



WHITE PAPER ON ENABLING TECHNOLOGY TO SUPPORT ACCESS TO MARKETS FOR NIGERIAN ENTREPRENEURS.

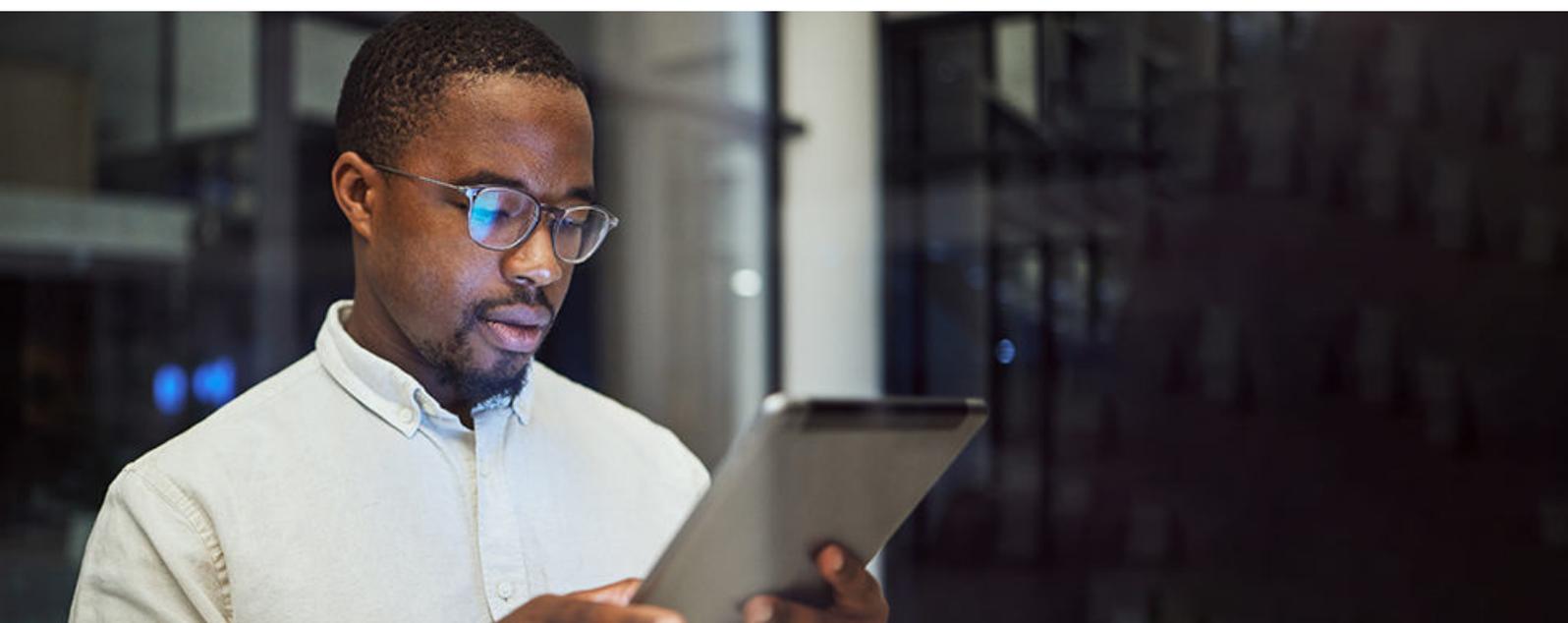


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PROBLEM STATEMENT

Data shows that adoption of technology has enabled Nano, Micro, Small and Medium Enterprises (NMSMEs) to expand into new markets, offer new goods and services, increase added value, boost organisational performance, use new business channels, and react quickly to the actions of competitorsⁱ. Many businesses are reshaping, re-engineering, and reimagining how to do business in order to adapt to changing economic conditions around the worldⁱⁱ. Despite the growing potential of technology adoption, several issues continue to prevent Nigerian NMSMEs from adopting and integrating technology into their business operations in order to gain access to markets, which highlight the importance of implementing efficient and long-term policies and programmes that would encourage NMSMEs to adopt technology and innovation in order to access new business opportunities.



BACKGROUND

Nano, Micro, Small and Medium Enterprises (NMSMEs), account for about 39 million active businesses in Nigeria, which employ over 80% of the total labor force and contribute to 49% of the country's GDPⁱⁱⁱ. These businesses have been critical in providing creative solutions, innovative ideas, and value creation in the industries where they operate. In addition to their high economic value, NMSMEs have been drivers of social change in Nigeria.

