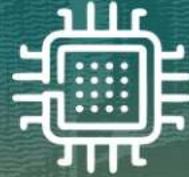
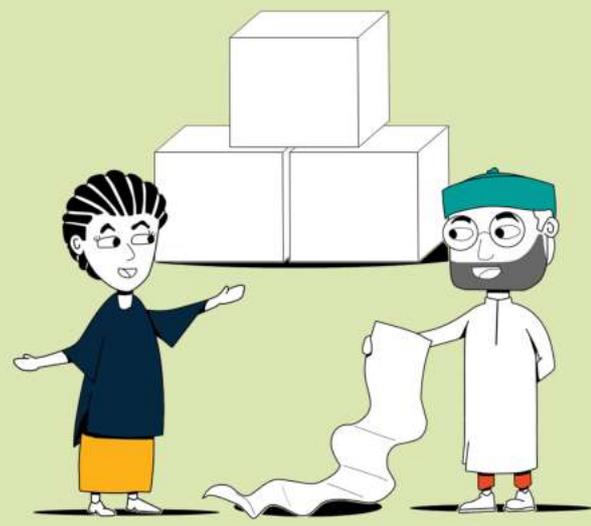
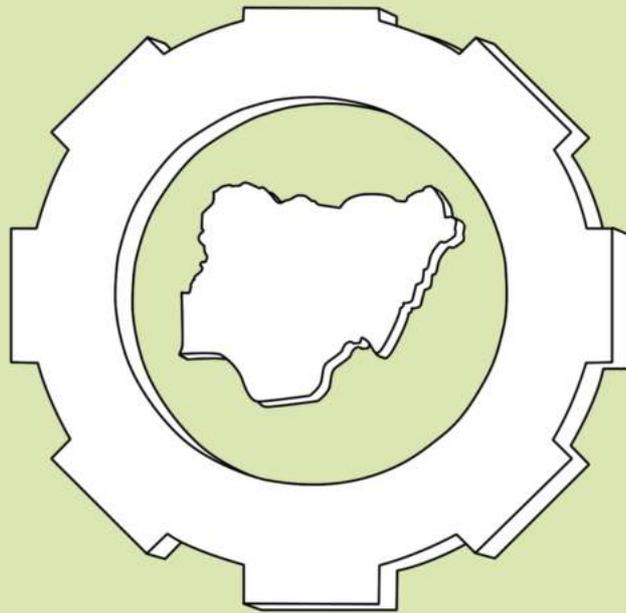


# State of Entrepreneurship in Nigeria **2022 Report**





# 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 14 thought leadership reports on Nigeria's Micro, Small and Medium Enterprises (MSMEs) and entrepreneurs; hosted an annual 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 and launched the pioneer FATE Institute Fellows Program this year.

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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FATE  
Foundation

# OUTLINE

About the Fate Institute	3
Foreword	5
Executive Summary	7
Introduction	11
Data Overview	15
Indicators of Entrepreneurship in Nigeria	27
Business Performance and Trends in Job Creation	39
Performance of Female-led Businesses in Nigeria	45
Performance of Youth-led Businesses in Nigeria	55
Business Challenges and Opportunities	65
Policy Recommendation	71
References	77
Appendix	79
Acknowledgements	82

# FOREWORD

On behalf of the FATE Institute of FATE Foundation, I am pleased to present you with our 2022 State of Entrepreneurship in Nigeria report. This report and the insights shared builds on our learnings and feedback received from the 2021 pioneer report using the index areas of Business Performance, Skills Acquisition, Innovation and Technology Adoption, Perception of Future Opportunities and Enabling Business Environment.

We have expanded the coverage fully across the 36 states and the FCT and our results show insights that can provide guidance for programs, policies and practices to improve and strengthen Nigeria's entrepreneurial ecosystem as Nigerian entrepreneurs continue to show a very high level of optimism despite this challenging macro economic environment.

This is a ray of hope in addition to a slightly better level of entrepreneurial performance from last year's index which buttress the need to expand opportunities and possibilities for entrepreneurial growth and success. Starting a business can be challenging enough and with the enabling environment pillar having the lowest performing score, the work across national and subnational levels as we move into 2023 will be to ensure that there is a strong improvement in developing and implementing supportive policies that make regulatory access and compliance easier, less complicated and transparent.

This year's survey also shows a dip in the number of female business ownership rate from 43% in 2021 to 39% currently. While Nigeria still ranks higher than the global average rate of 34%, we need to intensify policy and programming with strategic gender lens and inclusive focus that enable Nigerian women to access capital, resources and knowledge that remove cultural and institutional barriers to their entrepreneurial success.



As with last year, youth-led businesses are continuing to show increase and growth. This positive growth in a time of low employment and underemployment rates is inspiring with a lot of opportunities for improved investments in providing economic pathways for young people.

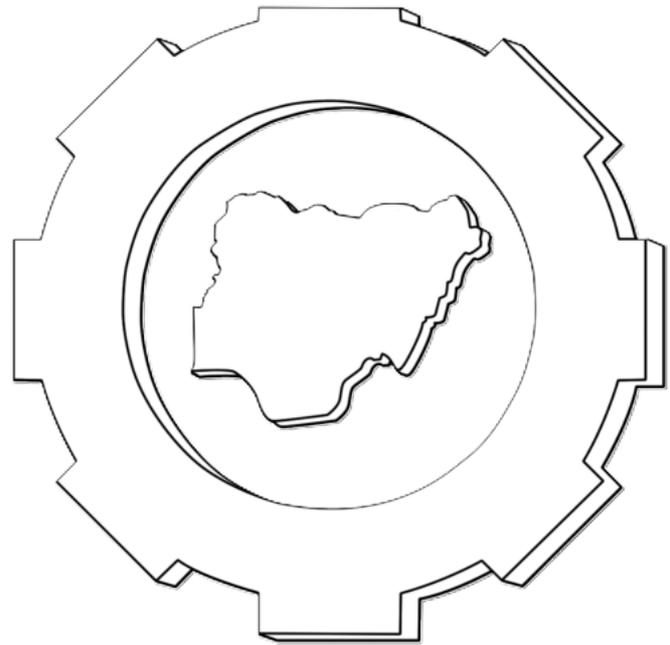
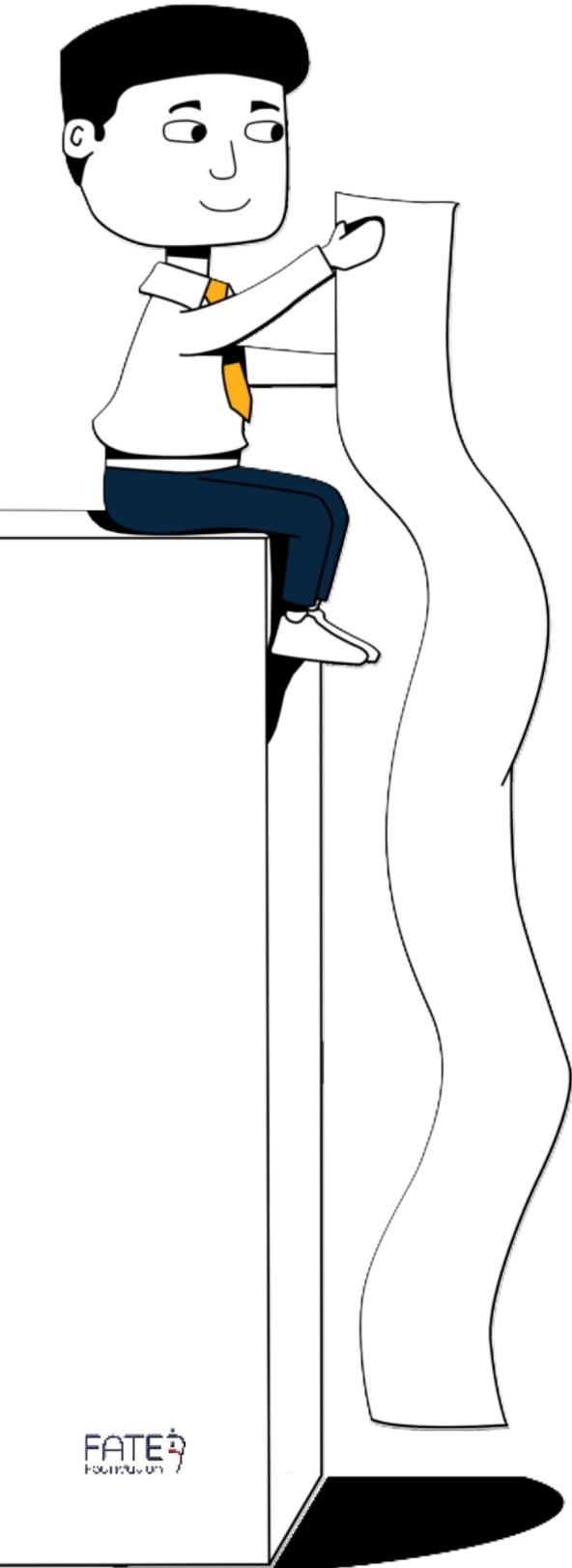
We encourage you to use the insights we share in this report to develop strategies and tools to better understand the entrepreneurs you support across your various communities. Nigerian entrepreneurs as with others around the world are at the heart of economic growth and social impact. They create most of the jobs and drive economic growth particularly at state and local levels and are the lifelines of several families and communities. The more we understand them, the better we are able to develop and implement programs that meet their needs and accelerate their potential.

**Adenike Adeyemi**

Executive Director,  
FATE Foundation



# EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY

For the second consecutive year, the FATE Institute of FATE Foundation's State of Entrepreneurship (SoE) report reviews the performance of nano, micro, small and medium-sized enterprises (NMSMEs) in the last one year and provides policy insights and recommendations on how stakeholders can improve the state of entrepreneurship in Nigeria.

The report tracks key indicators of entrepreneurship along five pillars - business performance, skills acquisition, innovation and technology adoption, perception of opportunities and enabling business environment.

In this 2022 edition, the FATE Institute's SoE Survey revealed key trends, opportunities, and challenges facing businesses in Nigeria from the perspective of entrepreneurs and other stakeholders.

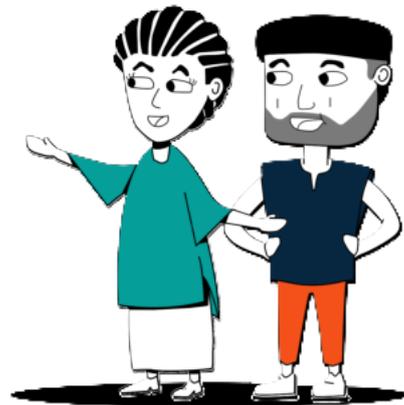
This year, **the SoE survey covered 8,611 businesses across the 36 states and the Federal Capital Territory (FCT) in Nigeria.** Discussion sessions were held with stakeholders including entrepreneur support organisations, business development service providers and access to funding providers across the private, public and development sectors.

*"...the SoE survey covered 8,611 businesses across the 36 states and the Federal Capital Territory (FCT) in Nigeria"*

## Key findings

### 1. Entrepreneurial Performance

**In 2022, Nigeria had an entrepreneurial index score of 0.58 out of 1.0**, implying a slightly better than average performance on entrepreneurship development in Nigeria. Across the five pillars, the best performing was perception of opportunities with an index score of 0.80 out of 1.0. The result depicts that most entrepreneurs are highly optimistic about the future of their businesses and are most likely to expand their businesses in the coming year despite the harsh business environment.



### 2. Sub-National Performance

At the state level, **Imo state ranked the highest on the entrepreneurial index with a score of 0.82.** This was followed by Bauchi (0.72), Delta (0.70), and Gombe and Plateau states both with 0.69. These states performed well in areas such as skills acquisition, business performance and technology adoption, relative to other states.

*"...Imo state ranked the highest on the entrepreneurial index with a score of 0.82."*

In addition, entrepreneurs in these states were among the most optimistic about the future opportunities for entrepreneurs in their respective states. States such as Abia, Kogi, Taraba and the FCT ranked lowest and were constrained mainly by a tough business environment, limited skills acquisition, and slower business growth, relative to other states.

### 3. New Businesses Created

In terms of new businesses, 32% of businesses surveyed were created in the last one year while female-led businesses accounted for 40% of businesses created. Majority of these new businesses created by females are in sectors such as Trade (40%), Advertising and Marketing (11%), Events and Entertainment (7.5%) and Agriculture (7.3%).

*"...32% of businesses surveyed were created in the last one year while female-led businesses accounted for 40% of businesses created."*

### 4. Female-led Businesses

Out of every 100 businesses in Nigeria, 39 are female owned. This implies a 39% female business ownership rate in the country, higher than 29% in sub-Saharan Africa and 34% global average, according to data from the World Bank. Despite the high female business ownership rate relative to global average, the gender gap in business ownership in Nigeria is quite high and it is wider in the northern states.

According to the survey, the national average female to male business ownership ratio was 0.63 (or 5/8, or 1:1.6) implying that for every 100 businesses led by men, women lead 63 businesses on average. While 16 states in Nigeria performed above the national average of 0.63, 12 out of these 16 states are in the south, with Ogun state ranking highest as the number of female-led businesses surpassed that of male. The bottom 10 states with the lowest ratio of female to male business ownership are in the north.



*"Out of every 100 businesses, 39 are owned by females in Nigeria."*

### 5. Access to Finance

Exploring the challenges faced by entrepreneurs, limited access to affordable finance is the most important factor that hinders business growth in Nigeria, according to entrepreneurs. Issues relating to high interest rates, lack of adequate collateral, limited coverage of government grants and poor access to funding information rank high among reasons why businesses have not been able to raise finance.



## 6. Entrepreneurial Capacity Building

Entrepreneurial training programmes are essential in providing entrepreneurs with the relevant skills to grow and expand their businesses in Nigeria. Although only 40% of entrepreneurs reported that they had acquired skills to better run their businesses, **99.7% of female entrepreneurs and 99.2% of youth entrepreneurs that attended trainings reported that the trainings have been helpful for their businesses.**

*"..99.7% of female entrepreneurs and 99.2% of youth entrepreneurs that attended trainings reported that the trainings have been helpful for their businesses."*

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## 7. Perception and Outlook

Despite the challenging business environment, majority of entrepreneurs are optimistic about the future. **93% of entrepreneurs surveyed said that they are optimistic or very optimistic about business opportunities in Nigeria** while 81% noted that they plan to expand their operations in the next one year. Majority (over 50%) of entrepreneurs that aim to expand their businesses fall in the age range of 30-39 years; run businesses that are 1-5 years old and operate nano and micro businesses.

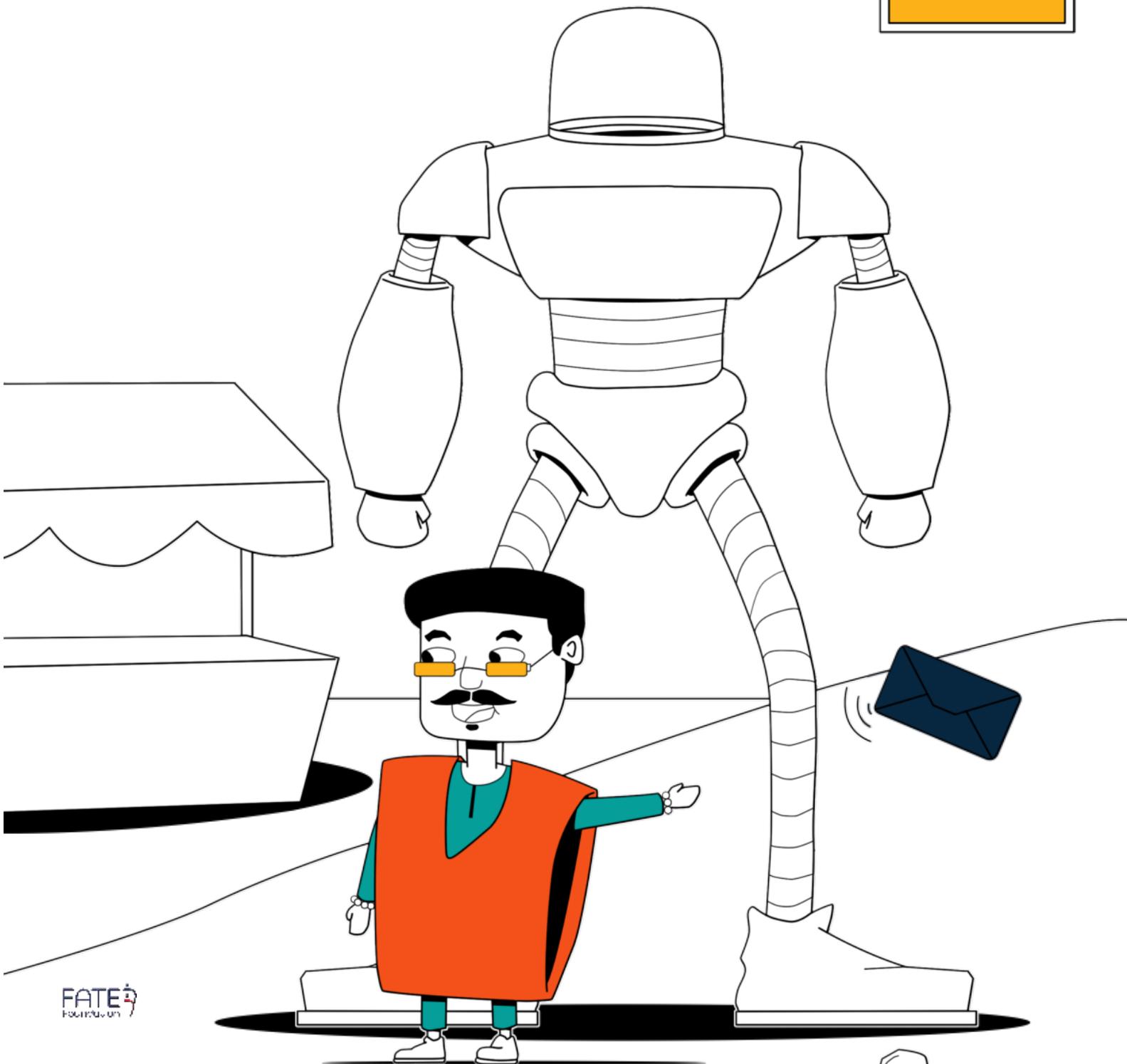
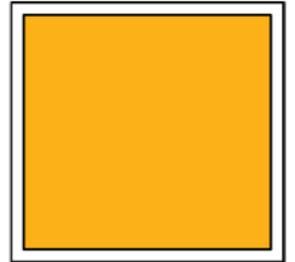
*"...93% of entrepreneurs surveyed said that they are optimistic or very optimistic about business opportunities in Nigeria"*

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This report recommends the sensitisation of local communities on the need for more women to partake in economic activities; the adoption of a gender-lens approach in program and policy design; the need for the government to improve coverage, monitoring and evaluation of grants and loans to small businesses; the creation of more structured and targeted training programmes as well as funding for youth-led and female-led businesses in Nigeria; and the need to improve the business environment to support the growth of more sustainable NMSMEs across the country.

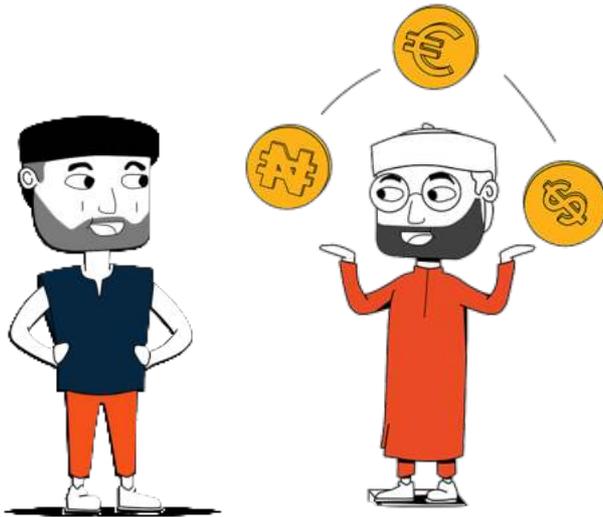


# INTRODUCTION



# INTRODUCTION

**Worldwide, businesses are feeling the effect of the war in Ukraine.** As a result of the war and sanctions placed on Russia, commodity prices have soared. In addition, businesses continue to grapple with a breakdown in the global supply chain leading to shortages and high shipment cost, raising cost of input and inflation across several countries. Consequently, economic growth is expected to be tepid in many countries such as the United States, United Kingdom as well as the European Union.



**Although Nigeria is not immune from the impact of the crisis, economic output expanded further in the first half of 2022.** In 2022, the Nigerian economy continued on its recovery path from the COVID-19-induced recession. Economic output, measured by Gross Domestic Product (GDP), grew by 3.54% in the second quarter of 2022, an improvement from 3.1% in the previous quarter. GDP growth in the first half was driven by sectors such as telecommunication, trade and finance while growth in government spending and household consumption was also significant in influencing overall output growth.

*“Economic output, measured by Gross Domestic Product (GDP), grew by 3.54% in the second quarter of 2022, an improvement from 3.1% in the previous quarter.”*

**Despite this output expansion, the business environment in Nigeria remains tough as businesses face pressure from domestic and external sources.**

While output continues to expand, there has been heightened pressure on inflation and exchange rate, with adverse effects on many businesses particularly Nano, Micro, Small and Medium-sized Enterprises (NMSMEs). Since February 2022, inflation rate has increased by 3.9 percentage points from 15.7% to 19.6% in July. This implies a higher input cost driven by insecurity in some parts of the country and the supply chain disruption caused by the war in Ukraine. In addition, lower crude oil production caused mainly by oil theft, limited inflow of foreign investment as well as rising import bills led to a depreciation of the exchange rate, further abetting inflation.

