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## Small and Medium Enterprises: A Transformative Initiative to Rapid Socio-Economic Development of Edo State, Nigeria

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### **Abstract:**

*The study determined the extent small and medium scale enterprises in Edo State, Nigeria has helped in providing jobs for the people of Edo State as well as helping to develop rural communities. Two research questions were raised and answered with descriptive statistics of mean and standard deviation. The study adopted a survey research design. A sample of 122 respondents was used for the study. Cronbach Alpha was used to compute the reliability of the instrument and yielded 0.88. The data collected revealed that SMEs provide employment as well as develop the rural communities. Based on these findings, it was recommended that necessary financial assistance should be given to the sector by government and other stakeholders in order to help establish more SMEs in the rural communities to reduce the current unemployment as well as reducing the rural-urban migration.*

**Keywords:** SME, Socio-economic development, Unemployment

### **1. Introduction**

Every nation in the globe is worried about the growing rate of unemployment most especially among the youths. It is on record that Nigeria is witnessing a lot of criminal activities and other anti vices in recent times such as kidnapping, youth restiveness in the Niger Delta and most recently the insurgency of Boko Haram. Many believe that these vices may have resulted from high rate of unemployment. The level of unemployment in Edo state in particular and Nigeria in general is alarming and unprecedented. The purpose of government and other stakeholders are aimed at raising employment levels, enhancing the living standards of its citizens towards providing suitable infrastructure, attracting industrialists to invest in small scale and medium enterprises. It is believed that SMEs may go a long way in providing employment, and developing the rural communities to reduce the rural-urban migration.

It is hoped that if government can create enabling environment and make changes in laws that can make it easier for new industries to move into areas and offer employment at equitable wages, this may aid in motivating the creation of more services that citizens can enjoy, allowing the areas to develop.

### **2. Literature Review**

The level of unemployment in Edo State in particular and Nigeria in general is a cause for worry. Osamwonyi (2003) pointed out that Nigeria unemployment rate was 10.8 percent; urban unemployment of 12.3 percent exceeded rural unemployment of 7.4 percent. He also pointed that today the rate of unemployment has attained some crises proportion with rapid inflow of unemployed youth into crime. Edo State is largely made up of youths, for up to 54% are below 25 years, of which 42.4% are below the age of 15. Comparatively only 6.4% are 55 years and above and 1.7% above 70 years of age. He concluded that travelling abroad is no longer a significant option because the world economic system is going through a severe recession with protectionism effectively on the increase.

Alaezi (2009) stated that from available statistics government provided employment for 2918 persons per state in Nigeria for a period of 25 years is insignificant compared to actual situation where over 200,000 graduates are produced annually by about 100 universities in Nigeria. He maintained that greater proportions of these unemployed graduates roam the streets without jobs. These youths seem to accept travelling abroad to gain employment as a significant option. He concluded that many of these youths meet their waterloo in the desert of northern part of Africa in desperate attempt to cross the continent through water ways to Europe.

The small and medium scale enterprises sector of any economy seems to be the engine room that employs the largest part of any population of a country. It is also partly responsible for creativity and innovation because most artisans and technicians who are technically-oriented are most found in the small and medium enterprises sector. Conceptualising small business depends on the criteria for determining what is “small” and what qualifies as a “business”. However, the commonest criterion used to differentiate between large and small business is the number of employees. A business is generally considered as small if it is independently owned, operated, and financed; has fewer than 100 employees and has relatively little impact on its industry (Hatten, 2009). According to Moore, Petty, Palich, and Longenecker (2010) a business is small compared to large companies in an industry, is geographically localised, is financed by only a few individuals, and has a small management team. A small business is one with a relative size within an industry, that is independently managed, which capital is supplied and ownership held by an individual or a small group, which area of operation is mainly local whereby workers and owners are in one home community (Pickle & Abrahamson, 1990).

Small and medium scale enterprises can be classified into three groups, that is, micro, small, and medium companies which employ between one person and 300 persons and which turn over or total assets ranges from less than ₦16 million (\$100,000.00) to ₦2.4 billion (\$15 million) (Oboniye, 2013). In Nigeria’s third national development plan, a small scale enterprise was defined as a manufacturing concern that employs less than ten people and whose investment on machinery and equipment do not exceed ₦600,000.00.