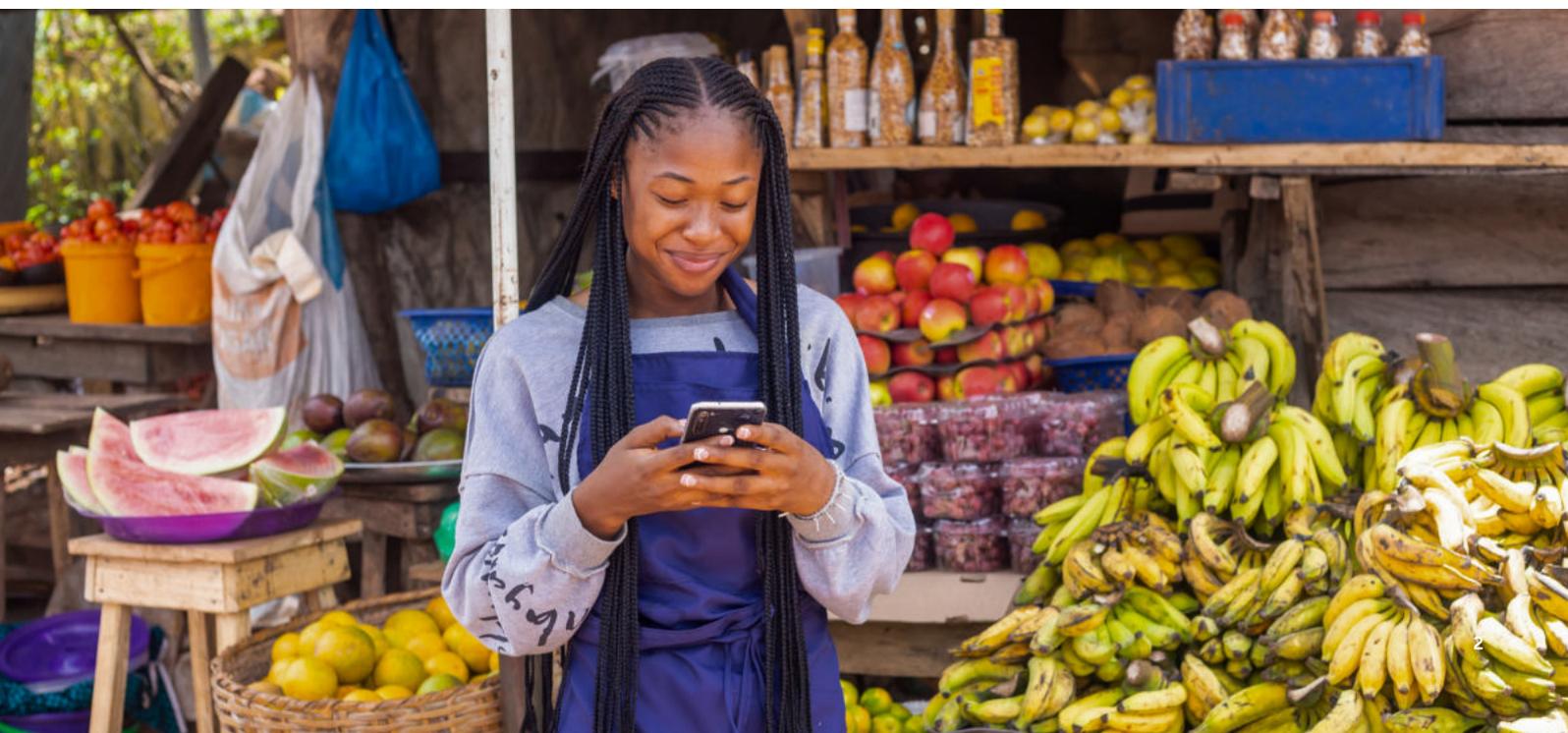
Despite the contribution of these businesses to the economic growth of the country there are several challenges mitigating the growth of businesses. Some of these challenges are; access to funding, the macro-economic environment, access to markets, high Inflationary pressure, access to finance, poor capacity building and business support, unfavorable policies, policy design and implementation approach etc. hinder the growth and sustainability for these businesses.

