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AN ASSESSMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES CONTRIBUTION TO EMPLOYMENT GENERATION IN KWARA STATE, NIGERIA

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ABSTRACT

Micro, small and medium enterprises has occupied the most critical aspect of any economy around the world today. This paper assessed the contribution of micro, small and medium enterprises (MSMEs) on employment generation in Kwara State, Nigeria. To gather information, survey research design method was used in this study. The population includes owners, managers and person in charge human resource/administration in the selected MSMEs which were deliberately chosen. A Total of 76 Questionnaires was distributed and 72 responses of them were usable for data analysis. Data were analyzed using descriptive form of tables while hypotheses were tested for with a parametric t-test with the aid of Statistical Package for Social Sciences (SPSS). The study found that the MSMEs in Kwara State are not well positioned to generate the required level of employment for the people due to poor level of MSMEs growth and inconsistent government policies. It was therefore recommended that there is the need for all the stakeholders (government, business owners/managers, individuals, etc.) in Kwara State to be committed to the need to reposition the MSMEs sector.

KEYWORDS: *Employment; job creation; Micro, Small and Medium Enterprises (MSMEs); Unemployment;*

1.0 Introduction

One of the significant roles of MSMEs in any economy is employment generation (Survey Report on MSMEs in Nigeria, 2012; Batool & Zulfiqar, 2013) but with the persistent increase in the rate of unemployment in Nigeria and more specifically Kwara State, one begins to wonder whether the existing numbers of MSMEs are inadequate or poorly managed. Ofoegbu, Akanbi, & Joseph (2013) remarked on the high potential of MSMEs in providing employment opportunities because of their dispersed nature which make their presence in both urban and rural areas. In a country like Nigeria

where the unemployment rate is high, one of the antidotes is no doubt to have robust MSMEs because the sector has the propensity to employ more hands since its production process is often labour intensive. Kasimu (1998) confirmed that the MSMEs have through Nigeria Industrial Development Bank (NIDB) assisted projects created more than 300,000 jobs in Nigeria and through the Nigeria Agricultural and Cooperative Bank (NACB), 700,000 jobs has also been created.

A number of researches have pointed in this direction (Daniel, 1994; Fisseha, 1991; Awosika, 1997; Schmitz, 1995; Gunu, 2004; and Aremu, 2010, Safiriyu & Njogo, 2012). There is a general believe that the desired employment generation in this country can be achieved through the development of MSMEs (Awosika 1997, Schmitz 1995). Gunu (2004) and Aremu (2010) posited that Small Scale Enterprises provide income, savings, and employment generation. United Nations Industrial Development Organization (UNIDO) in (2010) admitted that MSMEs are major contributors to private sector employment. But, in this part of the world MSMEs are confronted with many challenges like lack of financing, low productivity, lack of potential managerial abilities, access to technology, heavy regulatory burdens, etc.(Ajayi, 2000; Wang, 2003). These challenges have impeded their growth chances and the possibility of meeting their expectation in the society.

In explaining the contribution of MSMEs in employment generation, Adeyemi and Badmus (2001) opined that if MSMEs sector is well funded, it will reduce the rate of unemployment in Nigeria. According to them, a developed MSMEs sector creates more jobs than large companies who are often capital intensive and require fewer hands. The Nigerian Government seems to be aware of this and that was why at all levels effort is geared towards how to create enabling and friendly environment in which MSMEs would flourish (Survey of MSMEs in Nigeria, 2012). Various programmes, institutions and effort have been put in place to assist MSMEs in order to develop them for the capacity to generate employment (Jimodu, 1998; Kayode, 2001; Hassan, 2003). The survey report on the MSMEs in Nigeria (2012) estimated the employees of MSMEs at thirty-two million, four hundred and fourteen thousand eight hundred and eighty-four (32, 414, 884) and put the MSMEs in Kwara State at four hundred and twenty eight thousand one hundred and eleven (428,111). In spite of these encouraging estimates, the State is still reported to be one of the States in the country with high rate of unemployment (Daily Independent, 2014).

