

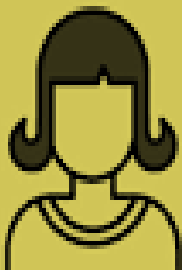
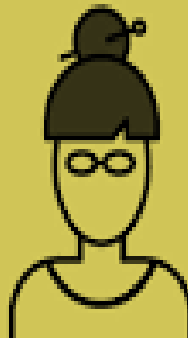
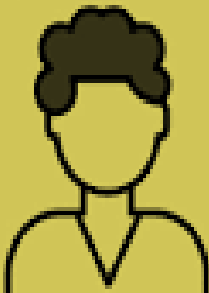
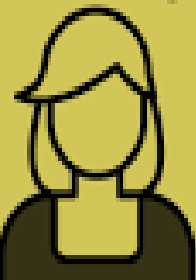
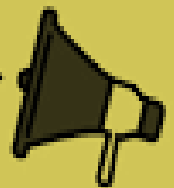
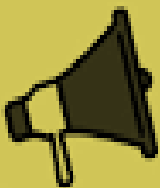


BASELINE STUDY REPORT 2017



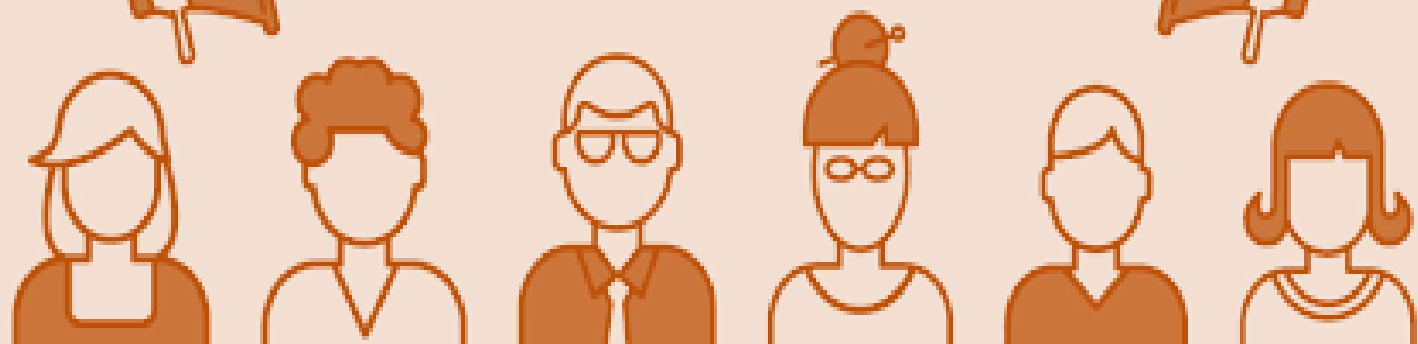
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Introduction

This project was initiated and funded by the Lagos State Government Employment Trust Fund (LSETF) and implemented by the Centre for Ethics and Sustainable Development (CESD). The data collection, coordination, processing, analyses, and report was prepared by the CESD Evaluation Team.





Executive Summary





Executive Summary

The Center for Ethics and Sustainable Development (CESD) conducted a baseline Study Report through the application of proposed indicators which include; problem diagnostic accuracy, implementation efficacy, coverage (which includes gendered beneficiary spread and LGA spread), user and provider compliance. The evaluation of Sustainable Development Goals (SDGs) against the current achievements was also employed.

The study was designed to address the implementation of specific objectives set out by the Fund. The objectives of the study were:

- i) To measure the overall achievement the set objectives of the Fund.
- ii) To evaluate the extent did it solve or address the problems it identified and set out to solve? Is there a measurable difference in the beneficiaries' overall well-being?
- iii) To evaluate the spread of the fund disbursement adequate for substantial impact and in meeting set target. Should there be modification in the operational methods of LSETF as regards its fund disbursement? Or modification in its implementation policy?