One of the major issues emphasized in the FATE Institute's State of Entrepreneurship Report in Nigeria 2022 & 2021 (SoE), is "Poor access to markets" which ranked as one of the top five challenges mitigating business growth for entrepreneurs^{iv}. Similarly, the Price water house Coopers MSME Survey 2020 report, access to market was ranked as one of the top two most pressing problems affecting the growth of businesses in Nigeria^v.

One avenue to tackle the access to markets challenge is by leveraging technology, which was greatly demonstrated during the Covid-19 pandemic, where businesses were able to pivot through the adoption of technical and digital processes into their daily operations to address the issue of accessing markets. It was also seen that those who could not adopt technology as fast during this period experienced challenges around increased revenue and customers.^{vi} While the pandemic had its negative impact, it also showed the potential that technology had on a lot of businesses as evidenced by the 2021 and 2022 State of Entrepreneurship reports, which showed that technology adoption had been one of the major drivers of business growth for NMSMEs enabling them to maintain their businesses during that time. Data also shows that 21% of respondents in both reports were able to adopt technology while executing their businesses and 35% of them could access markets through technology^{vii}.

Another key avenue to impact access to markets will be through policy. Presently the government is on the right path to addressing this gap, with The African Continental Free Trade Agreement (AfCTA) in this regard but there are concerns about inadequate policy awareness and utilization of the act as well poor and slow implementation of the initiative.

Building on this present result, this white paper looks at the case for enabling technology, some of the challenges that Nigerian NMSME's face in technology adoption as well as proffering recommendations on the gaps that have been observe and how these businesses can adopt technology to access markets, create new jobs, drive business growth, obtain a competitive edge, and do better economically.



DATA INSIGHTS ON THE IMPACT OF TECHNOLOGY ADOPTION TO ENABLE ACCESS TO MARKETS

Factors that drove business growth in the last one year

According to the State of Entrepreneurship Report in Nigeria 2022, among the factors reported, technology adoption ranked high as one of the major drivers that led to the growth in businesses. This same pattern was seen across the various female, and youth-led businesses surveyed.

