

## Small Scale Enterprises and Unemployment Challenges in Ogun State Nigeria

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### ABSTRACT

This research examined the effect of micro-scale enterprises on employment in Ogun State. The primary source of data was used through the administration of one hundred copies of the questionnaire. A simple regression analysis was used from which it was found that the small-scale enterprises have reduced the unemployment rate in Ogun State thus reducing the crime rate and enhancing the income level of owners. It was recommended that the government should fund small-scale enterprises through the Bank of Industry and provision of social amenities where needed.

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## **INTRODUCTION**

Nigeria's society has been afflicted with very serious unemployment challenges which account for social ills that have been befallen the country to date. Some of these social vices include impersonation, scams of different types, misappropriation of funds, stealing, bribery, corruption, armed robbery, electronic theft and so on (Onakoya, Fasanya, and Abdulrahman, 2013). Small-scale businesses are key drivers of economic growth and development in any nation through their positive effects on job creation and poverty reduction. More precisely they are seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation. They cannot function well without adequate funding to ensure the availability of employment and support for the nation but it is seen that the second major problem faced by small businesses is the inefficiency of adequate finance (Adu, Onochie and Omolewa, 2023).

Banks are often reluctant to lend funds to small-scale enterprises due to lack or poor record keeping, smallness of capital, lack of collaterals and so on. Poor management and accounting practices have weakened the ability of small-scale enterprises to raise finance. The government of Nigeria established policies to support financing small-scale businesses because of their contribution to the economic growth of the country (Adedayo, Ojo, and Toluwalope, 2016). Like their counterpart in the advanced industrialized countries, it has shown that the small-scale enterprises are a sort of training ground for the prospective, successful businessmen and women whose enterprises may eventually grow into giants locally, nationally and globally, more so, most labor forces in this sector of the economy (Adu, Owualah and Babajide, 2019).

## **LITERATURE REVIEW**

The main purpose of this study is to examine the effect of small-scale enterprises on the unemployment rate in Ogun State while the specific objectives are to:

- a. Determine the extent to which small-scale enterprises have contributed to the standard of living of the people
- b. Establish the extent to which small-scale enterprises have mitigated the rate of social vices in Ogun State
- c. To what extent have small-scale enterprises contributed to the standard of living of people in Ogun State?
- d. How have small-scale enterprises mitigated the rate of social vices in Ogun State?

The definitions are not rigidly fixed since people adopt different standards such as the number of employees, assist sizes volume of sales etc general capital, though a fixed amount is used as a basis any definition must be flexible for an easy adjective and to keep without charging the needs of industrial development. Small-scale enterprises are businesses that are independently owned and operational not dominated in their area of operation.

It was discovered that there is only one criterion with which a fair degree of reliability indicates whether a business is small, fair size or big. It was further said that small businesses require one man who is not engaged in other functions (Adu, 2016).

The Committee for Economic Development (CED) has given a valuable cost of characteristics of small businesses which state that a small business has at least three of the following characteristics:

- a. Managers are also owners
- b. The area of operation is mainly local
- c. The owner supplies capital and it is small size within the industry

In Nigeria, the definition of small-scale industries or firms does not differ much from those of other countries (Economic Monetary Policy Circular 29 of Central Bank of Nigeria). Small-scale enterprises are defined as “enterprises which total cost, excluding the cost of land, but including working capital which will not exceed N10 million. The Nigeria Bank for Commerce and Industries (NBCI) adopted a definition for 1985-1990 (currently valid) in which it defined small-scale industry with capital not exceeding N750,000 including working capital but excluding the cost of the loan (Adu, 2013).

In the Industrial Policy of Nigeria published by the Federal Ministry of Industries that small scale industry is defined during the Structural Adjustment Programme as those whose total investment is between N100,000 and N2 million exclusive of land but including working capital, minor cottage industries are defined by the policy as there, whose total investment cost does not exceed at N100,000 including working capital but exclusive of land (Akingunola, Olowofela, and Yunusa, 2018).