To address these questions and more, the study employed the use of mixed method research techniques comprising of quantitative, qualitative and cross-sectional design with random sampling approach. The quantitative component was executed through surveys with semi-structured questionnaires. The data was collected face-to-face from beneficiaries by field researchers.

The findings showed that the MSME beneficiaries of the LSETF's funding intervention to a large extent, have been able to reduce the problem of insufficient capital which is a perennial challenge for businesses.

The findings also show that **94%** of the beneficiaries indicated capital constraint as the major business challenge prior to the LSETF intervention. A considerable proportion of the beneficiaries (**66%**) reported that the LSETF's intervention greatly alleviated most of their challenges.

Executive Summary

The LSETF intervention enhanced beneficiaries' productivity as **90%** of the beneficiaries reported an increase in the number of services or products they offer. **73.3%** of the beneficiaries reported increased profit margins and **29%** reported increase in number of employees. **15%** of the beneficiaries have also been added into the tax bracket; resulting in an increase in Lagos State's tax base and by extension, the state's Internally Generated Revenue (IGR). LSETF has indirectly supported over **35,000** people going by the average household sample size.

The Sustainable Development Goals' Scan showed that the LSETF's intervention impacted beneficiaries and their households in ways that reflected compliance and actualization of some of the relevant SDGs. Going by the LSETF's overall target of supporting at least 100,000 MSMEs over four years, LSETF beneficiaries of around **7,000** implies **7%** of the target has been covered.

Gendered disaggregation of the survey tools showed a fair representation of both sexes estimated at **49.9%** and **50.1%** for male and female beneficiaries respectively.



50.1%

The study had an almost equal representation of female and male beneficiaries



49.9%



73.3% of beneficiaries reported increased profit margins

Methodology



Overall Objectives

- ✓ Assess the impact of LSETF's activities on beneficiaries (entrepreneurship pillar).
- ✓ Identify ways that LSETF can improve its provision of assistance, training and capacity building to beneficiaries.
- ✓ Identify fundamental areas where beneficiaries have benefitted the most and areas for potential future intervention.
- ✓ Identify the socio-economic impact of the Fund's activities
- ✓ Present the key findings in the form of an assessment report, highlighting key successes, challenges, lessons learned, recommendations, and provide a forward-looking outlook on the development of LSETF with special attention to areas of improvement.

Research Questions

- ✓ What is the impact of LSETF activities on beneficiaries in the entrepreneurship pillar?
- ✓ In what ways can LSETF improve its provision of assistance, training and capacity building to beneficiaries?
- ✓ What are the fundamental areas where beneficiaries benefitted the most and what are the areas for potential future intervention?



419 persons
were
interviewed
(excluding the
control group)



20 LGAs in
Lagos State
were
represented
in the study

Methodology

The study consisted of a total of **419** respondents from the beneficiaries from the Micro-Enterprise (ME), Micro-Enterprise Start –ups (MES) and Small and Medium Enterprises (SMEs) categories who were interviewed using an approved questionnaire. The study was spread around the **20** local government areas of Lagos State.

The qualitative component was executed using two approaches. The first approach was performed by using Key Informant Interviews (KIIs) with implementing partners including Microfinance banks (custodians of the funds), Training partners, Corporate bodies (business development support partners), and partner NGOs, Multilaterals, and individual partners. In addition, beneficiaries were also engaged in focus group discussions (FGDs), to further explore some of the questions in the surveys. These combined approaches were of high significance to the success of the study and the findings.

