No Place like Nollywood: An Exploration of Nigeria’s Informal Film Industry

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Abstract

My research studies the economic implications of Nollywood, Nigeria’s highly-successful film industry, and its future growth. I specifically examine government investment policies towards Nollywood growth, implemented in 2010 and 2013, and conduct a difference-in-difference analysis to determine whether the investment helped or hurt Nollywood’s growth as a portion of Nigeria’s total GDP. I find that government investment helped to increase Nollywood’s growth as a percentage of total GDP, thus signifying a shift away from the oil sector to an increase in the impact of the non-oil sector. Nollywood is perfectly situated to produce numerous new employment opportunities for Nigerians, in an economy struggling with unemployment and “brain drain”, and it generates substantial business for peripheral industries. Given these results, I recommend increased government investment in the form of supportive policy, infrastructure development, and financial incentive programs to incite further economic growth in Nollywood.
Introduction

Nigeria’s film industry, affectionately known as “Nollywood”, provides millions of dollars to the nation’s economy and numerous direct jobs. It provides films to millions of viewers around the globe, yet it still maintains an informal structure of street market sales and low-budget productions. In this examination, I ask: does government intervention help the growth of Nollywood? Due to the growing severity of Nollywood’s issues with piracy and low enforcement of intellectual property protections, coupled with potential investors’ insecurity in the industry’s future, I hypothesize that intervention is helpful to support the necessary growth of Nigeria’s film industry.

I will study the advantages and issues Nigeria’s film industry faces, its potential for growth as a contributor to the national economy, and the effectiveness of public and private policy initiatives to regulate issues and stimulate growth. While I use government policy information for my research method, I will briefly address the significance of private investment in the growth of the industry and explain how that could also contribute to the sector’s growth. The answer to my question holds great weight as the progress of this burgeoning sector could help advance the development of one of the world’s most populous nations. Nigeria shares a colonial past with many other African nations, and has similarly endured periods of political and violent conflict. Due partly to these similarities and Nigeria’s current role as an economic powerhouse in Africa, Nollywood’s development blueprint could serve as a useful growth model for other developing African countries. Furthermore, a Nigeria that realizes its development potential would improve the country’s global image and the perception of African nations in general. This would likely lend African nations more “soft power” in the international arena, and greater financial opportunities from international institutions. Current literature identifies Nollywood as a potential growth engine for the country, and delves into its humble beginnings in local markets and oral agreements. Economic analyses conclude that Nigeria’s economy is susceptible to the resource curse, or the hazardous situation that occurs when a country focuses its attention on a single industry (typically involving a natural resource), thus leaving the rest of their economy neglected and often resulting in economic downturn or contraction. If a resource curse country’s main industry experiences a negative shock, the entire economy suffers, so diversification is essential. Kalu (2017) believes this diversification, in Nigeria’s case, can be found in the non-oil sector. He cites Nollywood as a new route of focus, a theory we will explore in detail.

While there has been much written about Nollywood in general, there have been few economic impact analyses written about the film industry, and even fewer academic sources have examined the policy effectiveness of former President Goodluck Jonathan’s Nollywood growth initiatives, including his 2010 grant program and 2013’s “Project ACT-Nollywood” plan. My research will further existing literature on the economic implications of Nigeria’s film industry for the country’s growth and development. My examination of the effectiveness of intervening government policy and investment can give similar growing film industries a model to replicate in their request for government or investor support. I begin with an analysis of current economic literature on Nollywood, including its history, breakdowns of Nollywood’s background, its growth potential, and government interventions that have occurred in recent years. Next, I will describe my research methodology: I use a difference-in-difference approach to examine Nollywood’s percentage of national GDP before and after President Jonathan’s film initiatives. I compile data and graphically illustrate the changes in the percentage over a period of time, and discuss my findings. Finally, I conclude the paper by briefly discussing limitations to my
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research, and reviewing how my findings add to the creation of an economic narrative of Nollywood.

