

STATE OF ENTREPRENEURSHIP IN NIGERIA REPORT 2021





ABOUT THE FATE INSTITUTE

The FATE Institute is the research, policy and advocacy arm of FATE Foundation which leads innovative thinking and creates platforms to enable idea exchange and problem-solving strategies to foster sustainable entrepreneurship in Nigeria.

Since inception in 2015, the FATE Institute has published 12 thought leadership reports on Nigeria's Micro, Small and Medium Enterprises (MSMEs) and entrepreneurs; held a yearly Policy Dialogue on Entrepreneurship; and in 2021 launched a quarterly Policy Workshop series. The Institute also recently developed the Enterprise Data Map platform to track data and insights within the ecosystem.

The FATE Institute is a member of the Global Entrepreneurship Research Network (GERN), Aspen Network of Development Entrepreneurs (ANDE) West Africa and also the Facilitator of the Nigerian Economic Summit Group (NESG) MSME Community of Practice.

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OUTLINE

Foreword	7
Executive Summary	9
Introduction	11
Data Overview	15
Indicators of Entrepreneurship in Nigeria	19
Business Performance	29
Challenges and Opportunities	55
Recommendations	59

1.0 FOREWORD

I am pleased to invite you to explore our 2021 State of Entrepreneurship in Nigeria Report. This annual flagship report will be the first of many editions to come from the FATE Institute, which has evolved from FATE Foundation's research and policy unit. Over the last seven years, we have examined and analysed data on the Nigerian entrepreneurship ecosystem and Nigeria's Micro, Small and Medium Enterprises (MSMEs) to better understand how existing programmes and policies could be reviewed, revised and expanded to create a more sustainable and productive ecosystem that would benefit all key stakeholders.

Entrepreneurship remains a powerful force and an important influencer for driving innovation, productivity, job creation and economic growth. Nigeria's entrepreneurship prowess has for a long time been clearly evident. FATE Foundation's inception, twenty-one years ago, was on the basis that entrepreneurship would be a key driver for boosting productivity, job creation and economic growth. Since then, that theory has continuously been validated with Nigerian entrepreneurs delivering on innovation, promoting inclusion, leading to positive socio-economic impact and economic growth.

This report looks at evolving demographic trends, indicators of entrepreneurship and presents new data that show where entrepreneurship in Nigeria stands today and is headed to in the medium to long term. As with other countries around the world, COVID-19 had a significant impact on Nigeria's population, business environment and the wider economy. This report also presents insights following the impact of COVID-19 on Nigeria's entrepreneurial community, which should be helpful to stakeholders within the public, private, development and academic spaces deliberating on strategies to promote economic recovery.



In line with our ethos, we strongly believe that entrepreneurs are and will remain the backbone of the Nigerian economy. They are critical for the country to attain its competitiveness potential and readiness to meet the challenges of the 21st century. Accordingly, I do hope that policy makers, regulators, enterprise training centres, incubators, business service development providers, funders and other ecosystem players will find this report beneficial as they cultivate, motivate and enable the different entrepreneurial communities within their ecosystems.

Adenike Adeyemi
Executive Director,
FATE Foundation.



Inaua Papo Hapo
HIT
Kaua Mbu, Vizi, na Menda

2.0 EXECUTIVE SUMMARY

Entrepreneurs are important to the growth and development of the Nigerian economy. Following their important role in job creation and in driving social inclusion, efforts to strengthen their contribution needs to be prioritised by the relevant stakeholders. In this report, we explored the state of entrepreneurship in Nigeria, examining how small business owners have fared in the last one year, in view of the impact of the COVID-19 pandemic.

Key Themes

Our findings in this report are centred on three key themes which include:

1. The Entrepreneurial Index in Nigeria.
2. Women and Youth-led Businesses.
3. Impact of Technology on Businesses.

State of Entrepreneurship in Nigeria

On the first theme, we computed an entrepreneurial index for Nigeria which measures the state of entrepreneurship in the country and across the 24 states covered in our sample. With an overall index of 0.69 out of 1, we found that **entrepreneurship is fairly strong in Nigeria**. This was supported mainly by the agility and aspirations of Nigerian business

"...entrepreneurship is fairly strong in Nigeria."

owners who are resilient, dynamic and are known to forge through amidst severe challenges in the business environment. Notwithstanding this positive drive, the government must intensify efforts to improve the operating environment for young businesses by addressing core traditional and non-traditional issues such as limited access to finance, inadequate infrastructure and insecurity. These three issues were identified as the main obstacles facing entrepreneurs in Nigeria.

"...government must intensify efforts to improve the operating environment for young businesses by addressing core traditional and non-traditional issues such as limited access to finance, inadequate infrastructure and insecurity."

Youth-Led Businesses

Secondly, most businesses in Nigeria are youth-led and an increasing number of businesses are being led by female. From the survey results, 67% of entrepreneurs fall in the age range of 18-35 years



"...most businesses in Nigeria are youth-led and an increasing number of businesses are being led by female."

while 43% of business owners are female. These two groups can be considered as Nigeria's biggest untapped potential especially given their immense contribution to the economy; despite the challenges they face. Specifically for youth-led businesses, they

are the cornerstone of technology acceleration and are vital in both job creation and value addition.

Female-Led Businesses

Female-led businesses remain highly vulnerable especially following the impact of COVID-19 and the limited support received from the government. The survey showed that 34.2% of female-led businesses did not record growth in the past one year, with limited access to finance serving as the main constraint to growth. For these two segments

“...Female-led businesses remain highly vulnerable especially following the impact of COVID-19 and the limited support received from the government.”



-female and youth - of the Nigerian society, one thing is clear: there is need for targeted and institutionalised support for these businesses by both the government and the private sector to enable their growth and enhance their impact on the economy.

Digital Technology Adaptation

As the economy recovers from the impact of COVID-19, the digital revolution, which was accelerated by the pandemic is here to stay. While many small businesses are embracing technology, some are being left behind due to reasons such as high data cost, lack of digital skills and lack of awareness of the potential benefits of technology on their businesses. These businesses need to be supported, particularly in gaining access to technology, digital skills training and awareness of the benefits of technology. The Government in partnership with key players in the technology

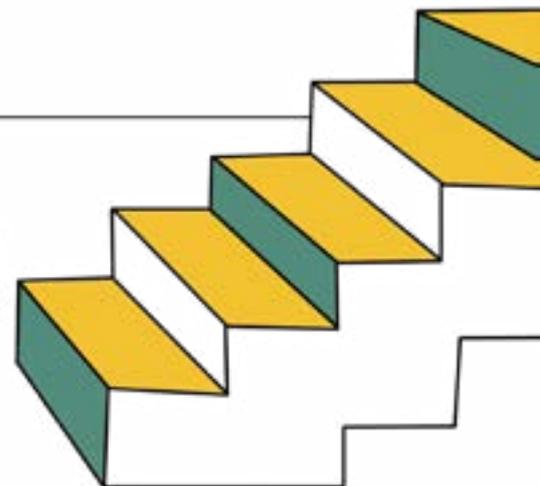
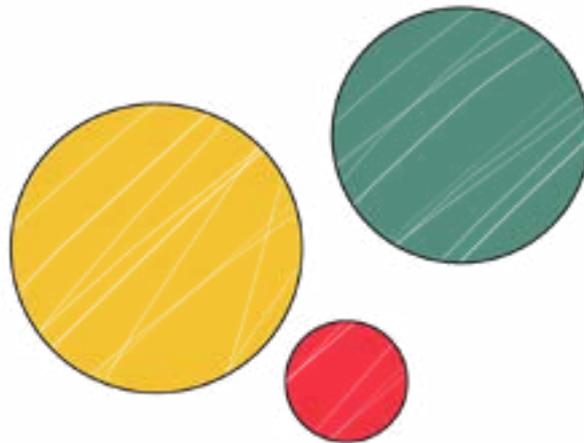
infrastructure space will need facilitate the development of structures that improve access and usage of technology among small business owners at an affordable rate. With this, small businesses in Nigeria will be better equipped and prepared to compete in a world that is increasingly driven by innovation and technology.

“...The Government in partnership with key players in the technology infrastructure space will need facilitate the development of structures that improve access and usage of technology among small business owners at an affordable rate.”

Enabling Support

Overall, the government needs to develop an entrepreneurial ecosystem that supports growth and innovation. In addition to creating an enabling business environment, the government, working with stakeholders, will need to create policies, financial support, skills development, legislative frameworks among other support structures for start-ups and small businesses across the country. This will ensure that businesses gain the necessary support needed to achieve their potential in the near future.

3.0 INTRODUCTION





INTRODUCTION

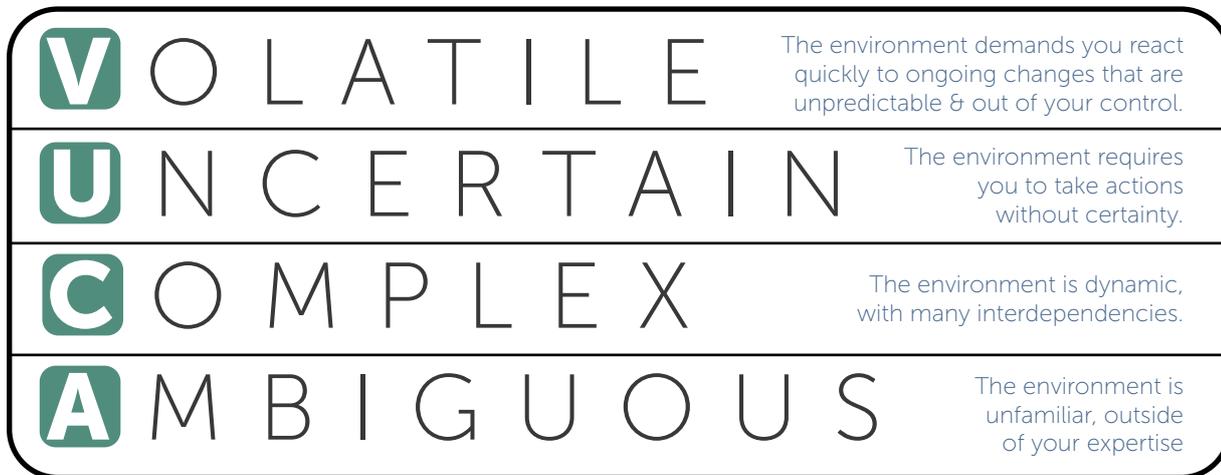
Entrepreneurs are the bedrock of the Nigerian economy. Data from the National Bureau of Statistics (NBS) show that Micro, Small and Medium Enterprises (MSMEs) account for 49.8% of Nigeria's Gross Domestic Product (GDP) and constitute a significant share of the total number of businesses in Nigeria. In terms of labour force, they account for about 85% of total industrial employment and are spread across all the sectors of the economy. These businesses have been instrumental in providing creative solutions, innovative ideas and value creation in the sectors where they operate. In addition to their high economic value, MSMEs have been drivers of social change in Nigeria. In the last few years, there have been witnessed several innovative solutions in key sectors such as education and healthcare. These solutions have leveraged technology to link consumers/clients to markets/ service providers, thereby breaking traditional barriers

of infrastructure deficit, communication gaps and logistics bottlenecks.

Despite the important contribution of entrepreneurs, the business environment has not been fully supportive of their potential.

Small business owners continue to grapple with numerous challenges which limit their productivity, expansion potential and employment capacity. Traditionally, limited access to capital, high interest rate, infrastructure deficit, inadequate power supply, policy and regulatory inconsistency top the list of challenges facing small businesses in Nigeria. More recently, insecurity has become a major barrier to the growth of small businesses in Nigeria. In addition, these businesses operate in a highly volatile, uncertain, complex, and ambiguous (VUCA) environment characterised by unpredictable policy changes. As an example, further to the impact of

Figure 1: VUCA concept explained



Source: Advuca

COVID-19, the government has introduced policy changes or sudden policy adjustment such as the ban of Twitter and Crypto trading, the closure of land borders and several foreign exchange policy adjustments in the last couple of years. These actions have had detrimental effects on MSMEs in Nigeria.

With COVID-19 came one of the biggest shocks the world has ever witnessed since the second world war. As a result of the pandemic, Nigeria experienced one of its worst recessions, with a GDP decline of 6.1% in the second quarter of 2020 and a contraction of 1.9% in full year 2020. The impact of COVID-19 was huge on individuals, households and small and medium enterprises. In April 2020, the

implementation of lockdown and social restrictions led to the closure of businesses that engaged in the production of non-essentials, many of which were MSMEs.

The absence of an adequate and effective nationwide business support mechanism also worsened the impact of the pandemic on small businesses, many of which operate in the informal sector.

Even with COVID-19, entrepreneurs have remained resilient. Across the world, Nigerians are known to be dynamic, competitive and resilient. So too are MSMEs operating in Nigeria. These businesses continue to show dynamism, resilience and adaptability to policy changes, all of which have become the key traits of the Nigerian entrepreneurs. During the pandemic, businesses employed several coping mechanisms including receiving support from families, friends and government, adopting technology, designing new products and services, diversifying revenue sources, among others. The growth of Nigeria's technology space is a clear demonstration of the resourcefulness and resilience of entrepreneurs. The industry has grown to become a veritable source of value creation for young entrepreneurs in Nigeria, despite the challenges. Similarly, informal traders in Aba, Kano, Lagos, Maiduguri, Warri and Makurdi etc. have continued to produce goods and services, create new products and export to other countries, both within and outside Africa.

Amidst the challenges faced by entrepreneurs, opportunities still exist but the government must

Impact of COVID-19 on businesses in 2020, compared to 2019.

73% of businesses faced liquidity challenges

20% of work force were laid off

Unemployment rate rose from **27%** in the second quarter of 2020 to **33%** in the fourth quarter.

Source: National Bureau of Statistics

be committed to unlock these opportunities. In the last couple of years, the tough business climate, insecurity, infrastructure deficit, poor power supply and foreign exchange problems were amplified by the COVID-19 pandemic. Many small businesses were at the receiving end. But huge challenges come with huge opportunities. We believe that there is a glimmer of hope for Nigerian entrepreneurs, made possible by several factors such as:

- Nigeria’s large domestic market.
- Nigeria’s huge natural resource endowments.
- A large, young, energetic and entrepreneurial population.
- The African Continental Free Trade Area (AfCFTA) Agreement which creates a single market for Africa.
- The technology/digital revolution accelerated by COVID-19.
- Abundant economic opportunities across sectors.

To unlock the numerous opportunities, the Nigerian government will need to intensify efforts to address

“...Certainly, the future of entrepreneurs in Nigeria is bright, but it is bright to the extent in which the environment supports their noble ambition.”

the key challenges facing businesses and implement support interventions for MSMEs across sectors of the economy. Certainly, the future of entrepreneurs in Nigeria is bright, but it is bright to the extent in which the environment supports their noble ambition.

This report examines the state of entrepreneurship in Nigeria. It highlights indicators and emerging trends of entrepreneurship and how businesses and policymakers can reposition to take advantage of the opportunities in Nigeria.



4.0 DATA OVERVIEW

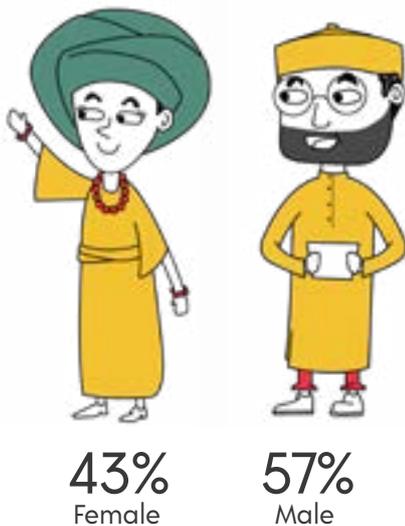


4 DATA OVERVIEW

Gender and Entrepreneurship

Contrary to the traditional perception of entrepreneurship, the gender gap among entrepreneurs has narrowed significantly in today's entrepreneurial landscape. While men still dominate entrepreneurial activities, women are no longer sidelined. Our survey reveals that while most businesses are operated by men (57% of respondents), women make up as high as 43% of entrepreneurs in Nigeria. The relative gender gap in entrepreneurship, measured as the ratio of female to male entrepreneurs, is therefore placed at 0.75. This has far reaching implications for the economic benefits of inclusiveness in entrepreneurship. Among other benefits, increasing female participation in entrepreneurship will result in further improvement in job creation rates, in the level of innovation in the country, and in income levels.