Breakdown of Beneficiaries

S/N	Category	Number	Percentage (%)
1	Micro-Enterprise	286	68.3%
2	Micro-Enterprise Start-Ups (MES)	19	4.5%
3	Small and Medium Scale Enterprises (SMEs)	114	27.2%
	Total	419	100%



7 LSETF partners were interviewed



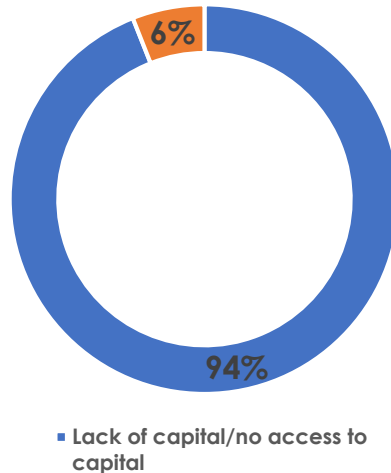
68.3% of beneficiaries represented were Micro-Enterprises

Results



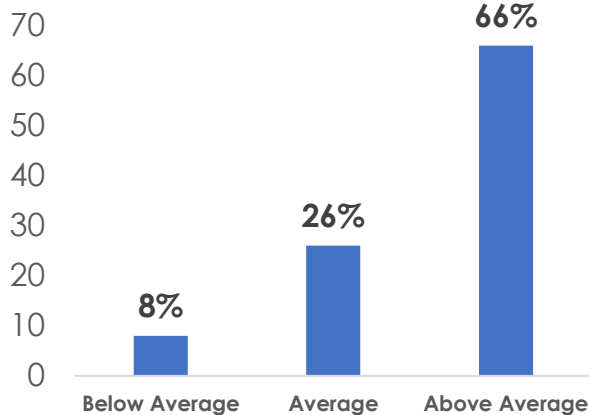
1) Self-Sustainability

9 in every 10 beneficiaries had difficulties accessing credit for their businesses prior to the intervention. A small portion (**6%**) indicated that the funds were required to purchase new equipment/infrastructure



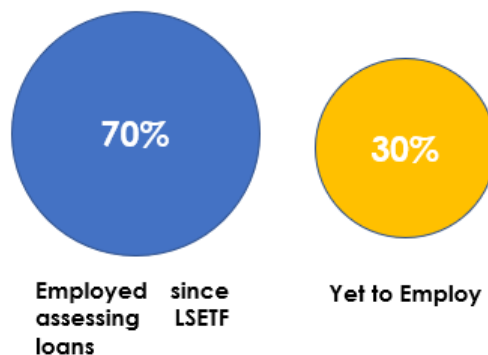
2) Impact of LSETF Funds on Business

After accessing the funds, **66%** of business owners reported that the intervention funds from LSETF helped to alleviate the lack of capital.



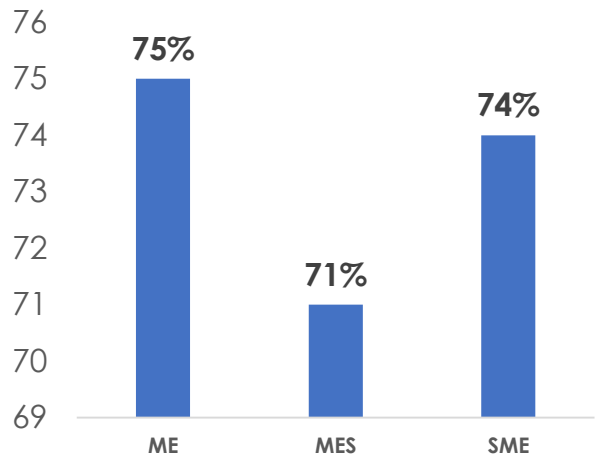
3) Impact of LSETF on Employment Generation

30% of the beneficiaries have employed one or more persons since accessing the trust funds and training.