*“While output continues to expand, there has been heightened pressure on inflation and exchange rate, with adverse effects on many businesses particularly Nano, Micro, Small and Medium-sized Enterprises (NMSMEs).”*

In the last few years, many businesses in Nigeria have faced shortage of foreign exchange in the official market, and resorted to purchasing foreign currency in the parallel market raising the cost of doing business. These costs have been passed on to the consumer, many of whom are struggling with lower real income.

**Further to the twin problems of inflation and foreign exchange shortage, traditional problems such as poor power supply, infrastructure deficit and limited access to affordable finance are still prevalent and have had an even more negative impact on entrepreneurial growth and sustenance.**

In the first seven months of 2022, the national grid collapsed about seven times, while power outages were frequent. Inadequate physical infrastructure, poor conditions of some roads and highways continue to raise cost of doing business and limit business growth. Among these traditional factors, businesses highlighted limited access to affordable finance as a notable factor that has negatively influenced their performance in the last couple of years.

*“In the first seven months of 2022, the national grid collapsed about seven times, while power outages were frequent. Inadequate physical infrastructure, poor conditions of some roads and highways continue to raise cost of doing business and limit business growth”*

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In the 2021 State of Entrepreneurship (SoE) report released by The FATE Institute, limited access to affordable finance was ranked among the top five challenges facing businesses while majority of entrepreneurs viewed access to finance as the most important factor that should be addressed in order to improve the business condition in the country. This trend was noticeable in the 2022 SoE survey, thus, emphasizing the need for urgent steps to improve access to finance for NMSMEs.

**In response to some of these challenges, the fiscal and monetary authorities have embarked on several measures to improve the macroeconomic condition and the business environment in the country.**

In the third and fourth Central Bank of Nigeria (CBN) Monetary Policy Committee (MPC) meetings in 2022, the committee raised the benchmark interest rate to attract foreign investment into Nigeria and tame inflation. In addition, the federal government ramped up efforts to curtail oil theft by arresting suspected thieves, destroying illegal refinery sites, ovens and storage tanks and impounding vehicles and tanker-trucks, boats and other items. These efforts, however, are yet to have significant positive impact on NMSMEs in the country.

**Even with the tough business environment, many entrepreneurs are optimistic about the future.** Amidst the negative impact of the war in Ukraine coupled with several domestic challenges, many Nigerian entrepreneurs continue to forge ahead, showing resilience and dynamism in the course of executing their businesses. Within the start-up space, companies such as Flutterwave, Thrive Agric and Reliance Health, amongst many others, have raised US\$250 million, US\$56.4 million and US\$40 million, respectively, in the first quarter of 2022 (Ojukwu, 2022). As at 2021, Nigeria produced five of seven unicorns in Africa (Adepetun, 2022). This suggests the opportunities and potential that exist in the country, especially for businesses that are able to adopt technology to solve local and continental problems.

*“Within the start-up space, companies such as Flutterwave, Thrive Agric and Reliance Health, amongst many others, have raised US\$250 million, US\$56.4 million and US\$40 million, respectively, in the first quarter of 2022 (Ojukwu, 2022).”*

The stakes are high for small businesses to survive and thrive, especially in view of the forthcoming 2023 general elections, when Nigerians decide who will govern the country; political economy leadership should be at the core of conversations of the survival, growth, and expansion of many small and growing businesses. Mainstreaming the growth of NMSMEs into the national agenda, getting the policies right in areas of access to finance, insecurity and infrastructure and ensuring swift and effective implementation will be important in improving the state of NMSMEs across the country.

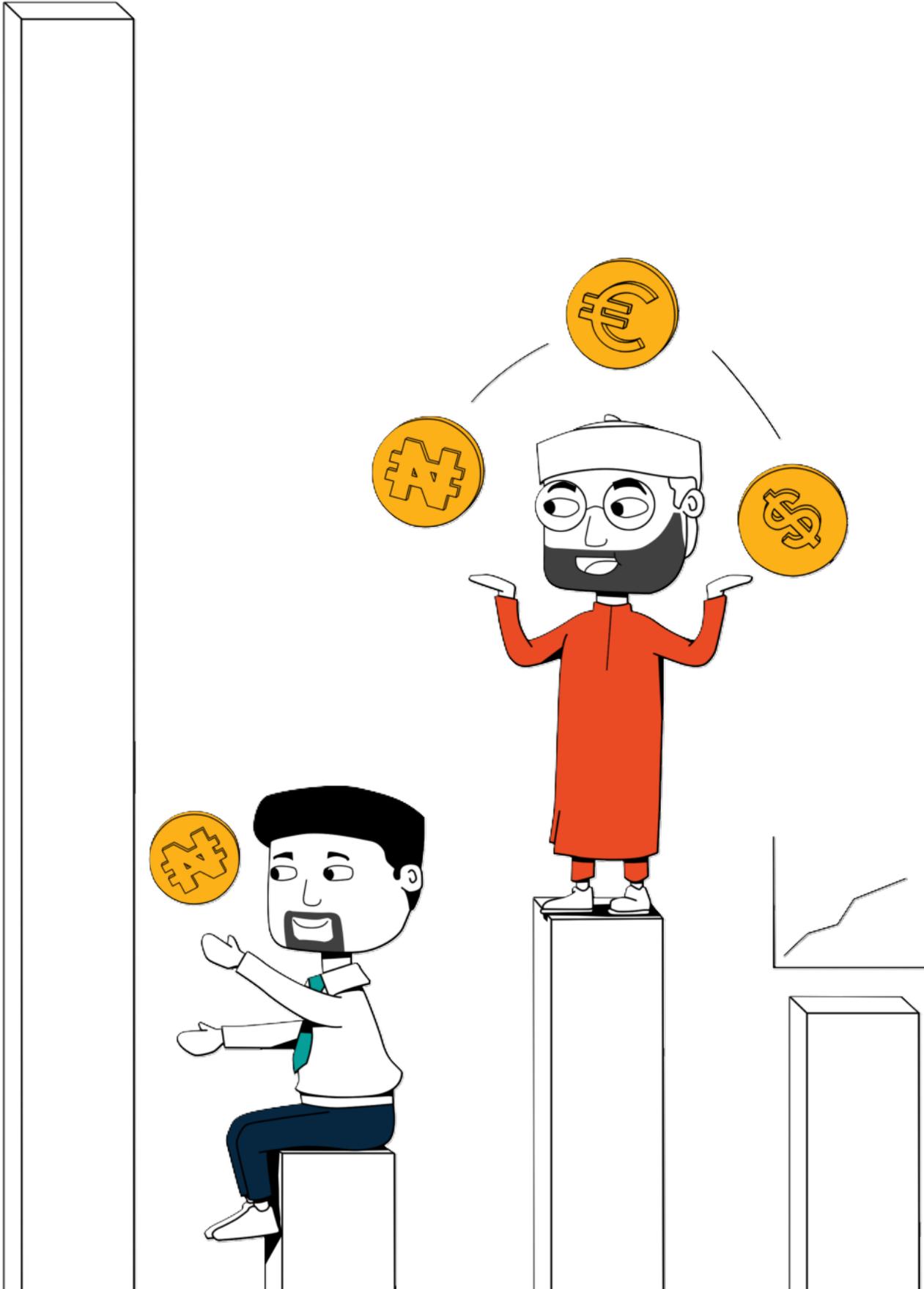
In the 2021 SoE report, The FATE Institute concluded that the future of entrepreneurship in Nigeria is bright, but it is bright to the extent to which the environment supports the noble ambition of entrepreneurs. According to entrepreneurs in this year’s survey, the future of entrepreneurship is still bright; but the current environment is even more challenging, volatile and too complex for many small businesses to achieve their potential. This emphasizes the urgency with which the Nigerian government needs to address challenges around the tough business environment within the ecosystem.

*The stakes are high for small businesses to survive and thrive, especially in view of the forthcoming 2023 general elections, when Nigerians decide who will govern the country; political economy leadership should be at the core of conversations of the survival, growth, and expansion of many small and growing businesses.*



**The rest of this report discusses the findings from the 2022 SoE survey, the indicators of entrepreneurship and highlights key recommendations to improve entrepreneurship in Nigeria.**

# DATA OVERVIEW



# DATA OVERVIEW

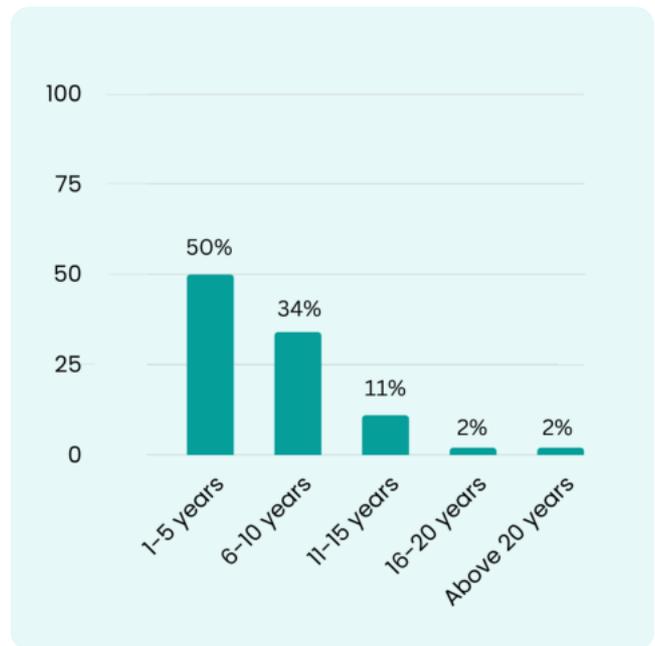
## Age and Size of Businesses

Similar to findings in the 2021 SoE report, younger businesses account for the larger share of total businesses in the country. In 2022, half of the businesses are 5 years or less while businesses that have been in existence for 10 years and below accounted for 84% of total businesses. This was 4% points higher than 80% achieved in 2021, suggesting the creation of new businesses in the last one year. However, there is a weak transition of younger businesses especially those in the range of 6-10 years.

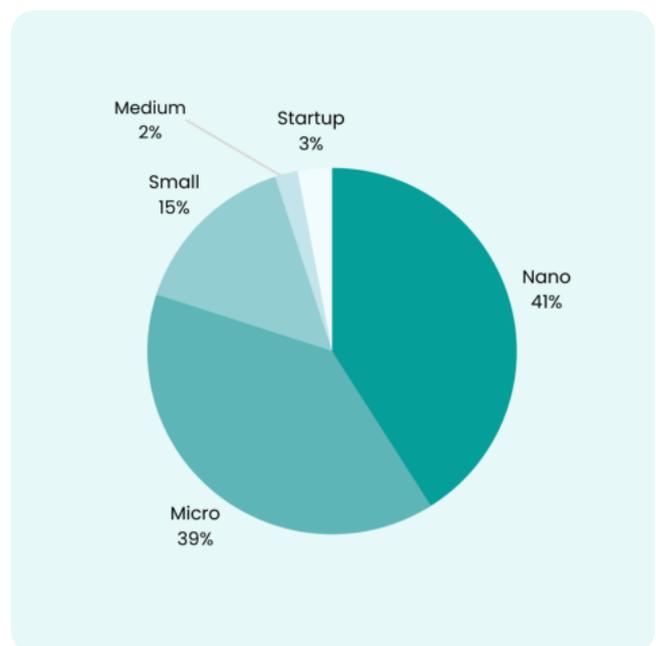
This is reflected in the lower share of businesses that fall in the range of 11-15 years in 2022 (11%) relative to 13% in 2021. In terms of business size, nano and micro businesses accounted for 41% and 39% of total businesses respectively, an improvement from the 71% of businesses that were micro<sup>1</sup> in 2021. The increase in the number and share of small businesses suggests the creation of new businesses by entrepreneurs for survival purposes and to address key social and economic problems.

*The increase in the number and share of small businesses suggests the creation of new businesses by entrepreneurs for survival purposes and to address key social and economic problems.*

**Figure 1: Age of Business**



**Figure 2: Business size**



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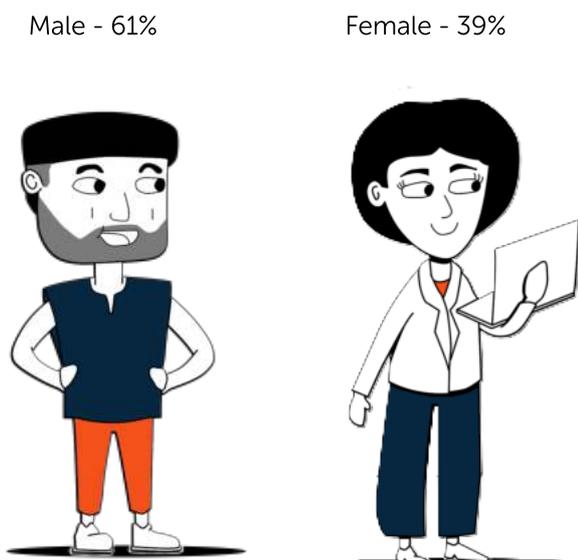
<sup>1</sup>In 2021 SOE survey, the category "nano" was not included in the options. Hence, nano businesses were captured as micro businesses.

## Gender and Entrepreneurship

When categorized by gender, most entrepreneurs in Nigeria are men. The dominance of male-led businesses has become a consistent pattern in the country and across many states. Specifically, results from the State of Entrepreneurship (SoE) survey showed that 61% of businesses were male-led while 39% are female-led.

This represents a female-male ratio of 1:1.6. Relative to findings in the 2021 SoE survey where the ratio was 1:1.3, there was a marginal increase in the gender gap in this year's survey. This can be attributed to a faster rate of business creation by males, relative to females. However, it is important to note that the female-led business ownership rate of 39% is higher than 29% in sub-Saharan Africa and 34% global average, according to data from the World Bank.

**Figure 3: Business Ownership in Nigeria by Gender**



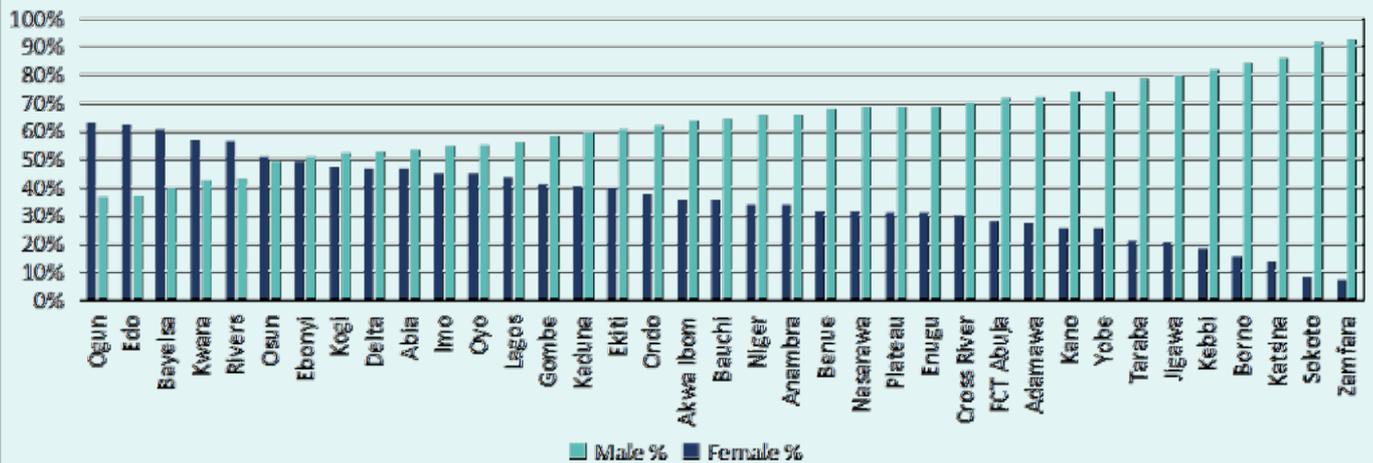
*it is important to note that the female-led business ownership rate of 39% is higher than 29% in sub-Saharan Africa and 34% global average, according to data from the World Bank.*



Across the 36 states and the Federal Capital Territory (FCT), only six states had higher female business ownership rate than male. These states include Ogun, Edo, Bayelsa, Kwara, Rivers and Osun, which are located in the south-south (Edo, Bayelsa and Rivers), south-west (Ogun and Osun) and north-central (Kwara).

These six states, along with ten others have female to male business ownership ratios that are higher than the national ratio of 1:1.6. The five least performing states include Kebbi, Borno, Katsina, Sokoto and Zamfara, all of which are located in the north-west, except Borno, which is in north-eastern Nigeria. States such as Ogun, Lagos, Oyo, Kaduna and Rivers had the highest number of female-led businesses, accounting for 8.1%, 7.0%, 6.0%, 5.7% and 5.5% of total female-led businesses in the country, respectively.

**Figure 4: Respondents by Gender across states (%)**



*Ogun, Lagos, Oyo, Kaduna and Rivers had the highest number of female-led businesses, accounting for 8.1%, 7.0%, 6.0%, 5.7% and 5.5% of total female-led businesses in the country, respectively.*

**Table 1: Female-led businesses in comparison with the 2021 State of Entrepreneurship Report**

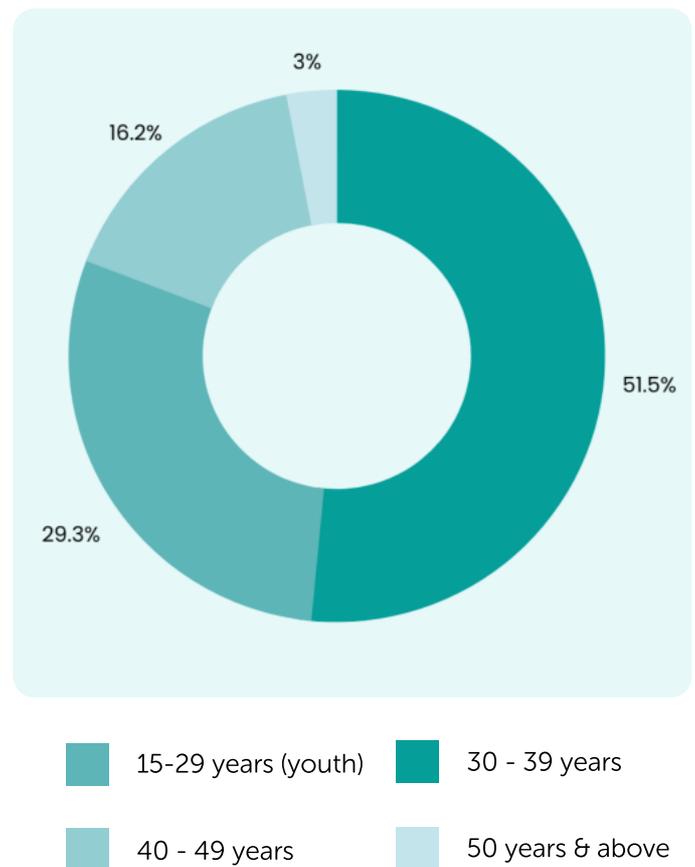
	SoE 2021	SoE 2022
Share of female-led businesses in total businesses	42.6%	38.5%

## Age and Entrepreneurship

Most entrepreneurs in Nigeria fall within the age group of 30-39 years. Entrepreneurs in this age group accounted for 51% of total entrepreneurs surveyed, followed by the age group of 15-29 years (29%). Compared with outcome of the 2021 SoE survey, there was a reduction in the proportion of businesses led by the youth (39%). The massive emigration of young Nigerians could play a major role in the declining share of youth-led businesses in the country. Furthermore, 46% of the businesses that have been in existence for 1-5 years are run by individuals in the age group of 30-39 years. The second highest age group was 15-29 years with a share of 43%. In other words, majority of young businesses are run by young people who are often risk takers, energetic and able to adopt technology in the course of running their businesses.