Figure 1: Respondents by Gender



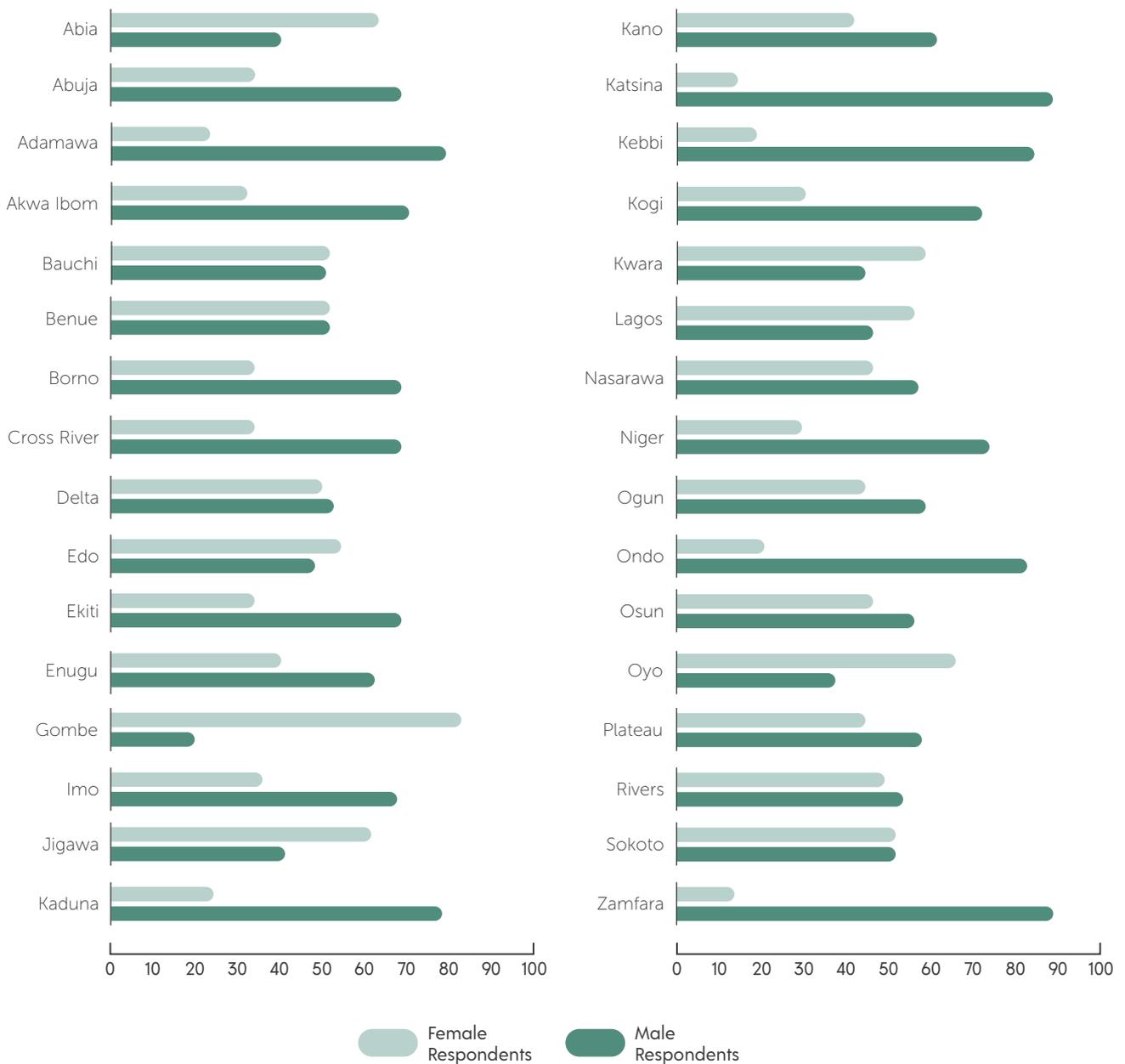
Source: The FATE Institute



In majority of the states considered in this survey, men are more likely to start a business than women; this is however not the case in few states such as Abia, Bauchi, Edo, Gombe, Kwara, Lagos and Oyo where there are more women entrepreneurs than men. The highest rate of female-led businesses was

in Lagos, with 6% of total women-owned businesses in the country. This suggests that while there is a higher-than-expected participation rate of women in entrepreneurship, significant disparities still exist across states, with only few states having a high prevalence rates of female entrepreneurs.

Figure 2: Respondents by Gender and State



Source: The FATE Institute

Age and Entrepreneurship

Our results reveal that most entrepreneurs are youths; that is, between the age of 18-35. This age group accounts for 67% of entrepreneurs, reflecting the country's skewed population structure towards this cohort. It however also reveals differences across old and young entrepreneurs. While young

entrepreneurs are very energetic, with a high risk appetite, and are willing to leverage new technologies, older entrepreneurs usually have greater knowledge of the business landscape and wider networks. As such, it is expected that younger entrepreneurs would be more successful in launching early stage businesses.

Figure 3: Respondents by Age (Years)

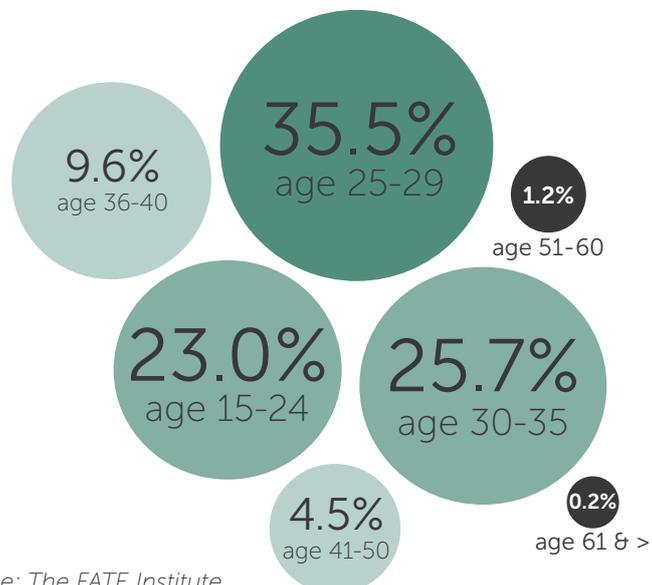


Age 30-35	Age 41-50
28.6%	10.3%
Age 25-29	Age 51-60
26.0%	2.8%
Age 36-40	Age 15-24
18.7%	0.6%
Age 18-24	Age 61 & >
12.7%	0.4%

Source: The FATE Institute

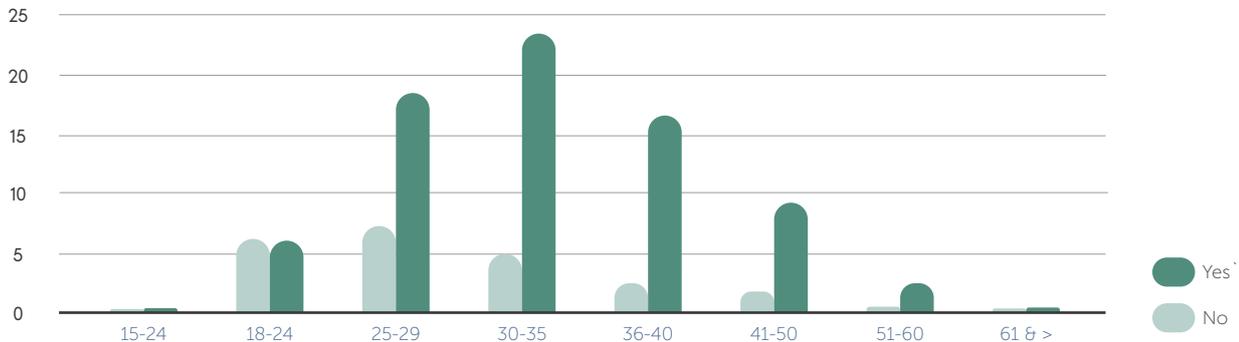
Our results reveal that younger entrepreneurs are more likely to launch early-stage businesses (businesses within 1-5 years of existence) than older entrepreneurs. While older entrepreneurs have better experience of the markets and enjoy wider networks, they are constrained by several factors (which include the time and financial demands of catering for a family) which prevents them from focusing on growing their business or taking major risk (such as having to quit their regular jobs). Of the respondents that indicated they are working as fulltime entrepreneurs, 48% are youths compared to 28% who are 36 years and above.

Figure 4: Businesses in Existence for 1-5 years (by age group) (%)



Source: The FATE Institute

Figure 5: Are you a full-time entrepreneur?



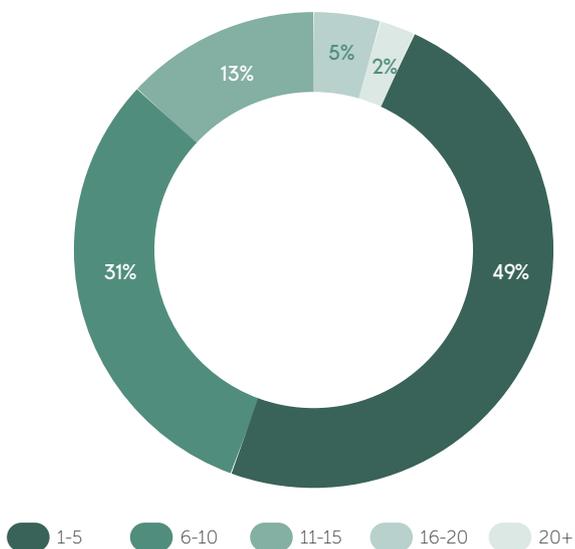
Source: The FATE Institute

Entrepreneurs and Years of Existence of Businesses

Most businesses run by entrepreneurs in Nigeria are less than 10 years old. 49% of businesses surveyed that are “young” are also led by young people.

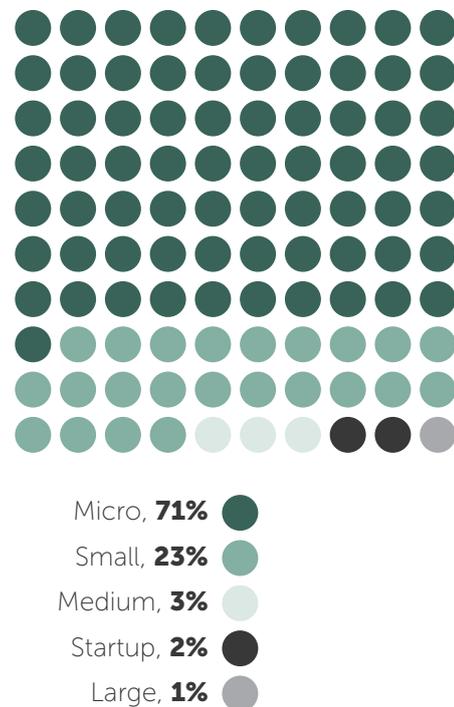
more likely to be owned by men, startups (that is, high growth young companies within 1- 5 years with an innovative/disruptive business model and/or effectively leveraging technology for scale) are more likely to be owned by women.

Figure 6: Business Age



Source: The FATE Institute

Figure 7: Size of Business



Source: The FATE Institute

Size of Business

Most entrepreneurs in Nigeria are micro scale operators, having between 0-9 employees. The interplay of several factors has constrained the operating environment of entrepreneurs, making it difficult for them to expand their businesses. Also, while micro, small and medium businesses are

Entrepreneurship and Informality

Even though most entrepreneurs in Nigeria have registered their businesses, the level of informality in

the country is still very high. Our survey result shows that the level of informality among entrepreneurs (mostly micro and small businesses) is 44%. Also, while 75% of registered businesses are registered with CAC, 12% did so with SMEDAN, 6% with CAC, 12% did so with SMEDAN.

Figure 8: Business Registration



Source: The FATE Institute

Business Incorporation type

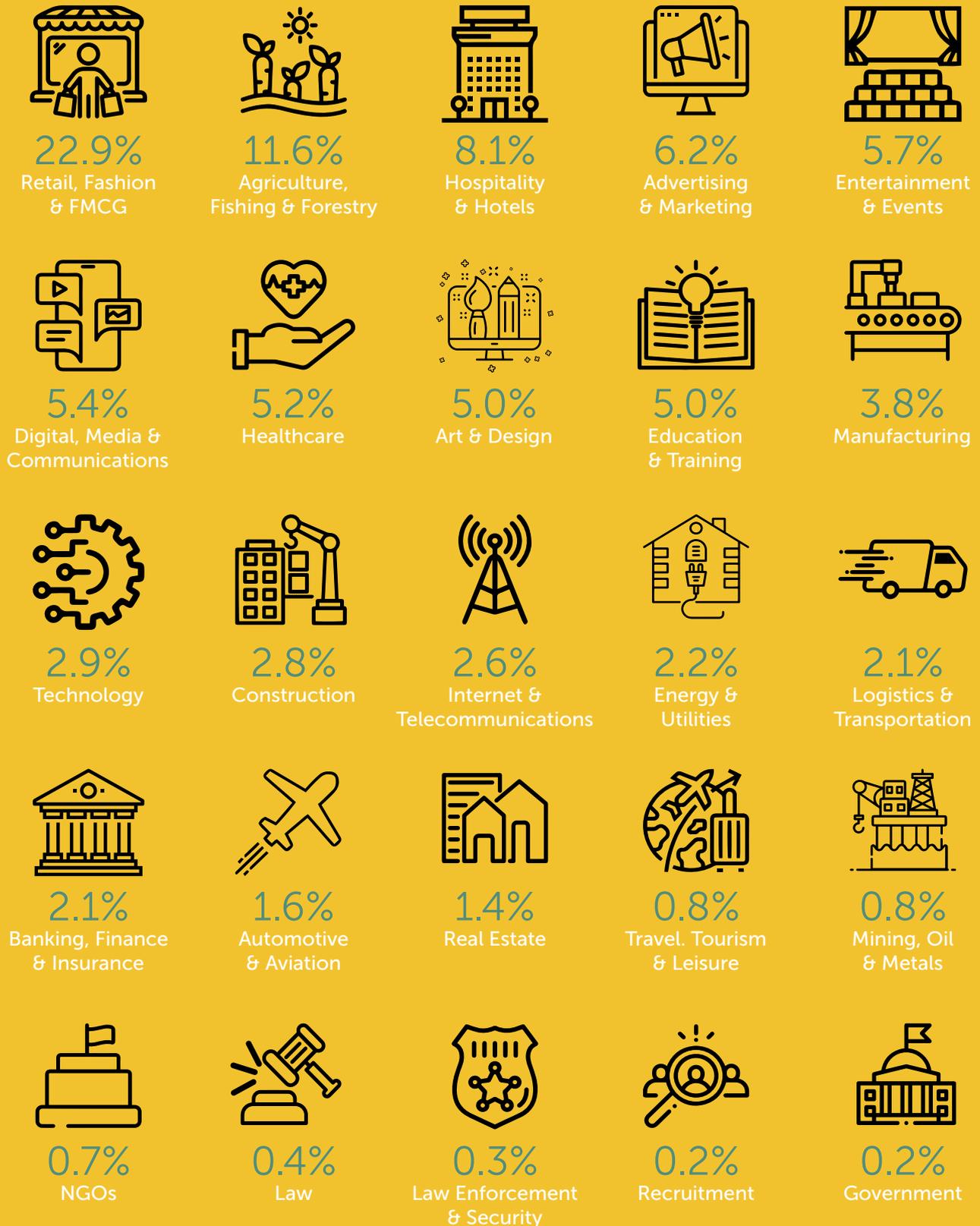
Most small businesses are incorporated as a business name (75% of respondents) with the remaining 25% of respondents incorporated as either a private company limited by shares (19% of respondents), company limited by guarantees (3% of respondents) or public company limited by shares (3% of respondents). This result only corroborates previous findings that most entrepreneurs in Nigeria operate on a micro scale.

