

Performance of Micro Restaurant Enterprises in Cross River State, Nigeria

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Abstract

This research was carried out to assess the performance of micro restaurants in Cross River State, Nigeria. The study was based on primary data obtained from a proportionate random sample of 132 restaurant enterprises and analyzed using descriptive statistics, cost and return analysis, profitability ratios, and multiple regression (ordinary least square) analysis. The result of the analysis showed that ownership of restaurants in Calabar metropolis is largely dominated by females (83.3 percent) and that majority of the entrepreneurs (53.79 percent) had secondary education as their highest level of education. Monthly cost and return analysis revealed that gross margin and net income of a restaurant entrepreneur amounted to 181,258.97 naira and 172,397.63 naira respectively. The profitability index (0.26), rate of returns on investment (0.35), rate of returns on variable cost (1.36), and operating ratio (0.72) combined to suggest that restaurant business was profitable. Age, training received, years of educational training, age of business enterprise, hours spent on the business and total cost of production were among the socioeconomic variables found to have significantly contributed to the total revenue of the entrepreneurs. Restaurant operators were encouraged to explore avenues of increasing the efficient use of variable inputs in order to grow the profitability of their enterprise.

Keywords: agribusiness, micro enterprise, performance, profitability, restaurant

1. Introduction

Restaurants across the globe are estimated to have generated more than US\$704 billion in revenues in 1997 and employed more than 48 million people (Olsen, 1999). According to Mehta and Maniam (2002), people are choosing to spend less time in their kitchens. The number of double-income households is increasing implying that both spouses are working, which creates less time at home and for meal preparations. As a result, consumers purchase more prepared or partially prepared foods that require little or no cooking time and dine out for everyday meals more frequently.

As the demand for food away from home increases, there is opportunity for growth in the restaurant industry. Going to a restaurant is a social experience, an opportunity to meet friends, amazed by exciting food presentations, and to even be entertained by a small musical ensemble or a chef preparing the meal at the table in front of the customers. Quick meals and convenience, social occasions, business necessity, and celebration are all reasons people dine out (Kivela, 1997).

Ebiringa (2012) opined that Nigeria has developed several enterprises in agriculture/agro-allied activities: especially in areas like foodstuff, restaurant and fast food vending. According to the National Bureau of Statistics (NBS, 2012), Cross River State contributed 321,658,076.00 naira to the total consumption of food in restaurants and canteens in South-South Nigeria, which amounted to 11,960,113,034.16 naira in 2009/10. In Cross River State, micro and small businesses are a major source of economic gain to individuals and families. Restaurant business is embarked upon by many and they enjoy lot of patronage for many reasons including convenience and menu variety.

1.1 Problem Statement

Wolfenson (2001) recognized the small business sector as an integral component of economic development and a crucial element in the effort to lift countries out of poverty. Therefore, in the face of acute unemployment, rise in the cost of living, many have ventured into micro and small business sector to earn a living or to supplement their income. As a result, a lot of restaurants and food outlets can be seen in Calabar metropolis along the streets, markets, institutions, residential areas and offices. However, their performance may have been inhibited by some factors.

According to Harper (1984), the performance of the small-scale agribusiness enterprises has been highly constrained by the physical, institutional and economic environments in Nigeria. An average operator in Agri-SMEs always hinges his failure on poor access to finance and/or extension service. Some others argue on the issue of inappropriate management skills, difficulty in accessing global market, lack of entrepreneurial skills and know-how, poor infrastructure, poor cash management and poor capital (Harper, 1984). More disheartening is the fact that at least three out of every four SME fail every year (Nzelibe 1996). What is more, over 90 percent of those who wished to go into business do not eventually get to start (Ezeh & Onodugo, 2002). The above issues also apply to restaurant enterprises. The restaurant industry has a failure rate of over sixty percent within the first three years of a restaurant's opening, with independent restaurants failing in greater numbers than multi-unit (chain) restaurants (Lisa & Theodore, 2011).

Despite the vital role played by restaurants in feeding the populace and serving as source of income and employment opportunity, not much is known about the profitability and workings of the enterprise. While few studies have attempted to study the restaurant industry in some parts of Nigeria, there has been no known study conducted to analyze the performance of restaurants in Cross River, a State renowned for its hospitality and tourism potentials.

