Influence of Financial Resources on Competitive Advantage of Women Owned Enterprises in Northern Nigeria

[1]**Umar, Rakiya Altine &**
[2]**Maku, Sampson Hassan**

[1&2]*Department of Business Administration and Management, Nasarawa State Polytechnic, Lafia*

A b s t r a c t

The aim of this study is to customize the resource based view (RBV) of the firm to examine the influence of financial resources on competitive advantage of women owned enterprises in Northern Nigeria. The study adopted quantitative research methodology and used cross-sectional survey method to collect data from 342 respondents out of which 234 were used for the analysis. The hypothesized path was examined with the use of Partial Least Squares Structural Equation Modeling (PLS-SEM). The result reveals that financial resources have a significant positive influence on competitive advantage of women owned enterprises. The study has contributed to knowledge by extending the RBV of the firm to the study of women- owned micro and small businesses in Northern Nigeria. The study also provides practical implication for women enterprise owners and policy makers as it showcases the positive influence of financial resources on competitive advantage of women owned enterprises. The study recommends that women enterprise owners should improve their financial resource base by utilizing internal and external sources of financing. Suggestion for future research is made on the bases of the limitation of the study.

Corresponding Author:
Umar, Rakiya Altine

Background to the Study

The number of women going into entrepreneurship has continued to be on the rise globally. A Global Entrepreneurship Monitor (GEM) 2016/ 2017 women report shows that an estimated 163 million women were starting or running new businesses in 74 economies around the world and another 111 million women are already running established businesses (GEM, 2017). Similarly, women are entering the field of entrepreneurship in developing countries and are making significant contribution to their economies. In Nigeria about 35 percent of the population of women is engaged in entrepreneurship and majority of the retail businesses are owned by women (Akanji, 2006; Ekpenyong, 2014). The reason behind this trend is not farfetched. The economic downturn in Nigeria over the years has forced many women to go into entrepreneurship as a means of livelihood.

The Organization for Economic Co-operation and Development (OECD), (2004) and United Nations Industrial Development Organization (UNIDO), (2008) have recognized the role of women entrepreneurs as major contributors to innovation, job creation and economic growth. They play a vital role in the economic advancement of their families and communities in which they live. The economic empowerment of women allows them to make significant contribution to economic development (Sarfaraz, Faghil & Majd, 2014) irrespective of the type of business they are involved in and the size of their operation.

Statistics shows that women make up about half of the population of the world (World Bank, 2016), therefore, the participation of women in economic activities have the potential of reducing poverty and achieving sustainable economic development. Studies have also shown that about 50 percent of the world's population living on less than 1.25 dollar a day is women (United Nation, 2015). Despite that the number of women venturing into entrepreneurial activities in developing countries has continuously been on the increase, majority of women-owned enterprises lack competitive advantage. Competitive advantage is a situation whereby a business has an edge over competitors due to the implementation of difficult to copy strategies. This position of advantage helps the organization to gain benefits usually in the form of superior performance.

The Resource Based View (RBV) of the firm assumes that competitive advantage and consequently superior performance is the result of efficient utilization of the internal resources that the organizations possesses or have access to. These resources are valuable, rare, inimitable and non-substitutable (Bromiley & Rau, 2016; Chaston, 2015). Grant, (1993) is of the view that a firm's internal position in terms of its resources is more important in determining strategic action than external factors. Such strategic action can lead to competitive advantage for the firm. In strategic management literature financial resources are considered important factors that can potentially influence competitive advantage (Ma, 2004) and women entrepreneurs generally have less financial resources to run their businesses. Understanding the sources of competitive advantage is an important area of study in the field of strategic management where the RBV resides. A closer look into the RBV literature reveals that research gap still exists. Newberts, (2007) found 53 percent support for RBV suggesting that there is need for more research in this area. In addition,

Newberts (2007) found that majority of the studies focused on performance as their outcome variable, competitive advantage has been given less attention by scholars. Competitive advantage is the basis for superior performance. It is the value creating strategic action while performance is the rent that accrues from the implementation of the strategic action. Therefore understanding the factors that influence competitive advantage is important. With respect to context few studies exist that apply the RBV to the study of small businesses (Runyan, Swinney & Huddleson, 2007).

In view of the gap found in RBV literature, this study aims to examine the influence of financial resources on competitive advantage of women owned micro and small enterprises in Northern Nigeria and to answer the research question "to what extent do financial resources influence competitive advantage of women owned enterprises. The study is limited to micro and small businesses owned by women in Northern Nigeria.

