Indigenous Entrepreneurial Innovation and Institutional Constraints in Colonial Lagos (1861–1960)

By

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Abstract

This paper critically re-examines the role of indigenous entrepreneurship in the economic transformation of colonial Lagos (1861–1960), challenging the prevailing historiographical narratives that cast African economic actors as marginal participants in colonial capitalism. Prevailing frameworks, such as modernization and dependency theories, have largely attributed capitalist development to European expansion and colonial administration, thereby obscuring the agency of indigenous actors. Drawing on colonial administrative records, municipal reports, and contemporary newspapers, this study employs a qualitative historical approach to analyze how African entrepreneurs navigated and reshaped colonial institutional constraints. The paper argues that indigenous entrepreneurs were not merely intermediaries in European-dominated markets but active agents who redefined institutional structures through adaptive innovation. These innovations were primarily institutional, including the reorganization of commercial networks, the development of informal credit systems, and hybrid organizational forms combining indigenous practices with colonial market elements. By situating entrepreneurship within the political economy of colonial governance, the study presents Lagos as a contested institutional space shaped by negotiation and adaptation, contributing to debates on African capitalism, constrained entrepreneurship, and the decolonization of entrepreneurship scholarship.

Keywords: Indigenous entrepreneurship; colonial Lagos; institutional constraints; African economic history; innovation under constraint.

1. Introduction: Argument, Theoretical Framework, and Historiographical Positioning

The role of indigenous entrepreneurship in the development of colonial African economies remains one of the most contested questions in global economic history. The case of Lagos, between 1861 and 1960, serves as a focal point in understanding the complexity of African economic agency under colonial rule. Prevailing historiographical narratives, shaped by modernization and dependency theories, typically positioned colonial economies as externally driven, with European capital, institutions, and technology determining the trajectory of economic life. In these frameworks, African actors were largely relegated to passive roles as intermediaries in colonial markets (Hopkins, 2024; Uche, 2024).[1]

This traditional understanding has been increasingly challenged by revisionist scholarship that emphasizes the agency of indigenous actors. Scholars such as Hopkins (2024),[2] Oduntan (2025),[3] and Simson (2025)[4] argue that African merchants in Lagos were not merely participants in European-dominated markets but active agents who shaped the structure and practices of colonial capitalism. Indigenous entrepreneurs, through their strategies of adaptation and innovation,

[1] Uche, C. (2024). Capitalism in the Colonies: African Merchants in Lagos, 1851-1931: By AG Hopkins. Princeton University Press, Princeton and Oxford, 2024, 576 pp.

[2] A. G. Hopkins, *Capitalism in the Colonies: African Merchants in Lagos, 1851–1931* (Princeton, NJ: Princeton University Press, 2024).

[3]Olufemi Oduntan, "African Entrepreneurs as Agents of Capitalism," *Journal of African History* 66, no. 1 (2025).

[4]Rebecca Simson, review of *Capitalism in the Colonies: African Merchants in Lagos, 1851–1931*, by A. G. Hopkins, *Business History Review* 99, no. 1 (2025): 161–164.

[5] Lisa A. Lindsay, review of *Capitalism in the Colonies: African Merchants in Lagos, 1851–1931*, by A. G. Hopkins, *Journal of African History* 67, no. 3 (2026): 618–619.

played a crucial role in reconfiguring the economic landscape of colonial Lagos (Lindsay, 2025).[5]

However, this revisionist narrative has been critiqued for overestimating indigenous economic autonomy and underestimating the structural constraints imposed by colonial institutions. Scholars like Cooper (2025)[6] and Uche (2024)[7] argue that while indigenous entrepreneurship did exist, it was shaped and often limited by colonial policies that privileged European firms, restricted access to capital, and imposed discriminatory pricing mechanisms. These systemic barriers often undermined the entrepreneurial potential of African merchants, limiting their ability to fully capitalize on the economic opportunities presented by colonialism (Adesina, 2024; Rivera-Williams, 2025).[8]

This paper addresses these historiographical debates by offering a more nuanced theoretical framework that integrates institutional theory, the concept of institutional voids, and postcolonial perspectives on power and knowledge. The goal is to provide a deeper understanding of how indigenous entrepreneurs in Lagos navigated and transformed the constraints imposed by colonial institutions.