Although the Kwara State government claim to have done well in employment generation through her different programmes like the State Economic Empowerment and Development Strategy (KWSEEDS), LEAH Charity Foundation (LCF), SME fund, QuickWin, to mention few coupled with the ones extended by the Federal Government of Nigeria like, The Nigeria Bank for commerce and industry (NBCI), National Directorate of Employment (NDE), The Youth Empowerment Scheme (YES), National Economic Reconstruction Fund (NERFUND), Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), Small and Medium Industries Equity Investment Scheme (SMIEIS), Youth Enterprise with Innovation in Nigeria (YOUWin), etc.

In spite of this claim, MSMEs in Kwara State, Nigeria continued to be confronted with numerous challenges and this made government to remains the largest employers of labour unlike what it is in some developed nations of the world. Average MSMEs in the State go into extinction within their first five years of establishment while another smaller percentage disappears few years after. The situation is more disturbing and worrisome when compared with what is happening in other States in the country and what they have been able to achieve with their MSMEs. Regrettably, all the stakeholders' (government, owners of MSMEs, organised private sector, etc.) are insensitivity to this issue, most of the MSMEs in Kwara State are still crawling after years of floating them. It is against this background that this study assesses the performance of MSMEs in Kwara State in respect of employment generation drive.

2.0 Review of Related Literature and Conceptual Framework

There is no universally accepted definition of MSMEs (Beyene, 2002). Many of the definitions have considered the size as the name suggest; micro, small and medium. Others have considered number of staff and cost of assets among others. Hashim (2000), opine that MSMEs are defined by a number of factors and criteria, such as location, size, age, structure, organization, number of employees, sales volume, worth of assets, ownership through innovation and technology. In United States of America (USA), a small business is defined as any business with fewer than 500 employees. This may represent a medium to large enterprise in the African context. While in South Africa, Micro enterprises have less than 5 employees, Small enterprises have from 5 to 50 employees, and medium enterprises often employ up to 200 persons and have capital, excluding property, of about 5 million Rand.

In South Africa, the term Small, Medium and Micro Enterprises (SMMEs) is use, while recently in Nigeria, the term captured ‘Micro’ from what use to be SME now Micro, Small and Medium Enterprises (MSMEs). The Survey Report on MSMEs in Nigeria (2012) defines micro enterprise as those enterprises whose total asset excluding land and building is less than 5 Million with a workforce not exceeding 10 employees, small enterprise as those enterprises whose total asset excluding land and building are above 5 Million Naira but not exceeding 50 Million Naira with total workforce of above 10 but not exceeding 49 employees. While the medium enterprises are those enterprises whose total asset excluding land and building are above 50 Million Naira but not exceeding 500 Million Naira with a total workforce of 50 to 200 and above.

Central Bank of Nigeria (2012) described MSMEs in this order: **Micro Enterprises** are enterprises with less than 10 employees with a total asset of less than N5 million (excluding land and buildings) and operated by sole proprietor, **Small Enterprises** are defined as entities with asset base of N5 million and not more than N50 million (excluding land and buildings) with labour force (employees) of between 10 and 49 while **Medium Enterprises** are defined as entities with asset base of N50 million and not more than N500 million (excluding land and buildings) with labour force (employees) of between 50 and 200 above. The agency envisaged conflictive position in the classificatory system and opines that the employment based classification will take precedence. In the instance of enterprise with asset worth 52 Million Naira with 47 employees, the enterprise shall be small enterprise.

