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Business Constraints in Nigeria: Implications on Productivity

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Abstract: This study was to identify major constraints and how they effect on productivity in Nigeria using a two stage random sampling of firms from all states in Nigeria and the Federal Capital Territory was used for the study. The descriptive statistics and factor analysis were used in the analysis of the data. Artificial Intelligence, an aspect of big data analysis was also used to gauge the sentiments of the identified constraints across the Nigerian internet space. This study identified major business constraints in Nigeria using factor analysis. Of the fifteen (18) constraints identified in extant literatures and considered in this study, four main constraints predominantly featured in this present study across the three sectors as well as the whole economy: insecurity, high/multiple taxes, extortion/corruption and high bank charges. The major constraints identified in the various sectors of the Nigerian economy are those perceived to be under the purview and control of government. The next most serious set of constraints were predominantly those within the purview and control of businesses: while the variables that predominantly featured as the third set of constraints are those related to labour and policy issues. The study used categorical regression model to fit the relationship between productivity and business constraints. The findings reveal that six of the eighteen constraints have negative and significant effect on productivity across the sectors: unclear economic law, low demand, labour problems, unfavourable economic climate, high bank charges and sector have significant effect on productivity. Lack of knowledge/training was however found to have positive and significant effect on productivity. The findings in this study will guide the Central bank of Nigeria (CBN) and the various level of government in making policies that will aid survival of businesses. Identifying the major business constraints for the whole economy will guide the CBN in making decisions on general business interventions while the constraints identified across the sectors will guide the CBN in making sector specific interventions especially in the agricultural and industrial sectors.

Keywords: Business Constraints, Finance, Technical Knowhow, Business Climate

1. Introduction

The Small and Medium Enterprises (SME) plays a very strategic role in economic growth of any economy and acts as the backbone of industrial development. SMEs help to effectively curtail rural-urban migration and strengthening of industrial inter-linkages and integration. However, SMEs in most developing nations and Nigeria in particular have not performed as expected over the years thus unable to efficiently play its vital role in economic development.

This worrisome situation of SMEs not living up to expectation has prompted the government to embark on various initiatives to promote the sub sector of the economy. Nigeria through some of its fiscal policies as well as the development financing of the Central Bank of Nigeria, recognized the importance of small businesses in the Nigerian economy and the need to stimulate businesses to improve economic growth, provide employment and reduce poverty rate. Various agencies were created to this effect, to do the job of stimulating the development of various categories of business in the Nigerian economy [1].

However, sustaining businesses in emerging economies and Nigeria in particular is a herculean task. Businesses encounter various challenges in their daily activities [2] which most of the time, lead to the death of 80% of Nigerian SMEs before their 5th year of existence [3], only a select few are able to cope with the challenges and only a few have been known to succeed [4].

Some of the literature cited limited access to finance as the most important constraint to the development of businesses, and which can greatly affect the performance of firms [5, 6]. Based on evidence from extant literatures on access to finance interventions, traditional bank financing sources are available to only 17-32 percent of small firms in low and middle income countries [5]. Wang [7] argues that difficulties that firms seeking financing often face are mainly due to high interest rates; inability to meet collateral requirements; complex application procedures; perception of SMEs that the application would be rejected and lack of records [8].

On the global scene, there exists a European charter for small businesses established in 2002 to support a friendly environment with focus around improving skills and education, advice and support on start-ups and streamlining the legal and regulation process for small business enterprises. The charter encourages networking for small businesses in order to create knowledge, expertise and clustering of firms in key sectors in order to create additional benefits and trade. Other key attributes of the charter are risk taking and sound management to all business sectors and also a movement in EU countries to simplify taxation procedures and introduce more favourable rates for small business enterprises [9].

In Nigeria, various levels of government in Nigeria have made attempt to solve the problems of business constraints in Nigeria by establishing agencies such as National Directorate Employment (NDE), Family Economic Advancement Programme (FEAP), National Economic Reconstruction Fund (NERFUND), among others. These agencies were created to support small and medium scale business in the areas of finance, knowledge acquisition and sourcing of raw materials. These efforts notwithstanding, business are still faced with various challenges that affect their businesses on daily basis.