*Over the years, competitive conditions were in favour of the real sector or large companies or organisations with their layers and hierarchies of management. But nowadays, with the pace of change which is constantly accelerating, fleet-footed, agile, small companies have the competitive advantage. These nimble competitors can dart into and out of niche markets as they emerge and recede; they can move faster to exploit market opportunities; and they can use modern technology to create within a matter of weeks or months products and services that once took years and all the resources a giant corporation could muster (Scarborough, Norman & Zimmer, 1996).*

No doubt, the scale has balanced and tipped in favour of SMEs globally, hence the need for the country leadership to take advantage of the global trend and to enable her join the comity of nations to carve a niche. The proportion of the SMEs and their role on the economy is pretty much, similar to those in other countries of the world, especially in the advanced economies.

*In the United States, there are approximately 123 million small businesses. These altogether employ more than 50 per cent of the private sector workforce, and generate more than half of the country’s Gross Domestic Product (GDP). In the European Union (EU), SMEs are seen as largely very important to European employment. In the European Union, one million new SMEs are set up every year. SMEs account for 99.8 per cent of all companies and 65 per cent of business turn over (Sehindemi, 2010).*

According to Adelakun (2006), Africa has the highest mortality rate for small businesses. He maintained that one out of five small and medium scale businesses started in Africa celebrate its fifth year anniversary. Invariably out of every five small scale businesses set up only one survives the test of time in five years. He added that Nigeria textile industry which used to be the biggest in Sub-Sahara Africa, for instance, suffered a terrible 60% decline between 1994 and 2005. The report further revealed that African nations are said to be fast de-industrialising, while global competitiveness ranking, as well as performances in the manufacturing sector of most African countries declined from 80% in 1980 to 50% in 1999 and then 42% in 2005, and that the contribution to countries’ economies has declined much further. In Edo state, the rate at which small and medium scale businesses crumble has negative effect on small scale business operation. In Nigeria, there are 17 million small and medium scale enterprises. In spite of its wobbling situation, the sector employs 32.41 million workforce/persons with a contribution of about 46.54 per cent to the Gross Domestic Product (GDP) in nominal terms (Etebeke, 2012). If SMEs in Nigeria is financially empowered to create job each, about 17 million jobs may be created. If 50 per cent of these SMEs create one job each, this means about 8.5 million jobs will be created. This may in turn reduce unemployment rate in Nigeria which has been on the increase in recent times. Agboola (2013), maintained that the rate of unemployment in Nigeria is one of the highest in the world which is at 24 per cent; and over 50 per cent of the youths in the urban areas are unemployed. The state of affairs has assumed a worrisome dimension leading to economic and social crises which may have given birth to criminality and unemployment, kidnapping, and probably the insurgency of Boko Haram. In Nigeria, the small and medium enterprises are found wanting probably because most of them cannot access loans for their operations and growth. This is mainly due to institutional impediments posed by financial houses, including the Central Bank of Nigeria (CBN). It is also believed that SME can bring about the needed socio-economic development of a nation if properly managed.

Socio-economic development is a process that seeks to identify both the social and the economic needs within a community, and seek to create strategies that will address those needs in ways that are practical and in the best interests of the community over the long run. The general idea is to find ways to improve the standard of living within the area while also making sure the local economy is healthy and capable of sustaining the population present in the area (Wise GEEK, 2014). It continued that socio-economic development occurs in neighborhoods in metropolitan areas, sections of smaller cities and towns, and even in rural settings. There are a number of factors that must be considered as part of any socio-economic development effort. Understanding the current circumstances that prevail in the area is the first step toward regional development. By assessing the potential of human capital in the area, allowing for the current unemployment rate and when laws and regulations are currently in place that may be impeding the introduction of new industry into the area, it is possible to begin developing a plan that will ultimately mean more jobs, stable employment for more households, and more money flowing through the local economy. Along with finding ways to stabilize the economy and create more jobs, socio-economic development also considers the availability of essential services within the area. This includes the presence of schools and colleges to teach children and prepare young people for careers. Attracting services such as medical practitioners and

health facilities to the area is also important. Creating and maintaining a viable law enforcement agency that helps to maintain order and protect citizens is also very important to the task. Doing so helps to make the community more desirable and helps to minimize the possibility of people leaving to seek those same services elsewhere. It concluded by saying that socio-economic development involves making changes in current laws and regulations in order to attract new growth and enhance the standard of living for local residents. Changes in laws can make it easier for new industry to move into the area and offer employment at equitable wages. This in turn can aid in motivating the creation of more services that citizens can enjoy, allowing the area to prosper. With the right type of motivation and improvements to the infrastructure, residents are not tempted to move away in order to earn a living or enjoy desirable services, and there is a good chance more people will move into the area and provide further stimulation for the local economy. While there is no one right way to pursue socio-economic development, the process is essential to preventing decline and the eventual extinction of a community.