Entrepreneurs by Sector

Most of the entrepreneurs surveyed are engaged in the retail, fashion & FMCG (23% of respondents). Other leading activity sectors among entrepreneurs surveyed include agriculture, fishing & forestry, and hospitality and hotel.



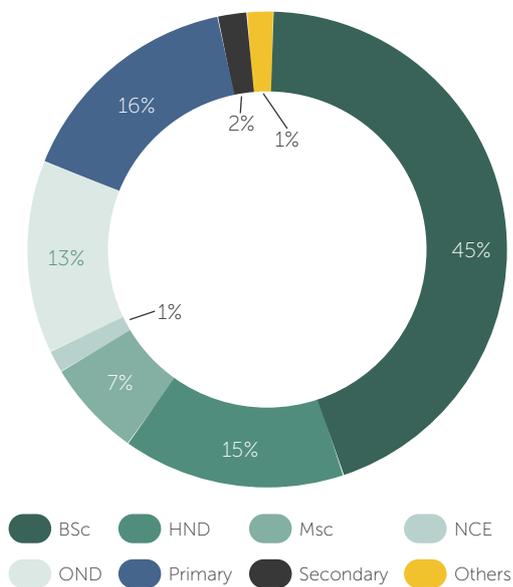
Figure 9: Sectors of operation



Education, Training and Entrepreneurship

Most entrepreneurs (45% of respondents) have a Bachelor's degree while 15% have a Higher National Diploma (HND). 16% have a secondary education. Majority of entrepreneurs surveyed have taken some form of training (87% of respondents) with business management as the most common form of training embarked upon by entrepreneurs (51% of respondents). Other forms of training

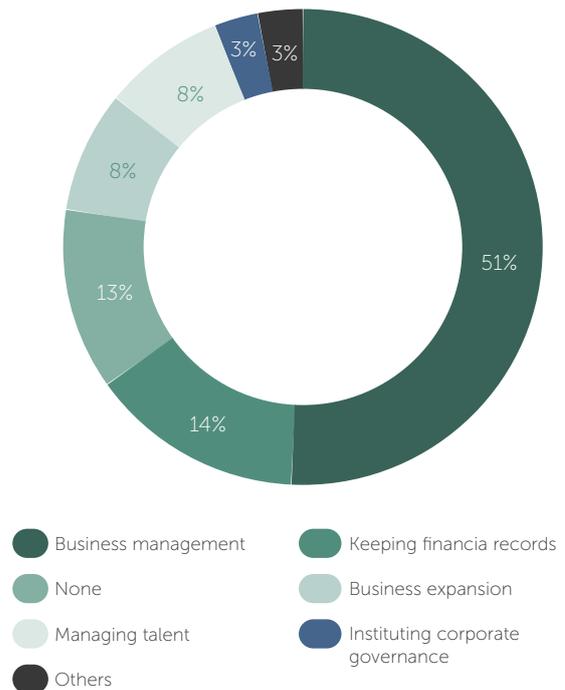
Figure 10: Highest level of education among respondents



Source: The FATE Institute

among entrepreneurs include keeping financial records (14% of respondents), business expansion (8% of respondents) and managing talent (8% of respondents).

Figure 11: Business Training by Entrepreneurs



Entrepreneurs and Membership of Business associations or trade groups

Most entrepreneurs (51% of respondents) do not belong to any business association or trade group. This implies that most MSMEs in Nigeria do not enjoy the benefits associated with membership of business associations or trade group which include networking, exchange of ideas, advocacy and legal representation, amongst others.

Figure 12: Are you a member of any business association or trade group?



Source: The FATE Institute

5.0 INDICATORS OF ENTREPRENEURSHIP IN NIGERIA



INDICATORS OF ENTREPRENEURSHIP IN NIGERIA



Entrepreneurship is an integral aspect of an economy. In Nigeria, entrepreneurs are the drivers of innovation and continue to play key roles in the area of job creation in the economy. The global recognition of Nigerian start-ups, the significant growth of businesses in the technology space as well as the opportunities these businesses continue to create are clear evidences of the influence and potentials of entrepreneurs in Nigeria.

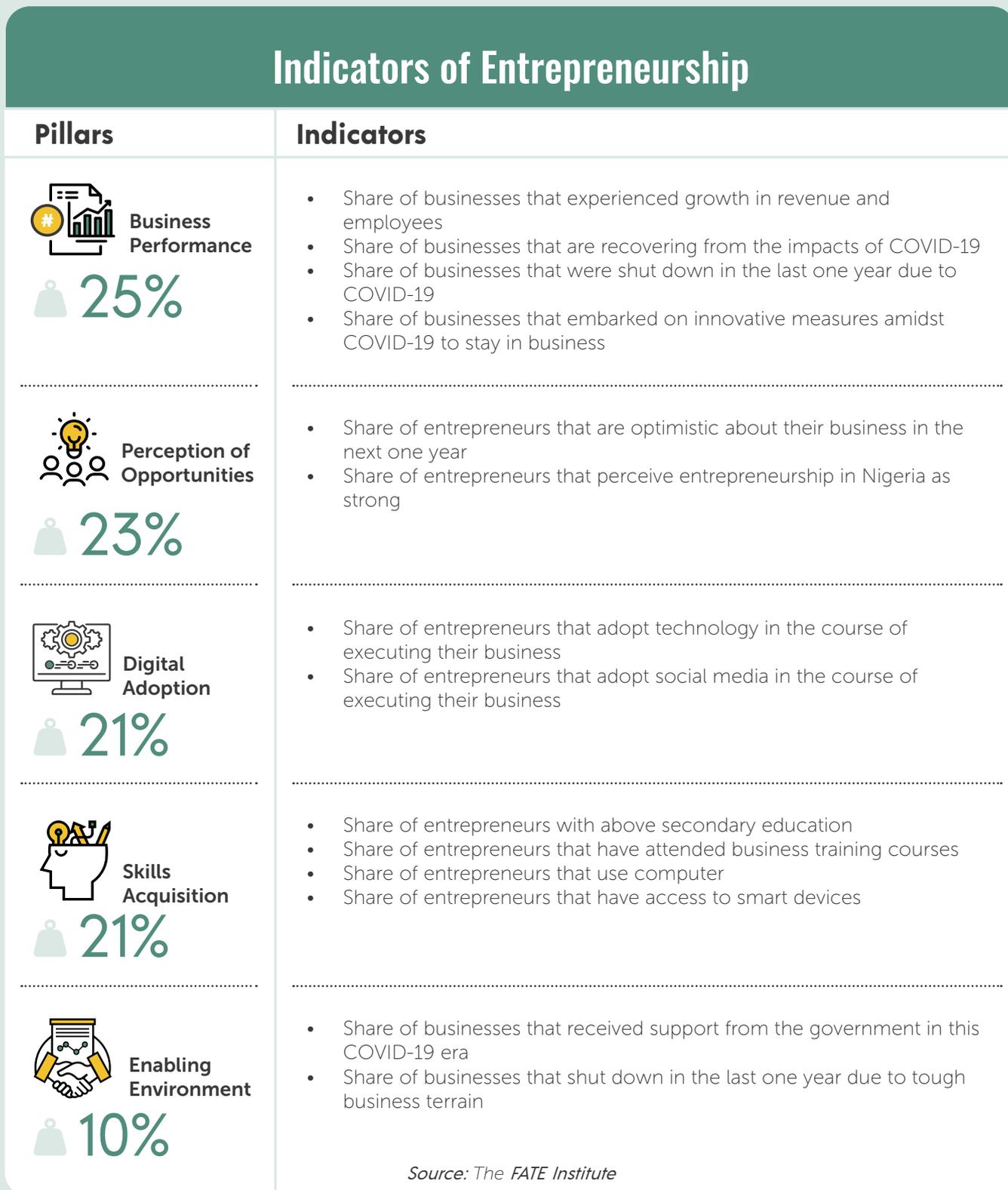
Following the growing importance of entrepreneurs in the economy, it is crucial for stakeholders to understand the dynamics of entrepreneurship, its different components and how each of these components can be measured to better understand the entrepreneurship space in Nigeria. This section examines the questions - What is the state of entrepreneurship in Nigeria? How are businesses thriving across different sub-areas? Which of these areas require improvement and what needs to be done?

The Entrepreneurial Index

To answer above questions, we developed a composite index which measures the state of entrepreneurship in Nigeria. The index score falls within a range of 0 and 1, where zero represents a very weak state of entrepreneurship while 1 represents a very strong state of entrepreneurship in Nigeria.

The index was constructed from responses of the survey on entrepreneurship in Nigeria. In constructing the index, we first identified 5 pillars in measuring the state of entrepreneurship in Nigeria, drawing insights from our expertise on the business environment and also from existing literature/studies. Each pillar represents an aspect of entrepreneurship and captures a set of similar indicators which are then measured and aggregated to form an index.

Figure 13: Indicators of Entrepreneurship in Nigeria



In addition, we grouped a set of question(s) under each pillar and estimated a sub-index for that pillar. In all, 18 indicators were used and these indicators were drawn from the survey. Each pillar was then

assigned different weights based on its level of importance in the measurement of the state of entrepreneurship in Nigeria.



The Entrepreneurial Index: Results

Our results show an entrepreneurial index score of 0.69 out of 1, suggesting that entrepreneurship is strong in Nigeria. Across the 5 pillars, 4 recorded high scores that are above 0.5 while only 1 pillar had a score that was below 0.5. The index score is a

clear indication of the drive, dynamism and resilience of entrepreneurs in Nigeria despite the harsh operating environment. The score also highlights the opportunities that exist in the business environment as well as the strong level of optimism from entrepreneurs regarding the future of businesses in Nigeria.

Table 1: Summary Statistics

Index	N	Minimum	Maximum	Index score	Distance to perfect score	Distance to perfect score (%)	Standard Deviation
Business Performance	7106	0.00	1.00	0.55	0.45	45.0	0.22
Perception of Opportunities	7106	0.00	1.00	0.72	0.28	28.0	0.19
Digital Adoption	7106	0.00	1.00	0.80	0.20	20.0	0.36
Skills Adoption	7106	0.00	1.00	0.81	0.19	19.0	0.19
Enabling Business Environment	7106	0.00	1.00	0.45	0.55	55.0	0.24
Overall Index	7106	0.00	1.00	0.69	0.31	31.0	0.15

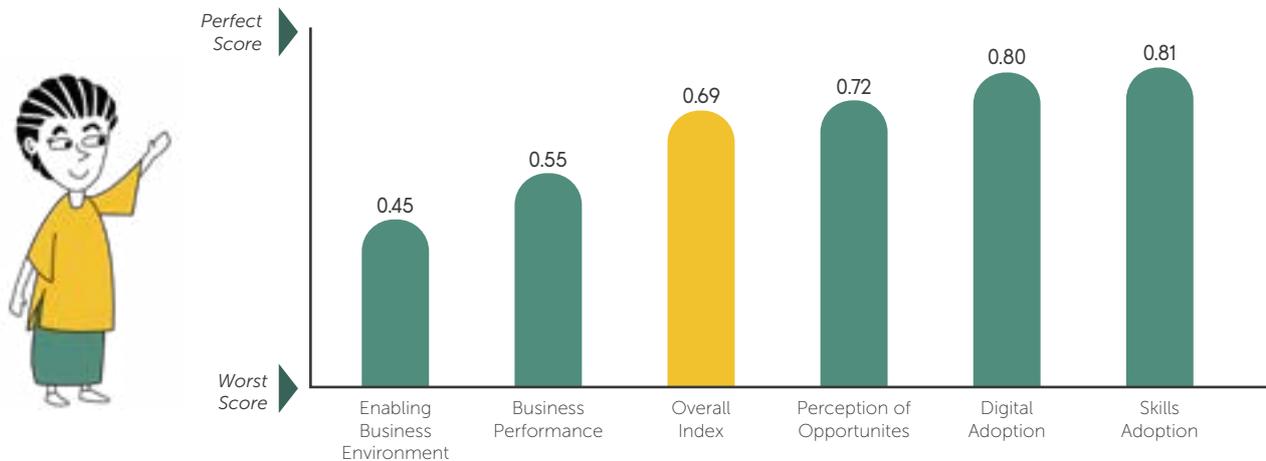
Source: The FATE Institute

Looking at the sub-indices across the 5 pillars, the Skills Adoption and digital pillars showed the highest score of 0.81 and 0.8 respectively. This is mainly due to the fact that majority of businesses in the country are run by young people who are mostly in search of new skills and training to effectively execute their businesses. These young business owners are the frontiers of technology and innovation in Nigeria and they adopt technology in executing their businesses.

Among all the pillars, Business Performance and Enabling Business Environment recorded the lowest scores of 0.55 and 0.45 respectively, driven mainly by the impact of COVID-19, the harsh business environment and the limited capacity of the government to provide adequate support to businesses.



Figure 14: Entrepreneurial Index Score



Source: The FATE Institute

The implication of the above result is that Nigerian entrepreneurs are ambitious and positive in their outlook on the business environment from an opportunities standpoint. However, several challenges stand in their way. To realise their maximum potential, entrepreneurs will require a well-functioning entrepreneurial ecosystem that supports innovation and business growth. At the center of such ecosystem would be the government,

which ideally, should provide both direct and indirect support particularly in the areas of improving access to finance, creating an enabling business environment, and addressing insecurity and the challenges of high cost of production. Entrepreneurs, when supported, will not only create jobs but also address the core developmental problems of poverty and inequality facing the country.

States Entrepreneurial Index Score Report and Ranking

As shown in the table, Abia state ranked the highest with a score of 0.8, closely followed by Imo (0.79) and Delta (0.77). In these 3 states, Digital Adoption and Skills Adoption were key drivers of their overall

performance. Oyo State on the other hand trails other States, showing the lowest score of 0.51. Oyo state performed poorly in the pillars of Business Performance and Digital Adoption. The bottom five States include – Zamfara, Niger, Oyo, Kebbi and Adamawa States

Table 2: Entrepreneurial Index by States

Rank	States	Business Performance Index	Perception of opportunities Index	Digital Adoption Index	Skills Adoption Index	Enabling Business Environment Index	Composite Index (Weighted)
1	Abia	0.73	0.73	0.98	0.89	0.52	0.80
2	Imo	0.76	0.72	0.96	0.89	0.46	0.79
3	Delta	0.59	0.88	0.93	0.87	0.43	0.77
4	Kwara	0.61	0.87	0.79	0.85	0.66	0.76
5	Kogi	0.53	0.73	0.99	0.89	0.66	0.76
6	Osun	0.56	0.75	0.89	0.90	0.39	0.73
7	Bauchi	0.51	0.73	0.92	0.87	0.46	0.72
8	Edo	0.56	0.76	0.86	0.85	0.40	0.72
9	Ekiti	0.51	0.79	0.83	0.90	0.37	0.71
10	Enugu	0.60	0.79	0.74	0.82	0.46	0.71
11	Rivers	0.59	0.78	0.85	0.80	0.28	0.70
12	Kaduna	0.51	0.69	0.80	0.88	0.60	0.70
13	Ogun	0.55	0.73	0.88	0.81	0.36	0.70
14	Lagos	0.49	0.70	0.90	0.84	0.45	0.69
15	Katsina	0.60	0.65	0.89	0.78	0.40	0.69
16	Akwa Ibom	0.56	0.81	0.68	0.81	0.40	0.68
17	Abuja	0.53	0.78	0.79	0.80	0.36	0.68
18	Nassarawa	0.58	0.66	0.78	0.80	0.44	0.68
19	Kano	0.58	0.56	0.72	0.80	0.56	0.65
20	Plateau	0.48	0.63	0.87	0.77	0.36	0.65
21	Gombe	0.49	0.48	0.81	0.89	0.45	0.64
22	Zamfara	0.43	0.54	0.91	0.71	0.36	0.61
23	Kebbi	0.49	0.67	0.55	0.78	0.35	0.59
24	Niger	0.31	0.81	0.60	0.73	0.43	0.59
25	Adamawa	0.44	0.71	0.50	0.58	0.33	0.53
26	Oyo	0.42	0.63	0.42	0.58	0.50	0.51

