

Dynamics of Women Owned Micro Manufacturing Enterprises in Kaduna

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Abstract

The focus on women in business especially in the manufacturing sector is very important because of the myriad of problems they face in this sector ranging from very difficult startups to very sluggish growth to premature deaths and an unfriendly environment in which they operate in. The explanatory survey research is adopted for the study. 384 enterprises were Surveyed. Barriers to women owned enterprises affect equal participation at the local, institutional and policy levels, from the study, the barriers and constraints to women-owned enterprises may be summarized into the following clusters: at the start up stage, fear of the unknown, lack of motivation and inadequate training. At the survival stage they are lack of access to credit inadequate training and infrastructure. Assessment of role of government and community based associations showed that, government is scored very low and community based association is score very high it can. To improve entry of women into business and to improve the entrepreneurial traits, the educational sector needs a complete re-engineering. Existing government agencies should be mandated to create coordinating body for women's entrepreneurship development. The privatization of the agencies responsible for the development of the infrastructure should be accelerated so that this sector can be totally overhauled under a new management. Women owned enterprises should be encouraged to formalize their operations using the door-to-door approach. Banks and other financial institutions should be more women friendly by providing a wider range of loan options, with valuable interest rates, repayments terms and conditions. The women entrepreneur should also be encouraged to form cooperatives and micro-finance banks should be empowered by government to reach out to this group.

Keywords: Dynamics, Start- ups, Survival stage, Growth, and Maturity stage.

Background to the Study

There has been widespread and growing interest in empirical analysis and studies of firms' growth dynamics and its determinants especially in the manufacturing industry because of the forward-backward linkage in promoting growth. At the same time renewed interest in how firms grow through dynamic structure, mechanisms through which they grow and significant forces either external or internal that propel the growth rate of firms have drawn attention to how firms irrespective of size and structure of ownership behave in one industry to the other. The growth, performance and productivity of Nigeria's large manufacturing firms have deteriorated and even beyond the rate at which they grow in the past three decades when manufacturing still play significant roles in the Nigerian economy. In 2009, the Manufacturers Association of Nigeria (MAN) declared that 820 manufacturing companies have closed down in

the past nine years (between 2000 and 2008). In Kaduna town alone over 41 large firms closed down between 1999 and 2003. On the other hand micro manufacturing enterprises has witnessed an increase in startups especially women owned businesses. The UNIDO/ CSAE report of 2004 stated that Female entrepreneurs run 19 per cent of the micro firms, and 5 per cent of the small and medium firms.

However, there are still barriers to the growth of these enterprises and this is what this research attempts to explain. Three different stages will be examined, start- up, early growth period and maturity stage; also two main factors shall be considered- external factors, internal factors.

The overall research objectives therefore are to assess the dynamics of women owned micro manufacturing enterprises in Kaduna and make appropriate recommendations for their sustainable development.

The specific research questions are:

1. What factors do owners in the micro manufacturing sector perceive to be the three most important challenges or barriers to start up and growth?
2. What is the assessment of interventions and role of Government vis- a- vis the goal of SMEDAN in the development of this sector?

Statement of problem

Despite the central role of MSEs in employment, industrial transformation, and poverty reduction, the competitiveness and growth prospects of MSEs fall below the levels required to meet challenges of increasing and changing basis for competition (Moyi & Njiraini, 2005 cited in Gakure et al 2012). In Nigeria the study by UNIDO/CSAE showed that MSMEs were not performing optimally because of a number of challenges and therefore not meeting the goal of SMEDAN which is to encourage the fuller and more productive participation of women in the economy (National Policy on MSMEs, 2003). The policy document recognizes "the marginalization of women entrepreneurs and its beneficial impact on the economy as a whole".

All these challenges have culminated in hampering the growth rate, level of growth, type and form of growth of women owned manufacturing micro enterprises in Nigeria and as a result they are not able to realize their full potential, they operate at subsistence level and do not contribute optimally to sustainable economic development of the nation. A sector that Agaje (2008) opined has a tremendous potential to generate employment for those people who could not find employment and also provide incomes for low wage earners.

Theoretical and Conceptual Framework

In order to find an entry into this extensive field of work and guide the research, the research adopted a framework to encapsulate and elucidate the themes to be covered. This framework, as given in Figure 1, set the boundaries of the research, shaped the content and context of the work, and provided a framework and language for discussion during the research process, as well as a means of organizing and presenting the findings of the research.

