

## Research Article

### Profitability and Constraints Analysis of Women Entrepreneurs in Lagos State, Nigeria

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**Abstract:** This research assessed the constraints limiting the success of women entrepreneurs in selected local government areas of Lagos State, Nigeria. A sample of 120 women entrepreneurs were selected from three Local Government Areas of Lagos State in a two-stage sampling procedure. The data collected were analyzed using descriptive statistics, constraint analysis, budgetary analysis and multiple regression analysis. The predominant primary occupation was found to be trading 45 with 92.5% of the women in their productive years. The finding also revealed that a vast majority (92.5%) of the women entrepreneurs had formal education above primary level with 43.3% of them spent not less than 10 years in their business, which was presumed to benefit their enterprises. The women entrepreneurs faced certain constraints which affect their businesses, the highest ranked ones include; poor shop location (ranked 1<sup>st</sup>), lack of long term finance (ranked 2<sup>nd</sup>) and competition from rivals (ranked 3<sup>rd</sup>) among others. The women entrepreneurs earned 40 kobo on every 1 naira sale revenue. The multiple regression results revealed that main occupation, business membership strength, initial capital outlay and total variable cost had significant effect on the net income of the women. Policy options from the findings include: Increment in funds invested in the business enterprises of these women entrepreneurs alongside reduction in cost could boost the possible expansion of their enterprises; provision of psychological, moral and financial support from members of the family is needed for entrepreneurial development and Government should provide cheaper sources of credit to the women with little or no collateral to encourage their enterprises growth, self-reliance which are necessary ingredients for nation's development.

**Keywords:** Business constraints, entrepreneurs, Lagos, Nigeria, women

## INTRODUCTION

Academics and government appear to be focused on entrepreneurship, because it symbolizes innovation and a dynamic economy. Female entrepreneurs have been identified as a major force for innovation, job creation and economic growth (OECD, 1997). This finding has spurred a lot of researches into women's ownership. Many women are entrepreneurs however; the global impact of female entrepreneurs is just beginning to gain intensity. The number of female business owners continues to increase steadily worldwide and it is estimated that sums owned by women account for between 25 and 33% of all businesses (Carter, 2000; Carter and Rosa, 1998).

In some regions of the world, transformation to a market economy threatens to sharpen gender inequality. Some of these changes are simply the legacy of a gender imbalance that exists prior to political and economic returns. Other changes reflect a return to traditional norms and value that relegated women to a secondary position. As countries become more

democratic and gender inequalities lessen, more productive atmosphere for both sexes is provided (Allens and Truman, 1992; Anna *et al.*, 2000). Women's productive activities, particularly in industries that empower them economically and enable them to contribute more to overall development; whether they are involved in small or medium scale production activities, or in the informal or formal sectors, are not only a means for economic survival but also have positive social repercussions for the women themselves and their social environment (UNIDO, 2001).

In many societies women do not enjoy same opportunities as men. In many transitional economies, progress has been achieved in opening doors to education and health protection for women but political and economic opportunities for female entrepreneurs have remained limited. Concerted efforts are needed to enable female entrepreneurs to make better economic choices and to transform their businesses into competitive enterprises and high-generating income economic activities (OECD, 1997). Entrepreneurship

represents an appropriate opportunity for women all over the world, as entrepreneurship responds flexibly to entry, change and innovation. This potential has not yet been realized in an optimal fashion in most developing countries. A large number of women work in the informal sector but their contribution is not included in rational accounts (UNIDO, 1995).

There are a variety of constraints on women and the ability of women to upgrade their production continuously. These include poor access to market information, technology and finance, as well as poor linkages with support services and an unfavorably policy and regulatory environment (UNIDO, 2001). Although many of the constraints are shared by both female and male entrepreneurs, women entrepreneurs face additional obstacles; this is due to deeply rooted discriminatory socio-cultural values and traditions embedded, particularly in the policy and legal environment as well as in institutional support mechanism. In many instances, women are unable to benefits from services and must struggle to overcome or circumvent discriminations in business circles (UNIDO, 2001). Concern for the welfare of women prompted the UNDP to provide intervention fund for business start up. This scheme however, along with many NGO programmes provide funding for women; but concentrates on micro financing of business start-up by a group of women. The question of access to mainstream financial resources for female entrepreneurs is largely ignored by male dominated government and financial policy makers.