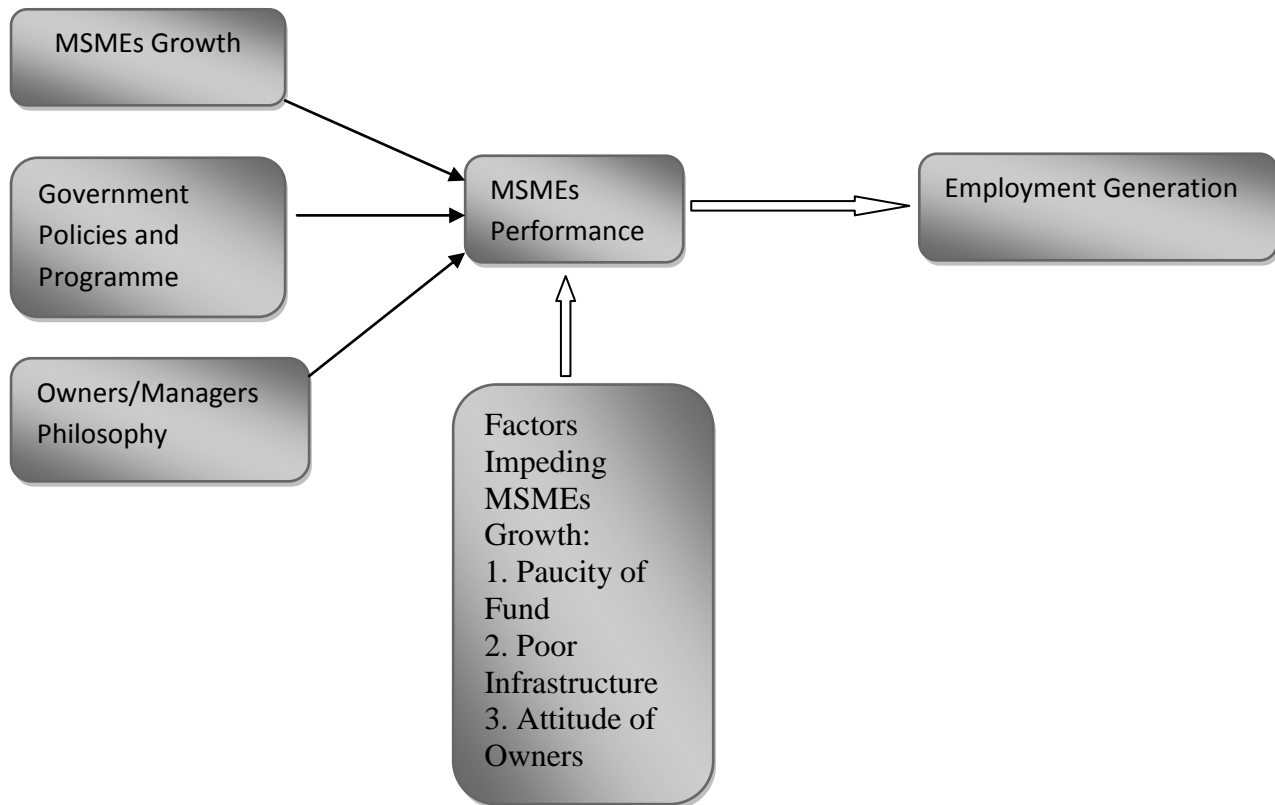
S/N	Size Category	Employment Band	Assets (#=Million) Excluding Land and Building
1	Micro Enterprises	Less than 10	Less than 5 Million
2	Small Enterprises	10 to 49	5 Million to Less than 50 Million
3	Medium Enterprises	50 to 200 and above	50 Million to Less than 500 Million

Source: Central Bank of Nigeria, 2012.

Considerable theoretical grounds can be linked to unemployment, job creation and MSMEs in any society. Keynesian economics emphasizes the nature of unemployment and recommend interventions such as public fund, financial stimuli and expansionist monetary policies to generate employment. This intervention assists MSMEs to grow and in the process create more jobs and reduce unemployment. Schumpeter’s idea about new business emergence also promote employability; when new business come into place due to encouragement by the intervention programmes of government, employability is stimulated and unemployment reduces substantially. Lucas (1978) and Jovanovic (1982) summit that when propensity to set up enterprises is low; the rate of unemployment will be high.

Churchill and Lewis (1983) indicated that small enterprise growth model also determine the level of employment generation. At the start up stage few hands are often needed depending on the size of the enterprise but as the enterprise move to the next stage, activities add up and to ensure task performance efficiently more hand will be required because small business engages labour intensive production process, jobs are created.

