

# Ease of Doing Business and Performance of Retail Businesses in Alimosho, Lagos State

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## Abstract

This growing impact of retail sector across Africa has led to the influx of local retail businesses in different countries including Nigeria. The study examined ease of doing business and retail businesses performance in Alimosho area of Lagos State. The study employed cross sectional survey design to gather data needed to achieve stated objective. The study sample are registered retail businesses in Alimosho area of Lagos State. A structured questionnaire was employed to gather data from 112 staff and managers of Justrite Superstore, Jendol Superstores, and Bokku Mart, Twins Faja and Grocery Bazaar in Alimosho area of Lagos State. Data collected were analyzed through linear regression analysis. The study findings indicate the significant effect of government taxes, road traffic, power supply and rising price of items. These factors mainly influence retail businesses performance in Lagos state, despite government effort. The study concludes that retail businesses are faced with environmental and infrastructural issues affecting the achievement of their strategic objectives. The study recommended that retail business owners should develop in house plans and alternative means of power, movement of goods and seek for review of these taxes to mitigate the effect of these factors, while government also should provide support to businesses to enable them thrive and make meaningful contribution to the economy

**Keywords:** Business environment; ease of doing business, power supply, road traffic, retail business

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## **INTRODUCTION**

The economic benefits of retail businesses cannot be underestimated globally. This is confirmed by eMarketer as stated by Sekulic, (2023) that global retail sales generated \$26 trillion in 2021; while \$21.1 trillion came from physical retail stores and the remaining \$4.9 trillion from ecommerce. Also in Nigeria, Odeyemi (2023), stated that retail businesses provide 70% employment and 50% GDP contribution to the economy. Meanwhile, the sector is still growing further with the expectation that it will generate a total revenue of N1.59 trillion, with 10% contribution to national Gross Domestic product (GDP) (Nigerian Communications Commission, NCC by Salau, 2023). This growing impact of the sector have seen expansion of retail businesses across Africa and Nigeria with influx of local retail businesses such like SPAR, BOKKU, RANO, Jendor, Justrite Twins Faja and Grocery Bazaar showing strong market performance. Therefore, the retail businesses would continue unabated because more market opportunities are opening up across Africa. This confirmed by the World Bank that by 2060, the Africa consumers are estimated to reach 1.1 billion; with most to live in major cities in the continent. This is buttressed by previous statistics that consumers in Africa are expected to reach 40% while the figures would rise by 2050, to 63% and 80% in countries such as Nigeria, Ghana and Angola (United Nations, Department of Economic and Social Affairs, World Urbanization Prospects, 2012). By implication, these rising figures serve as market opportunities for retail businesses ranging from registered ones, small kiosks and open-air stores either local or internationally owned to grow to about 600,000 accounting for 97% of national sales of a country (Boston Consulting Group, 2022).

However, despite the positive trajectory of retail businesses in Africa and Nigeria. The sector is faced with major infrastructural and environmental challenges. In fact, Nigeria it was reported that retail businesses are experiencing high mortality within five years of existence as only about five or ten percent survive, thrive and grow to maturity (Etim, Williams, Inyang & Ekikor, 2022). This scenario established that retail businesses are faced with diverse of environmental challenges ranging from government levy, road traffic, rising cost of power supply and unstable market price of goods. Although, several reforms from previous government have been enacted, yet the thrust of these reforms have failed to ameliorate the challenges associated with doing business in Nigeria. Besides, it has not reduced the unpleasant effect of business environment which is grossly affecting the survival of retail businesses, subjecting them to operational struggle. Therefore, if the trend is not nip in the bud most Nigerian retail businesses will be driven out of the sector, as consumers would be forced to depend on the informal sector only. More worrisome is that the likes of Grocery Bazaar, BOKKU, Twins Faja Jendol, and Slot Nigeria among others will suffer setback.

All these aforementioned issues necessitate this study by empirically investigating the influence of ease of doing business on retail businesses. The study would unravel the interlinked in order to enable relevant stakeholders to understand the unpleasant experience of retail businesses operating in Nigeria and particularly those within in Alimosho area of Lagos State.