*46% of the businesses that have been in existence for 1-5 years are run by individuals in the age group of 30-39 years.*

**Figure 5: Age Range**



**Table 2: Youth-led businesses in comparison with the 2021 State of Entrepreneurship Report**

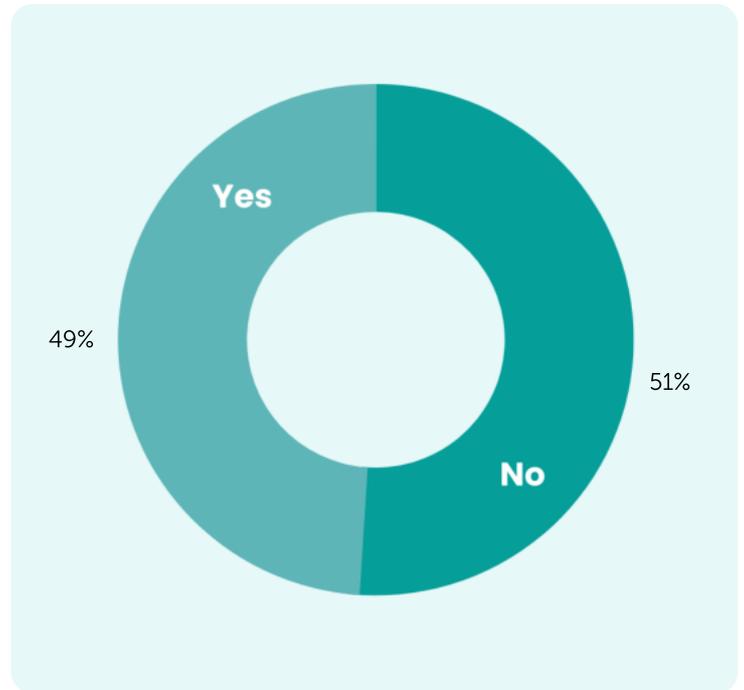
	SoE 2021	SoE 2022
Share of youth-led businesses in total businesses	39%	29%

## Business Registration, Type of Registration and Business Association

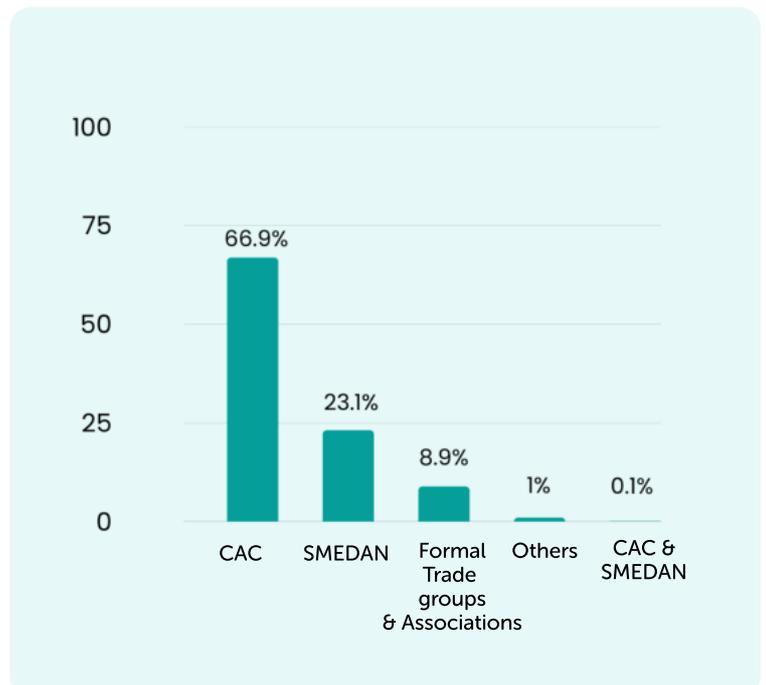
When asked about the status of their business registration, 51% of entrepreneurs said their businesses are not registered. This is an increase from 44% recorded in the previous year. For businesses that are registered, CAC (67%) topped the list of organisations that they are registered with, followed by SMEDAN (23.1%). Further results showed that 62% of businesses are not associated with any business association or trade group, much higher than 51% in the previous year. This suggests that many more businesses are operating in the informal economy and this may have negative implications for productivity, expansion and sustainability of businesses.

*For businesses that are registered, CAC (67%) topped the list of organisations that they are registered with, followed by SMEDAN (23.1%).*

**Figure 6: Is your business registered?**



**Figure 7: If yes, what body are you registered with?**





## Full-time Entrepreneurship & Education Levels

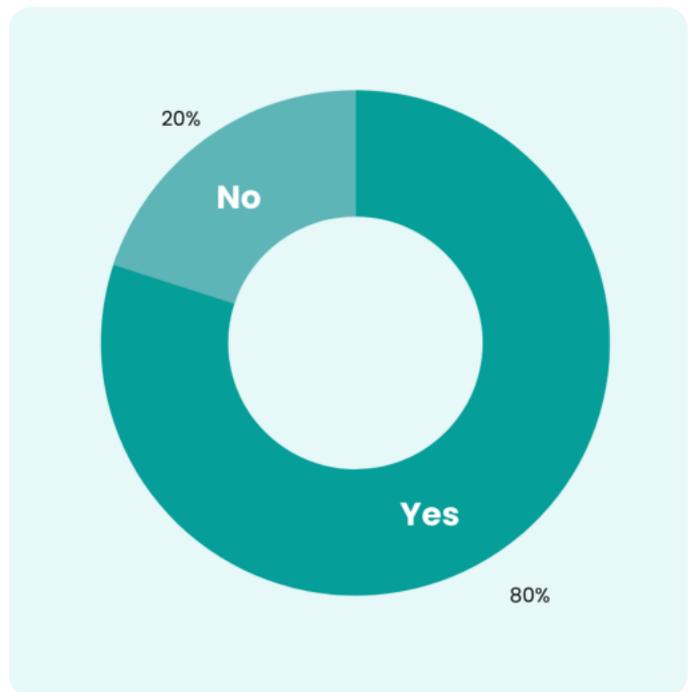
80% of respondents said that they are full-time entrepreneurs (Owner-Managers) while 20% said they are not full-time entrepreneurs. For the full-time entrepreneurs, 54% fall within the age-group of 30-39 years, even as the youth account for only one-quarter of full-time entrepreneurs. Majority of those who are not full-time entrepreneurs are in full-time employment (39%) and are students (38%). 23% engage in part-time employment.



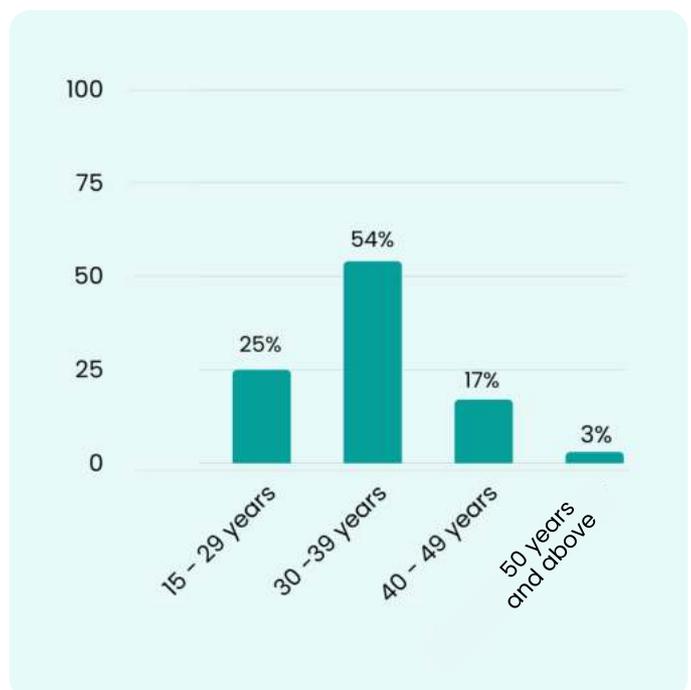
*“Majority of those who are not full-time entrepreneurs are in full-time employment (39%) and are students (38%).”*

With respect to educational qualification, 40% of the entrepreneurs surveyed have a Bachelor’s Degree, lower than 45% of respondents in 2021. 24% have a secondary education as their highest qualification, higher than 16% in the previous year. In essence, many entrants into the entrepreneurship space in the last one year have only completed secondary school education.

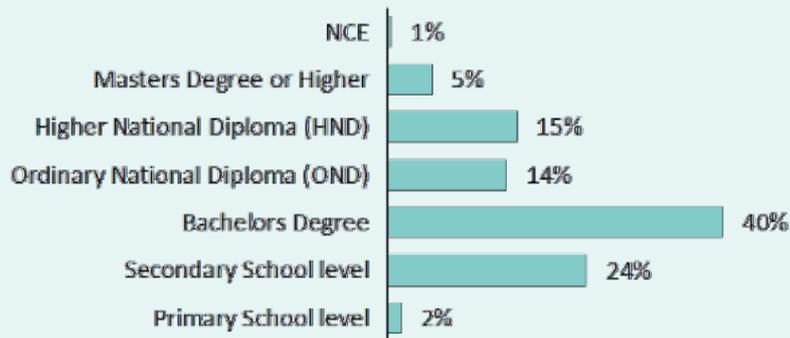
**Figure 8: Are you a full-time entrepreneur?**



**Figure 9: If yes, full-time entrepreneurs by age?**



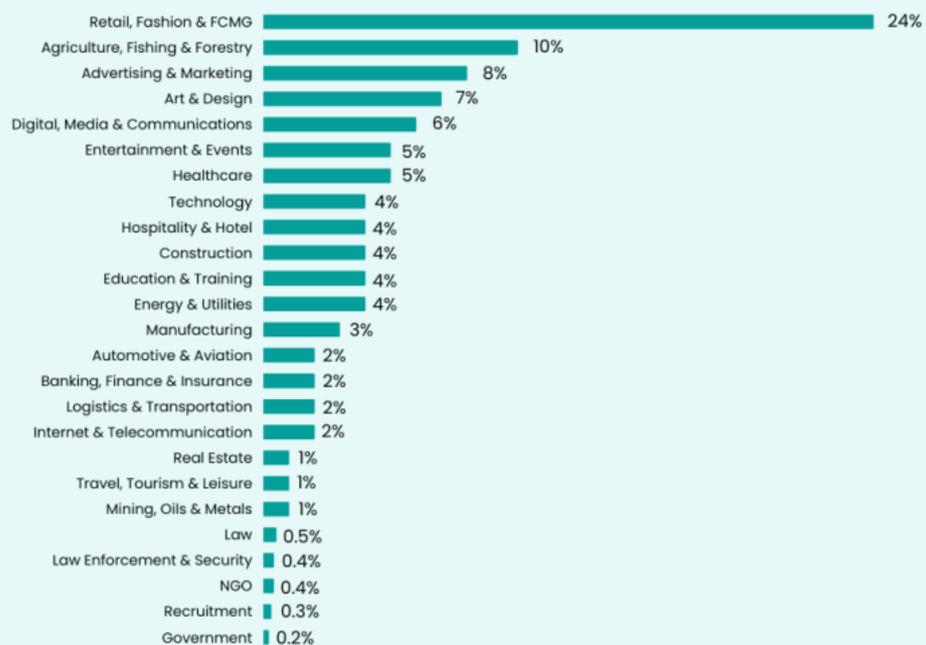
**Figure 10: Highest level of education among entrepreneurs**



## Sector of Operation

Many businesses in Nigeria operate in the services sector as reflected in Nigeria’s economic structure, which showed that the services sector accounted for 54% of GDP in 2021. In the SoE survey, 40% of businesses offer services while 25% sell goods. Another 35% sell both goods and services. In relation to the sectors, most businesses surveyed operate in the trade and fast-moving consumer goods segment (24%). Agriculture accounts for 10% of respondents while the manufacturing sector was 3%.

**Figure 11: Sector of Operation**



## Enterprise Birth and Mortality Rate

The birth of new businesses is often associated with job creation, income growth and expansion of a country's GDP. Business creation, therefore, is an important indicator in measuring the level of economic improvement over time. As shown in the previous section, 50% of businesses are 5 years old or less, suggesting that many businesses in Nigeria were created within this period. Among these young businesses, new businesses i.e., those created in the last one year, accounted for 63%.



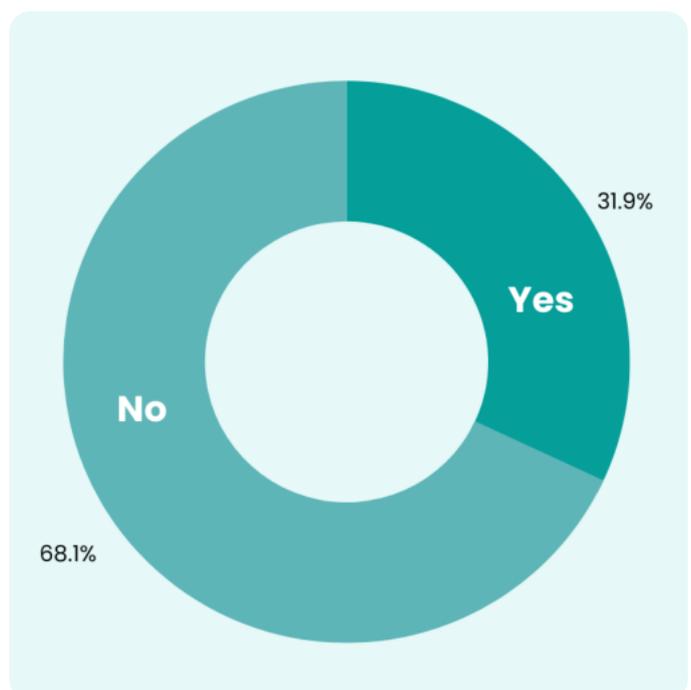
*"...new businesses i.e., those created in the last one year, accounted for 63%."*

Overall, new businesses accounted for 32% of total businesses surveyed, implying that for every 100 businesses surveyed, 32 were created in the last one year. Females accounted for 40% of new business created in Nigeria and majority of these businesses are in sectors such as Trade (40%), Advertising and Marketing (11%), Events and Entertainment (7.5%) and Agriculture (7.3%). Across states and the FCT, Imo state had the highest business birth rate as 76% of surveyed businesses in the state are new i.e. created in the last one year.

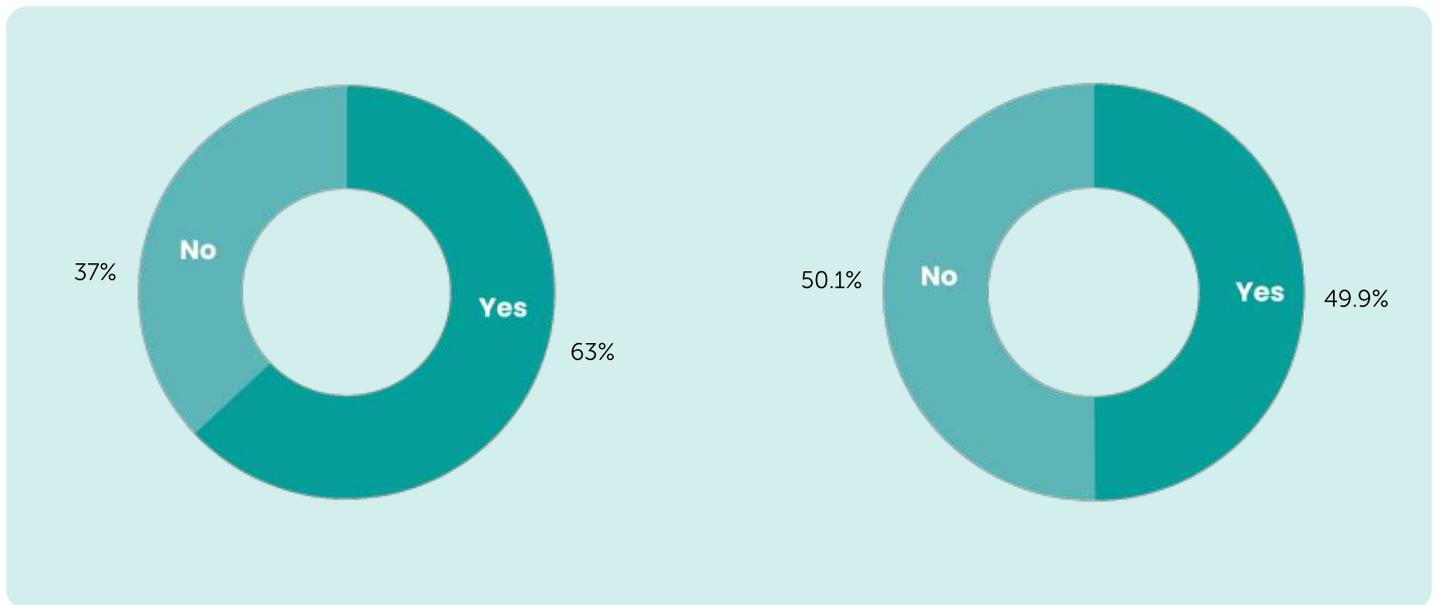
*"...Imo state had the highest business birth rate as 76% of surveyed businesses in the state are new i.e. created in the last one year."*

States such as Sokoto, Ogun, Bauchi, Gombe and Oyo also showed higher birth rates of 65%, 63%, 59%, 52% and 51% respectively. Anambra, Kogi, Abia, FCT and Taraba ranked in the bottom five in terms of business birth in the survey.

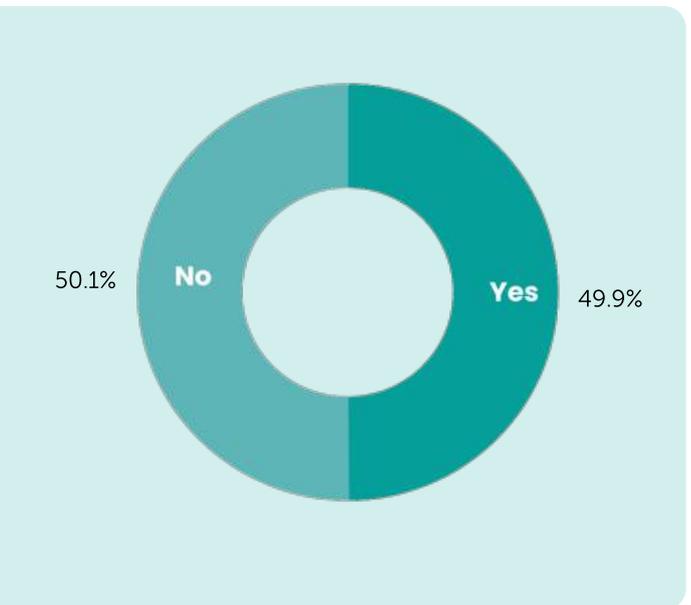
**Figure 12: Did you set up your business within the past one year?**



**Figure 13: Are you aware of a new business that was opened within the last one year?**



**Figure 14: Are you aware of any business that has shut down within the last one year?**



By gender, in 10 states out of the 36 states and the FCT, women led the creation of businesses more than men. Edo state ranked highest, as 65% of new businesses in the state were created by females. The other nine states with higher female-led business birth rates than male-led include Ekiti, Ogun, Anambra, Bayelsa, Osun, Ebonyi, Oyo, Kwara and Lagos.

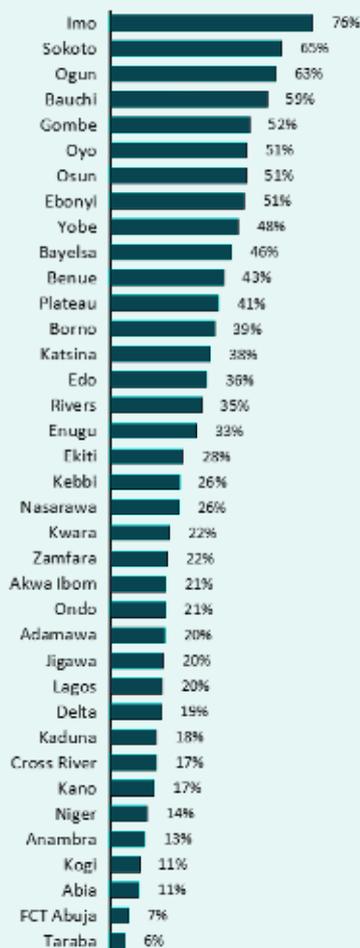
These states, except Kwara, are located in the southern part of the country. From a sector perspective, Agriculture accounted for 17% of business birth in the country. Government initiative such as the CBN Anchors Borrowers Programme and rising demand for food continue to drive business creation in the sector. Five sectors accounted for 52.1% of business birth in the last one year.

They include Agriculture; Retail, Fashion & FMCG; Advertising & Marketing; Digital, Media & Communications and Construction. Amongst youth-led businesses, 32% were newly established businesses. This share is close to the 31.9% general birth rate, and it is higher than the birth rate among all other age-range.



*"In 20 states out of the 36 states and the FCT, women led the creation of businesses more than men. Edo state ranked highest, as 65% of new businesses in the state were created by females."*

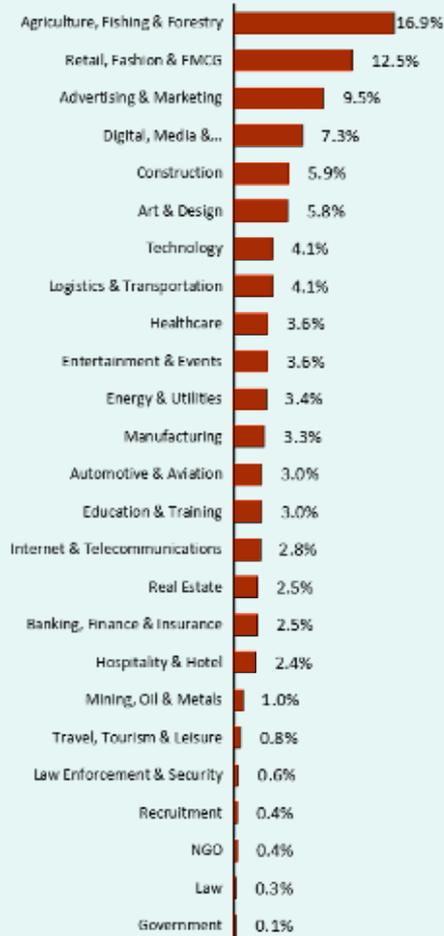
**Figure 15: Business Birth Rate by State**



**Figure 16: Business Birth Rate by Gender (% of new businesses by female)**



**Figure 17: Share of Business Birth by Sector**



As regards business demise, 50% of respondents said that they are aware of a business that has shut down within the last one year. By implication, as businesses are being created in Nigeria, many more are being shut, especially given the tough business terrain in the country.

# INDICATORS OF ENTREPRENEURSHIP IN NIGERIA





## Introduction – Entrepreneurial Index 2.0

This section presents the entrepreneurial index, the FATE Institute’s annual measure of the state of entrepreneurship development in Nigeria. Given that entrepreneurship is key to the development of any economy through its contribution to job creation, revenue generation and improved citizens welfare, this index provides quantifiable information that can help policy makers to assess their interventions against a set of factors that determine entrepreneurship development – access to skills, enabling business environment, innovation and technology adoption, business dynamism and improved profitability.

The index was constructed from responses of the State of Entrepreneurship survey in Nigeria covering all 36 States and the Federal Capital Territory (FCT).