Finance is the most important aspect of any business. Non-availability of long-term finance and long procedures to access financial help, where available, have been identified as major constraints faced by women entrepreneurs (Otunaiya and Idowu, 2009). During the process of marketing of products, women entrepreneurs are faced with problem of poor location of shop, lack of transport facility and tough competition from larger and established units. Other challenges of women entrepreneurs include non-availability of raw materials, high cost of required machine or equipment, lack of training facilities and non availability of labor.

When necessary resources are available to women entrepreneurs, women still hesitate to set up units or do not succeed in their ventures due to constraint imposed on them by their immediate environment such as family commitment (Aculai *et al.*, 2006; Aidis, 2006). There is the need to consider the constraints limiting their success so as to determine the possible ways of solving these constraints. This study therefore, identify the constraints faced by women entrepreneurs, examine the cost and returns of women entrepreneurs and examine the effect of socioeconomic factors on women entrepreneurs' net income in some selected local government areas of Lagos State, Nigeria.

## METHODOLOGY

**The study area:** The study was conducted in Lagos state, Nigeria in 2011. The state is the most populous conurbation in Nigeria. It is currently the second most populous city in Africa, behind Cairo and is currently estimated to be the second fastest growing city in Africa and the 7<sup>th</sup> fastest in the world (UNDP, 2008). It has a landed area of 999.6 km<sup>2</sup> (385.9 m<sup>2</sup>) and a population density of 7,941/km<sup>2</sup> (20,569.9/m<sup>2</sup>).

A two-stage random sampling technique was used to obtain data for the study. The first stage involved the purposive sampling of three (3) Local Government Areas from five Local Government Areas under Lagos division. The three selected Local government areas included were Apapa, Surulere and Eti-Osa due to high presence of women entrepreneurs. The second stage involved the selection of 40 women entrepreneurs within each local government area, thus making a sample size of 120 respondents used for the study.

**Analytical procedure:** The data collected were analyzed using descriptive statistics, constraints analysis, budgetary analysis and multiple regression analysis.

Importance indices were constructed to identify the relative importance of constraints in women entrepreneurship. Women entrepreneurs were asked to rank the identified constraints on an ordinal scale (1 = not a problem, 2 = very serious problem). In the final analysis, the constraint with the highest value rank first. The use of important index in constraint analysis is replete in the literature (Alimi, 2001; Alimi *et al.*, 2004).

Budgetary technique was used to determine the cost and returns of women entrepreneurs in the study area:

$$GM = TR - TVC \quad (1)$$

$$NI = GM - TFC \quad (2)$$

where,

GM = Gross margin (₦)  
 TR = Total Revenue (₦)  
 TVC = Total Variable Cost (₦)  
 TFC = Total Fixed Cost (₦)  
 NI = Net Income (₦)

$$\text{Probability Index} = \text{Net Income} / \text{Total Revenue} \quad (3)$$

The fixed inputs identified were vehicle, generator, furniture, electronic gadget, tool, drier among others. The components of the variable cost include, labor cost, transportation cost, energy cost, rent and other cost.

The effect of economic and social factors on the income of women entrepreneurs was captured by ordinary least square method using multiple regression model. The model in the explicit form is specified as: The explicit form of the model is:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8 + b_9X_9 + b_{10}X_{10} \quad (4)$$

where,

- Y = Net Income
- X<sub>1</sub> = Age of respondents (years)
- X<sub>2</sub> = Household size (Number)
- X<sub>3</sub> = Main occupation of respondent (Business = 1, otherwise = 0)
- X<sub>4</sub> = Years of formal education
- X<sub>5</sub> = Business membership strength
- X<sub>6</sub> = Religion (Islam = 0, Christianity = 1)
- X<sub>7</sub> = Enterprise type (Trading = 1, others = 0)
- X<sub>8</sub> = Favorability of business environment (1 if favored, 0 if otherwise)
- X<sub>9</sub> = Initial Capital Cost (₦)
- X<sub>10</sub> = Total Variable Cost (₦)
- b<sub>0</sub> = Intercept
- b<sub>1</sub>-b<sub>10</sub> = Co-efficient of the explanatory variables X<sub>1</sub>-X<sub>10</sub>
- U = Error term