Conceptual Framework



The variables in the conceptual framework are discussed below:

MSMEs Growth: Researches into organizations explained different stages of growth; the MSMEs also follow this pattern without exemption. Churchill & Lewis (1983) opine that MSME growth has indicated a series of stage-models in which the business moves through a number of defined stages.

The simple model identifies pre start-up as the first stage followed by start-up stage, growth stage, maturity stage and possibly grows into large firm. The argument here is not really the stages but how SMEs move within the stages to attain maturity. The development factor and the pace of development considering the time and its expansion rate are key issues here. For any MSMEs to achieve sustainable profitability, it must win new markets and introduces new products. Once it starts to grow it will either plateau off or enter a further stage of expansion in which transitions from a small to a medium or even large firm before reaching maturity (Scott & Bruce, 1987).

The Start-up usually lasts for a period of one to three years during which the founder supervises the whole business activities that may be carried out by family members, friends or small number of employees; the accelerated growth phase usually lasts three to four years. During this period, the founder or a management expert handles management. At this point, a corporate organization is developed thereby leading to separation of ownership from management, the stable growth phase typically has duration of two to five years. During this period, management expertise and the corporate organization are divided into numerous departments and in flow of stable, long-term venture capital from corporate investors begin to appear, and the Maturity phase may start after

several years of beginning in the business adopts the same type of management as stable growth phase but major difference being that sources of funding may become more diverse.

The growth cycle of MSMEs is therefore a dynamic process involving the combination of a variety of different elements, partially concentrated within the owner-manager or entrepreneur, and partially within the firm itself. How successful the firm is over time will depend on the capacity of the management team leading it, and their ability to set clear strategic goals and implement such strategy via formal planning.

Government Policies and Programmes: Bundle of policies and programmes has been put in place to guide actions of MSMEs while some are considered favorable others are obnoxious while most policies failed due to poor implementation others however, succeeded (Oni & Daniya, 2012). The authors admitted that financial and monetary policies over the years introduced schemes for promoting improved access to credit for industrial development particularly in MSMEs but affirmed that some of these policies never go beyond black and white. For instance, Banks which are supposed to complement and implement government policies in this regard often demand for huge collaterals which MSMEs do not have. Akoja and Hasret (2010) asserted that 'some of the programmes of government like credit financing schemes and institutions; technical/managerial development and policy framework to support MSMEs have helped the growth of the sector.' They also remarked further on government policy framework for the support of MSMEs especially in the areas of tariff, fiscal and infrastructures. For instance, tax relief is granted for SMEs in the first 6years of existence. However, Ofoegbu, et al (2013) found out in their study that attitude of government in kwara state is unfriendly towards the micro enterprises in the area of policy formulation and implementation.

Owners/Managers Philosophy: The performance of MSMEs is to a large extent determined by the mind-set of the owners/managers. In Nigeria, most of the owners/managers are autocratic in approach and build enterprise around themselves and family. Self-interest put ahead of enterprise interest and this makes it difficult to separate them from the enterprise when it comes to a lot of issues. Based on previous research (Baron & Hanna, 2002; Baron, Hanna & Burton, 1999; Baron & Burton, 2001), the owners/managers philosophies are classified into three arms namely: In autocracy model, the owners/managers retain tight hands on enterprise and operate as sole visionary of the enterprise; the high-commitment model believes in building enterprise around family while professional model separate enterprise from themselves and share the interest of the enterprise beyond themselves.

MSMEs Performance: This is the extent to which MSMEs is able to attain the essence of being. Among the performance indicators for MSMEs are profit, production of goods and services, employment generation, to mention few. Lawal (2011) and Okputu (2002) discovered in their respective studies that irrespective of MSMEs nature, performance is imperative to their continued existence.