The giant stride of the Central Bank of Nigeria in the area of development financing has received serious commendation from every corner. However, the need to identify major target areas of intervention still remains major research concerns in terms of constraints and challenges of businesses in Nigeria. Umaru, et al [30] made use of 1070 small, medium and large manufacturing and non-manufacturing firms in all 36 states in Nigeria and the Federal Capital Territory to analyse the major business constraints in Nigeria. Although with without sectoring the firms into their various classifications.

This study therefore seeks to identify major business constraints in Nigeria based on the ISIC Broad sector concordance classification (Industry, Services and Agriculture). The findings in this study will guide both fiscal and monetary authorities on policies aimed at improving survival of businesses in Nigeria.

2. Review of Related Literature

This study adopts the Resource-Based Theory of Entrepreneurship. The theory posits that access to resources by entrepreneurs is an important factor of new venture growth. This theory underscores the importance of financial, human and social resources [19]. Thus, the ability of an entrepreneur to detect and act upon opportunities depends on access to available resources [10]. These factors- financial, human and social capital represents three classes of theories under the resource –based entrepreneurship theory.

The Human Capital Entrepreneurship Theory posits that two factors- education and experience are underlying factor of entrepreneurship subsistence. The theory argues that the knowledge acquired from education and experience is a unique resource that is central to understanding differences in identifying and exploiting opportunities [11, 12]. Studies have shown that the human capital factors have positive relationship to being a nascent entrepreneur [10, 13, 14], as well as related to increase opportunity recognition and entrepreneurial success [10]. Entrepreneurs have unique resources that aid the recognition of new opportunities and the mobilization of resources for the new venture.

From the view of Financial Capital/Liquidity Theory, research findings have shown that setting up of new firms is more feasible when entrepreneurs have access to financial capital [15]. This theory argues that availability of financial capital makes it possible to acquire resources to effectively exploit entrepreneurial opportunities, and consequently set up a firm [16]. Although, some studies contest that most business promoters start new ventures without much capital. They also argue that financial capital is not significantly related to the probability of such new businesses [10].

Akinyemi & Adejumo [17] conducted a comparative study of the peculiarities of entrepreneurial motives and challenges in emerging economies using a sample of 1200 entrepreneurs were purposively drawn from two African emerging economies. The analysis was done using descriptive statistics and one-way analysis of variance. The findings of the study reveal that a greater proportion of the entrepreneurs were driven by passion and very few were driven by poverty. The results also reveal that that there is a significant difference in the average income level and the number of years in business whereas in South Africa, there is no significant difference in average income level and the number of years in business. The study concluded that epileptic power supply, low patronage and lack of finance are major constraints to entrepreneurial activities and thereby increase the failure rates of entrepreneurship.

Alabi, et al [18] examined the problems of finance SMEs in Nigeria and identified the sources of finance, the various financial challenges bedeviling the smooth operation of small and medium scale enterprises; and identified the types of finance available to small scale enterprises. The study employed observation and review of relevant literatures and documents in the study. The findings in the study revealed the indispensability of adequate finance for the successful operation of SMEs and the need for government to create more conducive environment for small scale business to thrive by through good business tax policies that will eliminate extortion from small scale businesses.

Agu & Ayogu [20] among other things assessed the prospects and problems of entrepreneurship development in Nigeria using the survey method and interview of entrepreneurs in the Agricultural sector at Awka, Igbariam and Abakiliki. The study used a sample of 230 from a population size of 686 entrepreneurs in the Agricultural sector at Awka, Igbariam and Abakilik and the Chi-Square test. The result of the study revealed that lack of knowledge of technology, multiple taxes and levies; and unfair competitions were the Challenges of entrepreneurship development in Nigeria. The study also found that technology enhances entrepreneurship development in Nigeria through improved customer satisfaction and reduction in transaction time. The study recommended that Government, private sector and Non-governmental organizations need to strengthen the existing empowerment programmes for encouraging entrepreneurs within the Nigerian business environment.

Essien [21] examined growth constraints of Micro and Small Scale Manufacturing Industries in Akwa Ibom State using a descriptive survey design on a population comprising of micro and small scale businesses in the manufacturing sector in Akwa Ibom State. The sample of 234 micro and small scale businesses were randomly selected using a stratified random sampling. The study also adopted the "Nigerian Business Environment and Growth Constraints Questionnaire" The study identified problem of infrastructure, high interest rate on loans, inaccessibility of credit and multiple taxation as the major growth constraints of micro and small scale manufacturing businesses in Akwa Ibom State. The study recommended that to stabilize power, the government should make efforts toward electricity generation; reviewing the use of immovable assets as criterion to access business funding by banks in Nigeria. The study also recommended harmonization of tax regimes and ensuring product quality by standards organization of Nigeria.

