MICRO ENTERPRISE PERCEPTION REPORT 2016

ENABLE²
Enhancing Nigerian Advocacy
for a Better Business Environment

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Executive Summary

This report provides insights into micro enterprises perspective of the business environment in northern Nigeria by analysing the results of over 1,700 micro enterprises in Jigawa, Kaduna, Kano, Katsina, and Zamfara states. Micro-enterprises were sampled across wholesale and retail trade, manufacturing, agriculture, and services sectors. The data collected from the study is analysed by sector, state and gender to provide insights into perceptions of the business environment.

The primary aim of this survey is to generate the Micro-Enterprise Perception Index (MEPI) which is derived from five key factors of obstacles to doing business, public private dialogue, impact of advocacy organisation, government effort in addressing business obstacles, and media coverage of small businesses.

The results from the 2016 MEPI show that micro-enterprises in Kano, Kaduna, Jigawa, Katsina and Zamfara rated the overall business environment the same as they did in 2015. For 2015 and 2016, the overall MEPI Index score is 3.1. Among women the overall MEPI Index score rose very slightly from 3.1 to 3.2. Among men the score remained unchanged, at 3.1. This represents a business environment perception that is neither conducive nor unconducive to doing business. However, variation between states shows that Jigawa is the most conducive (3.5), followed by Kano (3.4), while Zamfara remains the lowest scoring (2.8).

Beyond the MEPI scores other key findings from the report include;

Micro-enterprises in the surveyed states praised the government's influence in improving security, telecommunications, access to markets and transport which are scored highly.

Three constraining factors are common to all four sectors: access to finance, power supply and access to financial training.

For the most part, there is little significant variation between sectors, with the costs of raw materials, whether local or imported, and transport coming top of the list of problem areas for nearly all businesses.

Corruption has dropped down the list since the 2015 survey. At that time, corruption was generally rated in the top three factors of concern.

Overall, the balance of opinion on public-private dialogue is slightly positive.

A clear majority of enterprise owners perceive the government as making little or no effort to improve the business environment; less than one in six respondents believe that their government is making any meaningful effort to improve matters.

1 Introduction

1.1 ENABLE2

Enhancing Nigerian Advocacy for a Better Business Environment II (ENABLE2) is a 5-year, DFID-funded Business Environment Reform (BER) programme implemented by Adam Smith International and the Springfield Centre. ENABLE2 works with a range of partners to improve the quality and quantity of business advocacy, consultation and Public-Private Dialogue (PPD) in Nigeria to bring about business environment reforms. The programme has five focal states: Jigawa, Kaduna, Kano, Katsina and Zamfara, and also operates at federal level.

The overall vision for ENABLE2 is that by the end of the programme, more effective, evidence-based dialogue will take place between an ever-increasing number of Government Ministries, Department and Agencies (MDAs) and Advocacy Organisations (AOs), resulting in an improved business environment. The programme will evaluate progress across the following four activity streams:

- Increased demand for BER by **AOs**, which are better able to engage in effective advocacy on behalf of the private sector;
- Improved ability and willingness of **MDAs** to consult and engage in dialogue with the private sector;
- Nigerian **media** organisations acting as drivers and supporters of reform, a channel for important information and a platform for debate and discussion; and
- Enhanced access to, and supply of business environment **research** and **information** and other services that serve to stimulate and inform dialogue.

1.2 The Micro Enterprise Perception Index (MEPI)

This is the second Micro Enterprise Perception Study. The first study was undertaken in 2015 in the five focal states of ENABLE2. The aim of this survey is to highlight the factors which hinder the growth of the private sector, particularly micro enterprises and smallholder farmers, and prevent it from reaching its full potential to improve the livelihoods of poor men and women. The study canvasses the opinions of micro enterprises to find out the realities and challenges of doing business in Nigeria and provides a means of measuring the impact ENABLE2 achieves throughout its lifetime.

1.2.1 Objectives of MEPI

The overall objectives of this study are to assess the following key areas:

- To identify and analyse the major business environment issues and constraints of different economic sectors hindering the growth and expansion of business for micro enterprises and smallholder farmers;
- To generate an overall micro enterprise perception index of the Nigerian business environment in the five focal states with a view to satisfying an ENABLE2 logframe indicator;
- To provide BE stakeholders including the private sector, government and the media with evidence on the perceptions of micro enterprises on doing business in Nigeria.

Specific points of interest are:

- Key factors (e.g. costs for licensing, acquiring land, source financing, taxation, access to markets, access to quality inputs, etc.) that are important to business and farming;
- Key constraints and obstacles that make it difficult to do business;
- Non-economic barriers, such as regulatory clarity, that cause problems for business;
- Perceptions of whether and how government is addressing these factors;
- Opinions on whether and to what extent these factors are likely to deter investment; and
- An assessment of the costs associated with the requirements of regulation.

2 Methodology

2.1 Survey Design

To ensure that findings were representative of the overall economy, the sample size for the study was specified as follows:

- Total sample size: at least 1,000 micro-enterprises;
- At least 200 respondents in each of the five ENABLE2 focal states: Jigawa, Kaduna, Kano, Katsina and Zamfara;
- Both male and female owners of micro-enterprises representing four broad economic sectors – agribusiness, wholesale/retail, manufacturing and services – in both urban and rural areas.

2.2 Sampling

Sampling for the survey was conducted in three stages:

- Identification of Primary Sampling Units (PSUs);
- Household Selection; and
- Selection of Interview Respondents.

Stage I: Identification of Primary Sampling Units (PSUs): PSUs, referred to as "Wards" in Nigeria, are localities/communities within the LGAs of each state. Wards are further segregated by urban and rural area. Any locality with a population of less than 20,000 constitutes a rural area. PSUs in each state were selected using a probability approach proportional to size. The number of PSUs selected per state was also based on the proportion of micro enterprises relative to the total for the five target states. This proportion was then used to calculate the sample size per state (of the overall sample size across the five states). This resulted in the sample distribution shown in Table 1 below.

Table 1. Sample Distribution per State and Gender

State	# of Micro Enterprises[1]	Sample Size	%	Male	%	Female	%	# of Primary Sampling Units
Jigawa	820,001	266	14%	179	15%	87	14%	30
Kaduna	1,635,453	484	26%	350	28%	134	22%	120
Kano	1,794,358	504	27%	339	28%	165	27%	145
Katsina	1,216,604	384	21%	230	19%	154	25%	66
Zamfara	722,360	215	12%	133	11%	82	13%	23
Total	**6,188,776**	**1,853**	**100%**	**1,231**	**100%**	**622**	**100%**	**384**

Table 2. Sample Distribution for MEPI survey 2015 vs 2016 per states per gender

State	Sample Size 2015	Sample Size 2016	% 2015	% 2016	Male 2015	Male 2016	Female 2015	Female 2016
Jigawa	138	266	13%	14%	87%	67%	13%	33%
Kaduna	264	484	26%	26%	71%	72%	29%	28%
Kano	298	504	29%	27%	81%	67%	19%	33%
Katsina	202	384	20%	21%	79%	60%	21%	40%
Zamfara	133	215	12%	12%	85%	62%	15%	38%
Total	**1,035**	**1,853**	**100%**	**100%**	**79%**	**66%**	**21%**	**34%**

[1] Source: SMEDAN/NBS MSME survey Summary report 2013; p21

Table 3. Sample Distribution per Sectors and Gender

Sector	Male	% Male	Female	% Female	Sample	% Sample
Agriculture	396	32%	73	12%	469	25%
Manufacturing	80	6%	88	14%	168	9%
Services	369	30%	266	43%	635	34%
Wholesale & retail Trade	386	31%	195	31%	581	31%
Total	**1,231**	100%	**622**	100%	**1,853**	100%

Table 4. Confidence interval

State	Confidence interval 2015[2]	Confidence interval 2016[3]
Jigawa	8.34	6.01
Kaduna	6.03	4.45
Kano	5.68	4.36
Katsina	6.89	5.00
Zamfara	8.50	6.68
Total	**3.05**	**2.28**

Enlargement of the MEPI 2016 survey sample contributed to improving the confidence interval to a level which allows comparison of not just MEPI data but also some partial data such as State, Sector and Gender.

Stage II: Household Selection: Using satellite imagery, selected PSUs were delineated and mapped using GPS coordinates, after which a starting point was randomly selected within each PSU. The process for random selection of households by each enumerator included every fifth household in urban and high population density areas and every second household in rural or low-density areas. From the starting point within each PSU, enumerators were given further instruction regarding eligibility of households and the process for substitution as/when needed, in order to ensure both that the survey was representative and that random selection procedures were followed.

Stage III: Selection of Respondents: The final sampling stage was the selection of interview respondents. Screening questions were used to ensure that businesses fit the criteria for micro enterprises as defined by SMEDAN, as well as to ensure that the respondents were the owners of the enterprises. The gender of respondents was captured to ensure that the survey results reflect actual gender representations among the target groups.

2.3 Research Instruments

The survey was conducted using a questionnaire designed to assess the key business environment issues faced by micro-enterprises. This allowed for calculation of the micro enterprise perception index. The questionnaire was translated into Hausa so that enumerators could conduct interviews in either English or Hausa based on the preference of the respondent.

Since, MEPI 2015 ENABLE added few Business environment factors in survey: Corruption and Access to modern equipment. Also, Access to work equipment, Transportation networks and Access to local raw materials were added as factors in Government part.

[2] Confidence level 95%
[3] Confidence level 95%

2.4 Fieldworker Selection, Training and Pre-Testing

Fieldworkers were selected who were indigenous to the region. Selection criteria for enumerators included fluency in Hausa and English and they were, where possible, assigned to work in their native LGAs. Within each PSU, at least one female enumerator was included to ensure access to female microenterprise owners.

Prior to data collection, 2.5-day training sessions were held for all fieldworkers (interviewers, supervisors and quality controllers) involved in the survey. The training included a briefing on the purpose of the study, research objectives, research design, sampling procedures and household selection and substitution. The training and training materials also provided instructions and time for discussion and practice in administering the questionnaires and interview guides (including review of all questions; clarification of meanings, terms and skip patterns; role play exercises; review of interviewing approach; and planning of fieldwork monitoring and supervision, as well as ethics, gender and conflict sensitivity guidelines). Prior to commencing fieldwork and data collection, the tools and questions were tested during a one-day pilot session, which provided enumerators the opportunity to practice under supervised field conditions.

2.5 The Micro Enterprise Perception Index (MEPI)

The Micro Enterprise Perception Index (MEPI) is composed of five major components that affect micro enterprises' perceptions of doing business:

a) Current obstacles and impediments faced by micro enterprises;
b) Satisfaction of micro enterprises with public private dialogues;
c) Micro-enterprises' perceptions of government efforts to tackle impediments to doing business;
d) The perceived impact of advocacy organisations on micro enterprises, and
e) Micro-enterprises' perceptions of media coverage of small business issues.

The higher the index score, the more conducive the business environment is perceived to be for doing business by micro-enterprises. The MEPI was calculated using weighted averages. In order to compute the index, each of the component responses are weighted as follows:

- Obstacles faced by micro enterprises: 75%;
- Satisfaction of micro enterprises with public private dialogues: 10%;
- Perception of government efforts to tackle obstacles faced by micro enterprises: 5%;
- Perceived impact of advocacy organisations on micro enterprises: 5%; and
- Perception of media coverage of small business issues: 5%.

2.6 Data Collection and Audit

Questionnaires were administered over approximately eight days per PSU. This period included time for daily briefings on lessons learned, starting point assignment, call backs and a mopping up process where required. After Day 1 of fieldwork, the previous day's data was spot checked for quality control by the Supervisor and the Field Project Manager prior to data entry. The study team worked closely with the ENABLE2 team throughout the duration of the study. The ENABLE2 team assisted in supervising quality control and desktop and field activities to verify claims as necessary.

2.7 Note on Data Quality

One point needs to be made concerning the quality and validity of the responses and results of a survey such as this. By their very nature, the majority of micro enterprises have limited experience in business environment reform and frames of reference. The quality of the "business environment" as perceived by a micro enterprise owner may be influenced more by how busy (s)he is on the day of the survey than on broader considerations such as the benefits of advocacy by, for example, the Chamber of Commerce. Similarly, many micro enterprise owners are likely to have little or no knowledge of or exposure to public-private dialogue. The Nigerian economy has also been going through a period of recession; disappointment with the economic situation may translate into a more negative perception of government activities. In other words, it is possible that some of the responses are proxies for an issue which is related to but not the same as the question being asked. Considerable caution should, therefore, be exercised before drawing any profound conclusions without corroboration from other sources. We can, however, be moderately confident that the survey responses provide a fair overall picture of the perceived ease or difficulty of doing business in our focal states and the most serious obstacles faced.

3 Overall results

This section summarises the overall results of the 2016 Micro Enterprise Perception Survey.

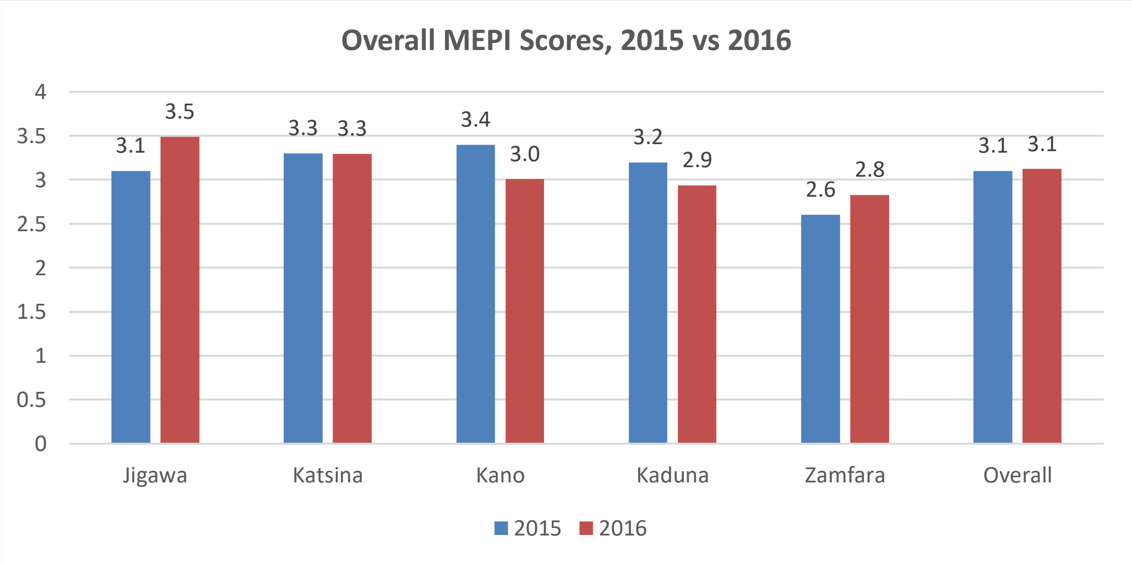
First, we compare micro-enterprises' overall perceptions of the business environment and efforts to improve it, in 2015 and 2016. Then, in the second part of this section, we compare female and male micro-enterprise owners' perceptions of the business environment. In the fourth part of this section, we identify the elements of the business environment which micro-enterprise owners see as most constraining their businesses. We end this section by outlining how micro-enterprises perceive government's efforts to improve the business environment.