Employment Generation: Chepkwony, Charlse, & Julius (2009) opine that the promotion of micro enterprises in developing countries is justified in their abilities to generate employment. Afua (2008) remarked earlier on the ability of MSMEs to generate employment. This opinion was also shared in the studies of Bowale & Akinlo (2012) as they discovered substantial increase in the number of employees in MSMEs that have grown from micro enterprises to small scale enterprises and medium enterprises over the span of 5years. They also discovered that of all the three levels of enterprises, the micro enterprises has more potential to grow than the two others; their findings revealed that small and medium grew at 75% and 45% respectively while micro grew at 133%.

MSMEs in Kwara State

Kwara State is one of the 36 States in Nigeria located in North Central geopolitical zone with 2.7million people. It was created in 1967 and made up of 16 local government areas with fertile land, good climate and peaceful environment. According to the Survey report on MSMEs of Nigeria (2012), 428,111 MSMEs exist in Kwara State with 427,668 Micro enterprises, 415 Small Enterprises and 28 Medium Enterprises (Table 1). MSMEs in Kwara State can be classified under three pathways namely: those on low growth development pathway, moderate growth development pathway and high growth development pathway. Some drawbacks confronting the development of MSMEs in Kwara State, Nigeria are similar to what Ting (2004) identified as the five key challenges of SMEs namely: lack of access to finance, human resource constraints, limited or inability to adopt technology, lack of information on potential markets and customers, and global competition.

Several other issues affect the MSME sector in Kwara State in spite of the acclaimed efforts of the government (KWSEEDS- the State Economic Empowerment and Development Strategy, LEAH Charity Foundation (LCF), SME fund, QuickWin, etc.). Some of these are institutional, as represented by absence of a focused and supportive policy or framework or access to appropriate credit. Others are endemic to the manufacturing sector as a whole and are caused by problems of transformation from a low technology / low skill environment, and personalized / inefficient management and organization structures out of tune with knowledge based economies of the 21st century. There is also an absence of institutional arrangements for change management, i.e. transmitting new skills (technical and non-technical) and monitoring their long term assimilation and internal sustainability. The major issues are identified as:

1. Low levels of technical skills and information at the level of product, process, management, or marketing, all of which can affect quality and competitiveness;
2. Issues of verifiable quality and standards;
3. Complex and unfriendly set of labour, tax and industry legislation and implementation procedures, which can encourage official abuse, push up the cost of starting or running an enterprise, and discourage the MSMEs from joining the formal economy;
4. Low access, low availability of financial resources, and high transaction costs;
5. Industry / sector newsletters are missing which can disseminate market trends and demands quickly and reliably; and
6. Absence of reliable and timely data /survey on assets, turnovers, employee numbers and employee skills in the country's SMEs

Most of the residents in Kwara would have ventured into Micro businesses and or expand their business in order to create more job but the factors around remain a big threat to their actualization of this vision.

Estimating the Unemployment rate in Kwara State

It is not easy to measure the rate of unemployment because of the conceptual problems of defining who is employed, unemployed or underemployed. Unemployment figures include those out of work, able to work and looking for a job through recognized channels. This definition should be extended to include those unemployed persons who give up job-seeking out of frustration and retrenched or laid-off persons. Unconfirmed statistical data on the trend of unemployment in Kwara State show that there had been increase in the rate of unemployed persons in the State.

Contributions of MSMEs to Employment Generation

MSMEs role is always seen from perspectives of employment generation, contribution to export earning, and the Gross Domestic Product (GDP) (Abdulraheem, Yahaya, Etudaiye-Muhtar, & Abogun, 2012). In industrialized countries, MSMEs are major contributors to private sector employment. Empirical studies have shown that SMEs contribute to over 50% of GDP and over 60%

of total employment in high income countries. SMEs and formal enterprises account for over 60% of GDP and over 70% of total employment in low income countries, while they contribute about 70% of GDP and 95% of total employment in middle income countries (World Bank, 1977).

In most developing countries, MSMEs account for the majority of firms and a large share of the employment. The relative importance of small business varies significantly across countries and within a given country, across stages of development over time. A comparative study of manufacturing firms by Snadgross & Briggs (1996) shows common pattern in the transformation of the size distribution of firms as industrialization by concluding that small-scale enterprises play a declining role as countries develop.

