

FRANCHISING AS A CATALYST FOR ECONOMIC DEVELOPMENT AND JOB CREATION IN NIGERIA*

Abstract

Franchising has emerged as a viable strategy for business expansion and the widespread distribution of goods and services, gaining widespread acceptance globally, including in Nigeria. Prior to the advent of franchising, consumers often traveled extensively to access renowned products, brands, and quality services. However, with the rise of franchising, globalization has enabled the expansion of esteemed brands, making them readily accessible to people in their local communities. It has also addressed the issue of unemployment amongst the youth, which is the country's large population. This study utilized doctrinal methodology and accordingly gathered data from primary such as statutes and case law as well as from secondary sources which include journal articles, books and internet sources. It was found that there is no specific franchise law in Nigeria but there are various laws and institutions that impact on franchising such as intellectual property laws, investment promotion laws, and financial regulations. It was also found that franchising is a driver for job creation and employment in Nigeria. The study recommended that government should enact and enforce a robust legal and regulatory framework specific to franchising. This will provide clarity, protect stakeholders, and promote best practices, thereby enhancing investor confidence and sectoral growth. It was further suggested that financial institutions should develop franchise-specific lending products and collaborate with development banks to provide affordable credit facilities to prospective franchisees. This will lower entry barriers and support the expansion of SMEs within the franchise sector.

Keywords: Franchising, Economic Development, Job Creation, Nigeria

1. Introduction

For any business to thrive and remain competitive, there is a need to foster strategic partnerships with one another. This entrepreneurial collaboration can take various forms, including licensing agreements, joint ventures, contracting, and franchising. The aim is to ultimately drive the business to growth and success. The practice of franchising started in the middle of the eighteenth century in the United States of America, where the company of singer sewing machines wanted to market their products throughout the country. Since the 1950s, various other companies including McDonald's, Burgers King, Coca-Cola, Pizza Hut and Holiday have leveraged franchising to expand their operations.¹ The word 'franchise' originated from a French word 'franchise', which means free to work for something. In English, the word 'franchise' is used to express freedom from any prohibition, permission or privilege. However, franchise business in law means the contract between one party called the franchisor and the other party called the franchisee, where the franchisor grants the franchisee the right to operate his business in exchange for the payment of fees and royalties to the franchisor.

Franchising has helped several companies to swiftly expand the frontiers of their businesses both nationally and internationally without putting in so much capital and also altering the brand identity and business values. Franchising has become increasingly popular in recent decades as a means for business involvement across various activities and it is now widely utilized in sectors such as restaurants, tax preparation, specialty food retailing, stationeries etc.² Franchising is an organisational design used by the entrepreneurs to establish a contractual agreement which usually gives them an advantage in a competitive market. It is also seen as a powerful business tool used in the distribution of goods and services and in expansion of business. It has been observed that franchise business creates several job opportunities for the franchise owners and as noted earlier, franchise business has emerged as a potent and significant strategic pathway to international expansion. Franchise business in Nigeria transcends beyond retail and restaurants, downstream oil and gas, telecommunication, financial banking, hotel and accommodation, information technology etc.

Franchise allows the franchisor to develop a business model or brand and grant the right to the business model to the franchisee or firm to operate an independent business model using a well established brand instead of running the risk of opening a new business with the risk associated with it. This Franchise business model unites local entrepreneurs, brands, employees and communities to generate value, distribute wealth and enhance economic productivity. It offers individuals the opportunity to enter a proven business system and acquire wealth-generating assets, thereby creating employment opportunities and serving as a significant source of vocational training within the economy. It has also

*By **Blessing C. AGUBOSIM, LLB, LLM, PhD Candidate**, Department of Commercial and Property Law, Nnamdi Azikiwe University Awka, Anambra State, E-mail: blessedofthelord89@gmail.com. Phone Number: +2347030694061.

***Ikenga K. E. ORAEBUNAM, PhD (Law), PhD (Phil), PhD (Rel. & Soc.), PhD (Edu. Mgt.), MEd, MA, BTh, BA, BPhil, BL**, Professor of Law and Applied Jurisprudence, Formerly Head, Department of International Law and Jurisprudence, Faculty of Law, Nnamdi Azikiwe University, Awka, Anambra State. E-mail: ikengaken@gmail.com; ik.oraebunam@unizik.edu.ng; Tel: +2348034711211;

***Patrick Osita ORAEBUNAM, HND, PGD, MBA, MSc, PhD (in view)**, Nnamdi Azikiwe University Awka, Anambra State, Tel: 08036858743

¹ AA Ayorinde and UM Zubairu, 'A Systematic Review of Franchising as an Alternative Business Model' [2018] (2) (2) *Covenant Journal of Entrepreneurship (CJoE)*, 54-71.