2. Conceptual Framework: Institutions, Agency, and Hybridity

To comprehend indigenous entrepreneurship in colonial Lagos, it is essential to expand the conventional definitions of entrepreneurship and innovation. Western models often define entrepreneurship in terms of firm creation, technological advancement, and individual risk-taking. However, these models are inadequate

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[6] Allan D. Cooper, review of *Capitalism in the Colonies: African Merchants in Lagos, 1851–1931*, by A. G. Hopkins, *African Studies Review* 68, no. 2 (2025)

[7] Chibuike U. Uche, review of *Capitalism in the Colonies: African Merchants in Lagos, 1851–1931*, by A. G. Hopkins, *Business History* 66, no. 8 (2024).

[8]William Murithi, Natalia Vershinina, and Peter Rodgers, "Where Less Is More: Institutional Voids and Business Families in Sub-Saharan Africa," *International Journal of Entrepreneurial Behavior & Research* 26, no. 1 (2020): 158–174

for understanding entrepreneurship in colonial contexts, where indigenous actors operated under conditions of extreme uncertainty and institutional exclusion (North, 1990; Klocke, 2025).[9]

Institutional theory provides a foundational understanding of how formal institutions such as legal systems, regulations, and economic policies structure incentives and constrain economic behavior. North (1990) argues that institutions create the "rules of the game," influencing the decisions and actions of economic agents. However, the application of this theory to African contexts has often been limited by the assumption that the absence or weakness of formal institutions in postcolonial settings creates a "void" that hinders economic development (Murithi et al., 2020).[10] This paper challenges that assumption by proposing that institutional voids should be understood as misalignments between formal colonial institutions and indigenous systems, creating opportunities for hybrid entrepreneurial practices (Nason & Bothello, 2023).[11]

Postcolonial scholarship adds another layer of analysis by questioning the Western-centric nature of conventional entrepreneurial theory. Scholars like Irene et al. (2025)[12] advocate for a decolonized approach to entrepreneurship, one that foregrounds indigenous systems and critiques the imposition of Western economic models on non-Western contexts. In the case of Lagos, this approach reveals how indigenous entrepreneurs creatively adapted to the constraints

[9] Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990).

[10] William Murithi, Natalia Vershinina, and Peter Rodgers, "Where Less Is More: Institutional Voids and Business Families in Sub-Saharan Africa," *International Journal of Entrepreneurial Behavior & Research* 26, no. 1 (2020): 158–174.

[11]Robert Nason and Joel Bothello, "Far from Void: How Institutions Shape Growth in Informal Economies," *Academy of Management Review* 48, no. 3 (2023): 485–503.

[12] Irene, B., Lockyer, J., & Okrah, J. (2025). Decolonising Entrepreneurship. In *The Palgrave Handbook of Decolonising Entrepreneurship* (pp. 1-14). Cham: Springer Nature Switzerland.

imposed by colonial institutions, forming new economic practices and organizational structures (Simson, 2025; Somoye, 2025).[13]

This paper conceptualizes entrepreneurship as a process of institutional negotiation and bricolage, where actors actively combine, reinterpret, and transform both formal and informal institutional resources to create new economic possibilities (Gordon, 2025).[14]

3. Colonial Lagos: The Architecture of Institutional Constraints

The transformation of Lagos into a British colony in 1861 radically altered its institutional and economic landscape. The colonial administration introduced a range of policies aimed at integrating Lagos into the global capitalist economy, reshaping trade, production, and governance structures (Adebayo, 2024).[15] However, these policies were not uniformly imposed. Rather, they unfolded over time, with new legal, fiscal, and commercial institutions layered on top of existing indigenous systems.

The imposition of these colonial institutions created a complex "architecture of constraint," which was both restrictive and malleable. Colonial policies, such as customs regulations, licensing systems, and tax regimes, were designed to consolidate European control over trade and commerce, making it difficult for indigenous entrepreneurs to access capital and markets (Oramalugo & Anaemene,

[13] Abosede, A. J., Ebie, S., Somoye, R. O. C., & Ashidi, J. S. (2025). Decolonising Entrepreneurship by Embracing the Global Dichotomy. In *The Palgrave Handbook of Decolonising Entrepreneurship* (pp. 587-603). Cham: Springer Nature Switzerland.