3.1 Comparing micro-entrepreneurs' perceptions in 2015 and 2016

In 2016, micro-enterprises in Kano, Kaduna, Jigawa, Katsina and Zamfara rated the overall business environment the same as they did in 2015. For 2015 and 2016, the overall MEPI Index score is 3.1. Figure 1 below shows the change in overall MEPI score and the scores for each state.

Both female and male micro-enterprise owners rated the overall business environment fairly consistently between 2015 and 2016. Among women the overall MEPI Index score rose very slightly from 3.1 to 3.2. Among men the score remained unchanged, at 3.1.

Figure 1. Micro Enterprise Perception Index Scores 2015 and 2016



Source: 2016 and 2015 Micro Enterprise Perception Surveys

When we analyse responses state by state, however, we see two notable changes. Firstly, micro-enterprises in Jigawa perceive an overall improvement in the business environment. The state's MEPI score has risen from 3.1 in 2015 to 3.5 in 2016. This improvement in Jigawa's score is consistent with ENABLE2's political economy analysis; Jigawa has a pro-business governor and has attracted several high-profile investments.

Secondly, in Kano and Kaduna, micro-enterprises perceive a deterioration in the business environment. Kano's MEPI score has declined from 3.4 to 3.0 in the past year; Kaduna's overall MEPI score has fallen from 3.2 to 2.9. In Kano, politics is seen by many to have a worsening effect on the economy, as the new Governor struggles to gain the support of the population. Many business owners perceive the government there as weak and unsupportive of micro-enterprises. In Kaduna, however, a pro-business and reform agenda has not prevented the state's MEPI score from decreasing.

Zamfara remains the lowest scoring of the four states surveyed. ENABLE2 continues to see poor governance in this state as a barrier to improving the business environment.

Next, we analyse changes in each component of the MEPI index, between 2015 and 2016. The MEPI index is made up of the following five components. A brief explanation of each component, and its weighted contribution to the overall MEPI follows[4]:

1. *The business environment (75% of overall MEPI score).* We asked micro-enterprise owners about how they perceive the obstacles they face, and the services they rely on, when doing business. Respondents rated these services and obstacles on five-point scales, with a score of 1 being the worst and five being the best.

2. *Satisfaction of micro enterprises with public private dialogues (10% of overall MEPI score).* The MEPI survey asked micro-enterprises about their satisfaction with several aspects of public-private dialogue: the inclusiveness of public-private dialogue; the openness of this dialogue; and the relevance of the issues discussed to their businesses. We combined findings from these different questions to create overall satisfaction scores.

3. *Government performance in tackling obstacles faced by micro-enterprises (5% of overall MEPI score).* Respondents were asked what they think of the government's *performance* in addressing 29 different obstacles to doing business in the state. We then converted responses into scores, and added them together to produce a 'Government Performance Index'.

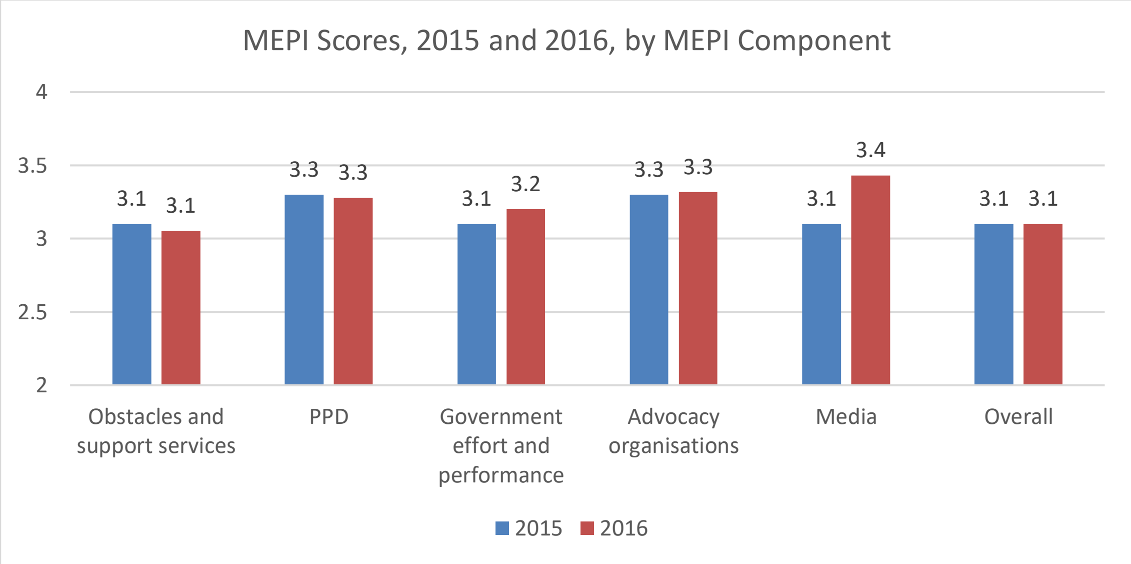
4. *Impact of advocacy organisations (5% of overall MEPI score).* Micro-enterprise owners were asked to rate the impact of business membership organisations in advocating for resolution of business environment constraints. Respondents rated these organisations' performance on a five-point scale, ranging from "advocacy organisations are making a large negative impact" to "advocacy organisations are making a large positive impact".

5. *Perception of media coverage of small business issues (5% of overall MEPI score).* We asked micro-enterprises to rate the media's coverage of business environment constraints affecting their businesses. We also asked respondents to rate whether the extent to which the issues that matter to them are covered by the media, and the impact of this media coverage. We converted responses into scores on a five-point scale. We then added together the scores for coverage and impact, creating an index. The higher the index score, the more positively micro-enterprises perceive the media's coverage of and impact on business environment issues.

Figure 2 below shows the scores for each of these components, in 2015 and 2016.

[4] These components were selected based on ENABLE2's theory of change, areas of influence and interest.

Figure 2. Micro Enterprise Perception Scores by Component



Source: 2016 and 2015 Micro Enterprise Perception Surveys

Notably, micro-enterprises perceive the overall business environment as equally challenging in 2015 and 2016. In 2016, a difficult macro-economic environment seems likely to have prevented an improvement in this score. Specifically, Nigerians have faced recession and high inflation, which have probably offset gains from business environment reform and improved security.

When asked about government's performance on 29 business environment issues, micro-enterprises gave government almost the same score in 2016 and 2015.[5]

Meanwhile, micro-enterprises perceive the media as improving its coverage of and impact on business environment issues in 2016, compared with 2015. This finding should encourage ENABLE2 media partners in the target states, by providing evidence that their efforts to improve business environment-related programming are being noticed by large numbers of micro-enterprises.

3.2 Comparing female and male micro-entrepreneurs' overall perceptions

In 2016, women and men-owned micro-enterprises scored the business environment almost identically. The overall MEPI score among men is 3.1; among women the score is 3.2. These scores are also very similar to the MEPI scores among women and men in 2015: 3.1 for both genders.

These findings tentatively support the view that the main business environment obstacles which affect micro-enterprise owned by men, also affect women-owned micro-enterprises.[6] The relevance of these business environment issues to women highlights the importance of including women's

[5] In both 2015 and 2016, we also asked micro-enterprises a separate question, not featured in the overall MEPI score: "how much effort do you think the government is making to improve business conditions in your state?" In 2016, micro-enterprise owners' responses revealed a major decline in their perceptions of government's efforts in 2016. Micro-enterprises' more negative views of the government's overall efforts stand in contrast to their view on the government's handling of specific business issues (here micro-enterprises rate the government similarly in 2015 and 2016). One likely explanation is that, when micro-enterprise owners are asked about the business environment as a whole, factors such as economic growth and inflation come to mind. If so, it would appear that many micro-enterprises hold the government wholly or partly responsible for the difficult economic conditions which Nigeria has faced in 2016.

[6] Forthcoming, more detailed analysis of the MEPI dataset is expected to confirm this.

views in research about and media coverage of the business environment, and the importance of involving women in advocacy and public-private dialogue.

It is also worth highlighting that, although the MEPI scores among women and men micro-enterprises are almost equal, women may still face greater obstacles than men when doing business. This is because the scores are based on women and men's *perceptions*. Perceptions are shaped by expectations. Women-owned enterprises may have lower expectations than their male counterparts.[7]

For a more detailed comparison of women and men micro-enterprise owners' different perceptions of the business environment, see Section 5.

3.3 Which business environment constraints matter most to micro-enterprises

We asked micro-enterprise owners to tell us what they think about the current status of various business environment constraints. Focusing on how these constraints affect the micro-entrepreneur's business. This section presents our findings. To make comparisons easier, these constraints are separated into categories:

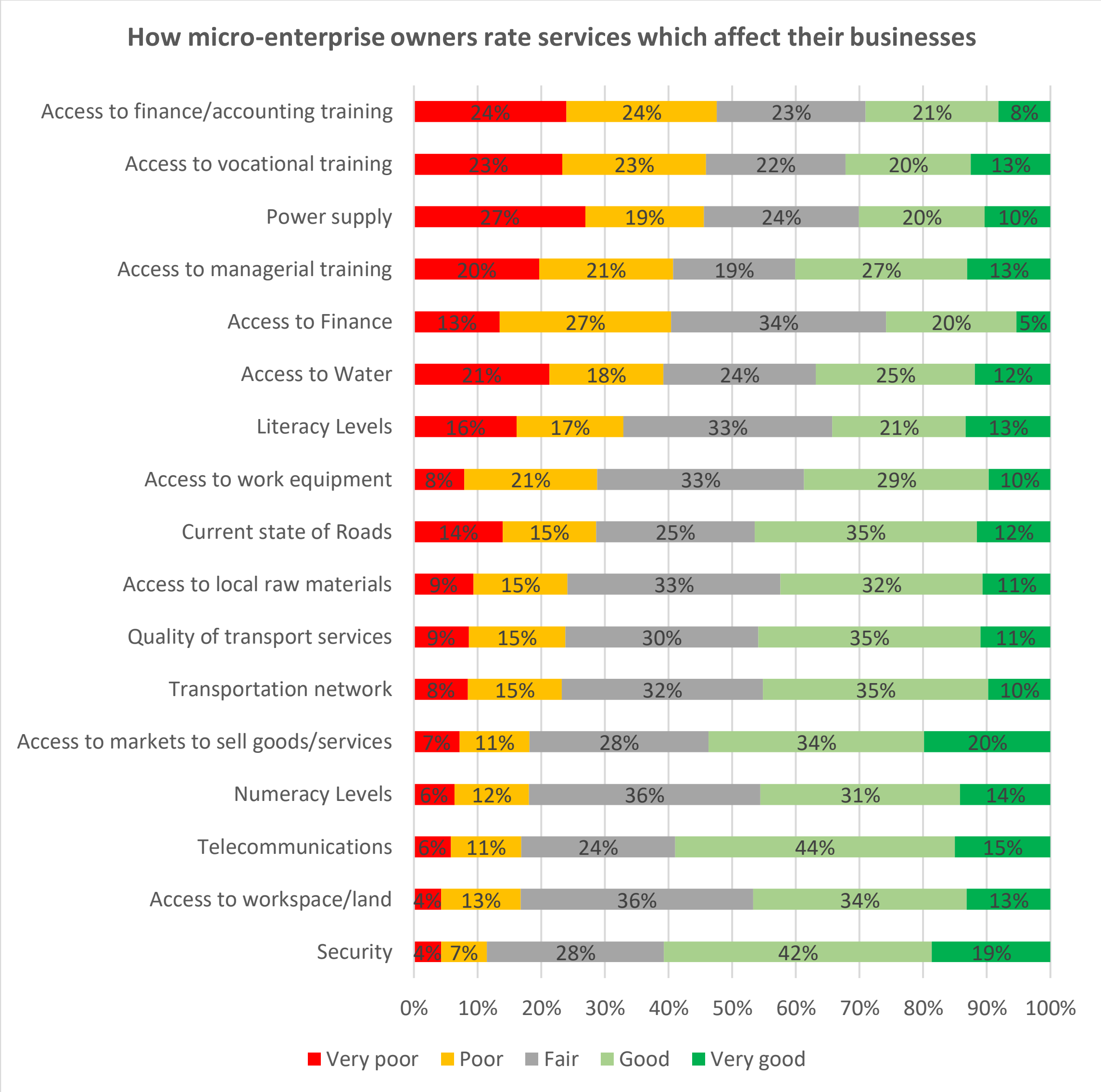
- Access constraints
- Taxes, tariffs and prices
- Tax administration, credit terms and the process of obtaining loans

3.3.1 Which access constraints matter most to micro-enterprises

We asked respondents to rate various types of infrastructure and support services which affect their ability to do business. The micro-entrepreneurs we surveyed answered using a five-point scale, ranging from "very poor" to "very good". Figure 3 on the following page shows our findings.

[7] Particularly where, historically they have received fewer services and faced greater obstacles. With lower expectations, a slight improvement in conditions may lead women to feel as positive about the business environment as men, even if they still face greater challenges overall. The gender-related findings of this survey should be interpreted in that context.

Figure 3. Micro Enterprise Owners' perceptions of Service Quality



Source: 2016 Micro Enterprise Perception Survey

Notably, the micro enterprise owners surveyed feel positive about several elements of the business environment. Specifically, most micro-enterprises feel that they enjoy good access to markets, reasonable levels of numeracy and good access to telecommunications. Meanwhile, over 60% of respondents view the security situation positively, while just 11% view the security situation as poor. These findings offer good news for investors looking to micro-enterprises as customers – especially in markets such as mobile financial services, which rely on telecommunications infrastructure, access to markets and numeracy. These findings also offer a rare positive perspective on doing business in northern Nigeria; the achievements are often overlooked in descriptions of Northern Nigeria.

Interestingly, whilst less than a fifth or respondents saw numeracy as impeding their business, more than half rated their access to financial/accounting training as either “poor” or “very poor”. This may present an opportunity to businesses or public agencies which can offer low or no-cost financial and accounting training.

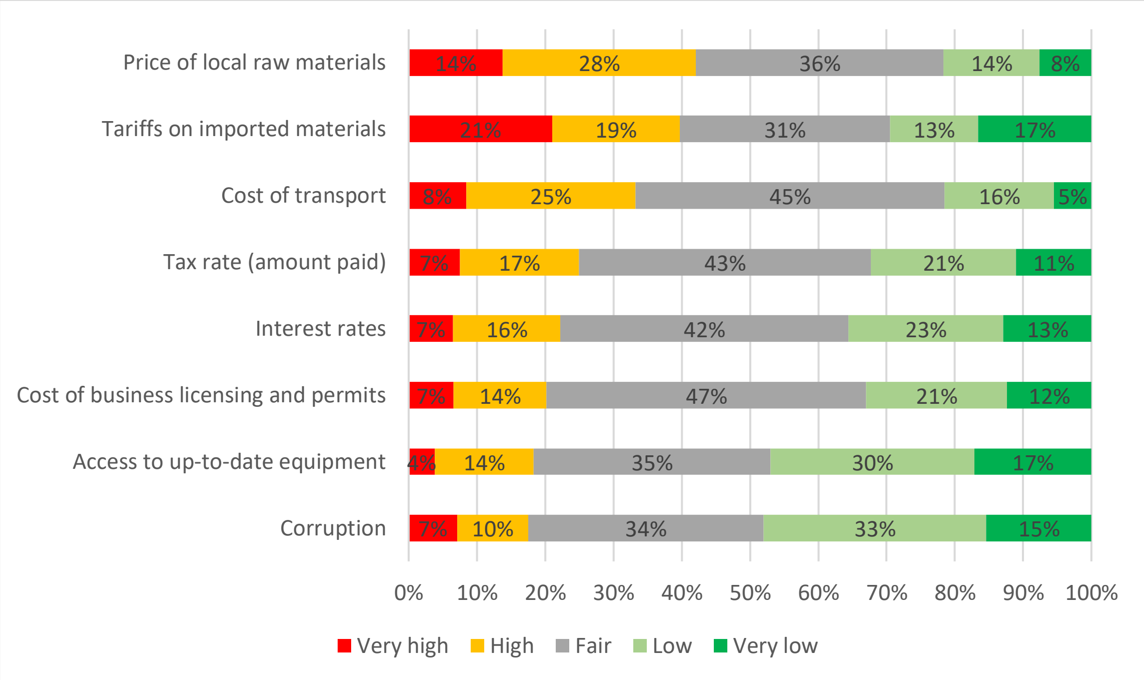
Access to vocational and managerial training were also rated by respondents as among the business environment factors most in need of improvement, indicating that skills shortages are one of the most pressing issues for micro-enterprises in north-central Nigeria currently.