Busari [22] studied the opportunities and challenges to marketing of home made goods in Nigeria. A sample of 170 HND (part-time) students of Accountancy and Marketing of Yaba College of Technology was used for the study. The data was sourced using self-administered questionnaire and analyzed with descriptive statistics. The study found that most of the respondents buy foreign goods that locally made goods are purchased occasionally because of price, quality, patriotic zeal, government appeal and absence of imported goods. The study recommended that entrepreneurs should study and exploit government incentives that affect their businesses.

Osemeke [23] studied the challenges and prospects of private sector organizations in Nigeria. The study discussed the concepts, prospects and challenges of private sector-led growth in Nigeria and examined the current business environment in Nigeria. The study found that it is imperative for government to continuously put in place policies and programs that will encourage private sector participation in order to achieve a desired sustainable private sector led growth of the economy. The study concluded that there is growth in the financial performance of private sector organizations, that there is need for government policies in order to advance private sector led growth and transform the country into a robust, stable, dynamic, competitive and export-led economy.

Ishengoma & Kappel [24] analyzed the business constraints faced by these MSEs using data collected in Uganda in March and April 2003. The study used a sample of 265MSEs drawn with stratified random sampling. The study examined the extent to which the growth of MSEs is associated with business constraints, while also controlling for owners' attributes and firms' characteristics. The findings in the study reveal that growth potential of MSEs is negatively affected by limited access to finance and business services, high taxes and lack of access to market.

Several empirical literatures on business constraints exist in the research sphere. Some of the related literatures are reviewed. Agwu & Emeti [5] discussed Challenges, Issues and Prospects of SMEs in Port-Harcourt City, Nigeria. This was informed by the high rate of unemployment in the society and the poor performance of SMEs in employment generation. The study adopted a descriptive research design with 120 randomly selected SMEs in Port-Harcourt City. The data collected were analyzed using descriptive statistics and z-test. The result of the study showed that inadequate social infrastructures, poor financing, multiple taxation and lack of managerial skills were major challenges confronting SMEs in Port-Harcourt. The study therefore recommended: government guaranteeing of long-term loans to SMEs operators, provision of soft loans to SMEs operators, establishment of SMEs funding agency, capacity building for SMEs operators, public/private sector partnership in infrastructural provision and provision of tax incentives for SMEs operators.

Nwibo & Okorie [26] studied the constraints to entrepreneurship and investment decisions among agribusiness investors in southeast, Nigeria using data collected with structured questionnaire and interview schedule. The data were analyzed using descriptive and inferential statistics. The result of the study revealed that lack of start-up capital, lack of market information, crime, theft and social disorder, corruption and bad legal system, poor infrastructural facilities, multiple taxation, tedious registration and licensing procedure, and poor access to formal credit facilities were the main constraints to entrepreneurship and investment decisions by agribusiness entrepreneurs in South-East, Nigeria. The result also revealed that starting enterprises without proper feasibility, high taxation, inadequate supply of power, inconsistency in government policy, inability to withstand competition, management inexperience, inability to withstand competition, joint ownership of enterprises and poor knowledge in the line of business were the major causes of enterprise failure in Southeast Nigeria. The study recommended formulation and implementation of policies targeted at removal of the identified constraints.

Tunde & Ayodele [27] investigated financing constraints of small and medium enterprises in South- Western Nigeria by determined how high legal documentation fees, and collateral securities high bank changes are related to financing constraints for small and medium enterprises in south- western Nigeria. The study made use of structured questionnaire and the data gathered were analyzed using percentages, correlation analysis and multiple regression. The study was conducted in six states of south – west Nigeria that is Ogun, Lagos, Osun, Oyo, Ondo and Ekiti. The findings in the study revealed that high bank charges constitute financing constraint. The study found that there is evidence to justify that high legal documentation fees is a constraint to financing small and medium enterprises and that there is positive but weak relationship between collateral securities and financial constraint of small and medium enterprises in south-west Nigeria.