² JG Combs, SC Michael and GJ Castrogiovanni 'Franchising: A review and avenues to greater theoretical diversity' [2004] (30) *Journal of Management* 907-931

become a crucial tool for promoting entrepreneurship and enhancing the productivity of Small and Medium Enterprises (SMEs) around the globe.

In Nigeria, franchise business started very well around 2003 when Mr Bigg's granted franchise licenses to interested business men. Other food service sectors have also granted franchise opportunities to Nigeria entrepreneurs, which has contributed to economic growth and rapid industrial expansion. As a result of the emergence of franchised business in Nigeria, \$25 billion revenue has been generated with \$100 billion potential revenue to be generated annually. As evidence of the industry's proven potential, it was reported that the International Finance Corporation (IFC) invested \$28.5 million between 2010 and 2011 in two of the country's franchised quick service restaurants known as Food Concept PLC and Tantalizers.³

There is no doubt that any business with long-term potential often begins on a modest scale, gradually evolving into a larger and more successful entity. The ultimate goal of such businesses is to achieve expansion in the geographic coverage, productivity, efficiency, and profitability. Franchising is seen as a potent driver for economic growth and job creation, which tackles the issue of unemployment and allows entrepreneurs to operate their businesses under established brands.

2. Conceptual Clarification

Franchising

Several authors have explained franchised business in their own understanding. According to International Franchise Association (IFA), Franchise operation is a contractual relationship between the franchisor and franchisee, wherein the franchisor maintains a continuing interest in the business of the franchisee and in training of the franchisee's workers while the franchisee on the other hand, pays royalty to the franchisor and operate the franchised business in the trade name, format and procedure owned and controlled by the franchisor.⁴ Heynert in describing the word franchising states: Franchising is a contractually governed form of commercial co-operation between independent undertakings, whereby one party, the franchisor, gives one or more parties, the franchisees, the right to use his trade name or mark and other distinguishing features, in the sale of products or of services. The sale takes place on the basis of an exclusive marketing concept (system or formula) developed by the franchisor; in return the franchisor receives royalties. The use of those rights by the franchisee is supervised by the franchisor in order to ensure uniform presentation to the public and uniform quality of the goods and services.⁵

The Nigerian International Franchise Association defined Franchising as a business arrangement where the franchisor grants the franchise operator (the "franchisee") the right to distribute certain products or services in a particular way, at a particular location, and for specified periods of time and in return, the franchisee pays the franchisor fees and royalties.⁶ Franchising in the views of Holyoak and Torrenman is a business situation where a franchisee pays a Franchisor for the use of his name, reputation and get-up, the exploitation of which will normally remain under the franchisor's control and supervision.⁷

From the definition of franchising, one can glean the fact that the franchisor gives his intellectual property rights to the franchise for business purposes; the franchisor has a measure of control over the franchisee and the franchisor gives continuous assistance and his technical knowledge to the franchisee and the payment of royalty (franchise fee) by the franchisee to the franchisor. Franchising is a major contributor to the growth of economies of most developed countries of the world. The international franchise Association believes that as many as 750,000 franchise businesses operate in the USA and employ about 15 million Americans. In the year 2008, it was observed that over \$1.5 trillion retail sales are franchise business and the figures are growing on a yearly basis as it expands economies of developed countries like the USA.⁸

Economic Development

Economic development is a transformative process that repositions an economy for sustained growth, yielding long-term benefits. It encompasses improving fundamental development indicators such as unemployment rates, literacy, life expectancy, and poverty levels. Achieving this requires institutional reforms, shifts in industrial structures, and changes in the educational, occupational, social, and cultural landscape of a nation.⁹ Economic development is driven by long-

³A, Agu, (2013). Nigeria-Franchising, US commercial service, Abuja. Retrieved from <http://www.franchise.org/site/default/file/ek-pffs/html-page/franchise-trade-mission-2013-Nigerian-franchise-market-briefing> on 13/4/2024

⁴Retrieved from <https://www.franchise.org/faqs/basics/what-is-a-franchise> on 30/3/2024

⁵Commercial Law:Franchising Laws in Nigeria. Retrieved from <https://disciplines.ng/commercial-franchising-laws/> on 9/10/2024

⁶Nigerian International Franchise Association. Retrieved from <http://www.nigerianfranchise.org/aboutfranchising.html> on 24/4/2024.