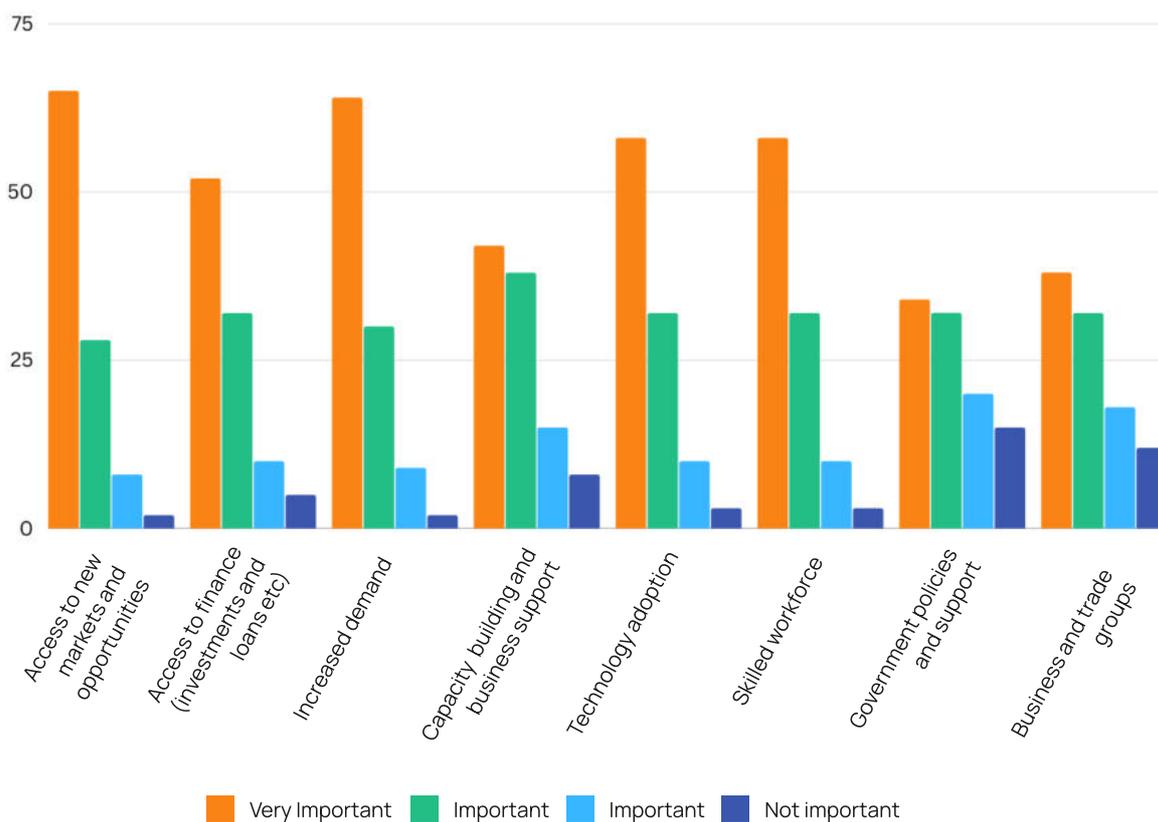


Figure 1: Drivers of Business Growth for NMSME's in 2022

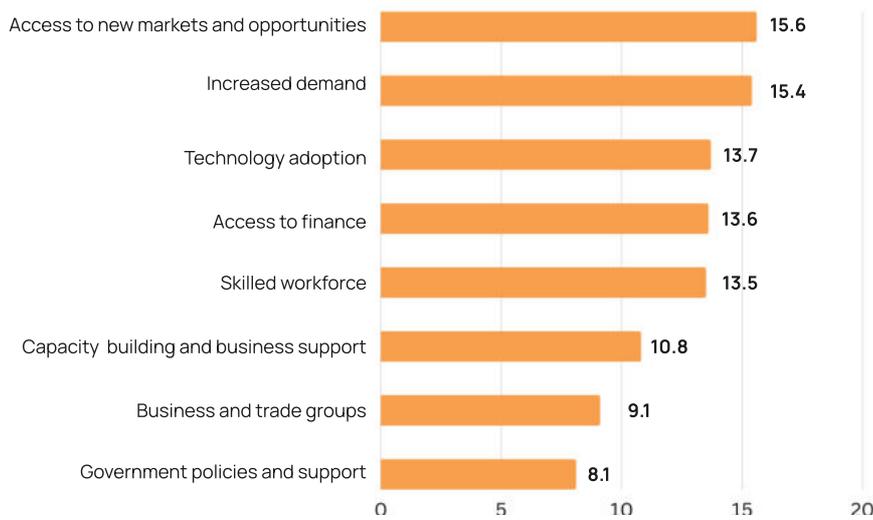


Figure 2: Growth drivers of female-led businesses by order of aggregated importance (%)

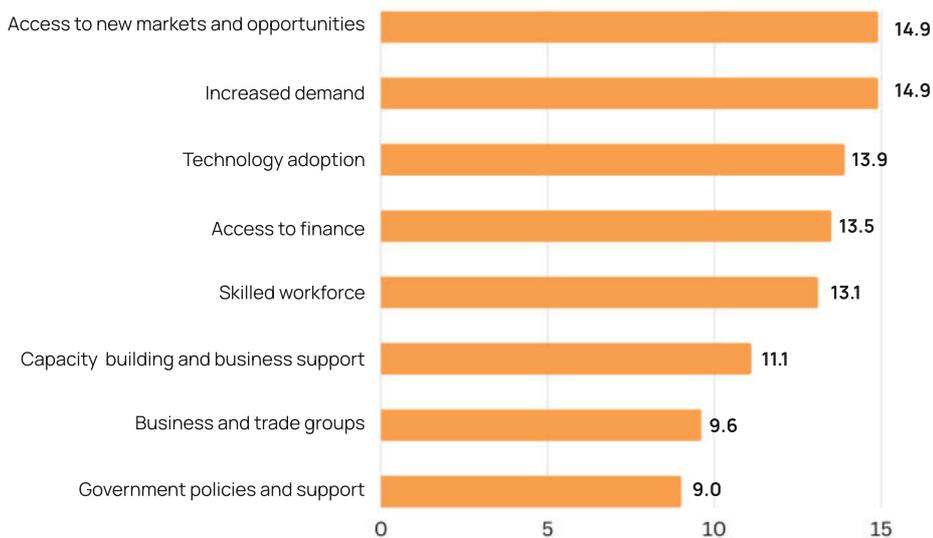


Figure 3: Growth drivers of youth-led businesses by order of aggregated importance (%)

Number of Businesses that adopt technology in their business operations

Looking at the FATE Institute's State of Entrepreneurship in Nigeria Report 2021, there was an increase in technology adoption over the years. Of the 7,106 of total respondents, 86% adopt technology in the course of executing their businesses. The highest share of respondents that adopt technology fall within the age range 30-35 years accounting for 29% of total respondents. This same report shows that 21.2% of respondents that adopted technology in running their businesses operate in the Retail, Fashion & FMCG sectors. Players in this sector interface with consumers directly and therefore make use of technology platforms, particularly social media, in engaging with existing and potential clients. Business owners operating in Agriculture and Hospitality accounted for 11.1% and 8.7%, respectively.