Literature Review and Theoretical/Conceptual Framework
This section discusses the theoretical framework backing the study and pertinent conceptual issues associated with the study as well as a review of related works and hypothesis development.

Theoretical framework
In this study the RBV of the firm was adapted to the study of micro and small businesses owned by women. The RBV rests on the assumption that businesses compete on the bases of their resources and capabilities and these resources determine competitive advantage. RBV theorists agree that internal resources owned by a business organization are more important contributors to competitive advantage than external factors (Barney, 1991; Grant, 1991; Peteraf, 1993).

Financial resources are usually the most important resources especially for a small business (Yallapragada & Bhuiyan, 2011). Financial resources is important because it is linked to the initial plan the business might choose which might help to create competitive advantage. Furthermore, financial resource allows firms to obtain other strategic resources which can provide competitive advantage (Stacey, 2011). Studies have shown a positive relationship between financial resources and competitive advantage (Fosenka, Tian & Li, 2014; Malyantrini, Primrana, Ariawati & Nidar, 2017). Scholars agree that financial resources such as cash at hand, bank deposits and loans have the potential to influence competitive advantage.

Competitive Advantage
According to Newbert (2007, p, 749-750), competitive advantage refers to "*the economic value that has been created from the exploitation of a firm's resource/ capability combination, while performance refers to the economic value that the firm has captured from their commercialization*". Competitive advantage is an antecedent for performance, when a firm achieves performance it is considered to have attained competitive advantage. Businesses achieve competitive advantage when they implement strategies that help create more value than

their competitors and competitors are unable to copy the strategy (Barney & Hesterly, 2012). Ma, (2004) explains that competitive advantage is a situation where an organization occupies a position of superiority in comparison with competitors through implementation of strategies which competitors find difficult to replicate. Resources can lead to competitive advantage only if it fulfills the VRIN criteria. The VRIN criteria is an acronym that means that the resource must be valuable to provide strategic value to the firm, it must be rare and not freely available. The resource must also be inimitable, that is cannot be copied by competitor and finally it must be non- substitutable (Bromiley & Rau, 2016; Chaston, 2015). The RBV argues that possession and utilization of certain resources has the potential to generate competitive advantage.

Financial Resources

Financial resources refer to assets used by businesses to settle liabilities (Stacey, 2011). Micro and small businesses can obtain financial resources internally through personal savings and close circle of friends and family, and externally though equity, debt, bank financing, government assistance, NGOs. Generally any business can benefit from internal financing however, as the business becomes larger internal funds may become insufficient especially if the business intend to grow. Carpenter and Peterson (2002) found that growth is inhibited by reliance on internal capital alone.

Financial resources play an important role at every level in business. It is used for start-up of new venture and for expansion and growth of existing businesses. It also serves as a cushion against sudden difficulty arising from environmental changes, poor management and other problems that may arise. It improves firms' ability to react to changing situation and increase the willingness and readiness of firms to be innovative.

Financial Resources and Competitive Advantage

In strategic management literature there is a general consensus among scholars that a positive relationship exists between resources and competitive advantage (Ismail, Rose, Uli, & Abdullah, 2012; Liao & Hu, 2007; Morgan, Kaleka & Katsikeas, 20014; Othman, Arshad, Aris & Arif, 2014). In particular financial resources have been reported to be the major key success factor for small businesses (Yallapragada & Bhuiyan, 2011). Also insufficient financial resources have been cited as the main cause of business failure (Hamrouni & Akkari, 2012). Fosenka, et al., (2014) used panel data and hierarchical regression analysis to investigate the impact of different sources of internal and external financing on competitive advantage of Chinese firms and found a positive correlation between the two constructs. In a study on the relationship between financial capabilities, industry factors and sustainable competitive advantage of commercial banks listed on Indonesia stock exchange, Malyantini, et al (2017) found that ability to access capital and funding significantly influence sustainable competitive advantage. The empirical studies on financial resources and competitive advantage reviewed are in agreement with the prediction of the RBV. It is worth noting however, that there is a dearth of research on the financial resources- competitive advantage link in general and in the context of small businesses in particular. Therefore there is need to examine the phenomena. Based on theoretical and empirical evidence found in literature the hypothesized path for the study is stated as follows:

H_1 Financial resources positively influence competitive advantage of women owned enterprises

Methodology
This section contains the research methodology adopted in the study

Research Design
This study adopted the quantitative research approach. The data used was collected using cross-sectional survey with a structured questionnaire as the instrument of data collection. The population of the study is the entire women owned micro and small businesses in Northern Nigeria. The sample was drawn from a list of associations of viable women small scale businesses that are registered with the Ministry of Women Affairs and Social Development. Three states were selected. Kaduna has 141 women association with 1407 members, Bauchi has 58 women associations with 532 members and Lafia has 47 registered associations with 455 members. A total 2394 members formed the population of the study. Using Israel (1992) formula for determining sample size, 342 women who are owner/managers of micro and small businesses were sampled through a multistage, cluster, proportionate, random sampling technique.

