

**IMPACT OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES)
ON EMPLOYMENT CREATION IN YAURI LOCAL GOVERNMENT
AREA, KEBBI STATE, NIGERIA**

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<https://doi.org/10.37602/IJSSMR.2026.9220>

ABSTRACT

This research work investigated the impact of small and medium scale enterprises (SMEs) on employment creation in Yauri Local Government of Kebbi state. A Simple random sampling technique was adopted to draw the 347 respondents through the Taro Yamane's formula. The primary data required for the study was obtained through the use of structured questionnaire based on a five-point Likert scale type. Thereafter, the study used the Logit regression to analyze data. The findings revealed that small and medium scale enterprises create job opportunities and reduce unemployment in Yauri and also serving as income generating ventures in the area. It was recommended that government should provide a conducive business environment for daily activities of small and medium scale businesses to thrive. Government should also establish vocational training centers as well as research institutes in order to improve the knowledge and skills of the entrepreneurs. Tax incentives should also be granted to infant SMEs.

Keywords: Employment creation, Entrepreneurship, Unemployment, GDP, Small and Medium Scale Enterprises (SMEs).

1.0 INTRODUCTION

There is excess supply of labor to the Nigerian labor market and the feasible panacea for youth unemployment is the promotion of small and medium scale enterprises. The SMEs have been identified as a subsector that can help reduce unemployment to the barest minimum and create job for the growing population in Nigeria.

The SME could serve as a tool in emerging economies to attain economic development and improved standard of living thereby contributing to the national productivity. (Chidume & Nenbee, 2022).

Government worldwide has recognized the important role that the SMEs play in fostering economic development. The small and medium enterprises serve as important sector of the global economy that contribute significantly to the gross domestic products and generating high level of employment opportunities. (OECD, 2019).

The small and medium enterprises are crucial for the development and growth of local economy in the sense that they generate employment that helps to alleviate poverty. (Gherghina, et al, 2020).

The vibrant SMEs promote self-dependency among the population instead of depending on the public sector for job provision and income. It therefore reduces pressures on government agencies to create job while increasing living standards for business entrepreneurs. The SMEs are good opportunities necessary to develop managerial and human resources skills

The United Nations Industrial Development Organization revealed that SMEs make up about 99% of enterprises in Japan, 96% in Malaysia and 99.7% in Singapore. About 90% of businesses globally comprises the SMEs that are contributing directly to the employment of about 60% of the total workforce worldwide (Elhassan, 2019). Also, SMEs made significant contributions to the GDP of the big economies of the world, e.g 90% in America, 97% in Japan, and 95% in the UK. The SMEs play a pivotal role in creating employment, improving individual sources of income, an improving the standard of living, innovative ideas, training ground for new entrepreneurs, self-employment, and building job satisfaction (Pulka, 2019).

Series of policies and programs have been formulated over the years to create employment. Such programs and policies include Youth Empowerment Scheme (YES) to empower youths socially and economically; National Poverty Alleviation Programme (NAPEP) to cushion the effect of adverse economic situation on the unemployed; and N-Power to cushion graduate unemployment. However, there has been high rate of unemployment despite the government's relentless efforts to combat this problem.

The efforts of government in Nigeria towards promoting the SMEs activities and subsequent contribution of small medium scale Enterprises results to reduced poverty and almost 83 million people are still living below the poverty line (NBS, 2019). The rate of unemployment is as high as 33% in 2021 and estimated to rise to 35% by the end of 2022 while unemployment rate is projected at around 40% in 2023 and 44% in 2024 in Nigeria (Sasu, 2022).

A small and medium scale Enterprise is crippled by multiple taxation and poor infrastructures such as bad roads, inadequate power and water supply and other poor facilities and poor management, inadequate conducive enabling environment. Inability to access credit from banks due to lack of sufficient collateral security also discourage many SMEs from executing business expansion. Other social, economic, environmental and political challenges also tend to undermine the contribution of SME to economic development of the country (Ukama & Simeon, 2022, Ituen, 2022, Adebayo, et al, 2020)

Although, previous studies have devoted attention to the investigation of the role of small and medium scale enterprises in economic development from National, regional and state perspectives, however the grassroot development implications have not received much attention in extant literature. It is against this backdrop that this study seeks to examine the impact of small and medium scale enterprises on employment creation in Yauri local government area of Kebbi state.