1.2 Objectives of the Study

The general objective of this study is to assess the performance of micro restaurants in Calabar metropolis. The specific objectives are to

- 1) Describe the socio-economic characteristics of restaurant entrepreneurs.
- 2) Evaluate the restaurants profit status in terms of costs and returns.
- 3) Measure the effect of the entrepreneurs' socio economic characteristics on their total revenue.
- 4) Make recommendations based on findings.

1.3 Statement of Hypothesis

H₀: There is no significant effect of the entrepreneurs' socio economic characteristics on their total revenue.

1.4 Description of Concepts

1.4.1 Restaurant

According to Mackenzie and Chan (2009), a restaurant is a retail establishment that serves prepared food to customers. Food is generally for eating on the premises, although they can also have take-out establishments and food delivery services. The term covers many types of menu and a diversity of cuisine styles and service. Restaurants can range from modest lunching or dining places catering to people working nearby, with simple food served in simple settings at low prices, to expensive establishments serving refined food and wines in a formal setting. Most times, customers sit at Tables and their orders are taken by food service personnel who also bring the food to them when it is ready. Then, the customers pay the bill before leaving. Restaurants often specialize in certain types of food or sometimes present a certain theme. For example, there are seafood restaurants, vegetarian restaurants or ethnic restaurants.

1.4.2 Micro, Small and Medium Scale Enterprises (MSMEs)

Nigeria with the introduction of the National policy on MSMEs has addressed the issue of definition as to what constitutes micro, small and medium enterprises. The National MSME Collaborative Survey (NMCS) 2010 adopted the definition proposed by the National policy on MSMEs which is based on dual criteria of employment and assets (excluding land and buildings). According to NMCS (2010), micro enterprises employ less than 10 persons and have assets less than 5 million naira excluding land and buildings; small enterprises employ 10 to 49 persons and have assets less than 50 million naira while medium enterprises employ 50 to 199 persons and have assets between 50 million to less than 500 million naira. If there exists a conflict on classification between employment and assets criteria (for example, if an enterprise has assets worth seven

million naira but employs 7 persons), the employment-based classification will take precedence and the enterprise would be regarded as micro. For the purpose of this study, we adopt the definition by the National policy on MSMEs.

1.4.3 Performance

Venkatraman and Ramanujam (1986) posited that the definition of performance is perhaps one of the important issues confronting the academic researcher. One of the reasons for this is that, unfortunately, it is not always clear what performance means or what appropriate operational definitions are (Pushpakumari, 2009). In literature, various measures were used in determining the performance level of firms. Lumpkin and Dess (1995) used accounting measures such as sales growth, market share, and profitability alongside indicators of overall performance as well as other indicators of stakeholder satisfaction. Reid and Smith (2000) in an attempt to measure performance asked what goals a firm has set, and then enquired into the extent to which these goals have been achieved.

Performance can thus be measured in both financial and non-financial terms through level of sales, profitability, rate of return of capital, the rate of turnover, efficiency, market share, liquidity, size, leverage, growth, customer satisfaction, quality of products, contribution to community development, and employment of family members (Glancey, 1998; Jauch & Glueck, 1998; Murphy, Traylor, & Hill, 1996). This study however focused on the financial aspect of performance by evaluating the profit status of micro restaurant enterprises in the study area.

2. Methodology

2.1 Study Area

The study was conducted in Calabar metropolis, the capital of Cross River State. For administrative purposes, the city is divided into Calabar Municipality and Calabar South local government area made up of ten and twelve political wards respectively. Calabar metropolis has an area of 406 km² and a population of 375,196 as at the 2006 census (NPC, 2010). The area lies on the geographical coordinates of latitude 4°34'27"N, and longitude 6°58'32"E and is bounded by Odukpani local government area in the north, Calabar River to the west, Great Kwa River to the east and the wetlands of the Cross river estuary to the south.

Cross River is well-known across Nigeria for its *exciting* and *rich culinary culture* and also a salivating variety of standard dishes which will whet any appetite. Their meals are often described as irresistible and of outstanding quality. For instance, 'edikang ikong' or vegetable soup is an original dish of the Efik people and is both nourishing and nutritious. It goes well with so many popular dishes including garri, semovita, fufu and pounded yam. Others include abak soup, ekon soup, afang soup, okro soup, white soup, editan soup, fish soup, and ekpan kwukwo. They also have rich variety of fish and meat dishes, including *cat fish, fresh fish, chicken and goat meat pepper soup, fried goat meat, grilled chicken wings and goat head*. As the State lies within the tropical rain forest zone, vegetables and seafood dominate the traditional diets, as most of these food items are available for a greater part of the year (Cross River State Tourism Bureau Consumer Brochure, 2013).

