

EVALUATION OF EARNING PERFORMANCE OF FEMALE OWNED LEATHER-BASED ENTERPRISES IN ABA METROPOLIS, ABIA STATE, NIGERIA

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ABSTRACT

This study examined evaluation of earning performance of female owned leather-based enterprises in Aba Metroplis of Abia State. The study has become relevant considering the performance of women in the other fields of life endeavors. Firstly, through a purposive selection sampling method female owners of leather based enterprises were selected against the males. A random selection of sixty (60) female entrepreneurs involved in leather products preproduction activities such as sales of accessories for shoes, bags and belts, leather cleaning and drying activities, leather spraying and such like activities. Thirty female entrepreneurs were selected from Ariaria and Ahia markets respectively. Questionnaire and oral interview were the instruments for data collection. The tools for data analyses were descriptive statistics, income statement and an econometric model involving Ordinary Least Square regression analyses. The earning performance evaluation indicated that the enterprises have performed creditably considering the value of the gross margin analysis which is high and gross return per each capital invested which is also positively significant. The analyses of determinants of earning performance indicated the significant variables as interest rate on credit, distance to the nearest market, amount of credit available for investment and rent. It is recommended that female entrepreneurs owning leather enterprises should be empowered financially and that at a reduced rate of interest to enhance the enterprise performances.

Keywords: Earning, performance, female-owned, leather, enterprises

INTRODUCTION

It has become necessary to single out women performances from among other entrepreneurs because most agribusiness incentives appear to be distributed to the men at the expense of the women. Saudoulet and Janvry(1995) opined that agribusiness extension activities relegate women entrepreneurs to the background in favour of men investors. Policy makers and administrators assume in the face of empirical data, that men are the actual entrepreneurs and women only play a supportive role. However, the continual changes in men's social roles and responsibilities call for documentation and appraisal of gender performances in most enterprises. This appraisal will enable development of intervention agencies to target the right beneficiaries when production incentives and resources are made available to relevant investors.

Enterprises such as fast food, leather, bakeries, fisheries, piggeries, poultry and other related enterprises can be found every where in our society. The survival and continuous growth of these enterprises are the function of its production and earning capabilities (Onwumere, 2008). The widely acclaimed fact that massive attention and support given to development of small scale enterprise is because of their potential as major sources of employment with great capacity to generate earnings. According to Oi and Idson (1999), the earnings from these enterprises can sustain economic development in most developing

economics which Nigeria and Abia State is the like. According to them, the reason for the economic development is increased earnings due to combination of factors of production, increased size or number of small scale enterprises and technical know-how which enhances productivity. The limiting factors to sustained earning among leather enterprises in developing economies are partly internal and to some extent external problems. According to Nainggolan (2003), extremely strict regulations, poor credit availability and access difficulties, high rates of and fluctuating exchange rates limits earnings. Many business opportunities were foregone and could not be realized because of lack of working capital, exports and import taxes on raw materials, illegal fees charged by government officials and high transportation cost due to poor roads and transportation facilities which lower enterprise earnings. Some entrepreneurs has been associated with poor education background and low literacy permeate the cycle of most small and medium scale investors (Onwumere and Nmesirionye, 2011). In promoting enterprises with leather enterprises inclusive, the role of government according to CBN (1990), would include promoting general education of entrepreneurs technology, supporting financial sectors and investing in infrastructures. According to Kim (2003), and Nainggolan (2003), the micro efforts needed to encourage agribusiness and including leather enterprises are as follows: creating new entrepreneurs (which female investors are the answer), focusing on competitive products, intensifying market penetration, stimulating local entrepreneurs and developing business partnership.

According to Kim (2003), leather enterprises in some developing countries lacked good business plan, operate at low rate due to inadequate raw materials supplies, have problems of labour and human capital, and poor and inconsistent legislative framework. In an explorative study on determinants of earnings, Soudoulet and Janvry (1995), hypothesized that earning is a function of labour supply, vector of input and output prices and vector of enterprises characteristics. But to calculate earning as a performance indicator Ogbonna and Ezedinma (2005) and Onwumere and Obasi (2010) on a model given as $NE = GE - TC$ (where NE= net earning, GE = gross earning and TC = total cost of production). The equation above represents a theoretical model on the basis of performance measurement used by the previous researchers.