The study adopted the Partial Least Squares Structural Equation Modeling (PLS-SEM) as the tool for data analysis. Smart PLS 3.0 software was used to analyze the data. SEM has two major components the measurement model and the structural model (Hair, Hult, Ringle & Sartedt, 2014).

Variables and Measurement
The measure of competitive advantage was adopted from prior studies (Fosenka, et al, 2014; Malyantini et al, 2017). The questions were modified to suit the financial resources of small businesses. For measuring financial resources, the following questions relating to financial resources which have previously been validated were adapted (Coleman, 2007; White, et al., 2015) and have been modified for the easy understanding of the respondents. 1) Have some types of bank loan, 2) Prefer the use of personal finance, 3) Have loans from friends, family and relatives,4) Prefer the use of retained earnings/profits.

Analysis and Results
The aim of the study is to examine the effect of financial resources on the performance of women owned enterprises. The study followed the two steps approach suggested by Chin, (1998), this approach ensures valid and reliable results. The approach involves first confirming the constructs reliability and validity (assessment of the measurement model) before proceeding to test the hypothesis (assessment of the structural model).

Data Cleaning
A number of issues must be addressed before proceeding to model evaluation in PLS-SEM. Issues like missing data cases, outliers, and suspicious response pattern (straight lining and inconsistent answers) and data distribution (Hair et al, 2014). For this study a

total of 342 questionnaires were distributed to women entrepreneurs in the study area and 280 were returned (82 percent). Out of this 236 was used for the analysis after taking care of missing data cases, outliers and suspicious responses. Smart PLS 3.0 version takes care of missing data cases automatically.

Assessment of the Measurement Model
This section presents the result of the reliability and validity of the model.

Indicator Reliability
Indicator reliability is measured by the indicators outer loadings and it refers to the level of association between the indicators. A high outer loading implies that the associated indicators have much in common and can be said to be related. Hair et al., (2014) recommend that all outer loadings should be statistically significant. Conventionally the value of indicator outer loading should be 0.7 or higher. However, Henseler, Ringle and Sincovics (2009) offered 0.4 as a lower limit and recommended that any item with outer loading of less than 0.4 should be deleted from the measurement scale. In addition, Hair et al., (2014) recommend that an indicator with outer loading of between 0.4 and 0.7 should be considered for deletion from the measurement scale only if deleting the indicator results in the improvement of composite reliability and AVE of the measurement model. Financial resources has three of its indicators loading very high and above the threshold (FRO1 0.864, FR02 0.845.and FR03 0.815). Two indicators reflecting competitive advantage (dependent variable) loaded high with 0.751 and 0.697 (approx. 0.7). All the indicators measuring the two constructs have t-values of higher than 1.96 as shown in table 1.

Table 1: Indicators t-values results

Construct	Items	Loadings	Standard error	t-value
Competitive	CA1	0.751	0.198	3.787
Advantage	CA2	0.696	0.222	3.139
Financial	FR1	0.864	0.069	12.588
Resources	FR2	0.845	0.071	11.95
	FR3	0.815	0.075	10.927

Internal Consistency Reliability

According to Nunally and Beinstein (1994) as cited in Hair et al., (2014), composite reliability should be above 0.70 although they suggested that a composite reliability of 0.60-0.70 is acceptable in exploratory research. However, a composite reliability of less than 0.60 is unacceptable as it suggest a lack of internal consistency reliability. In this study the composite reliability for financial resources (0.879) and competitive advantage (0.688), approximately 0.7 as indicated in table 2.

Table 2: Summary of Measurement Model Results

Constructs	Items	Loadings	CR	AVE
Competitive	CA1	0.751	0.688	0.524
Advantage	CA2	0.696		
Financial resources	FR01	0.864	0.879	0.708
	FR02	0.845		
	FR03	0.815		

Convergent validity
Convergent validity is the extent to which there is an agreement among several indicators in measuring the same construct (Hair et al., 2014). The AVE is the total average of the squared loadings of the indicators connected with the latent variable. An AVE value of 0.5 or higher indicates that the construct explains not less than half of the variance of the indicator. As indicated in table 2 the two constructs have AVE values above the threshold of 0.5.