2.2 Sample and Sampling Technique

A sampling frame of restaurants recorded in the database of the Research and Planning Department, Cross River State Tourism Bureau was obtained for the study. The frame showed that Calabar South had 175 food restaurants while 154 food restaurants were in Calabar Municipality as at 2012. Using a random number table, 70 and 62 restaurants were selected from Calabar South and Calabar Municipality respectively. Sampling was done proportionate to the size of the sampling frame (40 percent of the restaurants in each of the Local Governments were selected). Where a restaurant selected was found to have shut down operations, reselection was done using the same random number table. Proportionate random sampling was used to select the study sample in order to obtain equal proportion of respondents from the two local government areas.

2.3 Data and Data Collection Instrument

Primary data was obtained directly from the respondents through the use of questionnaire. Three research assistants trained by the researcher helped to administer the questionnaires. Secondary data was obtained from published and unpublished resources like financial and inventory records of some restaurants; reports of surveys by Research and Planning Department of Cross River State Tourism Bureau, Micro Credit Enterprise Development Agency (MEDA) of Cross River State and 2010 Collaborative Survey Report on Micro, Small and Medium Enterprises (MSMEs) in Nigeria.

Data collection was achieved through the use of interviews and questionnaire aimed at eliciting data on the demographics of the entrepreneurs, nature of the enterprise and the enterprise costs and returns. Questions asked

include close and open ended types. Rating scales were also used. The questionnaire was validated by asking lecturers in the Department of Agricultural Economics and Extension, University of Calabar and managers of restaurants to make their inputs and ascertain if the items on the instrument captures the objectives of the study. The final draft was pre-tested at 2 restaurants that were not included in the selected study sample.

2.4 Analytical Technique

Objective 1: The socio-economic characteristics of the entrepreneurs were analyzed using frequency distribution Tables, percentages, means and standard deviation.

Objective 3: To evaluate the profit status of the restaurants in terms of costs and returns. The costs and returns analysis used for this study comprise of the following components and their measurements:

$$GM = TR - TVC \quad (1)$$

$$TC = TVC + TFC \quad (2)$$

$$NI = GM - TFC \quad (3)$$

Where, GM = Gross Margin, TR = Total Revenue, TVC = Total Variable Cost, TC = Total Cost, TFC = Total Fixed Cost, NI = Net Income.

Fixed costs (FC): These are costs, which do not vary with output. In this study, fixed costs include rent on building, cooking equipment and utensils, furniture (chairs and tables) etc. However, the values of these fixed cost items were not used directly but subjected to depreciation (except for rent on building).

Depreciation (D): This is the allowance in monetary terms, for the value of fixed costs being used up in production. Straight line depreciation was used because according to Certified Practicing Accountant Australia (2012), the method is best suited for assets with short and predicTable useful life. The straight line method is given as $D = C - SV / UL$, where D is annual depreciation, C is purchase cost of the fixed item, SV is salvage value and UL is the useful life of the fixed cost item. The salvage value is the value of items after their useful life. In this study, the salvage values of the fixed cost items are assumed to be zero because they are not sold after its use. Useful life is the amount of time that an item is used until it is no longer useful for its purpose.

Variable Costs (VC): These are costs that vary with output. They rise as more output is produced and fall as less is produced. The monthly values of these variable costs were used. In this study, variable costs consist of labour costs, costs of firewood, gas, kerosene, electricity, transportation, water as well as cost of purchasing raw food items.

Revenue: In this study, revenue consists of cash receipts from meals consumed daily as guided by the menu and their various prices.