**\***

“Due to the previous year’s limited geographical coverage – 26 States, this year’s index will be considered as the base year for subsequent entrepreneurial indices”

*“The index was constructed from responses of the State of Entrepreneurship survey in Nigeria covering all 36 States and the Federal Capital Territory (FCT).”*

As with the pilot edition last year, five (5) pillars – business performance, skills acquisition, innovation and technology adoption, perception of opportunities and enabling business environment are used to measure the state of entrepreneurship in Nigeria, drawing insights from our expertise on the business environment and from existing literature/studies.

*“...business performance, skills acquisition, innovation and technology adoption, perception of opportunities and enabling business environment are used to measure the state of entrepreneurship in Nigeria”*

Each pillar represents an aspect of entrepreneurship and captures a set of similar indicators which are then measured and aggregated to form an index. The index score ranges between 0 and 1, where zero represents a very weak state of entrepreneurship as described by the indicators while 1 represents a very strong state of entrepreneurship in Nigeria.

**Based on the learnings from last year’s index, this year’s indicators have the following reviews:**

- Replacement of Digital Adoption with Innovation and Technology adoption to better reflect the relevant indicators that measure the extent to which entrepreneurs introduce new products and better processes towards improving profitability and overall business performance; and
- Inclusion of Access to Finance as an indicator under the enabling business environment pillar – marking an improvement in the index methodology.

**Table 3: Indicators of Entrepreneurship in Nigeria**

Indicators of Entrepreneurship	
Pillars & Assigned Weight	Indicators
 <p><b>Business Performance</b> Weight – 25%</p>	<ul style="list-style-type: none"> <li>• Has your business experienced any growth in the last 1 year?</li> <li>• Are you aware of a new business that was opened within the last one year?</li> <li>• Are you aware of any business that has shut down within the last one year?</li> <li>• Did you set up a new business within the past one year?</li> <li>• In the past one year, have you employed new staff?</li> </ul>
 <p><b>Skills Acquisition</b> Weight – 23%</p>	<ul style="list-style-type: none"> <li>• What is your highest level of education?</li> <li>• Have you had to acquire skills to better run your business in the last one year?</li> </ul>

## Indicators of Entrepreneurship

Pillars & Assigned Weight	Indicators
 <p><b>Innovation &amp; Technology Adoption</b> Weight – 21%</p>	<ul style="list-style-type: none"> <li>• Did you introduce a new product and or service in the last one year?</li> <li>• Did you introduce new processes to improve your business performance in the last one year?</li> <li>• Do you use technology while carrying out your business operation?</li> <li>• Rate the use of technology to improve your business performance over the past one year</li> </ul>
 <p><b>Perception of the Future Opportunities</b> Weight – 21%</p>	<ul style="list-style-type: none"> <li>• How optimistic or pessimistic are you about business opportunities in the next one year?</li> <li>• Are you likely to expand your business operations within the next one year?</li> </ul>
 <p><b>Enabling Business Environment</b> Weight – 10%</p>	<ul style="list-style-type: none"> <li>• How would you rate the business environment where your business is currently operating?</li> <li>• How would you describe accessing support from your state government?</li> <li>• Have you been able to raise finance for your business over the past one year?</li> <li>• Are you aware of the Removable Collateral Registry Initiative by the Government?</li> </ul>

### The Entrepreneurial Index: Results and Interpretation

The result showed an overall entrepreneurial index score of 0.58 out of 1.0, indicating a slightly better than average performance on entrepreneurship development across the country – average score is 0.5. In the previous year's (2021) survey, the index score was 0.69<sup>3</sup>. Generally, this year's index shows average or near average scores across three pillars – business performance (0.50), skills acquisition (0.48) and enabling business environment (0.46).

**Table 4: Sub-Indices Summary Statistics**

	Number	Minimum	Maximum	Index Score	Distance to Perfect Score
Business Performance	8573	0.00	1.00	0.50	0.50
Skills Acquisition	8565	0.00	1.00	0.48	0.52
Innovation & Technology Adoption	8508	0.00	1.00	0.55	0.45
Perception of Opportunities	8457	0.00	1.00	0.80	0.20
Enabling Business Environment	8530	0.00	1.00	0.46	0.54
<b>Overall Index</b>	<b>8651</b>	<b>0.00</b>	<b>1.00</b>	<b>0.58</b>	<b>0.42</b>

<sup>3</sup> Year 2021 index was prepared to capture perceptions on the impact of covid-19 on some entrepreneurship development indicators, hence, will not be considered as a comparable base year for year 2022 index score. Additionally, the index for 2021 only covered 26 out of the 37 subnational entities in Nigeria. Users of the report are therefore advised to take caution when comparing the scores.

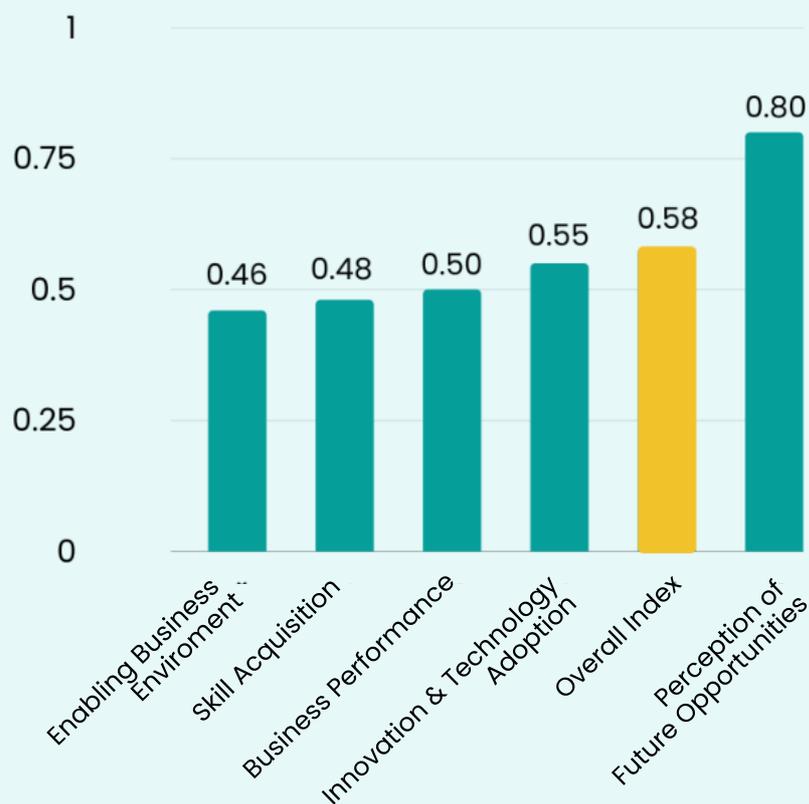


The best performing pillar was perception of opportunities with an index score of 0.80 out of 1.0. The result depicted that most entrepreneurs are highly optimistic about the future of their businesses and are more likely to expand their business in the coming year despite the harsh business environment, which impacts on business performance and the capacity to innovate and scale.

This level of optimism and confidence is encouraging and should propel policy makers and the government to design and implement relevant policies and support programs to enable entrepreneurs innovate, grow and scale their businesses, thus driving economic growth.

For the second year running, the enabling environment pillar was the worst performing, with the lowest score of 0.46. This confirms the assertion that most entrepreneurs in Nigeria perceive that the policy and enabling environment support are not sufficient and/or as supportive of their entrepreneurial growth and aspirations.

**Figure 18: Entrepreneurial Index Score**





### Sub-National/State-Level Entrepreneurial Index Score: Report and Ranking

The table below shows the overall index score, and the sub-indices score for each state. As shown in the table, Imo state ranked the highest with a score of 0.82, followed by Bauchi – 0.72, Delta – 0.70, and Gombe and Plateau states both with 0.69. Entrepreneurs in these states have positive perception about the business environment – are more optimistic that their businesses will improve in the next one year and are more likely to expand operations.

However, Kogi and Taraba States and the FCT show overall index score below 0.40, indicating a comparably weak state of entrepreneurship development in those subnational entities. Imo state appears to be a frontier state on entrepreneurship development in the country as shown in the table,

ranking top on business performance, skills acquisition, innovation and digital technology adoption and enabling business environment. In other areas of the SoE survey, it is important to note that Imo state has the highest share of business birth rate and is the second highest state (after Kebbi) in terms of the share of entrepreneurs that reported being able to access finance in the last one year.

*“Imo state appears to be a frontier state on entrepreneurship development in the country as shown in the table, ranking top on business performance, skills acquisition, innovation and digital technology adoption and enabling business environment.”*

**Table 5: Entrepreneurial Index by States**

RANK	State	Business Performance	Skills Acquisition	Innovation & Technology Adoption	Perception of Opportunities	Enabling Business Environment	Index Score
1	Imo	0.17	0.16	0.18	0.22	0.08	0.82
2	Bauchi	0.15	0.14	0.17	0.21	0.05	0.72
3	Delta	0.16	0.12	0.13	0.23	0.05	0.70
4	Plateau	0.15	0.15	0.15	0.21	0.04	0.69
5	Gombe	0.15	0.14	0.15	0.20	0.04	0.69
6	Bayelsa	0.14	0.14	0.15	0.20	0.05	0.68
7	Edo	0.14	0.13	0.14	0.21	0.05	0.67
8	Kaduna	0.12	0.12	0.17	0.20	0.05	0.66
9	Ebonyi	0.15	0.12	0.15	0.19	0.04	0.65
10	Benue	0.13	0.14	0.13	0.20	0.05	0.65

RANK	State	Business Performance	Skills Acquisition	Innovation & Technology Adoption	Perception of Opportunities	Enabling Business Environment	Index Score
11	Katsina	0.14	0.11	0.12	0.20	0.06	0.63
12	Ekiti	0.13	0.11	0.13	0.19	0.06	0.63
13	Lagos	0.12	0.11	0.14	0.20	0.04	0.63
14	Borno	0.15	0.12	0.11	0.19	0.06	0.62
15	Rivers	0.12	0.11	0.12	0.20	0.04	0.60
16	Oyo	0.13	0.10	0.12	0.20	0.05	0.60
17	Ogun	0.15	0.07	0.12	0.20	0.05	0.59
18	Osun	0.14	0.09	0.13	0.19	0.05	0.59
19	Adamawa	0.12	0.11	0.11	0.20	0.05	0.59
20	Nassarawa	0.11	0.09	0.13	0.20	0.05	0.58
21	Kano	0.12	0.08	0.12	0.20	0.05	0.58
22	Ondo	0.14	0.10	0.14	0.13	0.06	0.58
23	Sokoto	0.15	0.07	0.13	0.18	0.05	0.57
24	Kebbi	0.14	0.11	0.11	0.15	0.05	0.57
25	Kwara	0.12	0.10	0.10	0.20	0.04	0.56
26	Cross River	0.10	0.09	0.10	0.21	0.05	0.55
27	Yobe	0.14	0.07	0.11	0.17	0.05	0.54
28	Enugu	0.13	0.11	0.11	0.15	0.05	0.54
29	Jigawa	0.11	0.08	0.10	0.17	0.05	0.52
30	Niger	0.11	0.11	0.07	0.20	0.02	0.51
31	Anambra	0.13	0.08	0.12	0.12	0.04	0.50
32	Akwa Ibom	0.13	0.09	0.08	0.15	0.05	0.49

RANK	State	Business Performance	Skills Acquisition	Innovation & Technology Adoption	Perception of Opportunities	Enabling Business Environment	Index Score
33	Zamfara	0.10	0.07	0.07	0.20	0.03	0.45
34	Abia	0.11	0.07	0.05	0.12	0.05	0.40
35	Kogi	0.07	0.10	0.06	0.12	0.03	0.38
36	FCT	0.07	0.07	0.05	0.16	0.02	0.36
37	Taraba	0.06	0.05	0.04	0.18	0.03	0.36

## CONCLUSION

Improving Nigeria's entrepreneurship ecosystem is critical to the country's job creation strategy and particularly to the government's aspiration to maximize the contribution of the private sector to the nation's development agenda. The entrepreneurship index reveals the need for policy makers – both at the federal and state level to focus their policy interventions on areas that will improve the business environment, enhance the innovative capability of businesses and their level of productivity.

*The entrepreneurship index reveals the need for policy makers – both at the federal and state level to focus their policy interventions on areas that will improve the business environment, enhance the innovative capability of businesses and their level of productivity.*



While entrepreneurs show optimism and are more likely to expand operations in the next one year, majority of them continue to struggle with issues like access to finance, skills and digital technology that are important in improving their businesses. Subnational entities and the federal government will need to develop more collaborative policies and programmes that will address these bottlenecks and improve firms' capacity to create jobs and contribute meaningfully to the country's sustainable growth agenda.

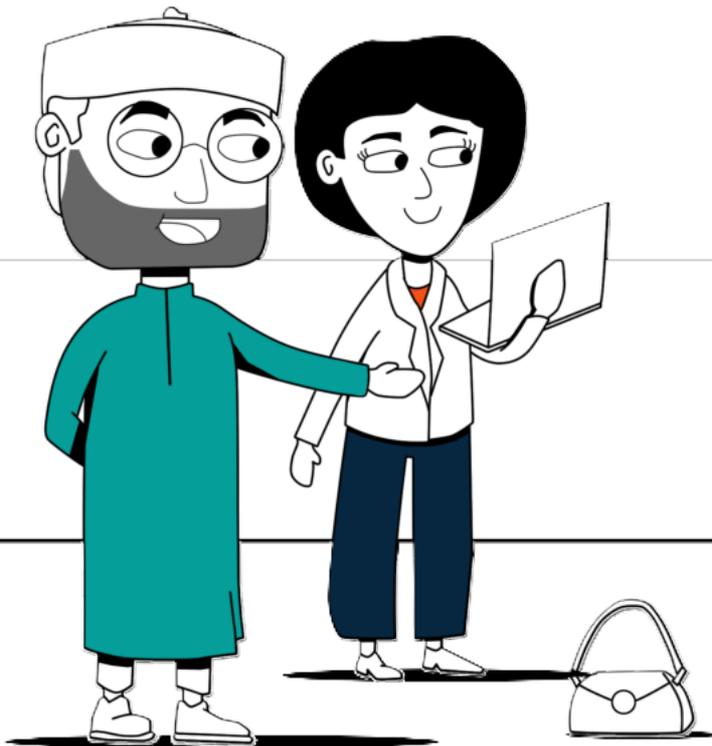
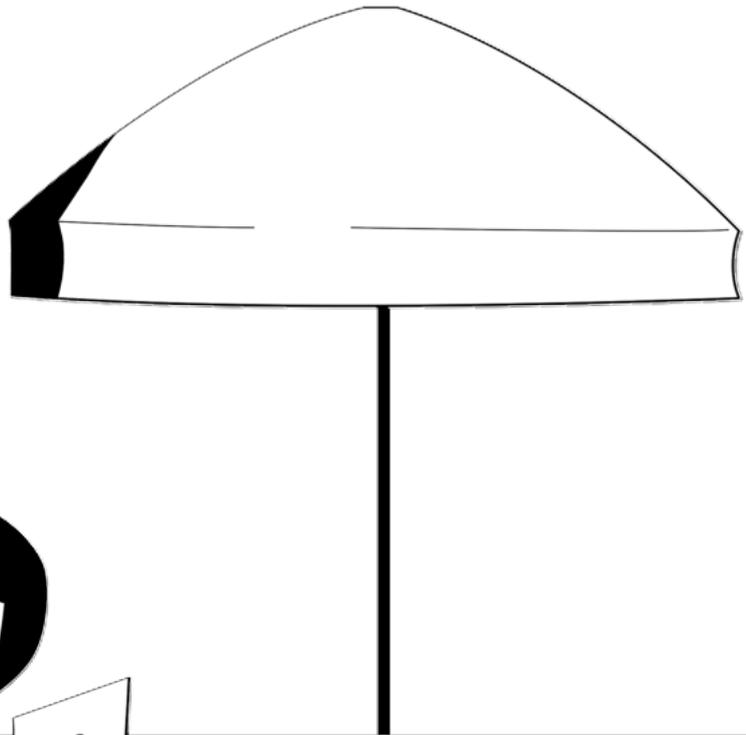
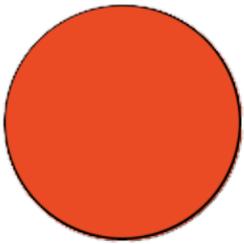
**Table 6: Entrepreneurial Index by States (2021 and 2022 Index score)<sup>4</sup>**

	Weighted Overall Index Score (2022)	Weighted Overall Index Score (2021)
Imo	0.82	0.79
Bauchi	0.72	0.72
Delta	0.70	0.77
Gombe	0.69	0.64
Plateau	0.69	0.65
Edo	0.67	0.72
Kaduna	0.66	0.70
Ekiti	0.63	0.71
Katsina	0.63	0.69
Lagos	0.63	0.69
Oyo	0.60	0.51
Rivers	0.60	0.70
Adamawa	0.59	0.53
Ogun	0.59	0.70
Osun	0.59	0.73
Kano	0.58	0.65
Nassarawa	0.58	0.68
Kebbi	0.57	0.59
Kwara	0.56	0.76
Enugu	0.54	0.71

	Weighted Overall Index Score (2022)	Weighted Overall Index Score (2021)
Niger	0.51	0.59
Akwa Ibom	0.49	0.68
Zamfara	0.45	0.61
Abia	0.40	0.80
Kogi	0.38	0.76
FCT	0.36	0.68
Bayelsa	0.68	N/A
Benue	0.65	N/A
Ebonyi	0.65	N/A
Borno	0.62	N/A
Ondo	0.58	N/A
Sokoto	0.57	N/A
Cross River	0.55	N/A
Yobe	0.54	N/A
Jigawa	0.52	N/A
Anambra	0.50	N/A
Taraba	0.36	N/A

<sup>4</sup>Comparison of 2022 index score with that of 2021 should be treated with caution for several reasons: Year 2021 index was prepared to capture perceptions on the impact of covid-19 on some entrepreneurship development indicators, hence, will not be considered as a comparable base year for year 2022 index score. Additionally, the index for 2021 only covered 26 out of the 37 subnational entities in Nigeria. There was a slight change to the methodology. See Appendix for details.

# BUSINESS PERFORMANCE AND TRENDS IN JOB CREATION





Despite the tough business terrain, majority of businesses indicated continued recovery from the negative impact of the COVID-19 pandemic and its attendant effect on the economy. 75% of entrepreneurs surveyed noted that their businesses experienced growth in the last one year and many younger businesses experienced growth relative to older businesses.

Among businesses that grew, 49% were between the age range of 1-5 years while 34% were 6-10 years. In terms of growth areas, increase in the number of customers and increase in profit emerged as the leading areas while the creation of new business outlets and new product/services were the least-growth areas.

*75% of entrepreneurs surveyed noted that their businesses experienced growth in the last one year and many younger businesses experienced growth relative to older businesses.*

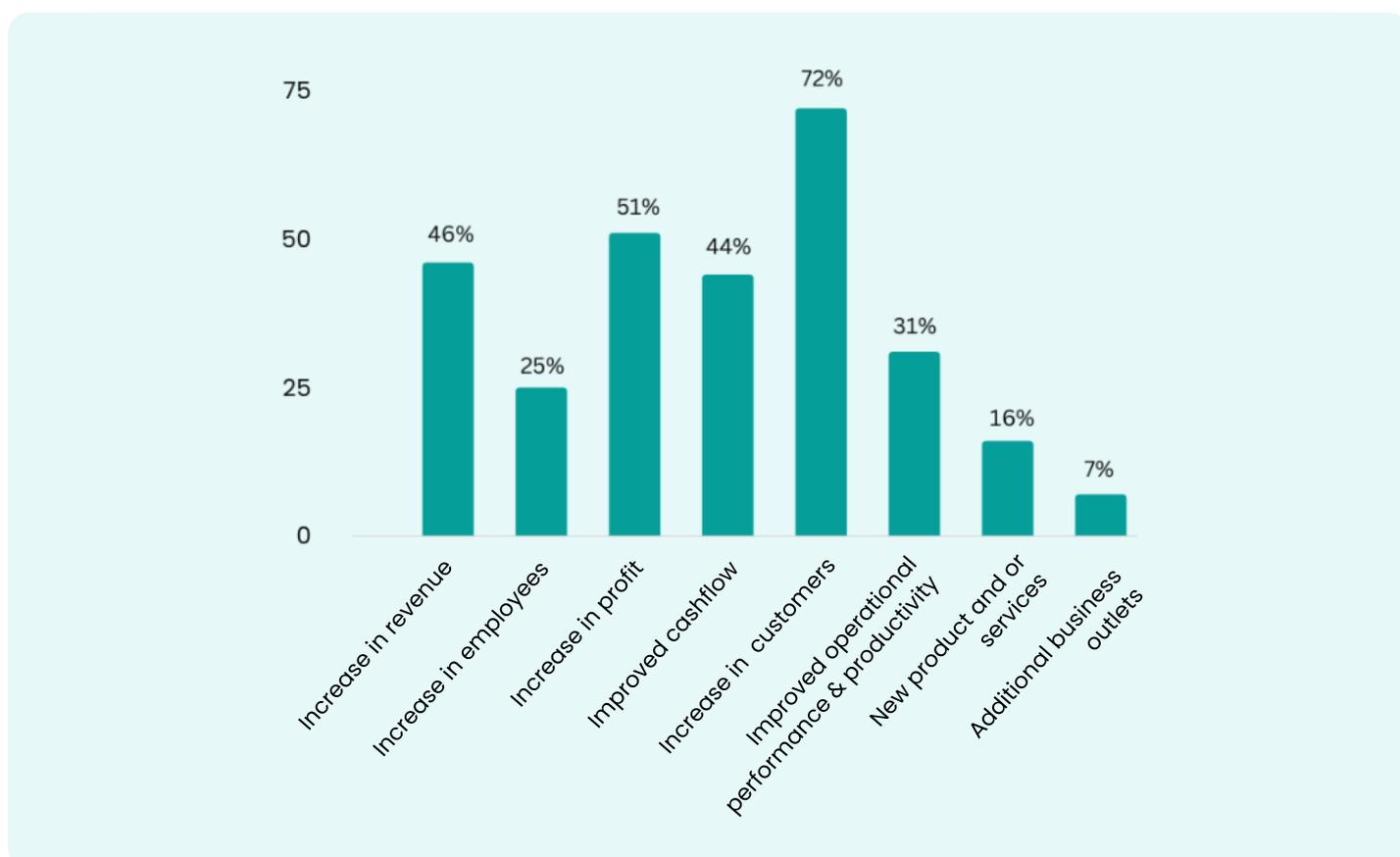
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Across three of the major growth areas, the magnitude of growth differs. 34% of businesses that grew experienced revenue growth in the range of 6-10% while only 5% reported a growth rate of over 20%. But for increase in the number of customers, majority of businesses experienced a much higher growth rate - 32% of businesses reported a growth rate of 11% - 15% and 10% of businesses grew by over 20%.