4) Increase in Profit Margin

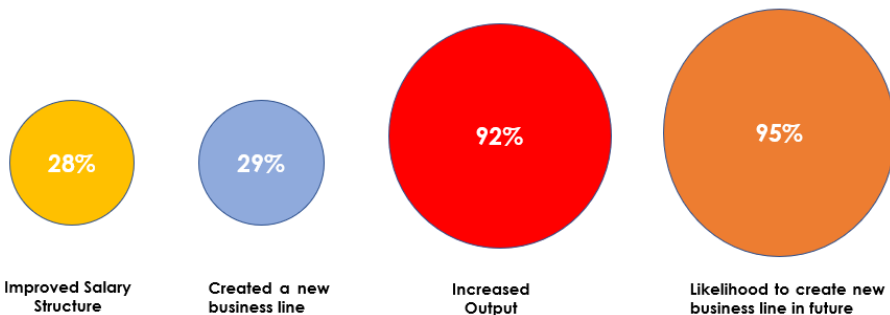
Overall, **73.3%** of businesses reported profit over the timeline of the assessment. A comparative analysis of the profit beneficiaries made in their businesses showed that Micro-Enterprise Beneficiaries recorded the highest increases in profit margin.



5) Milestones in Critical Business Performance Variables

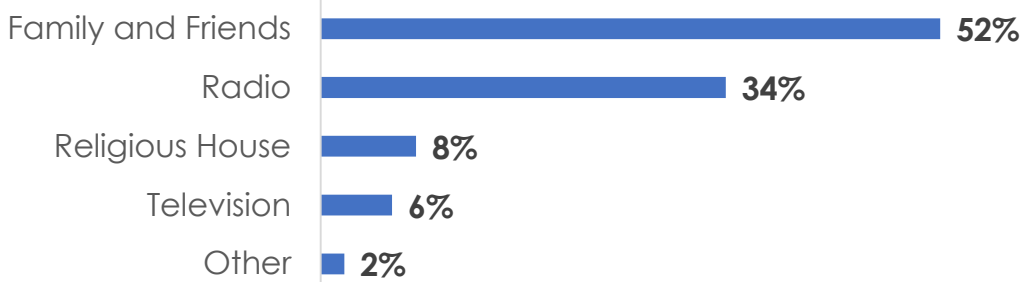
Only **28%** of the beneficiaries have improved their salary structure since receiving the LSETF intervention while **29%** of beneficiaries have created another line of business.

A significant proportion of beneficiaries (**92%**) have also experienced increased output or now produce more since receiving LSETF training/funding. This observation indicates a direct relationship between employment and productivity. Also, a high proportion of beneficiaries (**95%**) showed the tendency to create a new line of business in future.



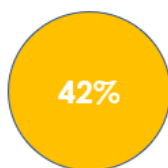
6) Source of Information

Word of mouth through family, relatives and friends is the main channel through which beneficiaries were aware about LSETF as indicated by over half **(52%)** of the beneficiaries. A significant number of beneficiaries **(34%)** received information about LSETF through the radio while others were from religious houses, business associations and political meetings.

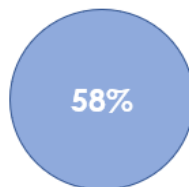


7) Promotion Activities

42% of the beneficiaries participated in a promotional event organized by the LSETF. **95%** of those who have participated in any events reported an impact in the profit margin and **86%** reported increased opportunities to network with other business owners.



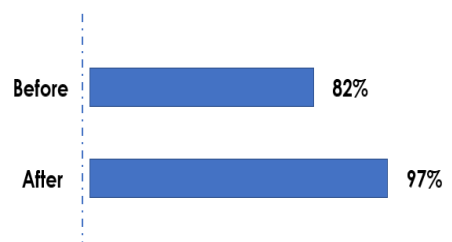
Participated in Promotion Activity



Have Not Participated in Promotion Activities

8) Tax Remittance

A **15%** increase in tax remittance was recorded among the sampled beneficiaries, resulting to increase in the tax base in Lagos State and an increase in state revenue..





Analysis of Effectiveness of LSETF





Coverage

This assessment established that the LSETF's intervention is available to all entrepreneurs resident in Lagos State.

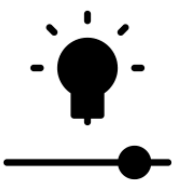
This target population is fairly gendered and distributed across the 20 LGAs in the state. However, not many entrepreneurs applied for the intervention, as they are not aware of its existence or its authenticity due to apathy for government's initiatives.