Siyanbola [28] evaluated the challenges facing manufacturing and services SMEs in their operating environment in Nigerian. The study explored issues that could prevent businesses from thriving and developing to their full potentials. The study employed qualitative data collected with the aid of semi-structured interviews. Ten managers, 7 owners and 2 experts on SMEs management and development were interviewed. The findings in the study revealed that Nigerian SMEs encounter enormous challenges ranging from inimical government policies, lack of support from some government agencies, harassment and extortion by uniformed officers, lack of business education on the part of business owners and poor managerial capability, poor infrastructure, lack of affordable workspace for start-ups and inadequate finance. The study recommended that federal government of Nigeria should assist businesses and prevent the majority from failing as extant SMEs literature indicates.

The review of literature has identified various business constraints bedeviling the growth of businesses in Nigeria. The major business constraints as identified in literature include: problem of infrastructure, high interest rate on loans, inaccessibility of credit and multiple taxation [21]. Limited access to finance and business services, high taxes and lack of access to market [24]; epileptic power supply, low patronage and lack of finance [17]; lack of knowledge of technology, multiple taxes and levies; and unfair competitions [20]; lack of start-up capital, lack of market information, crime, theft and social disorder, corruption and bad legal system, poor infrastructural facilities, multiple taxation, tedious registration and licensing procedure, and poor access to formal credit [26]; high bank charges [27]; inimical government policies, lack of support from some government agencies, harassment and extortion by uniformed officers, lack of business education on the part of business owners and poor managerial capability, poor infrastructure, lack of affordable workspace for start-ups and inadequate finance [28].

Exploratory Factor analysis is a technique used in the development, validation and adaptation of psychological measurement instruments. It can be seen as a variable-reduction technique, in which many variables are replaced by a few factors that summarize the relations among the variables-it is used in identifying summary constructs. Confirmatory factor is used for investigating the extent to which a theory about the structure of a set of variables accounts for the relations among the variables. Exploratory factor analysis is used to discover summary constructs when their nature is still unknown [29]. It is worthy of note that the Principal Components is not a method of factor analysis, but the factor extraction method which allows the estimation of factor loadings and correlations between factors [29].

3. Research Methods

This study was aimed at identifying major business constraints in Nigeria as well as well as to determine their effect on productivity. The study made use of cross sectional data of 1050 firms sampled from 1.36 million firms listed in the country. Due to the fact that the firms are categorized by state, sectors, (Industry, services and agriculture) a two-stage sampling technique was used to select firms in all 36 states in Nigeria and the Federal Capital Territory (FCT). We ensured that the sample for each sector was spread across all three firm sizes. This was using based on the mix of available firm sizes. The study ensured that all firm sizes have at least 25% representation in the sample at the end of the sampling exercise. The respondents were asked their opinion on the eighteen (18) business constraint identified in the reviewed literature: high interest rate, unclear economic law, lack of equipment, low demand, access to credit, financial problem, competition, labour problems, lack of materials input, unfavorable political climate, unfavorable economic climate, insufficient power supply, lack of knowledge/training, poor infrastructure, insecurity, high bank charges, high/multiple taxes, and extortion/corruption. The data were coded as 0 if neither agree nor disagree; 1 if strongly disagree; 2 if disagree; 3 if agree and 4 if strongly disagree. The productivity data measures changes in production for industrial, business activity for services sector and yield/output for agricultural sector.

The categorical regression (CATREG) was used to fit the relationship between productivity and the constraint variables. In categorical regression categorical data are quantified by assigning numerical values to the categories, resulting in an optimal linear regression equation for the transformed variables. The standard linear regression analysis involves minimizing the sum of squared differences between a response variable and a weighted combination of predictor variables. Variables are typically quantitative, with (nominal) categorical data recoded to binary or contrast variables. As a result, categorical variables serve to separate groups of cases, and the technique estimates separate sets of parameters for each group. The estimated coefficients reflect how changes in the predictors affect the response. Prediction of the response is possible for any combination of predictor values. The SPSS CATREG command was used to run the categorical regression model.

Coding of constraint variables:

$$x_i = \begin{cases} 0\ if\ neither\ agree\ nor\ disagree \\ 1\ if\ strongly\ disagree \\ 2\ if\ disagree; \\ 3\ if\ agree \\ 4\ if\ strongly\ disagree. \end{cases}$$

Where x_i represent each of the business constraints.