Agribusiness based enterprises are not limited to farm firm production enterprises alone. The emergence of other secondary activity related small scale to even large scale enterprises have diversify the scope of agribusiness based enterprises from farm firm to processing and to table respectively. According to Igwe, (2010), each segment of these activities attracts a return or reward in one way or the other and also involves men or women or both. The participation of women is of note in global food value under small scale enterprises. Females are always employed more than males to serve as cooks, attendants, cashiers and so on. Still under this small scale business marketing companies adopt women biased gender employment. According to Oi and Idson (1999), women in no doubt have performed well in any chosen agribusiness activities.

This study is important given the fact that there is paucity of previous literatures and empirical studies on determinants of earnings. There is also much less empirical analysis on female gender related works with regards to earning performances This study therefore broadly analyzed the determinants of earnings among female owned leather enterprises in Aba metropolis, Abia State Nigeria. The specific objectives actualized by this analysis included analysis of socio-economic characteristics of the female entrepreneurs, investigation into their earnings status, and determinants of earnings among female owned leather-based enterprises in the study area.

METHODOLOGY

The study was carried out in Aba Metropolis in Abia State, Nigeria. Aba is the major industrial town in Abia State. The markets that draw international attention are found located in Aba. This State lies within latitudes $4^{\circ} 40'$ and $6^{\circ} 14'$ north and longitudes $7^{\circ} 10'$ and 8° east. The two largest markets are Ahia Ohuo and Ariaria markets which also made up the choice of location of this study. The reason for this choice of these two markets was because they are prominently known for profound leather activities from production to sales and marketing of leather accessories. A multi-stage sampling method was adopted and the sampling procedures followed were first, a purposive selection of Aba Metropolis because of its industrial dominance comparable to the other cities in Abia State. Secondly, another purposive selection of Ariaria and Ahia Ohuo markets was made because of their dominance in leather based investment. Further, a random selection of sixty female entrepreneurs involved in preproduction activities such as sales of accessories for shoes, bags and belts, leather cleaning and drying activities, leather spraying and such like activities were carried out. Thirty female entrepreneurs who are owners these leather-based enterprises were selected from Ariaria and Ahia Ohuo markets respectively.

Data from the entrepreneurs were gathered via questionnaire and oral interviews. The method of data analysis involved descriptive statistics, income statement analysis and econometric model used for the determinants of earnings performance. The earning model followed Ogbonna and Ezedinma (2005) and Onwumere and Obasi (2010) is given as:

$$NE = GE - TC \dots\dots\dots 1$$

$$TE/TC = TE/TC \dots\dots\dots 2$$

Where:

- NE = Net earning in naira value
- GE = Gross earning measures in naira value
- TE/TC = Total earning per total cost

The empirical model for the analysis of determinants of earning is linked with the model of earning stated by Soudoulet and Janvry (1995) as follows

$$E^s = F(P, K, Z)$$

Where E^s = Earnings

P = Vector of input and output prices

K = vector of capital available to the

Z = Vector of enterprise characteristics.

For the purpose of this work the categories of variables in the model are stated implicitly as follows $FE_p = f(R_1, R_2, R_3, R_4, R_5, R_6, R_7, R_8, E)$

The explicit model is specified as

$$FE_p = b_0 + b_1R_1 + b_2R_2 + b_3R_3 + b_4R_4 + b_5R_5 + b_6R_6 + b_7R_7 + b_8R_8 + E$$

Where

FE_p = Earning performance of female owned leather enterprises in naira value.

R_1 = Age of the entrepreneur in years;

R_e = Input prices in naira;

R_3 = Years spent in education by the entrepreneur;

R_4 = Stock value in naira as at the period of survey period;

R_5 = Interest on credit in naira value;

R_6 = Credit i.e loan amount in naira;

R_7 = Rent in naira;

R_8 = Distance to the nearest market in kilometers

b_0 - b_8 = Coefficients

E = Error term

About four functional forms involving linear, semilog, exponential and double log functions were used in the analysis and semilog function is chosen as the lead equation given its high related parameters of interest.

RESULTS AND DISCUSSION

The results and discussion is presented in the order covering the socio economic characteristics of the female entrepreneurs, income statement analyses of the enterprises and determinant of earning performance among female owned leather-based enterprises.

