the most smuggled items through the land borders.

A Guardian Newspaper investigation conducted in 2019 revealed that rice is the most profitable commodity for smugglers as there are always ready buyers for the smuggled rice. Rice entrepreneurs, as well as consumers, also claimed that smuggled rice are cheaper and more available than the locally produced on (The Guardian, 2019). During the said investigative journalism, the Guardian



corresponding, Sualimon Salau, visited Seme border in the Republic of Benin, where it was discovered that the popular market in seme was dominated by Nigerians who were buying rice in bags and smuggling them into Nigeria through unapproved routes. same was discovered at Idiroko border at the Ilaro Ogun State. In fact, the Nigerians currency (Naira) was freely traded with the same market. The products are sometimes conveyed on motorcycle popularly known as okada, carrying four to six bags at a go. They move it across the border with alleged 'settlement' of about N100 daily. The Guardian learnt that the Okada smugglers sometimes move in convoy with an escort who interfaces with the security agencies. Aside from the petty rice smugglers, truckloads of the commodity are always smuggled into the country, although, many are being confiscated by the Customs. (The Guardian, May29, 2019). Notwithstanding the risk of being apprehended by law enforcement agencies and the numerous seizure of smuggled wares, smugglers appear non-perturbed, as they move on top of their game, against all odds. Aside the political and economic implication of rice smuggling, a more terrible concern is that the quality of the smuggled rice could not be guaranteed, thereby posing health risk to unsuspecting citizens. In a 2002 released by the Nigeria customs service, the Acting Controller of the Nigeria Customs Service's Operation Unit Zone A - Hussan Ejibunu warned Nigeria against consumption of foreign rice saying that most of the grains smuggled into the country were poisonous and should be avoided by the people.

In 2016, an alarm was raised on the shipping of fake rice also known as 'plastic rice' into the country from China. The Customs was immediately put on red alert and the situation was later curtailed. As if that was not enough, in 2017, The Federal Government also warned that there were some brands of poisonous foreign rice in circulation.

One of the common argument advanced for smuggled rice is that it is cheaper in price relative to the locally produced rice. in the current market, a smuggled bag of rice is sold between #48000 and #50, 000 while that of the local is sold between #69,000 and #80,000. Among the factors influencing the higher cost of local rice as reported by Betasales (2023) are tariffs and import

restrictions, fuel subsidy removal and price control, domestic production capacity and wider demand. the naira exchange rate and weather and climate events. In reaction to the higher cost of local rice which seems to encourage the mercantile of ricepreneurships, the then Minister of State for Agriculture and Rural Development, senator Heineken Lokpobiri justified the consumption of local rice as follows: That local rice is more expensive, but we say even if it means buying a half bag, do it. It is better for us to eat a smaller quantity of nutritious rice than for us to take poisonous shiploads of rice. Meanwhile, foreign rice has continued to litter the Nigerian markets. From Sango market in Ota, Ogun State to Daleko market in Mushin; Mile 2 in Lagos; Utako Market, Abuja; Terminus Market Jos; Mile 3 Market Port-Harcourt; Main Market, Onitsha; Singer Market in Kano; Ogbete Market in Enugu, and Jimeta Main Market in Yola, among others, foreign parboiled rice are predominantly displayed and gained so much patronage.

Despite the seriousness of this problem, academic research has not been common as regards to smuggling and ricepreneurship in Nigeria. This is a critical knowledge gap which this study will attempt to fill through seeking answers to the following questions:

What are the socioeconomic characteristics of ricepreneurs in Ibarapa Central Local Area of Oyo State?

Why do ricepreneurs often venture into rice smuggling?

Are ricepreneurs aware of the effects of rice smuggling on the Nigeria economy?

Methodology

The design for the study was the survey design method. The target population was the large and small scale rice importers and sellers in Ibarapa Central Local Government Area of Oyo State. Data obtained from Rice Sellers Association estimated ricepreneurs in the study areas to be about 2000 in number. This business is popular in the study area because the town shares a border with the Republic of Benin where much of the rice is being imported.

The technique that was used for the data collection was the purposive sampling technique. Purposive sampling technique was adopted to ensure that only people involved in



rice business in Ibarapa Central Local Government Area were selected to fill the research questionnaire or provide answers to questions contained in the interview guide. Taro Yamani (19750) was used in the determination of sample size of 201 as ricepreneur participants of the study.

Its calculation goes thus $5/100 \times 2000$ which is equalled to 100. Therefore, the sample size of this study is 100 respondents from among large and small scale importers and sellers of contraband rice popularly called "Fayawo". It is to be appreciated that the sample size appears small but it was very difficult for the researcher to locate and access their cooperation in the study.