**Literature Review**

**The History of Film in Nigeria, and “Nollywood”**

Film was brought to Nigeria through colonization as a “tool of public enlightenment and education” (Effiong & Iyesen 2017). Through the Colonial Film Unit (CFU), films were screened to audiences of Nigerian citizens about lands and societies that were not their own. Effiong and Iyesen (2017) argue these screenings of mostly documentary films were an effort by the British colonial government to negate the indigenous experiences of Nigerians, and dismiss cultural expression. TV and theatrical productions for Nigerians and by Nigerians were created in the 1970s and 1980s to give voice to this artistic avenue for cultural expression. This led to the creation of Nigerian popular films in the 1990s, the launch of “Nollywood” (Effiong & Iyesen 2017). Kenneth Nnebue, a one-time electronics seller and film promoter, is attributed with the production of the first popular Nollywood film. According to lore, he was frustrated with a large stock of blank cassettes from Taiwan that weren’t selling in the market (Ezeonu 2013). With an investment of a mere 2,000 naira (5.55 USD), a cast of largely unpaid actors, and an ordinary VHS camcorder, Nnebue made a film that earned significant profits (Effiong & Iyesen 2017). Nnebue’s film, *Living in Bondage*, is cited as a commercially-successful indigenous film, and it sold hundreds of thousands of copies (Ezeonu 2013). After this success, Nnebue invested heavily into local film production, and the local film industry took off. At the introduction of home video technology, local films developed in the “invisible” informal industry we recognize presently.

Today, Nollywood is one of the highest-producing film industries in the world, following India’s Bollywood at a close second, and surpassing Hollywood (Oh 2014). Estimates claim that Nollywood produces around 300 new films each month, and despite its many issues, it has flourished (Effiong & Iyesen 2017). Hartley (2005) categorizes a formal creative industry as one with mass scale and efficient use of new media technologies for citizen-consumers. UNESCO characterizes Nollywood films by a typically low production budget, lower-quality production technology, and a high level of piracy (Kalu 2017). While Nollywood may satisfy some of Hartley’s formal creative industry criteria, it certainly does not fulfill all of them, lending the sector its trademark informality.

Scholars agree that Nollywood is not a conventional, formal film industry. For one, its audience base is larger than the physical borders of Nigeria. Lobato (2010) highlights the “global significance” of Nollywood, citing the fact that both by output (thousands of films produced annually) and size of audience (millions of viewers), Nollywood is a powerhouse. The popularity of Nollywood films has even led to fears of a “Nigerianization of Africa” as scholars anticipate a wave of Nigerian cultural hegemony (Ezeonu 2013). In fact, *The Economist* reports that: “Nigerian films are as popular abroad as they are at home. Ivorian rebels in the bush stop fighting when a shipment of DVDs arrives from Lagos. Zambian mothers say that their children talk with accents learnt from Nigerian television.” (“Nollywood: Lights, Camera, Africa” 2010) The industry relies on cash transactions and oral agreements, and Nigerian film marketers control the production and distribution of products (Oh 2014). There are no studios or sound stages, and films are made “on the run” (“Nollywood: Lights, Camera, Africa” 2010). Additionally, movies are produced at a much cheaper rate in Nigeria – between $25,000 and $70,000, as opposed to a Hollywood blockbuster’s average of $250 million (Oh 2014). Nollywood films are also often
profitable quickly after release, at an estimated two to three weeks post-premiere (Ibid. 2014). The industry’s issues with high levels of piracy make up large losses; the World Bank estimates that for every legitimate copy of a Nollywood film sold, nine others are pirated (Kalu 2017). Addressing the challenge of piracy could reduce the toll it has taken on Nollywood’s revenues and its growth potential, but despite these obstacles, Nollywood persists. McCall (2012) argues that Nigerians cling to informal, invisible economies like Nollywood because rampant corruption and civil neglect have discouraged pursuit of formalization, and confirmed their “tried-and-true” method of community production and exchange. He states that Nollywood’s original foundations are insufficient to meet Nollywood’s growing demand and investment interest, therefore the industry must formalize to reach larger audiences and garner more legitimate economic opportunities for Nigerians.

Nollywood’s Growth Potential

Kalu (2017) aptly notes Nigeria can no longer remain dependent solely on natural resources. Economic diversification can help to stabilize economies in the event of shocks to the market for natural resources. Diversification can also prevent the resource curse, which would leave Nigeria’s economy extremely vulnerable to shocks in the petroleum industry, and improve the country’s opportunities for development (Kalu 2017). The urgency for diversification is increasing; Nigeria has already faced economic troubles due to recent declines in oil prices. The oil and gas sector currently provide most government revenue. Consequently, Nigeria’s focus on a single commodity has left it exposed to rapid economic fluctuations, a harbinger of the resource curse. Petroleum is the promoted face of the formal Nigerian economy, but has provided few jobs to locals and little enhancement to Nigerian lives (McCall 2012). Some scholars note that natural resource dependence has increased corruption in Nigeria, resulting in a “kleptocracy”: few elites financially benefitting from the exploitation of Nigeria’s petroleum to the detriment of infrastructure and the country’s development (Ibid 2012). Because of this, locals view Nollywood, with its legitimate modes of income, rather skeptically. But Nollywood could be Nigeria’s pathway to sustainable economic growth. Even with little government support, and despite its informal state, Nollywood has created an estimated one million direct jobs, making it the second-largest employer in Nigeria (Oh 2014). Furthermore, the industry and its influence contribute an estimated $600 million to Nigeria’s economy along with its high job creation (Muodio 2013).

