



Strategic Effect of Socio-Economic and Financial Factors on Performance of Women Entrepreneurs in Nigeria

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ABSTRACT

This study is aimed at examining the effects of socio- economic and financial factors on the performance of women entrepreneurs in Oyo state and two hundred and forty women entrepreneurs who are involved in trading, hairdressing and tailoring were purposively selected from amongst those registered in their respective associations. All the data were derived from primary sources. The results demonstrated that a significant relationship exists between socio- economic factors and the performance of women entrepreneurs. All the socio- economic factors (age, marital status, education and years of experience) were significant and positive at ($P < 0.05$). This implied that socio- economic factors are critical success factors that help entrepreneurs to survive, manage in difficult conditions and keep the business profitable. Furthermore, credit and savings impacted significantly on the performance of the entrepreneurs. The micro-entrepreneurs surveyed were revealed to be performing very poorly because majority of the entrepreneurs had no access to external funds. The finding indicated that the women entrepreneurs' propensity to save for the growth of their enterprises was on average very low implying that they were experiencing some constraint factors. This tends to affect the performance of the women entrepreneurs negatively. Therefore, the study recommended that formal and informal entrepreneurship education should be given to micro- entrepreneurs in order to develop their managerial capabilities, accounting skills and overall be made more credit worthy and the Federal government should consider developing policies that will create an enabling environment for the development and proper operation of cooperative thrift and credit societies and other group initiatives.

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Introduction

The growing importance of micro, small and medium enterprises in poverty reduction and livelihood strategies in developing economies where job opportunities are limited cannot be understated. One interesting development is that women are venturing into ownership of micro and small enterprises (MSEs) either on their own or partnership with male entrepreneurs (Owualah, 2005).

With the high rate of population growth in Nigeria, women's participation in the MSEs has grown rapidly and vigorously to facilitate and accommodate those that the formal sector cannot accommodate. Women's presence in the informal sector may not be unconnected with the characteristics of the sector which includes ease of entry, reliance on available resources, intensive labour, employment of adapted technology and the fact that skills are acquired outside school system (Owualah, 2005).

Women constitute more than 50 percent of the Nigerian population and out of this; only 35 percent of them are involved in entrepreneurship which can be in form of micro, small and medium enterprises (Odoemene, 2003). They occupy strategic and important position in the economic growth and development of a nation and they are regarded as economic managers whose activities can salvage a nation from the global economic meltdown. Women entrepreneurs represent a group of women who have broken away from the beaten track and are exploring new avenues of economic participation (Dhamija, 1981).

Despite the positive contributions of women in entrepreneurial activities, very few of them manage to survive due to problems of finance, low sales, low profitability, low level of education, high cost of doing business and labour market barriers. This is further corroborated with the findings of Ojo, (2002), who observed that enterprises owned and managed by women are consequentially small with low success.

Many writers pointed out the detrimental effects of technological and socio- economic changes on women in the process of development. (Dey,1975; Zeidenstein, 1975; Palmer,1978; Whitehead,1985 and Steven,1985). There has not been a total consideration and enough provision for women in the development process and many of them are left out in the provisions of the government towards the advancement of their enterprises. Thus, this makes it imperative to carry out a study on the effect of socio- economic and financial factors on the performance of women entrepreneurs in order to enhance their growth and development.

Problem Statement

Despite the positive contribution of women entrepreneurs to the economy, their enterprises are not flourishing and also failed to get off the ground. First, the majority of these entrepreneurs are not considered credit-worthy by most formal credit institutions, thus denying them of having access to their services. Although, informal credit institutions have proved relatively successful in meeting the needs of micro- enterprises in some countries but their limited resources restrict the extent

to which they can effectively and sustainably satisfy the credit needs of these entrepreneurs (Nappon and Huddleston 1993).

Lastly, some authors reported that socio-economic characteristics of the entrepreneurs like age, education and experience proved to be a significant determinant of firm's growth and were found to have a significant influence on Micro and small enterprises performance (Bygrave 1989, Kristiansen *et al.* 2003 and Aworemi 2008). However, Rondinelli (1983) asserted that it has no influence on performance of firms. Arising from the inconsistencies in these reports and the problems stated above, the study seeks to address the following research questions:

- Does any relationship exist between socio-economic factors and the performance of women entrepreneurs in Oyo state?
- What are the effects of credit and savings on the performance of women who participate in entrepreneurial activities?
- What policies should be formulated by the government in order to enhance the performance of women entrepreneurs?