In the same vein, because they are often labour intensive, they employ a large share of the labour force in many developing countries. Theoretically, MSMEs are regarded to be more labour intensive than large firms. Labour intensity exhibits more variation across industries than among firm-sized groups within industries.

Another direction in which MSMEs have generated employment is based on their chances of growth, when the enterprise expands, more jobs are created. The phases in MSMEs growth as discussed; pre start up, start-up, accelerated growth, stable growth and maturity. At each stage, MSMEs grow bigger and often need more hands. Through MSMEs growth, employment is often generated (See table 2 - 4).

3.0 Methodology

Survey research design method was used in this study. The study population involved all the MSMEs in Kwara State which is 428,111. Owing to this large population, it was imperative to work with a handful number of them for effective coverage within the time frame of the study. This was done purposively, and nineteen (19) firms within MSEM (See table 1) were selected across the sub-sectors in the MSMEs sector using the following criteria: Not less than 10 years of existence, location (rural and urban), and enterprise size. Four (4) respondents who are Owners, managers and person in charge human resource/administration filled the questionnaires. The respondents were deliberately chosen based on the information the study required. In all 76 respondents were envisaged but only 72 questionnaires were retrieved while 04 questionnaires were either not distributed due to non-availability of respondent like we have some enterprise under micro with only 3 personnel while some were not returned as well. The analysis was based on the 72 questionnaires (N= 72). The questionnaire was self-designed and assessed by three senior lecturers in the university before administration.

This research used broadly two (2) distinct datasets; primary and secondary. The primary sources data were those practices most often included in management styles, employee's behaviour, age of firm, workforce size and composition, performance measurement, etc. While the secondary sources extracted data from the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN): The data cover facts on subjective, general and specific MSMEs employment generation, MSME growth rate in Kwara State, Sectoral distribution, and other facts from their publications relevant to this present study, the Nigeria Bureau of Statistics (NBS) fact sheet on MSMEs between 2003 and 2012 was also used as it provided some useful information and Finally, the selected MSMEs records and books also serve as another source of vital information. Records of staff strength, within the period of study in the MSMEs are vital in this instance to give room for comparative analysis.

Data collected from the survey were collated and analyzed using descriptive analysis in the form of tables. The hypotheses were tested using a parametric t-test with the aid of Statistical Package for Social Sciences (SPSS).

Hypotheses Development

Based on the assumed relationship given in the conceptual model and the review of relevant literature on MSMEs and employment generation in Kwara State, these hypotheses were developed:

H1: There is no significant relationship between MSMEs growth and Employment generation

H2: Government policies and programmes do not hinder the growth of MSMEs

4.0 Results and Discussions

Table 1: Selected Micro firms Staff Strength as at December of each year

Firms/ Yrs	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
A	3	3	3	3	3	2	2	3	3	3	4
B	3	3	3	3	3	4	4	4	4	4	4
C	3	5	5	5	5	5	6	5	6	6	6
D	2	2	2	2	3	3	4	4	4	4	4
E	2	2	2	2	1	1	1	1	1	1	1
F	4	4	4	4	4	4	6	6	6	6	6
G	8	8	8	8	7	8	8	8	8	8	8
H	5	6	6	6	6	6	7	6	6	6	6
I	3	3	3	3	3	3	3	3	4	4	5

Source: Field Survey, 2013.

As presented in Table 1, Micro enterprises, the selected firms (A - I), in term of staff strength did fairly well except for firm E that had a drop in staff strength from 2 to 1 staff. But it should be noted that the highest strength under the selected micro enterprise is 8 and on the average 4, this is insignificant to the teeming number of unemployed persons in Kwara State.

Table 2: Selected Small firms Staff Strength as at December of each year

Firms/ Years.	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
A	9	12	12	18	18	20	22	22	22	22	22
B	25	25	23	26	26	28	30	30	30	38	34
C	52	55	55	55	55	54	54	58	58	58	60
D	8	10	14	14	14	15	16	16	16	16	16
E	95	95	94	90	92	92	92	98	98	98	98
F	76	80	80	80	78	80	85	85	85	85	88

Source: Field Survey, 2013.