The framework is based upon the Sustainable Livelihoods (SL) framework and approach, which has been adopted by many international development organizations (Carney, 1998; Ashley and Carney, 1999). It also incorporates an enterprise dimension by utilizing and building upon the “MAIRstart- up” framework involving the four components of Motivation, Abilities, Ideas and Resources, as first developed by Durham University in the 1970s (Durham University Business School, 1995).

Essentially the Sustainable Livelihoods framework and approach portrays five overlapping and interlocking levels of analysis.

The Individual and her Resources: At this microlevel, the focus of the research is on the women themselves and their access to and ownership of resources or assets. These assets or forms of capital are brought together in five distinct groups: human assets (e.g. Skills and experience); natural assets (e.g. Land and water); physical assets (e.g. Premises, equipment, transport); financial assets (e.g. Cash, near cash, collateral), and social assets (e.g. Networks, supporters). Understanding the characteristics, circumstances and needs of different groups of women, and their experiences with and ownership (in the broadest sense of the word) of assets, underpins any analysis of women's economic activity, including women's entrepreneurship and enterprise development.

The Enterprise Level, as related to Starting and Growing an Enterprise: At micro level, the research looks at the processes and experiences of enterprise development. The women entrepreneurs and their resource base are seen in relation to those ingredients that are necessary to start and develop a successful business, i.e. Factors such as motivation and determination, abilities, ideas and markets, and resources. The process of bringing together these four sets of “MAIR” ingredients, managing them, and planning for the future of the business characterizes successful business practice. This is not only relevant as an activity at the start-up stage, but involves ongoing review and revision of plans to cope with expected and unexpected changes in the economic and market environment.

The Enterprise Support Sector or the business development services: Over the past 20 years, an extensive, complex and ever changing array of organizations and initiatives has emerged throughout many parts of Africa to stimulate and support enterprise development. This support sector operates across all stages and at all levels of enterprise development. It is involved in providing and facilitating a full range of the ingredients needed for business development, and does this for both targeted client groups as well as through mainstreamed services. However, this does not necessarily imply that the support sector is comprehensive, coordinated or consistent in the availability and quality of the provision of business support. An understanding of women entrepreneurs' awareness and use of support services, and the extent to which these services enable the further development and growth of their enterprises, is another critical dimension of the WED Study.

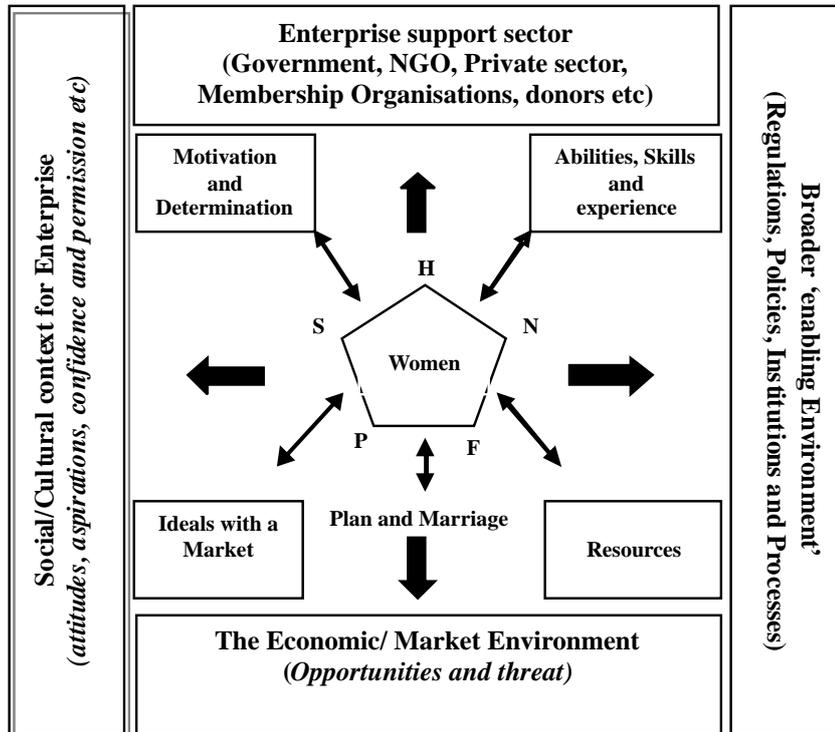


Figure1. The elements that influence the development of MSMEs

A great deal has been written about the growth of enterprises, however there is no single theory which can adequately explain growth patterns in enterprises because there are a variety of factors which can affect the growth of these enterprises.