**Table 7: Has your business experienced any growth in the last 1 year?**

	All	1-5 years	6-10 years	11-15 years	16-20 years	Over 20 years
<b>Yes</b>	75%	49%	34%	11%	3%	3%
<b>No</b>	25%					

**Figure 19: Areas where entrepreneurs experienced growth (% of entrepreneurs that experienced growth )**

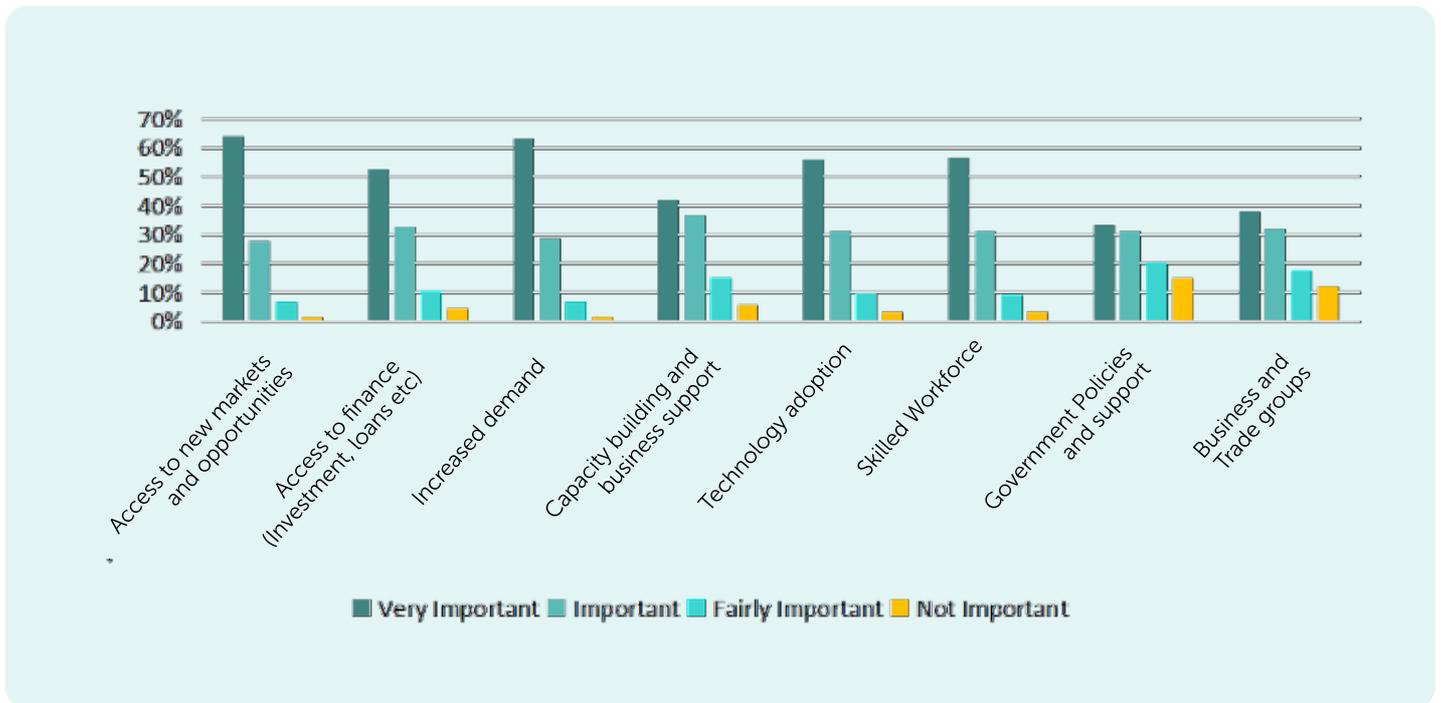


### Factors that drove business growth in the last one year

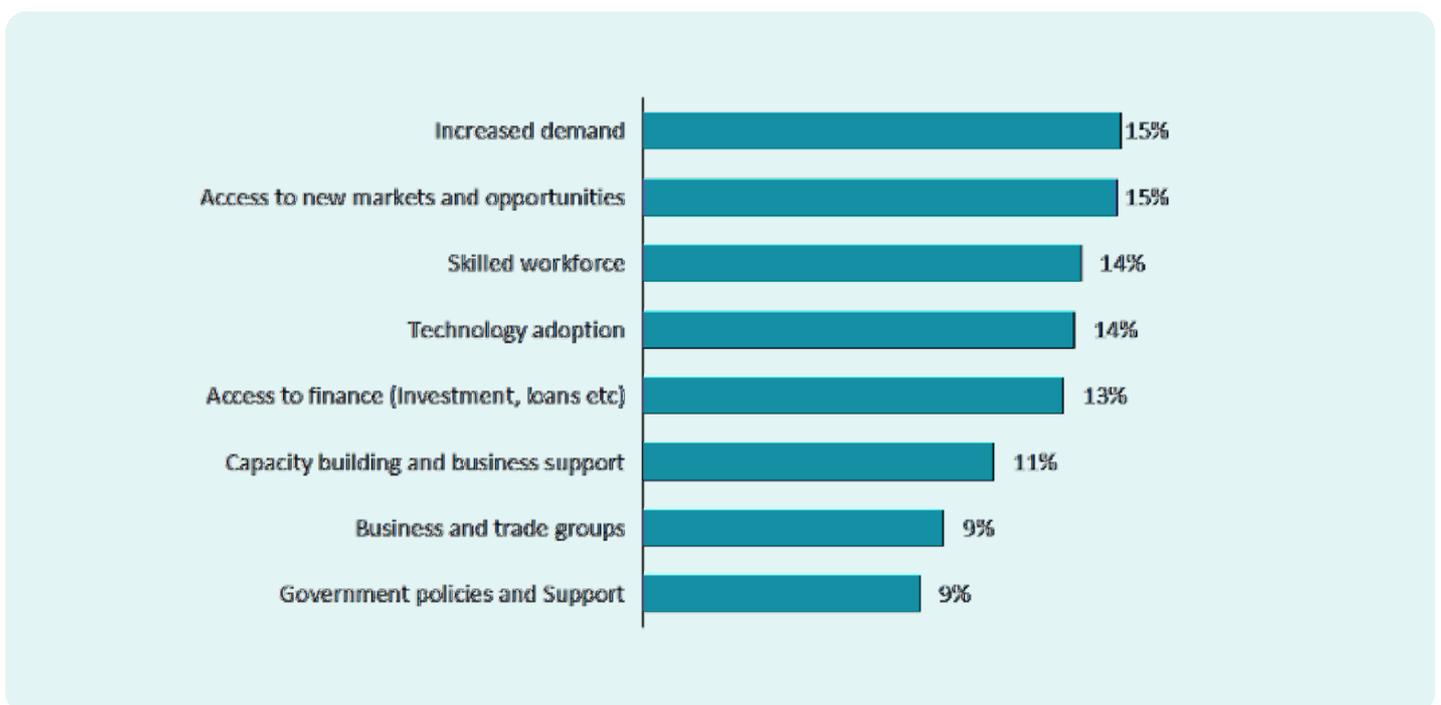
Increased demand and access to new markets and opportunities were the most important factors that led to the growth of businesses in the last one year. These factors coincided with the increase in the number of customers as reported by businesses in the growth areas.

Several factors such as rising prices of basic necessities, increase in money supply and opening of land borders can be linked to the growth in demand and access to new markets.

**Figure 20: What factors contributed to your business growth? (% of entrepreneurs)**



**Figure 21: What factors contributed to your business growth? (Ranking of respondents responses)**







On the contrary, entrepreneurs viewed government policies and support as well as support from business and trade groups as factors that are not significantly important in driving business growth. This confirms the assertion that many young business owners do not get adequate support from the government and business groups across the country. Generally, the ranking of these factors followed the same pattern when compared with results in the 2021 SoE report.

For businesses that did not grow, majority cited lack of finance, poor access to markets, poor power supply and limited business support as major factors that limited business growth in the last one year. Issues such as infrastructure and foreign exchange challenges ranked lower mainly because businesses are finding ways to cope with these problems overtime.

**Figure 22: What factors do you think mitigated your business growth? (Ranking of respondents' responses)**



# PERFORMANCE OF FEMALE-LED BUSINESSES IN NIGERIA





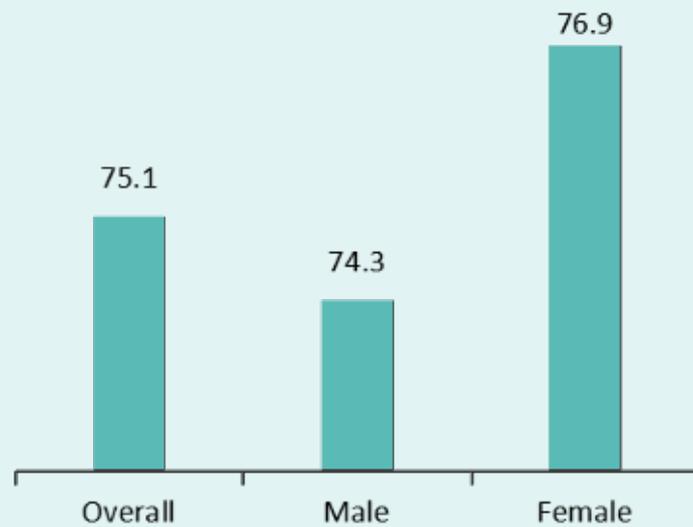
## *Relatively, more female-led businesses recorded growth in Nigeria in the last one year*

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As economic activities increasingly take shape after the ease of lockdown measures, businesses in Nigeria are experiencing growth. According to the 2022 SoE survey, 76.9% of female-led businesses surveyed recorded growth in the past one year, as against 23.1% that did not record any growth. Besides, the number of female-led businesses that grew exceeded that of male-led businesses

- 74.3% of male-led businesses recorded growth in the past year. The growth in female-owned businesses was motivated largely by increase in customers, as reported by 72.6% of businesses that grew. Other growth areas, as reported by female entrepreneurs, include increase in profit, increase in revenue and improved cash flow.

**Figure 23: Businesses that experienced growth by gender (% male/female respondents)**



**Figure 24: Areas where female-led businesses entrepreneurs experienced growth (% of female-led businesses that grew)**



## Growth of female-led businesses was motivated by access to new markets and opportunities

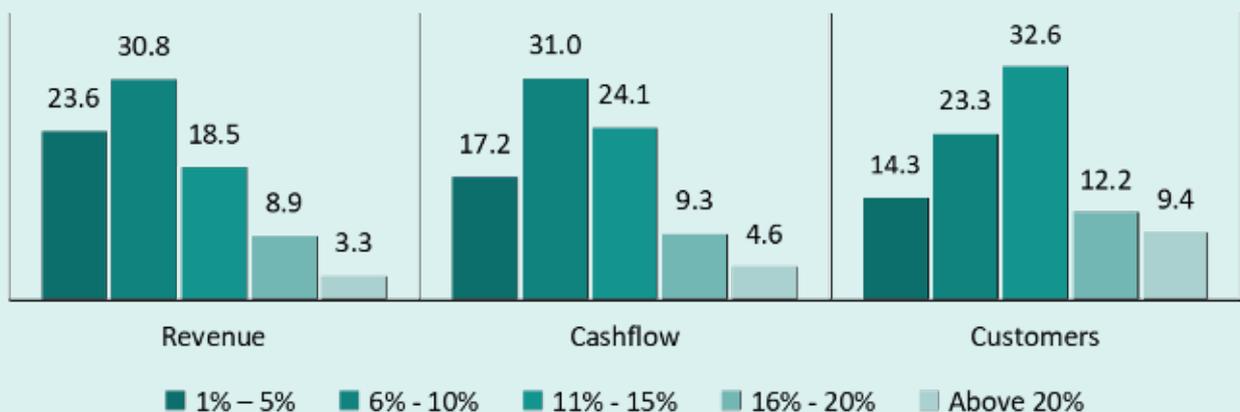
Many female-led businesses that grew in the past one year reported growing at over 5% across three major aspects of their businesses. In terms of revenue, 30.8% and 18.5% of female-led businesses that grew recorded growth of 6%-10% and 11%-15%, respectively. Meanwhile, 23.6% of female entrepreneurs whose businesses recorded growth reported that their businesses experienced 1%-5% growth in revenue.

The trend is similar across other aspects of their businesses (see Figure 25). According to the female entrepreneurs, access to new markets and opportunities is the most important factor that motivated their growth over the past one year, closely followed by increased demand. Other important factors that drove the growth of female-led businesses include technology adoption, access to finance and skilled workforce.



*“In terms of revenue, 30.8% and 18.5% of female-led businesses that grew recorded growth of 6%-10% and 11%-15%, respectively.”*

**Figure 25: Growth rates across aspects of female-led businesses (% of female-led businesses that grew)**



**Figure 26: Drivers of business growth by order of aggregated importance (% of female-led businesses that grew)**



## Lack of finance constitutes a major bane to female-led businesses that did not grow

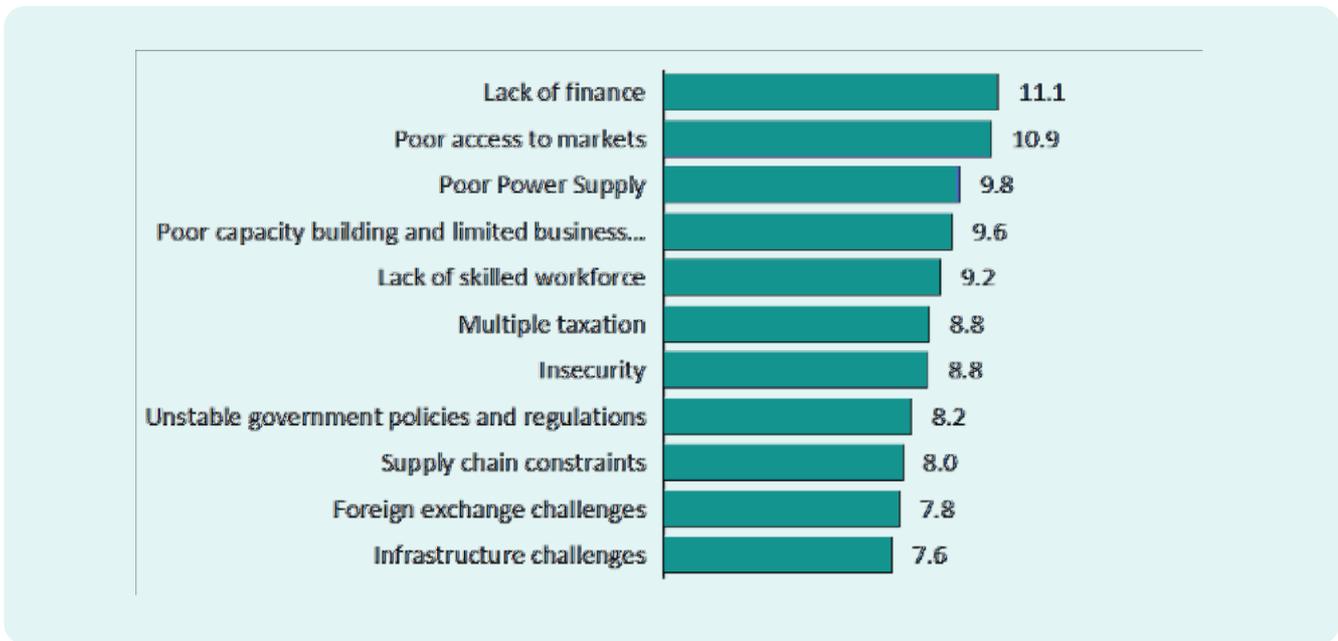
**23.1% of female-led businesses did not record growth over the past one year.** Owners of these businesses reported that lack of finance was the most important mitigating factor to their growth. Closely related to lack of finance is poor access to markets. Other factors that limited the performance of female-led businesses include poor power supply, poor capacity building and limited business support, and lack of skilled workforce.

*"23.1% of female-led businesses did not record growth over the past one year. Owners of these businesses reported that lack of finance was the most important mitigating factor to their growth."*

Against conventional belief in Nigeria, infrastructure and foreign exchange challenges are the least important factors that inhibited business growth for female entrepreneurs in Nigeria. Perhaps, businesses are finding ways to get accustomed to these challenges.



**Figure 27: Drivers of business slowdown by order of aggregated importance (% of female-led businesses that did not grow)**

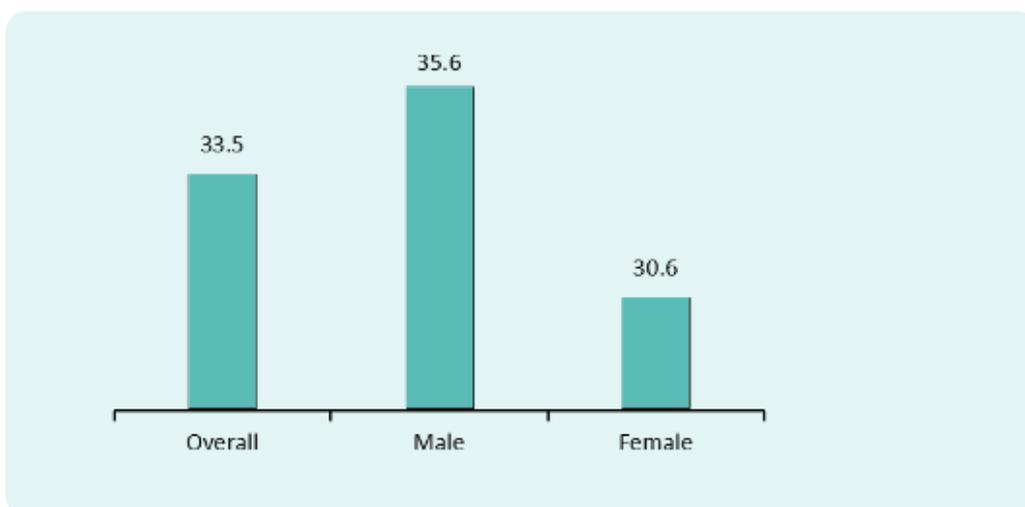


### Job creation among female-led businesses

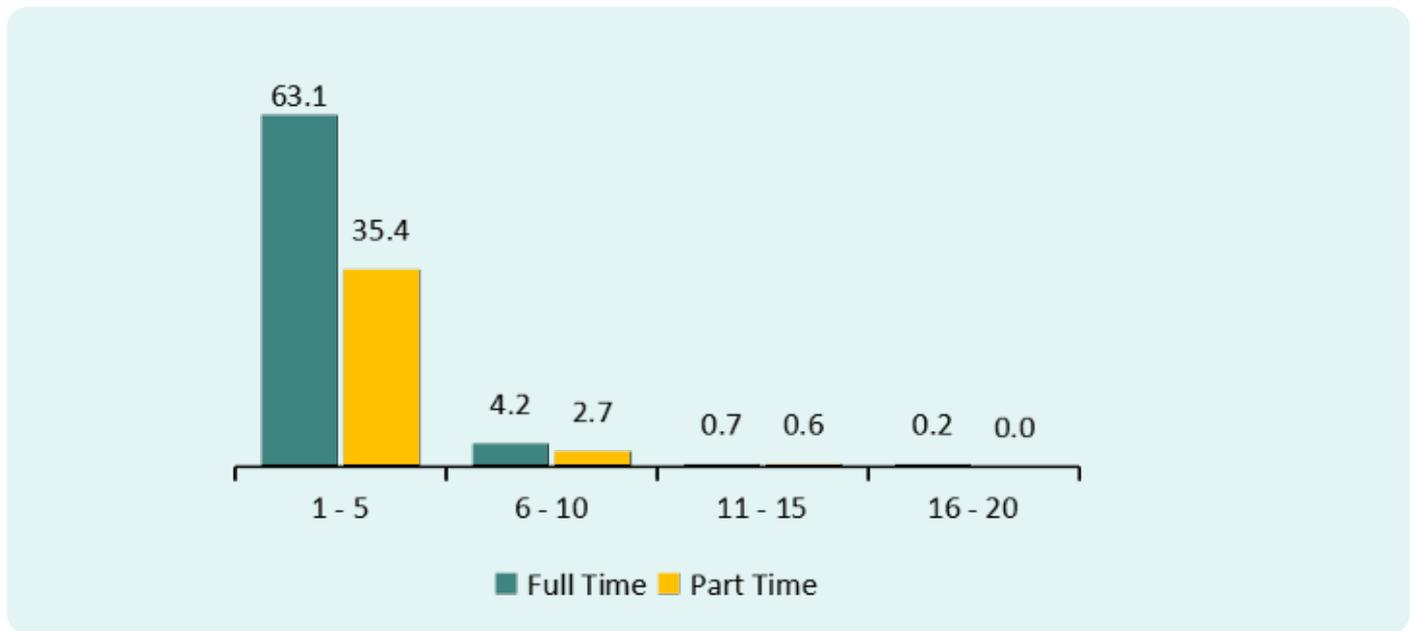
In 2022, Nigerian entrepreneurs reported hiring workers in the past one year. 30.6% of female-owned businesses employed new staff. While this is commendable, it fell short of the proportion of male-led businesses, which had a higher rate of 35.6%.