2.4.1 Profitability Ratios

Profitability is the ability of the firm to generate earnings, and is vital for the firm's success and survival. Kay (1981) opined that profit levels and profitability can be estimated using gross margin and returns to management. According to Brigham and Daves (2009), profitability is the net result of a number of policies and decisions. Profitability ratios provide information about the way the firm is operating and measures the profit or money making or earning success of a firm. In this study, four representative ratios; operating ratio, profitability index, rate of return on investment and rate of return on variable costs, were examined in order to gain insight into the profitability status of the restaurants.

i. Operating Ratio

This ratio is considered to be an indicator of management skill and operating efficiency. In fact, it has been described as probably the most important measure one can use to assess a company's competitive position in its industry (Gates, 1993). An operating ratio of < 1 indicates a good, efficient, and profitTable business (Idowu, Ojiako, Ifeanyi, Akerele and Ezekiel, 2009). The operating ratio is calculated as: Operating Ratio (OR) = TVC/TR .

ii. Profitability Index

Profitability index is also called the net profit margin. It is a fundamental indication of the overall profitability of the business as it measures the percentage net profit per one naira of sales. It gives insight into management's ability to control the income statement items of revenue, cost, and expense (Lasher, 1997). A profitability index above 1 indicates a profitTable business. Profitability Index (PI) or Return on sale = NI / TR .

iii. Rate of Return on Investment

Rate of return on investment (RROI) is represented as a ratio of the expected financial gains (benefits) of a firm divided by its total costs. It takes typically an RROI ratio greater than zero for a business to be attractive. Rate of Return on Investment (RROI) = NI / TC.

iv. Rate of Return on Variable Cost

This is a profitability indicator which measures net earnings per naira spent on variable cost. Rate of Return on Variable Cost (RROVC) = (TR-TFC) / TVC.

2.4.2 Hypothesis Testing

H_0 : There is no significant effect of the entrepreneurs' socio economic characteristics on their total revenue.

The effect of socio-economic factors on the total revenue of the entrepreneurs was captured by ordinary least square multiple regression model. Four functional forms (linear, semi-log, double-log and exponential) were tried. The lead equation was chosen based on statistical significance of the regression coefficients, size of the coefficient of multiple determination (R^2) and conformity of the signs of regression coefficients to a priori expectation.

The model is specified as:

$$Y_1 = f(X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8, X_9, X_{10}, X_{11}, U_1) \quad (4)$$

where,

Y_1 = total revenue of each entrepreneur (naira);

X_1 = gender of each entrepreneur (dummy: 1 = female, 0 = male);

X_2 = age of each entrepreneur (years);

X_3 = training received by each entrepreneur (dummy: 1 = no training received and 0 = training received);

X_4 = years of educational training of each entrepreneur (number of years spent in school using 6:3:3:4 system of education);

X_5 = labour size employed by each entrepreneur (number of staff);

X_6 = age of each entrepreneur's business (years);

X_7 = relevant working experience of each entrepreneur before business startup (dummy: 1 = yes, 0 = no);

X_8 = previous business startup experience of each entrepreneur (dummy: 1 = yes, 0 = no);

X_9 = involvement in other business by each entrepreneur (dummy: 1 = yes, 0 = no);

X_{10} = hours spent by each entrepreneur on the business daily (number of hours);

X_{11} = total cost incurred by each entrepreneur (naira);

U_1 = error term.

3. Results and Discussion

3.1 Socio-Economic Characteristics

The socio-economic characteristics of restaurant entrepreneurs were analyzed in terms of gender, age, educational level, household size, training and experience, employee size, ownership status, age of business and entrepreneurs' involvement in the business.

3.1.1 Gender, Age, Educational Level and Household Size

Table 1. Gender, age, educational level and household size of respondents

	Frequency	Percentage
<i>Gender</i>		
Male	22	16.7
Female	110	83.3
Total	132	100.0
<i>Age</i>		
21- 30	22	16.67
31- 40	39	29.55
41- 50	52	39.39
> 50	19	14.39
Total	132	100.00
Mean	38.05	
<i>Highest Educational Level</i>		
Primary	11	8.33
Secondary	71	53.79
Tertiary (Diploma Or Bachelors)	50	37.88
Total	132	100.0
<i>Household Size</i>		
1 - 3	30	22.73
4 - 6	96	72.73
7 - 9	6	4.55
Total	132	100.00
Mean	4.32	

Source: Field Survey 2013.

From Table 1, it was observed that the ownership of restaurant enterprise in Calabar metropolis is dominated by females. More than half of the respondents were females (83.3 percent) while the male constituted barely 16.7 percent. This supports the tenets of Cross Riverian culture where cooking is largely associated with the female gender.