Hypotheses of the study

- Socio economic factors do not significantly affect the performance of women entrepreneurs in Nigeria
- Credit and Savings do not have significant effect on the performance of women entrepreneurs in Nigeria

Women entrepreneurs and business performance

Women entrepreneurs control only 1 percent of the manufacturing sector in Nigeria. (Adelaja, 2004). Also in Tanzania, the population of women entrepreneurs is 2.8 percent (Tanzania ministry of trade, 2000). Traditionally, the reproductive roles of women have been widely emphasized and women were not thought to be breadwinners. Moser 1989 reported that women perform three roles in the society namely reproductive, productive and family roles. However, for a long time, only the reproductive roles has been emphasized for women as home makers compared to the productive role which has been dominated by men.

More recently, it has been recognized that women in rural areas are very much engaged in the subsistence economy producing much of the household food requirements. With the growing population, and pressure on land resources, the subsistence economy does not suffice to produce household requirements and this has led to changes in the division of labour between men and women.

Women are therefore becoming actively involved in other branches of the economy such as industry and commerce in order to generate incomes to support their households. Several researchers have reported on how gender affects participation in entrepreneurial activities and economic development. The argument which emerges is that women have been marginalized in the society and that motherhood has been assumed their important role (Moser, 1989). This marginalization has been in the form of unequal opportunities in economic activities and inequalities in access to the productive resources.

The formal education system tends to have biases against women thus leading to differences in managerial and technical skills. (Von Masson, 1999). Also, Loscocco *et al.*, 1999 observed that women relative to men have access to financial capital and because of past discriminations, women's lower earning power and their traditional dependence on men; women are likely to have fewer resources to invest in business activities.

The different socialization, training and other experience of men and women may therefore lead to different outcomes in performance, for example, women domestic roles may lead to

marginal success in business because they spend disproportionate time on domestic chores than on business activities.

With limited education and skills, women in developing countries often turn to self employment as a means of supporting themselves and their families; they bear the burden of taking care of their handicapped husbands and children alone. This means that they virtually initiate and execute numerous money yielding projects to be able to ensure survival of their families. Another group of such women entrepreneurs is that of single mothers though married but they have many children (Ogbene, 2005). All these tend to negatively affect the performance of women entrepreneurs in developing countries such as Nigeria.

Research Methodology

The study was carried out in Oyo state, Nigeria. Oyo State is one of the prolific small scale entrepreneurial states in the South Western Nigeria with availability of physical and financial infrastructures as well as economic resources; therefore many indigenes are involved in micro entrepreneurial activities. A total number of 240 women entrepreneurs involved in trading, hairdressing, and tailoring enterprises were selected for the study from the total population of 960 respondents which were initially identified through a preliminary survey and who are registered in their respective associations. The purposeful sampling technique used required that the selected firms must have been in existence for five years to get meaningful data.

A comprehensive questionnaire was developed to collect data from the enterprises.

Variables for the study were dependent and independent variables. Profit is the dependent variable while the independent variables were age, marital status, educational qualification and years of experience of the women entrepreneurs. Regression analysis which is an econometric method used to derive estimates of the parameters of economic importance from statistical observation was used to measure hypothesis I. Moreover, Descriptive analytical tools were used to analyze the observation under hypothesis II.

Results and discussion

The table below shows the summary of the percentage distribution of socio economic variables among the respondents. The study revealed that 20.8 percent of the respondents were between the ages of 20 -30 years while 52.1 percent fall between the ranges of 31-40 years. This is an indication that the entrepreneurs were predominantly middle aged. These are age groups which are known to be energetic, innovative and strong. They are therefore expected to be economically active in order to achieve an enviable result. About 66.7 percent of the respondents were married, 27 percent were single while 4.2 and 2.1 percents were divorced and widowed respectively.

This revealed that because of family responsibilities and commitments, more married women are involved in micro-enterprises based on the belief that the performance will directly or indirectly affect their source of livelihood as responsible family women. Furthermore, only 2.1 percent of the respondents are B.Sc holders, while about 33.33 percent had primary school certificates however 41.7 percent of the respondents had no formal education. This shows that about 58.3 percent had one form of education or the other which serves to enhance their performance because with education, they can deal better with complicated business activities.