Nevertheless, **63.1% and 35.4% of the female businesses that recorded an increase in employment say that they employed between 1 – 5 new full-time and part-time employees**, respectively. Meanwhile, 4.2% and 2.7% of them reported they employed 6 – 10 new full-time and part-time employees, respectively.

**Figure 28: Entrepreneurs that employed in the past one year by gender (% of businesses in each category)**



**Figure 29: Number of employees employed by female-led businesses in the past year by employment status (%)**



### Skill acquisition among female-led business in Nigeria

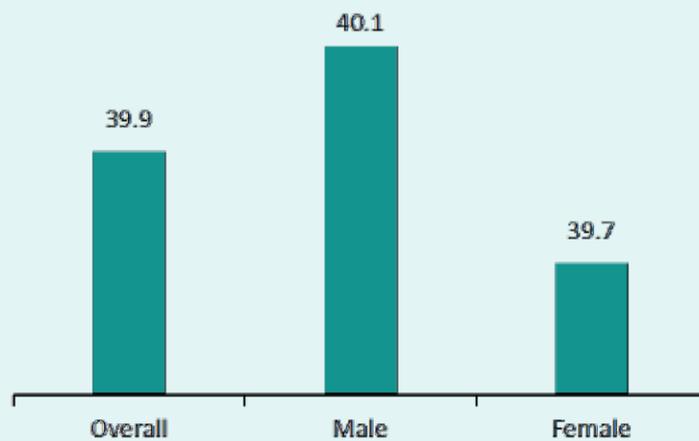
A substantial proportion of female-led businesses acquired skills to manage their businesses better. 39.7% of female entrepreneurs acquired training in this regard; however, slightly lower than the proportion of male entrepreneurs. Furthermore, 47.6% of female entrepreneurs that took training over the past year said their training was in business management; 31.8% in business expansion and 29.9% in managing people.

*"...47.6% of female entrepreneurs that took training over the past year said their training was in business management; 31.8% in business expansion and 29.9% in managing people."*



The female entrepreneurs further reported that the trainings were largely offered by private sector-led entrepreneurship programmes, as reported by 57.2%. Other major avenues for training include government support programmes (30.7%) and enterprise support organisations (28.1%). Majority of female entrepreneurs also referred to the trainings as useful for their businesses.

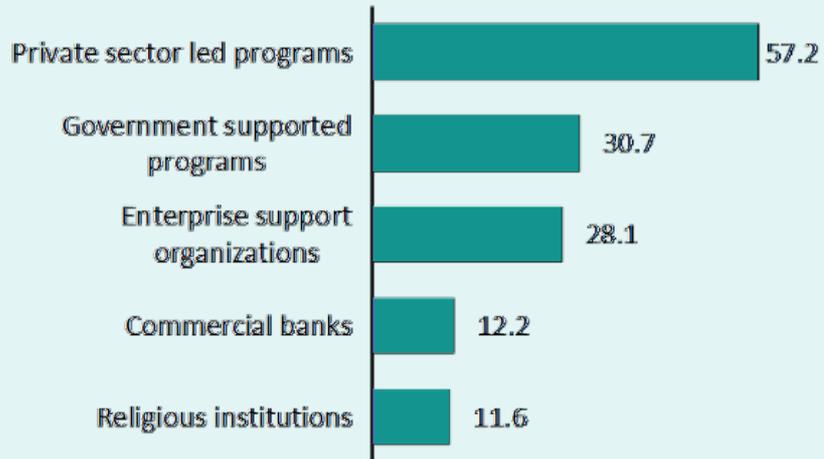
**Figure 30: Share of Entrepreneurs that acquired training in the past one year (%)**



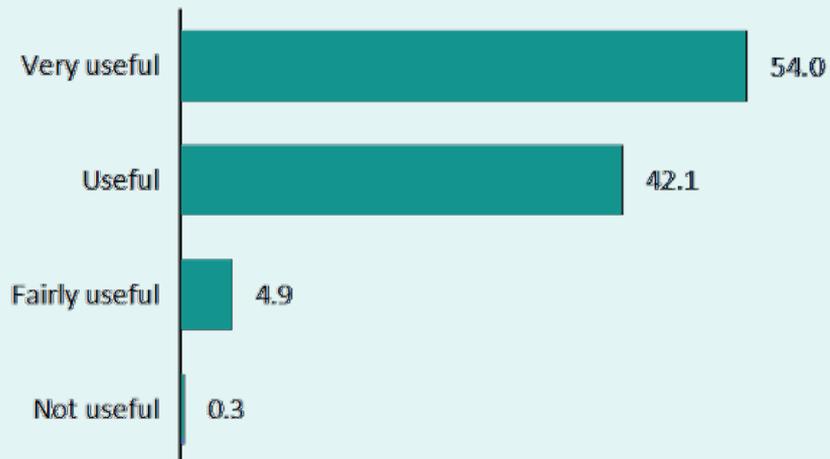
**Figure 31: Areas of specialisation of female entrepreneurship training (%)**



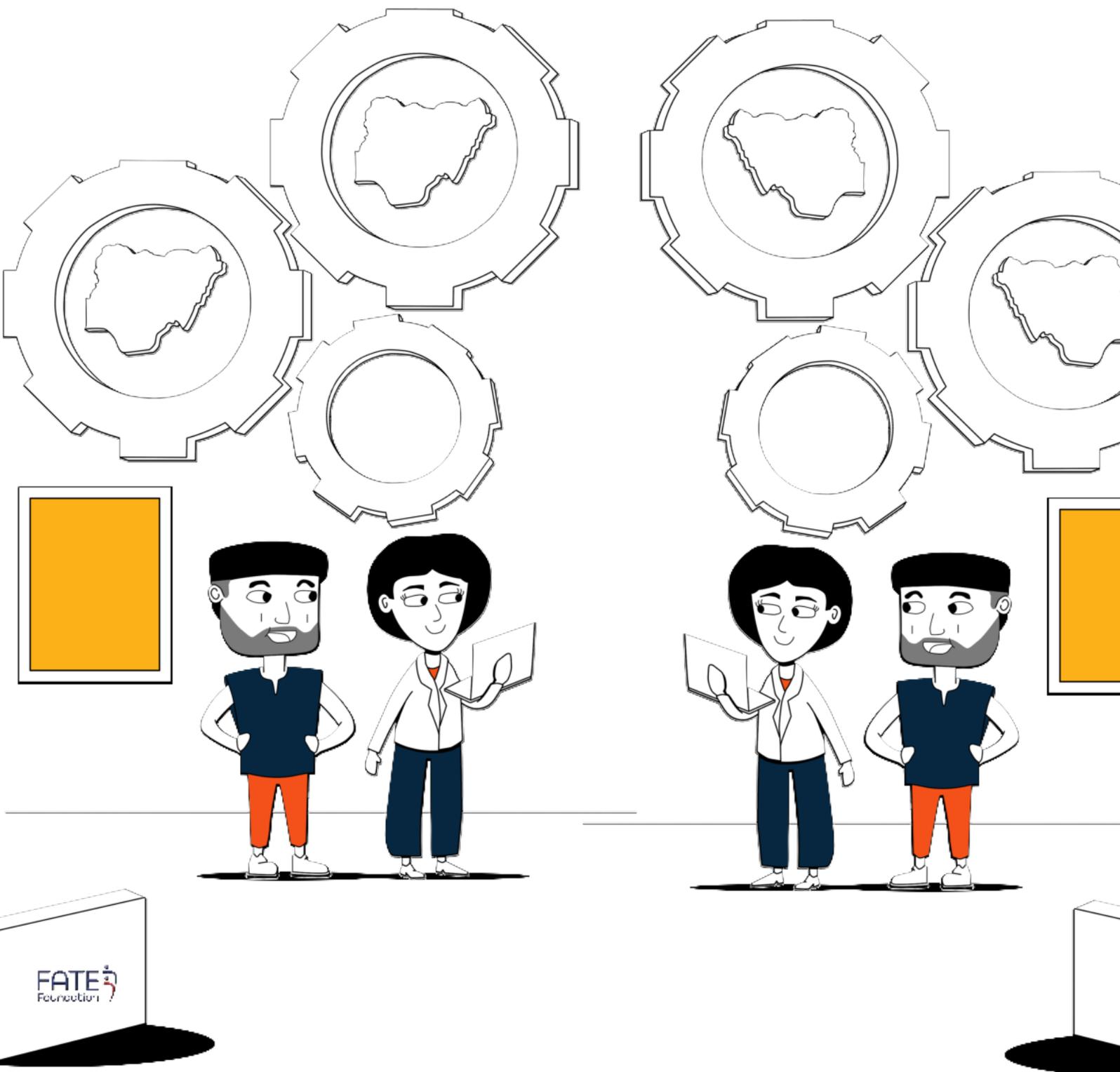
**Figure 32: Institutions offering entrepreneurship training for female-led businesses (%)**



**Figure 33: Usefulness of entrepreneurship training received by female entrepreneurs in the past year (% of female entrepreneurs that attended training)**



# PERFORMANCE OF YOUTH-LED BUSINESSES IN NIGERIA





## *Youth entrepreneurs continue to thrive despite the challenging business environment*

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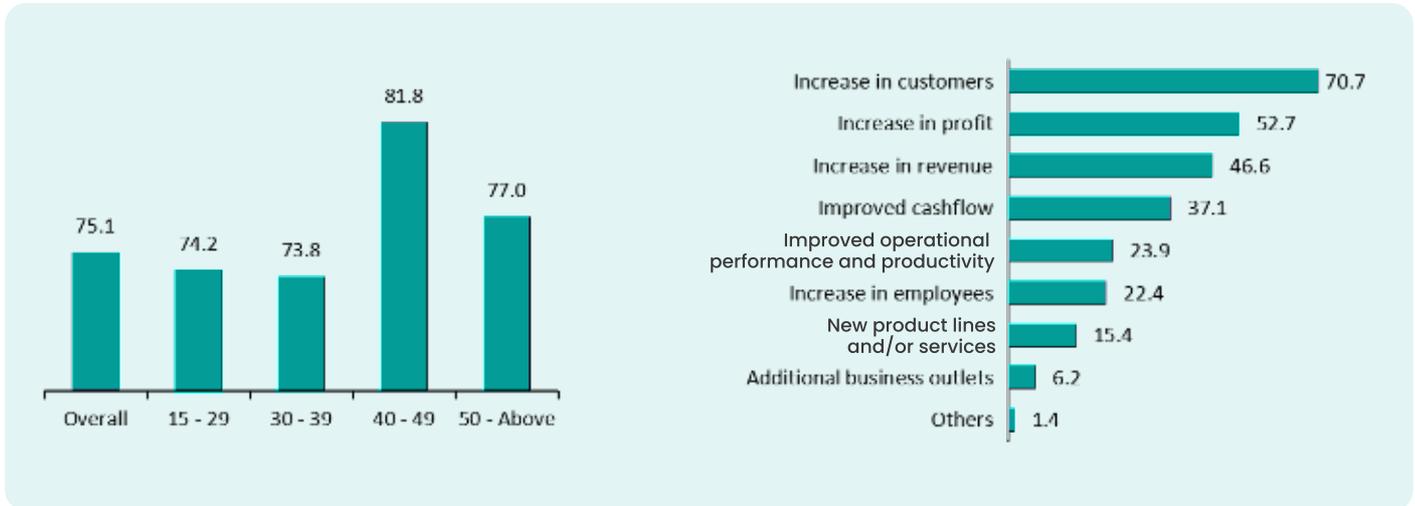
Despite elevated risks in the operating environment, Nigerian youth entrepreneurs are thriving. According to the 2022 SoE survey, 74.2% of youth-led businesses in Nigeria recorded growth over the past year, as against 25.8% that did not record any growth.

According to 70.7% of the youth entrepreneurs surveyed, the recent growth recorded in their businesses was largely motivated by increase in customers, which transcended into increase in profit, revenue, and cash flow. Growth factors for youth entrepreneurs also include improved operational performance and productivity and increase in employees.

*"...74.2% of youth-led businesses in Nigeria recorded growth over the past year, as against 25.8% that did not record any growth."*



**Figure 34: Business growth by age group  
(% of total business in each age group)**



**Figure 35: Business aspect that youth-led businesses recorded growth (% of youth-led businesses)**

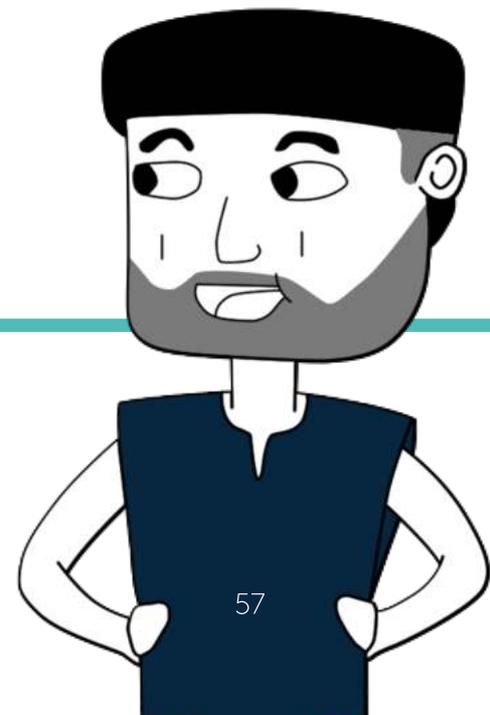


## Access to new markets and opportunities tops growth drivers in youth-led businesses

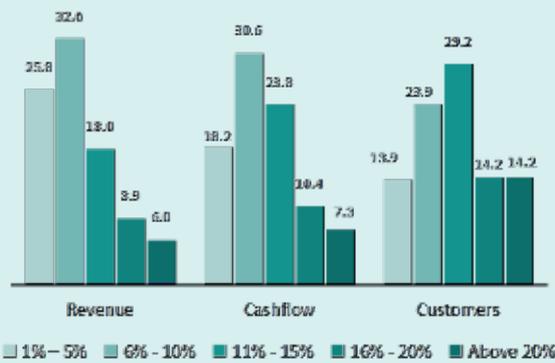
Specifically, the majority of youth-led businesses in the past one year recorded over 5% growth across revenue, cash flow and customers (see Figure 36). Just like female-led businesses, the most important drivers of their growth over the past one year were access to new markets and opportunities and increased demand, each accounting for a share of 14.9%.

*"...majority of youth-led businesses in the past one year recorded over 5% growth across revenue,..."*

This was closely followed by technology adoption, skilled workforce and access to finance. Despite many interventions from the government to improve the state of NMSMEs, government policies and support, emerged at the bottom, in the list of factors that drove the growth of youth-led businesses in Nigeria.



**Figure 36: Growth rates across aspects of youth-led businesses (% of youth-led businesses that grew)**



**Figure 37: Growth drivers of youth-led businesses by order of aggregated importance (%)**



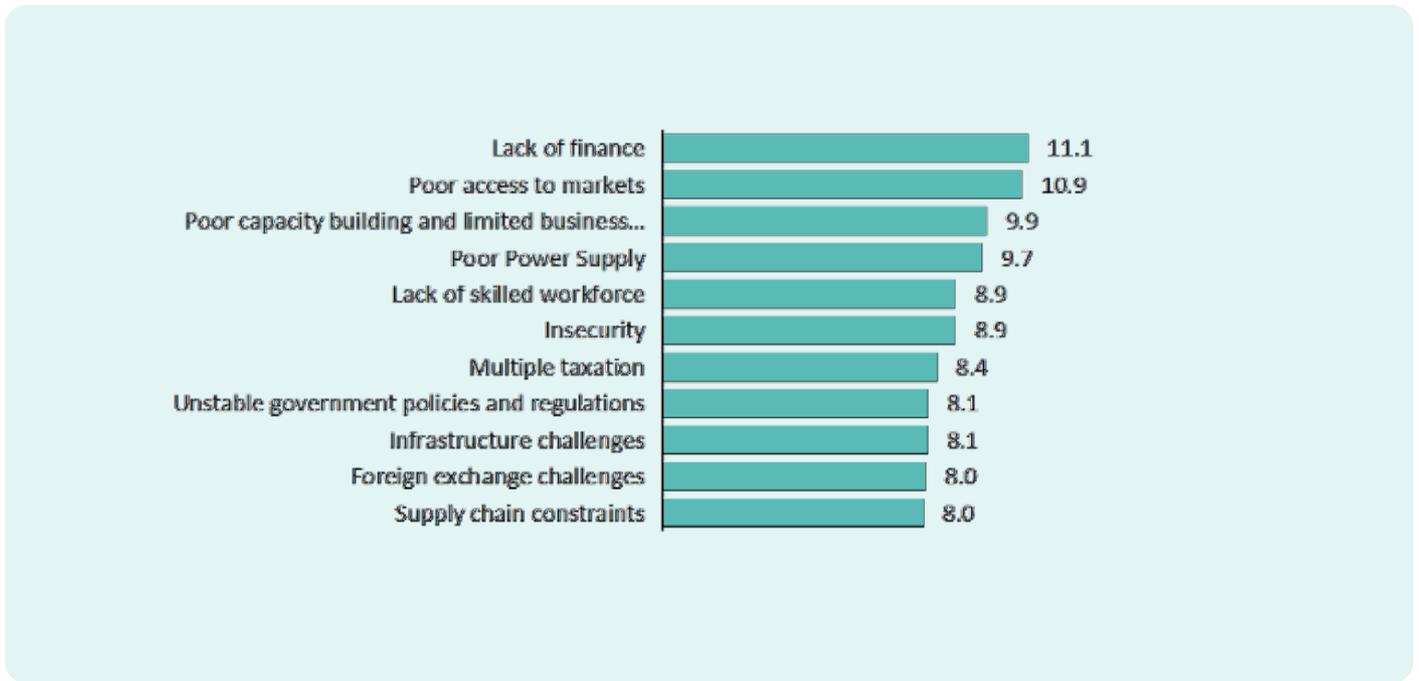
## *Lack of finance remains the major driver of business slowdown for youth entrepreneurs in Nigeria*

The lack of finance has been a major headwind for businesses in Nigeria, especially MSMEs and youth-led businesses. This is also buttressed by the survey as lack of finance accounted for 11.1% of the weighted aggregate of the factors that mitigated growth of youth-led businesses in the past one year.

Also, youth entrepreneurs reported that poor access to markets, poor capacity building and limited business support, poor power supply, and insecurity were important factors inhibiting their business growth. While foreign exchange and infrastructure issues emerged as challenges for youth businesses, they were much less important than expected. This is because businesses are manoeuvring their ways, despite the headwinds.



**Figure 38: Drivers of business slowdown in youth-led businesses by order of aggregated importance (%)**

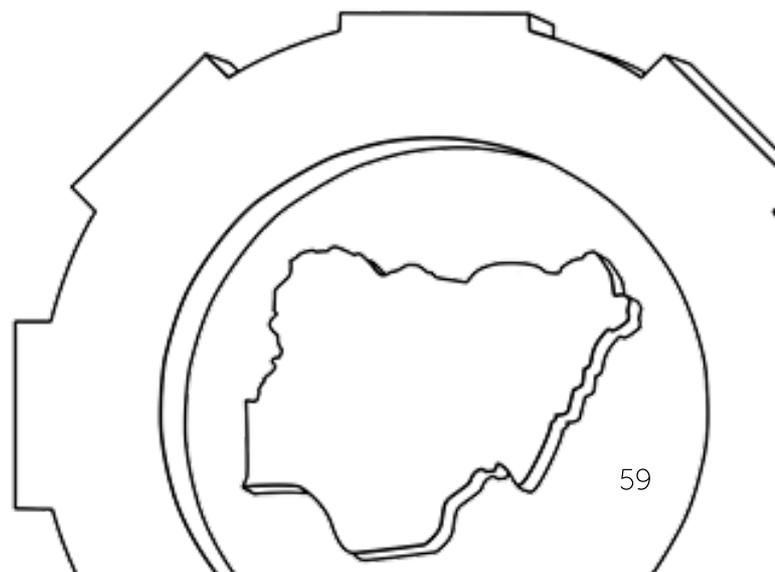


### Job creation among youth-led businesses

As the Nigerian economy recovers from the COVID-19 induced recession, Nigerian youth entrepreneurs are expanding employment. According to the 2022 SoE survey, 29.5% of youth-led businesses employed new staff in the last one year. However, this fell below the share of other age groups.

Nevertheless, the youth businesses employed more full-time staff than part-time but still at a smaller scale. In the past year, 55.2% and 34.5% of youth entrepreneurs reported employing 1 – 5 new full-time and part-time staff, respectively. Meanwhile, a lower share of 4.7% and 3% reported that they employed 6 – 10 new full-time and part-time employees, respectively. In addition, those that employed above 10 new employees were less than 1%.