As can be seen from Table 1, majority of the entrepreneurs are within the age category of 41-50 years (39.39 percent) followed by those under the category of 31-40 years (29.55 percent) and those between the ages of 21-30 (16.67 percent). The remaining 14.39 percent of the respondents are under the age category of above 50. These results suggests that the elderly ones tend to set up restaurant business having acquired a level of savings and may be planning for retirement. It also suggests that those in the prime of their age (31-40) are involved in the business as a means of livelihood. This result also imply that majority of the respondents fall within the economic active age group and are employed by the micro enterprise sector, the more reason why this sector should be given more attention so that it can contribute more to the country's Gross Domestic Product (GDP).

Table 1 also shows that all the respondents had one form of formal education. 37.88 percent earned tertiary education while 53.79 percent ended their formal education at the secondary school level. Just 8.3 percent stopped at primary school level. The relevance of this to the study is that since majority of the respondents are literate, they will more likely be able to understand the questions of this research and provide correct answers to them. It also implies that the entrepreneurs will be able to practice basic book keeping and won't be aversive to technology and change. Again this result may have a positive bearing on the level of entrepreneurial competence of the respondents.

Data from Table 1 shows that the majority of the entrepreneurs have household size of 4-6 persons (72.73

percent) followed by those that have between 1-3 persons (22.73 percent) in their homes. The remaining 4.55 percent of the respondents have between 7-9 persons. Less than 1 and 10 and above categories didn't return any entry. This implies that the respondents may have access to family labour in their business (if dependency ratio is low). It may also have some sort of negative bearing on the business as profit may be diverted to solving the high expenditure needs of large families.

3.1.2 Training and Experience

Table 2. Training received and experience of respondents

	Frequency	Percentage
Training received before/while managing this business		
Managerial	29	21.97
Technical (Cooking)	22	16.67
Both	25	18.94
None	56	42.42
Total	132	100.0
Relevant working experience before business startup		
Yes	79	59.8
No	53	40.2
Total	132	100.0
Previous business startup experience		
Yes	59	44.7
No	73	55.3
Total	132	100.0

Source: Field Survey 2013.

Apart from education, training and experience are often considered to be related to entrepreneurial success (Cooper & Gascon, 1992). In this study, the managerial training, technical training, prior experience relevant to the business and previous business startup experience were investigated. Results from Table 2 show that 21.97 percent of the entrepreneurs have received managerial training, 16.67 percent received technical (cooking) training, 18.94 percent were trained both in technical and managerial aspects whereas 42.42 percent were not trained in any aspect. However, 59.8 percent of the entrepreneurs had relevant working experience before starting the business while 44.7 had former business startup experience. The implication here in line with the findings of Man (2001) is that formal training may not be the most adopted ways for the entrepreneurs to familiarize themselves with the business especially as more of them had relevant experience. Thus learning by experience is certainly a useful alternative to training for them. Again nearly quarter of the owners are not first time entrepreneurs meaning that they have had practical experience of running a business and this will further enhance their success.

3.1.3 Ownership Status of the Enterprises

Table 3. Ownership status of the respondents' enterprises

Legal Status of the Enterprise	Frequency	Percentage
Sole Proprietor	122	92.4
Partnership	10	7.6
Total	132	100.0

Source: Field Survey 2013.

From Table 3, two main forms of ownership of restaurants were identified in this study; these include sole proprietorship, which forms about 92.4 percent, and partnership, which is 7.6 percent. It is quite clear from the results that sole proprietorship is the main type of ownership of restaurants in Calabar metropolis. This also means that the entrepreneurs are involved as key decision makers in day to day operations of the business.

3.1.4 Employee Size of the Restaurant Firms

Table 4. Employee size of the respondents' restaurant firms

Male Workers	Frequency	Percentage
Casual	8	1.50
Permanent	100	18.73
Household Members	43	8.05
<i>Sub Total</i>	<i>151</i>	<i>28.28</i>
Female Workers		
Casual	9	1.69
Permanent	211	39.51
Household Members	163	30.52
<i>Sub Total</i>	<i>383</i>	<i>71.72</i>
Total	534	100.00
Summary		
Male Workers	<i>151</i>	<i>28.28</i>
Female Workers	<i>383</i>	<i>71.72</i>
Total	534	100.00
Mean	4.05	

Source: Field Survey 2013.