1.1 Statement of the problem

In Nigeria unemployment has become a herculean national canker worm and worrisome which everyone is expected to join hands to deal with. It is as a result of rising number of youth unemployment that majority of evils such as kidnapping, banditry, stealing, prostitution and armed robbery are on the increase. (Thecheozor, et al, 2022).

In Nigeria there is increasing high rate of unemployment and government being the major employer of labor in most states in the country. The unemployment rate rose by 1.7% at the end of 2017 the rate of unemployment rose to 17.47% which later rose to 22.56% in 2018. The average unemployment rate between 2017 and 2018 was 29.21%. (IMF,2019). The unemployment rate by second quarter of 2020 was about 27%. For many years the unemployment rate has been double digits given the high unemployment rate and the inability of government and large enterprises in the private sector to absorb the growing number of Job seekers. The best way to address unemployment is to leverage on the employment generating potential of the SMEs.

Despite the several grants as well as bilateral and multilateral agencies supports and aids, fiscal incentives as well as specialized institutions towards improving the performance of SME in Nigeria however the growth of SME in the country have been worrisome. (Ameh, 2020)

The main objective of this study therefore, is to investigate the impact of small and medium scale enterprises (SMEs) on employment creation in Yauri, Kebbi State.

1.2 Research Hypothesis

The hypothesis tested in the course of this research work is stated strictly in the null form as follows;

H₀: Small-medium scale enterprises (SMEs) have no significant role in acquisition of entrepreneurial skills and innovation for self-employment in Yauri metropolis

2.0 THEORETICAL REVIEW

This section shall review the various theoretical underpinning on small and medium scale enterprises (SMEs) and employment creation. These theories include the refugee effect theory, need for achievement theory, Schumpeter effect theory, entrepreneurship alertness theory, among others. However, this study shall be based on the Schumpeter effect theory.

2.1 The Schumpeter Effect Theory

The father of this theory was Audretsch & Fritsch cited in Adebayo, et al, (2020). This theory seeks to provide logical explanation that entrepreneurship and unemployment are inversely or negatively correlated. This is true in the sense that increased entrepreneurship activities in the economy reduces and substantially douses unemployment situation by facilitating employability. This process of entrepreneurial activities that result in gainful employment opportunities for the people is referred to as Schumpeter effect. Audretsch & Fritsch provided empirical justification for the theory in two separate studies. They argued that unemployment is inversely correlated with creation of new firms, in the sense that as new businesses are established, the level of employment opportunities in the society increased and unemployment

is reduced substantially in the economy. The implication of this theory lies in the fact that when people are well equipped with quality entrepreneurship skills and many entrepreneurial activities are available, people tend to establish their own business later on. Increased entrepreneurship activities will lead to sustainable employment creation in the society.

2.2 Empirical Evidence

Buba and Muhammad (2022) conducted a study on the contributions of SMEs to employment, GDP, and economic development in the Nigeria. The result of the secondary data they used indicated that SMEs accounted for more than 90% of firms in Nigeria. Hence, the study concluded that SMEs play an essential role in the economic growth and development in Nigeria. Abdulkareem, (2023) also reported a positive impact of the SMEs on employment creation and economic development.

Ogunjimi (2021) examined the role of SMEs in tackling unemployment in Nigeria and entrenching sustainable employment creation. They obtain annual time series data from World development Indicators (2019) from 1991 to 2018. The study made use of Fully Modified Ordinary Least Square, Dynamic Ordinary Least Square and Canonical Cointegrating Regression methods in order to achieve the objective of the study. The study found that the SMEs in Nigeria have not generated enough employment opportunities to permanently solve the unemployment problem facing the country.

Ewubare and Osuji (2021), conducted a study on the role of small and medium scale enterprises in economic development in River's state with a focus on poverty reduction and standard of living. They analyzed primary data with the use of mean ratings, standard deviation and analysis of variance statistical tools. The revealed that SMEs significantly improved the standard of living. It was also found that SMEs have considerably reduced the poverty level of people in the state.

Ovedje (2021), cross-sectionally studied the adequacy of funding and growth of the SMEs in Nigeria. Primary data formed the basis of analysis using the descriptive and inferential statistics. The findings revealed that venture capital and business angels have significant effect on the growth of the SMEs. However, the effects of trade credits and bank overdraft were not significant on the SMEs' growth. Gamo and Gollagari (2020) conducted a study on the role of local government in promoting SMEs performance in Ethiopia. The study employed both qualitative and quantitative data. The findings from the descriptive statistics revealed a low level of employment generation by the SMEs as a result of inadequate government support.