Table 1. Percentage distribution of respondents by socio-economic characteristics

Socio-economic Characteristics of respondents	Percentage %	Socio-economic Characteristics of respondents	Percentage %
Marital status		Age	
Married	66.7	20-30	20.8
Single	27	31-40	52.1
Divorced	4.2	41-50	20.8
Total	100	51 and above	6.3
Year of experience		Total	100
Less than 10	16.7	Educational Status	
11-20	41.7	B.Sc./B.A/	2.1
21-30	29.3	OND/NCE	10.4
Above 30 years	12.3	SSSCE	12.5
Total	100	Primary	33.3
Income (monthly)		None	41.7
Up to 6000	35.00	Total	100
6100 – 9000	25.00		
9100 -12000	20.00		
12100 -15000	15.00		
Above 15000	5.00		
Total (%)	100		

Moreover, 16.7 percent of the respondents had less than 10 years of experience, 41.7 percent had between 11-20 years of experience, while 29.3 percent had between 21-30 years of experience. This is an indication that the entrepreneurs have gathered some experiences about their enterprises and this tend to affect their performance positively since years of experience significantly correlated with performance (Box *et al.*, 1993). It is also a source of sustainable competitive advantage which contributes to the better performance of micro-enterprises. In addition to this, 35 percent of women entrepreneurs earn up to #6000 monthly and just about 5 percent earns above #15000. This result is not impressive as it shows that women entrepreneurs are not really performing well. Government should therefore provide appropriate financial assistance and also assist women entrepreneurs by giving them informal entrepreneurship education in order to develop their managerial capabilities and accounting skills

Table 2. Results of the relationship between the socio – economic factors and the performance of women entrepreneurs

Variable	Coefficients	T-value	P-value
Constant	-0.050	-1.020	0.310
Age	0.228	4.240	0.000*
Marital status	0.190	2.638	0.010*
Education	0.249	2.891	0.005*
Year of experience	0.363	6.735	0.000*

Source: Field Survey, 2012

$R^2 = 0.951$ Adjusted $R^2 = 0.952$

*Significant at $P < 0.05$

The multiple regression line is as written below:

Performance = $-0.050 + 0.228x_1 + 0.19x_2 + 0.249x_3 + 0.363x_4$

The result indicated that 95.1 percent of the variation on the performance of micro-enterprises is being explained by the four variables considered in the model. The table also showed that the analysis of variance for the multiple regression data produced F-ratio of 525.726 which was significant at $P < 0.05$, this implied that all the regression parameters were significantly different from zero.

All the variables were significant and positive which signified that all the variables have positive impact on the performance of the micro-enterprises. Specifically, the coefficient of the age of the entrepreneurs was 0.228 which was positive and significant at ($P < 0.05$). This showed that age has a significant effect on the performance of micro-enterprises and as the age of micro- entrepreneur's increases, their performance also increases i.e. an additional one year increase in age tends to produce 0.23 unit increase in the performance of micro-enterprises.

This is in conformity with the report of Fajnzylber *et al.*, (2006) who found a consistent positive relationship between the age of the owners and the performance of small enterprises in Mexico. However, Masakure *et al.*, 2008 found a negative relationship between profitability and the age of the owners. The result of this study is expected because as micro-entrepreneurs grow in age, they become more matured to handle the complicated activities of the enterprise thus enhancing their performances.

Marital status with a coefficient of 0.190 was positive and significant at ($P < 0.05$). The reason for this could be due to the fact that married men and women worked harder in managing a business because of the social, financial and psychological support required from them than for singles, divorced or widowed individuals. This report is in line with the findings of Fajnzylber *et al.*, (2006), who explained that positive relations exist between being married and enterprise growth. Also, De la Rocha 1994 corroborated these findings and suggested that being married allows pooling the income with the spouse which reduces the overall risk.

The coefficient of Education was positive and highly significant, meaning that additional increase in educational level tends to 0.24 unit increase in the performance of micro – entrepreneurs. Previous studies suggested that years of formal education of entrepreneurs before they start a business has a positive effect on firm's performance. (Brush and Hisrich1991).Educational level of entrepreneurs can be a critical

success factor in helping firms to survive, manage in difficult conditions and keep the business profitable (Yussuf, 1995).

Moreover, the year of experience of micro-entrepreneurs was also positive and highly significant which implied that additional one year increase in the years of experience increases the performance by 0.363 units i.e. the longer the years of experience, the higher the performance. Box *et al.*, (1993) corroborated this in a study of 300 manufacturing firms in Tulsa Oklahoma, U.S.A, where he found that years of experience significantly correlated with performance. Also, Yussuf, 2000 reported that previous work experience can be a source of competitive advantage which in turn contributes to the better performance of a firm. Owing to the findings from this research work, it is evident that socio- economic factors significantly affect the performance of the women entrepreneurs therefore, the hypothesis is hereby rejected.