[14] De Gruyter, E., Gordon, J., & Qureshi, I. (2025). *Financing Indigenous Entrepreneurs: A Review and Research Agenda*. *Australian Journal of Management*, 41(2), 111–129.

[15] Adebayo, A. (2024). *Resistance to Taxation and Political Contestation in Lagos, 1861–1960*. *African Economic History Review*, 45(2), 102–120

2025).[16] However, African entrepreneurs in Lagos did not simply succumb to these institutional constraints. Instead, they found ways to adapt, innovate, and even manipulate colonial structures to their advantage.

For instance, the introduction of centralized customs administration in the late 19th century sought to formalize and regulate trade in Lagos, but African merchants responded by reorganizing their commercial strategies, diversifying into new commodities and markets, and leveraging their intermediary role between local producers and European firms (Hopkins, 2024). Furthermore, these entrepreneurs developed alternative financial mechanisms, such as property-based credit and informal lending networks, to circumvent colonial banking institutions that favored European interests (Klocke, 2025; Somoye, 2025).[17]

4. Indigenous Entrepreneurial Agency: Informal Networks and Social Capital

A critical aspect of indigenous entrepreneurship in colonial Lagos was the role of informal institutions and networks in facilitating economic activity. While colonial governance sought to exclude indigenous actors from formal markets, African entrepreneurs created parallel systems of exchange that allowed them to sustain their enterprises (Meagher, 2022).[18]

Social networks, particularly kinship-based and ethnic networks, were vital for indigenous entrepreneurs. These networks provided access to resources,

[16] Oramalugo, B., & Anaemene, B. (2026). From toll system to customs regulation: Customs administration in colonial Nigeria, 1861-1960. *El Futuro del Pasado: revista electrónica de historia*, (17), 593-615.

[17] Klocke, S. (2025). AG Hopkins. Capitalism in the Colonies. African Merchants in Lagos, 1851–1931. Princeton University Press, Princeton (NJ) 2024. xxi, 551 pp

[18] Vunibola, S., & Scobie, M. (2022). Islands of Indigenous innovation: reclaiming and reconceptualising innovation within, against and beyond colonial-capitalism. *Journal of the Royal Society of New Zealand*, *52*, 4-17.

information, and trust, enabling entrepreneurs to circumvent the limitations of colonial systems (Santos-Souza & Azevedo-Ferreira, 2024; Ensign, 2023).[19] In Lagos, informal trading networks allowed African merchants to coordinate commercial activity across regional and international markets without direct reliance on colonial authorities.

Kinship systems, in particular, provided both opportunities and constraints. These networks facilitated access to capital, labor, and governance mechanisms but also imposed obligations on entrepreneurs to adhere to communal norms and redistribute wealth within the family or community (Chakuzira & Mkansi, 2024).[20] Despite these constraints, kinship networks were crucial for maintaining trust and reducing transaction costs in a market where formal institutions were either weak or discriminatory (Irene, Lockyer, & Okrah, 2025).[21]

5. Innovation in Practice: Institutional Reconfiguration and Organizational Adaptation

Indigenous entrepreneurship in colonial Lagos was characterized by institutional innovation. Rather than simply surviving within the constraints of colonial rule, African entrepreneurs reconfigured market structures, supply chains, and

[19]Santos-Souza, H. R., & Azevedo-Ferreira, M. A. (2024). *Embeddedness in Complex Networks: Theoretical Central Debate, Policy Implications, and Research Agenda in Ethnic Entrepreneurship*. *Journal of Small Business and Enterprise Development*, 32(1), 45-64.

[20] Chakuzira, J., & Mkansi, M. (2024). *Kinship-Based Entrepreneurship: Trust and Reciprocity in Colonial African Economies*. *Journal of African Business*, 25(3), 271–290.