Like other sectors of the economy, the roles of the SMES in the socio-economic development of the country are legion. These include:

- **Employment Creation:** the SMEs have helped in no small measure to create employment opportunities for the teeming youths in the country, particularly the graduates from tertiary institutions and others with vocational skills in the country. According to the National Bureau of Statistics and the Small and Micro Enterprises Development Agency of Nigeria (SMEDAN), the small and medium scale enterprises employ 32 million Nigerians. The SMEs also represents 97 percent of the enterprises in the country (Afolabi, 2013). Sometime in 2013, the federal government adopted some measures with no fewer than 4,000 corps members trained in small and medium enterprises. This was adopted to make the National Youth Service Corps (NYSC) members self-sufficient and become employers through entrepreneurship activities after their one year compulsory service. The SME sector is said to have employed more than 31 million people thereby contributing 46.54 per cent to GDP (Agboola, 2013). Information from the Federal Ministry of Youth Development, the population of youths is put at about 67 million, while about 30 million, representing 46 per cent is said to be unemployed.
- **Poverty Reduction:** the SMEs have contributed in no small measure in the reduction of poverty in the country. SMEs are part of the poverty reduction strategies adopted by some past administrations in the country. The SME is quite capable of cushioning the effect of poverty in the country. For example, with little capital the low income person can establish small shops to enable him move out of poverty.
- **Skill Acquisition:** the small and medium enterprises help in the acquisition of various types of skills. Those with vocational skills who have already established their skilled acquisition businesses can equally help others like young school leavers who are unskilled to acquire vocational skills.
- **Supply of Goods And Services:** the small and medium enterprises help in the supply of goods and services. The large industries or conglomerates need the small and medium enterprises to supply their goods and services. The SME brings goods and services nearer to the consumers who need them. It also helps to bring to the knowledge of the consumers new goods and services hitherto unknown to them.
- **Rural Development:** the small businesses play major role in the development of the rural areas. By establishing small and cottage industries in rural areas it helps to open up the hinterland. This can equally reduce rural-urban migration thereby reducing urban slum.
- **Encouragement of Entrepreneurial Development:** the small and medium enterprises help to encourage entrepreneurial development. The person who has acquired vocational skills will be encouraged to establish his/her own small business. This can reduce the labour market and unemployment. Entrepreneurship has helped in no small measure as it accounts for a large percentage of many businesses and increase in the percentage of the nation's gross national product. Besides, many people would like to be their own master as they would not like to be answerable to anybody. It helps in the innovative process of the country thereby leading to the structural transformation of the entire social system. This will on the long run lead to the production of the most basic desires of the people which will enable them to make choices as there is availability of goods and services. It will at the end enhance the people's standard of living.
- **Industrial Development:** the small and medium enterprises encourage industrial development of a nation. The untapped raw mineral resources of an underdeveloped or developing economy can be tapped for the industrial development of the country.

Today many able-bodied men, women, and youth who are qualified are not able to secure gainful employment and have economically dependent on their parents for their daily living. From available literature, unemployment is one of the most persistent problems of many countries of the world including Nigeria as a result of increasing population. This problem is so common that successive governments in Nigeria have made frantic efforts in tackling this ugly trend hence the setting up of small and medium scale enterprises by government and other private individuals. These efforts seem not to be yielding the desired result. It is also on record that many youths are leaving the rural communities to the urban centres because these rural communities lack basic amenities like water, electricity and cottage industries. It is believed that small and medium scale enterprises may be helping in developing rural community. What is not clear is to find out to what extent has small and medium scale enterprises have helped in providing employment for the people as well as developing the rural communities in Edo State. Nigeria.