At the same time there is an agreement on the main influences on enterprises' dynamics and growth. Smallbone and Wyer in Carter and Jones-Evans (2006) wrote that there are three main influences on the growth of small firms identified by Storey (1994) and they are the entrepreneur, the firm and the management strategy.

“Badi & Badi (2004) stated that growth of a company can be (a) planned growth (b) unplanned growth (c) unexpected growth.

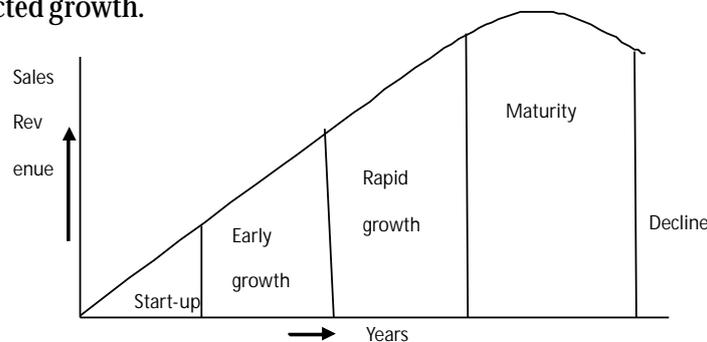


Fig: 1.0 Life cycle of an enterprise

The life cycle has been used to explain the growth dynamics of a firm (Fig 1.0). The main stages in the cycle are the startup; the growth and maturity period and the decline period. The concept of the life cycle is predicated on the biological notion of the birth, growth and death of a person. The enterprise, from literature is influenced by both external and internal factors; this was first revealed by Penrose in her book titled “The growth of firms”.

Method

The survey explanatory design is used. A sample size of 384 is used (Krejcie and Morgan, 1970). The sampling frame shows that there 22 types of women owned MMEs in Kaduna town. The stratified random technique was used in order to categorize the firms and select the firms to be investigated. The first step is to examine the data on problem perceptions by firms and the barriers or challenges are compiled from extant literature. The barriers are compiled from extant literature (Goheer, 2003, ICICI Bank and IFC, 2002, ILO, 2008. Kantor, 2001; National Policy on MSMEs, 2003; Lim, 2008; Ming-Yen & Chong 2007; Seymour, 2001; UNDP, 2008; WEF, 2013; Xiang, 2007). Respondents were asked to rank their firm's three biggest problems. They were also asked to assess the types of interventions received. A three-part questionnaire consisting of both quantitative and qualitative questions and an interview schedule were the main instruments for data collection. Validation of the questionnaires was carried out to guarantee its efficiency. Both quantitative and qualitative data were collected to reveal the strengths and show the main themes.

Results

The following tables show the results from the field concerning three main areas; challenges of start-ups; challenges of survival and growth and lastly the assessment of government intervention based on the vision of SMEDAN.

Table 1
Challenges that affect the start-up of women owned MMEs in Kaduna Metropolis

Challenges/Barriers	1 st	2 nd	3 rd	Total Respondents
Internal factors				
Fear of the unknown (risk -taking ability).	185	73	43	301(83%)
Lack of motivation.	131	91	64	286(79%)
Inadequate training.	123	86	70	279(77%)
Lack of ideas	14	07	04	
External factors				
Lack of access to credit.	112	92	60	264(73%)
Lack of access to vital inputs.	75	25	8	108(30%)
Perception that the market is not enough to sustain the business.	56	32	12	100(28%)
Lack of access to appropriate workplace	44	30	13	87(24%)
Lack of access to modern technology.	21	18	14	53(15%)
Infrastructure issues (electricity, pipe borne water etc.).	19	15	10	44(12%)
Government regulation.	15	11	06	32(8%)
Location problem.	32	18	15	65(18%)
Insecurity.	09	05	03	17(4%)
Social and cultural barriers.	58	21	11	90(25%)
12 Household demands.	40	13	09	62(17%)
Mobility restrictions.	14	07	04	25(17%)