Mahumud, Minda and Ebrahim's (2020) studied the role of SMEs in employment creation and income generation in Samara-Logia Town, Afar Regional State. They made use of cross-sectional research design. the result of the descriptive statistics showed that the growth rate of SMEs in the area under study have a significant contribution to income and employment creation.

Adebayo, et al (2020) conducted a study on how far the SMEs have promoted the economic growth in Nigeria. The Ordinary Least Square method was employed to analyze secondary data collected from the CBN Statistical Bulletin and Index and World Bank Group. The findings

revealed a significant effect of SMEs on employment creation, increased income generation and a considerable reduction of poverty level.

Anthony et al, (2020) conducted a study on the SMEs as a strategy for employment generation in Nigeria. They used some selected manufacturing companies in Delta state. The descriptive research design made use of statistics like Mean, Frequency, percentage and One-way ANOVA to analyze data.

However, previous empirical studies reviewed in Europe, Asia, Sub-Saharan Africa and Nigeria in particular has focused on the impact of SMEs on poverty reduction, economic growth and development, job creation, gross domestic product (GDP), economic welfare and income generation (see Buba & Muhammad, 2022; Ogunjimi, 2021; Ewubare & Osuji, 2021; Gamo & Gollagari, 2020; Adebayo, et al, 2020; Gebregizabher & Akeem, 2019; Kibron & Negasi, 2019; Kowa, Olusegun & Olalekan, 2019; Bello, et al, 2018; Tolulope & Olokundan, 2018). None of these studies viewed the impact of SMEs on employment creation in Yauri Local Government Area, Kebbi State, Nigeria. It is against this backdrop that this study examines how SMEs contributes to employment creation and standard of living in Yauri Local Government Area, Kebbi State, Nigeria.

3.0 METHODOLOGY

This research work made use of a sample survey to investigate the impact of SMEs on creation of employment in Yauri Local Government, Kebbi state. According to the Kebbi State Ministry of Commerce, Industry and Co-operatives (2022) the total population of SMEs operators in Yauri Local Government was estimated to be two thousand six hundred and thirty four (2,634). This was the number of SMEs that registered with the Nigerian Association of Small Scale Industrialists in Kebbi State.

A Simple random sampling technique was adopted to draw the number of respondents. This was the basic probability sampling design used in studying a relatively small finite population which is homogenous. To this effect, the Taro Yamane's formula was applied to obtain the sample size.

This is demonstrated as follows:
$$n = \frac{N}{1+N(e)^2}$$

This gave a sample size of 347. Based on this, a total of three hundred and forty-seven (347) copies of questionnaire were distributed to SMEs operators in Yauri Local Government.

The primary data required for the study was obtained through the use of structured questionnaire to prospective respondents. The questions in the questionnaire were based on a five-point Likert scale type. Required responses ranging from one to five points as: Strongly Disagree (SA)-1 point, Disagree (D)-2 points, Undecided (UD)-3 points, Agree (A)-4 points, and Strongly Agree (SA)-5 points. Thereafter, the study used the Logit regression instead of the Ordinary Least Square (OLS) because the qualitative responses were non normal and hence, a linear estimator like OLS is not applicable particularly when dealing with small samples. More specifically, the error terms of qualitative response models tend to exhibit heteroscedasticity.

4.0 ANALYSIS AND DISCUSSION

Table 1 Analysis of Respondents’ Opinion on how SMEs have encouraged the acquisition of entrepreneurial skills and innovation for employment creation.