## **REVIEW OF LITERATURE**

The study by Ndukwe, Oko, Allison, and Patricia (2021) stated that 2019 report on ease of doing business indicates that public and private sector cannot survive without a vibrant or a healthy economy. It was further stated that a healthy economy aid job creation, income generation and makes business flourish. This makes Ndukwe, Oko, Allison, and Patricia (2021) to further state that a healthy system triggers business growth, innovation and aid informal sector to become organized formal sector. This is why Jim (2018) opined that governments of nations have the main responsibility of creating an environment that would make businesses to thrive. These postulations affirmed the strategic relevance of ease of doing business for organizations essentially for growth development. Therefore, Singh (2015) conceptualized ease of doing business as statutory and economic privilege planned to enhance business performance and for stronger property rights.

It is conceptualized by IBRD, (2020) as the seamless process that enables businesses to operates within certain legal framework. In addition, it was stated by IBRD, (2020), as a nation regulatory framework design to advance and create conducive environment for businesses to operate, enabled by public policies, legal system, and bureaucracy in the country, increasing its global competitiveness. Furthermore, the World Bank (2020a) asserted that ease of doing business is measured using some specific variables globally. These measures are favorable economic policies and framework which should drive seamless, conducive and operational successes for business. These measures represent different dimensions of the environmental framework applicable to businesses, such as taxes, getting credit, business registration, getting electricity, trading permits, trading across border and operational permits, protecting minor investors (World Bank, 2017). These measures are expected to accelerate successes for business within identified standard practices (World Bank, 2020a). However, despite the proposed standard measures and framework by the World Bank, Cerna (2013) submitted that in most countries of the world these identified standard practices pose serious challenges which is affecting and interrupting business feats. These identified standard practices affect the movement of goods and service by retail businesses (Tseng, Yue, & Taylor, 2005). Also, another policy challenge is shortage of power supply needed to drive production. In Nigeria for example erratic power is the bane of major challenge that has grossly affected retail business operations and slow down deserved economic growth (USAID, 2020).

Most retail businesses relied on generators, inverters, solar energy and such alternatives with effects on the environment. It has been reported that the shortage of power supply has discouraged interested investors seeking for business opportunity in Nigeria (Adewuyi et al., 2020). Ndukwe, Oko, Allison, and Patricia, (2021) pointed out that although the Nigeria economy still suffers shortage of power supply but there is ongoing reforms of delivery of prepaid meters to increase electricity supply. In fact, it was been reported that the issue of electricity is becoming has been prioritized by the government through the engagement of certified engineers to offer solutions. This is done as partnership between the World Bank Group and the Nigerian government. This action indicates that the Nigerian government intends to improve electricity, provide stable power, boost businesses growth, strengthen the economy, meet growing demand and boost investors' confidence in the sector.

In a related fashion, the issue of traffic has been a major concern to businesses across nations. That is why Djankov, Freund, et al (2010) empirical study reported that delays have effects on businesses. The study analyzed data collected from 126 countries. The study findings established that that a day delay leads to one percent reduction on businesses. This is confirmed by another study that in developing countries delay in transportation of good is a major impediment on business performance (Djankov, Freund and Rocha 2010).

Another critical issue businesses are faced with is government taxes in Nigeria. Previous study by the World Bank Enterprise Survey, established that poor tax system is among the highest 11 limitations affecting businesses (World Bank 2013). This is confirmed by other studies which established that levies increase in VAT are key factors in EDBI affecting businesses (DB 2020). However, the study by Leal-Rodriguez and Sanchis-Pedregosa (2019) established there is no evidence to prove that tax system has effect on businesses, upon which to conclude that there is a connection between the ease of doing business and performance of firms. From the foregoing, it has been reported that the Nigerian government have made payment of taxes easier, by introducing innovative payment platforms and instructing taxpayers to file tax earnings at the adjoining "Federal Inland Revenue Service (FIRS) office. (DB 2018). In contrast the study by Azmat, et al (2023) on ease of doing business and drive by SMES, with the review of SMES perception on ease of doing business in selected developing economies. The study finding indicate that there exists a causal relationship between ease of doing business and SMEs drive for growth. The review of literatures established the interlinked between some of the dimensions of ease of doing business and its implication on businesses in Nigeria.