Socio- economic characteristics of the female entrepreneurs

The socio economic characteristics of the entrepreneurs are presented on Table 1

Table 1: Distribution of the female leather-based entrepreneurs according to various socio economic characteristics

| Item | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Age | | |
| 15 - 35 | 38 | 60.83 |
| 36 - 55 | 28 | 30.00 |
| 56 and above | 11 | 9.17 |
| Total | 60 | 100 |
| Education | | |
| Non formal | 10 | 16.6 |
| Primary | 16 | 26.6 |
| Secondary incomplete | 9 | 7.5 |
| Secondary complete | 18 | 15 |
| Tertiary | 7 | 5.8 |
| Total | 60 | 100 |
| Average Stock value (N000) | | |
| 0 – 399 | 20 | 33.4 |
| 400 – 699 | 26 | 43.4 |
| 700 and above | 14 | 23.2 |
| Total | 60 | 100 |
| Household size | | |
| 1-3 | 24 | 40 |
| 4-6 | 22 | 36 |
| 7-9 | 12 | 20 |
| 10-12 | 2 | 3.4 |
| Total | 60 | 100 |

Source: Survey data (2010).

The analysis of the age of the female entrepreneurs in Table 1 shows that the age group of 15-35 years contributed the highest number of female entrepreneurs than the other categories. This implies that the entrepreneurs are youthful and energetic. This age range is seen as the prime age of productivity (Onwumere and Alamba, 2010). The age range of 50 and above contributed the least to female own leather enterprises. Further, majority(26.6%) of the female entrepreneurs in leather enterprises have primary education and that was followed by those who have secondary education (16%). Only about (8%) of the entrepreneurs (who are high class leather dealers in the enterprises) have tertiary educations. The states of education among the entrepreneurs indicated poor status. This was in agreement

with the findings of Onwumere and Nmesirionye (2011) who reported on the poor education performance among leather-based entrepreneurs in Aba metropolis.

The average value of stock maintained by each female entrepreneur analyzed in Table 1 shows that the highest stock level maintained by 26% of the entrepreneurs at the period of this survey was 400 – 699 thousand naira in value. The least number of entrepreneurs (14%) maintained stock worth about 700 thousand naira and above. The analysis indicated that female entrepreneurs have invested significantly and the enterprises are not just micro or small scale investment but also medium enterprises which are of economic development significance. Finally, the household size analysis of each of the female leather based entrepreneur is presented in Table 1. The result shows that majority of the female entrepreneurs (40%) has household size ranging between 1-3 persons and the least population (3.4%) has household sizes ranging between 10-12 persons. The benefit accruing from having large household size includes easy sources of labour for the family businesses.

Analysis of the earning performance of female owned leather-based enterprises

The analysis of earning performance of female owned leather enterprises using income statement is presented in Table 2 and discussed as follows

Table 2: Income statement analysis of female owned leather-based enterprises

| Items | Amount (N) | % |
|---|-------------------|----------|
| Revenue | | |
| Total Revenue From Sales | 27,393,000 | |
| Expenditure | | |
| Variables Cost (Vc) | | |
| Unprocessed Leather | 460,170 | 3.95 |
| Gum | 42,365 | 0.36 |
| Labour | 411,000 | 3.53 |
| Transport | 51,300 | 0.44 |
| Electricity | 345,600 | 2.97 |
| Fuel | 364,342 | 3.13 |
| other inputs (OIC) | 551,383 | 4.56 |
| Total variable cost (TVC) | 2,226,160 | 19.11 |
| Fixed cost (FC) | | |
| Rent | 989,920 | 8.49 |
| Taxes | 36,478 | 0.31 |
| Interest on loan | 44,808 | 0.39 |
| Depreciation on equipment | 8,351,277 | 71.69 |
| Total fixed cost (TFC) | 9,422,486 | 80.88 |
| Total cost of production (TC=TFC+TVC) | 11648646 | |
| Profitability indicators of net earning (TR-TC) | 15744354 | |
| Gross margin (GM=TR-TVC) | 25166840 | |
| Gross return per naira invested (TR/TC) | 2.3516038 | |

Source: Field data of 2010

The total revenue from the female owned leather-based enterprises was N2, 739,3000. The total variable cost summed up to N2, 226,160 with a percentage of 19.11percent of the total cost. Unprocessed leather cost constitutes the highest variable cost component comprising a percentage of 3.95 of the total variable cost and the sum of N460170. The expenses on gum constituted the least cost component (0.36%) among the variable cost

components. The fixed cost constituted 80percent of total expenses of the female entrepreneurs. Three profitability indicators were estimated. The net earning which amounted to ₦15744354, the gross margin accounting for N25166840 and the gross return on per naira invested which was ₦2.3516038. The result of this income statement considering the profitability indicators shows a positive performance on the aspect of the female owned enterprises involved in leather-based business in the study area

Determinants of earning performance among female owned leather enterprises

The determinants of earning performance among female owned leather enterprises are presented in Table 3.