### 3. Area of the Study

The study was carried out in Edo State. Edo State is made up of 18 local government areas with its state capital in Benin City. It has boundaries with Kogi State to the North, Delta State to the East and South, Ekiti and Ondo States to the West. The State has a land

mass of 19,794 km square. This is lying on 05 44N and 07 34 N latitudes, 05 4 E and 06 45 E longitudes. The climate is typically tropical with major seasons, the wet (rainy) and the dry (harmattan) seasons. It has 13 tertiary institutions owned by both federal, state, and private. The people are predominantly peasant farmers. The Binis are known for bronze casting and wood works. It is one of the oil producing states in Nigeria. It has oil wells in Orhionmwon, Ikpoba-Okha, and Ovia North-East Local government areas. Apart from the wood products, there is high yield of agricultural food crops, cocoa, rubber, palm trees, vegetables, cotton, pineapple, mango, cashew, bush meat poultry fowls, snails, goats, fish and rice. Edo State is seeking active partnership with private investors in order to harness her abundant human and material resources in palm oil processing, palm oil, timber, fruit juice and so on

#### 4. Purpose of the Study

The main purpose of the study was to determine the extent SME has helped in the socio-economic development of Edo State. Specifically, the study was to determine:

- The extent SME has helped in providing employment for the people of Edo state.
- How far SME has helped in developing rural communities in Edo state.

#### 5. Research Questions

The following research questions guided the study.

- To what extent has SME helped in providing employment for the people of Edo state?
- To what extent has SME helped in developing rural communities in Edo State?

#### 6. Methodology

The survey research design was employed for this study. A survey is a descriptive study which seeks or uses the sample data of in an investigation to document, describe, and explain what is existent on the present status of a phenomenon being investigated. According to Leary (2010) a survey uses questionnaire and interview to collect information about people's attitudes, beliefs, feelings, behaviours, and lifestyles. It is designed to describe the characteristics or behaviours of particular population in a systematic and accurate fashion. This design was found most appropriate for this study because the study sought information from the respondents relative to their attitudes, beliefs, feelings, and behavior.

The population of the study was made up of 1220 respondents in Edo State. A simple random sampling was adopted to select 10% of the population. A total of 122 respondents formed the sample.

A structured questionnaire designed by the researchers on a Likert Type Scale. The questionnaire had two main sections. Section A dealt with demographic information of the respondents, while section B comprised of 20 items in clusters A and B. The 5-point rating scale of Strongly Agreed, Agreed, Undecided; Disagreed and Strongly Disagreed.

The questionnaire was validated by two experts in the Departments of Accounting and Economics, University of Benin, Benin City, Nigeria

The reliability of the data collected was determined by using Cronbach Alpha method. This method was found more appropriate in that it takes care of the internal consistency of the instrument. The instrument was administered on 20 SMEs operators in Edo State who were not part of the sample used for the study. The value of the reliability obtained was 0.88.

The questionnaire items were administered on 122 SMEs operators in the three senatorial districts in Edo State. The researchers personally administered some to the respondents, while two research assistants who were employed and trained for two weeks administered others. On the whole 122 copies of questionnaire were returned and used representing 100%.

The data generated from the questionnaire were analyzed using mean and standard deviation to answer the research questions.

#### 7. Decision Rule:

Any item with a mean value of 3.0 and above was accepted as agreed, while mean value below 3.0 was accepted as disagreed response

#### 8. Results

The results for the study were obtained from the research questions answered.

##### Research Question 1

- To what extent has SMEs helped in providing employment for the people of Edo state, Nigeria?

S/N	Statement in the Questionnaire	Mean	SD	Decision
1	SMEs create employment opportunities	3.80	1.25	Agreed
2	SMEs create jobs for NYSC members	2.33	1.07	Disagreed
3	SMEs help retired persons in the acquisition of skills	2.25	1.31	Disagreed
4	SMEs help people to be employers of labour	3.73	1.40	Agreed
5	SMEs is an agency for employing people	3.68	1.03	Agreed
6	SMEs help people to set up their own businesses	3.85	1.09	Agreed
7	SMEs help in poverty reduction	2.20	1.40	Disagreed
8	SMEs help in entrepreneurial development	3.72	1.35	Agreed
9	SMEs help in supplying goods and services	3.88	1.04	Agreed
10	SMEs help people to be self sufficient	3.72	1.35	Agreed
<b>Grand Mean</b>		<b>3.32</b>		

Table 1: Mean score and standard deviation of SMEs providing employment opportunities. (N= 122)

The data presented in Table 1 showed that the mean responses of SMEs operators for items 1, 4, 5, 6, 8, 9, and 10 indicated that majority of the respondents used for the study agreed with these items based on the real limits of the nominal values, as the ways in which SMEs operators assist in providing employment for the people of Edo State, while items 2, 3, and 7 had their mean responses ranging from 2.20-2.33, while the grand mean is 3.32. Some of the respondents disagreed that SMEs operators do not provide jobs for the people.

#### Research Question 2

- To what extent has SME helped in developing rural communities in Edo State?