Results from Table 4 shows gender disaggregated information on workers employed in restaurants, 28.28 percent of staff employed were males out of which 1.5 percent were casual staff, 18.73 percent were permanent staff and 8.05 percent were household members. 71.72 percent of workers employed in the restaurants were females, out of which 1.69 percent were casual workers, 39.51 percent were permanent staff and 30.52 percent were members of the entrepreneurs household. In summary, a total number of 534 workers were employed by the 132 restaurants studied in Calabar metropolis. The mean number of workers employed was approximately 4. This result supports the classification of number of employees in micro enterprises by the NMCS (2010) as less than ten. The high number of females employed also supports an earlier result that females are into restaurant business more than males. The issue of poor access to education of females seems to be supported by the fact that 30.52 percent of the entire females working in the restaurants are children of the entrepreneurs (compared to males that are only 8.05 percent).

3.1.5 Age of Business

Table 5. Age of the respondents' business

Number of Years in Operation	Frequency	Percentage
<1	6	4.55
1- 5	73	55.30
6-10	48	36.36
>10	5	3.79
Total	132	100.0
Mean	4.59	

Source: Field Survey 2013.

Result from Table 5 reveals that 55.3 percent of the entrepreneurs have been in restaurant business for 1-5 years while 36.36 percent have been in operation between 6-10 years. 4.55 percent of the respondents have operated for less than 1 year while the remaining 3.79 percent have existed for more than 10 years. The implication of this is that majority of the entrepreneurs have relevant experience having been in the business for over 5 years.

3.1.6 Amount of Time Spent on the Business

Table 6. Amount of time spent on the business by the respondents

Number of Hours Spent on the Business Each Day	Frequency	Percentage
1 – 3	22	16.67
4 – 6	43	32.58
7 – 9	61	46.21
>9	6	4.55
Total	132	100

Source: Field Survey 2013.

In terms of the number of hours spent on the restaurant business by the entrepreneurs, Table 6 shows that 46.21 percent of the business owners spend 7 hours to 9 hours daily, while 32.58 percent of the managers only spend 4 to 6 hours daily. 16.67 percent and 4.55 percent spend only 1 to 3 hours and more than 9 hours daily respectively. This implies that majority of the entrepreneurs devote more time to the restaurant business.

3.1.7 Entrepreneurs' Involvement in other Businesses

Table 7. Entrepreneurs' involvement in other businesses

Involvement in Other Businesses?	Frequency	Percentage
Yes	50	37.9
No	82	62.1
Total	132	100.0

Source: Field Survey 2013.

Though all the restaurant owners serve as the managers, 37.9 percent admitted to be involved in another form of business too as shown in Table 7. This may have an implication on their ability to fully supervise the restaurant operations.

3.2 Cost and Returns

Table 8. Summary of fixed and variable costs of a restaurant entrepreneur per month

Summary of Variable Cost Items	Mean Costs (Naira)	Percentage to Variable Cost
Total Cost of Purchase of Raw Food Items	447 242.29	93.61
Salaries	19 681.82	4.12
Firewood	1203.03	0.25
Kerosene	2103.41	0.44
Electricity Bill	1142.16	0.24
Gas Refill	3460.61	0.72
Transportation	2308.94	0.48
Water Bill/Cost	647.27	0.14
Total Variable Costs (TVC)	477 789.53	100.00

Summary of Fixed Cost Items	Mean Costs (Naira)	Percentage to Fixed Cost
Rent on Building	5056.82	57.07
Utensils	1151.7	13.00
Cutleries	582.83	6.58
Furniture (Chairs And Tables)	632.29	7.14
Other Equipment	1437.7	16.22
Total Fixed Cost (TFC)	8861.34	100.00

Source: Field Survey 2013.

The results in Table 8 reveal that cost of raw food items purchased accounts for 93.61 percent of the total variable cost of production. It was noted that the restaurant operators spent more on the purchase of raw food materials used in preparing the various meals. Salaries accounts for 4.12 percent of the variable cost followed by gas refill which was 0.72 percent of the variable cost. Percentage cost on firewood is 0.25 percent while costs on kerosene, transportation, electricity bill and water bill accounted for 0.44, 0.48, 0.24 and 0.14 percent respectively. The cost incurred in gas and kerosene was remarkably higher than firewood because most of the entrepreneurs only use firewood as backup. The Table also reveals that cost of rent on building accounts for over half of the total fixed cost at 57.07 percent while depreciation on other equipment like gas cooker, stove, freezer, generator, microwave and blender took 16.22 percent of the total fixed cost incurred by the restaurant operators. Depreciation cost on kitchen utensils like cooking pots, frying pans, kettle, basin, cooler, mortar and pestle, bucket took 13.00 percent while depreciation costs for furniture items and cutleries, accounted for 7.14 percent and 6.58 percent respectively.

