

## Small and Medium Scale Enterprises and Employment Generation in Akwa Ibom State

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### ABSTRACT

The study examines Small and Medium Scale Enterprises and Employment Generation in Akwa Ibom State. Specifically, the study highlight and demonstrate the importance of SMEs as a tool for employment generation and solution for the problems associated with youth's unemployment; identify and highlight the challenges faced by entrepreneurs in establishing SMEs; identify and highlight the policies government should put in place to encourage the establishment of more SMEs in Akwa Ibom State. The population of the study consists of all the 11,990 SMEs as recorded by the directorate of SMEs of Akwa Ibom State in 2021. Taro Yamane formulae was applied to arrive at a sample size of 400 SMEs and 400 questionnaires were strategically distributed among the three (3) senatorial districts in Akwa Ibom State. The research questions of the study were analyzed using statistical tools of mean and standard deviation in Statistical Package for Social Sciences (SPSS) with a mean criterion of 3.0. The study finds out that SME is a veritable tool for employment generation and thus solve the problems associated with unemployment in the state, also that high tax/interest rate, erratic power supply, etc are challenges faced by SMEs in Akwa Ibom State. The study further revealed that policies that will reduce tax/interest rate and promote stable power supply etc should be put in place and thus concluded that SMEs sector in Akwa Ibom State will live up to expectation in its core responsibility of employment generation in the state if these policies are enacted

## **INTRODUCTION**

Small and medium-sized enterprises (SMEs) have been establishing themselves in the international business world for years. This is due to the role played by the sector as it is a good choice for job creation, which drives national growth aimed at poverty alleviation and economic development (Aremu and Adeyemi, 2011). SMEs have the ability to support enormous job creation if they are provided with the appropriate environment and economic policy support. SMEs have created employment opportunities for over sixty percent (60%) of the global workforce, particularly in the advanced world (Kadiri, 2008, 2012).

SMEs as a job creation strategy, in the context of this paper and fundamentally, means achieving an acceptable standard of job creation so that citizens are able and willing to afford the basic needs of shelter, clothing and food that the basic needs of are life (Ololube and Uzorka, 2009)

Major world powers rely on SMEs to grow their economies. For example, in the United States and the United Kingdom, SMEs account for over eighty percent (80%) of the country's workforce. Same applies to China, Germany and France. SMEs in these countries provide employment opportunities for over 75 percent of their workforce (Ololube and Uzorka, 2009). The everyday needs of Nigerians are products of SMEs. However, the production and supply chain of these products occurs with little or no high-tech mechanization. Over-reliance on oil over the last six decades has left Nigeria largely dependent on oil for exports rather than diversifying the economy into other productive sectors such as SMEs and agriculture. This has led to high unemployment rates particularly in Akwa Ibom State.

The 1990s saw a sharp rise in oil revenues due to the high prices of petroleum products, which raised per capita income in most oil-producing nations, including Nigeria. Real per capita income in the oil-dependent nations fell precipitously as a result of the sharp drop in global oil prices. As a result, most of these nations saw an increase in poverty, especially Nigeria (Ololube and Uzorka, 2009). Nigeria is targeting SMEs in an attempt to see if the country can significantly reduce the rise in unemployment and poverty as a result of the rise in the number of unemployed graduates (Ogbo and Nwachukwu, 2012).

Recognizing the importance and capacity of SMEs in creating employment opportunities, poverty alleviation and national economic development, there has been significant interest in the development of Nigeria's SMEs in recent years (Aremu and Adeyemi, 2011). There is an argument that for a nation to achieve rapid economic growth and development, it must pay close attention to the growth of SMEs to create jobs (Sanda, Dogon-Daji and Abdullah, 2006).