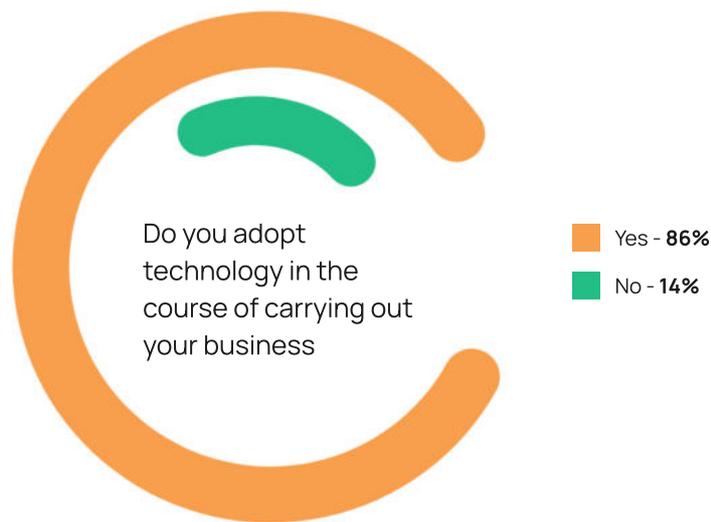


Figure 4: Total Number of Businesses That Adopt Technology
(Source: Fate Institute)

Most effective form of technology adoption

The most common form of leveraging technology is through the use of social media. Social media has become a veritable tool for businesses, particularly through the use of social media. Social media has become a veritable tool for businesses, particularly those from the SoE 2021 survey shows that 78% of entrepreneurs reported that they adopted social media platforms during the course of their business. The data from the SoE 2021 survey shows that 78% of entrepreneurs reported that they adopted social media channels in the course of their business. Among businesses that use social media, they rated Facebook (41.8%), WhatsApp (30.1%) and Instagram (17.1%) as the most important channels and had great impacts in accessing a wider audience.

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

Figure 5: Ranking of Social Media Platforms by level of importance (% of businesses that adopt social media)

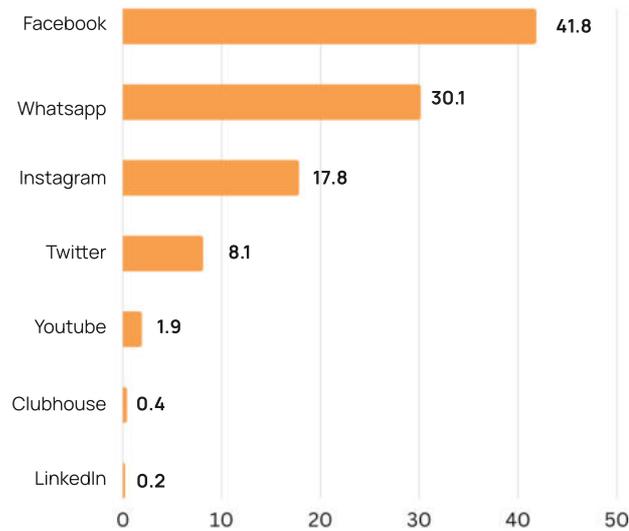


Figure 6: Channel that enable access to a wider audience (% of businesses that adopt social media)

Impact of technology (social media) on NMSMEs

When examining the impact of technology on small businesses, the survey in the SoE in Nigeria 2021 Report shows that technology has affected businesses positively. The most common application of technology for NMSME's has been to increase the customer base (35%), followed by increasing sales and profit (30%), becoming more efficient (18%), and remaining competitive (17%). Respondents also mentioned technology has aided them to conduct research, drive innovation, improve knowledge, and obtain customer feedback.^{viii} According to the female led businesses surveyed in the 2022 SoE report, technology adoption ranked high among the various factors that contributed to the increase in revenue, cashflow, and new markets.^{ix}



Figure 7: Impact of technology (social media) on NMSMEs
(Source: Fate Institute)

| METHODOLOGY AND APPROACH

The methodology and approach of this study used the following processes as part of its methodology and strategy while creating this white paper:

1. Review of the State of Entrepreneurship in Nigeria Report 2021 & 2022 (insights, opinions, and recommendations).
2. Interviews and engagement sessions with organizations/stakeholders across the private, public and development sector within the technology space to help understand the pain-points of Nigerian entrepreneurs when accessing markets through technology adoption.
3. Findings from reports by other experts including MSMEs focused organisations and academia.