3.2.1 Monthly Cost and Returns/Profitability Analysis

Table 9. Monthly cost and returns/profitability analysis of restaurants

Item	Mean Cost/Returns (Naira)
<i>Costs And Returns</i>	
Total Revenue From Food Sales (TR)	659 048.50
Total Variable Costs (TVC)	477 789.53
Total Fixed Costs (TFC)	8861.34
Gross Margin (GM)	181 258.97
Total Cost (TC)	486 650.87
Net Income (NI)	172 397.63
<i>Profitability Analysis</i>	
Profitability Index (NI/TR)	0.26
Rate Of Return On Investment (NI/TC)	0.35
Rate Of Return On Variable Cost (TR-TFC/TVC)	1.36
Operating Ratio (TVC/TR)	0.72

Source: Field Survey 2013.

In Table 9, the results of monthly cost benefit analysis of restaurants revealed that the gross margin and net income of the entrepreneurs were estimated as 181,258.97 naira and 172,397.63 naira respectively. This implies that the entrepreneurs make good returns from their business activities.

Profitability ratios were calculated to establish the profitability level of the enterprise. The profitability index was 0.26 which means that restaurants earns 26 kobo as net income out of every naira made from sales. Since the profitability index is less than 1, the restaurants entrepreneurs' needs to adopt better management practices and improve their performance so that they can make more profit. Rate of return on variable cost was estimated to be

1.36, which means that every 1 naira cost incurred on variable inputs generates about 1.36 naira. This suggests that improvement in the profitability of restaurant enterprises in the area will require increasing the efficiency of use of these variable inputs. Also, with a rate of return on investment of 0.35, the entrepreneur therefore earns 35kobo profit on every naira spent which shows that though the cost of running the business is high, a relatively high profit could still be gotten from it. The low rate of return suggests that management practices were not efficient (Phiri, 2012). The operating ratio is 0.72 which indicates that the total variable cost is about 72 percent of the total revenue. In summary, most profitability indicators show that restaurant business is profitable in the study area. Management issues need to be addressed to raise the profitability index of to 1 and further reduce the operating ratio.

3.2.2 Multiple Regression Analysis Results

Table 10. Multiple regression results

Variables	Linear +	Semi Log	Double Log	Exponential
(Constant)	1954.735 (0.068)	-6319232.279*** (-19.276)	-1.953 (-0.784)	11.742*** (42.066)
Gender (X ₁)	-8251.412 (-1.180)	-10378.164 (-1.114)	-0.149** (-2.108)	-0.119* (-1.758)
Age (X ₂)	-1145.354*** (-3.203)	-17177.649*** (-2.365)	-0.108** (-1.947)	-0.010*** (-2.916)
Training received (X ₃)	19837.225*** (3.191)	29540.002*** (3.709)	0.017 (0.273)	-0.023 (-0.389)
Years of educational training (X ₄)	6601.699*** (5.602)	49798.061*** (5.766)	0.400*** (6.093)	0.032*** (2.838)
Labour size (X ₅)	1488.464 (0.634)	10536.167 (1.408)	0.077 (1.354)	0.012 (0.544)
Age of business (X ₆)	2317.557** (2.041)	8290.602 (1.444)	0.035 (0.813)	0.010 (0.942)
Relevant working experience before business startup (X ₇)	-876.007 (-0.169)	7283.152 (1.021)	0.112** (2.058)	0.065 (1.292)
Previous business startup experience (X ₈)	1648.440 (0.320)	1897.990 (0.278)	-0.023 (-0.447)	0.004 (0.073)
Involvement in other business (X ₉)	-7746.303 (-1.442)	-4586.494 (-0.636)	0.035 (0.647)	-0.016 (-0.308)
Hours spent on the business each day (X ₁₀)	3302.165** (1.928)	2782.717 (0.311)	-0.005 (-0.070)	0.058*** (3.484)
Total cost/month (X ₁₁)	1.166*** (24.915)	525650.749*** (20.290)	1.108*** (5.627)	2.379E-06*** (5.253)
R ²	0.952	0.920	0.672	0.680
Adj. R ²	0.948	0.913	0.640	0.651
F ratio	216.701	119.785	21.210	23.221

Note: *** Significant at 1%, **Significant at 5%, *Significant at 10%, + Lead equation, t values are in brackets.