Additionally, it was discovered by Sanda, Dogon-Daji, Abdullah (2006), and Kadiri (2012) that small businesses create employment opportunities more effectively than large businesses. Small and medium-sized enterprises (SMEs) are widely acknowledged as a key catalyst for industrial growth and overall economic development in all economies, but particularly in developing and transitional nations, by international development partners, development economists, and political decision-makers. One of the eight millennium

development goals, namely the eradication of extreme poverty, is also thought to be achievable through micro-enterprises, the smallest of its type of business. There is ample evidence that regions or economies where SMEs are actively supported and encouraged have seen their poverty rates decline. This is particularly true in Asia, while more and more people in sub-Saharan Africa are sinking deep into poverty. India, for example, exemplifies a model of a demand-driven, bottom-up economy that relies heavily on local entrepreneurship rather than foreign direct investment. Its economic growth, expected to be among the fastest in the region, is expected to be achieved by a young, confident population unleashing its creative entrepreneurial energies. It is therefore assumed that India has great potential for high economic growth due to its young population. Nigeria has many similarities with India as the country has a young, dynamic population with many entrepreneurial opportunities. However, this will only become a reality if the necessary conditions are in place to actively and consciously promote young people's entrepreneurship and use SMEs as suitable vehicles.

Youth entrepreneurship has become more imperative now than ever before considering the high rate of youth unemployment situation in Nigeria. The consequences of youth unemployment are too much to be handled with kids-glove. Recent experiences in Nigeria with youth restiveness in Akwa Ibom state and youth gang clashes in Ikot Abasi, Obolo, Eket and other parts of the state are largely the bye-product of unemployment. Other consequences of unemployment on society at large include; high rate of juvenile delinquency, involvement in violent crimes such as armed robbery and political thuggery as witnessed during the nation's electioneering periods, apart from falling prey as couriers for drug traffickers and as victims of human traffickers. Turnham (1997) has cautioned that the issue of employment should be made a top policy agenda in order to avoid what Shinder (2007) describe as a "waiting time bomb".

The effectiveness of promoting SMEs to combat unemployment is well known (Owualah, 1999). Furthermore, Owualah and Obokoh (2007) are of the opinion that the embedding of SMEs in educational institutions in the Niger Delta region of Nigeria could bring about a progression from awareness to more entrepreneurship and entrepreneurial skills development activities in the desire for Ownership culminates and the management of businesses after graduation by the youth of the region. Thus, support for SMEs could be used to change a culture that is currently hostile to the idea of being entrepreneurs rather than hostage takers or gangsters.

Nigeria's aim of achieving economic growth and development cannot be achieved under this high level of poverty and unemployment. The Nigerian national economy is characterized by myriad of problems which have resulted to sleepless nights and threats to successive governments. The most alarming menace is that of unemployment in Nigeria. Nigeria is faced with the challenge of curbing increase in crime rate, unprecedented increase in prostitution, high mortality rate, political thuggery, youth restiveness, cultism, among others, which are traceable to youth unemployment in the country in general and

Akwa Ibom state of Niger Delta Region in particular. The real question is how do we overcome the challenge of unemployment in Akwa Ibom state in particular and Nigeria at large?

Recent studies conducted by Uzor (2014), Yusuf (2012) and Udechukwu (2003) have shown that what will bring salvation to the Nigerian economy as regards to unemployment and poverty alleviation is the establishment of Small and Medium Scale Enterprises which can enhance economic growth and development. Small and Medium scale enterprises play important economic roles in many countries. However, despite the enormous potentials in the SMEs sector and in spite of the acknowledgement of its immense contribution in employment generation, SMEs' establishment still fall below expectation in developing countries such as Nigeria. For instance, a 2010 survey conducted by the Manufacturers Association of Nigeria (MAN) revealed that entrepreneurs find it hard to establish SMEs in Nigeria as a result of unfavorable government policies, less attention in terms of funding as well as political instability. These problems have restrained SMEs from achieving its optimal motive of employment generation in Nigeria. This study therefore, attempts to identify the factors that will stimulate the establishment of SMEs in Akwa Ibom state as well as the benefits that will be derived from such establishments, challenges to overcome and policies government need to put in place that will encourage the establishment of more SMEs in Akwa Ibom state.