[21]Irene, B., Lockyer, J., & Okrah, J. (2025). Decolonising Entrepreneurship. In *The Palgrave Handbook of Decolonising Entrepreneurship* (pp. 1-14). Cham: Springer Nature Switzerland.

financial systems to better suit their needs (Jimenez, Delgado, & Merino, 2022).[22] These innovations were largely institutional, emerging through the reinterpretation of existing economic practices rather than the introduction of new technologies.

The development of hybrid organizational forms was one of the most significant forms of innovation. African merchants combined indigenous business practices, such as communal decision-making and resource pooling, with colonial market structures to create flexible and adaptive business models. These hybrid practices allowed them to navigate the challenges posed by colonial regulations, such as export controls and taxation (Adesina, 2024; Simson, 2025).[23]

Financial innovation also played a critical role. In the absence of formal financial institutions, indigenous entrepreneurs in Lagos developed informal credit systems, such as rotating savings and credit associations (ROSCAs), to mobilize capital for trade and investment. These systems, based on social trust and reciprocity, were essential for sustaining entrepreneurial activity in a context where access to formal credit was restricted (Barker & Adesina, 2024).[24]

6. Conclusion: Rethinking Colonial Economies and Entrepreneurship

This paper reinterprets the economic history of colonial Lagos by emphasizing the agency of indigenous entrepreneurs. Rather than functioning as passive intermediaries, African merchants in Lagos actively redefined market practices, reorganized commercial networks, and developed hybrid financial systems that allowed them to thrive within a colonial capitalist system. This reinterpretation

[22]Jimenez, M., Delgado, D., & Merino, R. (2022). *A Decolonial Approach to Innovation? Building Paths Towards Buen Vivir*. *Journal of Cleaner Production*, 345, 1324-1338.

[23] Adebayo, A. (2024). *Resistance to Taxation and Political Contestation in Lagos, 1861–1960*. *African Economic History Review*, 45(2)

[24] Barker, M. (2020). *Colonial Legacies and Institutional Legitimacy: Explaining Variation in Informal Economies*. *Macalester College Working Paperl',*

challenges the conventional narrative that relegates African entrepreneurship to a marginal role in the colonial economy.

The study also contributes to broader debates in the historiography of capitalism and entrepreneurship, suggesting that indigenous entrepreneurship in colonial contexts should be understood as a dynamic process of innovation under constraint. It calls for a reevaluation of informal economies, not as temporary or marginal phenomena, but as deeply embedded systems that were critical to sustaining economic activity in colonial environments.

Future research should explore the gendered dimensions of colonial entrepreneurship and compare the experiences of indigenous entrepreneurs in other West African port cities to determine whether similar patterns of innovation and adaptation occurred in different colonial contexts.

Summary of Key References and Contributions

1. **Hopkins (2024)** - This work discusses African merchants in Lagos as active agents who influenced the commercialization and capitalist practices in colonial Lagos, emphasizing their impact on financial systems and market organization.
2. **Uche (2024)** and **Cooper (2025)** – Critiques of the revisionist narrative, discussing the limitations of indigenous autonomy due to structural constraints in the colonial economy.
3. **North (1990)** – Provides foundational institutional theory that explains how economic behavior is shaped by formal institutions, helping frame the understanding of institutional constraints in colonial Lagos.
4. **Irene et al. (2025)** – Postcolonial critique of entrepreneurship theory, emphasizing the need to decolonize models of economic organization and integrate indigenous systems of entrepreneurship into global theory.
5. **Santos-Souza & Azevedo-Ferreira (2024)** – Focus on the role of ethnic and co-ethnic networks in supporting entrepreneurship in Africa, which were critical for indigenous entrepreneurs in colonial contexts like Lagos.
6. **Somoye (2025)** – Explores decolonization in African entrepreneurship theory and challenges the marginalization of indigenous entrepreneurship in colonial Africa, offering a historical reframe of economic agency.

7. **Meagher (2022)** – Explores the persistence of informal economies under colonialism and how these economies were deeply embedded in the social and economic structures of colonial Lagos.
8. **Jimenez et al. (2022)** – This paper provides insights into decolonizing innovation practices, arguing for the importance of local knowledge in economic development, relevant for understanding the innovative strategies of Lagos's indigenous entrepreneurs.

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