Coding of productivity variables:

$$y_i = \begin{cases} 1\ higher \\ 2 \text{ if same} \\ 3\ if\ lower \end{cases}$$

Where y_i is productivity, defined as in changes in production level for industrial; changes in business activity for services the sector; and changes in farm yield/output for the agricultural sector.

The weighted average is computed as:

$$\bar{X}_i = \frac{\sum W_i x_i}{\sum W_i}$$

Where

$W_i\ is\ the\ code\ asigned\ to\ each\ variable\ and\ X_i\ is\ the\ variable\ of\ interest.$

4. Results and Discussion of Findings

This section presents the result and discussion of findings of this study. The respondents were asked their opinion on the eighteen (18) business constraint identified in the reviewed literature: high interest rate, unclear economic law, lack of equipment, low demand, access to credit, financial problem, competition, labour problems, lack of materials input, unfavorable political climate, unfavorable economic climate, insufficient power supply, lack of knowledge/training, poor infrastructure, insecurity, high bank charges, high/multiple taxes, and extortion/corruption. The data were coded as 0 if neither agree nor disagree; 1 if strongly disagree; 2 if disagree; 3 if agree and 4 if strongly disagree. The productivity data measures changes in production for industrial, business activity for services sector and yield/output for agricultural sector.

Table 1. *Weighted Ranking of Constrains.*

Constraints	Weighted Average	Percent
Insufficient Power Supply	1.52	69.62
Insecurity	1.58	68.5
High Interest Rate	1.66	66.73
High multiple taxes	1.71	65.73
extortion corruption	1.73	65.36
Unfavourable Economic Climate	1.74	65.3
Financial Problem	1.83	63.38
Unfavourable Political Climate	1.84	63.18
High bank charges	1.84	63.13
Lack of knowledge/training	1.9	62.09
Poor infrastructure	1.93	61.42
Access to Credit	1.93	61.41
Lack of Equipment	2.02	59.56
Low Demand	2.03	59.42
Lack of Materials Input	2.04	59.17
Competition	2.14	57.25
Labour Problems	2.31	53.85
Unclear Economic Law	2.54	49.13
Strongly Agree 1: 5 strongly Disagree		

Table 1 presents the descriptive statistics of constraints arranged from the most identified constraints to the least by ranks (between 0 and 4 points). Insufficient power supply ranked as the major constraint to businesses in Nigeria (3.22). This was closely followed by interest rate and unfavorable economic climate with 3.19 respectively. Unclear Economic Laws and Financial Problems have ranks of 3.12 and 3.07 respectively. Labour problems and Lack of Material Input were the least constraints with ranks of 2.19 and 2.48 respectively.

Table 2. *KMO and Bartlett's Test.*

		Overall	Industry	Services	Agriculture
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.92	0.9	0.919	0.883
Bartlett's Test of Sphericity	Approx. Chi-Square	7682.248	2063.128	4557.701	1438.293
	Sig.	0.00	0.00	0.00	0.00

Table 2 presents the results of Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's Test of Sphericity. These tests provide a minimum standard for conducting a factor analysis or principal components analysis. A value of 0.6 is a suggested minimum for a KMO test to be suggestive of sampling adequacy. The Bartlett's test of sphericity tests the null hypothesis that the correlation matrix is an identity matrix. The null hypothesis must be rejected for a factor analysis or principal component analysis to be conducted. A comparison of the p-value (0.000) and the level of significance of the test (0.05) confirm that factor analysis or principal component analysis is appropriate for the data set. Similarly, the KMO values for all sectors affirm these result, hence the appropriateness of both factor and principal component analysis.

Table 3. *Total Variance Explained.*

Sector	Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
		Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Overall	1	6.62	44.132	44.132	6.62	44.132	44.132	3.64	24.268	24.268
	2	1.335	8.903	53.035	1.335	8.903	53.035	2.934	19.56	43.828
	3	1.088	7.251	60.286	1.088	7.251	60.286	2.469	16.458	60.286
Industry	1	6.587	43.915	43.915	6.587	43.915	43.915	3.587	23.916	23.916
	2	1.516	10.104	54.02	1.516	10.104	54.02	3.013	20.084	44
	3	1.17	7.797	61.817	1.17	7.797	61.817	2.673	17.817	61.817
Services	1	6.906	46.038	46.038	6.906	46.038	46.038	3.724	24.824	24.824
	2	1.355	9.035	55.073	1.355	9.035	55.073	3.107	20.715	45.539
	3	1.102	7.347	62.42	1.102	7.347	62.42	2.532	16.881	62.42
Agriculture	1	6.094	40.627	40.627	6.094	40.627	40.627	3.996	26.643	26.643
	2	1.467	9.777	50.404	1.467	9.777	50.404	3.244	21.626	48.269
	3	1.13	7.535	57.939	1.13	7.535	57.939	1.45	9.67	57.939