## **THEORETICAL FRAMEWORK**

### **Innovation Theory of Trade Cycle**

According to Schumpeter (1934), an innovative economy driven by entrepreneurs leads to a trade cycle. According to him, trade cycles are an essential component of a capitalist society's process of economic expansion. In 1934, Schumpeter developed his theory of the trade cycle, which he described as having two stages. The first stage focuses on the innovation's initial effects that entrepreneurs introduce into their production processes. The second stage develops as a result of rivals' responses to the innovation's initial dissemination. Schumpeter (1934) asserted that an entrepreneur's main responsibility is to innovate in order to generate actual profit. According to Schumpeter (1934), an innovation can include the introduction of a new product, the adoption of a new method of production, the opening of a new market, the conquest of a new source of raw materials or semi-manufactured goods, and the reorganization of production processes within a firm. By innovation, he means "changes in existing production system to be introduced by the entrepreneur in a view to make profit and reduce cost.". The commercial application of inventions by enterprising individuals is known as innovation. Because an entrepreneur adds something completely "new" to the current economic system through his business, he is not a man of ordinary ability. He is an organizer rather than a capitalist, and he can raise the funds required to launch his invention. Two things are necessary for the innovator-entrepreneur to carry out his duties: technical expertise to introduce innovations, and financial resources to see his project through to completion. Schumpeter believed that a capitalist society contained an untapped reservoir of technical knowledge that he could draw

upon to shape his innovation. According to Schumpeter (1934), an entrepreneur can easily obtain bank credit. The beginning of the business cycle is marked by the introduction of innovation. Money income rises and prices start to rise as the innovator-entrepreneur starts to bid away resources from other industries, which encourages more inventions. When innovation increases output, the economy's circular flow expands, supply surpasses demand, the initial equilibrium is upset, and there is a surge in the growth of economic activity. This is referred to as the "primary wave" by Schumpeter (1934). A "secondary wave" of expansion comes after this main wave. This is because of how the initial innovation affected the rivals. When the initial idea turns a profit, other businesspeople adopt it in "swan-like clusters." Innovation in one field inspires innovation in fields that are related. Prices and incomes both increase. The overall level of economic activity is rising. The demand for the goods produced by non-innovating industries rises along with consumer spending power, driving up prices for these goods. The economy as a whole expands in lockstep with the potential profits in these industries. This is the second credit inflation wave that builds upon the first expansion wave. Excessive optimism and conjecture heighten the desire for growth during economic booms. The period of prosperity ends as soon as "new" products driven by waves of innovations replace old ones because as demand for the former declines, so do their prices, forcing producer-firms to reduce output. A portion of them might have to go into liquidation. There is less money in circulation when innovators start paying back their bank loans with their newly acquired profits, which causes prices to drop and profits to decrease. Hazards and uncertainty are elevated in this environment. Readjusting to the previous neighborhood's "equilibrium" is a painful process that starts. A depression is about to envelop the economy. A prolonged recession of the economy is unsustainable. Businesspeople with an innovative mindset never stop looking for new and profitable ideas. A revival is brought about by the natural forces of healing. The "dilution or diffusion of effects" is one of the processes that gradually counteract the deflationary forces brought about by depression, according to Schumpeter (1934). This represents the impact of individual market collapses, bankruptcies, and closures on overall economic activity. The effects of these events continue to diminish as they take place. An additional element mitigating the impact of depression is the way in which the failure of certain businesses allows the remaining businesses to grow and penetrate the market supplied by the failing businesses. These counteracting factors have a healing impact. Furthermore, some of the more daring businesspeople will begin to innovate as new investments are made. Others follow, and investment rises sharply once more, signaling the impending arrival of another boom. The stages of a full trade cycle are thus finished.

Schumpeter (1934) formulated his theory of the trade cycle on the following presumptions: there will be full employment, efficient production, no profits, no interest rates, no savings, no investments, an entirely competitive economy in stationary equilibrium, and no involuntary unemployment.

Baumol (1990) and Stevenson and Jarillo (1990) support Schumpeter's (1934) theory of trade cycle innovation. They share the view that the free market economy has the ability to generate innovation and achieve rapid growth. They challenged the long-held economic notion that price competition was the primary driver of economic growth. Instead, they emphasized that the answer lies in business innovation. They argued that Schumpeter's (1934) trade cycle theory highlights the importance of inflation financing as a major factor in economic development and that the theory's analysis is relevant to underdeveloped countries from the starting point of long-term productivity growth and absorption of surplus labor in the workforce as a result of innovation.