⁷O Obiajulu, (2008). *Protection of Trade Secrets in a Business Format Franchising; A Review of Nigerian Position*. Unpublished Masters' thesis, Faculty of Law, Nnamdi Azikiwe University, Awka x +50

⁸ AC Selden, RC Gipson and AB Parker (2008) An introduction to Franchising. Retrieved from <https://www.mn.gov/deed/assets/an-introduction-to-franchising-acc-tcm.1045-133707.pdf>.

⁹Economic Development and Industrialisation in Nigeria, the Role of the Bank of Industry, Retrieved from <https://www.boi.ng/economic-development-and-industrialisation-in-nigeria-the-role-of-the-bank-of-industry/> on 25/4/2025

term investments in innovation, knowledge transfer, and infrastructure. It demands continuous quality improvements and the creation of new ideas. A crucial factor in realizing economic development is the presence of innovative entrepreneurs who focus on introducing high-value goods and services, enabling them to compete globally¹⁰ Nigeria's economy which has been dependent on oil, is currently undergoing a transformative diversification process. Franchising is seen as a strategic catalyst for economic growth, fostering the development of local businesses and generating employment opportunities. There is a need for the government to support entrepreneurship which will harmonise with the franchise business model in order to create a conducive environment for expansion and investment

Employment

There is employment where there are more jobs than the working population. It is not that everybody in the labour force is gainfully employed, rather the number of unfilled vacancies commensurate with the number of persons who are unemployed. Employment does not mean that everyone in the labour force is employed rather where the number of job vacancies is commensurate with persons who are ready to work.¹¹ A condition of full employment can exist in a society where the number of the unfilled vacancies is equal to the number of people who are out of work. According to Michael Olayinka, the former Executive Secretary of Nigeria International Franchise Association (NIFA), Franchising has become a globally accepted business model for small and medium enterprises development in most economies.¹²

3. Franchising as a Tool for Economic Development and Job Creation in Nigeria

Nigeria, as the most populous nation in Africa has the potential to create an economic boom through franchising, with the teeming population made primarily of youths with inherent enterprise and entrepreneurial spirit, the future of franchising in Nigeria is very bright. Some of the franchising sectors where franchising has grown exponentially are food, beverage, retail, network marketing, sports betting, health and beauty and other services.¹³ The economy of Nigeria currently hangs in the balance, despite introducing major reforms in 2023 to tackle deep seated issues, the results have been underwhelming. Key policies like removing fuel subsidies and liberalizing the foreign exchange market have left average Nigerians feeling disillusioned. The ongoing naira decline and soaring prices, especially for essentials like food and fuel, are eroding purchasing power and worsening the cost-of-living crisis. The naira's depreciation in 2024 significantly impacted Nigeria's economic ranking, dropping it to fourth in Africa, behind South Africa, Egypt, and Algeria.¹⁴ Nigeria's government debt has surpassed \$100 billion, with debt servicing costs skyrocketing to N16.3 trillion in the 2025 budget, doubling from N8 trillion in 2024 and the savings from subsidy removal are being channeled to debt servicing.¹⁵

However, despite the above concern, Nigeria still provides a promising environment for franchising due to its growing consumer class, government policies and expanding global market opportunities which enable franchises to expand their market operations.¹⁶ Franchising, as it is taking root in Nigeria, offers exciting opportunities and fosters economic growth by uniting local entrepreneurs, brands, employees, and communities. It provides opportunities for individuals to tap into proven business models, generate wealth, and create jobs, ultimately boost productivity and serve the society. Franchising has attracted the attention of international investors and foreign franchise brands and has thrived well in the country.¹⁷ It has equally gained popularity among entrepreneurs and investors, offering a lower-risk pathway for business expansion and employment generation compared to independent start-ups. Research has shown that franchising encourages small and medium enterprises (SMEs) to grow, which is crucial to employment landscape in Nigeria¹⁸ Franchising as stated above creates massive job opportunities due to its labour intensive nature, as seen in sectors like quick-service restaurants, retail, and logistics. Globally, the franchise sector employs millions, while in Nigeria, SMEs (including franchisees) generate 60 million. Franchising helps SMEs scale their operations, expand their distribution networks, and increase profitability, all of which contribute to broader economic growth.¹⁹