Power supply, access to finance and access to water are the three other notable factors which large numbers of micro-enterprises highlighted as in need of improvement.

3.3.2 Which tax rates, tariffs and costs most constrain micro-enterprises

We asked micro-enterprise owners about how they perceive various tax rates, tariffs and costs which affect their ability to do business. The micro-enterprises assessed the tax rates, tariffs and costs using a five-point scale, ranging from "very high" to "very low". Figure 4 below shows our findings.

Figure 4. How micro-enterprises perceive tax rates, tariffs and costs



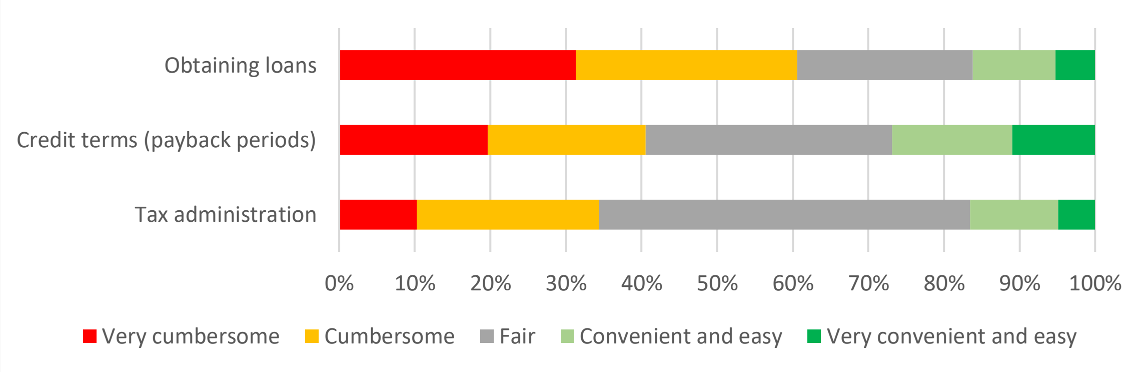
Source: 2016 Micro Enterprise Perception Survey

In 2016, the cost of materials appears to be the most concerning to micro-enterprises. Government tariffs on imported materials contribute, so too does the cost of locally produced raw materials. These findings may indicate support among micro-enterprises policies which aim to tackle price rises (inflation). Whilst discussions about inflation often focus on monetary policy, it is also worth noting here that price fixing combines a hidden but important role in pushing prices. With that in mind, Nigeria's Competition Bill, which would lead to the establishment of a body tasked with preventing price fixing, could benefit micro-enterprises. At the time of writing, the Competition Bill is being debated in the House of Representatives and Senate.

3.3.3 How micro-enterprises perceive tax administration, credit terms and the process of obtaining loans

Micro-enterprise owners told us how they perceive tax administration, loan payback periods and the process of obtaining loans. Respondents rated these three factors using a five-point scale, ranging from "very cumbersome or difficult" to "very convenient and easy". Figure 5 below shows our findings.

Figure 5. Micro-enterprise perceptions of credit terms, loan application processes and tax administration



Source: 2016 Micro Enterprise Perception Survey

High numbers of micro-enterprises perceive each of these factors as an impediment. 61% of micro-enterprises perceive the process of obtaining loans as either "cumbersome" or "very cumbersome". Meanwhile, 41% perceive credit terms on offer the same way. The combination of challenging credit terms and difficulties in obtaining loans may help to explain why micro-enterprises see access to finance as one of the most important constraints they face (see section 3.3.1).

Micro-enterprises' frustration with loan application processes and credit terms may present a business opportunity. Financial products which can reduce collateral and administrative requirements, whilst maintaining high payback rates, would be in high demand among micro-enterprises in the four northern Nigerian states surveyed; especially if these loans can be repaid in line with the typical income streams of micro-enterprises.[8] Nigeria's government may wish to review which of its policies encourage and constrain such financial sector innovation.

The findings also indicate that ENABLE2's support for tax simplification is relevant to a significant number of micro-enterprises. More than one third of those interviewed perceive tax administration as either "cumbersome" or "very cumbersome". This proportion is lower than in 2015, however; Kaduna and Kano's DFID-supported tax simplification efforts are probably the main reasons why more micro-enterprise owners in the target states now perceive tax administration as "fair".

3.3.4 Other factors micro-enterprises perceive as constraining their businesses

We asked micro-enterprise owners to identify any obstacles not listed above which affect their businesses. Many respondents reiterated points that had been included in our list, with lack of adequate capital or sufficient financial assets figuring most strongly. The top constraint mentioned that was not on our list was fertiliser and other farm inputs, with a total of 60 respondents.

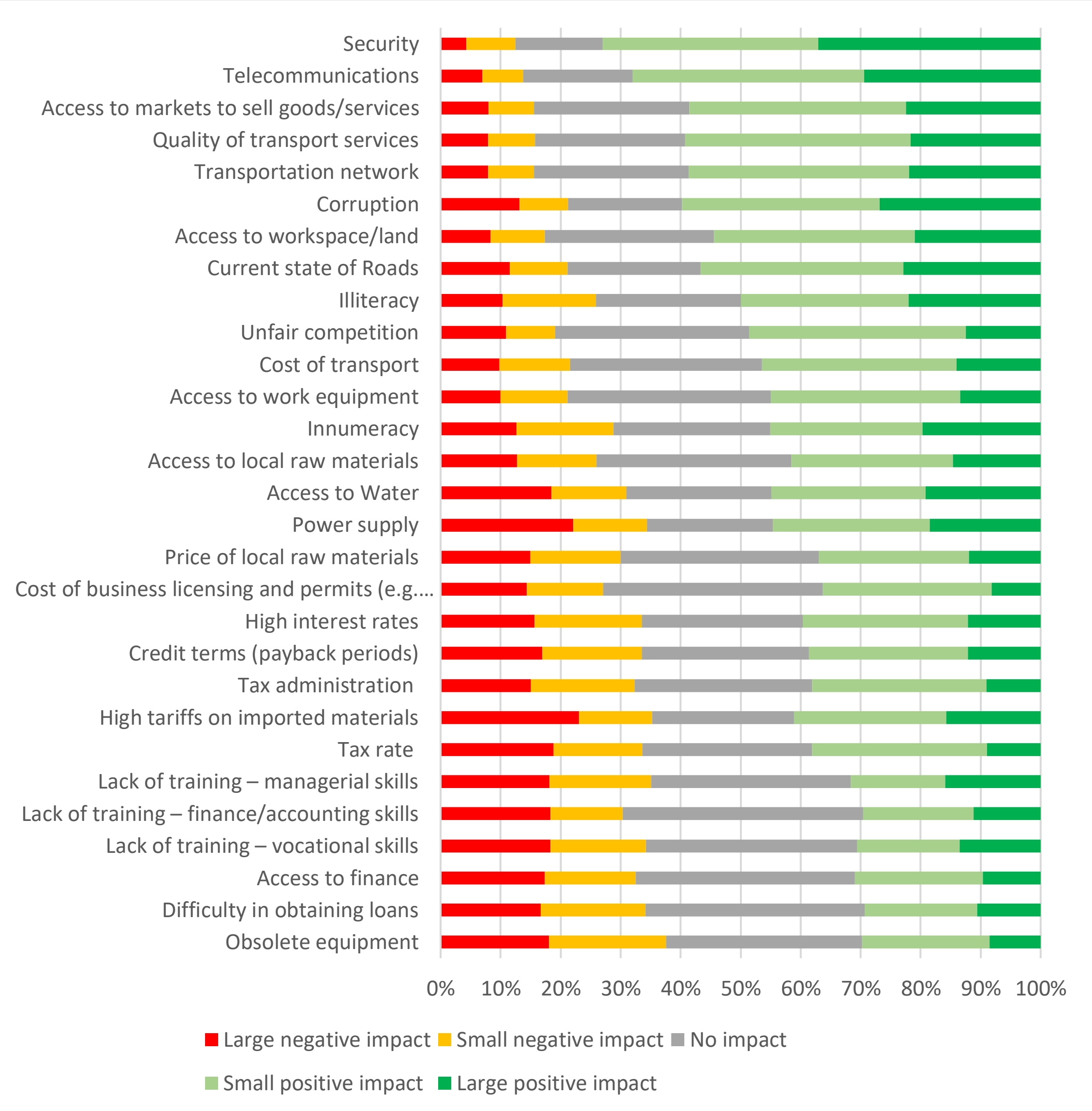
Many of the other responses indicate the low level of understanding among micro enterprises of exactly what constitutes the business environment; this should be borne in mind when attempting to draw conclusions. The people being surveyed have, in many cases, only partial understanding of the questions, hence interpretation of the answers requires considerable caution.

[8] M-Shwari, which is popular among micro-entrepreneurs in Kenya for short-term trade finance, is one such product.

3.4 How micro-enterprises perceive Government's effort to improve business conditions

We asked micro-enterprise owners in the five target States about government's impact in addressing 29 different constraints affecting their businesses. Figure 6 below shows how respondents rated the government's effort in tackling each of the 29 obstacles.

Figure 6. Perception of Government influence on Business Environment factors



More than any other issue, micro-enterprises in the surveyed states praise the government's influence in improving security. The government's effort in improving telecommunications, access to markets and transport also score highly. Another encouraging sign for the government is that 60% of respondents view it as having a positive impact in reducing corruption. These findings provide some evidence that micro-enterprises in the four surveyed states believe that government is delivering on several of its policy priorities.[9]

In contrast, more micro-enterprises view government's influence on access to finance and training negatively than view it positively. This matters because, as mentioned in section 3.3.1, micro-enterprises identify shortages of skills and finance as greatly constraining their businesses.

Micro-enterprise owners' perceptions on access to finance are worth analysing further. Interestingly, despite the high interest rates and foreign exchange shortages affecting Nigeria in 2016, it is government's influence on the process of obtaining loans, not the loan terms, which micro-enterprises feel most negatively about.

[9] Respondents were not asked to differentiate between local, state-level and federal government performance. We cannot therefore conclude from the data to what extent respondents hold the federal government responsible, versus state-level or local government, for the positive and negative impacts they attribute here to 'government'.

4 Sector Analysis

This section of the report examines whether businesses in different areas of activity perceive their operating environments to be significantly different across the ENABLE states. For the purposes of this analysis, micro enterprises have been divided into four sectors: agriculture, manufacturing, services, and wholesale and retail trade.

Table 2. Breakdown of survey sample by sector and gender

State	Agriculture	Manufacturing	Services	Wholesale & Retail Trade	Total
Jigawa	**70**	**23**	**82**	**91**	**266**
Female	2	18	26	41	87
Male	68	5	56	50	179
Kaduna	**91**	**60**	**167**	**166**	**484**
Female	6	26	53	49	134
Male	85	34	114	117	350
Kano	**125**	**53**	**157**	**169**	**504**
Female	18	27	67	53	165
Male	107	26	90	116	339
Katsina	**121**	**16**	**130**	**117**	**384**
Female	38	5	66	45	154
Male	83	11	64	72	230
Zamfara	**62**	**16**	**99**	**38**	**215**
Female	9	12	54	7	82
Male	53	4	45	31	133
Total	**469**	**168**	**635**	**581**	**1853**

Source: Survey data

Broadly speaking, the responses of the different sectors have much in common with each other and the differences are, for the most part, insignificant. This section thus picks out some of the highlights of the findings where, for example, they serve to support the view of the project on certain aspects of the business environment or where they might challenge the project to reassess its opinion.

No official statistics are available showing the breakdown of micro-enterprises at state level. The SMEDAN/NBS surveys of 2010 and 2013 provide only national breakdowns of enterprise activity, hence there is no firm basis on which to compare the survey sample with the actual situation in each state. The sectoral breakdown of the survey sample is shown in Table 3 below and the gender breakdown within each sector is shown in Table 4.

Table 3. Percentage breakdown of economic activity by sector in survey sample

State	Agriculture	Manufacturing	Services	Wholesale & retail	Total
Jigawa	70 26%	23 9%	82 31%	91 34%	266 100%
Kaduna	91 19%	60 12%	167 35%	166 34%	484 100%
Kano	125 25%	53 11%	157 31%	169 34%	504 100%
Katsina	121 32%	16 4%	130 34%	117 30%	384 100%
Zamfara	62 29%	16 7%	99 46%	38 18%	215 100%
All states	**469** **25%**	**168** **9%**	**635** **34%**	**581** **31%**	**1,853** **100%**

Source: Survey data

Table 4. Breakdown of survey sample by sector and gender

Sector	Male		Female		Total
Agriculture	396	84.4%	73	15.6%	469
Manufacturing	80	47.6%	88	52.4%	168
Services	369	58.1%	266	41.9%	635
Wholesale & Retail Trade	386	66.4%	195	33.6%	581
Total	**1,231**	66.4%	**622**	33.6%	**1,853**

Source: Survey data

As can be seen from the table, two-thirds of survey respondents were male and one-third female, thus providing sample sizes sufficiently large to provide statistically significant results.

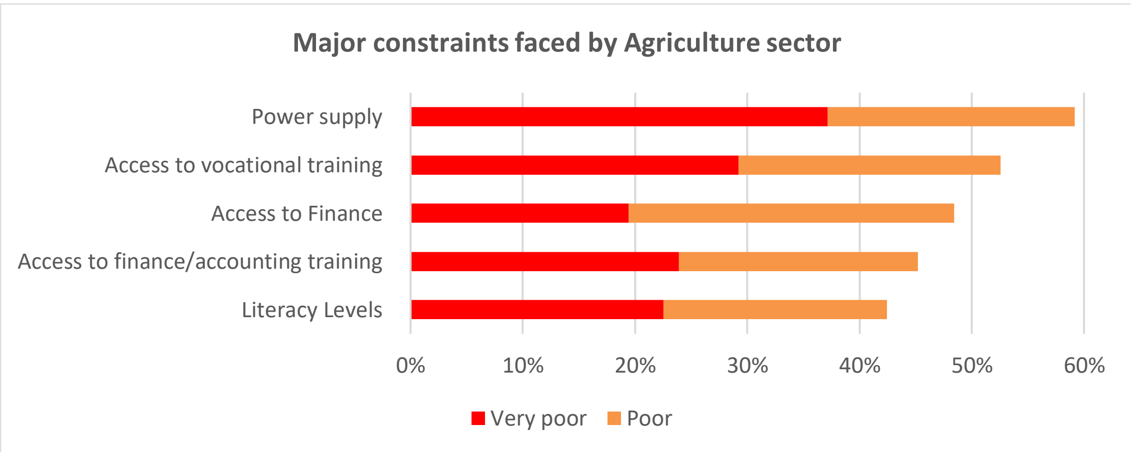
4.1 Major obstacles to doing business faced by microenterprises

In the survey, business environment factors were divided into three groups: the first group covered general influences on the business environment; the second group considered the costs of doing business; and the third group was concerned with taxes and finance.

