

Determination of Purchasing Power of Small Scale Women Entrepreneurs in Agribusiness in Delta State, Nigeria: Implications for Welfare Economics

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As the Nigerian economic situation continues to pose serious challenges, small scale women entrepreneurs will continue to play a pivotal role in economic growth. Women entrepreneurs engage themselves in a variety of agribusiness ventures to improve their purchasing power and escape the poverty trap. It is useful to investigate their poverty as a measure of their purchase power. This study examined the purchasing power of small-scale women entrepreneurs in Delta State, Nigeria. A structured questionnaire was used to collect primary data from a sample of 80 small scale women entrepreneurs, selected purposively. The data was analyzed using descriptive statistics such as mean, percentage and poverty measurement. The result revealed a mean per capita expenditure of ₦80.46 per day and showed that 70% of women entrepreneurs were core poor, 26% were moderately poor while the remaining 4% were non-poor. An additional monthly income of ₦1,903 will improve the purchasing power of poor women entrepreneurs and lift them out of the poverty trap.

The major socio-economic constraints affecting small scale agribusiness entrepreneurs in Delta State were unreliable electricity, inadequate finance, poor transportation, low incomes and relatively large household sizes. If women entrepreneurs would add to their lines of business and if the government stabilized power supplies, constructed good roads, reduced fuel pump prices and provided effective credit facilities, the laudable goal of poverty alleviation through small scale agribusiness would be achieved in Delta State, Nigeria.

INTRODUCTION

Agricultural production, processing and activities have been identified as income-generating ventures and means of livelihood capable of alleviating poverty. Poverty is defined on the basis of the poor social and economic conditions of people (Stern, 1994). Agribusiness is prosperous only to the degree to which it rewards or encourages

entrepreneurs who, through their activities, determine the level of success and growth in any economy (Adidu and Olannye, 2006). Agribusiness refers to the backward and forward business linkage associated with agricultural production, the provision of finance, machinery, fertilizer, seed etc at the input end and the processing and marketing of foodstuff at the output end. Agribusiness includes all those business and management activities performed by firms that provide inputs to the farm sector, produce farm products and/or process, transport or market farm products (Downey and Erickson, 1987).

Small-scale agribusinesses are commonly independently owned and operated due to people's poverty. Women engage in small-scale agribusiness to earn a living and escape the poverty trap. Poverty refers to a situation whereby one cannot have and hold sufficient income for meaningful live sustenance (Adagbite and Ayinde, 1998).

Many people engage themselves in small-scale agribusinesses with the aim of making a profit. Profit is the goal that every woman entrepreneur seems to attain. Without profit an agribusiness venture cannot exist hence profit is often referred to as the bottom line of every investment. It is the end product of agribusiness activities. It is a measure of the success or performance of a business (Adegbite and Ayinde, 1990). All these tend to translate to wealth creation and poverty reduction of women entrepreneurs. One pertinent issue that is worthy of critical investigation is the capacity of small-scale agribusiness to alleviate the poverty of women entrepreneurs. The increasing importance of small-scale agribusiness in the nation's economic development equation has generated a lot of debate and research. Women operators of small-scale agribusiness in many developing countries are usually considered to be poor because of the inability of their enterprises to grow. Different problems inhibit the growth of small-scale agribusiness in developing nations such as: unwillingness to

assume more risk, deficient management techniques, lack of training in relevant business management skills and high interest rates charged on borrowed funds. Others include random forces, the influence of nature and failing and unreliable infrastructures (Olayemi and Heady 1982).

The growth in size and income of farm firms is expected to improve the welfare of women entrepreneurs over time. It is difficult to test any theory on the rate of business growth. This is because when a firm reaches a point where its rate of growth tends to diminish, its absolute size of investment expenditure will continue to increase. Marginal net income is used in calculating size of firm growth. In this study, it is believed that a growing small-scale agribusiness will be manifest in the level of welfare of women entrepreneurs. This can be measured in terms of their consumption expenditure (poverty status).

The specific objectives of this investigation were to:

describe the socio-economic characteristics of women entrepreneurs in agribusiness
examine the poverty status as a measure of purchasing power of women entrepreneurs in the study area

ascertain the problems affecting women entrepreneurs in agribusiness in the study area

Conceptual Framework

This study is predicated on the concept of purchasing power. Purchasing power is the quantity of goods and services that an individual can purchase with his/her income. The concept relates closely with income, wealth, welfare or standard of living concepts. The purchasing power of an individual determines his standard of living/welfare.

In this study, the poverty status of women entrepreneurs was used as a proxy for the fact that the rich have a higher purchasing power than the poor. Real income and prices of goods and services determines purchasing power. Adam Smith noted that having money gives an entrepreneur the ability to "command" labour and other factors of production. To that extent, purchasing power, is power over resources (whether human or materials) in an economy. If money income level increases but price level remains the same, the purchasing power of the income will rise. An entrepreneur with lower purchasing power will command few

basic needs and few resources for the expansion of their businesses. This study is intended to determine the purchasing power of women entrepreneurs. This could reveal some useful facts that call for government economic stimulus programmes.