Result and Discussion

Table 1 Distribution of Responses of Personal Information of Sampled Ricepreneur at Ibarapa Central Local Government (n=56)

Variable	Frequency	Percentage
Gender		
Male	48	86
Female	08	14
Age (in years)		
18-29	08	14
30-49	26	47
50-65	18	32
66 above	04	7
Religion		
Islam	36	64
Christianity	20	36
Others	00	00
Marital status		
Married	46	82
Separated	04	7
Divorced	02	4
Widowed	00	0
Single	04	7
Highest Education Attainment		
No formal education	08	14
Primary school	06	11
Senior secondary school	14	25
ND/NCE and others	18	32
Diploma		
HND and First Degree	10	18
Total	56	100

Source: Researcher's survey, 2023

Table 1 presents distribution of personal information of sampled site importers in Ibarapa Central Local Government Area, Oyo State. It is seen that 86% percent of the sampled rice sellers were male and the rest 14 present were female. This finding established the dominance of male in Fayawo business; this may be due to the fact that the business is regarded dangerous and financially risky.

Also the table and its bar chart reveal that 14% of the sampled respondents were aged between 18 – 29 years, 47% were aged between 30 – 49 years, 32% were aged between 50 – 65 years and 7% were aged 66 and above. The inference from these findings is that rice business is dominated by youthful individuals who could survive the rigours of business due to their agility, innovative connection, energy and experience. Moreover, 64% of the sampled respondents were Muslims while the 36% percent are Christians. This finding may be due to the fact that Muslims seem to be more in population among the indigenous Ibarapa Central people. Hence, this has a reflection on religious distribution on the contributed rice sellers.

Marital distribution of respondents indicates that 82% were married, 7% were separated, 4% were divorced, while only 7% were single. None of the sampled was widowed. This findings established that rice business is lucrative and offer financial security. As a result of this almost all ricepreneurs were married. Finally, 14% of the sampled rice sellers had no formal education, 11% had Primary school, 25% attained Senior Secondary school, 32% had ND/NCE and the remaining 15% held HND or First Degree. This means that literacy rate was high among the sampled ricepreneur and this also mean that they could clearly understand the objectives of the study, literate enough to provide required answers to the questionnaire or rice smugglers and borders control with the implication that their responses are not only well informed but also scientifically reliable for the analysis.

Table 2 Distribution of Responses on Reasons Why Ricepreneurs Engaged in Fayawo Business (n=56)

Variable	Frequency	Percentage
Unemployment		
Agree	16	29
Disagree	32	57
I don't know	08	14



Variable	Frequency	Percentage
Lack of education on evil effects of <i>fawayo</i> business		
Agree	08	14
Disagree	44	79
I don't know	04	7
People import rice to avoid payment of customs dues		
Agree	18	32
Disagree	24	43
I don't know	14	25
Corruption is common and justified in Nigeria		
Agree	24	43
Disagree	26	46
I don't know	06	11
Injustice in the legal system makes proper import rice		
Agree	34	61
Disagree	10	18
I don't know	12	21
Total	56	100

Source: Researcher's Survey, 2023.

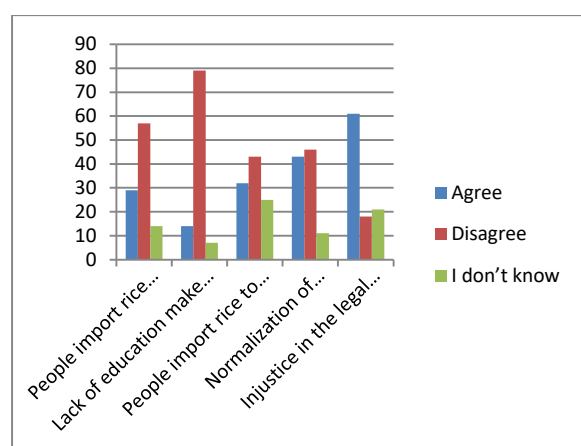


Table 2 and its bar chart present distribution of responses for causes of rice smuggling in the study location. It can be seen that 29% of the respondents agreed that people import rice due to unemployment in the Nation while 57% disagreed to the question. 14% confused that they don't know. This finding exposed the fact that unemployment is not the factors that lure people into the smuggling of rice as most of them believe that smuggling can allow them to make quick and more money than any other employment.

14% of the respondents agreed that lack of education make people import rice while 79% disagreed to the answer, 7% of the respondent confused that the do not know. This finding eradicate illiteracy as a factors that influence people into smuggling of rice as most of the rice smugglers are literate and understand the implication of their actions.

32% of the respondents agreed that people import rice to avoid payment of customs dues while 43% disagreed to the answer, 25% of the respondents confused that they do not know. This finding is not surprising as the respondents want to admit to the

crime of tax invasion especially as they pay some amount of bribe to corrupt officers, the money which did not actually get to the purse of government.

43% of the respondents agreed that normalization of corruption make people to import rice while, 46% disagreed. 11% of the respondents got confused that they do not know. This finding is not surprising as the respondents would not want to admit to the crime of corruption. 61% of the respondents agreed that injustice in the legal system makes people import rice while 18% disagreed, 21% of the respondents were confused that they do not know. This finding exposed that the respondent seems to interpret the question that corruption happens from the top management and the legal system by their perspective is not adequate to meet sanctions of the offenders. Hence the justification of smuggling rice.