Source: The FATE Institute

6.0 BUSINESS PERFORMANCE



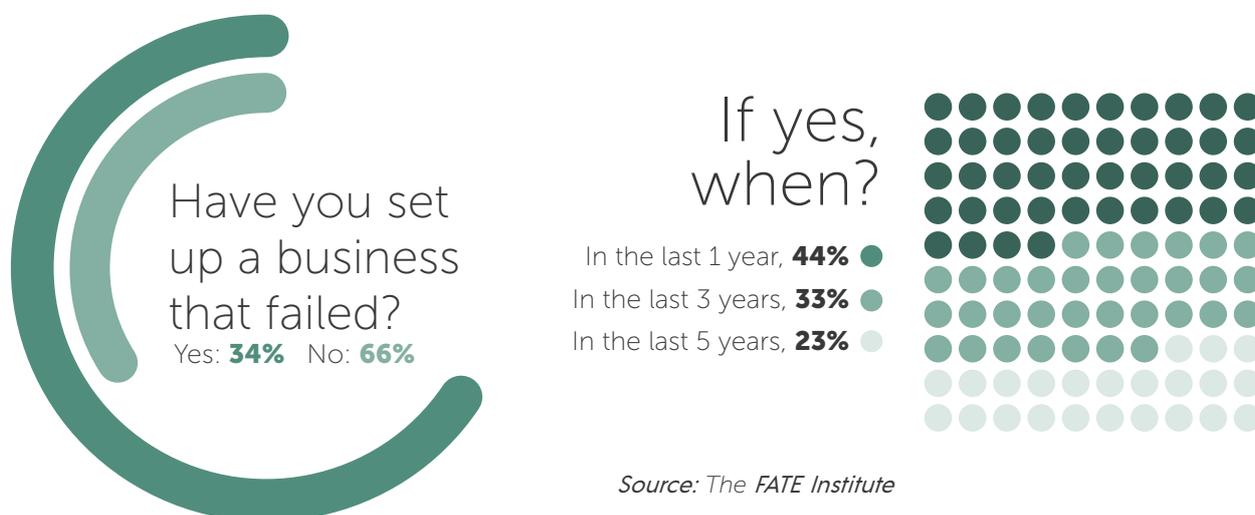
BUSINESS PERFORMANCE

Entrepreneurship, Business Survival and Business Demise

Majority of businesses surveyed were created within the last 5 years. These businesses accounted for 49% of total businesses surveyed, suggesting a high rate of business creation in the country. Most businesses

set up by entrepreneurs have been successful, with 66% of respondents affirming that the businesses they have set up have been successful as against 34% that said their businesses failed. However, amongst those that said their businesses failed, a large percentage experienced some failure in the past 1 year (44% of respondents) most likely due to the negative impact of the COVID-19 pandemic.

Figure 15. Have you set up a business that failed?



Business growth is mild across key indicators

Although majority of businesses are growing especially since the height of the pandemic, the rate of growth in key areas such as revenue and hiring new staff is still very low. For businesses that recorded increase in revenue, majority (21.7%) witnessed a growth in the range of 6-10% while

21.7% experienced a growth of 1-5%. Only 5.5% of businesses that reported increase in revenue saw a growth of above 25%. This narrative is similar for the number of employees. 28.8% of businesses that experienced growth in the number of employees saw a 6-10% increase while 16.7% witnessed an increase of 1-5%. For both indicators (revenue and employee), we however note that some businesses that reported growth in revenue and employees did not specify the rate of growth in these areas.

Figure 16. Share of businesses that recorded revenue growth in the past one year (% of respondents)

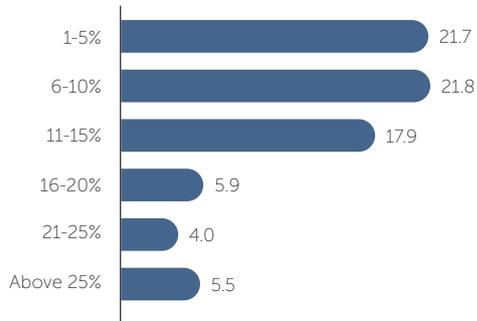
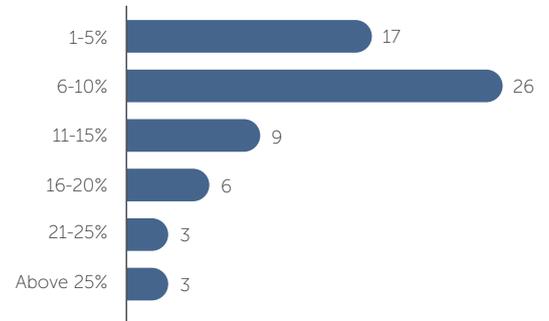


Figure 17. Share of businesses that recorded Growth in employee in the past one year (% of respondents)



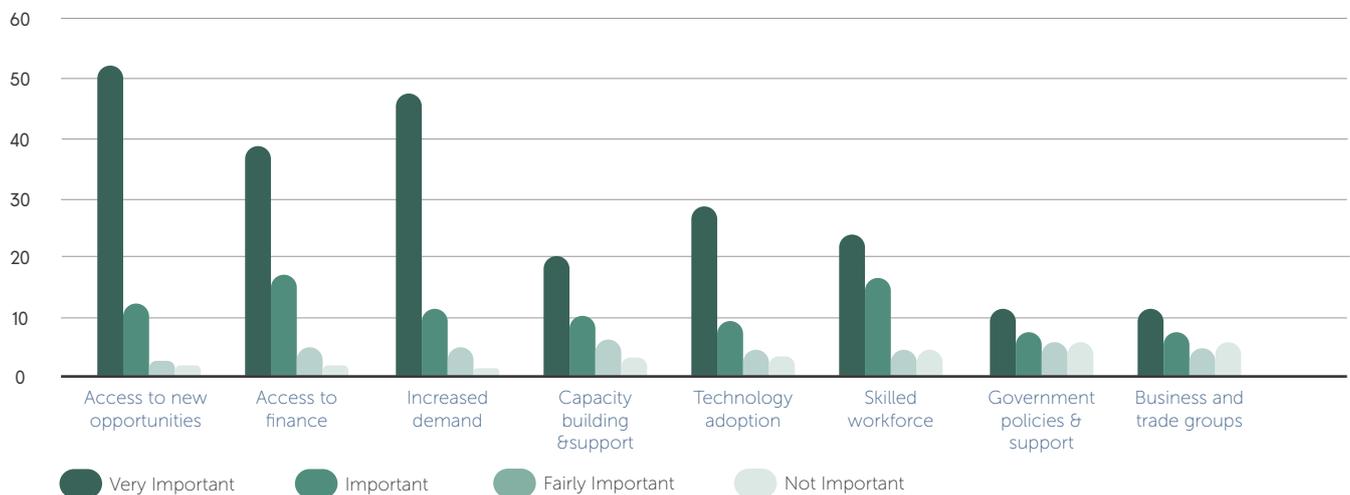
Source: The FATE Institute



...entrepreneurs cited access to new opportunities as a key driver of business growth in the last one year

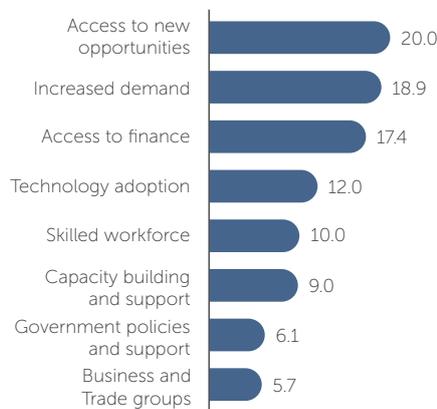
Similar to the period before the outbreak of COVID-19, access to new opportunities was the major driver of growth in the last one year. It emerged as the most important factor that enabled business growth in the last one year. It accounted for 20% of the weighted ranking of growth enablers. This was followed by increased demand which had a share of 18.9%. The survey also affirmed the importance of factors such as access to finance, capacity building and support, technology adoption and skilled workforce.

Figure 18. Ranking of enablers by level of Importance for businesses that recorded growth in the past one year (% of respondents)



Source: The FATE Institute

Figure 19. Weighted Ranking of enablers by their Overall Importance for businesses that recorded in the past one year (% of respondents)



Source: The FATE Institute

7.0 THE PERFORMANCE OF FEMALE-LED BUSINESSES





THE PERFORMANCE OF FEMALE-LED BUSINESSES

In the past one year, Nigeria witnessed several events which had major impact on the performance of businesses. From COVID-19 to the EndSARS protests, among other events, entrepreneurs in Nigeria have been through difficult times dealing with both internal and external hurdles. Amidst these challenges, COVID-19 remains paramount and many businesses are yet to fully recover from its impact. In this section, we explore how female-led businesses have fared since the height of the pandemic, the factors driving recovery, trends in employee and revenue growth as well as support structures available to businesses.

How women-led businesses in Nigeria have fared since COVID-19

Only few female

entrepreneurs reported that COVID-19 had a positive impact on their businesses...

19.5% of female entrepreneurs in Nigeria reported that the COVID-19 pandemic impacted their businesses positively (20.3% for male). For these businesses, majority noted that the positive impact was due to the nature of products/services they render and technology (66.7% and 63.5% of respondents respectively). This is particularly the case for firms in the agriculture, health, telecommunications and ICT sectors. These firms reported higher sales/revenue due to an increase in demand for their products/services.

Figure 20. Impact of COVID-19 on female-owned businesses (% of respondents)

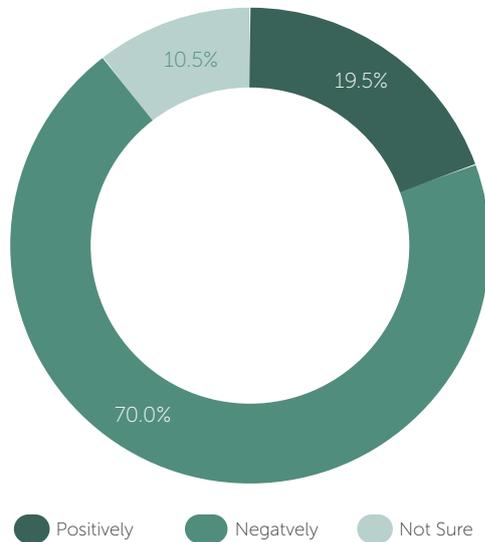
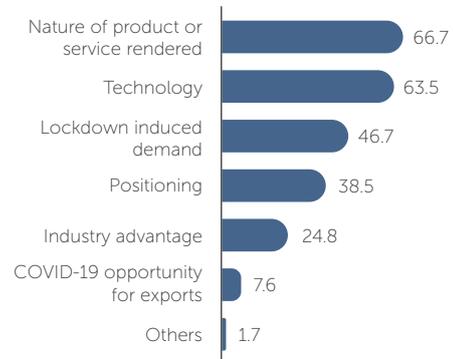


Figure 21. Drivers of the positive impact of COVID-19 on female-owned businesses (% of respondents)



Source: The FATE Institute

... the impact of COVID-19 was largely negative on businesses

Just like their male counterpart, the impact of COVID-19 on female-owned businesses was largely negative. Specifically, 69.5% of female-owned businesses (69% for male) reported that they were negatively affected by the pandemic. Key aspects of businesses that were affected included sales, operational efficiency and cashflow. Factors such as low demand, disruption of value chains,

Figure 22. Aspects of female-owned businesses negatively affected by COVID-19 (% of respondents)



implementation of lockdown and restrictions were largely responsible for the negative performance of these businesses.

In terms of how businesses responded to the negative impact of the pandemic, 26.9% of entrepreneurs reported that they closed physical stores and switched to online sales. Other common responses among Nigerian female entrepreneurs include: reduction of staff's pay (21.9% of respondents) and 20.9% shut down product lines.

Figure 23. Female owned business response to the negative impact of COVID-19 in the past one year (% of respondents)

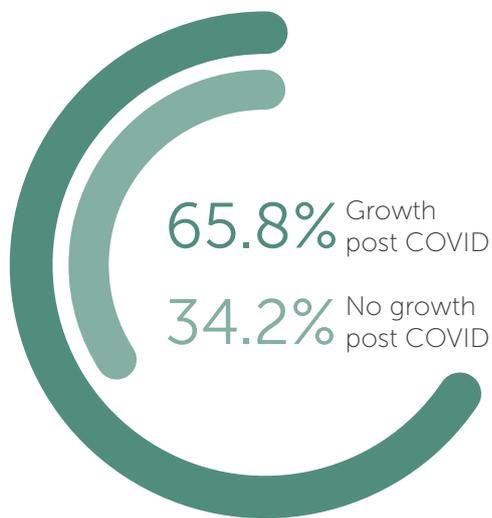


Source: The FATE Institute

... affected female entrepreneurs reported business recovery in the last one year

Following the lifting of the lockdown and the re-opening of sectors, Nigeria's economy has been on the path of recovery. Specifically, majority of

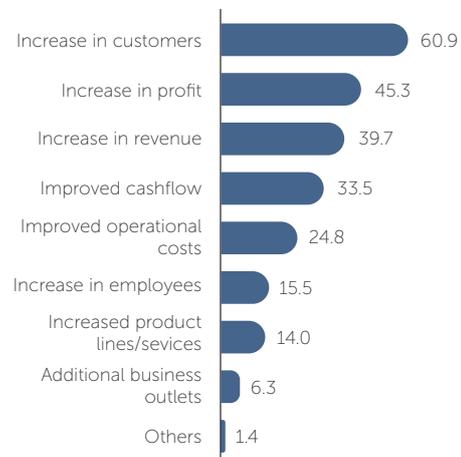
Figure 24. Female owned businesses that experienced growth or not in the last one year (% of respondents)



Source: The FATE Institute

the female-owned businesses that were negatively affected by the pandemic reported improved performance since the re-opening of the economy (65.8% of respondents). This recovery is largely driven by an increase in customers as reported by 60.9% of female-owned businesses while 45.3% and 39.7% reported an increase in profit and revenue, respectively. This is expected, following improving consumer demand and improvement in economic activities relative to the COVID-19 lockdown era.

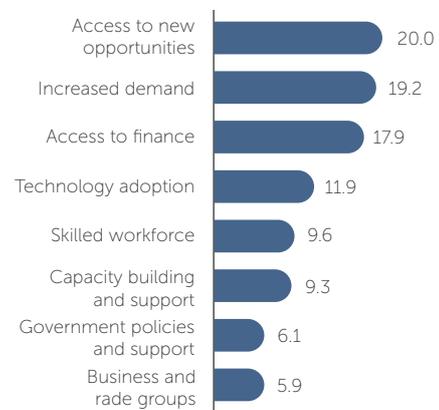
Figure 25. Aspects of business growth in the past one year (% of respondents)



...poor access to finance continued to be the most pressing issue that inhibits growth for some MSMEs

According to the survey, 34.2% of female-led businesses did not record growth in the past one year. Among many constraints, limited access to finance is the most pressing issue accounting for 14.7% weighted importance of the mitigating factors. This has been a long long-standing concern for MSMEs in Nigeria. Other major constraints to the growth of female-owned businesses in Nigeria include poor financial management, poor government policies, poor capacity and insecurity.