Provider/User Compliance

It has been adequately established that LSETF's intervention caused a series of positive outcomes for the beneficiaries.

Most beneficiaries complied with LSETF's procedure and loan repayment plan. The percentage of beneficiaries who diverted funds for other purposes not directly related to business purpose is considerably negligible.



Efficacy

Most respondents acknowledged that the fund benefited their businesses. Their post- intervention experiences included increased productivity and profit margin, job creation and procurement of additional assets. The intervention had both direct and indirect positive impact on beneficiaries. **35,000** Lagos State residents indirectly benefitted from the intervention by the virtue of being members of beneficiaries' household.

From this analysis, LSETF is highly effective in achieving its goals.

Comparison to Control Group



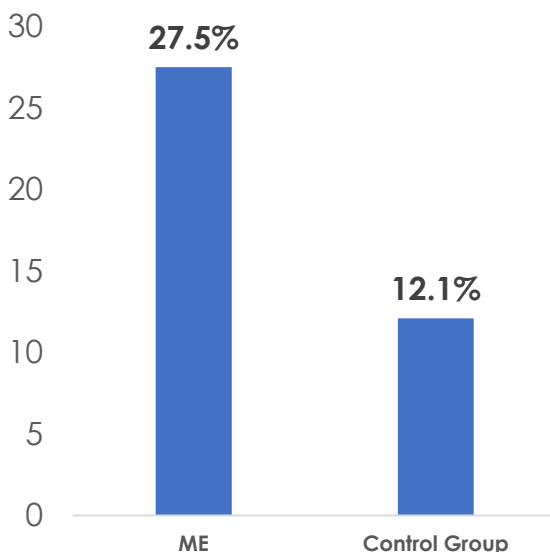
Comparison to Control Group

Control Group

The Control Group comprised of Business owners who were sampled in a bid to draw a comparative analysis between LSETF beneficiaries. The control group comprised of **112** businesses that never applied for the LSETF fund and those that applied but were not successful with their application. As the Control Group had similar characteristics with the Micro-Enterprise Category, it was used in comparison.

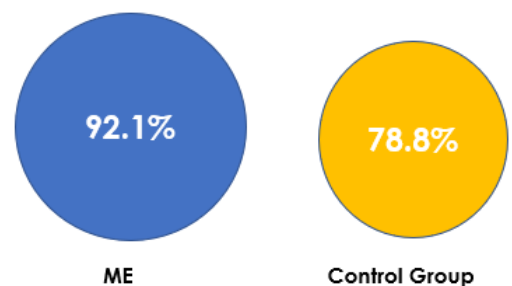
1) Businesses that employed at least one additional staff

27% of ME beneficiaries have employed one or more persons since accessing the funds. This figure is more than twice of the Control Group (12.1%)



2) Increase in the amount of services and products

Over nine in every ten (**92.1%**) of the ME beneficiary had an increase in the amount of services and products their businesses now offer as compared to **78.8%** of the Control group. This shows that the intervention enhanced productivity as many of these businesses were able to expand their services and products.





Alignment of LSETF Interventions with Sustainable Development Goals (SDGs)





Sustainable Development Goals

SDG Scan is one of the tools used as indicators for measuring the impact of LSETF initiatives and was adopted in this project. However, due to the fact that LSETF operations are under a year activities, only a few of the goals were examined. SDGs Scan will provide an estimate of the number of beneficiaries the LSETF intervention affected within its scope in actualization of the SDGs in Lagos State and within the entrepreneurial pillar of LSETF.

Goal 1: No Poverty
Goal 2: Zero Hunger



- Empowered over 7000 direct businesses.
- Indirectly benefited about 35,000 persons (based on average household size of beneficiaries).

Goal 4: Quality Education



- Access to Trainings forms a focal point of the LSETF.
- Provision of Experienced Trainers.
- Overall development in human capital.

Goal 8: Decent Work and Economic Growth



- An increase in the average number of employees.
- 30% of the businesses empowered have added at least an extra job.