Table 4 Determinants of earning performance among female owned leather enterprises

| Variable | Linear | Exponential | Semilog | Doublelog |
|---------------------------------|-----------------------|---------------------------|---------------------------|----------------------|
| Constant | -94934.07 (-0.386) | 10.702 (911.693)*** | -820047.0 (-0.951) | 9.578 (2.927)*** |
| Sex | 34148.162 (0.361) | -0.094 (-0.266) | 32187.290 (0.0354) | -0.163 (-0.472) |
| Age | 70.019 (0.023) | -0.002 (-0.134) | 84645.223 (0.615) | 0.317 (0.607) |
| Stock | -697.868 (-1.588)* | -0.003 (-1.687)*** | -26714.82 (-0.728) | -0.121 (-0.870) |
| Interest rate | 64217.436 (1.787)* | -0.244 (1.820)** | -164238.8 (-14.125)*** | 0.696 (1.577)* |
| Distance | 7203.366 (0.874) | 0.006 (0.209) | 120278.09 (2.144)** | 0.194 (0.192) |
| Education | 5490.278 (0.528) | 0.023 (0.605) | -16445.94 (-0.268) | -0.065 (-0.280) |
| Credit available for investment | 8.013 (4.888)* | 2.61e-0.05 (4.269)*** | 154214.06 (5.377)*** | 0.490 (4.500)*** |
| Rent | -3.166 (-1.276) | -1.69e-0.05 (-1.827)** | -90464.40 (-1.692)* | -0.417 (-2.052)** |
| R ² | 0.483 | 0.472 | 0.507 | 0.478 |
| R ⁻² | 0.401 | 0.389 | 0.430 | 0.396 |
| F-Statistics | 5.944*** | 5.704*** | 6.559*** | 5.827*** |

Source: Survey Data, 2010

Note: Values in parenthesis are t-values; *,**, *** statistically significant at 10%; 5% and 1%

From the analyses above, semilog regression model was chosen as the lead equation based on the values of R² (coefficient of multiple determination), F value and the conformity of the signs of the coefficient with a priori expectation. R² was 0.507 which indicates 50.7 percent of the variation in the dependent variables included in the model. The F-ratio of 6.559 indicates that the model is statistically significant at 1% alpha level. Distance to the nearest market and credit available for investment were significant and positively related to female own leather enterprise earning performance while interest rate on credit and rent were significant and negativity related to earnings. Distance was significant at 5% alpha level and positivity related to earnings. This implies that as the cost of transportation to the market increases due to increases in distance travelled to the market, it leads to decrease in the

working capital that is disposable for use in direct production activities which in turns leads to a decrease in the level of the enterprise earning performance. Interest rate on credit was significant at 1% alpha level and negatively related to earning. This implies that as the percentage of interest on credit increases the amount of money spent on interest repayment increases, thereby reducing the level of credit available for investment and thus the earning performance. Rent was significant at 10% alpha level and negatively related to earning performance. This implies that as the amount of money spent on settlement of rent increases, this reduces the level of earning performance indirectly. These findings agreed with the related report of Onwumere and Asumugha (2010) on effects of rent on enterprise performance.

CONCLUSION

This study has evaluated the earning performance of female owned leather based enterprises in Aba Metropolis. It is evident from the study that female population in leather investment has significant impact in enterprise performances in the study area. The female entrepreneurs investment have gone beyond micro enterprises to significant small scale enterprise and very few enterprises are at the medium scale level, thus, the entrepreneurs have performed maximally. The earning performance evaluation indicated that the enterprises have performed creditably considering the value of the gross margin analysis which is high and gross return per each capital invested which is also high and positively significant. Considering the analyses of determinants of earning, the significant determinants included interest rate on credit, distance to the nearest market, credit available for investment and rent. It is recommended that female entrepreneurs owning leather enterprises should be empowered financially and that at a reduced rate of interest to enhance their earning performances.

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