Table 2
Challenges that affect the survival and growth of women owned MMEs in Kaduna Metropolis

Challenges/Barriers	1 st	2 nd	3 rd	Total Respondents
Internal factors				
Fear of the unknown (risk - taking ability).	70	21	16	107
Lack of motivation.	51	32	18	101
Inadequate training	113	78	34	225
Innovation	112	77	34	224
External factors				
Lack of access to credit.	148	96	41	285
Lack of access to vital inputs.	58	22	9	89
Perception that the market is not enough to sustain the business.	14	12	8	34
Lack of access to appropriate workplace	9	7	2	18
Lack of access to modern technology.	45	13	10	68
Infrastructure issues (electricity, pipe borne water etc.).				
Government regulation.	129	76	60	265
Location problem.	10	9	6	25
Insecurity.	8	5	2	15
Social and cultural barriers.	17	8	5	30
Household demands.	37	16	11	64
Mobility restrictions.	12	10	8	30
	6	4	2	12

Table 3
Awareness of existing relevant government agencies and Local associations by the entrepreneurs.

Awareness of /interacted with relevant agencies	No of respondents that are aware of agencies	(%)	No of respondents that have interacted with agencies	(%)
1. SMEDAN	4	(12.43)	10	(2.76)
2. Tax Offices	330	(91.16)	362	(100)
3. Business Development Services	05	(1.38)	03	(0.86)
4. Corporate Affairs Commission	102	(28.18)	12	(3.52)
5. Manufacturers Agency. of Nig.	50	(13.8)	0	(0)
6. Bank of Industry	47	(19.67)	0	(0)
7. Local associations	289	(79.83)	265	(73.20)

Table 4
Assessment of the role and intervention of the Government

Government intervention 5=very good	mean value of all the Scores(1.00=very poor,
1. Tax administration	1.00
2. Business development services	1.00
3. Provision of relevant information	1.50
4. Support in marketing of products	1.00
5. Infrastructure quality	2.50
6. Support to access credit	1.50
7. Business registration	1.00
8. Provision of Land	1.50
9. Training programmes	1.50
10. Special programme for the disable	1.00
11 Patronage	1.00
12. Quality control	3.00
13. Access to workspace	2.00
14. Protection of the interest of employees	1.00
15. Assisting to undertake research	1.00
16. Access to market information	1.50

The results in Table 1, shows that the greatest barrier to business start-up amongst women operating micro manufacturing enterprises in Kaduna is risk-taking ability, 83% of all the respondents of 362 score this as their first to third most significant barrier, while over a half (51%) of the respondents scored it the first most significant barrier. The results also show that internal factors of risk-taking ability, lack of motivation and inadequate are the three most significant barriers to business start-up. The average of the three barriers is 79%.

The external factors that scores very high is lack of access to credit with 73% of the total respondents scoring this first to third position. Twenty five percent of the women scored the socio-cultural factor amongst the first three most significant barriers; followed by those who score lack of access to appropriate workplace and locational problem. The other factors such as: household demands infrastructure issues, government regulation, mobility restrictions and insecurity range from between 17% to 5%. The survey therefore reveals that the women perceive the internal factors as the most significant barriers to business start-ups.

Table 2 on the other hand shows the barriers to survival and growth of the firms. External factors such as infrastructure and lack of credit are the most significant barriers followed by an internal factor, inadequate training.

The survey also required the firm owners or managers to assess the role of the government agencies, especially the small and medium enterprises development agencies which was established for the sole purpose of implementing the national policy on micro, small and medium enterprises with its overall objective is to create, nurture and promote the necessary conditions for the growth and development of MSMEs. This objective is expected to be

implemented based on close partnership and cooperation between the various levels of government and community organizations.

Table 3 shows the number and percentage of women entrepreneurs that are aware of the existence of small crucial agencies such as SMEDAN, the level of awareness and interaction is very low, 12.43% and 2.76% respectively. All the women entrepreneurs are aware of the agencies responsible for tax administration because the local government official moves from workplace to workplace collecting tax at the beginning of each year. About one third of the entrepreneurs/owners are aware of the Cooperate Affairs Commission that is responsible for the registration of business, however only 4% of them have interacted with the agency.