S/NO	Questions	SA	A	UD	D	SD	Mean	SD	Decision
1	SMEs sales growth have encouraged acquisition of entrepreneurial skills among the people	78	183	13	39	25	3.74	1.154	Accept
2	SMEs business expansion have created a conducive atmosphere for innovation	65	159	9	73	32	3.45	1.279	Accept
3	Significant contributions of SMEs have created room for self – employment among the people of Yauri metropolis	27	69	17	140	85	2.45	1.282	Reject
4	Entrepreneurial SME owners possessed entrepreneurial skills and they move the economy	34	87	4	165	48	2.69	1.274	Accept
5	SME sector have trained many Nigerians on different skills, thus creating employment and reducing poverty	36	51	19	145	87	2.42	1.305	Reject
6	Skills provided by SME owners have helped majority of the population to become creative and self-employed	26	58	12	149	93	2.33	1.258	Reject
7	SME sector have a pool of skilled and semi-skilled workers who are responsible for industrial development	27	69	17	140	85	2.45		Reject
8.	SMEs have encouraged the emergence of various allied services	78	183	13	39	25	3.74	1.154	Accept
9	SMEs business growth have led to access to resources for business expansion	34	87	4	165	48	2.69	1.274	Accept
10	SMEs growth rate have facilitated the	65	159	9	73	32	3.45	1.279	Accept

introduction of new technologies									
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From the table above, the respondents agreed that SMEs sales growth have encouraged acquisition of entrepreneurial skills among the people and also created a conducive atmosphere for innovation as the SME owners possessed entrepreneurial skills that move the economy. However, the contributions of SMEs have not been significant in creating room for self – employment among the people of Yauri metropolis. The respondents also disagreed that SME sector have trained many Nigerians on different skills to create employment, reducing poverty and for industrial development.

It was agreed that the SMEs have encouraged the emergence of various allied services and have also led to increased access to resources for business expansion. The respondents were of the opinion that SMEs growth rate have facilitated the introduction of new technologies in Yauri metropolis of Kebbi state.

Table 2: Analysis of Opinions of Respondents about SMEs (firm Size) and Employment Generation using the Logit Regression Model

The model of employment generation was estimated using the logit regression technique and reported in the table below. The interpretation of the results follows the odds ratio, logs of odds and marginal effects. The effect of firm size on employment generation in Yauri Local government of Kebbi State formed the focus of the estimation.

Variables	Coefficients		
	Odds Ratio	Log of Odds	Marginal effect (dy/dx)
InFMZ	3.5239***	1.2595***	0.2385***
C	1.63e-o8***	-17.932***	

Note: *, ** and *** indicates significance at 10%, 5% and 1% respectively.

Source: Authors’ Computation (2024)

The table above presents the impact of firm size salary on employment generation in Yauri Local Government area of Kebbi State. The respondents agued that increased employment opportunities by the SMEs will improve the rapid economic prosperity in the area. The positive odds ratio of firm size indicated that the probability that the small and medium scale enterprise will bring about economic development in the area will rise by 3.5239. The Coefficient of the parameter estimate is less than 0.05. Therefore, the study reject the null hypothesis that an increase in firm size does not have a significant impact in increasing the chances of SMEs accelerating employment creation in Yauri Local government area. No doubt, the company size as a result of expansion can generate increased employment opportunities for people. This finding is in tandem with the studies of Edoko, Agbasi & Ezeanolue (2018), Hadded, Muhammad, Imat & Rahmat (2019), Muhumud, Minda & Ebrahim (2020) and Abdulkareem, (2023) on the positive impact of the SMEs on employment creation and economic development.

Foregoing from the analysis therefore, there is sufficient evidence indicating that the small and medium scale enterprises have contributed significantly towards employment creation in the study area.

The findings revealed that small and medium scale businesses create job opportunities and reduce unemployment in Yauri and also serving as income generating ventures in the area.

5.0 CONCLUSION

Small and Medium Scale Enterprises (SMEs) have been identified as a major driver of employment creation, actualization of economic prosperity and achieving economic development in any given state or nation. small and medium scale businesses are central in the economic transformation as their activities bring about innovations, touch on new frontiers and increment in GDP. Based on the results of the findings, this study hereby concluded that small and medium scale enterprises made significant contributions to employment generation in Nigeria. It is the best way to improve the rate of creating job opportunities in the study area. Entrepreneurship and employment generation are key requisites for achieving economic transformation because the small and medium scale enterprises will promote improved economic performance of the country as well as reduce the unemployment rate.

5.1 Recommendations

Foregoing from the problems posed in this study, some recommendations were made as follows:

Government should provide a conducive business environment for daily activities of small and medium scale businesses to thrive. Thus, the local government authorities should provide adequate security to prevent crimes and other social vices to ensure favourable business environment.

Government should also establish vocational training centers as well as research institutes in order to improve the knowledge and skills of the entrepreneurs. Adequate research funds should also be provided to this effect. There should be reduction in tax paid by the small and medium scale businesses in order to encourage them.

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