THE CASE FOR ENABLING TECHNOLOGY TO ACCESS MARKETS FOR NIGERIAN NMSMES

By technology adoption in business, we refer to the acceptance and integration of new technologies into business operations and or systems to meet existing and changing customer demands. When used properly, the adoption of technology has the potential to greatly improve an organization's performance and consequently the country's economy. The following are some of the reasons why Nigerian entrepreneurs must adopt to a changing business environment through technology adoption:

1. Increase access to new markets and opportunities:

Adopting technology can lead to an increase in customers both locally and internationally. Technology allows for NMSMEs to showcase their work on a global stage using applications like Instagram, Facebook and specified e-commerce platforms. Social media and e-commerce platforms have enabled access to new markets and new customers for many NMSMEs. Technology adoption also helps to improve customer engagement and customer feedback.

2. Business Adaptability:

By business adaptability, we refer to the ability of a business to easily change to meet customer needs/demands. Only by innovation and adaptation can new or established NMSMEs thrive in a continuously changing business climate. Technology allows businesses to be more adaptable to the fast-paced marketplace. It enables them to offer better products and services while accelerating innovation, upgrading quality standards, and improving customer satisfaction with the help of new and improved processes made possible by technology. For example, NMSMEs can remain adaptive by using data science. Data science enables businesses forecast better, monitor changes in consumer behaviour, and stay up to date with industry trends, helping them better position their companies and operate competitively.

3. Increase in Revenue:

With targeted digital marketing efforts and improved performance through technology adoption, NMSMEs are able to be competitive locally and internationally. This attracts a larger consumer base and consequently boosts sales and revenue.

4. Improved business operations:

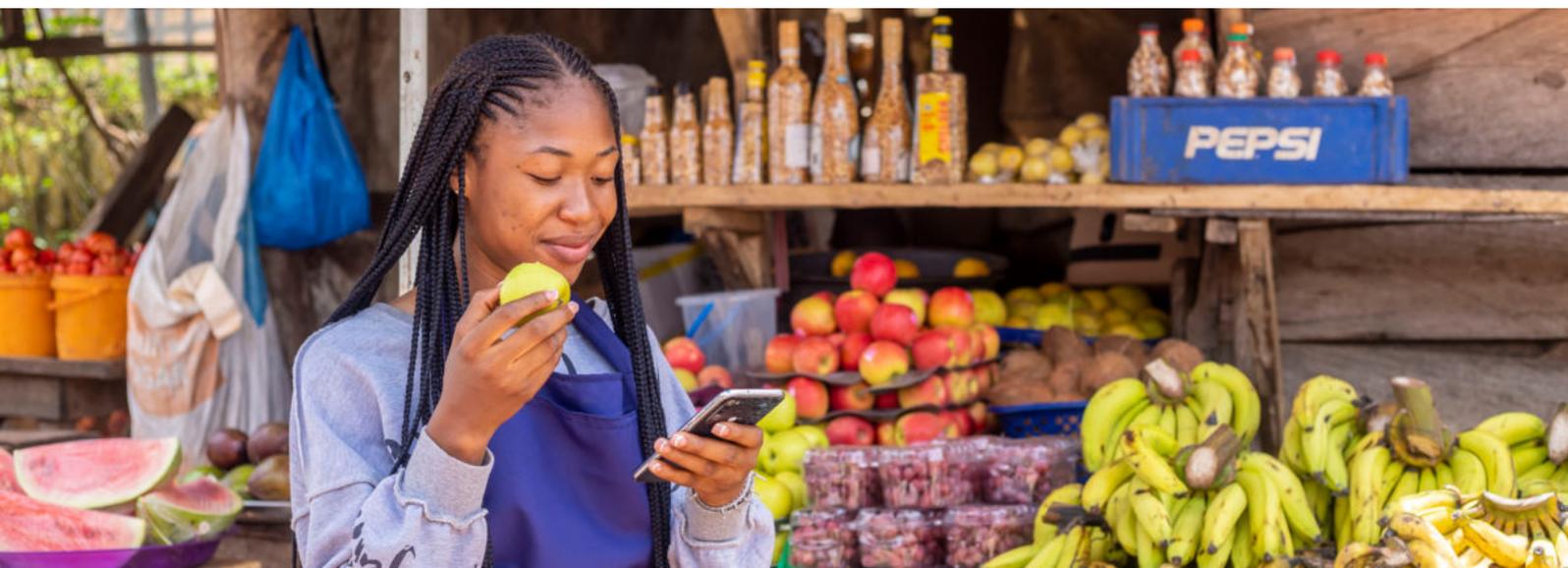
Technology helps improve business management and operations across board. It can be applied to enhance value chain management, streamlining operations, financial management, human resource management and bookkeeping capabilities using cloud-based applications, such as accounting software or purchasing software etc.