The linear model provided the best fit of the four functional forms estimated, with highest number of significant variables, biggest R² value and coefficient signs that were consistent with a priori expectation.

Table 10 shows that eleven explanatory variables accounted for 95.2 percent of the total variation on total revenue of the restaurants. However, only six out of the eleven explanatory variables were found to have significantly contributed to the total revenue. The significant variables were age, training received, years of educational training, age of business, hours spent on the business and total cost. Age (X₂) was negative and significant at 1 percent indicating an inverse relationship with total revenue. Increase in age of the entrepreneur could lead to decrease in total revenue and vice versa. Training received (X₃) and age of business (X₆) were both positive but significant at 1 percent and 5 percent respectively showing that the more training received by the entrepreneur and the more the entrepreneur stays in the business, the more their ability to perform profitably since their skills would have improved. Also the older the business, the more the entrepreneur becomes familiar with the business dynamics and makes better business related decisions. Training and experience is related to entrepreneurial success (Cooper & Gascon, 1992). Years of educational training (X₄) was also positive and significant at 1 percent which goes to show that the higher the educational level of the entrepreneur, the more his ability to make more profit out of the business. Ben-Chendo (2006) explained that higher education enhances managerial skills and consequently influences the ability to run food business more effectively. Number of hours (X₁₀) spent on the business each day was positive and significant at 5 percent which implies that the more

devoted an entrepreneur is to his business, the more profit he is likely to make. Total cost incurred by the enterprise (X_{11}) was also positive and significant at 1 percent which implies that increasing the efficient use of variable costs of production would lead to more profit. Recall that variable cost amounted to 98.18 percent of the total cost. Therefore the null hypothesis was rejected in favour of the alternative.

This study agrees with Ben-Chendo (2006) who carried out a study on the economics of food vending as an agribusiness venture in Owerri agricultural zone. The study regressed nine socio economic characteristics of food vendors on their profit. She found out that five variables (education, trading experience, labour costs, total capital invested, and household size) were significant. The nine variables however contributed to 73 percent of the variation in food vendors' profit. This study agrees also with Aworemi, Abdul-Azeez, and Opoola (2010) who showed in their study of the Impact of Socio-Economic Factors on the Performance of Small-Scale Enterprises in Osun State that gender, age and educational qualification had significant influence on the performance of the selected small-scale enterprises in the study area. Similarly, Otunaiya et al. (2013) conducted a study on Profitability and Constraints Analysis of Women Entrepreneurs in Lagos State, Nigeria and found out that main occupation, business membership strength, initial capital outlay and total variable cost had significant effect on the net income of the women. This study hence agrees with their findings in terms of total variable cost.

4. Conclusion and Recommendations

Based on the analyzed data and major findings, the study concluded that though the cost of running restaurant business is very high, the entrepreneurs still make relatively high profit and returns from it. An average micro restaurant enterprise makes a net income of 172 397.63 naira per month. Profitability index, rate of return on investment, rate of return on variable cost and operating ratio were found to be 0.26, 0.35, 1.36 and 0.72 respectively, all of which established the fact that restaurant business is profitable in Calabar metropolis of Cross River State. The study suggests the following recommendations to enhance the performance of restaurant enterprises

- i) Restaurant operators should explore avenues of increasing the efficient use of variable inputs which forms 98.18 percent of the total cost incurred in order to increase profitability. For instance, looking for cheaper sources of the variable inputs will lead to more profit.
- ii) Forming a co-operative society will position the entrepreneurs to access micro credit funds to inject in their business.
- iii) As the size of operation grows, entrepreneurs are encouraged to do bulk purchasing to enjoy the benefits of economies of size.
- iv) The State Micro Finance and Enterprise Development Agency (MEDA) should devote more low cost credit funds towards the setting up of micro enterprises especially since they are capital intensive. Favourable moratorium and tax holiday should be provided to encourage the growth/expansion of enterprises.
- v) Entrepreneurs should be more proactive in terms of seeking relevant technical and managerial training in order to enhance their capacity to grow their business. The study had shown that training and experience are positively related to success.

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