Past and present regimes in Nigeria have called for economic diversification over the years, but have not yet looked to the creative/entertainment sector for said diversity. This is a mistake, as data indicates the non-oil sector is growing (Kalu 2017). In fact, the World Bank identified Nigeria’s entertainment industry as a potential growth engine for the country (Ibid. 2017). While many BRIC nations (Brazil, Russia, India, and China) have invested in developing their manufacturing capacity, Nollywood is a better industry to target. It is a great choice for the government’s attention, as it requires less construction of heavy, long-term structures than manufacturing, and has relatively few barriers to entry. In contrast to petroleum, Nollywood generates increased demand for multiple peripheral industries like catering services, cosmetology, production equipment, and tourism. Even pagan organizations have increased economic transactions, as actors portraying indigenous gods and goddesses pay them for “protection” rituals before filming (McCall 2012). Without intervention and formality, the industry has taken off, and could continue to do so. With government support, it could produce
numerous new jobs for an economy suffering from rampant unemployment and a massive “brain drain” issue, as well as offer industry development opportunities to the economy.

**Public & Private Investment**

As McCall (2012) argues, Nollywood is not capitalist. Film transactions occur in open-air markets, and its lack of record-keeping bars the industry from formal capital creation, a central tenet of capitalism (Ibid. 2012). In 2010, President Goodluck Jonathan pledged $200 million (around 72 billion Nigerian naira) in government loans for the film industry, to help stimulate what he called Nigeria’s “shining light” (Moudio 2013). That same year, the World Bank identified Nollywood as a burgeoning industry with great potential and issued a $20 million grant to boost Nollywood’s growth as part of its Growth and Employment in States (GEMS) Project. Additionally, in March 2013, President Jonathan authorized the creation of a $17-18 million (6.1 billion – 6.5 billion naira) grant for the film industry, entitled “Project ACT – Nollywood,” intended to back filmmaking training and production skills acquisition (Oh 2014, 2). Unfortunately, issues with corruption have greatly reduced the expected impact of aforementioned government initiatives on its intended audience. Kalu (2017) suggests a public-private investment partnership with a global film company to expand Nollywood’s audience further than the diaspora, and garner increased international revenue.

Fortunately, private investment has already been piqued towards Nollywood; Tiger Global Management and Kinnevik invested around $8 million to the founding of iROKOtv, the world’s largest online distributor of licensed Nollywood films (Oh 2014). Investors hope iROKOtv will become Africa’s alternative to Netflix. At the very least, it could very well be the answer to Nollywood’s issues with scattered distribution. Kalu (2017) argues that government intervention can formalize Nollywood and reduce the high costs associated with piracy in Nollywood, which the Nigerian Copyright Commission reports to be around $1 billion in losses annually (Kalu 2017, Oh 2014). He also identifies multiple ways government intervention can incite growth in Nollywood: 1) policy support, 2) financial investment, and 3) the provision of infrastructure. President Jonathan already initiated the second method, and the appraised effectiveness of that investment could bring about the expansion of government intervention in the future.