4.1.1 General Business Environment Factors

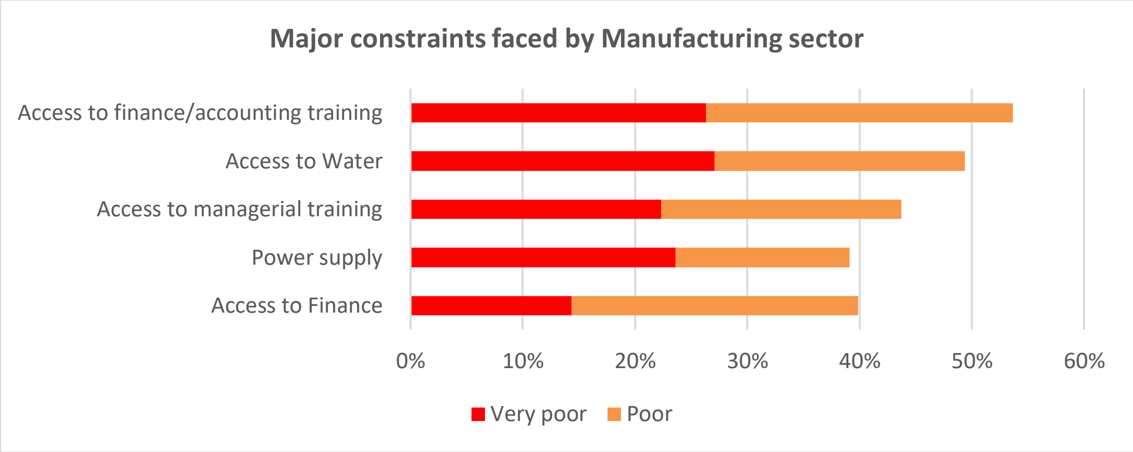
Figure 7 to Figure 10 below show the top five business environment constraints as perceived by micro enterprises each sector. Each chart shows the five factors with the highest percentage of enterprises rating them as "poor" or "very poor". It can be seen that there is a high degree of consistency in the identification of significant negative influences on business, with the "top five" shared amongst only seven factors in total. Three constraining factors are common to all four sectors: access to finance, power supply and access to financial training. The first two of these are perennial sources of complaint from businesses of all sizes and come as little surprise. The third is less expected but perhaps indicates a desire amongst micro enterprise operators to improve their ability to monitor the performance and progress of their businesses.

Figure 7. Most significant constraints perceived in agriculture sector



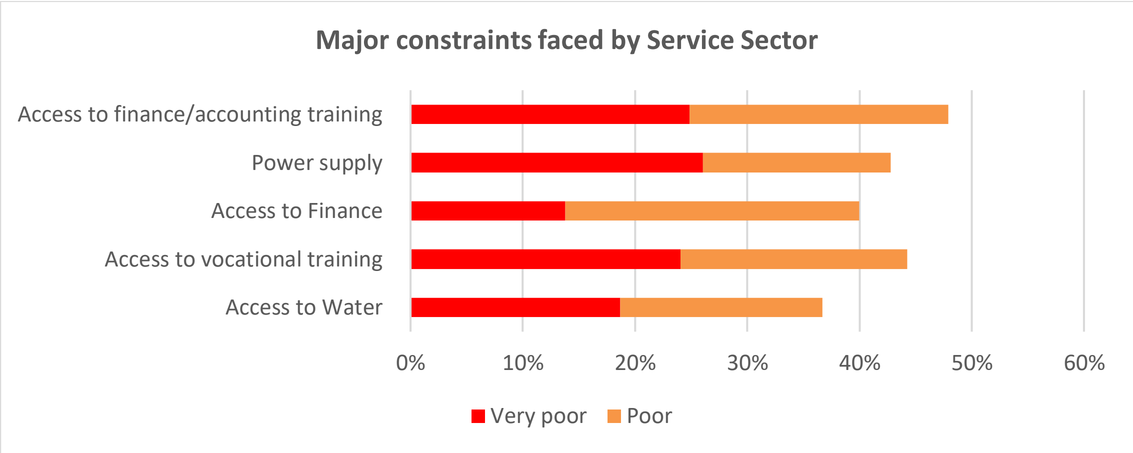
Source: Survey data

Figure 8. Most significant constraints perceived in manufacturing sector



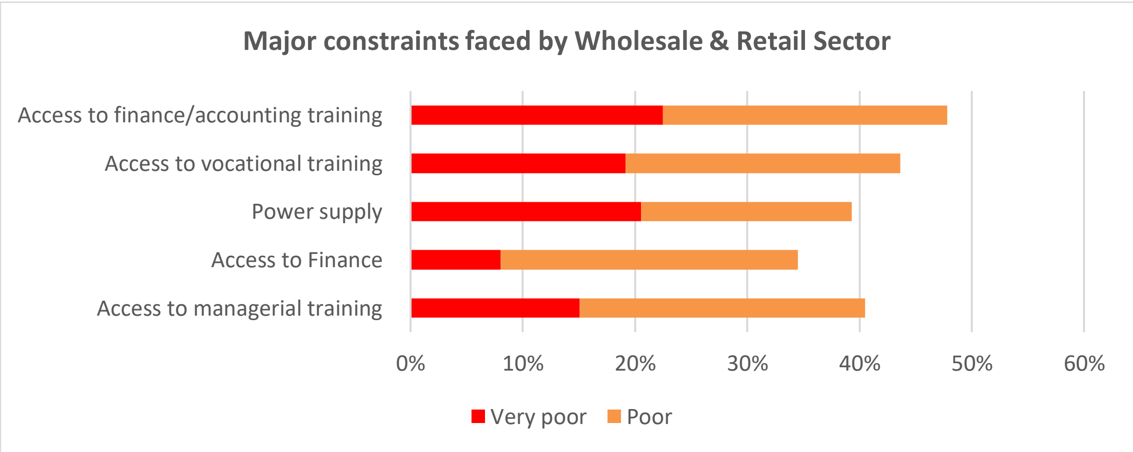
Source: Survey data

Figure 9. Most significant constraints perceived in service sector



Source: Survey data

Figure 10. Most significant constraints perceived in wholesale & retail sector



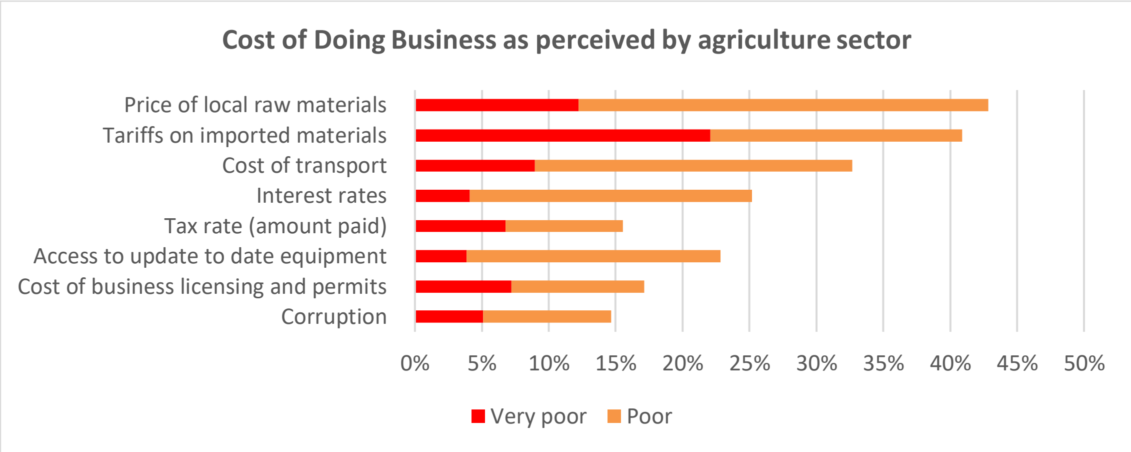
Source: Survey data

Lack of vocational training is also seen as a problem in most sectors, though it is interesting to note that, counter intuitively, manufacturing is the one sector that accords this a lower priority.

4.1.2 Costs of Doing Business

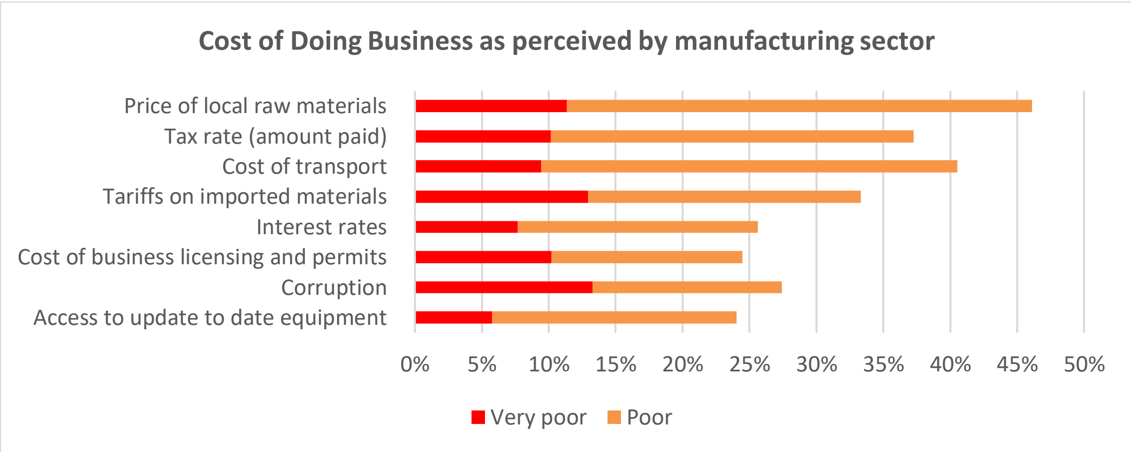
Respondents were asked about their perception of the cost of doing business. The responses are shown in Figure 11 to Figure 14, highlighting those factors where the situation is perceived as either poor or very poor, i.e. how significant these costs are considered to be.

Figure 11. Costs of Doing Business – Agriculture sector



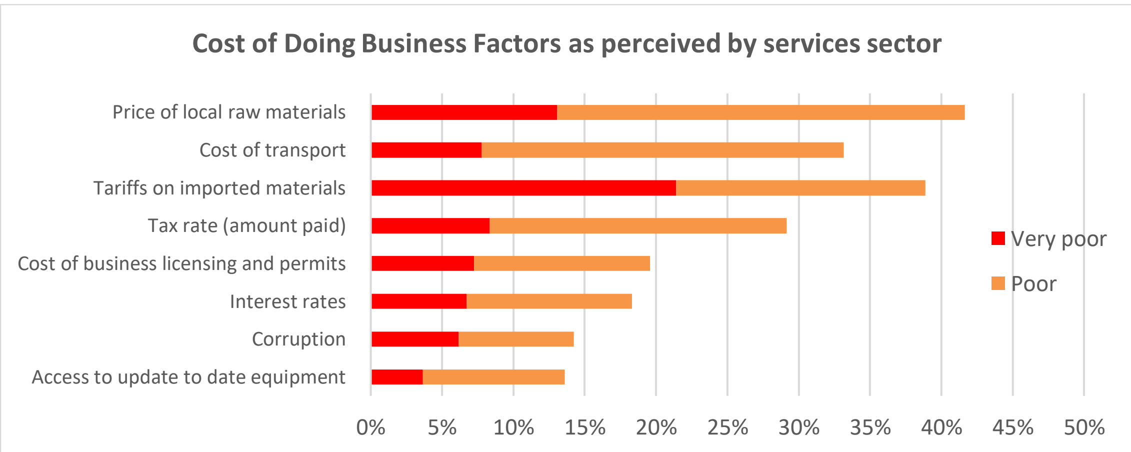
Source: Survey data

Figure 12. Costs of Doing Business - Manufacturing Sector



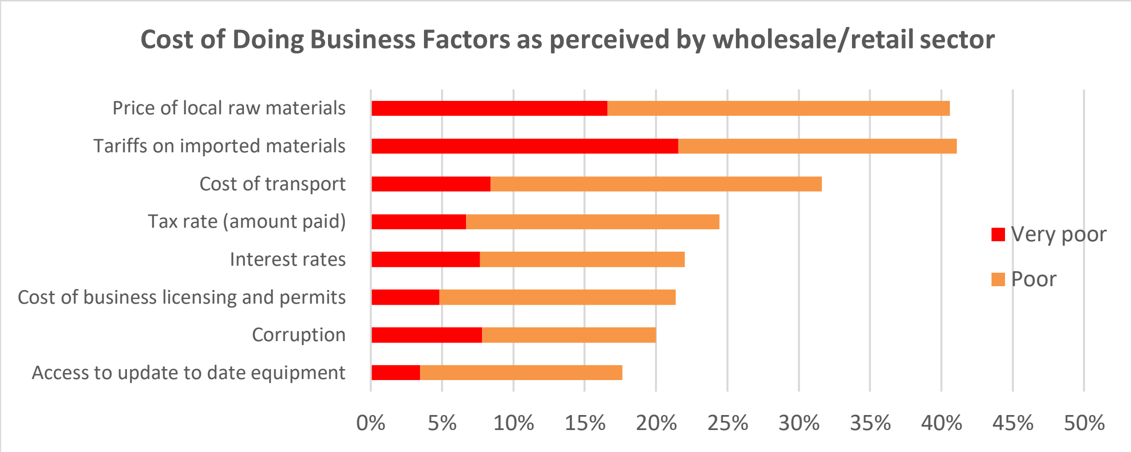
Source: Survey data

Figure 13. Costs of Doing Business - Service Sector



Source: Survey data

Figure 14. Costs of Doing Business - Wholesale/Retail Sector



Source: Survey data

For the most part, there is little significant variation between sectors, with the costs of raw materials, whether local or imported, and transport coming top of the list of problem areas for nearly all businesses. This is to be expected given the fall in the value of the Naira and the steadily rising rate of inflation (although both of these have worsened since the survey, so we may well see similar results in the next survey). Only amongst manufacturing enterprises is the monopoly broken, with tax rates challenging to be the most significant negative factor.

One point to note here is the extent to which corruption has dropped down the list since the 2015 survey. At that time, corruption was generally rated in the top three factors of concern. The Buhari administration can take some comfort that its anti-corruption drive is perceived as improving the situation of micro enterprises.