Discriminate Validity
Discriminate validity refers to the extent to which indicators differentiate the construct it is associated with from other constructs in the model (Hair et al., 2014). This study followed the Fornell and Larcker (1981) and cross-loading criteria. The Fornell and Larcker (1981) criterion recommended that for discriminant validity to be confirmed the square root of AVE for a particular construct must be higher than its correlation with any other construct in the model as shown in table 3. Using the cross loading criterion, the indicator must load higher on the construct that it is representing as shown by the bolds in table 4. Therefore, discriminate validity for this model is confirmed.

Table 3: Discriminate validity using Fornell and Larcker Criterion

	Competitive Advantage	Financial resources
Competitive Advantage	**0.724**	
Financial resources	0.265	**0.842**

Table 4: Discriminant validity using Cross loadings

	Competitive Advantage	Financial Resources
CA1	**0.751**	0.199
CA2	**0.696**	0.184
FR01	0.279	**0.864**
FR02	0.16	**0.845**
FR03	0.197	**0.815**

Assessments of the structural model and hypothesis testing
Having validated the measurement model by confirming its reliability and validity the next step was to test the hypothesized path through the bootstrapping procedure in Smart PLS 3.0

Path Coefficient
The path coefficient represents the hypothesized relationship between the constructs under study. Path coefficients have values of between -1 and +1. Values of close to +1 represents very strong relationship and values close to zero represent weak relationship. The path coefficient in this model is 0.265. A path coefficient above 0.1 can be considered as significant. However, the ultimate determinant of significant relationship is the t- value. The models R^2 is 7 percent as shown in figure 1. This means that seven percent of the variance in competitive advantage is explained by financial resources. The remaining 93 percent is explained by other factors not accounted for by the model.
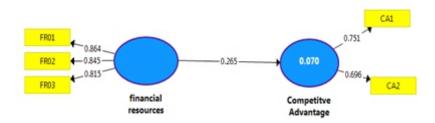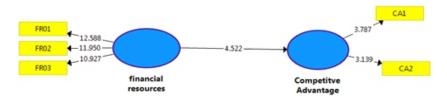

Table 5: Results of Hypothesis testing

Path/ Relationship	Std. Beta	Std. error	t- Value	Decision
Financial resources -> Competitive advantage	0.265	0.059	4.522	Supported

As shown in table 5, the path coefficient between financial resources and competitive advantage was found to be significant at 95 percent confidence interval (β=0.265, t=4.522, p<0.005). This result confirms the importance of financial resources on competitive advantage of women owned enterprises, thus giving support to the hypothesis of the study.

Discussion

Competitive advantage is an important outcome variable in the field of strategic management where the RBV resides. There is a general consensus among scholars that certain resources influence completive advantage and financial resources are considered top among them. The RBV posits that the bundle of resources that a firm possesses or have access to leads to achieving competitive advantage. Therefore, it means that women business owners that have access to internal and external financing are expected to gain competitive advantage, this result supports the prediction of the RBV.

The result supports the hypothesized path in this study that financial resources positively influence competitive advantage of women owned enterprises (β= 0.265, t value- 4.522). The result is consistent with that of Fosenka et al, (2014) who found a positive relationship between financial resources and competitive advantage among Chinese firms. This is also consistent with Malyantini, et al (2017) who found that ability to access capital and funding significantly influence sustainable competitive advantage. The finding is also in agreement with the resource based view.

Conclusion and Recommendations

The objective of this study was to examine the influence of financial resources on competitive advantage of women owned businesses. The result revealed that financial resources indeed influence competitive advantage of women owned businesses in the study area. Therefore, for women owned enterprises to gain competitive advantage they should increase their financial resources by utilizing internal and external financing as this resource has proved to significantly influence competitive advantage.

The study contributes to knowledge by customizing the RBV of the firm to the study of micro and small businesses and by studying competitive advantage as an outcome variable. A major limitation of this study is the parsimonious nature of the research model, consequently the weak predictive accuracy shown by it. The coefficient of determination R^2 of seven (7) percent is weak (Hair et al, 2014). Future studies should aim at improving the predictive accuracy of the model by incorporating more resources within the RBV to form a comprehensive model.

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