Hayek (1941) and Yeager (1986) criticized Schumpeter's (1934) trade cycle theory. They are of the common opinion that innovations alone cannot cause cyclical fluctuations in the economy. Together with monetary factors, innovations cause trade cycles, and if entrepreneurs decide to finance innovations from their retained profits, these will only cause a slight expansion. Likewise, if the banking system expands its credit based on real savings provided to it by the public, there will be no inflationary pressure on the economy. They also argued that the intensity of expansion and depression does not depend solely on innovation. The intensity and duration of a business cycle also depends on whether an innovation is introduced before the previous cycle has completed its entire course.

The researcher shares the common view of Baumol (1990), and Stevenson and Jarilo (1990) on Schumpeter (1934) theory of trade cycle that free market economy has the capacity to produce innovation and rapid rate of growth and that the analysis of Schumpeter (1934) theory of trade cycle is relevant to underdeveloped countries from the start point of long range increase in production and absorption of surplus labor in gainful employment as a result of innovation.

### **Theory of Cultural Impact on Entrepreneurial Behavior**

According to Cochran (1965), the key drivers to entrepreneurial behavior are cultural values, role expectations and social sensations. Cochran (1965) posits that the environment in which an individual is reared determines his urge towards entrepreneurship. Cochran (1965) also postulates that entrepreneurs are not deviants or superhuman beings but products of their societies and may represent society's model personalities since they are shaped by society's cultural values and role expectations. The individual's performance as an entrepreneur can be influenced by three factors as follows: his own attitudes towards his occupation, the role expectations held by sanctioning groups, and the operational requirements of the job.

The values of society constitute the most important determinant of the first two factors. Change occurring overtime in such exogenous variables as population, technology and institutional drift will impact on the emerging role structure by creating new operational needs. Whether the response will be that of creative entrepreneurship or a largely abortive one is determined by cultural

values. Cochran (1965) is of the view that entrepreneurial development is more feasible through such factors as culture and role expectations.

Cochran (1965) postulated this theory based on the following assumptions; there is an economy, there is relative cultural stability, adaptation, every entrepreneur is endowed with social and cultural behaviors.

Proponents of Cochran (1965) theory of cultural impact on entrepreneurial behavior are; Hofstede (1980), Shane (1992), Davidsson and Wiklund (1997). They all agree that a social group's shared values, beliefs, and behavioral expectations are captured by its culture. The social, political, and technological institutions of a society are influenced by cultural values, which can be conscious or unconscious, logical or illogical. Cultural values have an impact on a society's entrepreneurial behavior, including the propensity to innovate and take risks. Certain cultures place a high value on conformity, which inhibits creativity. Shane (1992), for instance, discovers that while power distance has a negative relationship with innovation, individualism has a positive relationship with it. According to Davidsson and Wiklund (1997), societies that place a high value on autonomy, have a stronger drive for achievement, and have higher levels of self-efficacy also typically finance more new business ventures.

Simpheh (2001), Alvarez and Busenitz (2007), and Lunsbury and Glynn (2001) are among those who oppose Cochran's (1965) theory regarding the influence of culture on entrepreneurial behavior. The argument put forth by conformists was that the theory falls short in explaining the availability of entrepreneurs within an economy. They claimed that only social factors and how entrepreneurship is affected by them are the focus of the theory. The theory was criticized for failing to take into account the impact of crucial factors such as profit, innovation, and risk. They concluded by saying that the theory has not given enough attention to the various roles that are connected to being an entrepreneur.

The researcher supports the view of Hofstede (1980), Shane (1992), Davidsson and Wiklund (1997) on Cochran (1965) theory of cultural impact on entrepreneurial behavior, that cultural values such as the propensity to take risks, or to pursue innovations that deviate from the societal norms influence the entrepreneurial behaviors in a society.