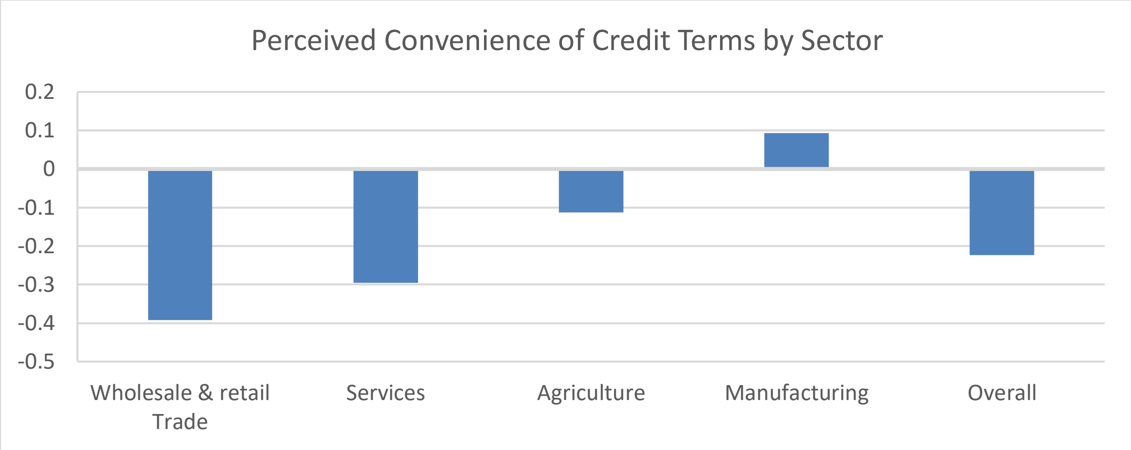
4.1.3 Credit, Loans & Tax Administration

In addition to questions on access, complexity of the process and the cost of credit finance in the states, further questions were asked to determine whether any aspects of finance were especially favourable or otherwise for any sector.

The responses to the survey indicate that issues of tax and credit are viewed almost universally unfavourably by micro enterprise operators. Worst in this regard is obtaining loans, with a survey "score" equating to difficult across all sectors, with very little variation. Worst off were the service and manufacturing sectors, with 64% and 62% of respondents respectively describing the process as difficult or very difficult.

Figure 15 shows the only instance of a positive score in this part of the survey. Although manufacturing businesses claimed to find it most difficult to obtain loans, when they were successful, they considered the terms of credit to be less onerous than other sectors. As the chart shows, however, their praise was less than effusive.

Figure 15. Rating of Credit Terms by Sector



Sample size: 402. Source: Survey data.

Only just over 400 enterprises offered a response to this question. This is to be expected, as many micro enterprises will have no practical experience of paying back a loan, having never succeeded in obtaining any form of commercial credit. Table 5 shows the breakdown of the responses to the question. If it is assumed that the response rate is a reasonable proxy indicator for the success rate of enterprises in obtaining credit, we can see that manufacturing enterprises have more than twice the success rate of service companies. This is consistent with what is known about the levels of collateral typically required by banks before extending credit.

Table 5. Response rate on credit terms

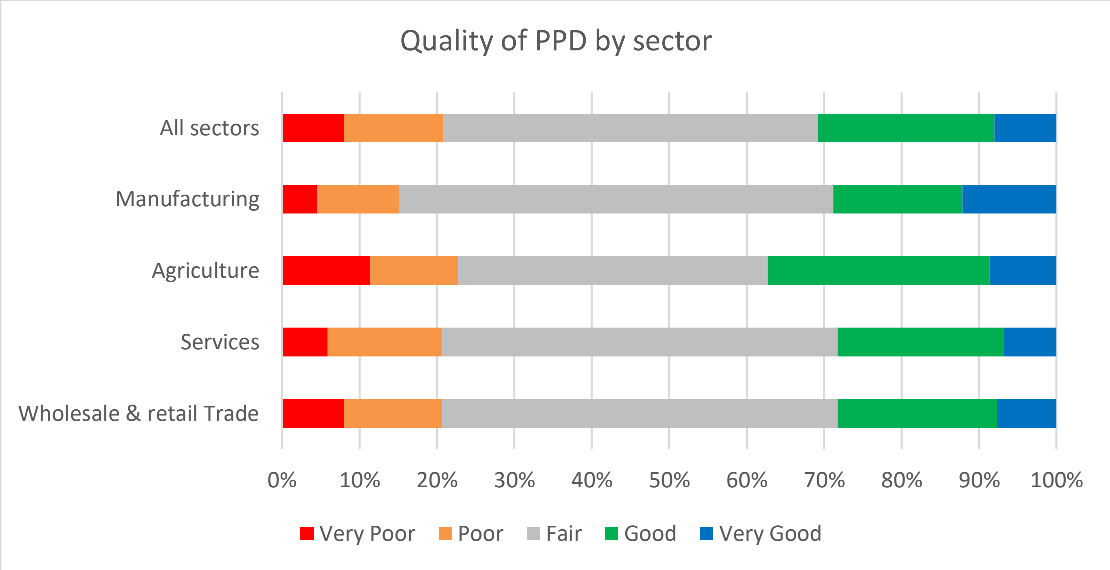
Sector	Responses	Sample	% response
Agriculture	115	469	24.5%
Manufacturing	54	168	32.1%
Services	98	635	15.4%
Wholesale & Retail Trade	135	581	23.2%
All sectors	402	1853	21.7%

Source: Survey data

4.2 Satisfaction of Micro Enterprises with Public Private Dialogues by Sector

The level of satisfaction of public-private dialogue is based on three primary elements – participation in dialogue, openness of dialogue and quality of dialogue. We would not expect any significant sectoral variation in the PPD satisfaction index as PPDs are not normally sectoral based. Figure 16 confirms that, while there are some differences, these are, for the most part, not significant.

Figure 16. Perceived quality of PPDs by sector



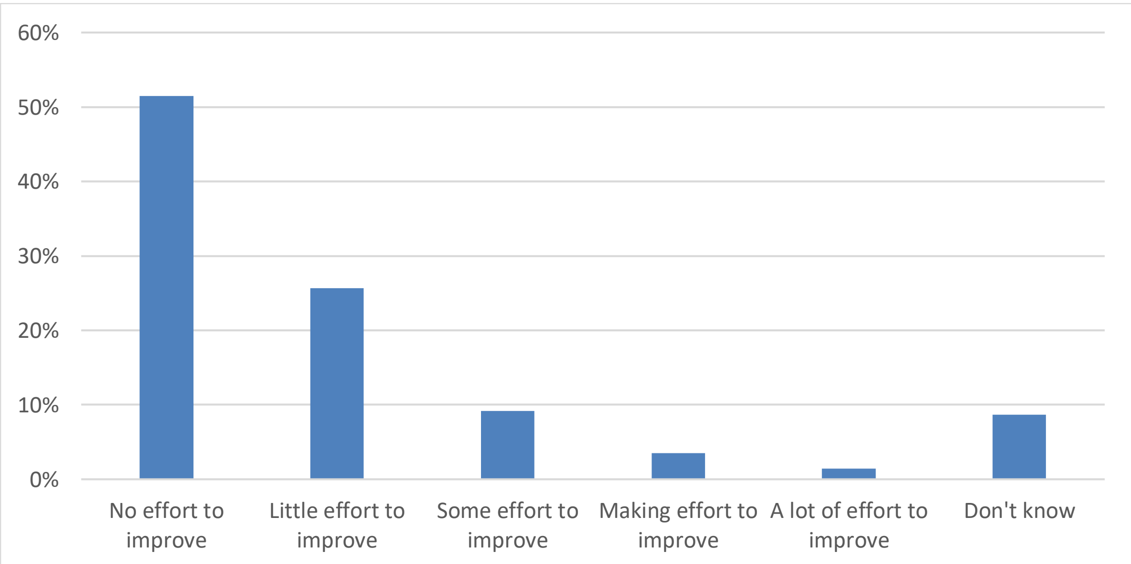
Source: Survey data. Sample size: 785 responses

Overall, the balance of opinion on public-private dialogue is slightly positive. It is significant, however, that the response rate to questions on PPD was only 43% and, of those responding, just under half rated the quality as "fair". This suggests, as we might expect, that the great majority of micro enterprises have little or no knowledge or understanding of public-private dialogue for improving the business environment. If we wish to speculate further, it could also be that in some cases, ratings of poor or very poor indicate that the respondents are unaware of any PPD having taken place.

4.3 Perception of government performance

This section examines the perception of micro enterprise owners on the performance of government addressing business environment constraints. Respondents were asked to rank the effort by selecting one of these 'no efforts", "little effort", "some effort", "effort to improve" and "lots of effort to improve". Figure 17 shows the responses of all micro enterprise owners across the five states.

Figure 17. Overall Government Performance: Business Conditions

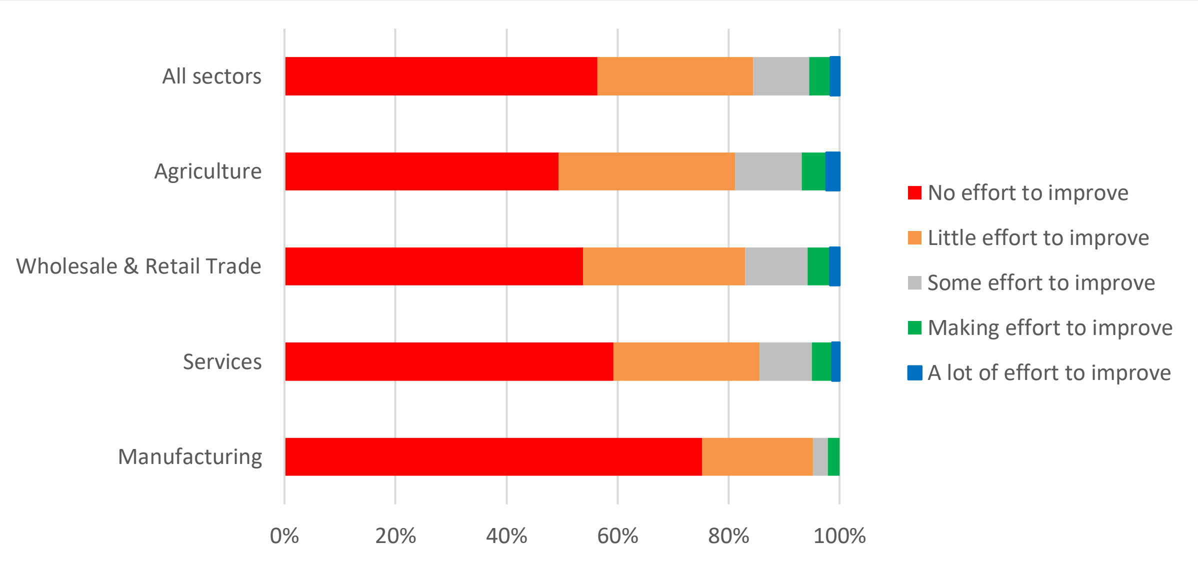


Source: Survey data.

A clear majority of enterprise owners perceive the government as making little or no effort to improve the business environment; less than one in six respondents believe that their government is making any meaningful effort to improve matters.

Most sceptical about government efforts is the manufacturing sector, as shown in Figure 18. Less than 5% of manufacturing enterprises see the government as making at least some serious effort to make their lives easier, with none believing that the government is making a great effort. At the other end of the scale, the agriculture sector sees more signs of constructive activity by government to improve the business environment, though even here the perception is highly negative (more than 80% seeing little or no effort). These results suggest a yawning gap in credibility between the words and actions of the government.

Figure 18. Perception of Overall Government Efforts to Improve Business Environment by Sector



4.3.1 Sectoral Variations

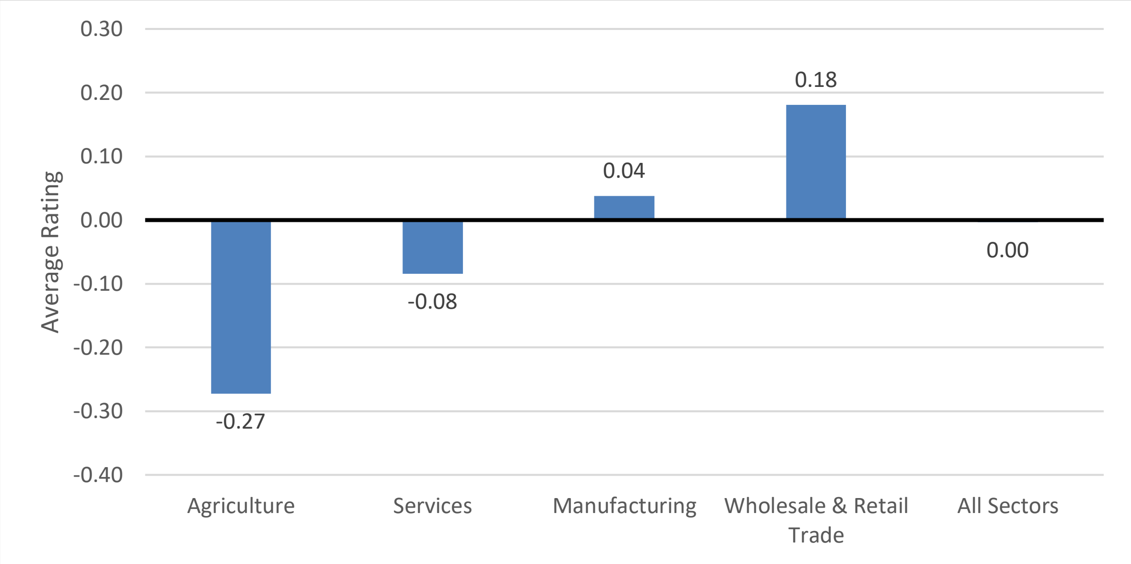
In many cases, the perceptions of government efforts to tackle a number of business environment constraints were very similar across all sectors. In some cases, however, there were significant differences, though in no case was such a difference extreme. Some of these variations are highlighted in the charts that follow.

A number of the survey results are displayed as ratings charts. On these, a rating of zero equates to an average perception of government reform efforts as being "fair". Positive or negative scores represent perceived good and poor efforts, respectively, with the maximum and minimum ratings being ±2.

Tax Administration

Tax administration relates to the way in which taxes are collected, how many payments are made, and how long the process takes, etc. As shown in Figure 19, overall government performance is considered fair but with differing views from different sectors. Agricultural enterprises take a somewhat more negative view than the trade sector. There have been several recent reforms in tax administration, notably in Kano and Kaduna, though there are suggestions that awareness of the reforms is not as widespread as it might be. Market associations are, however, generally quite well informed on these matters, so this discrepancy in viewpoints may be explained by a difference in the effectiveness of the policy dissemination in markets vis-à-vis more rural areas.