Figure 26. Level of importance of enablers for female-owned businesses that recorded growth in the past one year (% of respondents)



Source: The FATE Institute

Figure 27. Level of importance of mitigating factors for female-owned businesses that did not record growth in the past one year (% of respondents)



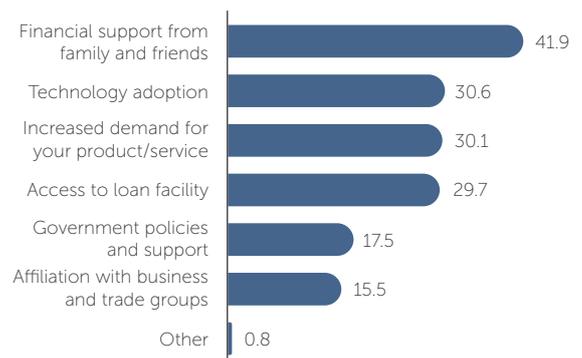
Source: The FATE Institute



Business support structure for female-owned businesses

In Nigeria and across the world, small business owners rely on friends and family for financial, social and operational support in running their businesses. As reported by 41.9% of female entrepreneurs in Nigeria, financial support from family and friends was the most important factor that aided their recovery in the last one year. Meanwhile, 30.6% and 30.1% cited technology adoption and increased demand for their products and services respectively as key factors that enabled their recovery.

Figure 28. Enabling factors of Business Recovery after the Negative Impact of COVID-19 (% of respondents)

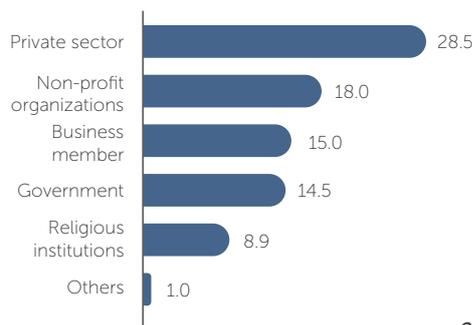


Source: The FATE Institute

The private sector was a major support system for entrepreneurs during the COVID-19 pandemic

The private sector was a major source of support for Nigerian MSMEs during the pandemic. A lot of the support however were government interventions channelled through private sector institutions. The Federal Government of Nigeria particularly supported businesses through its MSME support programmes such as the N100 billion Covid-19 Targeted Credit Facility for households and small businesses; N100 billion Healthcare Support Intervention Facility; Guaranteed N15 billion Off-take

Figure 29. Where support for female-owned businesses came from during the COVID-19 (% of respondents)

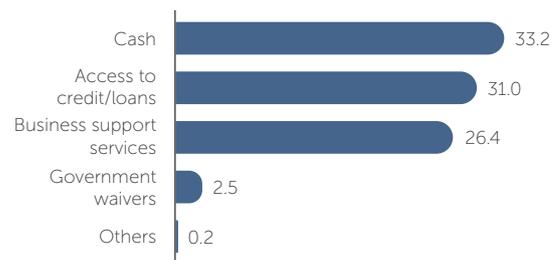


Source: The FATE Institute

Scheme to serve as off-taker for small businesses' produce; N50 billion Payroll Support; N200 billion artisans' loan support; N10 billion private transport companies support, Creative Industry Financing Initiative (CIFI) etc. Other major sources of support were from non-profit organisations and development institutions.

The major form of support received by female-led MSMEs in Nigeria during the COVID-19 pandemic was in cash as reported by 33.2% of female entrepreneurs. This slightly differs with men who received more of credit and loans. In addition, 31% of female entrepreneurs reported they received support in the form of credit and loans. This, perhaps, suggests that females are more affected by issues of access to credit than their male counterpart.

Figure 30. Forms of support to female-owned businesses to reduce the impact of COVID-19 (% of respondents)



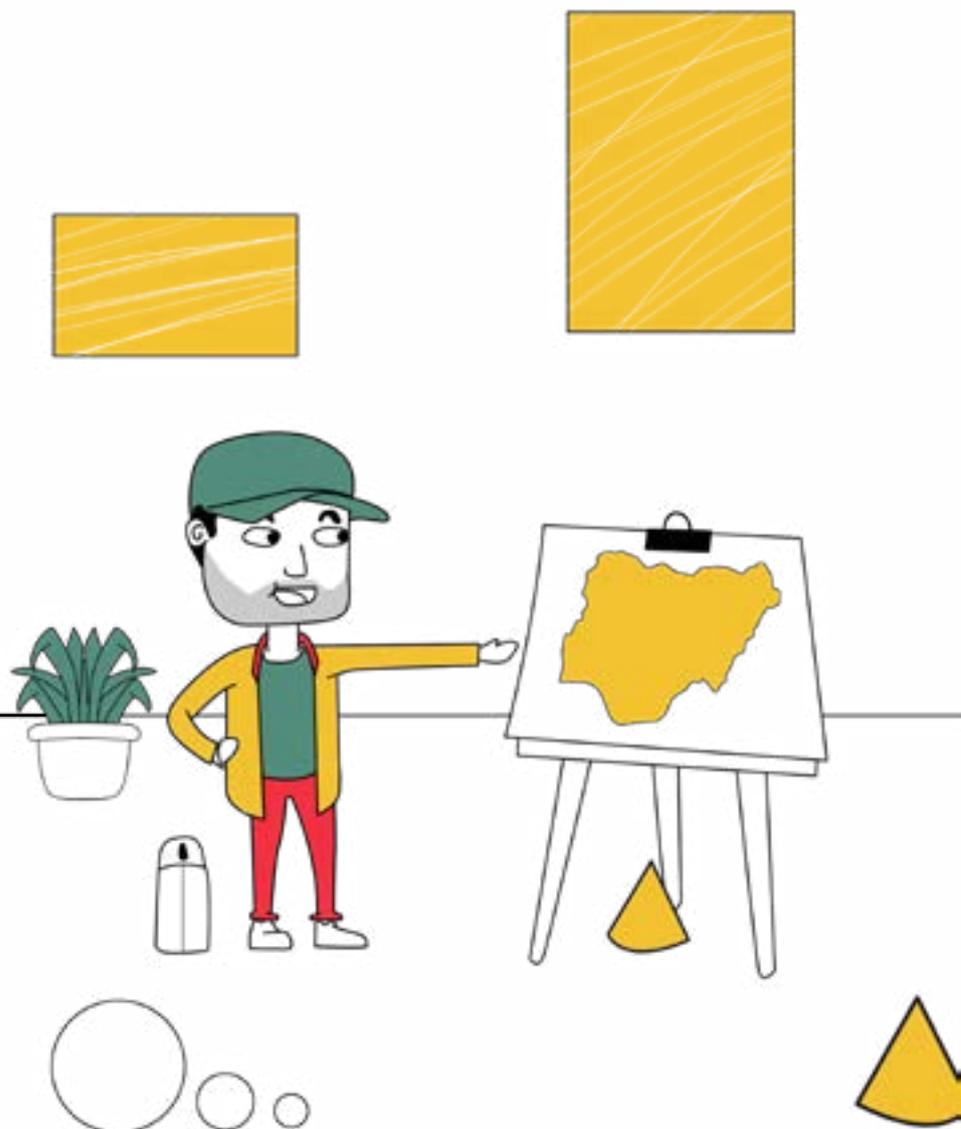
Outlook of female-led businesses in Nigeria

Nigerian female entrepreneurs have high optimism about the improvement of their businesses over the next year. From the survey, 92% of male entrepreneurs are at least optimistic about the future of their business but this share is much higher for female entrepreneurs (93.5%). This very high positive

expectation comes from the resilient nature of Nigerian entrepreneurs, particularly women, despite the harsh operating environment. Businesses are most optimistic about sales which had the highest weighted ranking of 18.3%. Following increasing sales, Nigerian MSMEs also expressed optimism about market demand as well as the operating environment which will substantially drive the eventual increase in sales. However, they are least optimistic about government policy and regulation and foreign exchange management.

8.0

7. THE PERFORMANCE OF YOUTH-LED BUSINESSES





THE PERFORMANCE OF YOUTH-LED BUSINESSES

In this section, we explore how youth-led businesses have fared since the height of the pandemic, the factors driving recovery, trends in employee and revenue growth as well as support structures available.

How youth-led businesses have fared since COVID-19

Some young entrepreneurs were able to weather the storm as a few reported that COVID-19 had a positive impact on their businesses...

According to the survey, 20.3% of youth-owned businesses reported that the COVID-19 pandemic

impacted their businesses positively. This outcome is relatively better than the outcome of overall respondents (19.9%) and female respondents (19.5%). Typically, majority (67.6%) of these youth-led MSMEs reported that technology was the major driver of the positive impact of COVID-19 on their businesses. This is unsurprising as young people can easily adapt and leverage technology in executing their businesses.

"...20.3% of youth-owned businesses reported that the COVID-19 pandemic impacted their businesses positively."

Figure 31. Impact of COVID-19 on youth-owned businesses (% of respondents)

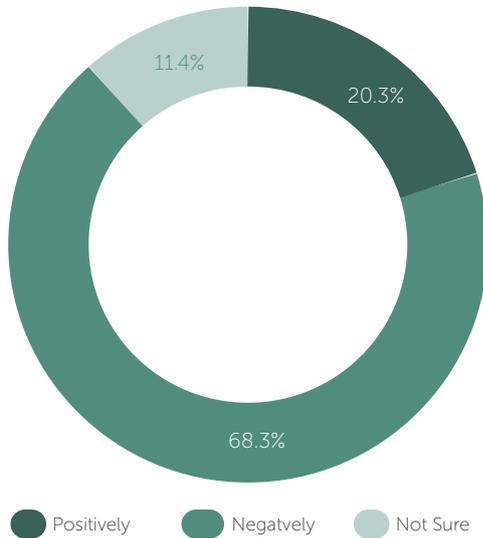
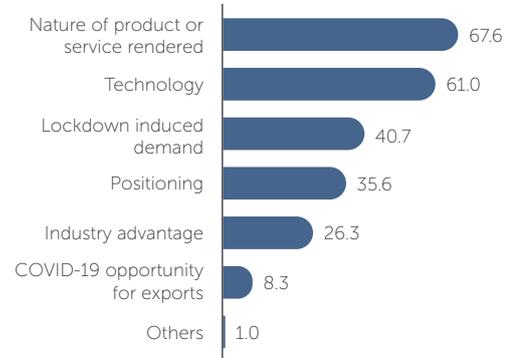


Figure 32. Drivers of the positive impact of COVID-19 on youth-owned businesses (% of respondents)



Source: The FATE Institute

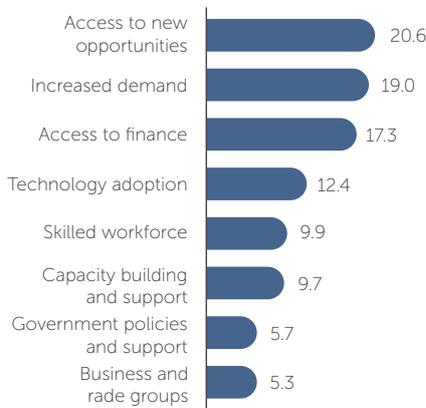


... however, the impact of COVID-19 is still largely negative on youth businesses

Similar to female-led businesses, 68.3% of youth-led businesses reported that they were negatively affected by the pandemic. Sales, cashflow and operational efficiency were the key aspects of youth-led businesses that were negatively affected by COVID-19.

In terms of recovery from the impact of the pandemic, 67.9% of youth entrepreneurs reported that their businesses experienced growth in the past one year as economic activities resumed. The growth in youth businesses over the past one year was driven largely by an increase in customers as reported by 58% of youth respondents.

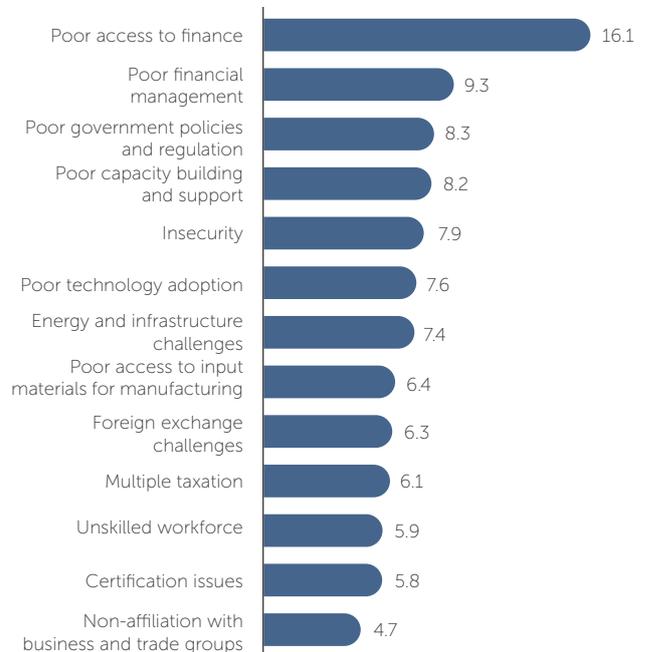
Figure 33. Weighted ranking of enablers by the level of importance for youth businesses that recorded growth in the past one year (% of respondents)



...access to new opportunities is the major driver of growth of youth-led businesses and poor access to finance is a major headwind to growth

Access to new opportunities emerged as the most important factor that enabled the growth of youth-led businesses in the last one year as it accounted for 20.6% of the “weighted importance” of growth enablers. This was followed by increased demand, access to finance and technology adoption. On the other hand, limited access to finance was the most important factor mitigating growth in the past one year. Other major mitigating factors include poor financial management, poor government policies, poor capacity and insecurity.

Figure 34. Weighted ranking of mitigating factors by Importance for businesses that did not record growth in the past one year (% of respondents)

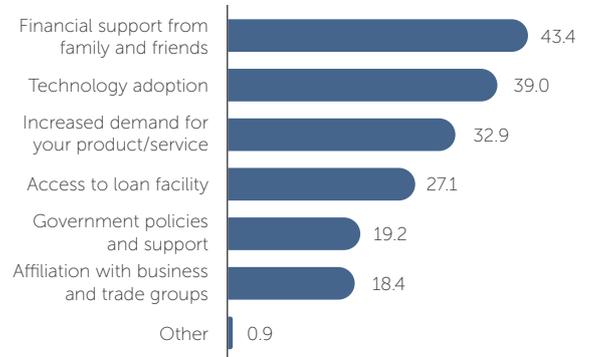


Source: The FATE Institute

Business support structure for youth entrepreneurs

As reported by 43.4% of youth entrepreneurs in Nigeria, the most important driver of recovery over the past one year was financial support from family and friends. Meanwhile, 39% and 32.9% cited increased demand for their products and services, and technology adoption respectively as key factors that enabled their recovery.

Figure 35. Enabling factors of Business Recovery after the Negative Impact of COVID-19 (% of respondents)



Source: The FATE Institute

The private sector also played the most important role in the support system for youth entrepreneurs during the pandemic

Likewise, at the peak of the pandemic, the private sector emerged as the most important source of support for youth-led businesses. This is as reported

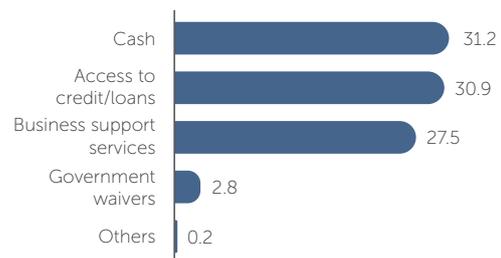
by 25.6% of youth entrepreneurs and was followed by support from non-profit organisations as well as from the government.

Unlike the case of female businesses, the major form of support received by youth-led businesses in Nigeria during the COVID-19 pandemic was credit and loans as reported by 31.2% of the respondents. In addition, 30.9% of respondents reported that they received cash support while 27.5% reported that they received business support services.

Figure 36. Where support for youth-owned businesses came from during the COVID-19 (% of respondents)



Figure 37. Forms of support to youth-owned businesses to reduce the impact of COVID-19 (% of respondents)



Source: The FATE Institute



Outlook of youth businesses in Nigeria

Nigerian youth entrepreneurs have high optimism about the improvement of the businesses over the next year. According to the survey, 92.5% of youth

entrepreneurs are optimistic about the future of their businesses. This optimism could be attributed to the depth of technology adoption and resilience among the youthful population. Young Nigerians are most optimistic about sales, market demand, operating environment, access to finance and expansion.