Research Methodology

Study Area, Sampling Procedure, Data Collection and Analysis Techniques

The study was carried out in Delta State. This area was chosen because it has a large number of women entrepreneurs in agribusiness enterprises. The state is an important commercial centre comprising of diversified sects of people with different socio-economic and cultural characteristics. It is popularly called the oil-bearing state which accommodates the employed and numerous unemployed people. Delta State is known to be one of the receiving centers of migrants from surrounding states in search of white-collar jobs. Small-scale agribusiness is one of the opportunities that are open to women who are neither non-oil company workers nor gainfully employed in secular jobs.

A purposive sampling technique was used to select a sample of 80 women entrepreneurs. This technique was chosen because only the women entrepreneurs in small-scale agribusiness that met the objectives of the study were selected. The collected data on the socio-economic characteristics of women agribusiness was analyzed with descriptive statistics such as mean, percentage, and standard deviation. A poverty line was constructed to assess the poverty status (purchasing power) of the respondents. The poverty line is the value of consumption expenditure necessary for a minimum standard of living. It was constructed based on the mean per capita household expenditure (MPCHE) which is given as:

$$\text{Per capita expenditure} = \frac{\text{Total household daily expenditure}}{\text{Total number of households}}$$

$$\text{MPCHHE} = \frac{\text{Total capita family expenditure for all households}}{\text{Total number of household}}$$

RESULTS AND DISCUSSION

Socio-Economic Characteristics of Respondents

The socio-economic characteristics of respondents includes: age, years of experience, household size, level of education, marital status, monthly income, gender and

mode of operations. The result is presented in Table 1.0

Table 1.0 Distribution of Socio-economic Characteristics of Women Entrepreneurs in Small-scale Agribusiness

Variables	Frequency/Percentage	Mean/Mode
AGE		
21-30	24(30)	30 years
31-40	38 (47.5)	
41-50	16 (20)	
51-60	2(2.5)	
61 and above	--	
Total	80 (100)	
YEARS OF EXPERIENCE		
1-10 years	47 (58.75)	10 years
11-20 years	32 (40)	
21-30 years	1 (1.25)	
31-40 years	--	
Total	80 (100)	
HOUSEHOLD SIZE		
Below 3	33 (41.25)	5 persons
4-6	42 (52.5)	
7-9	4 (5)	
10 and above	1 (1.25)	
Total	80 (100)	
LEVEL OF FORMAL EDUCATION		
No formal Education (0)	11 (13.75)	Secondary education
Primary (1)		
Secondary (2)	43 (53.75)	
Tertiary Education (3)	5 (6.25)	
Total	80 (100)	
MARITAL STATUS		
Never Married (1)	16 (1)	Married
Married (2)	52 (65)	
Divorced (3)	6 (7.5)	
Widow (4)	6 (7.5)	
Widower (5)	--	
Total	80 (100)	
MONTHLY INCOME		
Below ₦5,000	11 (14.10)	₦10,000 and above
₦5,000 – ₦10,000	25 (32.05)	
₦10,000 and above	42 (53.85)	
Total	78 (100)	

Note: The figures in parenthesis are the corresponding percentage values of frequency

The mean age bracket of the respondents was 31 – 40 years. This finding implies that the women's agribusiness in the study area is dominated by middle aged people. Most of the small-scale agribusiness operators had been in the business for 1-10 years. This could positively influence their performance and wealth accumulation over time. The household

size of small-scale agribusiness operators ranges from 4-6 persons. This constitutes 53.7% with a mean of 5 persons per household and implies that most respondents have a relatively large household size. This must have negatively affected their purchasing power per capita, their capital accumulation and the growth of their businesses. 53.7%

(majority) of the respondents had secondary education. This implies that they could adopt

simple management techniques such as record keeping that can transform their business. This level of educational attainment could influence their savings behaviour in banks and membership co-operatives.

The study revealed that 65% respondents are married. Married people have tendencies for

settled business lives. The result further reveals that 53.8% earned above N10,00 per month, while 46.2% earned below N10,000 per month. This shows that most of the women agribusiness operators are low income earners. Low income leads to low purchasing power, low consumption and low savings and investment (Jhingan, 2007).

Problems Affecting Women Entrepreneurs in Small-Scale Agribusiness in the Study Area
Table 2.0 Problems Associated with Agribusiness

Problems	Frequency	Percentage
High cost of transportation	27	33.7
Unreliable electricity	40	50
Deficient management techniques	42	52.5
High interest rate	40	50
Unwillingness to assume more risk	41	51.25
Poor accessibility to credit	55	68.75

(Source: field survey data, 2008)

Note: Multiple responses were recorded.

The result of the study shows that the most important problems confronting small-scale agribusiness operators in the study area were electricity, poor accessibility to credit, poor management techniques, high interest rates and unwillingness to take more risks. The problem of poor electricity can lead to increases in the cost of production of a small-scale agribusiness. Most resorted to using generators as an alternative source of energy. Some who could not afford generators, possibly due to their small resource base, depended solely on the erratic public power supply. This made them inefficient in their operations and service delivery. Poor accessibility to credit drastically inhibited their tendency to expand their businesses. Furthermore, 52.5% had deficient management techniques in spite of their educational background, such as failure to keep records and inability to separate business accounts from their personal

accounts. The relatively high interest rate charged on loans was a big burden to them compared to their lean profit.