5. Access to Information:

Technology is not only a tool to increase business efficiency and productivity, but also helps businesses to stay ahead of the competition by making it easier to access feedback on their products and services. Technology allows businesses to have access to real-time data and insights. It allows them to track consumer behaviours and keep abreast of industry trends. It also allows them to access information on funding and other opportunities that might otherwise go unnoticed. Furthermore, a strong online presence allows businesses to be visible to investors.

6. Improved marketing efforts:

Social media platforms and e-commerce sites use their algorithms to target the right customers by observing user behaviour. Technology can also be utilized to garner consumer feedback, enabling businesses to enhance the standard of their goods and services while taking advantage of the opportunity to market new products to consumers. In addition to being more efficient than conventional marketing strategies, digital marketing is also more cost-effective for small businesses.



CHALLENGES NIGERIAN NMSMES FACE IN LEVERAGING TECHNOLOGY TO ACCESS MARKETS

1. Standardization and certification issues:

A significant issue affecting NMSMEs in accessing markets is standardization and certification. Without standardization and certification, businesses are limited to the informal market, restricting their ability to sell to internal and external markets. Registering with The National Agency for Food and Drug Administration Control (NAFDAC) and/or obtaining a Standard Organization of Nigeria (SON) number assures consumers that products have undergone the necessary screening and inspection that make them suitable for use, and gives NMSMEs access to a wider market. Issues around these processes however continue to pose a challenge.

2. Online Payment Issues:

Businesses have been able to access new markets and capitalise on various opportunities both locally and internationally by utilising technology. Although technology plays an important role in the provision of payment gateways/platforms to help ease the process of money/currency exchange, there are still some payment restrictions that businesses face while interfacing with external markets. Slow transactions, expensive fees while leveraging these platforms, inefficient processing times, complex processes, limited access, security issues, insufficient transparency, and other issues all pose as problems which limit business owners' ability to sustainably access markets internationally.

3. Poor development of digital and soft skills:

The rate of technology adoption is largely dependent on technical and/or digital skills capacity of NMSMEs. NMSME owners are often preoccupied with day-to-day operations to devote the time needed to develop digital/technology related skills. Such skills are crucial to access new markets. While some NMSMEs struggle with technical know-how, others NMSMEs struggle with soft skills such as branding, storytelling, and business promotion skills which are essential to operating online. Businesses that lack these soft skills risk losing to competitors despite having higher-quality items and possibly lower prices.

4. Poor Internet and technology Infrastructure:

The lack of technological infrastructure such as affordable and fast internet access is a major challenge for many NMSMEs, as most businesses require fast and affordable internet access to carry out their business operations.

5. Cost of technology adoption:

For many nano and micro businesses, the cost of incorporating technology remains high, as does the infrastructure required for initial setup. Many nano and micro businesses are unable to access technology gadgets because of the cost and sometimes product availability particularly nano and micro businesses in the rural and peri-urban areas.

6. Poor policy design and implementation around access to Markets:

Although the government has put in place exciting and laudable initiatives that could potentially improve access to markets for Nigerian entrepreneurs across borders in Africa, issues still remain around a lack of awareness and poor/slow implementation of already established policies. For example, the African Continental Free Trade Agreement (AfCTA) which was launched in 2018 to provide an opportunity for African countries to boost growth, facilitate intra-regional trade, reduce poverty, and broaden economic inclusion has seen little or no implementation.