## RESULTS AND DISCUSSION

**Socio-economic characteristics of women entrepreneurs:** The distribution of women entrepreneurs is presented in Table 1. Large proportions (49.2%) of the women were aged between 31 and 40 years. Age of women entrepreneur is an important factor that affects their level of productivity. It shows that female entrepreneur possess an advantage of age to exploit the vast opportunities abounds them. Majority (75.8%) of the women were married. The status of women martially is believed to have significant effect on her attitude to work and in most cases it is used to measure the level of responsibility. Thus a vast majority of them have support from the home to run their business activities. Also, majority (60.8%) of the women had post-secondary education. Education is of great importance in the success of any business venture. It can indirectly determine the level of profitability of business as well as enhance the adoption of new innovation and technologies. Majority (76.7%) of the women had their family size ranging between 4 and 6. The size of the household has been a major determinant of involvement in entrepreneurship in the area of startup, credit procurement and repayment and utilization of microfinance facilities as reported by Aculai *et al.* (2006).

Majority (45%) of the women have trading as main occupation. Also, majority (55.8%) of the women

Table 1: Distribution of socio-economic characteristics of women entrepreneurs

| Variables                               | Frequency | (%)  |
|---|-----------|------|
| Age                                     |           |      |
| ≤30                                     | 12        | 18.3 |
| 31-40                                   | 59        | 49.2 |
| 41-50                                   | 30        | 25.0 |
| >50                                     | 9         | 7.50 |
| Marital status                          |           |      |
| Single                                  | 21        | 17.5 |
| Married                                 | 91        | 75.8 |
| Widow                                   | 8         | 6.70 |
| Educational level                       |           |      |
| No formal education                     | 9         | 7.50 |
| Primary education                       | 7         | 5.80 |
| Secondary education                     | 31        | 25.8 |
| Post secondary education                | 73        | 60.8 |
| Household size                          |           |      |
| 1-3                                     | 18        | 15.0 |
| 4-6                                     | 92        | 76.7 |
| 7-9                                     | 10        | 8.30 |
| Primary occupation                      |           |      |
| Artisanship                             | 46        | 38.3 |
| Trading                                 | 54        | 45.0 |
| Civil service                           | 20        | 16.7 |
| Form of business enterprise             |           |      |
| Trading                                 | 67        | 55.8 |
| Artisanship                             | 10        | 8.30 |
| Service provision                       | 43        | 35.8 |
| Years of experience in entrepreneurship |           |      |
| ≤10                                     | 52        | 43.3 |
| 10-20                                   | 53        | 44.2 |
| 21-30                                   | 15        | 12.5 |
| Source of initial capital               |           |      |
| Personal saving                         | 56        | 46.7 |
| Bank                                    | 2         | 1.70 |
| Spouse                                  | 33        | 31.7 |
| Cooperative                             | 17        | 14.2 |
| Friends and family                      | 6         | 5.00 |
| Others                                  | 1         | 0.80 |

Computed from survey data (2011)

sampled were traders when viewed from the form of business enterprise. The trading ranges from petty trading to large supermarkets; 35.8% were service providers such as event planning, event decoration and Master of Ceremony for social events while 8.3% were artisans (hairdressers, fashion designers). This result implies that majority of the women entrepreneurs depend largely on their enterprises for sustenance. Women entrepreneurial activities are not only a means for economic survival but also have positive social repercussions for the women themselves and their social environment as reported by UNIDO (2001). Hence, the women entrepreneurs participate in other activities and this implies that entrepreneurs are diversifying their source of income. The success or otherwise of women entrepreneurs is determined by entrepreneurs years of experience. This presupposes that a large percentage of the entrepreneurs have spent longer years on their enterprise implying sustainability.