S/N	Statements in the Questionnaire	MEAN	SD	(Decision)
11	SMEs encourage industrial development in rural areas	4.05	0.91	Agreed
12	SMEs help in the enhancement of standard of living of the people in the rural communities.	3.82	0.92	Agreed
13	SMEs help in tapping the untapped raw mineral Resources	4.00	1.10	Agreed
14	SMEs help in the increase of nation's gross national Product.	3.80	1.00	Agreed
15	SMEs help in the transformation agenda of the Federal Government in developing rural Communities	4.01	0.98	Agreed
16	SMEs help in the production of most needs of the People in rural communities	1.88	1.09	Disagreed
17	SMEs help in the establishment of cottage industries In the rural communities	4.26	0.86	Agreed
18	SMEs help in the cushioning the effect of poverty In rural communities in Edo state	3.84	1.06	Agreed
19	SMEs help individuals with small capital to establish small shops in the rural communities	3.11	0.92	Agreed
20	SMEs help people to help others who are unskilled to acquire vocational skills	2.09	1.04	Disagreed
<b>Grand Mean</b>		<b>3.49</b>		

Table 2: Mean score and standard deviation of SMEs developing rural communities

The Data in Table 2 indicated that the mean responses of the respondents for all items ranged from 1.88-4.05. It further revealed that the standard deviation ranged from 0.86-1.09, while the grand mean is 3.49. All the items on the table were rated agreed, except items 6 and 10. It showed that majority of the respondents agreed that Small and medium enterprises help in developing rural communities, while few respondents disagreed that SMEs do not help in developing rural communities.

## 9. Discussion of Results

The result of the study in research question one revealed that small and medium enterprises help in providing jobs for people of Edo State in particular and Nigeria in general. This is in consonance with Etebeke (2012) who stated that SMEs sector employs 32.41 million people in Nigeria. This position is also supported by Oboniye (2013) who stated that one of the contributions of Small Scale Industries is the provision of immediate large scale employment to the unemployed as well as to nearly all marginal labour; such as house wives, students on vacation, under aged children, disabled and even at times old age people, both skilled and unskilled.

The result of the study in research question two revealed that small scale and medium enterprises help in developing rural communities in Edo State. This finding is buttressed by Obiniye (2013) who stated that SMEs help to mitigate rural-urban migration. It can among other things help promote an agro-based industry which is another threshold for development in the rural areas that are industrially backward and thus help curb rural-urban migration to which cities are prone, thus reducing unemployment, crime and other vices as a result of the menace of such movement. Most importantly is that it complements large industries in producing goods and services which are hitherto imported. This position is supported by Afolabi (2013) who stated that the small businesses play major role in the development of rural areas.

## 10. Conclusion

The SMEs are the pivot of any economy. For the Nigerian economy to grow and support the social and economic advancement of the country, the SMEs must be given much financial support than is being done. The SMEs are the drivers of any economy hence they should be accorded the support of the government and financial institutions to grow rapidly to enable them contribute immensely to the development of the country. Finance is the hub of any business activities. A lot of impediments are being put on their ways to access credit particularly the CBN and commercial banks and other financial institutions on their ways for them to access cheaper funds.

Due to the importance of the SMEs to the economy, it is necessary to attach more attention and focus to the sector. This will energise and ginger the sector to attain the level it is required to help the economy grow. For over a quarter of a century, the various Nigerian governments and administrations, both civilian and military, did not attach much importance and attention to the SMEs sector of the economy. When attention was paid to the sector via some policies which were aimed at poverty alleviation, part of such attentions and policies were partially paid to the SMEs. Though policies aimed at the SMEs are capable of reducing poverty and unemployment, but it is necessary and more economically potent and beneficial to direct certain policies and programmes to the SMEs so as to remove it from the appendages of other policies and programmes solely aimed at poverty reduction strategies. This will enable the sector to be directed at playing more robust role in the economy. By so doing, the sector would then contribute more significantly to the development of the economy in all its ramifications.

## 11. Recommendations

For the SMEs sector to be able to contribute meaningfully to employing the teaming youth as well as contribute to economic growth and development of the country in general and Edo State in particular, the following recommendations are made:

- The necessary financial assistance must be given to the sector by government and other stakeholders in order to help establish more SMEs in the rural communities to reduce the current unemployment as well as reducing the rural-urban migration
- The loans given to the SMEs must be at single digit interest rate so as to enable them operate their businesses in order to help them to be part of the transformative agenda of the present government policies in Nigeria.

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