Table 3 presents the total variance explained by each component of the extracted factors. Three (3) components were extracted (those with Eigen values >1) for each sector using the principal components extraction method. The Eigen values refer to the variances of the principal components extracted. The first component accounts for the most variance as well as the highest Eigen value while the next component accounts for much part of the left over variance, and so on. The result of the factor analysis using the principal component extraction method identified three factors base on Eigen values (≥1) for the Industry, services and agriculture sectors respectively. From the results in table 4, three components were identified for the whole economy and the three sectors of the Nigerian economy. We then run varimax factor rotation techniques to help interpret factor loadings. The factors less than 0.5 were hidden for ease of interpretation, as factors close to 1 are desirable in correlation analysis. The rotated factor matrix is presented in table 4.

Table 4. *Rotated Factor Matrix for the overall economy and sectors.*

S/N	Constraints	Overall			Industry			Services			Agriculture		
		1	2	3	1	2	3	1	2	3	1	2	3
1	Access to Credit								0.56				0.816
2	Competition		0.67			0.62			0.62			0.736	
3	extortion/corruption]	0.73			0.77			0.73			0.749		
4	High bank charges	0.71			0.71			0.66			0.738		
5	High/mulitple taxes	0.74			0.79			0.73			0.745		
6	Insecurity	0.75			0.74			0.72			0.797		
7	Insufficient Power Supply	0.59					0.52	0.66			0.616		
8	Lack of Equipment		0.69			0.76			0.75			0.552	
9	Lack of knowledge/training		0.68			0.67		0.56	0.59			0.745	
10	Lack of Materials Input		0.69			0.75			0.74			0.59	
11	Low Demand		0.66			0.62			0.66			0.72	
12	Poor infrastructure	0.65			0.69			0.66			0.567		
13	Unclear Economic Law			0.71			0.77			0.74	0.542		
14	Unfavourable Economic Climate			0.77			0.81			0.75			
15	Unfavourable Political Climate			0.77			0.78			0.78		0.506	

The results of the rotated factor matrix are presented table 4. Values less than 0.5 were suppressed, as they do not have significant contribution to the variance explained. Three factors (group of constraints) were identified for the whole economy and the three sectors. For the whole economy, six constraints were identified as the major constraints in Nigeria in the following order: Insecurity, High/multiple taxes, extortion/corruption, High bank charges, Poor infrastructure and Insufficient Power Supply. These six constraints contribute 44.13% of the total business constraints in Nigeria. These first set of constraints could be seen as those beyond the control of businesses. They are more of infrastructural and policy issues in Nigeria. The second set of constraints contributes 8.9% of the total variances, they include: lack of materials input, lack of equipment, lack of knowledge/training, competition and low demand. The third set of constraints for the whole economy contributes only 7.25% to the total business constraints in Nigeria and they include: unfavourable political climate, unfavourable economic climate and unclear economic law. On the whole the three identified components contribute 60.29% of the total business constraints in Nigeria.

The results for the industry also identified three components (group of constraints). The three constraints gave a total variance of 61.82% for the industrial sector. The first of the three identified set of constraints contribute 43.92% of the total constraints in the industrial sector. The variables identified in this group include: high/multiple taxes, extortion/corruption, Insecurity, high bank charges and poor infrastructure. The second set of constraints contribute 10.1% of the total constraints in the industrial sector in the following order: lack of equipment, lack of materials Input, lack of knowledge/training, low demand and competition; while the third set of constraints contribute 7.8% of the total constraint in the industrial sector. They are: unfavourable economic climate, unfavourable political climate, unclear economic law and insufficient power supply.