The manufacturing agency of Nigeria, established in 1977, is an umbrella agency for all categories of manufacturers; however, their objective reveals that micro manufacturers are exempted from their activities, because they only admit enterprises with workers above 10. (UNIDO/CSAE, 2002).

Most women entrepreneurs, though not formally registered with CAC are registered with their local association (73%).

With respect to the assessment of the role and intervention of government the overall assessment is very low, ranging from 1.00 to 3.00 (mean value of all the scores). A Likert 5 scale measurement was used for the scoring with 1.00 as very poor and 5.00 very good. The women owner/manager were asked to score sixteen (16) different items. The criteria used are based on the programmes and targets of SMEDAN.

Discussions

In a study of firm dynamics in Africa and Latin America, Liedholm (2001) observed that enterprises that are starting-up, face different problems and constraints than those of existing enterprises seeking to grow and expand. This research confirms this because the three most significant challenges which the female entrepreneurs stated affected their start-ups (Risk-taking ability, Lack of motivation and inadequate training) are different from those that affect the growth of firms (Lack of access to credit, infrastructure and inadequate training). This research therefore concludes that internal factors are more significant than external factors in hindering business start-ups. This is because many women do not have the basic competencies to successfully manage a business, employees, marketing and resources. (Mpango & Mushi, 2000 cited in ILO, 2004) also stated that statistics in Zambia show that the number of women engaged in further and higher education is low, which is similar to the situation in this part of Nigeria.

At the survival and growth stage, the most significant challenges are external in nature, such as to access to credit and infrastructure. This finding is supported by a similar study undertaken in Zambia/Ethiopia, Tanzania and Kenya by ILO in 2008. The report stated that women's businesses are undercapitalized and that accessing appropriate forms and levels of finance is seen as a major issue for women. In the Kenyan report, over 55 percent of the women entrepreneurs lack sufficient fund for expansion and over 40% percent do not have access to

credit. Access to infrastructure is reported to be one of the major barriers and constraints to MSE growth in Kenya and this is similar in the study area because more than two thirds of the women owned enterprises stated that infrastructure was a crucial issue.

The low assessment of government's role by the women entrepreneurs in Kaduna points to the poor enabling environment which these women are operating in. The ILO study of Ethiopia, Zambia and Tanzania reveals that while structures of the enabling environment are apparently equitable to men and women, in reality their practice often disables MSEs in general and women in particular. SMEDAN classifies women owned enterprises under special target enterprises. The ILO study of Kenya in 2008 shows that sixty three percent of the entrepreneurs say that government support of the MSE sector is inadequate. This is similar in the case of women owned micro-manufacturing enterprises where as low as twelve percent are aware of the agency, SMEDAN, that is supposed to be the most important agency for this sector. The greatest impacts on these enterprises come from local associations and the tax office. This is because almost eighty percent are informally registered with these local associations and the local government officials undertake door-to-door administration of taxes.

Conclusions and Recommendations

Barriers to women owned enterprises affect equal participation at the local, institutional and policy levels, from the study, the barriers and constraints to women-owned enterprises may be summarized into the following clusters:

At the start-up stage

- a. Fear of the unknown
- b. Lack of motivation
- c. Inadequate training

At the survival and growth stage

- a. Lack of access to credit
- b. Inadequate training
- c. Infrastructure

Assessment of role of government and community based associations

1. Government is scored very low
2. Community based association is score very high

It can therefore be concluded that the dynamics of women-owned enterprises in Kaduna show a lot of similarities with others in the African continent. Their start-up is faced with more than enough challenges, their growth and survival usually very sluggish and the enabling environment is not conducive.

This research therefore recommends the following:

1. To improve entry of women into business and to improve the entrepreneurial traits, the educational sector needs a complete re-engineering.

2. Existing government agencies should be mandated to create coordinating body for women's entrepreneurship development.
3. The privatization of the agencies responsible for the development of the infrastructure should be accelerated so that this sector can be totally overhauled under a new management.
4. Women owned enterprises should be encouraged to formalize their operations using the door-to-door approach.
5. Banks and other financial institutions should be more women friendly by providing a wider range of loan options, with valuable interest rates, repayments terms and conditions.
6. The women entrepreneur should also be encouraged to form cooperatives and micro-finance banks should be empowered by government to reach out to this group.
7. The leadership issue should also be addressed at all levels so that the existing institutions, processes and procedures can function at full stem.

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