Figure 38. Optimism about improvement in youth-owned business in the next one year (% of respondents)

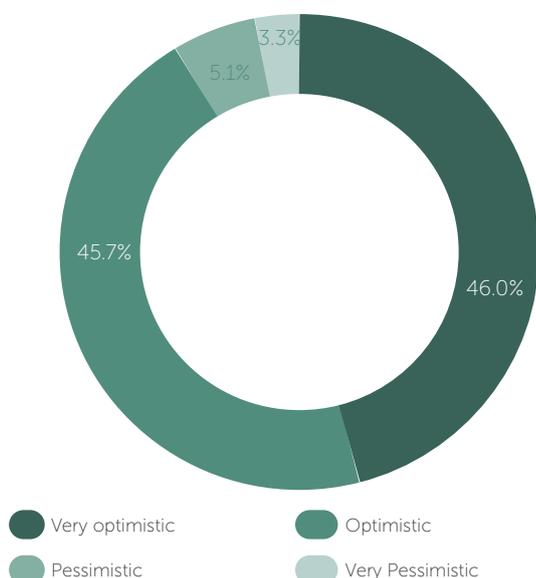


Figure 39. Weighted ranking of optimism around aspects of the youth-owned business in the next one year (% of respondents)



Source: The FATE Institute

9.0 TECHNOLOGY ADOPTION



TECHNOLOGY ADOPTION

Technology is vital in the everyday affairs of small businesses, particularly those run by young entrepreneurs. COVID-19 has accelerated the digital revolution across the world and many businesses had to explore new ways to cope and adapt to the new normal. The adoption of technology, therefore, became necessary for many entrepreneurs in Nigeria, particularly for those who could afford the technological costs and also acquire the relevant technical skills needed to expand output, maintain existing customers, gain access to wider markets and improve sales. Although technology is crucial for many businesses, there are entrepreneurs in Nigeria that do not adopt technology for several reasons such as cost, religious beliefs and lack of skills.

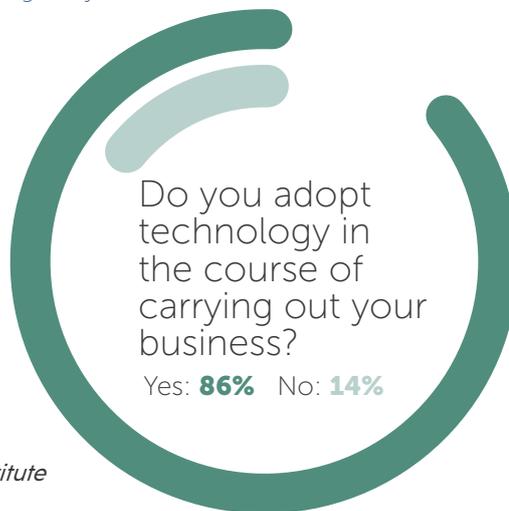
In this section, we explore the role of technology in the day-to-day operations of small businesses across the country.



Technology Adoption amongst MSMEs

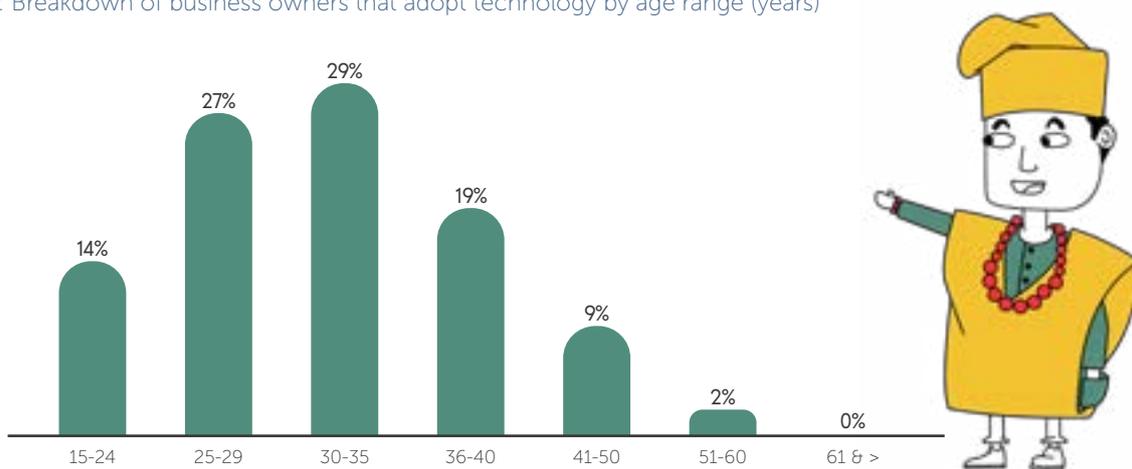
Of the 7,106 respondents, 6,116 representing 86% said they adopt technology in the course of executing their businesses. The highest share of respondents that adopt technology fall within the age range 30-35 years (29%) while those that fall within the range 25-29 years were second, accounting for 27% of total respondents that use technology. This is not surprising especially because majority of respondents fall within 30-35 years age bracket followed by 25-29 years.

Figure 40: Do you adopt technology in the course of carrying out your business?



Source: The FATE Institute

Figure 41: Breakdown of business owners that adopt technology by age range (years)



Source: The FATE Institute

However, when we explore the share of technology adoption within each age group, 15-24 years age bracket had the highest share. In other words, 93% of respondents that fall within 15-24 years adopt technology. From a gender perspective, 58% of entrepreneurs that adopt technology were male, while 42% were female.

Figure 42. Share of respondents within each age group that adopt technology



Age 15-24 93%	Age 41-50 75%
Age 25-29 88%	Age 51-60 69%
Age 30-35 87%	Age 61 & > 77%
Age 36-40 86%	

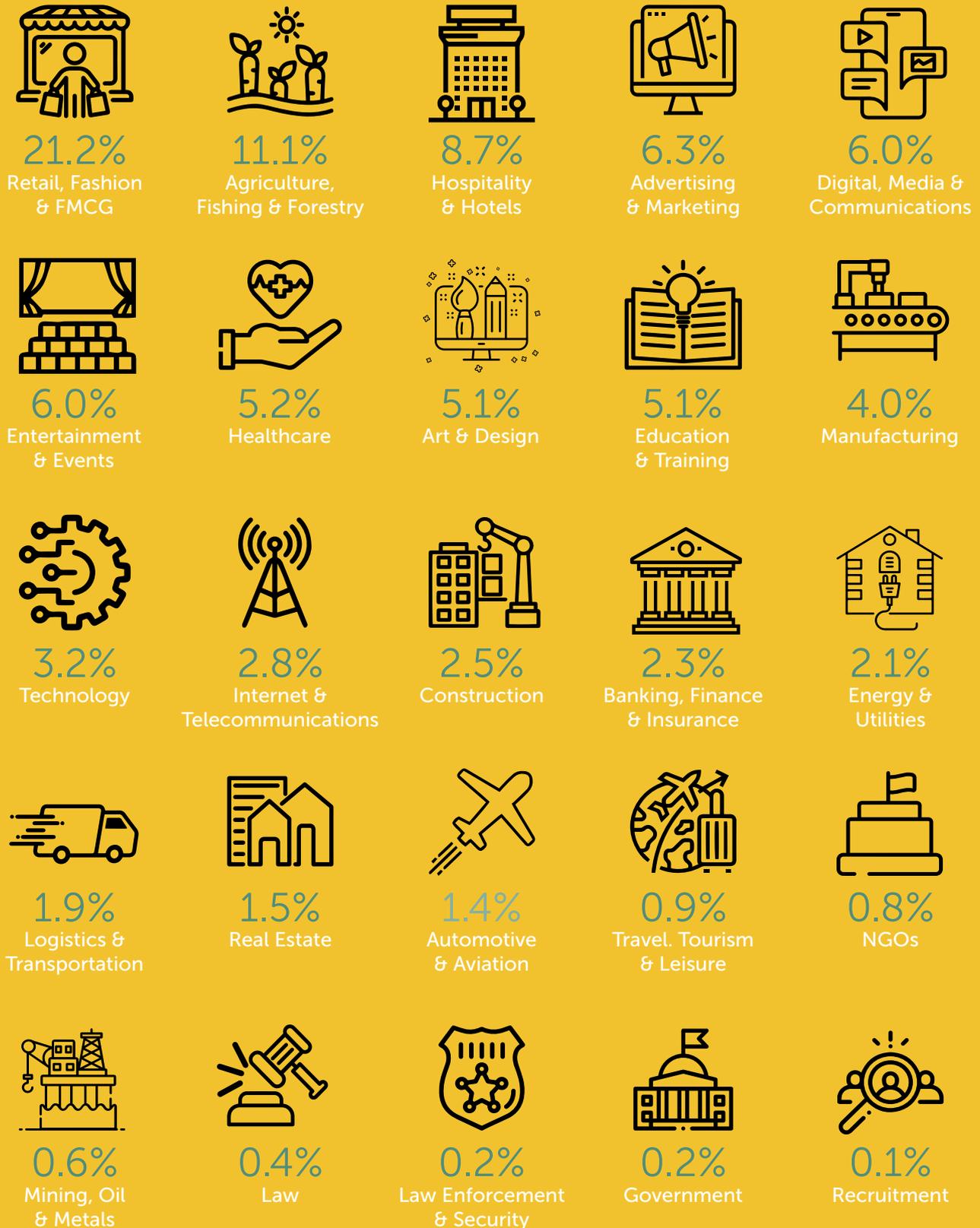
Source: The FATE Institute

Technology Adoption by sector

21.2% of respondents that adopted technology in running their businesses operate in the Retail, Fashion & FMCG sector. Players in this sector interface with consumers directly and therefore make use of technology platforms particularly social media in engaging with existing and potential clients. Business owners operating in Agriculture and Hospitality & Hotel accounted for 11.1% and 8.7%, respectively.



Figure 43: Technology adoption by sector



Impact of Technology Adoption

In examining the impact of technology on small businesses, the survey results showed that technology has affected businesses positively. The most prominent usage of technology is to expand customer base (35%), followed by improving sales and profit (30%), becoming more efficient (18%) and staying competitive (17%). Other usage of technology cited by respondents include to conduct research, drive innovation, improve knowledge and obtain customer feedback.

Figure 44: Impact of technology on your business



Source: The FATE Institute



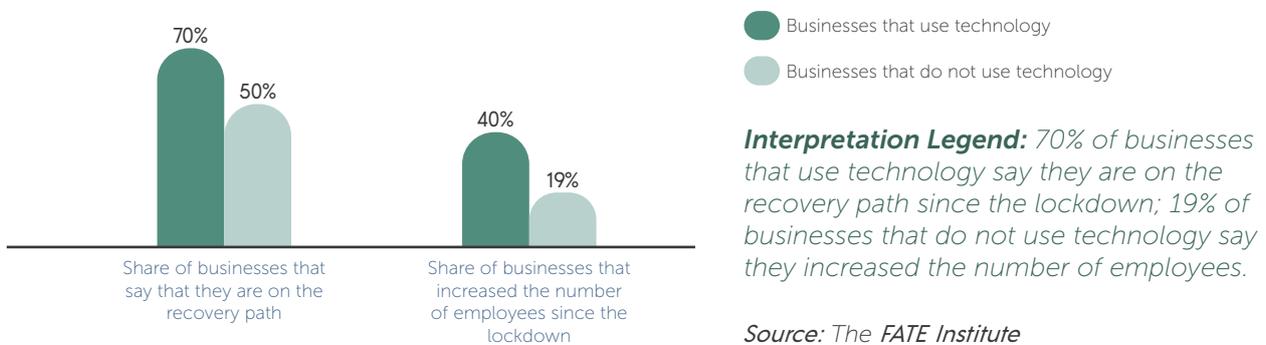
Is there any direct linkage between technology and business performance?

When we delved deeper into the impact of technology on businesses, we find some interesting pattern. 70% of businesses that adopt technology say that their businesses have been on the path of recovery since the COVID-19 lockdown. For those that do not adopt technology, a lower share of 50% reported their businesses have been on the path of recovery. In terms of employment, there is also a

striking difference between businesses that adopt technology and those that do not. 40% of businesses that adopt technology reported an increase in the number of employees since the lockdown, while only 19% of those that do not adopt technology increased the number of employees.

Although we have not established a direct causal impact between technology and business growth/recovery, the above analysis shows some interesting linkages that could further be explored in future studies.

Figure 45: Technology and Business Recovery

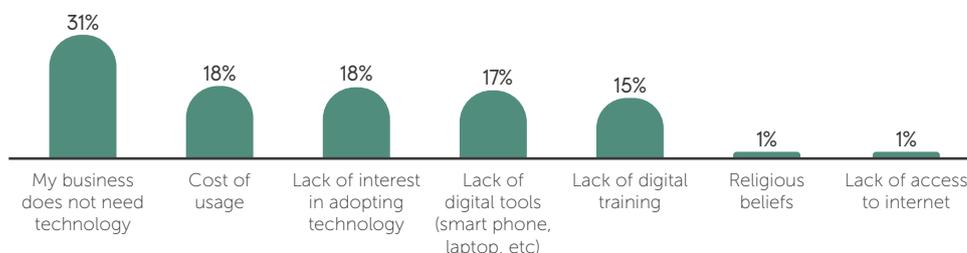


Lack of Technology Adoption

According to the survey results, 14% of businesses do not adopt technology in the course of their operations. While some entrepreneurs see the need of technology but cannot afford it, others do not see the value of technology. When asked "what

prevents you from adopting technology in your business", the most common reason cited for lack of technology adoption was "my business does not need technology". 31% of businesses that do not adopt technology cited this reason (see Figure 41).

Figure 46: Reason for not adopting technology (% of respondents that do not adopt technology)



Source: The FATE Institute

Among those that say their businesses do not need technology, the age group 25-29 years dominate, followed by 30-35 years. However, the age group of 61 years and above had the highest share of respondents that say they do not need technology when compared with the total survey respondents within each age group. Only 3% of the total survey respondents in the age group 15-24 years say they do not need technology. Majority of entrepreneurs in this age group that do not adopt technology cited factors such as cost of usage, lack of digital tools and lack of digital training.

Figure 47. Share of respondents within each age group that not need technology



Age 15-24	Age 41-50
3%	9%
Age 25-29	Age 51-60
5%	9%
Age 30-35	Age 61 & >
3%	10%
Age 36-40	
5%	

Source: The FATE Institute

Usage of Social Media

Social media has become a veritable tool for businesses, particularly those that are run by youths. The data from the survey show that 78% of entrepreneurs say they adopt social media channels in the course of their business. Among businesses that use social media, they rated Facebook, WhatsApp and Instagram as the most important

channels for their business. This was followed by Twitter, YouTube, Clubhouse and TikTok. In fact, 80% of businesses that use technology consider Facebook as important to their business. Still on the level of importance, 19%, 13% and 7% of businesses that use social media ranked Clubhouse, TikTok and Twitter as Not Important, respectively, while only 2% ranked Facebook as Not Important (WhatsApp: 1%).



Table 3. Ranking of Social Media Platforms by level of importance (% of businesses that adopt social media)

							
Very important	66%*	58%	42%	23%	10%	5%	3%
Important	11%	7%	14%	12%	6%	3%	2%
Fairly important	3%	1%	6%	13%	13%	10%	6%
Not important	2%	1%	3%	7%	9%	13%	19%

*Interpretation Legend: 66% of businesses that use social media consider Facebook as very important

Source: The FATE Institute



Social Media channels and Revenue/Audience Reach

WhatsApp and Facebook ranked highest as the channels with the most impact on the revenue of businesses in the country. While 38% of businesses that adopt social media reported that WhatsApp had the most impact on their revenue, 36% cited

Facebook. Both platforms are the most used social media platforms in Nigeria. Instagram was third on the list with 14.4% followed by Twitter (7.3%). In terms of access to wider audience, Facebook had a share of 42%. Overall, the three platforms, Facebook, WhatsApp and Instagram, were most influential in the areas of revenue generation and access to wider audience relative to other channels.