7. Poor Learning/Digital agility and change management:

In addition to improving technology knowledge, there is also a need to improve technology adaptability through capacity building. Technology is very fast-paced and dynamic; software applications consistently get upgraded, add new features or are completely redesigned. To fully integrate technology into business operations and reap the benefits, NMSMEs need agility while using technology platforms or applications to quickly adapt and maintain access markets. Many nano and micro businesses struggle in this area. Agility also means that they are able to quickly adapt to changes in the ecosystem. For example, a number of businesses particularly nano and micro businesses have been impacted negatively because of the shift to a cashless society and their poor or no response in implementing the changes required.

8. Poor Digital Knowledge/Perception:

For many NMSMEs particularly those operating in the peri-urban and rural areas, there is limited knowledge on the opportunities technology offers to grow their businesses. In addition, there is a poor perception of technology. Technology is perceived as hard or difficult to incorporate into business operation. To bridge the knowledge gap, NMSMEs require capacity building to enable them leverage technology to access markets for the growth of their businesses.

KEY RECOMMENDATIONS ON IMPROVING ACCESS TO MARKETS THROUGH TECHNOLOGY AND INNOVATION

1. Build Technology Capacity of NMSMEs:

For nano, micro, small and medium enterprises to effectively leverage technology to access markets, they need to be equipped with technology know-how through capacity building. This white paper recommends an intentional approach to technology training to enable NMSMEs to develop knowledge and skills that will improve technology adoption and consequently access to markets. While there are a couple of proposed government tech capacity building programs such as those in the Nigeria Startup Bill, it is crucial to implement programs that target not just tech startups but NMSMEs across sectors as well as programs that enable the use of technology to access markets and spur business growth.

2. Develop a national e-commerce strategy:

Seeing that e-commerce has been a great enabler of access to markets for NMSMEs, a national e-commerce strategy outlining the government's plan to encourage e-commerce adoption and improve access to markets would positively impact access to market rates for NMSMEs. The strategy should address issues such as infrastructure, regulations, and consumer protection. The strategy should also address international payment challenges as easing payment processes for businesses who buy and sell internationally would positively improve access to markets.

3. Create a regulatory framework for e-commerce:

Regulations that govern e-commerce activities in Nigeria would promote a level playing field for businesses. Such regulations should cover areas such as consumer protection, data privacy, and taxation.

4. Invest in Technology Infrastructure:

Accessing markets through technology is nearly impossible without the necessary technology infrastructure. There is the need for increased investment in broadband infrastructure to provide better and faster access to the internet, which is essential for e-commerce and other technology-driven initiatives.

5. Implementation of the African Continental Free Trade Agreement (AfCFTA):

The African Continental Free Trade Agreement holds a lot of promise for NMSMEs with regards to accessing markets. There is an urgent need for the domestication of AfCFTA and the implementation of a support structure to enable NMSMEs leverage the initiative.

6. Encourage public-private partnerships:

The government should encourage public-private partnerships to develop and implement technology solutions that improve access to markets. This will bring together the expertise and resources of the public and private sectors to achieve common goals. Public-private partnerships will also allow for critical for the design of cohesive programs and/or policies that is relevant and targeted to address the specific difficulties NMSMEs face in adopting technology.

7. Improve the Business Environment:

Overall, it is important that the government prioritizes the development of an entrepreneurial ecosystem that supports growth and innovation through the implementation of sustainable entrepreneurship and economic policies; the provision of necessary infrastructure such as good transportation network, power supply, storage facilities etc; inclusive funding support; regulatory support; security etc.

8. Ease Standardization and Certification processes:

A huge part of accessing markets locally and internationally is getting products or services certified or standardized. Easing the processes around standardization and certification will improve access to local and international markets.

CONCLUSION

Technology is a driving force behind both economic growth and social prosperity. With integrated technology, MSMEs can increase sales, attract customers, create jobs and boost GDP growth in Nigeria. For NMSMEs to fully harness technology to access markets however, priority must be placed on equipping them with the necessary knowledge, tools and support. Through government support, effective policy design, and public-private partnerships, investment in technology infrastructure coupled with reliable and stable power as well as affordable and accessible internet data and technology devices, NMSMEs will be better supported to access markets locally and internationally.



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^{vii}FATE Institute, State of Entrepreneurship in Nigeria Report, 2021 & 2022 <https://fatefoundation.org/download/2021soe/> <http://www.fatefoundation.org/2022soe/>

^{viii}FATE Institute, State of Entrepreneurship in Nigeria Report 2021, Pg 50 <https://fatefoundation.org/download/2021soe/>

^{ix}FATE Institute, State of Entrepreneurship in Nigeria Report 2022, Pg 49 <http://www.fatefoundation.org/2022soe/>

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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