The Purchasing Power of Small Scale Agribusiness Entrepreneurs in the Study Area

Purchasing power is the value of income or consumption expenditure necessary for minimum standards of living. To this end, a poverty line was constructed to assess the poverty status and hence the purchasing power of women agribusiness operators. The poverty line that was used for this study was 2/3 and 1/3 of the mean per capita expenditure. Where 1/3 of the mean expenditure defines the core poverty line, 2/3 mean expenditure represents the moderate poverty line. The non-poor are households with capita expenditure greater than two-thirds (2/3) of MPCHHE.

Table 3.0 Derivation of Poverty Threshold

Parameters	Values
Total Capita Expenditure for all House hold	N965,500.00
Total number of households	80
Mean per household expenditure/month	N12,068.75k
Mean per Household expenditure/day	N402.29
Mean per capita expenditure/day	N80.46

Source: Field Survey, 2008

Moderate Poverty: this is the two-thirds (2/3) of monthly capita household expenditure (MPCHHE). The sum total of the mean monthly per household expenditure (MPCHHE) of the respondents was ₦12,068.75

Core Poverty: This is the one-third (1/3) of the mean monthly per capita household expenditure. Therefore, core poverty is 1/3 of 12, 068.75 = ₦4023.00.

The headcount index, which is a measure of the number of the poor, was calculated for core, moderate, and non-poor poverty status.

Table 4.0: Distribution of Poverty Status of Respondents

Poverty Groups	Frequency	Percentage
Core poor	56	70
Moderately poor	21	26.25
Non-poor	3	3.75

(Source: Field Survey, 2008)

The result shows that 70% of the total households sampled were below core poverty level. These women agribusiness operators were considered as the extremely poor. This implies that the operators could not spend more than ₦4,023.4 a month to buy food stuff. The table shows that 26% of small-scale agribusiness operators were moderately poor. Their monthly consumption expenditure per person was below ₦8,046 but more than ₦4,023. The result also revealed that 4% of the total respondents were non-poor.

In all, the result showed that 96% small-scale agribusiness operators in the study area were poor and could not attain the minimum standard of living.

In 1985, the World Bank set international poverty at one U.S dollar (US\$1) per person per day. Applying the world bank standard to this study shows that fifty (50) out of eighty (80) entrepreneurs in the study area spent below US\$1 per person per day. One U.S dollar was equivalent to ₦170 in Nigeria currency at the time of the study. Only 37.5% of entrepreneurs spent above US\$1 per day so by the World Bank Standard, (62.5%) are poor while (37.5) are non-poor.

Implications of Welfare Economics

Welfare economics is the normative analysis of economic systems. It evaluates how the economy functions to bring about maximum welfare of both the household and the firm. It is the resultant effect of interaction between market and government activities in an economy. This study revealed that neither the market nor the government has played their expected roles in bringing about an improved purchasing power for women entrepreneurs in Delta State, Nigeria. The small-scale women

entrepreneurs had a low purchasing power. This correlates highly with high poverty levels. Ninety six percent of them spent less than US\$1 per day. This shows that neither the market nor the government have played their expected roles in bringing about enough reward for entrepreneurial service.

The implication is the transmission of a vicious cycle of poverty among women entrepreneurs. They have a weak purchasing power in commodity and factor markets. This will translate to low savings, low investment and low output. There is the need for a bail-out through government economic stimulus programmes such as a gender responsive credit scheme.

Conclusion and Recommendation

In the light of the results, the following conclusions were drawn. Most small-scale entrepreneurs in Delta State are involved in agribusiness operation with the expressed intention of alleviating poverty. The study revealed that about 96% of the entrepreneurs had low purchasing powers and hence had not achieved the desired goals of poverty alleviation. The low purchasing power of ₦80 per day is below the US\$1 dollar per day poverty threshold recommended by the World Bank. The main problems are poor electricity, poor marketing information, poor transportation, large household sizes, inadequate funds and low incomes.

If these problems are solved, the purchasing power of women entrepreneurs will improve and achieve the desired goal of poverty alleviation. Based on the findings of the study, the following recommendations were made:

- Family planning should be adopted, so that earnings from the business can be used effectively for their welfare and to expand their businesses.
- The government should provide an enabling business environment (i.e. a regular supply of better electricity, transportation and sustainable credit facilities) to boost the growth and performance of small-scale agribusiness enterprises in the study area.
- The income short fall of ₦1,903 needs to be covered to lift an entrepreneur from poverty and low purchasing

power. A poverty alleviation scheme that will add to the earnings of the entrepreneurs should be considered. Government at all levels should also encourage the activities and programme of NGOs which help poverty alleviation. This could be in the form of counter funding or the supply of some raw material inputs needed by entrepreneurs.

- Entrepreneurs should be advised to diversify their lines of business to generate extra income that will raise them from the depths of poverty.

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