- a. From the above, small-scale industry can be defined by using a quantitative approach
- b. Qualitative approach: Talk about the number of size of people employed in the business and the same volume, qualitative has the following characteristics
- c. Owner supplier's manager
- d. Capital supplied by one person
- e. It operates in local area
- f. The size is small in consideration with other industries

The Role of Small-Scale Enterprises in Solving the Unemployment Problem Kevan and Wydick (2001) observed that there is a lot of potential for small-scale inventors in the allied industries and this opportunity must not be lost. It was further said that small-scale operations have higher opportunities than companies when it comes to the establishment of cottage industries such as tin, mining, potato cheeps, and seed processing also, the country research and development, institute presents a large value of tin stressing our research institutes are out to meet the needs of small-scale businesses.

UNECA (2005) expressed that one of the challenges facing the Nigerian traditional economic system was the extent of self-employment which was

ritually the rural committee, most individuals were not any small-scale farmers growing their food with sometimes a little so also learned a trade or skill like weaving, caring bricklaying etc.

### **Funding of Small-Scale Businesses**

- Personal Savings: This is the first and the cheapest source of finance open to small-scale businessmen.
- Borrowing: This could be friends, family, club members, church/mosque members and cooperative societies which attract interest payment
- Credit Purchases: Purchases by small businessmen are done most of the time on credit.
- Bank Credits: The development bank and another specialized bank should extend soft loans to small businessmen and women. NCB and NIBB are banks responsible for agriculture and development and are often given loans as statutory duties.
- Subsidy and Grants: Some organizations including the government give grants and subsidies to small businesses
- Retained Profits: Profits are brought back for the expansion of the business. (Adu, 2016)

### **Features of Small-Scale Businesses**

World Bank Report (2009) defined small scale businesses by making a revelation of the roles played by small scale businesses in resolving the issue of unemployment in the country. The definition of small-scale businesses will help us to identify the characteristics of a small enterprise which comprises of the following:

- Higher utilization of local raw materials
- Ease of entry due to low initial capital requirement.
- Provision of employment through labour mode of production.
- The use of less expensive technology which can be managed with trading on business management.
- It is mostly a rural based enterprise (Adu, Onochie, and Omolewa, 2023)

### **Advantages of Small-Scale Industries**

Small and medium-scale enterprises contribute in particular to the transformation and development of rural areas. A priority of the present administration:

- It encourages the spread and dispersal of industries outside the urban areas
- It mobilizes private savings and channels them to productive industries.
- It establishes links between agriculture and industry plus the utilization of local materials.
- It helps to reduce rural-urban migration
- It generates jobs for the skilled and unskilled

## METHODOLOGY

### Area of the Study

The study was carried out in Ogun State in Nigeria

### Instrument for Data Collection

One hundred copies of the questionnaire were distributed while sixty-eight copies were returned.

### Data Presentation, Analysis and Interpretation

In this chapter, a statistical analysis of data collected through the questionnaires distributed to various respondents is presented.

Table 1. Question: Do people go into the small-scale businesses as a result of family influence in Ogun State?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	45	90%
Agreed	5	10%
No opinion	-	0%
TOTAL	50	100%

In the above table 4.1: 45 responded 90% strongly agreed that people do go into small business as a result of family influence, 5 respondents of 10% agreed while others had no opinion.

Table 2. Question: Does lack of finance, technical know-how and information disturb the establishment of small-scale businesses in Ogun State?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	30	60%
Agreed	15	30%
No opinion	5	10%
TOTAL	50	100%

In table 2, 30 respondents of 60% strongly agreed 15 respondents of 30% agreed and 5 respondents of 10% had no opinion towards the above question in table 2.

Table 3. Question: Has the establishment of a small scale had an impact on reducing rural-urban migration?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	40	80%
Agreed	7	14%
No opinion	3	6%
TOTAL	50	100

In the above 3, it has shown that the establishment of small scale has any impact on the reduction of rural-urban migration because 40 respondents of 80% strongly agreed, 7 respondents of 14% agreed, 3 respondents of 6% had no opinion.

Table 4. Question: Do you think that these small-scale industries have helped in the reduction of waste in the economy?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	45	90%
Agreed	5	10%
No opinion	-	0%
TOTAL	50	100%

It is shown in Table 4, that 45 respondents of 90% strongly agreed that small industries have helped in the reduction of crime in society, which shows that people can practice small-scale industries perfectly in the local government.

Table 5. Question: Has the establishment of small-scale businesses in Ogun State had a positive impact on the reduction of crime?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	35	70%
Agreed	7	14%
No opinion	8	16%
TOTAL	50	100%

The table shows that the establishment of small-scale industries in Ogun State has had a positive impact on the reduction of crime, so 35 respondents of 70% strongly agreed, 7 respondents of 14% agreed and 8 respondents of 16% had no opinion.