Table 2 revealed that small enterprises had a relatively stable growth rate with 98 as the highest staff strength while only firm B has a drop in staff strength in 2012. A remarkable growth is observed in firm A and D under the small enterprises, in the early part of their establishment they were micro enterprises but moved to small enterprises at the wake of their establishment.

Table 3: Selected Medium firms Staff Strength as at December of each year

Firms/Yrs.	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
A	90	100	100	125	126	126	130	130	138	146	150
B	102	101	109	112	112	112	115	115	120	120	124
C	150	145	146	150	150	160	159	158	162	162	166
D	88	96	100	112	125	150	150	160	160	165	170

Source: Field Survey, 2013.

As presented in Table 3, medium enterprises surveyed were doing well with consistent increase in their staff strength and have high tendency of generating more employment in the years to come and become a large enterprise. Similarly, a remarkable growth is observed in firm A and D under the medium enterprises, in the early part of their establishment they were small enterprises but moved to medium enterprises at the wake of their establishment. This confirmed the view of Bowale and Akinlo (2012) who noted substantial increase in the number of employees that have migrated from either micro or small enterprises to medium.

Hypothesis Testing

H1: There is no significant relationship between MSMEs growth and Employment generation

Table 4: One Sample Statistics

	N	Mean	Standard Deviation	Standard Error Mean
There is significant relationship between MSMEs growth and Employment generation	72	2.01	.986	.116

Table 4 indicate that the mean of 2.01 show an average response in disagreement with MSMEs growth and employment generation in Kwara State.

Table 5: One Sample Test

There is significant relationship between MSMEs growth and Employment generation	Test Value = 0					
	T	df	Sig. (2 tailed)	Mean Diff	95% confident interval of the difference	
					Lower	Upper
	17.336	71	.000	2.014	1.78	2.25

Table 5 is a two tailed test with d.f (72-1) =71. The statistical value for 0.05 at 71 degree of freedom is 1.99 and the calculated value t=17.336 which is greater than table value. We reject the null hypothesis. This implies that there is significant relationship between MSMEs growth and Employment generation.

H2: Government policies and programmes do not hinder the growth of MSMEs

Table 6: One Sample Statistics

	N	Mean	Standard Deviation	Standard Error Mean
Government policies and programmes hinder the growth of MSMEs in Kwara State	71	1.99	1.049	.124

Table 6 indicate the mean is 1.99, this shows that the average response disagree with government policies effect on MSMEs growth

Table 7: One Sample Test

Government policies and programmes hinder the growth of MSMEs in Kwara State	Test Value = 0					
	T	Df	Sig. (2 tailed)	Mean Diff	95% confident interval of the difference	
					Lower	Upper
	15.956	70	.000	1.986	1.74	2.23

Table 7 is a two tailed test with d.f (71-1) = 70. The statistical value of t @ 0.05 degree of freedom is 1.99 and calculated value = 15.956. Since the calculated value is greater than the table value, we reject the null hypothesis. This implies that government policies and programmes can hinder the growth of MSMEs

5.0 Conclusion

This paper has provided evidence on the contribution of MSMEs in Employment generation in Kwara State, Nigeria, The study found that the MSMEs in Kwara State are not well positioned to generate the so required level of employment for the people. However, government has fairly tried in providing a schemes, institutions and policies to drive MSMEs. This by implication means that if Kwara State MSMEs sector is to generate more jobs, it must be repositioned to improve upon the existing structure.

6.0 Recommendations

The study therefore recommends the following:

1. There is the need for all the stakeholders to be committed to the need to reposition the MSMEs sector in Kwara State for steady growth.
2. Government should introduce programmes and policies that will promote MSMEs growth in Kwara State.
3. Business owners/managers should be more dedicated to excellence in operation in order to ensure the growth of enterprises.
4. Individual should develop enterprise spirit.

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