Franchising facilitates skill transfer and innovation, as seen with international brands like Total and Coca-Cola, operating in Nigeria since the 1960s, and local franchises like 9mobile, which entered in 2008. These brands have shared technical expertise, best practices, and innovative approaches, boosting local capacity.²⁰ Each franchise unit can generate both direct and indirect jobs and with the way franchising companies are operating in Nigeria, it is projected to create 5 million Jobs in 2025, particularly for the youth labour force, where unemployment exceeds 40%.²¹ Franchising also helps the young

¹⁰ Ibid

¹¹ AS Timothy, (2018) Franchising as a Tool for Business Growth and Employment Generation in Nigeria: A Case Study Nigeria, Bingham Journal of Economics and Allied Studies (BJEAS) Vol. 1 No. 1.

¹² Ibid

¹³ <https://msmehub.org/growing-the-economy-attracting-investment-to-nigeria-through-franchising/> on 25/5/2025

¹⁴ 2025 Macroeconomic Outlook: Stability or Stagnation - Will Policy Reforms Deliver Nigeria's Promised Growth? Retrieved from <https://www.agusto.com/publications/2025-macroeconomic-outlook-stability-or-stagnation-will-policy-reforms-deliver-nigerias-promised-growth/> on 24/5/2025

¹⁵ <https://www.proshare.co/articles/nigerias-2025-economic-forecast-from-reform-fatigue-quagmire-to-sustainable-growth?menu=Economy&classification=Read&category=Nigeria+Economy> on 24/5/2025

¹⁶ <https://www.mondaq.com/nigeria/franchising/1458158/understanding-franchising-a-model-for-business-growth> on 24/5/2025

¹⁷ [https://www.researchgate.net/profile/Adams-](https://www.researchgate.net/profile/Adams-Adeiza/publication/322538097_Factors_Influencing_Franchisees'_Business_Performance_A_Study_on_the_Nigerian_Franchise_System/links/5fa8fa3da6fdcc0624201f4c/Factors-Influencing-Franchisees-Business-Performance-A-Study-on-the-Nigerian-Franchise-System.pdf)

[Adeiza/publication/322538097_Factors_Influencing_Franchisees'_Business_Performance_A_Study_on_the_Nigerian_Franchise_System/links/5fa8fa3da6fdcc0624201f4c/Factors-Influencing-Franchisees-Business-Performance-A-Study-on-the-Nigerian-Franchise-System.pdf](https://www.researchgate.net/profile/Adams-Adeiza/publication/322538097_Factors_Influencing_Franchisees'_Business_Performance_A_Study_on_the_Nigerian_Franchise_System/links/5fa8fa3da6fdcc0624201f4c/Factors-Influencing-Franchisees-Business-Performance-A-Study-on-the-Nigerian-Franchise-System.pdf) on 24/5/2025

¹⁸ <https://journal.binghamuni.edu.ng/bjeas/1/v177vn7if> on 24/5/2025

¹⁹ <https://journal.binghamuni.edu.ng/pdfs/bjeas/1010.pdf> on 24/5/2025

²⁰ <https://www.pdfnigeria.org/rc/wp-content/uploads/2020/10/Franchising-Nigeria-Final-Version.pdf> on 25/5/2025

²¹ <https://www.fasa.co.za/franchising-can-assist-in-reducing-the-unemployment-rate-in-south-africa> on 25/5/2025

entrepreneurs by providing access to financing, training and established brands. for instance, sport betting franchises, which capitalize on Nigeria.

Having seen the potential of franchising, the Nigerian government and various stakeholders are working hard to promote franchising as a tool for SME development and economic diversification. Some of its initiatives include capacity building workshops, regulatory reforms and efforts to attract both local and foreign investment into the franchise sector. Despite its benefits, franchising in Nigeria faces several hurdles:

1. Many entrepreneurs still lack knowledge about franchising and its advantages over starting independent businesses.²²
2. There is absence of a comprehensive legal framework and it has hindered the sector's growth, though recent legislative efforts aim to address this.²³
3. Some SMEs still struggle with obtaining affordable financing despite the lower risk associated with franchises.²⁴
4. We still have the issue of Poor roads, unreliable power supply, and other infrastructural challenges that can impede franchise operations and expansion.²⁵