Figure 48: Which channel impacts your revenue the most? (% of businesses that adopt social media)

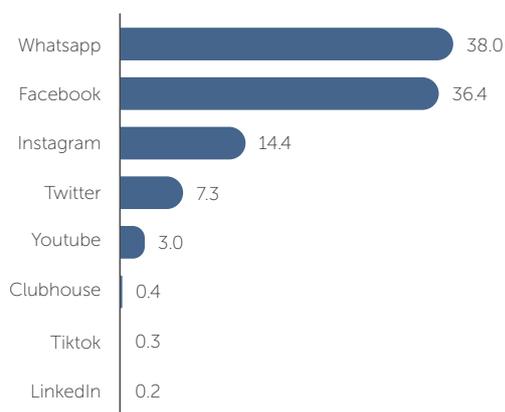
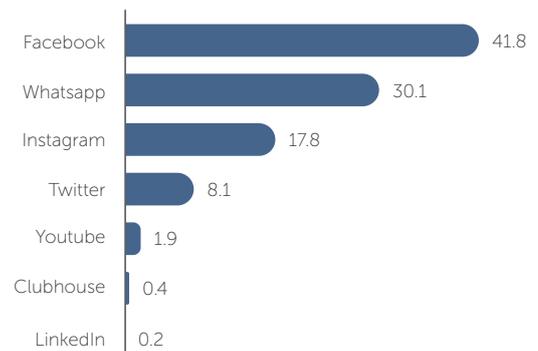


Figure 49: Which channel gives you access to a wider audience? (% of businesses that adopt social media)



Source: The FATE Institute

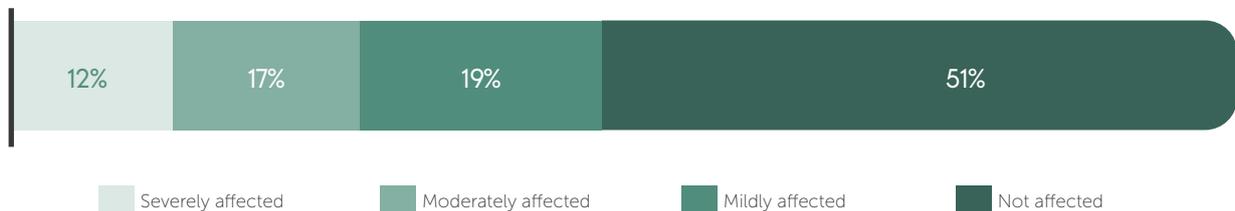


Twitter Ban and its Impact

In June 2021, the Federal Government of Nigeria placed a suspension on Twitter, which over the years had grown to become a platform for social, business and civic engagement. From the survey results, 51% of business owners say their businesses were not affected by the Twitter ban. Majority of

these businesses that said they were not affected are registered (55%) and use social media (65%). For those affected by the Twitter ban (49% of overall respondents), only 12% were severely affected, 17% were moderately affected and 19% were mildly affected.

Figure 50: How has the Twitter ban affected your business? (% of overall respondents)

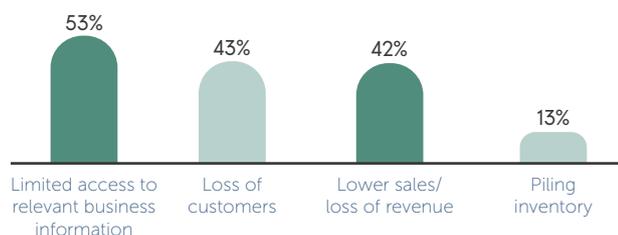


Source: The FATE Institute

For businesses that were affected, the impact has been negative. 53% of the affected businesses cited limited access to relevant business information as the most prominent impact of the ban on their businesses. 43% of the affected businesses lost

their customers and 42% of the affected businesses experienced lower sales/loss of revenue. When businesses were asked whether the Twitter ban should be lifted, 83% stated that it should be lifted while 17% disagreed.

Figure 51: In what way has the Twitter ban affected your business? (% of overall respondents)



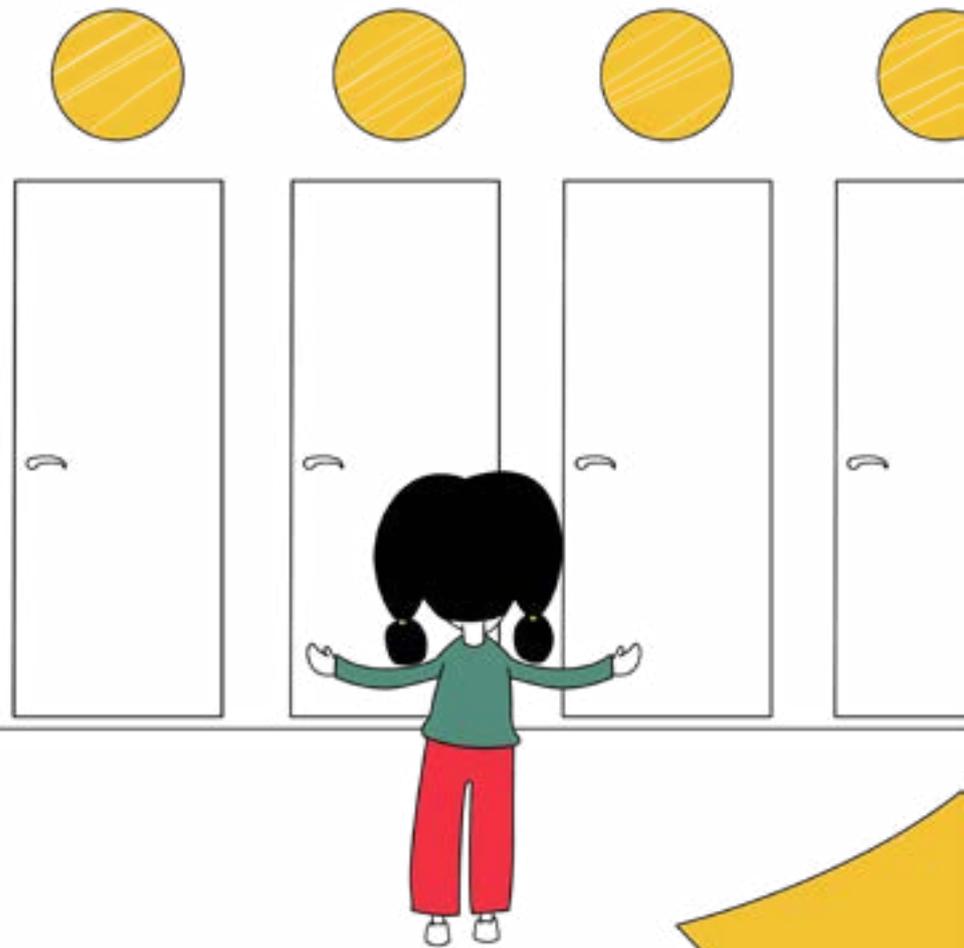
Source: The FATE Institute

Figure 52: Should the Twitter ban be lifted? (% of overall respondents)

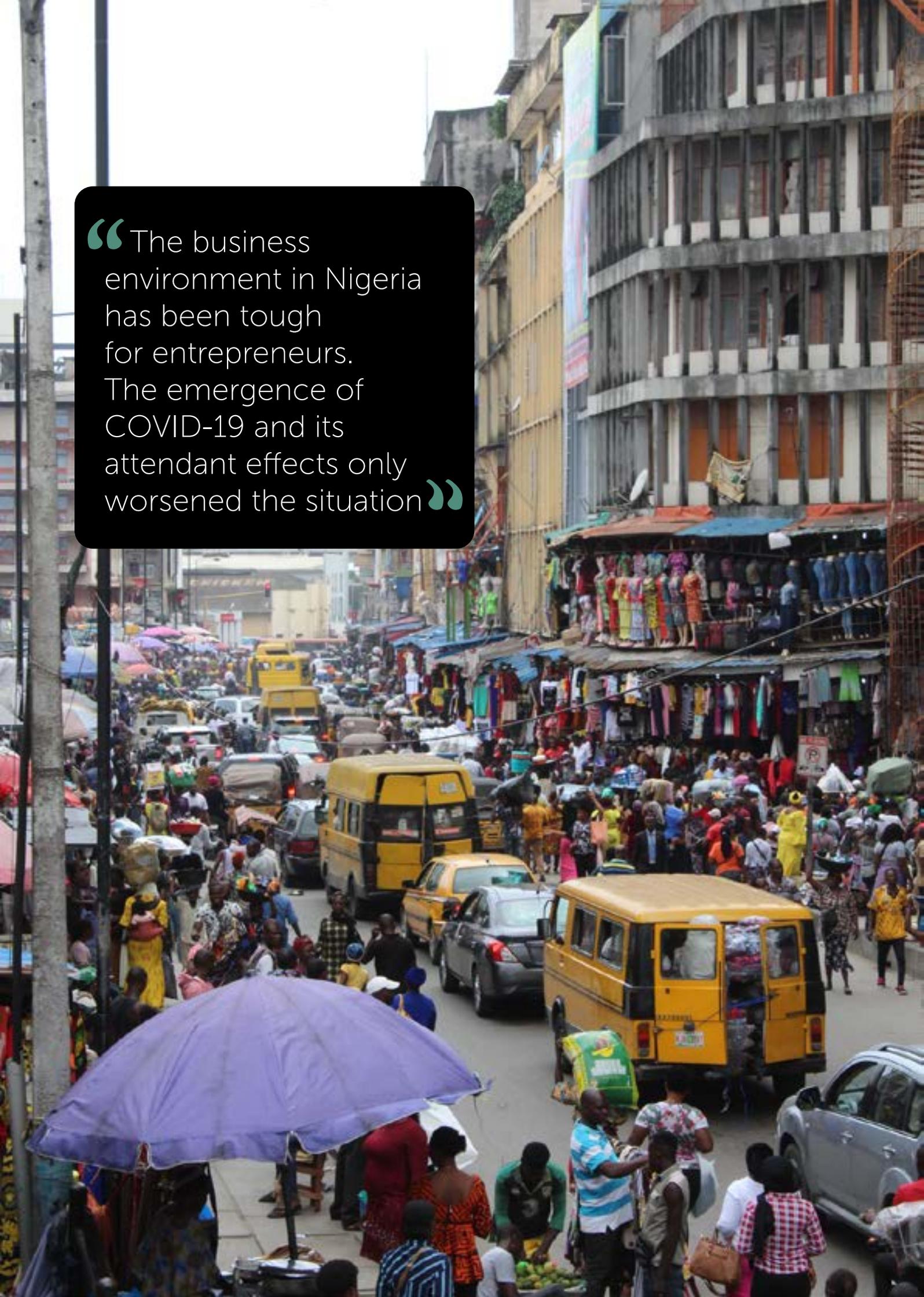


10.0

CHALLENGES AND OPPORTUNITIES



“The business environment in Nigeria has been tough for entrepreneurs. The emergence of COVID-19 and its attendant effects only worsened the situation”



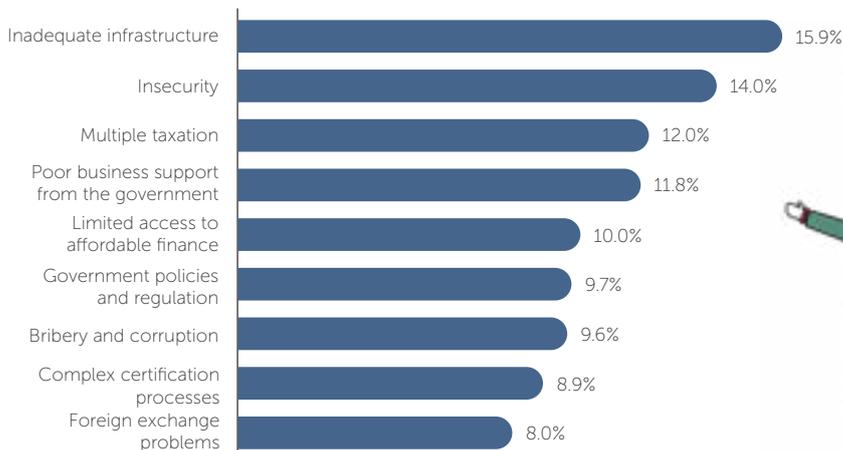
CHALLENGES AND OPPORTUNITIES



The business environment in Nigeria has been tough for entrepreneurs. The emergence of COVID-19 and its attendant effects only worsened the situation across sectors of the Nigerian economy. Many businesses have had to struggle with numerous challenges, which have increased cost of doing business, reduced profit margins and limit overall

competitiveness. Examining the results of the survey, the top five most challenging factors that affect small businesses in Nigeria include inadequate infrastructure, insecurity, multiple taxation, poor business support from the government and limited access to affordable finance.

Figure 53: Ranking of key challenges facing small businesses in Nigeria

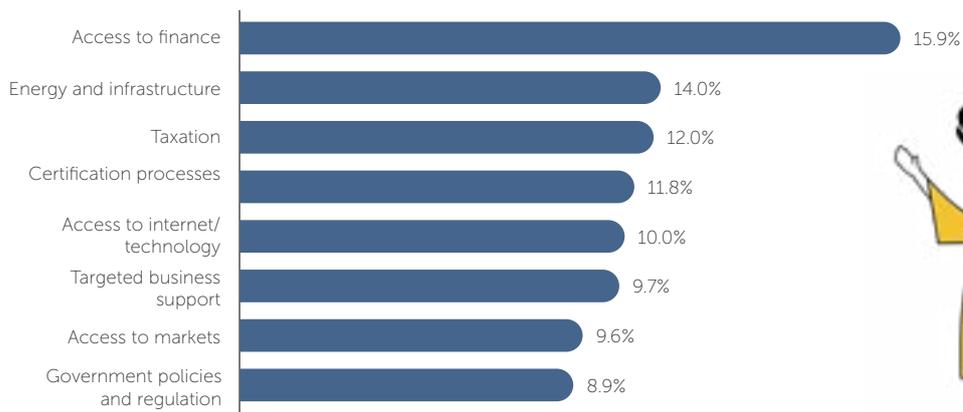


Source: The FATE Institute

Comparing the results with previous surveys on the business environment, the challenge of insecurity has become a burning issue, with incessant cases of kidnapping, theft, robbery and other social vices. This problem has resulted in the closure of businesses, low levels of productivity and high cost

of production for businesses, particularly those in high-risk areas. Other factors such as infrastructure, multiple taxation, limited access to affordable finance are traditional problems that are yet to be addressed by the government and other stakeholders.