Table 2: Distribution of respondents based on constraints faced

| Challenges/constraints                   | Very serious |           |        | Not a problem |           |        | Final  |                 |
|--|--------------|-----------|--------|---------------|-----------|--------|--------|-----------------|
|  | Score        | Frequency | Weight | Score         | Frequency | Weight | Weight | Rank            |
| Competition from similar enterprises     | 2            | 72        | 144    | 1             | 28        | 28     | 172    | 3 <sup>rd</sup> |
| Poor shop location                       | 2            | 91        | 182    | 1             | 29        | 29     | 211    | 1 <sup>st</sup> |
| Unavailability of long term finance      | 2            | 79        | 158    | 1             | 41        | 41     | 199    | 2 <sup>nd</sup> |
| lack of popularity of enterprise         | 2            | 49        | 98     | 1             | 71        | 71     | 169    | 4 <sup>th</sup> |
| Ill health                               | 2            | 30        | 60     | 1             | 90        | 90     | 150    | 5 <sup>th</sup> |
| Too many dependent to support            | 2            | 28        | 56     | 1             | 92        | 92     | 148    | 6 <sup>th</sup> |
| Lack of demand                           | 2            | 19        | 38     | 1             | 101       | 101    | 139    | 7 <sup>th</sup> |
| Unavailability of machine/equipments     | 2            | 14        | 28     | 1             | 106       | 106    | 134    | 8 <sup>th</sup> |
| Lack of transport and storage facilities | 2            | 11        | 22     | 1             | 109       | 109    | 131    | 9 <sup>th</sup> |

Computed field survey data (2011)

Funding in business goes a long way in determining the amount of profit to be realized. Majority (46.7%) of the women sourced for fund through personal saving followed by 31.7% from spouse. This presumes that the women entrepreneurs are supported by their spouses after they have shown interest through their own personal savings.

**Constraints faced by women entrepreneurs in their various enterprises:** The distribution of constraints facing the women in entrepreneurship is presented in Table 2. There are a variety of constraints facing women in their entrepreneurship development. These include poor access to market information, technology and finance, poor linkages with support service and an unfavorable policy and regulatory environments. The constraint analysis displays the challenged in order of importance or predominance amongst women entrepreneurs, the highest rank (first) being poor shop location, the secondly ranked is the absence of long term finance, the thirdly ranked is the presence of tough competition from surrounding homogenous enterprises and the least being the lack of transport and storage facilities. Other problems were ranked in order of importance. As observed by UNIDO (2001) these constraints are compounded by the need to compete in an aggressive business environment with rapid technological changes and the globalization of production, trade and financial flows.

**Budgetary analysis:** The result of the budgetary analysis on the profitability of business enterprise of women entrepreneurs is presented in Table 3. The total variable cost, total fixed cost and total revenue were estimated as 85,200.83, 307,302.66 and 654,750 ₦, respectively. The gross margin and net income of the women were estimated as 569,549.17 and 262,246.51 ₦, respectively. This implies that the women entrepreneurs were making huge return in from their business activities. The profitability index of 0.40 implies that the women get 40 kobo on every ₦1 sale revenue.

Table 3: Cost and return of women entrepreneurs

| Variables                 | Mean value (₦) |
|---------------------------|----------------|
| Labor cost                | 37,290.170     |
| Energy cost               | 13,230.330     |
| Rent                      | 34,680.330     |
| Total Variable Cost (TVC) | 85,200.830     |
| Vehicle                   | 145,201.00     |
| Generator                 | 63,750.000     |
| Furniture                 | 18,220.500     |
| Electronic gadget         | 16,930.330     |
| Tools                     | 60,700.830     |
| Other cost                | 40,650.830     |
| Drier                     | 2,500.0000     |
| Total Fixed Cost (TFC)    | 307,302.66     |
| Total Cost (TC)           | 392,503.49     |
| Total Revenue (TR)        | 654,750.00     |
| Gross Margin (GM)         | 569,549.17     |
| Net Income (NI)           | 262,246.51     |
| Profitability index       | 0.40           |