Figure 19. Rating of Government Performance Addressing Tax Administration by Sector

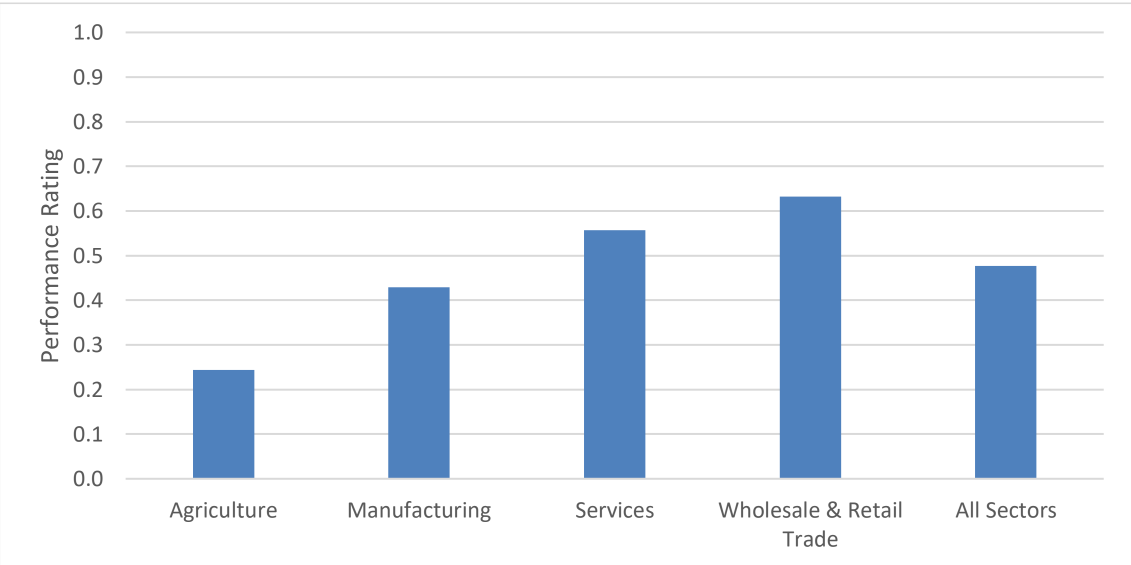


Source: Survey data. Sample size: 578 responses

Transport

Survey respondents were asked four questions concerning government efforts to improve the transport system. The questions covered: the transport network; quality of transport services; cost of transport; and the state of the roads. The responses were very similar, and showed a consistent pattern for the four sectors, as shown in Figure 20.

Figure 20. Government Performance Addressing the Transport System by Sector



Source: Survey data. Sample size: 1,623

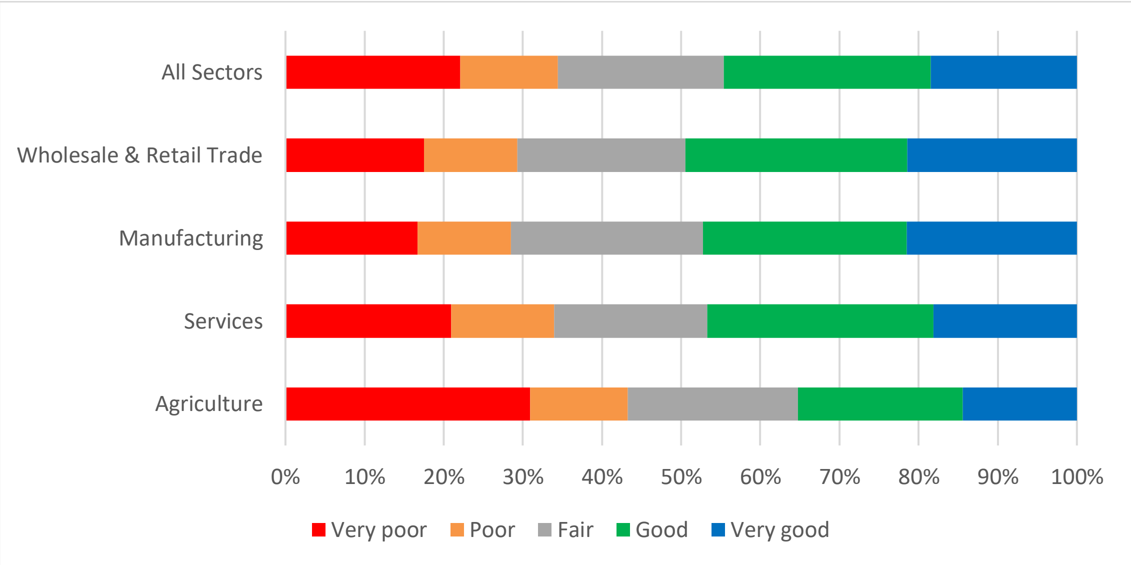
The perception of government performance on transport issues is universally positive, though markedly less so in the agriculture sector than in services and trade, which have broadly similar perceptions. The explanation for this difference in view might lie in the relatively poor state of rural roads in comparison with urban roads, which is an issue that receives frequent coverage in the business media in the ENABLE2 states.

Power Supply

A perennial issue for businesses of all sizes in Nigeria is the lack of a reliable electricity supply or, in some rural areas, the absence of any mains electricity supply. It is perhaps a little surprising, therefore, that government efforts to improve the availability of power are viewed as marginally positive. Having said this, many state governments have been pressing ahead with power supply projects of one form or another so this perception may reflect their being given credit by micro enterprise owners for these efforts.

Figure 21 shows the overall perception of government efforts and the differences between sectors. Possibly reflecting the urban/rural divide in mains electricity provision, the agriculture sector rates the government performance as significantly weaker than the other sectors; the rating from this sector is -0.24 compared with +0.24 for wholesale and retail trade. For many small-scale traders, the availability or otherwise of power is not a critical concern to their business, which may explain the positive score.

Figure 21. Government Performance in Improving the Power Supply



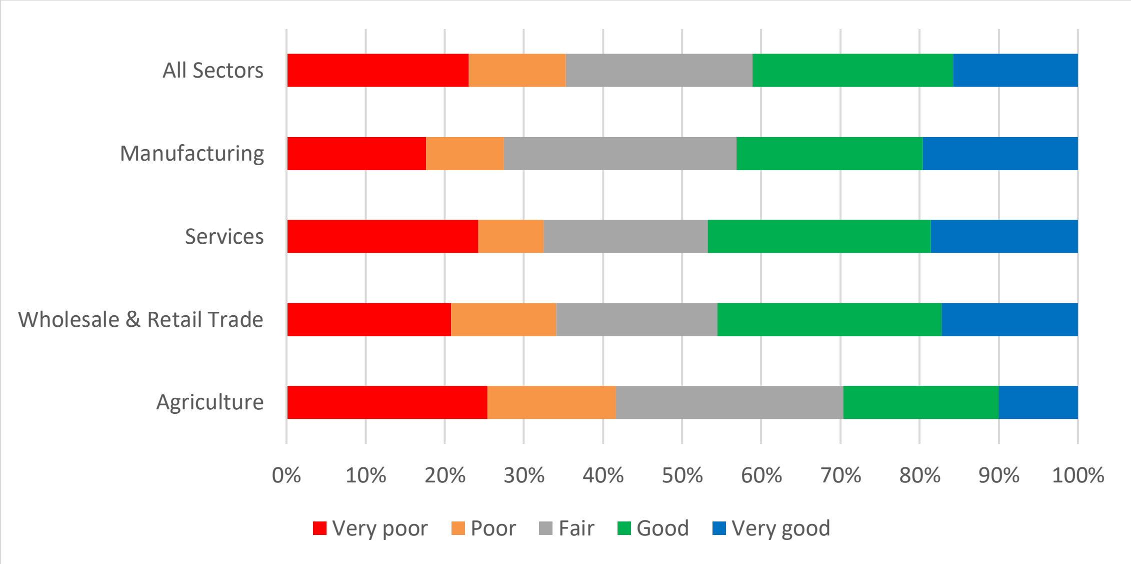
Source: Survey data. Sample size: 1,676

Import Tariffs

There has been much discussion in the press about the effect of import tariffs and their use as a mechanism to support more local manufacture by improving local competitiveness relative to imports. Many large manufacturing businesses based in the south of Nigeria have been vocal in their criticism of tariffs and other restrictions on imports of inputs. These views appear not to be shared by small-scale businesses in the north of Nigeria according to the results of the survey.

The view of the different sectors on government performance with respect to tariffs on imported materials is shown in Figure 22. Amongst the surveyed businesses, manufacturers hold the most positive view of government actions, with more than 40% having a positive perception as against under 30% with a negative perception. This situation is reversed in agriculture. The reasons for this are unclear but it could reflect several issues, such as the low availability of high quality inputs (whether seeds or other farm-level inputs) or poor quality of local farm produce for subsequent processing.

Figure 22. Government Performance with respect to Tariffs on Imported Materials

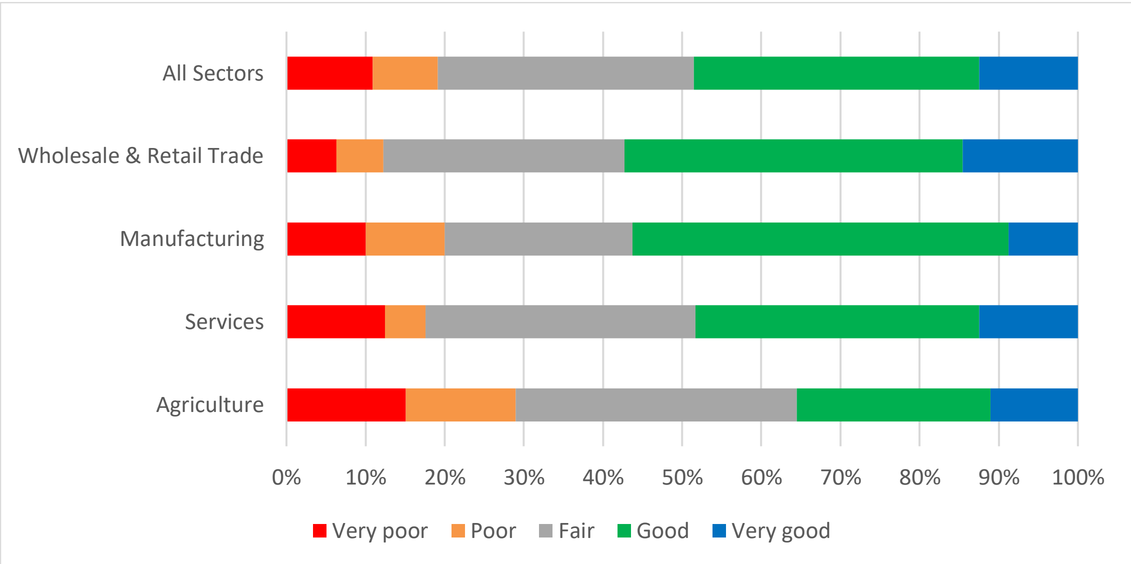


Source: Survey data. Sample size: 717 responses

Unfair Competition

Another of the regular complaints of local businesses, besides the poor electricity supply, is that of unfair competition, often from imported goods, which are in many cases smuggled into Nigeria illegally rather than imported through official channels.

Figure 23. Perceptions of government performance in tackling unfair competition



Source: Survey data. Sample size: 900 responses

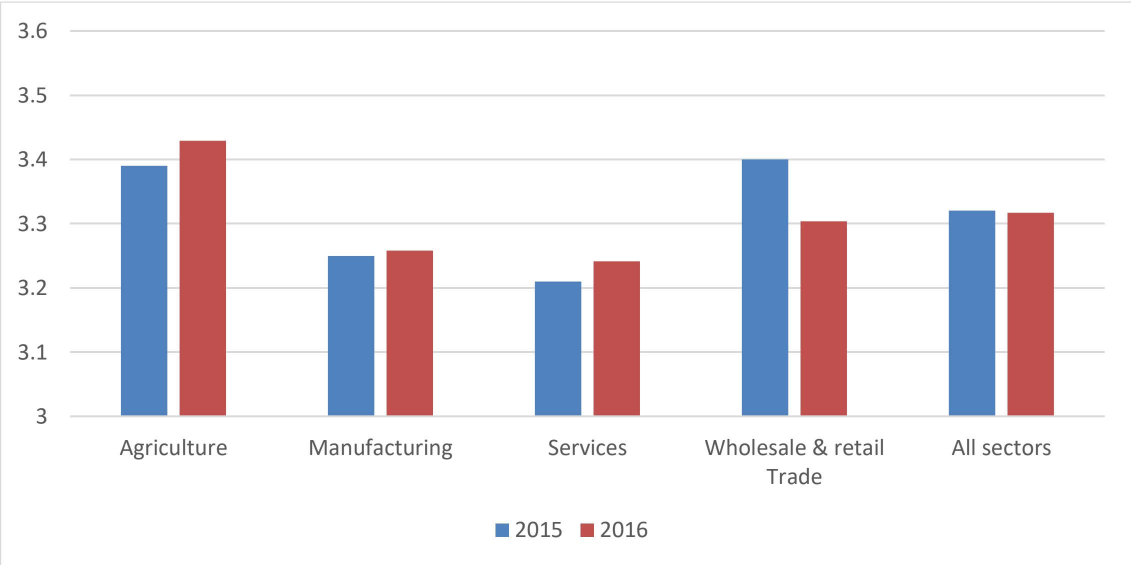
The perceptions by micro enterprises of government actions to tackle unfair competition are shown in Figure 23. As is clearly shown, the perception in all sectors is positive, though only just so in the case of agriculture. There are, for example, vast quantities of rice smuggled into Nigeria from abroad which is generally of better quality than local rice and, because the due tariffs are not paid, significantly cheaper, even as the Naira has been weakening.

In contrast, over the past year there has been a high-profile campaign in Kano against unfair competition in the textiles manufacturing and trading sector from Chinese imports. This campaign has been supported by ENABLE2 and the Kano State Ministry of Commerce has taken a leading role in improving the situation for the affected local businesses. More broadly, the "Made in Nigeria" campaign which has been in progress is likely to have played a role in the positive perceptions of many micro enterprises.

4.4 Perception of impact of advocacy organisations

As is clear from Figure 24, perceptions concerning the performance of advocacy organisations fall within a very narrow band across all sectors, in all cases slightly positive. There is only very slight change in the performance perception from 2015 to 2016: small increases in agriculture, manufacturing and services are offset by a slightly larger fall in the trade sector. None of these changes, however, can be considered significant.

Figure 24. Impact of Advocacy Organisations – 2016 versus 2015 by sector

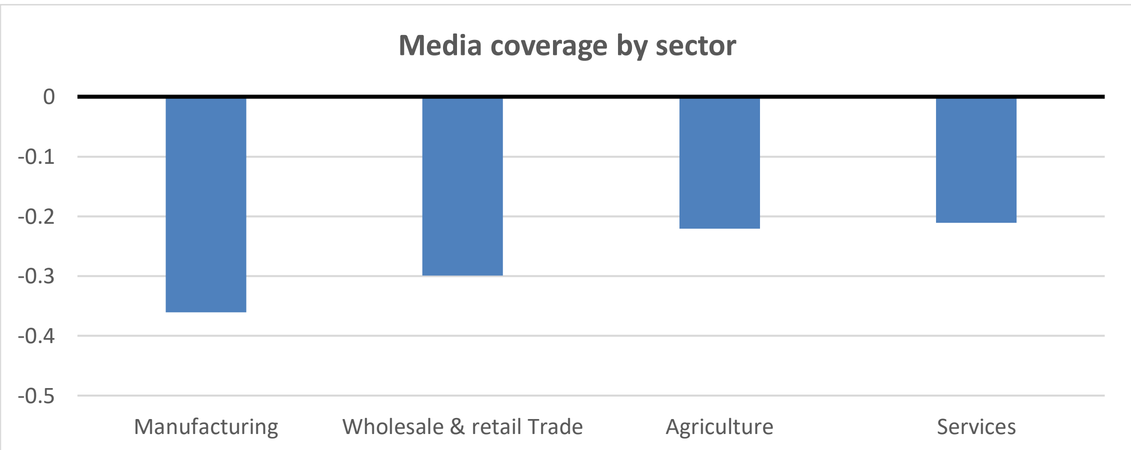


Source: Survey data 2015 and 2016

4.5 Media Coverage and Impact on Micro Enterprise Issues

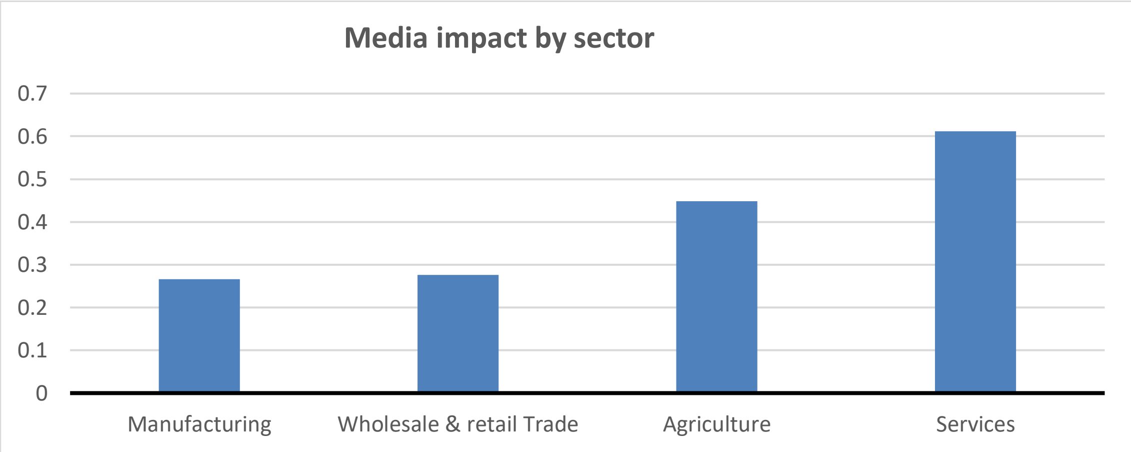
Respondents were asked about their perceptions of (a) the media coverage of the issues that they face in running their businesses and (b) the impact of that media coverage on bringing about reform (or possibly setting it back). The results are shown in Figure 25 and Figure 26.