**Method**

In order to examine the effects of the industry-stimulating policy initiatives beginning in 2010, I use a difference-in-difference approach. This research method allows me to isolate the policy’s economic results, by examining the “Motion Picture, Sound Recording & Music” sector before and after the implementation of President Jonathan’s initiatives. I compare the Motion Picture sector’s contribution to total annual GDP as a percentage in the years 2008, 2010, 2014, and 2016. These data points will be useful for my empirical results, as they could depict a tentative timeline for effects of the policy to manifest. However, for the purposes of my difference-in-difference analysis, I use the year 2008 as my “before” time period (T=0), and 2016 as my “after” time period (T=1). I do not use 2014, despite its being after both policies have been implemented, because I want to see the policies’ true effect over time. It is not likely that the policies (the latter of which was implemented in 2013, a mere year before the 2014 data point) would have fully manifested by 2014, therefore I excluded it as a contender for the T=1 time measure.
For a more comprehensive analysis, I also plot data points for Nigeria’s Publishing industry as well. This industry, which received no investment policies from the government, will serve as the control sector (G=0) from which I will draw comparisons to the Motion Picture industry (G=1). Publishing was selected as the control, because it is also categorized within the “Services” sector of Nigeria’s economy, and housed under the country’s non-oil GDP contributors. Nkiko (2014) notes that the absence of a regulatory framework for the publishing industry informalizes its arduous work, and leaves it vulnerable to issues like piracy. Nigeria’s publishing industry faces many of the same issues Nollywood does, and both exhibit characteristics of informality. This makes the two sectors particularly suitable for a difference-in-difference comparison, because it suggests that the parallel trend assumption required for the difference-in-difference approach will likely hold. To add to the generalizability and efficacy of my research, I will also examine the growth rates of total GDP in Nigeria during the aforementioned years (2008, 2010, 2014, and 2016).

Due to Nollywood’s informality, little record-keeping and data collection has been done, which would assist me in my economic analysis. Therefore, I am using data compiled by the Nigerian government about the film industry for my research. The Nigerian Bureau of Statistics records data within the Nigeria Data Portal, notating the monetary contribution in millions of naira from all economic sectors/industries from 1960 to 2016. I will use this database to scrutinize the annual contributions of the Motion Pictures, Sound Recording, & Music sector, in order to fully gauge Nollywood’s impact in all relevant sectors in the economy.

**Empirical Results**

**Difference-in-Difference Analysis**

I utilize the Nigerian Bureau of Statistics self-reported data for each sector’s annual percentage of GDP, as depicted in Figure 1. In the year 2008, the Motion Picture sector contributed 397.29 billion naira ($1.1 billion) to the total 2008 GDP. Nigeria’s total GDP in 2008 was 46.01 trillion naira ($127.8 billion), meaning that Motion Pictures, Sound Recording, & Music made up 0.863% of total 2008 GDP. Meanwhile, Publishing produced 7.28 million naira ($20.2 million) in 2008, making its contribution to total 2008 GDP 0.016%. The next data point, 2010, shows growth for both sectors and the economy as a whole. Motion Pictures grew to 479.19 billion naira ($1.3 billion) and Publishing grew to 8.78 billion naira ($24.37 million). Total 2010 GDP in Nigeria was 54.612 trillion naira ($151 billion), therefore Motion Pictures made up 0.877% of GDP, while Publishing made up 0.016% of GDP. 2010 is when President Goodluck Jonathan initiated his first policy intervention, the 72 trillion naira ($200 million) in government loans to stimulate the Motion Pictures sector. Examining the following data points will likely indicate the more long-term efficacy, or lack of efficacy, of President Jonathan’s interventions.

In 2014, after the proposal of both the government loan program and 2013’s Project ACT – Nollywood, the Motion Pictures sector saw large growth. That year Motion Pictures, Sound Recording & Music produced 735.77 billion naira ($2.043 billion) for the economy. Publishing also saw industry growth in the four-year period, increasing to 16.051 billion naira ($44.59 million) in 2014. Nigeria’s total GDP in 2014 was 67.153 trillion naira ($186.54 billion) making Motion Picture’s 2014 contribution to GDP 1.096%, and Publishing’s contribution 0.024%. Finally, in 2016, Motion Pictures produced 734.432 billion naira ($2.040 billion), and Publishing produced 18.128 billion naira ($50.355 million). Total 2016 GDP for Nigeria is 67.931 trillion
naira ($188.698 billion). Motion Pictures as a portion of the total GDP is 1.081%, while Publishing is 0.027%.

As Figure 1 shows, the parallel trend assumption required for causality in a difference-in-difference approach is likely hold in this analysis. Figure 1 shows two data points that are pre-intervention (2008 and 2010). The parallel trend of the two industries indicates that they were time-invariant. After 2010, it’s clear that the treatment group increases while the control group does not. This indicates that an effect occurred in the treatment group after the policy is implemented, which can be further explored in a difference-in-difference analysis.