### **Theoretical review**

The study is anchored on the public value theory (PVT) which was pioneered by Moore in (2013). The theory established the need to create conducive business environment by the government, that is not rigid but collaborative and that promotes best practices. The cardinal view of PVT is that a robust environment that support ease of doing business is a necessity through strategic policy by government. In addition, an effective and functional infrastructure and supportive framework are considered as tools needed for business successes. The theory concludes that business and individuals are the judge and jury of public value created by the government. By implication businesses survival is based on functional infrastructure. The rationale for theory adoption is because it best establishes the knowledge that businesses, can only thrive on good and effective social system. It is a better alternative to institutional theory and transaction cost theory because of the emphasis on value that must be derived from a nation social system.

### **METHODOLOGY**

The study is cross sectional accompanied by survey research design to collect data from specific samples. This is considered suitable to have deep understanding on the ease of doing business by retail businesses in Alimosho areas of Lagos State. The population of the study comprises of managers and staff of organized and formal retail businesses with branches across Alimosho area of Lagos. The choice of these retail businesses is because of their huge presence in Alimosho, by having branches virtually in areas such as Ignado, Ayobo, Moshalashi, Iyana-

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Ipaja. The study structured instrument was administered on 230 respondents, in 10 branches of BOKKU, 2 RANO outlets, 4 Jendor outlets, 6 Justrite outlets 2 branches of Twins Faja and 4 Grocery Bazaar outlets however only 112 were retrieved and found useable. These respondents are targeted based on their experience of working with these retail outlets for the past four years. Their experience is considered valuable to the research under investigation. The instrument was validated with the aid of content validity index (CVI). In addition to validation done by two academic staff and one retail business manager, using two scale of (important and not important). The CVI formular employed are.

$$CVI = n/N$$

n= number of questionnaire items ticked as relevant

N= total number of questionnaire items

CVI value of 0.816 was obtained, which was adjudged valid.

To ascertain the reliability of the research instrument, test pilot study was employed as the instrument was administered on 20 informal retail business owners in Ipaja area of Lagos State within the interval of two weeks. Thereafter the outcome of the first pilot study was correlated with that of the second and a correlation coefficient of 0.715 was obtained. The instrument was adjudged reliable. A simple random sampling method was used to select respondents. The choice essentially was to give equal chance to the targeted respondents. The study specific model are as follows;

$$EDP = f(GAI, RTA, POS, POT, RBS) \text{-----} (i)$$

$$EDP = \beta_0 + \beta_1 GAI_i + \beta_2 RTA_i + \beta_3 POS + \beta_4 POT_i + \mu_i \text{-----} (ii)$$

Where:

EDB represents Ease of Doing Business

GAL represent Government Agency tax

RTA represents Road Traffic

POS represents Power Supply

POT represents Price of Items

PER represents performance of retail firms

$\beta_0$  is the constant term

$\beta_1, \beta_2, \beta_3, \beta_4$ , are the coefficient of the estimator.

$\beta_1, \beta_2, \beta_3, \beta_4 > 0$

$\mu$  is the error term

The a priori expectations: It is expected that Government agency tax, road traffic, power supply and price of items have influence on retail businesses; hence the parameters of these factors are major factors key in doing business.

**RESULTS AND DISCUSSION**

For the purpose of determining strength of relationship between the two variables the independent variables are regressed against the dependent variable. Regression is a statistical tool use to estimate the coefficient of linear equation involving one or more independent variables that best predict the value of dependent variable.