Figure 25. Perceptions of Media Coverage by Sector



All sectors hold a slightly negative view of the coverage of their sector by the media, with manufacturing being the most disappointed and services the least. The same pattern occurs about perceptions of impact, though on this measure all sectors take the view that media coverage provides a positive stimulus to business environment improvement.

Figure 26. Perceptions of Media Impact by Sector



Source: Survey data

5 Comparing micro-enterprises' perceptions between states

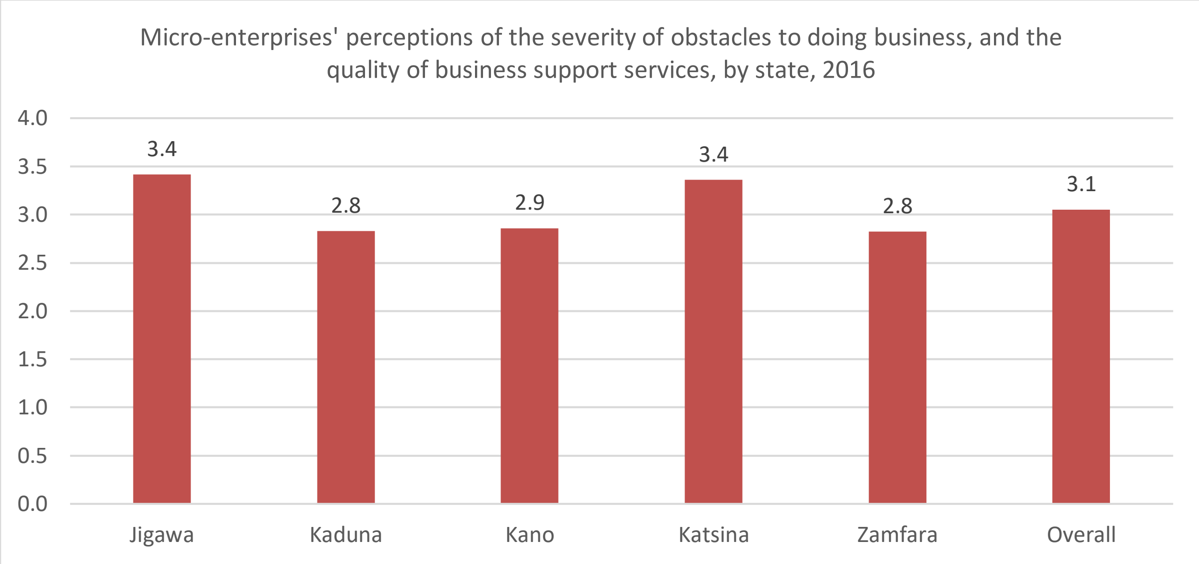
This section analyses the differences between states in how micro-enterprise owners perceive the business environment and efforts by the government, media and advocacy organisations to improve it. It is important to emphasise here that respondents' perceptions may differ from the actual, absolute differences in the severity of business environment constraints between states. Particularly if respondents in some states have higher expectations of how well the business environment *should* function. Nonetheless, micro-enterprise owners' opinions reveal useful insights into how satisfied dissatisfied they feel about different aspects of the business environment. Also, we may reasonably expect that in those states where expectations are lower, positive change is harder to achieve. So, in states where expectations are lower, high scores can still be considered a positive sign.

In the first part of this section are we compare, between states, micro-enterprises' overall perceptions of the business environment. We then analyse, state-by-state, micro-enterprises' satisfaction with public-private dialogue. Thirdly, we compare micro-enterprises' perceptions of government performance in tackling the business environment obstacles they face. Fourthly, micro-enterprises' perceptions of advocacy organisations' impact on the business environment, in different states. Finally, we compare, across the four states, how micro-enterprise owners view media coverage of small business issues.

5.1 How micro-enterprises in different states perceive the obstacles to doing business, and business support services

We asked micro-enterprise owners about how they perceive the obstacles they face, and the services they rely on, when doing business. Respondents rated these services and obstacles on five-point scales, with a score of 1 being the worst (severe obstacles and very poor services) and five being the best. Figure 27 below shows our findings.

Figure 27: Perception of Obstacles by State



Source: Survey data

Micro-enterprises in Jigawa and Katsina are notably more positive about the business environment that their counterparts in the other states surveyed. The perceived pro-business stances of both states' governors may explain this. That said, in Kaduna, where the governor is also perceived to be pro-business, micro-enterprises perceived the business environment as more difficult in 2016 than in 2015. In Kaduna, micro-enterprises identified a lack of access to finance and vocational training as key constraints.

Micro-enterprises in Kano also perceived deterioration in the business environment. They too identified access to finance as a key constraint.

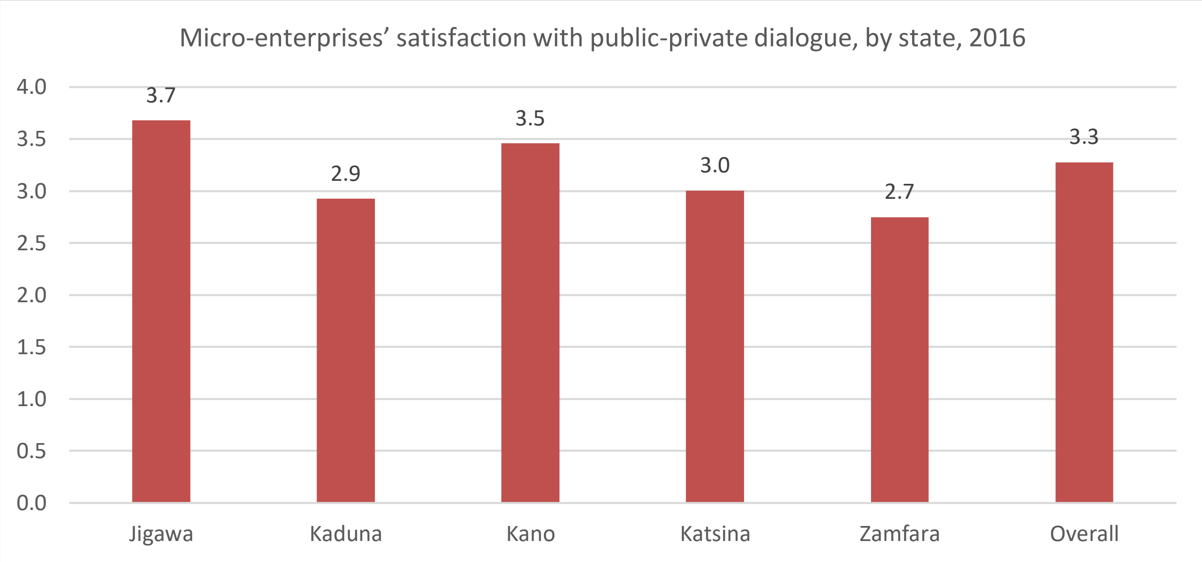
There are several possible explanations for the lower scores in Kaduna and Kano. One is that micro-enterprises in those states were more affected by the recession which hit Nigeria in 2016 than were micro-enterprises in Jigawa, Katsina and Zamfara.

Another plausible contributing is the variation between states in how strongly tax and licensing rules are enforced. Micro-enterprises in Jigawa and Katsina complained least about licensing. It is unclear how frequently micro-enterprises praised licensing processes for their efficiency, and frequently their praise was because they felt no pressure to obtain a licence at all.

5.2 Public private dialogue by state:

The MEPI survey asked micro-enterprises about their satisfaction with several aspects of public-private dialogue: the inclusiveness of public-private dialogue; the openness of this dialogue; and the relevance of the issues discussed to their businesses. We combined findings from these different questions to create overall satisfaction scores. Figure 28 below presents the results.

Figure 28 Satisfaction of Public Private Dialogue by State



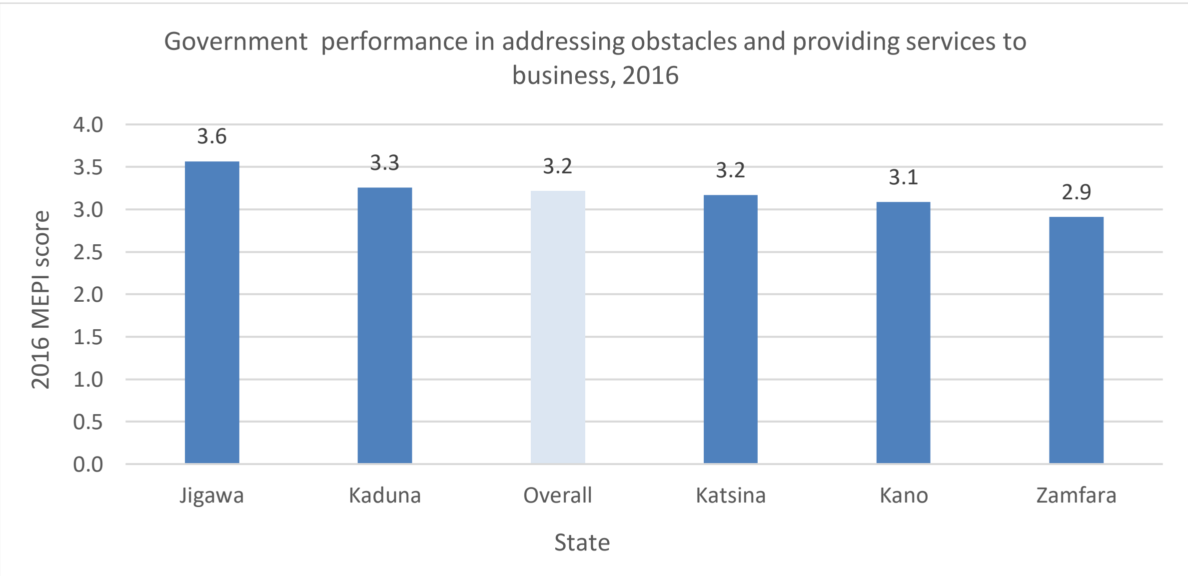
Source: Survey data

Jigawa and Kano score the highest, in terms of micro-enterprises' satisfaction with public-private dialogue. Meanwhile, Zamfara, where ENABLE2 is currently inactive, scores the lowest.

5.3 Perception of government support in addressing business environment obstacles

We asked respondents what they think of the government's *performance* in addressing 29 different obstacles to doing business in the state. We then converted responses into scores, and added them together to produce a 'Government Performance Index'. Our findings are displayed in Figure 29 below.

Figure 29 Government Performance Addressing Obstacles by State

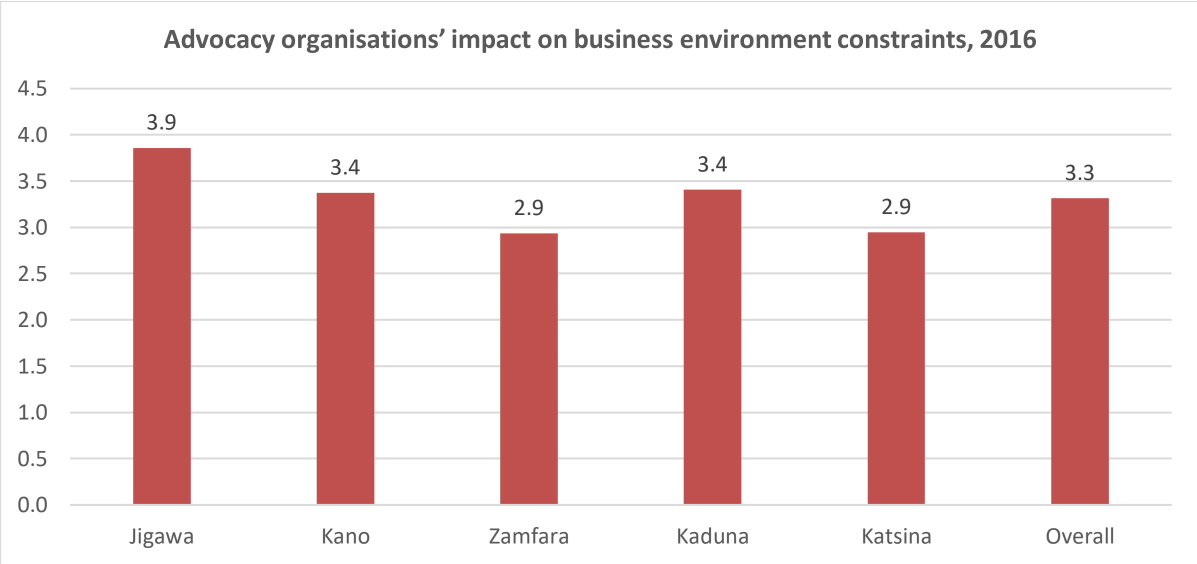


Micro-enterprises in Jigawa rate the government's performance best, in terms of addressing the business environment constraints which affect them, and providing business support services. Zamfara scores the lowest – part of a consistent trend of dissatisfaction among micro-enterprises in the state.

5.4 Advocacy organisations' impact on business environment constraints

Micro-enterprise owners were asked to rate the impact of business membership organisations in advocating for resolution of business environment constraints. Respondents rated these organisations' performance on a five-point scale, ranging from "advocacy organisations are making a large negative impact" to "advocacy organisations are making a large positive impact".