### **Balanced Growth Theory**

In order for all economic sectors to grow simultaneously, different economic sectors should develop simultaneously and harmoniously, according to Nurkes' (1953) theory of balanced growth. There must be equilibrium between the supply and demand sides. In order to increase the supply of goods, the supply side places emphasis on the concurrent development of all related sectors. The development of raw materials, energy, transportation, irrigation, agriculture, and intermediate goods all occur simultaneously and harmoniously in this regard. as well as every industry that manufactures goods for consumers. But from a demand perspective, it's about raising wages and expanding employment prospects to boost people's desire for products and

services. The demand side refers to the complementary industries, the consumer goods industry, especially agriculture and manufacturing. With the simultaneous establishment of all kinds of industries, more and more people are employed and a mutual demand for goods arises. In that way, all goods will be sold out. Nurkes (1953) further explained the theory of balanced growth. According to Nurkes (1953), vicious circle of poverty is at work in underdeveloped countries which retard economic development. However, if they are broken, economic development will follow. The vicious circles work on both the supply side and the demand side. On the supply side, there is low saving capacity due to low real income. The low income is due to low productivity, which in turn is due to lack of capital. The lack of capital is the result of a low ability to save. On the demand side, the investment incentive is low due to low demand, which is due to people's low real income. The investment incentive is therefore limited by the size of the market, which in turn depends on productivity, since purchasing capacity is actually production capacity; and productivity depends on the amount of capital used in production. However, for an individual entrepreneur, the use of capital is hampered by the small size of the market, which in turn is limited by low productivity.

The researcher shares the views of Ghosh (2014) on Nurkes (1953) balanced growth doctrine that if all sectors of the economy should be developed simultaneously no sector will be discriminated. That the balanced growth doctrine will help develop underdeveloped countries and reduce their dependence on foreign countries

## **LITERATURE REVIEW**

### **Small and Medium Scale Enterprises and Employment Generation: The Controversy**

The study of the relationship between SMEs and Employment has been focused on the question of whether large firms or SMEs generate more employment. The promotion of SMEs over the past three decades has been based on the view that SMEs are more labor intensive than large firms. Thus the growth of the SMEs sector would lead to increase in employment generation (Thorsten, Demirguc-Kunt, and Levine, 2005). The debate can be traced to the early works of Birch (1979 and 1981). Writing in a context of the USA "losing manufacturing jobs" to Japan and consequently for the USA to create more employment, Birch (1979) raised the issue that little was known regarding the process of employment generation; in particular, he stressed that it was not known whether it was small or large firms which contributed more significantly to employment creation. The answer to this question had considerable implications for economic policies and the nation's ability to create jobs. Answering this question would allow for more efficient allocation of scarce resources in terms of which firms, small or large, should be targeted for support to create employment. Birch (1981) stressed that the gap between understanding the micro and macro was a serious shortcoming affecting the ability of the state to provide policies that would develop jobs. Aggregating a rich data set on 4 million businesses, representing over 80% of total recognized

(formal) establishments in the USA, Birch (1981) and his team looked at net new job creation across small and large businesses. Birch (1981) found that between 1969 and 1976 over two thirds of total net new jobs created were by small firms (less than 20 employees), whilst large corporations appeared to be stagnant. Birch (1981) also found that small firms were more likely to employ youths.

There are some literature criticizing and contesting Birch (1981) findings. These included Brown, Hamilton and Madoff (1990) and Haltiwanger, Jarmin and Miranda (2013). They are on a common ground that large firms contribute more to net employment growth than small firms.

Simultaneously, additional research surfaced that validated Birch's (1981) discovery of a negative correlation between firm size and net employment creation. Kirchoff and Bruce (1988), Baldwin and Picot (2000), Barnes and Haskel (2012), and Neumark, Wall, and Zhang (2011) were among the authors of these. Despite research showing otherwise, Birch's (1981) groundbreaking work ignited a broad interest in the contribution of small businesses to job creation. There was a suggestion that since SMEs required more labor than large companies, their growth would increase employment and lower poverty. SME became a weapon in the fight against poverty. The World Bank and other multilateral organizations, in addition to a number of nations, including South Africa, have made the promotion and development of SMEs a priority in their efforts to reduce poverty and advance economic growth. Birch's (1981) findings were utilized in the United States to justify pro-business policies, tax breaks, and other government initiatives (Neumark, Wall, and Zhang, 2011).