*“...55.2% and 34.5% of youth entrepreneurs reported employing 1 – 5 new full-time and part-time staff, respectively..”*





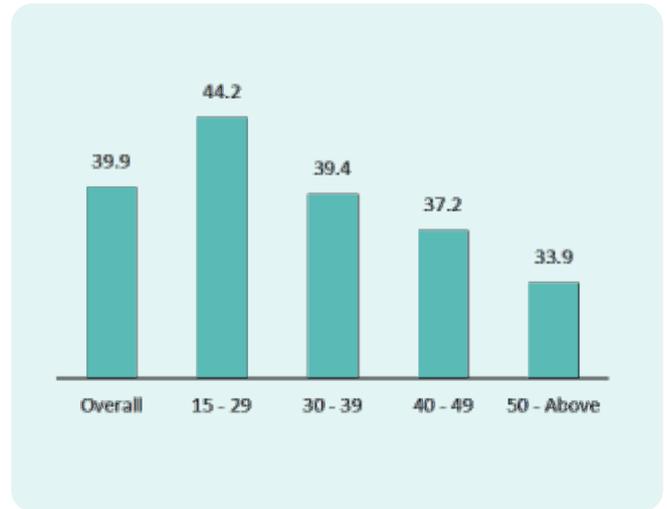
## Skill acquisition among youth-led businesses

Skill acquisition is vital for youth entrepreneurs to improve their business management skills. 44.2% of the youth entrepreneurs in Nigeria reported that they acquired one form of business management training in the past year. Meanwhile, 49.5% of the youth entrepreneurs that acquired training noted that they took training in business management, 34.3% in industry-specific skills, 32.1% in business expansion, among others.

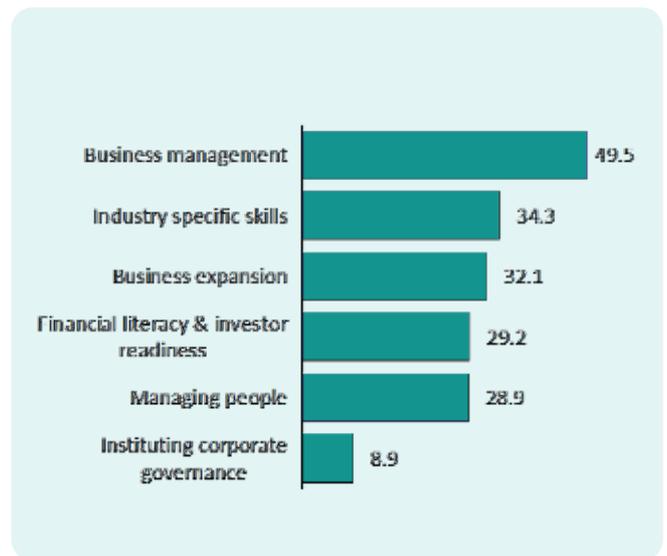
*“44.2% of the youth entrepreneurs in Nigeria reported that they acquired one form of business management training in the past year.”*

According to the survey, 59.6% of the youth entrepreneurs that took training, their training has been from private sector led programmes. Other major training avenues reported by the youth entrepreneurs include enterprise support organisations (27.5%) and government support programmes (27.2%). In addition, 99.2% of those that attended training noted that the training has been helpful for their businesses.

**Figure 39: Entrepreneurship training in the past one year by age group (% youth entrepreneurs)**



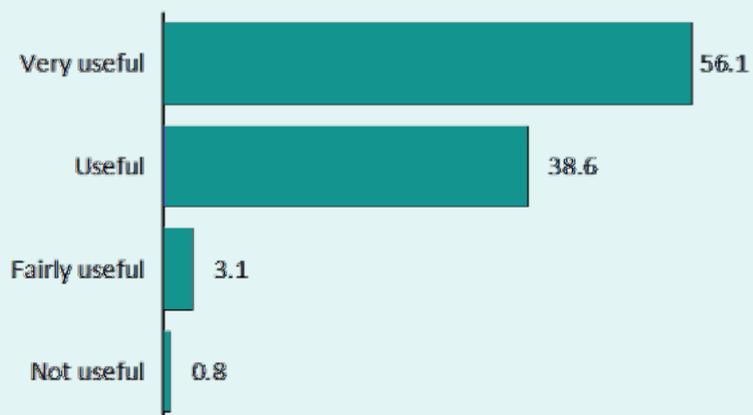
**Figure 40: Areas of specialisation of youth entrepreneurship training (% of youth entrepreneurs that acquired training)**



**Figure 41: Institutions offering entrepreneurship training for youth-led business (% of youth entrepreneurs that acquired training)**



**Figure 42: Usefulness of entrepreneurship training received by youth entrepreneurs in the past year (% of youth entrepreneurs that acquired training)**



## Box 1: Benchmarking Entrepreneurship in Nigeria with other countries

In the Mastercard Index of Women Entrepreneurs 2021 global ranking, Nigeria was ranked 53rd out of 65 countries. Nigeria's score declined from 44.3 in 2020 to 43.8 in 2021. Botswana, the highest ranked African country (35th) had a score of 56.3 while South Africa was ranked 37th. The other two African countries ranked above Nigeria were Ghana and Uganda. Although Nigeria's score declined year on year, the country was among the 10 countries where women's entrepreneurial activities surpassed that of men.

*"In the Mastercard Index of Women Entrepreneurs 2021 global ranking, Nigeria was ranked 53rd out of 65 countries. Nigeria's score declined from 44.3 in 2020 to 43.8 in 2021."*

The survey showed that women business owners in Nigeria accounted for 22.1% of all business owners, a much lower rate when compared with the 39% in the 2022 SoE survey. Three African countries had the highest share of women business owners globally: Botswana (38.5%), Uganda (38.4%) and Ghana (37.2%).

*"The survey showed that women business owners in Nigeria accounted for 22.1% of all business owners, a much lower rate when compared with the 39% in the 2022 SoE survey."*

In countries that experienced improvement in women entrepreneurial activity, two common factors that drove the improvement were access to finance for women-led businesses and government support for small businesses. In Taiwan for instance, the execution of government SME programmes and implementation of general government support and policies to ensure a favourable environment were important.



In addition, a major entrepreneurial supporting condition is culture and social norm In Egypt which also experienced improvement in women entrepreneurial activity, basic school entrepreneurial training, in addition to the factors highlighted for Taiwan, was crucial.

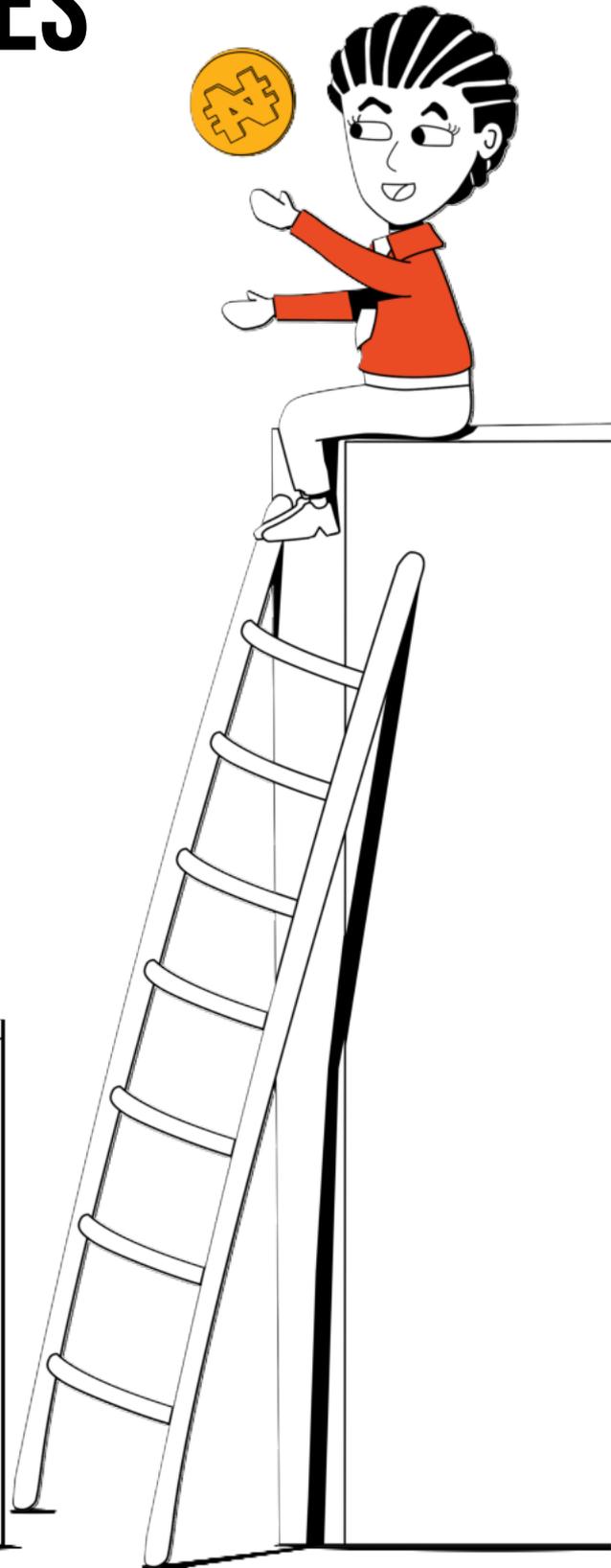
**Findings from the 2022 Survey<sup>5</sup> on Entrepreneurs in the United States by Gusto are summarised below:**

<b>Indicators of Entrepreneurship</b>	
<b>USA</b>	<b>Nigeria</b>
<ul style="list-style-type: none"> <li>Women started 49% of new businesses in the US in 2021.</li> </ul>	<ul style="list-style-type: none"> <li>This share is 40% in Nigeria in the SoE survey</li> </ul>
<ul style="list-style-type: none"> <li>42% of newly-created businesses were in Professional Services, as economic growth shifts to technology-focused sectors.</li> </ul>	<ul style="list-style-type: none"> <li>In Nigeria, majority of new businesses created by females were in Trade (40%), Advertising and Marketing (11%), Events and Entertainment (7.5%) and Agriculture.</li> </ul>
<ul style="list-style-type: none"> <li>61% of business owners in the US identified personal savings as a source of finance. Only 11% relied on private business loans. Loans from family and friends accounted for 10%.</li> </ul>	<ul style="list-style-type: none"> <li>The shares for personal savings and funds from family and friends are much higher for Nigeria. They are 74% and 37% respectively.</li> </ul>
<ul style="list-style-type: none"> <li>While only 14% of business owners applied for a private loan, 69% received a loan after they applied.</li> </ul>	<ul style="list-style-type: none"> <li>In the SoE survey in Nigeria, 38% of respondents accessed loans.</li> </ul>
<ul style="list-style-type: none"> <li>Only 27% of respondents think the government is doing enough to support entrepreneurs.</li> </ul>	<ul style="list-style-type: none"> <li>Only 27% of respondents think the government is doing enough to support entrepreneurs.</li> </ul>

#### **Data Sources: Mastercard and Gusto**

<sup>5</sup> Year 2021 index was prepared to capture perceptions on the impact of covid-19 on some entrepreneurship development indicators, hence, will not be considered as a comparable base year for year 2022 index score. Additionally, the index for 2021 only covered 26 out of the 37 subnational entities in Nigeria. Users of the report are therefore advised to take caution when comparing the scores.

# BUSINESS CHALLENGES AND OPPORTUNITIES





Compared with last year's results when inadequate infrastructure and insecurity were the topmost challenges, in 2022, limited access to finance and poor power supply became the most problematic factors facing businesses in Nigeria. Despite several government interventions such as the TraderMoni, Anchor Borrowers' scheme, etc., majority of entrepreneurs still find it difficult to raise funds to finance their business activities. High interest rates, poor coverage and implementation of government support schemes, stringent collateral requirements and poor business documentation continue to limit access to affordable finance for businesses.

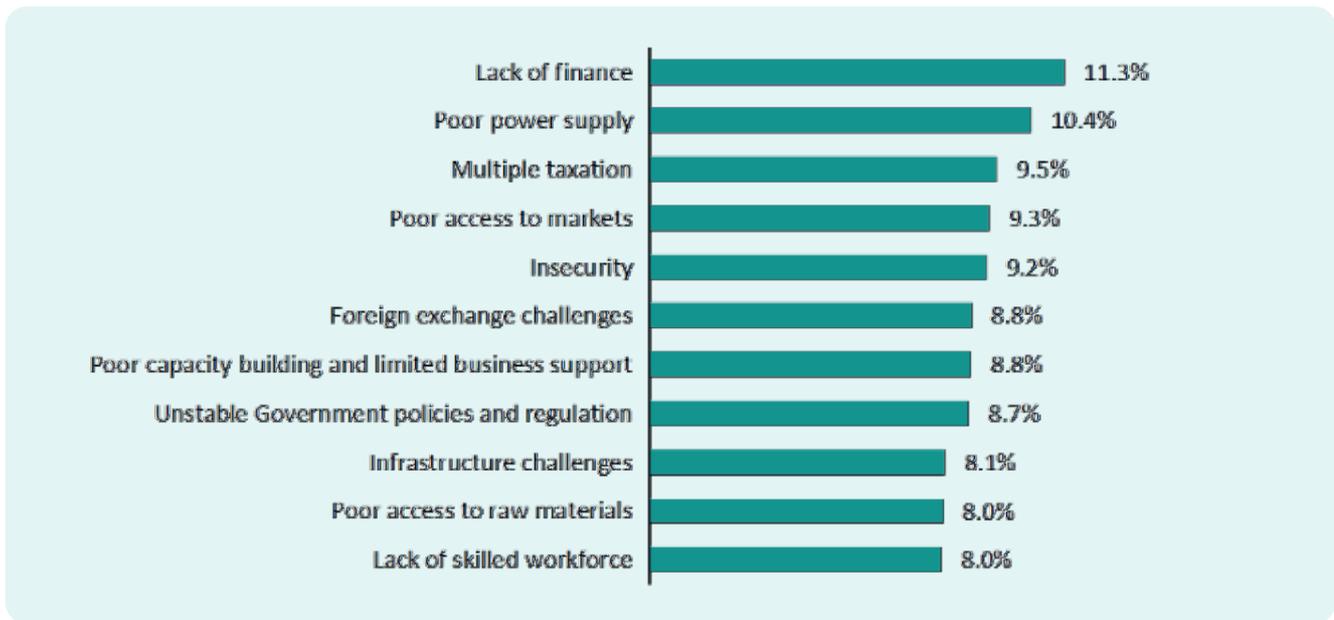
With regard to power supply, so far in 2022, Nigeria's national grid has collapsed on several occasions even as obsolete assets and limited inflow of investments heighten the problems of power generation and transmission in the country.

*Despite several government interventions such as the TraderMoni, Anchor Borrowers' scheme, etc., majority of entrepreneurs still find it difficult to raise funds to finance their business activities.*

To cope with these challenges, small business owners incur more costs on alternative sources such as petrol, diesel, solar, etc., thereby, raising their cost of production and limiting overall competitiveness of businesses. In addition to these two challenges, multiple taxation, poor access to markets and insecurity were ranked among the top five challenges facing small businesses in Nigeria.

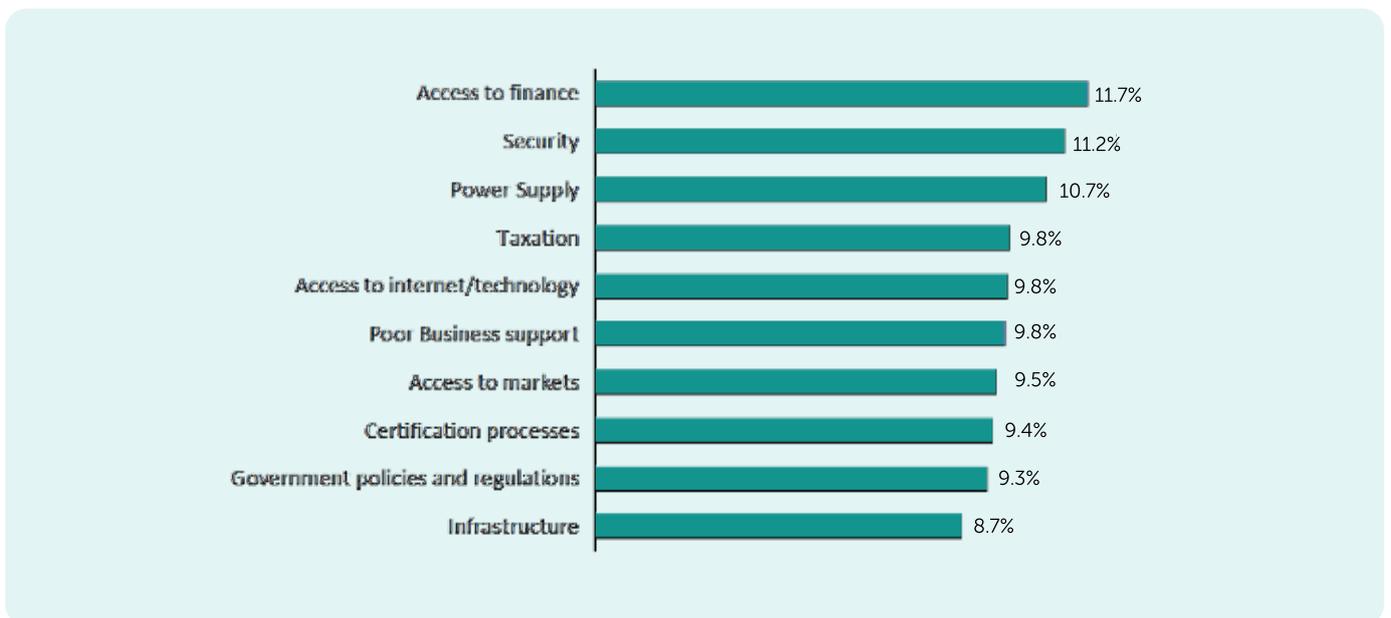


**Figure 43: Which of the following factors have negatively impacted your business in the last one year? (% of respondents)**



Looking ahead, entrepreneurs ranked access to finance, security and power supply as key areas the government should focus on to improve the businesses environment. Other perennial challenges such as inadequate power supply and multiple taxation are also important factors that should be addressed to improve the conditions of businesses in the country.

**Figure 44: What area do you strongly recommend the government focuses on to improve the business environment?**





## Box 2: Spotlight on the agriculture sector

Agriculture accounts for a quarter of Nigeria's GDP and is the country's largest employer of labour. In the first half of 2022, the sector grew by an average of 2.2%, and since the fourth quarter of 2021, the sector's output growth has been decelerating owing to rising food prices and insecurity in some parts of the country.

According to the 2022 SoE survey, the sector is dominated by men and individuals that fall in older age groups – only 27.7% of entrepreneurs in agriculture were females while youth entrepreneurs accounted for 27.5% of total entrepreneurs in the sector.

*“Agriculture accounts for a quarter of Nigeria's GDP and is the country's largest employer of labour.”*

Furthermore, the survey revealed that about 46.3% of female-led businesses in the agriculture sector had one form of registration, and 27.5% of them were registered with the Corporate Affairs Commission (CAC). Concerning the youth entrepreneurs, 18.3% of youth-led agri-businesses were registered with the CAC.

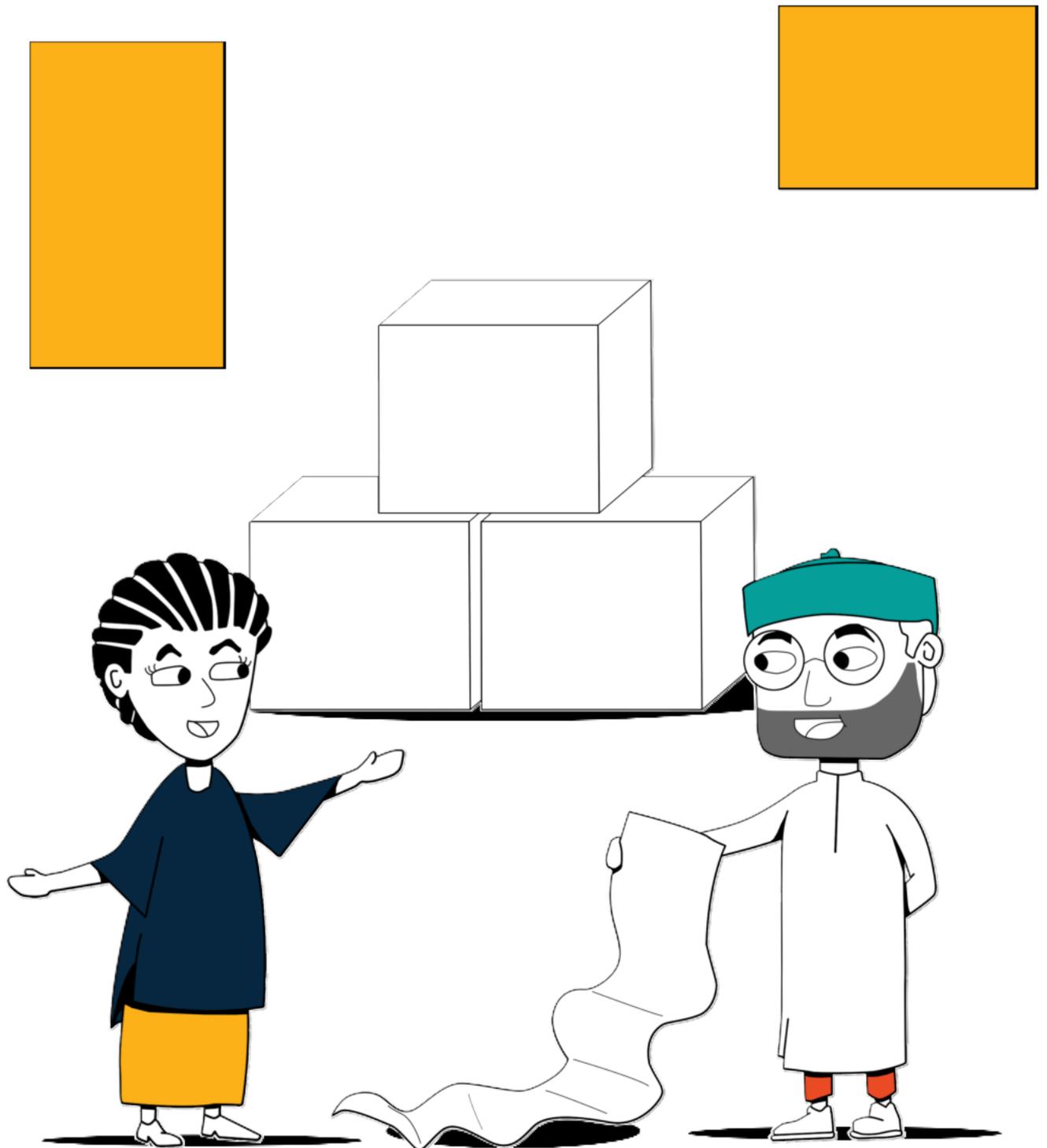
In terms of growth, 69.3% of female-led agri-businesses recorded growth. This is lower than the 77% of overall female-led businesses reported. According to these entrepreneurs, access to new market and opportunities was the main driver of business growth while lack of finance was the main growth-inhibiting factor.