Table 3 Distribution of Responses on Effects for Rice Smuggling (n=56)

Variable	Frequency	Percentages
Rice importation negatively affects the development of local rice		
Agreed	52	92
Disagree	2	4
I don't know	2	4
Rice importation increases the rate of unemployment		
Agreed	14	25
Disagree	38	68
I don't know	4	7
Rice importation reduces the purchasing strength of Naira		
Agreed	16	28
Disagree	34	61
I don't know	06	11
Rice importation increases insecurity		
Agreed	34	61
Disagree	18	32
I don't know	04	7
Rice importation causes loss of lives and properties		
Agreed	32	57
Disagree	18	32
I don't know	06	11
Total	56	100

Sources: Researchers' Survey, 2023

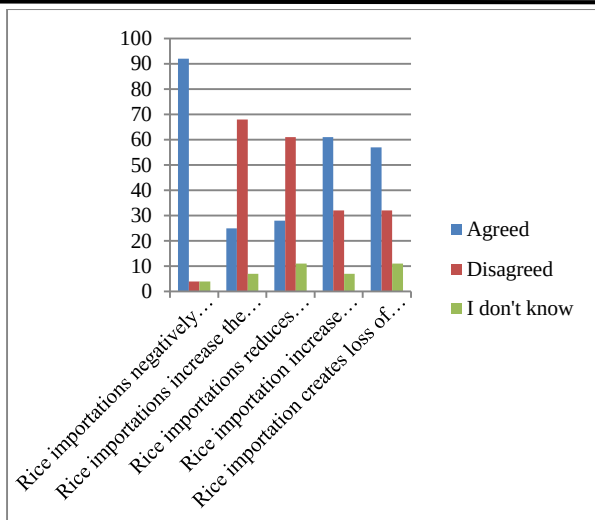


Table 3 and its bar chart gives distribution of responses on the effect of rice smuggling, 92% of the respondents agreed that rice importation negatively affects the development of local rice while 4% of the respondents disagree to the questions 4% of the respondent confessed that they do not know. This finding shows that this were that their business can kill the local production of rice which will cause unemployment and reduce the value of the Nigeria Naira but they continue to engage in the business for affluence.

25% of the respondents agreed that rice importations increase the rate of unemployment while 68% disagree, 7% of the respondents confessed that they do not know, this finding shows that this disagreement is funny and contractive by their acceptance that is kills local rice production and industry thereby cause unemployment for those that could has been employ in the local production industry. 28% of the respondents agreed that rice importation reduces purchasing strength of Naira while 61% disagreed. 11% of the respondents were ignorant of the answer. The finding shows that this disagreement can be expected since they earn their wealth in Naira devaluation.

Also, 61% of the respondents agreed that rice importation increase insecurity while 32% disagreed. 7% of the respondent's confessed that did not know. This finding exposes that they are aware that illegal importation of rice corrupts that borders and may open road for insecurity, 57% of the respondents agreed that rice importation creates loss of life and properties while 32% of the respondents disagree with this point, 11% of the

respondents confessed that they do not know. This awareness encourages them to fortify themselves with ammunition and against the law enforcement agencies especially the customs. This even in recent time at the study location has led to exchange of bullet between rice smugglers and the customs officers which lead to loss of valuable properties, injury to many and even death.

Summary

The study investigated smuggling and ricepreneurship in Ibarapa Central Local Government Area of Oyo State using the follow scientific method or data collection and analysis. The following findings were made:

- ✓ Ricepreneurs in Ibarapa Central Local Government Area were mostly male, middle-aged, Muslims, married and literate.
- ✓ Ricepreneur in Ibarapa Central Local Government area of Oyo Sate held that none strictness in the services of the officers of the Nigerian Customs and the weakness of the legal system due to corruption at controlling smuggling is an important cause of rice smuggling in Nigeria.
- ✓ Ricepreneurs in Ibarapa Central Local Government area of Oyo State admitted that rice smuggling negatively affect the development of local rice industry and may offer outlet for insecurity of the border town as a result of which properties have been lost, personal injuries and deaths have been recorded in a bid to control the insecurity caused by rice smuggling.
- ✓ As expected, ricepreneurs in the study location berated governmental control of borders against smuggling for the reason that it will create scarcity and increment in cost of rice.

Conclusion

The main objective of the study was to investigate the view of rice smuggling business owners or smuggling, ricepreneurship and border control as it affects the national economy. In view of this various reviews, evaluation, investigation and tests were carried out and the following conclusion is achieved. People in rice smuggling business are literate and aware of the negative effects that the business has on the national economy but continue in this unpatriotic business because it provides them the opportunity of attaining



wealth, corruption in the customs and the weak legal system make it easy for them to escape the law.

Recommendations

Based on the findings of this study, the following recommendations are made:

- ✓ Government is advised to re orientate the citizens on the damaging effect of rice smuggling on the national economy, such orientation could be done on mass and social media as well as through movies and music censorship
- ✓ Government is also advised to remain committed and indeed improve their efforts in building and popularising the local rice industry
- ✓ At the initial marketing stage of the local rice, government should give subsidies on local rice production so as to make it price preferable to the imported rice till an effective control of the local market is achieved
- ✓ Training on patriotism, discipline and corruption control should be occasionally staged among the Customs Officers and other law enforcement officers in bid to check corruption and rice smuggling.

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