**Table 1. Summary of the result (Dependent variable – Retail business performance)**

Variable(s)	Coefficient	T-statistics	P-Value
C	2.033	19.882	0.000
Government Agency tax	0.5023	11.825	0.000
Road Traffic	0.6319	16.155	0.000
Power Supply	0.4814	9.097	0.000
Price of Items	0.3120	7.408	0.000
F-Statistics = 52.227 (0.0000)		R-Square = .699,	Adj-R-Square =687

**Authors Computation**

**Fieldwork (2025)**

The resulting equation can be stated as:

$$EDP=2.033 + 0.502 GAT + 0.631 RTA, + 0.481 PWS, + 0.3120 POT, (19.882)* (11.825)* (16.155)* (9.097)* (7.408)*$$

\*significant at 5% level

**Discussion of Findings**

The result of the summary in table 1 shows that the dimensions of ease of doing business in Nigeria adopted for this study have effects on the performance of retail businesses with probability values of Government Agency tax ( $\beta_1 = 0.5023$ , P-value<0.05), Road Traffic ( $\beta_2 = 0.6319$ , P-value <0.05), Power Supply ( $\beta_3 = 0.4814$ , P-value <0.05) and Price of Items ( $\beta_4 = 0.3120$ , P-value <0.05). The F-stat (52.227, P-value<0.05) indicates that the dimensions of the ease of doing business in Nigeria are major factors that determine retail businesses performance in Alimosho Local government area of Lagos. The adjusted R<sup>2</sup> explained the significant effect of about 68.7% on retail businesses performance through the indicators of agencies tax, road traffic and power supply and price of items accounting for the existing performance of these businesses. The F-stat (52.227, P-value<0.05) shows the fitness and overall significance of the regression model. It indicates that the dimensions of ease of doing business are factors that predict the performance of retail businesses in Alimosho Local government areas. That is agencies tax, road traffic, power supply and changes in price of items have shown they are key indicators that predict the performance of retail businesses. The adjusted coefficient of

determination (Adjusted R<sup>2</sup>) suggested that 68.7% change in the ease of doing business is largely determined retail businesses performance in Nigeria. However, the model does not indicate the effect of 31.3% that emanates from Nigeria environment which was captured in the model. In addition, findings indicate 1-unit adjustment to government agencies levy, significantly brings about 0.5023. The same way a 1-unit change to road traffic brings a change by 0.6319, Similarly, for every 1-unit change in power supply have significant influence of 0.4814. Finally, for every 1-unit change in and price of items bring about a change of about 0.3120 to retail business performance.

### **CONCLUSION AND IMPLICATION**

The study established that ease of doing business dimensions have influence on the performance of business organization. First it was established that Government taxes are key factors affecting retail businesses in Alimosho area of Lagos. This agreed with Doing Business' (2020) position that taxes and compulsory levies serve are administrative burden on retail businesses. The study findings corroborated previous study by the World Bank Enterprise Survey, that stated that poor tax system is among the highest 11 eleven limitations affecting businesses (World Bank 2013). However, this contradicted the study by Leal-Rodriguez and Sanchis-Pedregosa (2019) that posited that there is no evidence to prove that tax system has effect on businesses, upon which to conclude that there is a connection between the ease of doing business and performance of businesses. Specifically, it was found that road traffic has effects on retail businesses in Alimosho area of Lagos state. This agreed with the study Djankov, Freund, et al (2010) empirical research reported that there is effect of delays on retail businesses performance with use of using data from 126 countries. The study established that on day delay leads to one percent reduction on businesses performance. This is confirmed Freund and Rocha (2010) that delay in transportation of movement of goods from one location to another is a major impediment on business performance.

In addition, the study shows that, power supply is a significant factor that affects businesses. As such the study agreed with the assertion that in Nigeria erratic power is a major challenge that has grossly affected retail business operations and slow down deserved economic growth (USAID, 2020). Most retail businesses relied on generators, inverters, solar energy and such alternatives with effects on the environment. Similarly, shortage of power supply has reduced interested investors (Adewuyi et al., 2020). Regarding the trajectory of prices of items, the study discovered that it has the lowest influence on retail businesses affecting how prices of some goods are determined. These prices overtimes change regularly without government policy not being able to curb the rise, this agreed with study by Azmat et al (2023), study that concluded that all the dimensions of ease of doing business have influence on retail businesses. Thus, the study concludes that retail businesses are faced with environmental issue which is affecting their strategic objectives. The study recommended that retail business owners should develop in house plans and alternative means of power, movement of goods and seek for review of these taxes to mitigate the effect of these factors, while government also should provide support to businesses to enable them thrive and make meaningful contribution to the economy.

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