Three sets of constraints were identified under the services sector and they contribute a total of 62.42% of the total constraints presented in this study. The first set of constraints contribute 46% of the total constraints in the services sector with the variables in the following order: extortion/corruption, high/multiple taxes, Insecurity, high bank charges, insufficient power supply and poor infrastructure. The second most important set of constraints in the services sector constitute 9% of the total constraints in the services sector. The variables are: lack of equipment, lack of materials input, low demand, competition, lack of knowledge/training, and access to credit. The third set of constraints in the services sector include: unfavourable political climate, unfavourable economic climate, unclear economic law. They constitute 7.35% of the total constraints in the services sector.

For the Agricultural sector, the study identified three sets of constraints contributing a total of 57.94% of the business constraints in the agricultural sector. The first set of the constraints constitute 40.63% of the total constraints in the agricultural sector. They include: Insecurity, extortion/corruption, high/multiple taxes, high bank charges, insufficient power supply, poor infrastructure, unclear economic law. The second set constitutes 9.78% and the variables include: lack of knowledge/training, competition, low demand, lack of materials input, lack of equipment and unfavourable political climate.

5. Business Constraints Model

The result of the relationship between business constraints and productivity is presented for the overall data.

Table 5. *Categorical Model results for constraints and productivity.*

Variable	Coeff (Std Error)
Unclear Economic Law	-0.077 (0.052)*
Lack of Equipment	0.047 (0.060)
Low Demand	-0.131 (0.041) ***
Access to Credit	0.051 (0.053)
Financial Problem	-0.066 (0.063)
Competition	0.044 (0.059)
Labour Problems	-0.091 (0.056) ***
Lack of Materials Input	0.076 (0.056)
Unfavourable Political Climate	0.084 (0.064)
Unfavourable Economic Climate	-0.108 (0.060) ***
Insufficient Power Supply	0.080 (0.061)
Lack of knowledge/training	0.158 (0.048) ***
Poor infrastructure	-0.028 (0.078)
Insecurity	-0.096 (0.066)
High bank charges	0.112 (0.059) ***
High mulitple taxes	-0.040 (0.082)
Extortion/corruption	-0.051 (0.073)
High Interest Rate	0.021 (0.062)
Sector	-0.098 (0.034) ***

*** significant at 1%, ** significant at 5% and * significant at 10%

The major business constraints have been classified in the study across the sectors of the Nigerian economy. Four major constraints featured prominently across industry, services and agricultural sectors. Among all fifteen constraints identified in literature and that were considered in the present study. On the whole, Insecurity, electricity, tax, corruption/extortion and high bank charges were the mostly featured constraints across the three sectors as well as the whole economy. The study therefore used categorical regression model to model the effect productivity on business constraints. The findings reveal that the six of the eighteen constraints have negative and significant effect on productivity across the sectors. The results show that unclear economic law, low demand, labour problems, unfavourable economic climate, high bank charges and sector have significant effect on productivity. Lack of knowledge/training was however found to have positive and significant effect on productivity. While other constraints are significant at 1%, unclear economic laws is significant at 10%.

6. Conclusion and Recommendations

This study identified major business constraints in Nigeria using factor analysis. Of the eighteen (18) constraints identified in extant literatures and considered in this study, four main constraints featured in this present study across the three sectors as well as the whole economy: insecurity, high/multiple taxes, extortion/corruption and high bank charges. The major constraints identified in the various sectors of the Nigerian economy are those perceived to be under the purview and control of government. The next most serious set of constraints were predominantly those within the purview and control of businesses: lack of materials input, lack of equipment, lack of knowledge/training and competition, while the variables that predominantly featured as the third set of constraints are those related to labour and policy issues: unfavourable political climate, unfavourable economic climate and unclear economic law. The findings also revealed that six of the eighteen constraints have negative and significant effect on productivity across the sectors: unclear economic law, low demand, labour problems, unfavourable economic climate, lack of knowledge/training, high bank charges and Sector Based on the findings in this study, we recommend that improving policies as well as political climate in the country will ameliorate the problems of doing business and improve business survival in Nigeria.

The findings in this study will guide the Central bank of Nigeria (CBN) and the various level of government in making policies that will aid survival of businesses. Identifying the major business constraints for the whole economy will guide the CBN in making decisions on general business interventions while the constraints identified across the sectors will guide the CBN in making sector specific interventions especially in the agricultural and industrial sectors.

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