Figure 1: Sector Comparison

Recall that G=1 is the treatment group, or the Motion Pictures, Sound Recording & Music sector of Nigeria’s economy. The “treatment” is government initiatives to stimulate Nollywood’s growth. G=0 is the control group, or the Publishing sector. This group is similar to the treatment group in many ways, but differs in one important way: the control group does not receive government aid to stimulate sector growth. Figure 2 shows the differences in values in the two time periods, both in 2008 (before the policy intervention), and in 2016 (after policy intervention).
Then, the differences in differences is calculated utilizing the two $\Delta$ values, which are produced by taking the difference between the two treatment values and the two control values. The results of this difference in difference analysis, calculated by subtracting $(\Delta_{\text{treatment}} - \Delta_{\text{control}})$, concludes that government aid policy increased the sector’s proportion of GDP by 0.207% ($\delta = 0.207$). This statistic indicates that policy intervention increases sector growth, which was President Jonathan’s goal when proposing the 2010 and 2013 initiatives. As indicated in Figure 1, the Publishing industry (which served as the control group, $G=0$) grew at a smaller rate than the Motion Pictures industry ($G=1$). Looking at this analysis, the initiation of stimulus packages has helped the growth of the industry. The government intervention is helpful for the growth of Nollywood.

Furthermore, I argue that within this period of economic growth, the Services sector (which includes both the Publishing and Motion Pictures, Sound Recording, & Music industries) saw a higher rate of growth than both the Agriculture and Industry sectors as shown in Figure 3.
While total GDP growth is depicted in green, Services growth is depicted in yellow, and is noticeably higher than Agriculture (red) and Industry (blue). This highlights why having a control group that is also housed in the Services sector is crucial to an accurate analysis that compares sectors of similar nature. Notably, Industry includes crude petroleum & natural gas, as well as the mining of minerals and metal ores. This portion of Nigeria’s economy in particular is of great importance given the country’s dependence on oil as a natural resource, and its vulnerability to shocks in the oil market (Kalu 2017). What the graph indicates is an apparent shift towards the growing Services sector, of which Nollywood is an integral portion.

**Conclusion**

The proposal of President Jonathan’s investment initiatives likely indicates the end for Nollywood’s trademark informality. As the industry grows, more reasons arise in favor of formalization in efforts to present Nollywood as a viable global film industry contender on par with India’s Bollywood. Nollywood’s informality has become an obstacle to its growth, as it remains barred from formal capital investment opportunities. Unfortunately, less-educated market traders do not seem like the savviest entrepreneurs to Nigerian lenders, and are completely disregarded by the international investment community due to lack of knowledge about Nollywood’s profitability, and its lack of comprehensive data collection. Kalu (2017) notes that the improvement of infrastructure, like the creation of a licensing systems or training programs for filmmaking crew members, could catalyze the formalization of Nollywood. He also cites the increasing trend in global box office revenues, particularly in developing countries like
India, China, and South Korea as examples of countries with growing economies and film industries (Ibid 2017). While correlation does not signify causation, the iterated examples of this particular correlation have important implications for Nollywood and Nigeria.

Nollywood’s popularity is on the rise in Nigeria and beyond. Nigerian satellite television now boasts three channels that regularly feature Nollywood films (Effiong & Iyesen 2017). In fact, Africa Epic Magic channel plays Nollywood films for all 24 hours of the day (Ibid 2017). However, its reception has not been completely friendly in other countries. For instance, Ghana’s government began to demand $1,000 from visiting actors, and $5,000 from visiting directors and producers in a futile attempt to curb Nollywood’s invasion into Ghanaian pop culture by raising barriers to market entry (“Nollywood: Lights, Camera, Africa” 2010). The Democratic Republic of Congo has tried to enact a full ban on Nollywood films (Ibid. 2010). But these policies and regulations have not dampened Nollywood’s ascent. But, as my study suggests, this ascent would benefit from the support and assistance of the Nigerian government.

My analysis has faced multiple limitations. I conducted a difference-in-difference framework, which requires the isolation of a policy for examination, but President Jonathan enacted two policies during his tenure that I needed to study. While I did my best to isolate President Jonathan’s government investments, much of my results could also be explained by simultaneous investment from international organizations like the World Bank, and private investment from companies like Tiger Global Management and Kinnevik. Thus, government intervention (while helpful) is probably not the sole cause of Nollywood’s growth. The data points chosen for T=0 and T=1 may have also contributed to the results, and a difference-in-difference analysis from another set of time may produce a different result that would also indicate that Nollywood is growing. Nevertheless, given the data limitations and the little knowledge we have from the existing literature, I am confident that an economic analysis of Nollywood’s overall health and future potential is highly relevant. The industry’s relative insulation from precise record-keeping, and its multiple funding sources, complicates any form of experiment conducted to study its growth. This analysis is a start to what is likely to become a fascinating economic narrative on Nollywood, and Nigeria’s creative industries in general.
References