Computed from field survey data (2011)

**Effect of socio-economic factors on the income of the women entrepreneurs:** The result of the multiple regressions on the effect of socio-economic factors on the income of the women entrepreneurs is presented in Table 4. The F-value of 7.8 was significant at 1%. This attests to the overall good fit of the model. The adjusted R-square of 0.76 implies that about 76% of the variation in the net income is jointly explained by the explanatory variables. The type of occupation the women entrepreneurs focused on mainly (Business/artisanship) had a positively significant effect (1%) on the net income of the women. This implies that the artisans predominantly made more income than other groups. The amount of labor available to these women entrepreneurs had a positively significant effect (at 5%) on the net income raked in by them. It can thus be presumed that as they have more family labor which is relatively free, they make more profit. This may however not be the case if they were to employ the services of hired labor. The initial capital investment had also a positively significant effect on the net income of the women entrepreneurs. The coefficient was positive with a significance level of 1%. We can thus presume that as the amount of capital invested increased, the net income of the women entrepreneur

Table 4: Result of multiple regression on the effect of socio-economic factors on the income of women entrepreneurs

| Variables                            | Coefficients   | t-value |
|--------------------------------------|----------------|---------|
| Constant                             | -89127.5000*** | -3.970  |
| Age                                  | -28620.8380    | -0.928  |
| Household size                       | -53103.9640    | -0.305  |
| Main occupation                      | 967061.590***  | 2.861   |
| Educational level                    | -157390.800    | 2.578   |
| Business membership strength         | 714643.860**   | 2.344   |
| Religion                             | 246740.510     | 0.563   |
| Enterprise type                      | 166109.500     | 1.083   |
| Favorability of business environment | -391851.300    | -1.540  |
| Initial capital investment           | 6.904***       | 3.826   |
| Total variable cost                  | 194.881***     | 2.783   |
| F-value                              | 7.800***       |         |
| Adjusted R-square                    | 0.760          |         |

\*: Significant at 10%; \*\*: Significant at 5%; \*\*\*: Significant at 1%; Computed from field survey data (2011)

also increased. The cost expended on variable inputs (total variable cost) or cost of running the business enterprises by the women entrepreneur also had a positively significant effect on the level of net income accruable to them. In other words, as more is invested in the daily running of the business, the profit increases. This might however be confusing because in economic theory, we expect profit to increase when variable cost decreases. But the meaning of the earlier relationship is that, the more the additional capital invested in the business by the women entrepreneurs, the more the profit they make i.e., as the business expands, it enjoys economies of scale.

### CONCLUSION

This research assessed the constraints limiting the success of women entrepreneurs in selected local government areas of Lagos Division. The predominant primary occupation was found to be trading with majority of the women in their productive years. The study also showed that a vast majority of the women entrepreneurs had formal education above primary level with 43.3% of them spent not <10 years in their business, which was presumed to benefit their enterprises. The women entrepreneurs faced certain challenges which affect their business, some of which include; poor shop location (ranked 1<sup>st</sup>), lack of long term finance (ranked 2<sup>nd</sup>) and competition from rivals (ranked 3<sup>rd</sup>) among others. The women entrepreneurs earned 40 kobo on every one naira sale revenue. The multiple regression results revealed that main occupation, business membership strength, initial capital outlay and total variable cost had significant effect on the net income of the women.

### RECOMMENDATIONS

From the findings of the study, these following recommendations are inferable:

- Increment in funds invested in the business enterprises of these women entrepreneurs alongside reduced cost of expenses could boost the possible expansion of their enterprises.
- Provision of psychological, moral and financial support from members of the family is needed for entrepreneurial development.
- Government is advised to provide cheaper sources of credit to the women with little or no collateral to encourage their enterprises growth, self-reliance, which are necessary ingredients for nation's development.

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