Table 3. Sources of initial capital obtained by women entrepreneurs

Sources	Frequency	%
Commercial bank loan	0	0
Microfinance banks	5	2.08
Cooperative societies	10	4.17
Personal savings	150	62.50
Friends and family	75	31.25
Total	240	100

The table above, it can be seen that majority 62.5 percent depend on their proprietors or personal savings for their initial capital or wholly on this source of finance at start up of all the enterprises, 31.25 percent also obtained their initial capital from family and friends and only 2.08 percent obtained loans from micro-finance institutions. None of the 240 respondents claimed to have obtained their initial capital from commercial banks. The conclusion to be drawn from this is that most of the micro-enterprises in Oyo state obtained their initial capital from informal sources. The entrepreneurs cannot source financing from the banks because they cannot afford the condition of such sources. These conditions include collateral securities, business registration certificates and certified statement of affairs. Moreover, a large percentage of micro- enterprises have low capital funded businesses. About 90 percent of them started with a capital of not exceeding #100,000. This shows that they are very small enterprises as well as that they could not raise enough capital at start up (Fig I)

However on the topic of adequacy of initial capital, Table 4 indicated that almost all the entrepreneurs surveyed were inadequately financed at the initial stage of their establishment. This may not be unconnected with the use of informal sources of finance because no other feasible option is open to them. This initial handicap cannot but affect the performance of the entrepreneurs negatively.

Fig 1. Initial capital of the women entrepreneurs

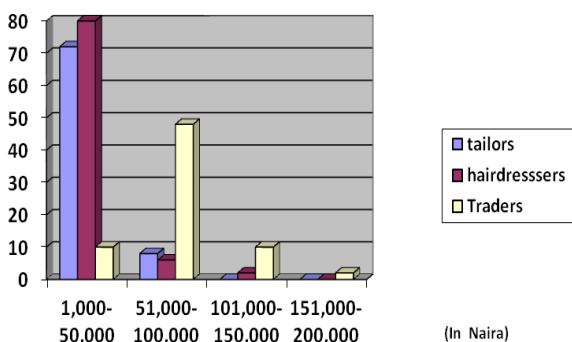
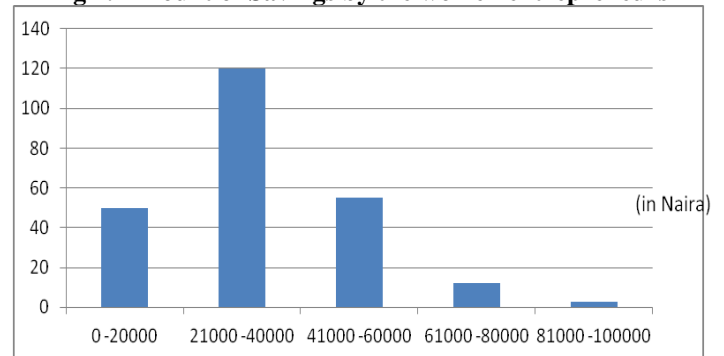


Table 4. Adequacy of initial capital obtained by the women entrepreneurs

Degree of adequacy	No of entrepreneurs	%
Very Adequate	0	0
Adequate	5	2.08
Inadequate	50	20.83
Very inadequate	100	41.67
Grossly Inadequate	85	35.42
Total	240	100

Furthermore, Fig II below showed that the money accumulated by women entrepreneurs per year as savings which they reinvest for promoting their enterprises was very low. The findings revealed that majority of the entrepreneurs (170) were unable to save more than #40,000 in a year and only 67 respondents were able to save between #41000 and #80000 per year for the growth of their businesses. This finding indicated that the women entrepreneurs' propensity to save for the growth of their enterprises was on average very low implying that they were experiencing some constraint factors. This tends to affect the performance of the women entrepreneurs negatively.

Fig 2. Amount of Savings by the women entrepreneurs



Conclusion and recommendation

Based on the findings made in the study, the following conclusions were derived: There was a positive relationship between socio- economic factors and their performance. Thus, age, marital status, education and years of experience all have positive impact on business performance.

From the study, the micro-enterprises surveyed were revealed to be performing very poorly; this was due to the fact that majority of them have no access to external funds, the sources of their initial capital and business finance being majorly personal savings, contributions and cooperatives.

This acute inadequate financing may not be unconnected with the entrepreneur's preference for informal sources of finance because no other feasible option is available to them. A large proportion of the surveyed entrepreneurs attributed their inability to raise adequate capital to the following factors: unfavorable government policies, scarcity of money in the country, low personal savings, money lenders high interest rates and unwillingness of formal financial institution to supply the required funds. It concludes that low funding is responsible for poor performance of micro-enterprises in Oyo state.

It is however recommended that Commercial banks should set up micro credit desk through which they could extend credits to informal societies and groups e.g. credits could be given to Esusu collectors or money lenders and cooperative societies at mutually agreed terms for onward lending to micro-entrepreneurs. Formal and informal entrepreneurship education should be given to micro- entrepreneurs in order to develop their managerial capabilities, accounting skills and overall be made more credit worthy.

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