Figure 30 Advocacy Organisations Impact on Business Environment



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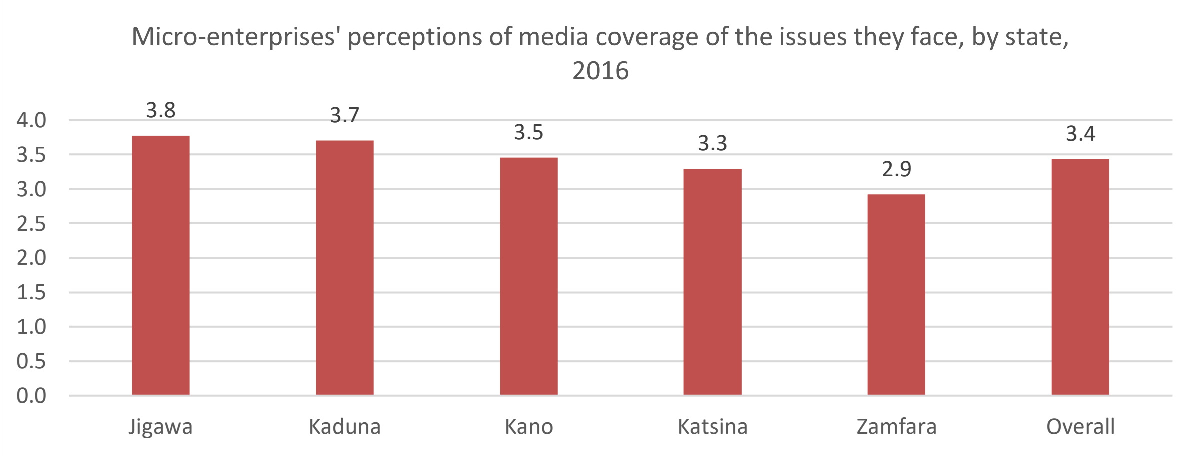
Advocacy organisations in Jigawa, Kano and Kaduna achieve greater approval, in terms of their impact on business environment constraints, than their counterparts in Katsina and Zamfara. This may be related to increase in advocacy and consultation activities in states where ENABLE2 has been active through 2015 and 2016.

5.5 Media Coverage of issues facing micro-enterprises

We asked micro-enterprises to rate the media's coverage of business environment constraints affecting their businesses. We also asked respondents to rate whether the extent to which the issues that matter to them are covered by the media, and the impact of this media coverage. We converted responses into scores on a five-point scale. We then added together the scores for coverage and impact, creating an index. The higher the index score, the more positively micro-enterprises perceive the media's coverage of and impact on business environment issues.

Figure 31 Media Coverage of Issues Facing Micro-Enterprises



Micro-enterprises in Jigawa, Kaduna and Kano are the most positive about media coverage of the issues they face. This finding provides important and encouraging validation for ENABLE2; among the states surveyed, these three are where the programme enjoys the most mature media partnerships.[10]

[10] At the time of the survey, ENABLE2's most advanced media partnerships were with Freedom Radio Kano, Freedom Radio Kaduna, Liberty Radio (Kaduna), Freedom Radio Dutse (Jigawa), Jigawa State Radio and Kano State Radio. See ENABLE2's *Year 2 Self-Assessment Report* (August 2016) for more details.

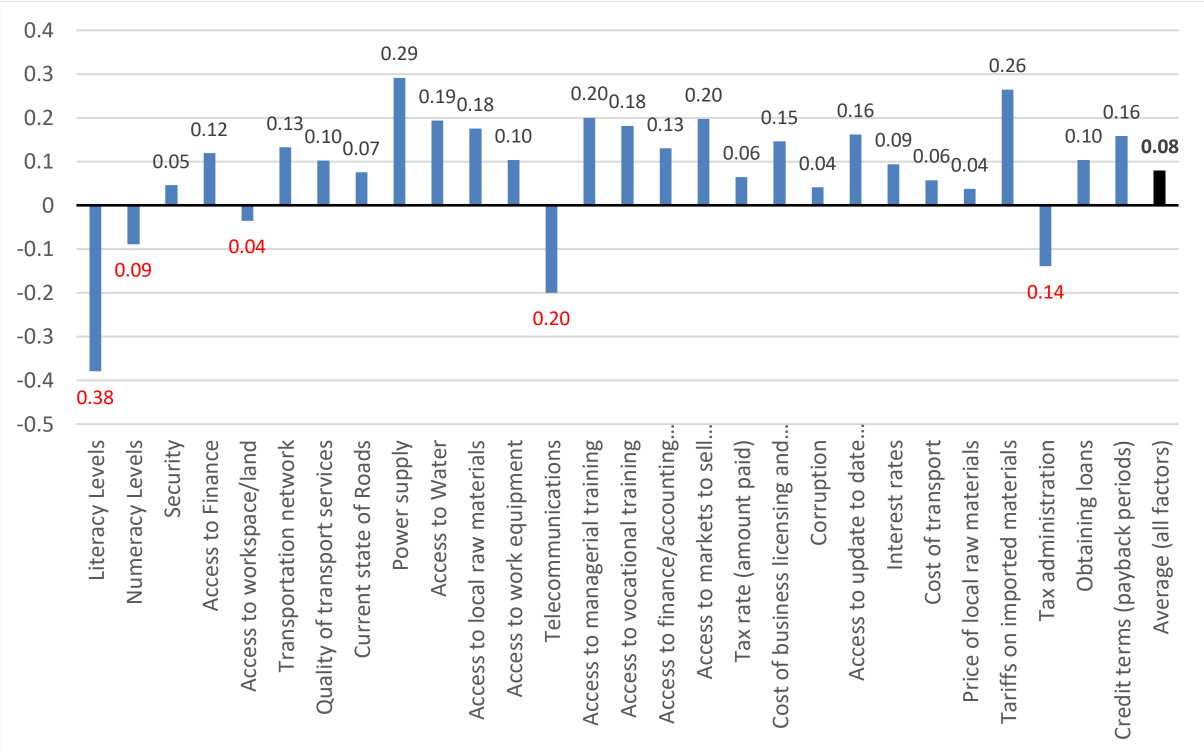
6 Gender and the Business Environment

It is recognised that the business environment affects women and men in different ways and that changes to the BE, even reforms, do not affect the different genders equally. As a programme, ENABLE2 takes these considerations into account in all of its interventions. In this section, the responses to the survey are analysed to identify any significant differences between women and men.

6.1 Business Environment Factors

Figure 32 shows the differences between the average female and male perceptions of the different business environment factors considered in the survey. In the figure, a positive score indicates that women hold a more positive view of the business environment than men.

Figure 32. Difference between Female and Male perceptions of the Business Environment



Source: MEPI Survey data

As the figure clearly shows, women hold a marginally better view of their business operating environment than do men. The difference is, however, not statistically significant for the majority of factors. Just three factors show a variation of more than 0.2: Literacy levels, Power supply and Tariffs on imported materials.

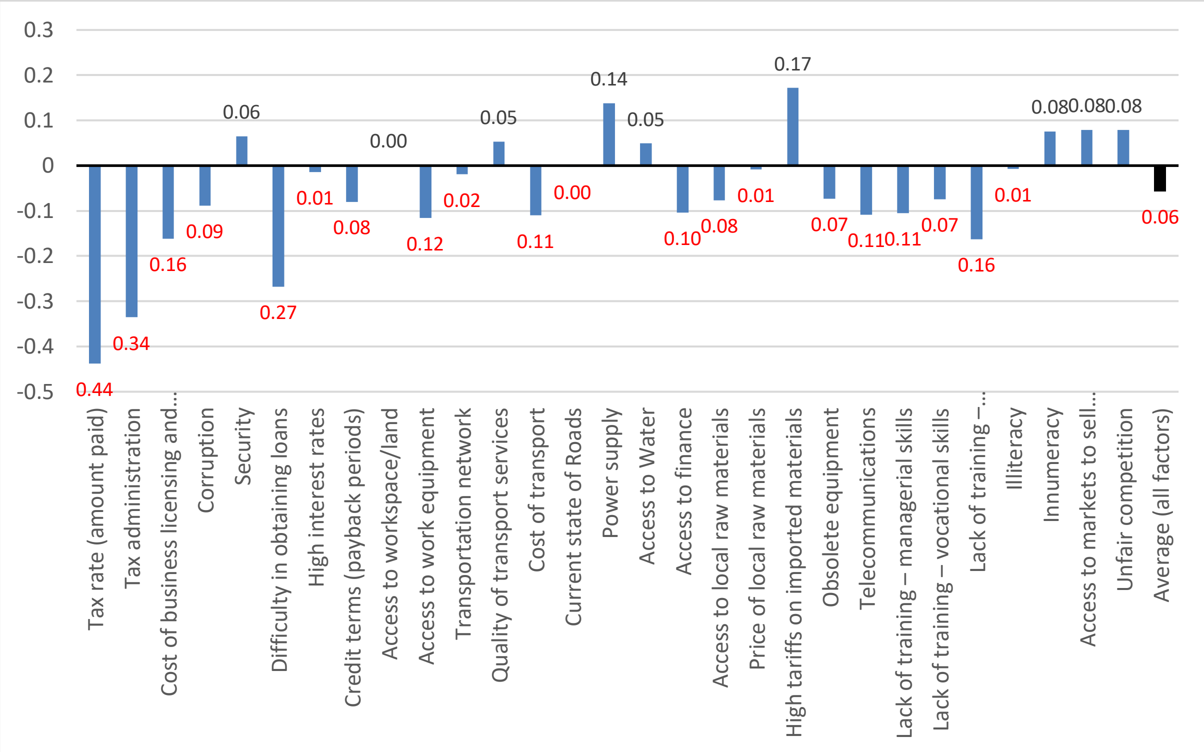
The lower score among women for literacy is to be expected, given the very low female literacy rates in the target states of the survey. This highlights the importance of efforts by the government and development partners to increase participation in education by girls.

We surmise that the higher scores given by women to the power supply and import tariffs are related to the nature of typical women-owned enterprises in the five target states. These enterprises are less likely than male-owned enterprises to make use of imported inputs and are more likely to rely on manual labour or artisanal skills than any degree of automation or mechanisation.

6.2 Government Performance

There has been an increasing emphasis in government, at both federal and state level, on improving the business environment since the fall in the price of oil and the position of Nigeria in the World Bank Doing Business Index. Figure 33 shows how women and men have different views of the success or otherwise in this regard.

Figure 33. Difference between Female and Male perceptions of Government Performance



Source: 2016 MEPI Survey data

Here, in contrast to the perception of the business environment itself, women have a consistently more negative view of government efforts to improve the lot of small businesses than men have. In most cases, the difference is not statistically significant but three points stand out: tax rates, tax administration and access to loans (scoring -0.44, -0.34 and -0.27 respectively).

These findings are consistent with the experience of ENABLE2 and other economic development programmes in northern Nigeria. Anecdotal evidence indicates that women tend to be more susceptible to harassment from tax collectors than men and thus are often in effect subject to higher levels of taxation than men.

The responses concerning loans raise an interesting conundrum. Although by law, women have equal inheritance rights to men, social and cultural norms strongly favour male inheritance, hence it might be expected that access to finance would be more of a barrier to women than to men. Figure 32 shows this not to be the case but Figure 33 indicates greater dissatisfaction amongst women over the steps taken by government to improve. We can rationalise this contradiction if we consider that female business owners are conditioned to the existing constraints that they face but are unhappy that government is not moving more quickly to overcome them.

7 Conclusions and Recommendations

7.1 Conclusions

Overall, the 2016 MEPI survey shows that the MEPI remains at 3.1, which represents a business environment that is neither conducive nor unconducive for micro enterprises. However, variation between states does demonstrate that changes in the economy and government action may be influencing respondents. State MEPI scores are broadly in line with ENABLE2's experience of working in each state.

Additional findings and conclusions:

- Among women the overall MEPI Index score rose very slightly from 3.1 to 3.2. Among men the score remained unchanged, at 3.1.
- Jigawa is the most conducive (3.5), followed by Kano (3.4), while Zamfara remains the lowest scoring (2.8).
- Micro-enterprises in the surveyed states praise the government's influence in improving security, telecommunications, access to markets and transport which are scored highly.
- Access to finance, power supply and access to financial training remains top constraints
- For the most part, there is little significant variation between sectors, with the costs of raw materials, whether local or imported, and transport coming top of the list of problem areas for nearly all businesses.
- Corruption has dropped down the list since the 2015 survey. At that time, corruption was generally rated in the top three factors of concern.
- Overall, the balance of opinion on public-private dialogue is slightly positive.
- A clear majority of enterprise owners perceive the government as making little or no effort to improve the business environment; less than one in six respondents believe that their government is making any meaningful effort to improve matters.

7.2 Recommendations

The analysis provided in this report will be used by ENABLE2 as an informative discussion piece with the wider team, and subsequently as a tool to revise intervention strategies and issue based work in Year 3 onwards. However, primary recommendations can be drawn from the data presented above. These include:

- Zamfara remains the lowest scoring state in the survey and justifies the programme's current approach to engaging in the state
- More qualitative information needs to be gathered on Kaduna to understand the poor perception of business environment in the state
- With Transport being a top constraint facing the business environment, ENABLE2 should focus on supporting the Transport Policy in Kano and Kaduna and the various transport bills at the National Assembly
- Similarly, although a particularly complex issue, import tariffs and cost of raw materials as a top constraint reflects the reports of ENABLE2s partners. Work at the national Assembly on the Customs, Ports and Harbours reform should be revisited.
- The clear response that government is not doing enough to tackle the business environment indicates an increased risk to delivery of business environment reform. However, it emphasises the programmes need to provide support to key MDAs.

7.3 Recommendations

The areas that show the greatest need for improvement among the study's results are in the cost of doing business and the impact of advocacy organisations. Among all of the environmental obstacles currently faced by micro enterprises, factors relating to the high costs of business, included tariffs on imports, cost of permits/licensing, interest rates, and tax rates, were considered the most difficult. In order to make business easier for micro enterprises, government should explore ways of cutting these costs so that they are not deterring businesses from achieving greater success and prosperity.

A particular area to focus on is the difficult of obtaining loans, as the difficult of obtaining loans was rated highly across all sectors and states. Government should implement policies that enable micro enterprises to access loans more easily, as well as create an efficient and convenient application process to lessen the burden of applying for funds. Making financial resources more available and attainable for business owners would help to address the concerns about the cost of business, as discussed in the previous paragraph. Allowing micro enterprises to more easily obtain loans would also increase the productivity and profitability of the Nigerian private sector as a whole, as more entrepreneurs would have the resources to start a new business and existing business owners would be able to expand and increase productivity more efficiently.

The large shift in perception of the impact of advocacy organisations from an overall positive perception in 2015 to an overall negative perception in 2016 suggests that advocacy organisations' impact has weakened a significant amount within the past year. It is recommended that these organisations examine recent changes in their strategies or implementation of those strategies to determine why this shift has occurred. Advocacy organisations should analyse the success of each past initiative in order to achieve a better understanding of what strategies are most successful for improving the conditions of the business environment. It may be helpful for these organisations to conduct their own surveys among business owners in order to collect more in-depth insight into the attitudes and perceptions of micro enterprises.

It is also important to note that the wholesale and retail trade and manufacturing sectors showed more positive perceptions of advocacy organisations' impact, while agriculture and services have more negative perceptions. This suggests that advocacy organisations need to apply more focus to the agriculture and services sectors, as they are not currently addressing the needs of those sectors as well as with the wholesale and retail trade and manufacturing sectors. As agriculture in particular has an integral role in the livelihood of a population, it would be vastly beneficial for advocacy organisations to improve their performance in this sector.

Media coverage is also an area to consider, as perceptions of media reporting on micro enterprise issues ranges from "rarely" to "occasionally" across all states, showing that the current impact of media coverage is fairly weak. The media could correct this by reporting more frequently on the issues and obstacles that concern micro enterprises in each state, which would in turn boost the business environment and improve the overall economy.