*“In terms of growth, 69.3% of female-led agri-businesses recorded growth. This is lower than the 77% of overall female-led businesses reported.”*

Despite the challenges of insecurity, limited access to finance and poor infrastructure that affect the sector, 92% of entrepreneurs in the sector plan to expand their businesses while 95% are optimistic or very optimistic about the business opportunities in the sector in the next one year.



# POLICY RECOMMENDATION





Entrepreneurs are integral to the sustainable socio-economic development of any country. They are the drivers of innovation, job creation and inclusion in many developed and fast developing countries often enabled by the government through policies, legislations, direct interventions, and other policy and program instruments to mitigate risk of negative impact.

In Nigeria, while entrepreneurs are integral to the country's development journey, the environment in which they operate limits their ability to grow, expand and create more positive impact in the society. This section highlights important and practical policy recommendations that are needed to improve the state of entrepreneurship in Nigeria.





## Enabling More Female-Led Businesses: Unlocking the potential of women in entrepreneurship by implementing policies which enable institutional conditions for more women to play in entrepreneurship particularly in areas across the country where this may be impacted by societal norms.

This should include but not be limited to policies that are family and gender friendly with the intent to increase participation of women in entrepreneurship not just at the nano level but, up to the medium enterprise levels; showcasing and promoting role models of successful female entrepreneurs that are representative of women, religious, ethnic and language diversity.



This is particularly important for states such as Kebbi, Borno, Katsina, Sokoto and Zamfara in the north with the lowest female-led to male-led business ownership rate. To address this challenge, conscious efforts by stakeholders including religious leaders, community leaders and government are required to sensitize male heads of households on the importance of women participation in economic activities.

*“...conscious efforts by stakeholders including religious leaders, community leaders and government are required to sensitize male heads of households on the importance of women participation in economic activities.”*

In addition, specific grants that target women who are willing to start their businesses should be instituted by the federal, states and local governments. Programs addressing the financial literacy and investor-readiness knowledge gap for female-led businesses as well as soft skills development around confidence and leadership should also be encouraged. •Several studies have shown that empowering women is critical in addressing poverty in communities.

### Actionable Step:

- The federal Ministry of Women Affairs working with the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) and other relevant Ministries, Departments and Agencies to pass, domesticate and mainstream gender friendly policies that enable women participate effectively across all entrepreneurial stages at the national and sub national levels around the areas of business incorporation and formalisation, tax, regulatory procedures, access to finance and access to markets.

## Expanding Entrepreneurial Knowledge Beyond Commercial and Urban Areas:

Training and capacity building on entrepreneurship and enterprise building is an important foundation for entrepreneurship growth and success. Majority of the entrepreneurs surveyed who attended trainings reported that the knowledge acquired was useful for themselves and their businesses. While there is increasing growth of enterprise development training institutions across the country, a large number of these are still in major cities and commercial centers.

*“Majority of the entrepreneurs surveyed who attended trainings reported that the knowledge acquired was useful for themselves and their businesses.”*



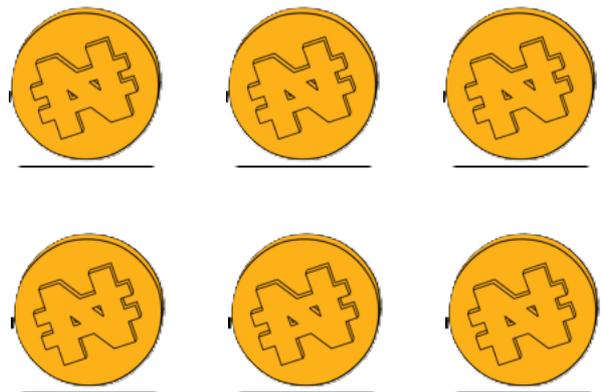
State Governments are encouraged to implement policies and initiatives that enable private, development and civil society participation in training and capacity building programs that provide financial literacy, business management, digital literacy and other enterprise knowledge fundamentals in addition to providing access to finance and market support.

## Actionable Step:

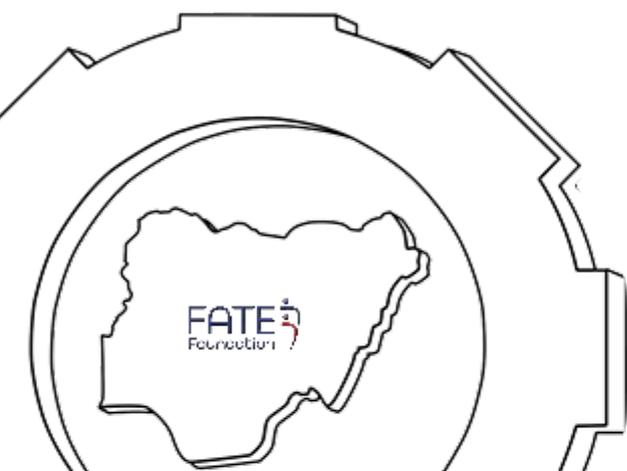
- Federal Ministry of Industry, Trade and Investment in collaboration with SMEDAN state level offices to carrying out mapping of areas with limited enterprise capacity interventions and set up initiatives to encourage private, development and civil society entrepreneurship training interventions within locations across the country requiring interventions. It would be important that these are tailored to the local contexts and demographics being targeted.

## Access to Finance:

**While there are numerous funds for NMSMEs implemented by the government and development partners, the coverage of these funds needs to be improved based on learnings from previous funding programs.** Given the number of funding interventions and initiatives that have been implemented over the last decade to support entrepreneurship including COVID-19 Resilience Funding programs, a good starting point to ensure impactful financing programs is to review insights on how these funds have fared.



These insights should include perspectives to guide ongoing and future interventions such as fund design in line with impact outcomes, process improvement, impact evaluation (ensuring outcomes that enable entrepreneurial productivity, job creation and economic growth), and other enablers for success.



### Actionable Step:

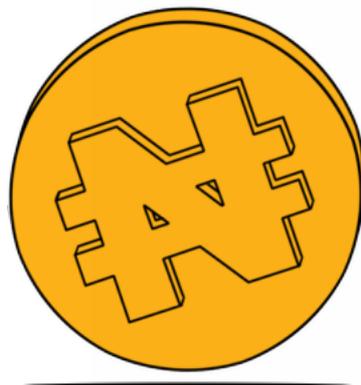
- Key funding agencies at the National and Sub National level need to share data insights and learnings on entrepreneurship program insights. This should cover interventions that provide grants and loan programs for cash and non-cash interventions (e.g. equipment financing, payroll support, business set up support etc)

### Facilitating Macroeconomic Stability:

**As federal and state governments work to deepen efforts to deliver an environment that is supportive of entrepreneurs, effective monetary and and fiscal policies that support entrepreneurship growth will be crucial to their success.**

Entrepreneurs often rank government policies and support as the most important enabler for their businesses. The establishment of a cohesive policy making process that accommodates the input of stakeholders, harmonization of taxes by government agencies as well as addressing insecurity, poor power supply and inadequate infrastructure are crucial reforms that must be implemented to enhance business growth.

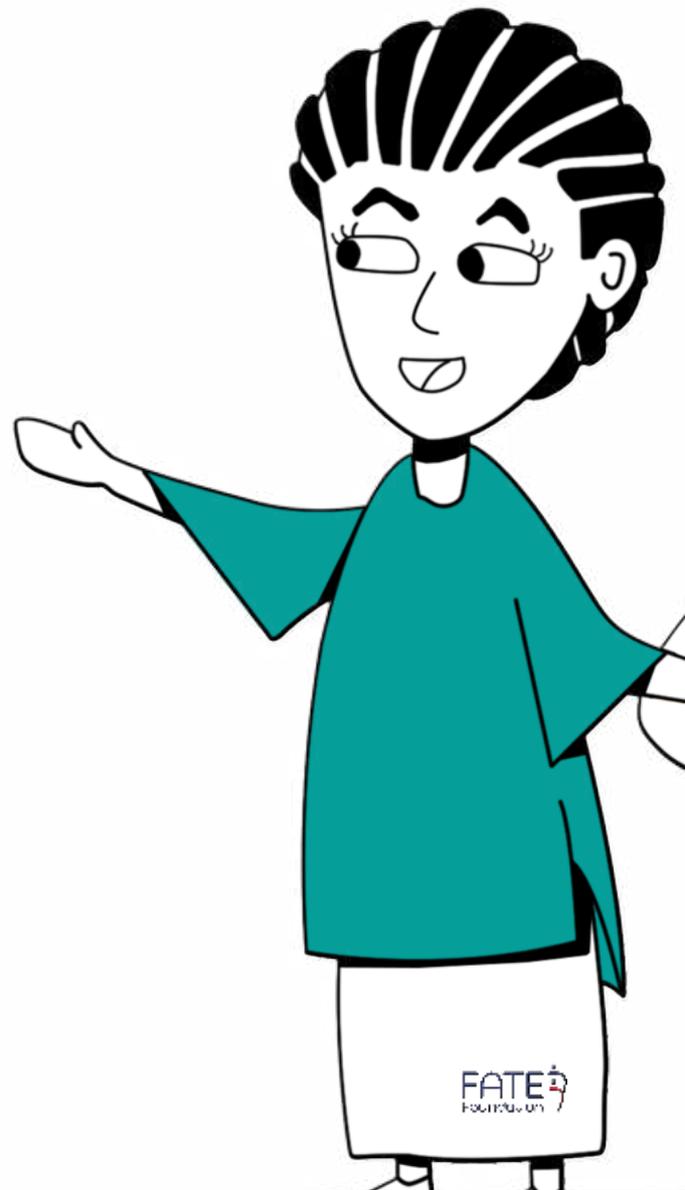
*“Entrepreneurs often rank government policies and support as the most important enabler for their businesses.”*



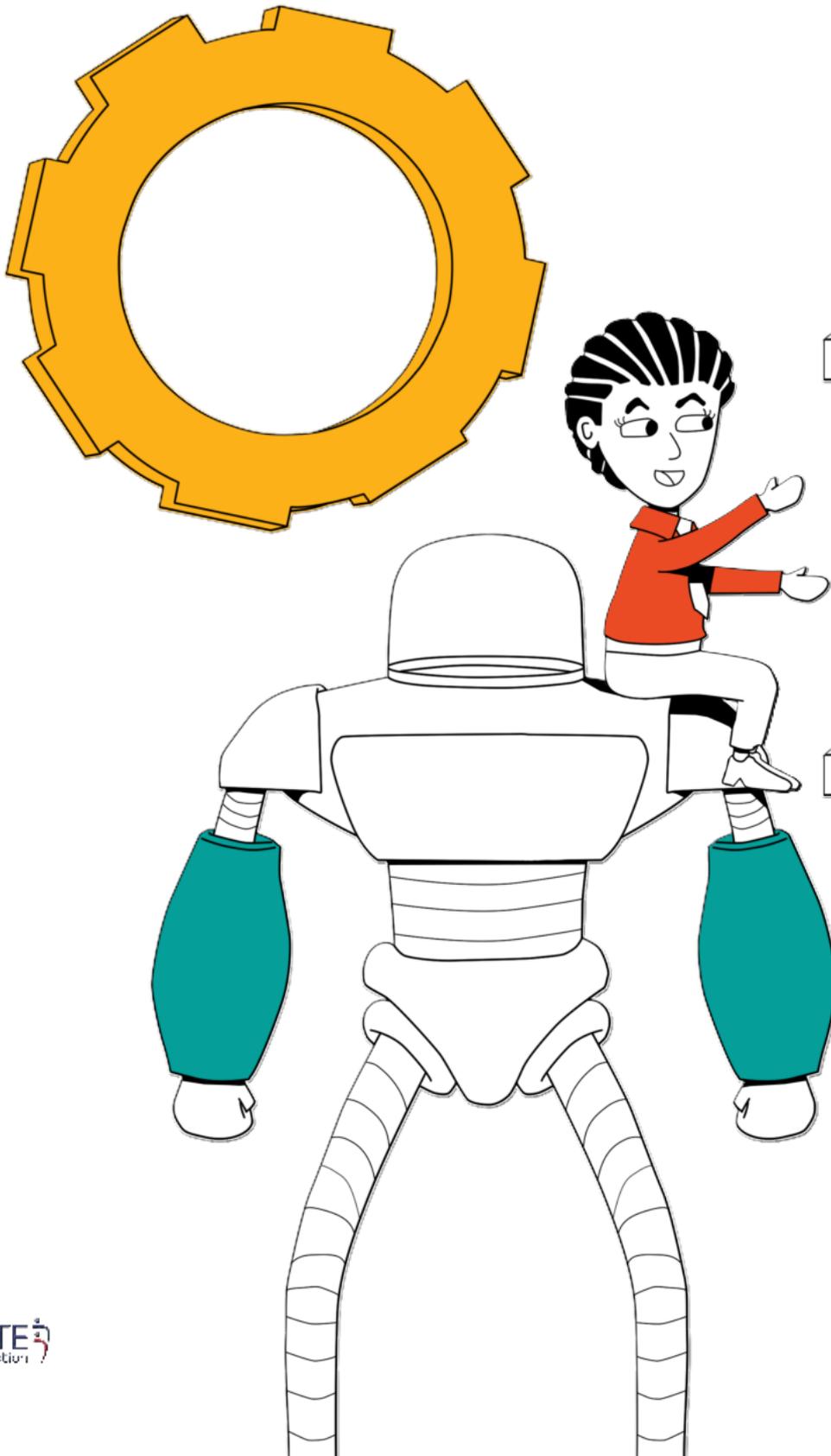
Policies that help to fast-track business registrations, regulatory license and permit acquisitions, infrastructural improvements, tax credits/, dispute resolution, sectoral interventions and access to business support services are crucial to continued growth and development of Nigeria’s enterprises.

### Actionable Step:

- Intensify efforts to implement the National Development Plan which has strong components on policy improvement areas to enable entrepreneurship growth particularly in critical sectors of the economy.



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# APPENDIX



# APPENDIX

## Methodology Note

The FATE Institute conducted a survey of business establishments across several states in Nigeria for this study. A nationally representative sample of 6,500 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 key business trends, survival and death rates of businesses, access to finance as well as highlight key challenges and perception of entrepreneurs on the business environment.

The surveys were conducted in the months of July and August 2022. Final number of surveyed businesses was 8,611 which exceeded the initial sample of 6,500. Field responses accounted for 91.1% of respondents while online responses had the remaining share of 8.9%. For the interviews, 7 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 2.0 is based on successive aggregation of mean scores covering the five pillars of entrepreneurship used in this report – skills acquisition, innovation and technology adoption, business performance, perception of opportunities and enabling business environment. We note that innovation and technology adoption pillar was digital adoption in last year's report.

The pillar was improved to capture the extent to which entrepreneurs introduced new products and better processes in the production of goods and/or services. At every aggregation level (pillar), the aggregated measure is computed using the average of scores of its components. The Entrepreneurial Index (EI) score is the average score of the five pillars of measurement. Using the EI score, which ranged between 0 and 1, a distance to perfect score is computed by deducting the EI score from the ideal state of 1.

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) for States and national:**

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

Where CI represents Composite Index

**Step 3: Compute the composite index:**

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

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

Distance to PS=(1- CI)\*100

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

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We also acknowledge the work, contribution and partnership of the following individuals and organisations:

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- Gospel Obele, CEO, Streetnomics (Market Intelligence and Development)
- Oyebola Agunloye, Lead, Research Programs, The FATE Institute

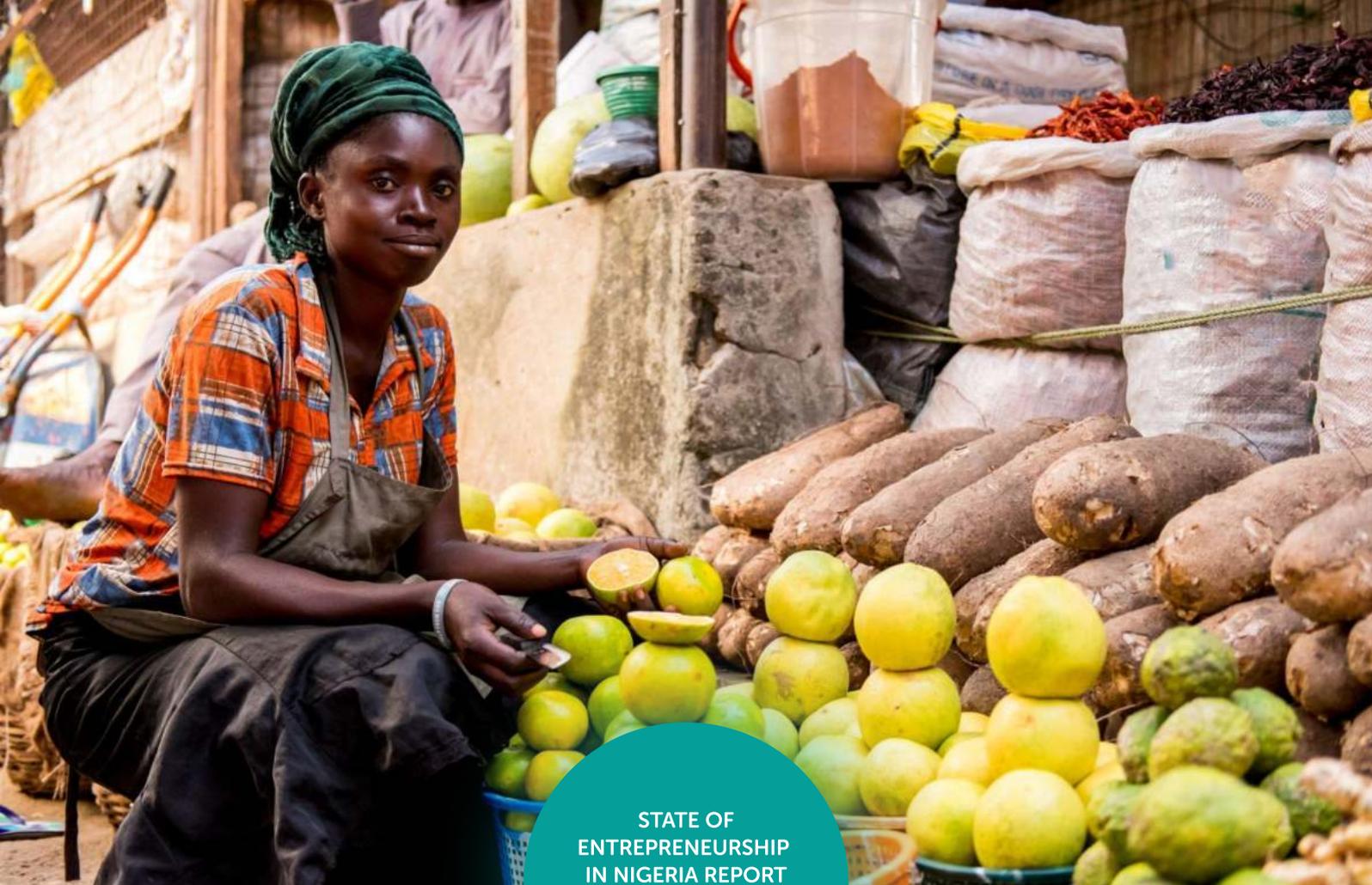
## Design:

Clue Box

## Survey & Insight Contributors:

Institutions who participated in our insight, focus group sessions or one-on-one interview sessions and those who disseminated the surveys to the entrepreneurs in their networks.

- Access Bank Nigeria
- AFEX Nigeria
- Africa International Trade Women Network
- Association of Small Business Owners in Nigeria (ASBON)
- Bank of Industry
- CC Hub
- CRC Credit Bureau
- EDFin Microfinance Bank
- Impact Hub
- Innovation Support Network Hubs
- JA Africa
- Lagos Chamber of Commerce & Industry
- Lagos State Employment Trust Fund (LSETF)
- MSME Africa
- National Association of Small-Scale Industrialists (NASSI)
- Sahel Capital
- Small and Medium Enterprise Agency of Nigeria (SMEDAN)
- SME.ng
- Stanbic IBTC
- VestedWorld



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