Table 6. Question: Do you think that the establishment of small-scale industries in Ogun State will bring about innovation and invention?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	45	90%
Agreed	5	10%
No opinion	-	0%
TOTAL	50	100%

It was shown that 45 respondents 90% strongly agreed that, the establishment of small-scale industries would bring about innovation and inventions to Ogun State and 5 respondents 10% agreed while the last one had no opinion.

Table 7. Question: Do you think that the establishment of small-scale industries will help to solve the problem of unemployment in Ogun State?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	25	50%
Agreed	15	30%
No opinion	10	20%
TOTAL	50	100%

Table 7 shows that the respondents strongly agreed that 25 respondents of 50% from the option that the table that, the establishment of small-scale industries will help to solve the unemployment problems in Ogun State, while 15 respondents 30% agreed and 10 respondents 20% had no opinion.

Table 8. Question: Does the establishment of small-scale industries require only educated people to practice in Ogun State?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	35	70%
Agreed	7	14%
No opinion	8	16%
TOTAL	50	100%

In Table 8, 35 respondents of 70% strongly agreed while 7 respondents of 14% agreed and 8 respondents of 16% had no opinion, which shows that people can practice small-scale industries perfectly in Ogun State.

Table 9. Question: Do you believe that the establishment of small-scale businesses does not use many strategies like planning, control, and organizing to grow in Ogun State?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	50	100%
Agreed	-	0%
No opinion	-	0%
TOTAL	50	100%

Table 9 shows that 50 respondents of 100% strongly agreed while others had no option.

Table 10. Question: Does the establishment of small-scale industries in Ogun State see only petty trading as small-scale towards solving unemployment problems?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	35	70%
Agreed	7	14%
No opinion	8	16%
TOTAL	50	100%

It has shown from the table, that 35 respondents of 70% strongly agreed while 7 respondents of 14% agreed and 8 respondents of 16% had no opinion.

Table 11. Question: Have small-scale industries helped in solving employment challenges in Ogun State?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	25	50%
Agreed	15	30%
No opinion	10	20%
TOTAL	50	100%

It has shown that 25 respondents of 50% strongly agreed while 15 respondents of 30% agreed and 10 respondents of 20% had no opinion.

Table 12. Question: Has there been a remarkable growth in the development level of Ogun State through the establishment of small-scale industries?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	35	70%



Agreed	7	14%
No opinion	8	16%
TOTAL	50	100%

It has shown that 35 respondents of 70% strongly agreed while 7 respondents of 14% agreed and 8 respondents of 16% had no opinion.

Table 13. Question: Has the government been a hindrance to the establishment of small-scale enterprises in Ogun State?

OPTION	RESPONDENTS	PERCENTAGE
Strongly agreed	45	90%
Agreed	5	10%
No opinion	-	0%
TOTAL	50	100%

This table 13, shows that 45 respondents of 90% strongly agreed while 5 respondents 10% agreed and 0% had no opinion.

## RESULT AND DISCUSSION

It was found out from this study that:

Small-scale industries in recent times have helped Ogun State to solve the unemployment problems; there is a giving tendency to the development of Ogun State through the establishment of small-scale industries. The effect can be seen from the fact that, within some years, the crime rate has reduced in Ogun State; there are varieties of small-scale industries in Ogun State thereby having new inventions; the small-scale industries have served as industrialization required by large-scale factories in the production of finished goods.

It was noted that the establishment of small-scale enterprises has gone a long way in the provision of employment to the people of Ogun State, the youths have highly benefited from this, thereby combating the rate of crime in Ogun State. Also, the establishment of small-scale enterprises has improved the income level of workers and owners which has curbed rural-urban migration.

## CONCLUSIONS AND RECOMMENDATIONS

Invariably, the establishment of small-scale industries has curbed the unemployment rate, and social vices and improved the income level of people in Ogun State. Social amenities should be provided in Ogun State like good roads, constant light, portable water and so on; the government should assist in funding small-scale enterprises through the Bank of Industry to boost their production; there should be police stations in some areas where some scale industries are located

## **FURTHER STUDY**

This research still has limitations so further research needs to be done on this topic “Small Scale Enterprises and Unemployment Challenges in Ogun State Nigeria”.

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