Figure 54: Ranking of key areas that need to be addressed to improve the state of entrepreneurship in Nigeria



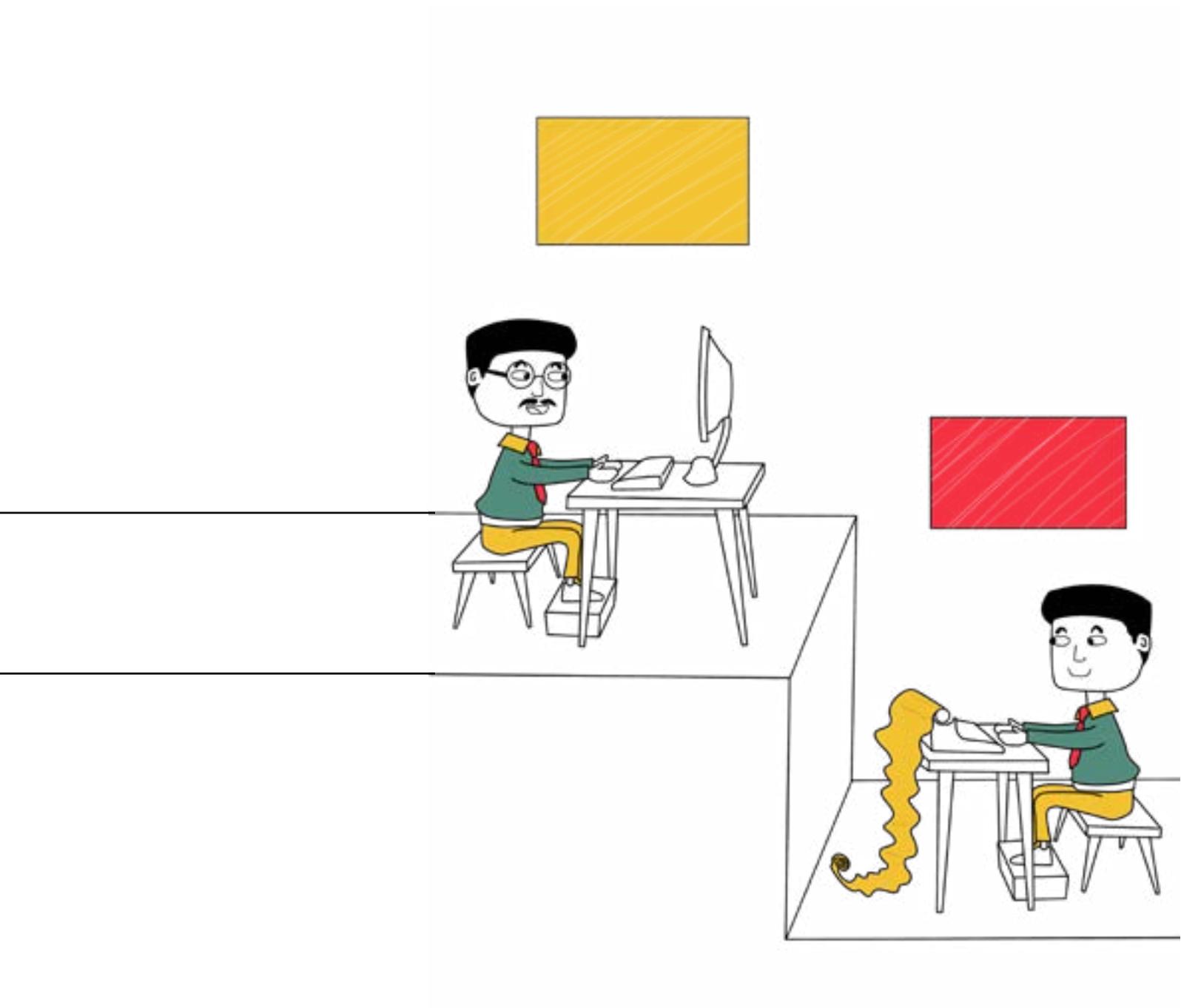
Source: The FATE Institute



From a solutions point of view, majority of businesses view access to finance as the most important factor that needs to be addressed in order to improve the state of entrepreneurship in Nigeria. Access to affordable finance remains one of the most difficult tasks for entrepreneurs considering the high interest rate and strenuous collateral

requirements by financial institutions. These challenges need to be resolved for small businesses to scale and become productive. Other important areas that should be prioritised include energy and infrastructure, tax laws and policies, simplification of certification processes and access to technology.

11.0 RECOMMENDATIONS



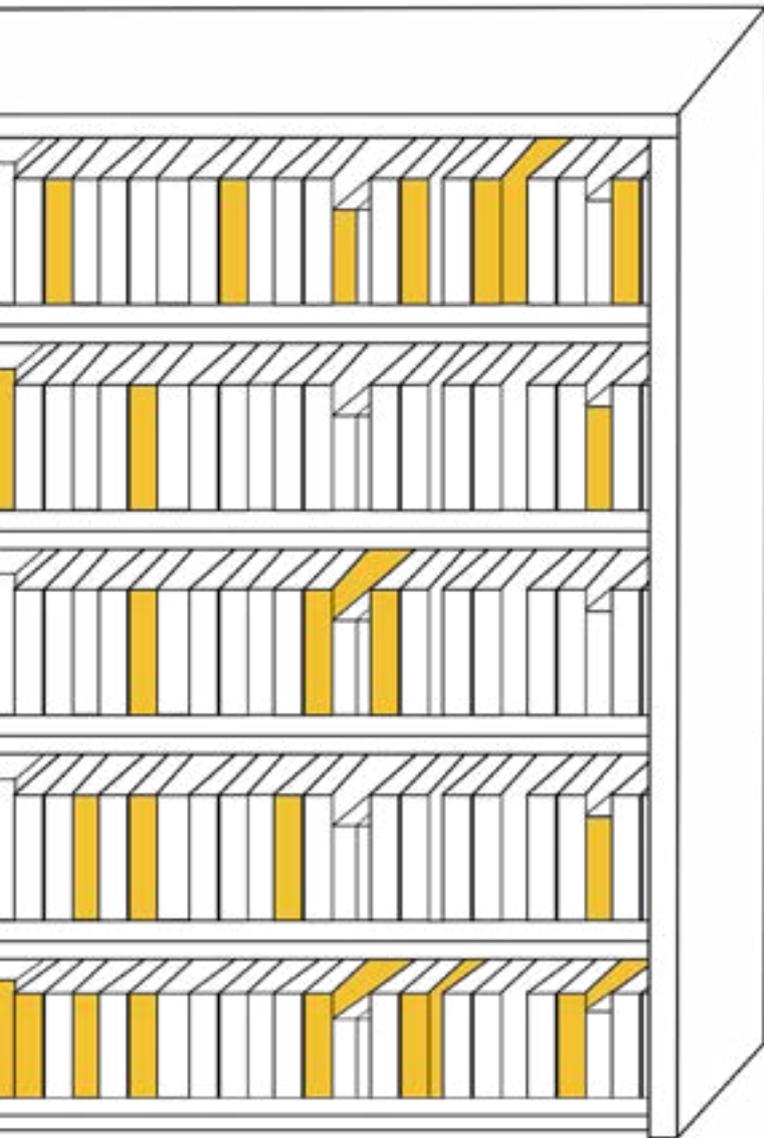
RECOMMENDATIONS

Entrepreneurs in Nigeria are resilient. Even with the tough business terrain, these business owners continue to forge ahead and create impact in their immediate environment and across the globe. To ensure the realisation of their potential, some key actions are required from both policymakers and other stakeholders. Some of these actions include:



- The Nigerian government, working with the private sector, needs to establish a well-functioning entrepreneurial ecosystem that supports innovation and business growth.** Such ecosystem will need to ensure the provision of direct and structured support to nurture talents and provide young business owners with relevant training, skills, and funding to enable them grow and enhance productivity overtime. The Entrepreneurial Index confirms that business owners are resilient but support is required from the government and other stakeholders going forward.
- There is an urgent need for concerted efforts by Government and other stakeholders to improve access to technology for small business owners in Nigeria.** Although evidence from the survey showed that technology adoption has a positive impact on businesses performance, some small business owners do not still adopt technology in their operations, mainly due to the associated costs and lack of technology skills. It becomes important, therefore, for the Nigerian government, at both federal and state levels, to incentivise the private sector to make investments in broadband infrastructure across the country. This should be accompanied by technology training programmes for small businesses and ease of doing business reforms aimed at reducing overall costs and ensuring competitiveness of businesses providing ICT related services in the country.
- There is the need for Entrepreneurship Ecosystem Representation in the design and implementation of Regulatory programs and policies:** For policies and programmes to yield desired impact, the Nigerian Government needs to engage with entrepreneurship ecosystem stakeholders, ensuring their opinions on intended programmes and policies are duly considered and represented during design and implementation. Also, proper consultation with entrepreneurship stakeholders before regulatory decisions are implemented will prevent a negative impact on businesses. For example, the Twitter ban was implemented without consulting entrepreneurship stakeholders which negatively affected businesses providing jobs.
- Among the challenges facing entrepreneurs are three key factors – inadequate infrastructure, insecurity and poor access to finance.** Insecurity which was not among the top 5 issues pre-COVID-19 has emerged as a major problem for entrepreneurs. The government needs intensify efforts to address incessant kidnapping, banditry, and other forms of insecurity which continue to affect business performance. In addition, addressing infrastructure bottlenecks by improving spending efficiency and attracting private capital into infrastructure development are crucial. Lastly, instituting dedicated financial support for small businesses will go a long way to address problems associated with funding.
- For Women and Youth-led businesses, specific institutional support is important to unlock their potential.** Support such as funding and advisory services will go a long way to improve the state of these businesses. Proper enforcement of the national collateral registry law which allows for the use of moveable assets as collateral will relax the strenuous demand for fixed asset, which has limited access to finance for women and youths.

12.0 REFERENCES



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13.0 APPENDIX

Methodology Notes

The FATE institute conducted a survey of business establishments across several states in Nigeria for this study. A nationally representative sample of 5,000 business establishments was selected. Establishments cut across formal and informal sectors and were located in both rural and urban areas. The businesses in this study are captured under 25 sectors of the economy.

The survey was executed in two major forms: questionnaire (online and physical) and interviews of government regulators and business member organisations. The principal objective of the survey was to provide data support towards the mapping of the State of Entrepreneurship in Nigeria. Other objectives included to capture data on the impact of COVID-19 on small businesses, to provide data on key business trends, survival and death rates of businesses, the level of technology adoption as well as highlight key challenges and perception of entrepreneurs on the business environment.

The surveys were conducted in the month of September and October 2021. In terms of data collection, 176 enumerators were deployed across the states covered. Final number of surveyed businesses was 7,106 which exceeded the initial sample of 5,000. Field responses accounted for 95% of respondents while online responses had the remaining share of 5%. For the interviews, 10 organisations were interviewed. After completion, the data were lodged, validated, cleaned up and analysed in line with the objectives of the report. Two main statistical software - Ms Excel and SPSS - were used in the analysis.

Entrepreneurial Index: Methodology

The computation of the Nigerian Entrepreneurship Index 1.0 is based on successive aggregation of mean scores covering the five pillars of

entrepreneurship used in this report – skills acquisition, technology adoption, business performance, perception of opportunities and enabling business environment. At every aggregation level – pillar, the aggregated measure is computed using the average of scores of its components. The EI score is the average score of the five pillars of measurement. Using the EI score, which ranged between 0 and 100, a distance to perfect score is computed by deducting the EI score from the ideal state of 100.

Individual indicators are first transformed - normalized into a progress score between 0 and 1 to measure transition to a perfect score (ideal state) of 1. Weights, rounded to 1 decimal place, are applied to the five pillars.

The steps below capture the computation process.

Step 1: Compute the sub-index: $SI_{ki} = \frac{\sum_1^j X_i}{J_k}$

Where **K** represents each pillar (sub-index);
J represents each component in a sub-index;
X represents observations
i represents each respondent.

Step 2: Compute the composite index (weighted and unweighted) for States and national:

$$CI_i(\text{weighted}) = \sum (W_k SI_k)$$

Where **CI** represents Composite Index

$$CI_i(\text{Unweighted}) = \frac{\sum SI_{ik}}{K}$$

Step 3: Compute the composite index:

$$CI = \sum (CI_k) * 100$$

Step 4: Compute the distance to a perfect score (PS):

$$\text{Distance to PS} = (1 - CI) * 100$$

Weight to be assigned in percentage	Code	Pillars of Entrepreneurship
25%	1	Business Performance Index
23%	2	Perception of Opportunities Index
10%	3	Digital Adoption Index
21%	4	Skills Adoption Index
21%	5	Enabling Environment Index
100%		

Indicators for Entrepreneurship

What is your highest level of education?

PhD	6	Some of the best entrepreneurs today did not even get a higher formal education. But what we are trying to establish here is the level of skills acquisition the entrepreneur has. We may assign this indicator a lower weight.
Master's Degree/Professional Qualification	5	
Bachelors' Degree/ HND	4	
OND/Diploma/NCE	3	
Secondary School level	2	
Primary School level	1	
None	0	

Have you set up a business that failed?

Please select below:

Yes	1	Business demise. We need to check the individual responses to see those that have set up businesses that failed or otherwise. High rate of business failure could mean people are taking higher risks, which is a major feature of entrepreneur. The options of last one, two or three years may not matter
No	0	

Which business training have you taken?

Took a training	1	We may have to sort the responses by those that have taken training and those that have not.
Didn't take any training	0	

Can you use computers?

Yes	1	Measures the level of computer skills
No	0	

Do you have access to smart devices (smart phones, laptops etc.)?

Yes	1	Measures the level of IT skills
No	0	

Business Growth (from column P)

Businesses that did not grow	0	Businesses that grew in terms of revenue and employment is a good indicator of entrepreneurship. Please ignore the rank if it does not make sense
Business grew in revenue	1	

Since the pandemic, would you say your business is on the path to recovery?

Yes	1	Recovery of small businesses is a good sign of entrepreneurship. I am not sure should be categorized as No.
No	0	
I am not sure	0	

Are you aware of any business that was shut down in the last one year due to covid-19?

Yes	0	Shut down of businesses due to COVID-19 is not a good sign.
No	1	

Which of these bodies supported your business during the pandemic?

Government	2	What is the % of businesses that got government support? If it is reasonably high, we can say govt is supporting many businesses, which is a good thing for entrepreneurship
non-government bodies	1	
None	0	

What measures did you put in place to reduce the impact of the pandemic?

Put in place a measure	1	This question can test the level of resilience of entrepreneurs. It would be interesting to see the share of entrepreneurs that "did something" as a percentage of total respondents and then rank.
Didn't put in place a measure	0	

Are you optimistic or pessimistic that your business will improve in the next one year?

Very optimistic	3	This tests the level of optimism or pessimism. High level of optimism is good for entrepreneurship.
Optimistic	2	
Pessimistic	1	
Very Pessimistic	0	

Do you adopt technology in the course of carrying out your business operations?

Yes	1	This tests the level of tech adoption
No	0	

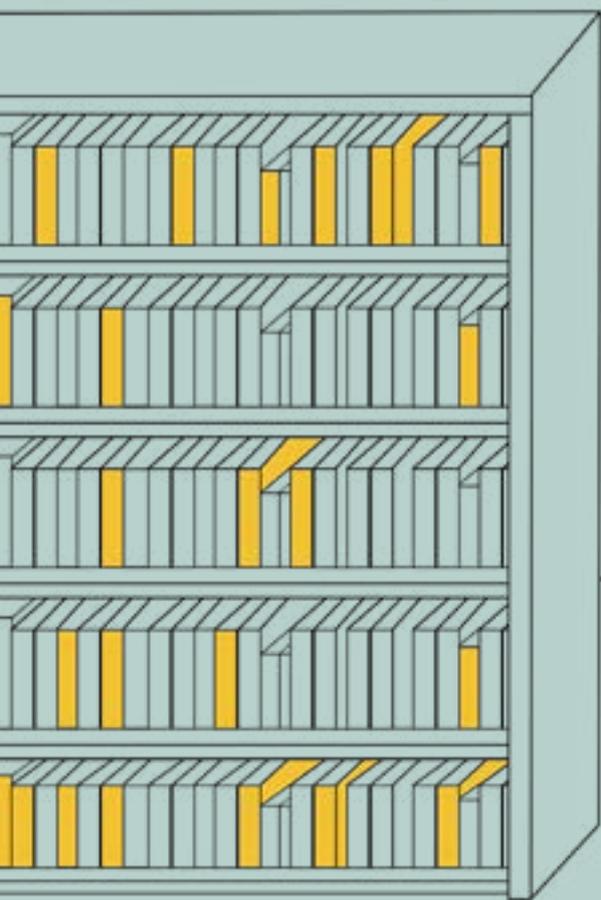
Do you adopt social media channels in the course of your business?

Yes	1	This tests the level of tech adoption
No	0	

How will you describe entrepreneurship in Nigeria today?

Very Strong	3	This tests the perception of today's entrepreneurship environment. Strong positive perception is good for entrepreneurship.
Strong	2	
Weak	1	
Very Weak	0	

State	Code	State	Code	State	Code	State	Code
Abia	1	Delta	11	Katsina	21	Oyo	31
Abuja	2	Ebonyi	12	Kebbi	22	Plateau	32
Adamawa	3	Edo	13	Kogi	23	Rivers	33
Akwa Ibom	4	Ekiti	14	Kwara	24	Sokoto	34
Anambra	5	Enugu	15	Lagos	25	Taraba	35
Bauchi	6	Gombe	16	Nassarawa	26	Yobe	36
Bayelsa	7	Imo	17	Niger	27	Zamfara	37
Benue	8	Jigawa	18	Ogun	28		
Borno	9	Kaduna	19	Ondo	29		
Cross River	10	Kano	20	Osun	30		





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