Conclusion & Recommendations





Conclusion & Recommendations

The findings from the assessment indicate that Start-ups, Small and Medium business owners in Lagos State benefited from the Lagos State Government via the LSETF initiative. A recurrent challenge for business owners is lack of sufficient funds or access to capital and this was the same for many of the beneficiaries until the introduction of the LSETF.

Despite the positive externalities of the LSETF intervention, there were a few negative externalities. These are discussed below:

- 1) Some potential beneficiaries rejected the loan offer because it was below their expectations and there was no proper explanation for such outcomes. A substantial number of them are discouraged and have a negative impression about the intervention. This could lead to bad publicity for the LSETF.
- 2) Also, the implementation processes of the initiative have somehow been mired by inconsistency in implementation process. This is because some beneficiaries were able to access funds without participating in training nor had their business facilities inspected by any official of LSETF or Business Development Support Partners (BDSPs)
- 3) Beneficiaries also complained about the unfriendly attitude of the microfinance banks and excessive payments demanded by microfinance banks. Beneficiaries have also been exploited by third parties who claimed to be agents of the LSETF or micro-loan scheme providers. There is, therefore, need for the LSETF's management to design strategies to curb these illegitimate practices.



Conclusion & Recommendations

- 1) **Strengthened Implementation Processes:** There is a need for LSETF to review its policy and implementation process to eliminate loop holes, areas of inconsistencies and inefficiencies.
- 2) **Integrated database:** LSETF needs a better information management platform that will provide an integrated database that ensures easy access to data.
- 3) **Transparent Assessment Criteria:** The criteria for deciding the value of loan for beneficiaries should be made known to beneficiaries, if possible included in the form. Customer service and liaison agents should be equipped to explain the process to intending applicants as well as beneficiaries who were awarded less than they expected.
- 4) **Incorporation of feedback loop:** Feedback mechanism should be incorporated into the implementation and management processes to enhance inclusion and interaction with beneficiaries
- 5) **Increased awareness:** There is not enough awareness of LSETF's intervention especially among grassroots Lagos State residents who need this intervention. There is misconception about its authenticity. There is therefore need for publicity strategy to boost the current efforts of awareness generation.
- 6) **Periodic Monitoring and Review of Contracts with Microfinance Banks:** There were a significant number of complaints about the unfriendly attitude, undue threats and excessive demands from some microfinance banks, in particular, Bosak Microfinance Bank. Although the practices of the bank may seem justifiable as a way to enforce loan repayment, it becomes a concern when majority of the beneficiaries linked to this bank share similar negative perceptions and do not shy away from sharing their experiences. There should be mechanism to monitor other implementing agencies.



Conclusion & Recommendations

- 7) **The Need for Periodic Evaluation:** The need for periodic evaluation is imperative to the success of the Fund. Subsequent assessment will use it as a benchmark to measure sustainable impact of the LSETF on the beneficiaries.
- 8) **Tax Remittance:** The report shows that **15%** of the beneficiaries were not tax payers prior to the LSETF intervention. Nevertheless, it was observed that only the beneficiaries (business heads) are currently being added into the state's tax bracket. LSETF in partnership with the State's tax administration agency should collaborate on mechanisms of expanding the tax bracket beyond the business representatives alone to include the staff these businesses are engaging in their operations. This will significantly enhance the prospects of meeting the target of **200,000** additional tax payers by 2019.
- 9) Encouraging businesses that do not default in its loan repayment by giving them opportunity to apply again in future.

In conclusion, this study has fulfilled its objectives by providing results showing the impact of LSETF's activities on beneficiaries in the entrepreneurship pillar. It highlighted areas where beneficiaries benefitted the most and areas for potential future intervention.

The study showcased the direct and indirect socio-economic impact of the Fund's activities, even along the SDGs. It has also identified ways LSETF can improve its provision of assistance, training and capacity building to beneficiaries.