For franchise sector to grow and thrive ultimately in Nigeria, the government can unlock the full potential of franchising system by taking the following actions:

1. Enact a robust legal and regulatory framework to protect the stakeholders and promote best practices.²⁶
2. Raise awareness and build capacity through targeted training, workshops and public campaigns.²⁷
3. Invest more in infrastructure in order to reduce operational costs and support business expansions.²⁸
4. Improve access to finance through franchise-specific lending programs and partnerships with development banks.²⁹
5. To enforce compliance and support franchisees with training and supervision.³⁰

4. Conclusion and Recommendations

This research established that franchising serves as a dynamic catalyst for economic development and job creation in Nigeria. The franchising model has enabled the rapid expansion of goods and services, facilitated the entry of reputable brands into local markets, and provided a lower-risk pathway for entrepreneurial engagement, particularly among the youth. The research demonstrated that franchising not only supports the growth and sustainability of small and medium enterprises (SMEs) but also contributes significantly to employment generation, skills transfer, and wealth creation. The success stories of both indigenous and international franchise brands in Nigeria underline the sector's potential to generate substantial revenue, attract foreign investment, and foster inclusive economic growth. Despite these prospects, franchising in Nigeria faces notable challenges. The absence of a comprehensive legal and regulatory framework has created uncertainties for both franchisors and franchisees, limiting the sector's growth. Other persistent barriers include limited access to finance, infrastructural deficits, low technical know-how, and inadequate awareness of the franchising model among entrepreneurs. These challenges have hindered the full realization of franchising's potential as a tool for national development and job creation. Nevertheless, the growing consumer class, government policy initiatives, and the entrepreneurial spirit of Nigeria's youthful population provide a promising environment for the continued expansion of franchising. If these challenges are addressed, franchising can play a pivotal role in diversifying the economy, reducing unemployment, and fostering sustainable development.

1. Government should prioritize the passage and implementation of a robust legal and regulatory framework specific to franchising. This will provide clarity, protect stakeholders, and promote best practices, thereby enhancing investor confidence and sectoral growth.
2. Financial institutions should develop franchise-specific lending products and collaborate with development banks to provide affordable credit facilities to prospective franchisees. This will lower entry barriers and support the expansion of SMEs within the franchise sector.
3. Government and private sector stakeholders should work together to improve critical infrastructure, including roads, power supply, and logistics networks. Enhanced infrastructure will reduce operational costs and enable franchises to expand beyond urban centers.
4. There should be targeted public campaigns, workshops, and training programs should be organized to increase awareness of franchising among entrepreneurs, business owners, and the general public. Building managerial and technical capacity will improve franchise success rates and encourage wider adoption.
5. There is need to strengthen the activities of organizations such as the Nigeria International Franchise Association and other relevant bodies to provide guidance, advocacy, and support for franchise development. These institutions should also facilitate research and data collection to inform policy and practice.
6. Government should create incentives and a conducive business environment to attract reputable foreign franchisors and support the growth of indigenous franchise brands. This will stimulate competition, innovation, and sectoral diversification.
7. There should be established mechanisms for regular monitoring and evaluation of the franchise sector to ensure compliance with standards, and to identify emerging challenges and adapt policies as needed.

²² <https://msmehub.org/growing-the-economy-attracting-investment-to-nigeria-through-franchising/> on 25/5/2025

²³ <https://www.linkedin.com/pulse/franchising-nigeria-esther-randle> on 25/5/2025

²⁴ <https://www.pdfnigeria.org/rc/wp-content/uploads/2020/10/Franchising-Nigeria-Final-Version.pdf> on 25/5/2025

²⁵ <https://msmehub.org/growing-the-economy-attracting-investment-to-nigeria-through-franchising/> on 25/5/2025

²⁶ <https://www.mondaq.com/nigeria/franchising/1458158/understanding-franchising-a-model-for-business-growth> on 25/5/2025

²⁷ http://www.nigerianfranchise.org/images/Ale_Olumide_CTO_2007_Presentation.pdf on 25/5/2025

²⁸ <https://journal.binghamuni.edu.ng/pdfs/bjeas/1010.pdf> on 25/5/2025

²⁹ Ibid n28

³⁰ <https://inventa.com/en/news/article/704/nigeria-will-franchising-your-business-jeopardise-your-brand> on 25/5/2025