### **Small and Medium Scale Enterprises Finance and Employment Generation**

Small and medium enterprises (SMEs) continue to enjoy high status due to their remarkable role in job creation, development and growth of economies worldwide (Ogbo and Nwachukwu, 2012). Agwu and Emeti (2014) assert that SMEs play a significant role in providing job opportunities for a diverse range of workers, including young individuals, older workers, part-time employees, and those experiencing cyclical unemployment. In developing nations, they employ 22% of the adult labor force. For instance, Kombo (2011) looked at how microfinance organizations in Kisii Municipal, Kenya, affected the financial sustainability of SMEs and their strategies. According to the report, SME financing has made a substantial contribution to Kenya's economic expansion, accounting for 12-14% of the country's GDP through creating jobs and revenue that support the majority of the population. Similar findings apply to Nigeria, where SMEs have boosted business ventures, increased wealth and income distribution, and brought about a host of other advantageous economic outcomes (Ogbo and Nwachukwu, 2012). However, SMEs have very little positive impact when used as actual tools to accomplish national goals related to job creation..

According to researchers (Ololube and Uzorka, 2009; Opafunso and Omoseni, 2014), one obstacle preventing Nigerian SMEs from achieving their full potential in terms of creating jobs for the country's political, social, and

economic development is their financial foundation. SMEs can be quickly established with little experience and have the power to slow the migration of residents from rural to urban areas. When their financial base is substantial (Ololube and Uzorka, 2009), they also make a significant contribution to the GDP, export earnings, and the creation of jobs (Agwu and Emeti, 2014).

Kadiri (2012) investigated job creation and SME financing in Nigeria. According to the study, the inability of the SME sector in Nigeria to secure adequate business financing has prevented SMEs from realizing their full potential for creating jobs. Kadiri (2012) also discovered that almost all of the SMEs' owners who were surveyed for the study relied on unofficial funding sources to launch their companies. As a result, it is very challenging for Nigerian entrepreneurs to get loans from local financial institutions. Evidence from Kadiri (2012) demonstrates that unemployment in the nation has caused poverty in Nigeria to continue rising at an alarming rate since most SMEs there are unable to use other people's services.

### **Small and Medium Scale Enterprises and Employment Generation: The Empirical Evidence**

Udoinyang and Reuben (2024) examine power supply and the performance of small and medium scale enterprises in Rivers State, Nigeria. Primary and secondary source of data were the source of data for the study, the study aims at examining the effect of power (electricity) on SMEs, the impact of power supply on the profitability of SMEs and the effect of power (electricity) on the sales and income of SMEs in the state of Rivers. Survey method was employed in this study and Cochran's sample size formula was used as the sampling strategy since the study's population size was limitless thereby leading to a sample size of 384. The models employ performance indices as dependent variables and electricity supply indicators as explanatory factors. In order to get the required data from the respondents, the researchers created questionnaires. The logistic model and discrete response approach were then used to analyze the data. The study's findings demonstrated that the brief public electricity supply had a detrimental effect on SMEs' productivity, revenue, and ability to store goods. It also served as a bottleneck, limiting SMEs' ability to generate profit, sales, and revenue in Rivers State, Nigeria. Therefore, the research suggests that more electricity should be supplied to the Port Harcourt industrial region, particularly during the day, through SME tax dollars being used for the public good in order to increase productivity, profitability, and job creation in Rivers State.

Otugo, Edoko, and Ezeanolue (2018) used an econometric regression model of ordinary least square (OLS) to model the effects of small and medium-sized enterprises (SMEs), government spending on SMEs' promotion, employment generation growth rate, level of corruption, and commercial bank credit and lending rate to SMEs on Economic growth in Nigeria. According to the study's analysis, Nigeria's economic growth is positively impacted by SMEs, government spending on SMEs, the creation of jobs, commercial bank credit to SMEs, and lending rates to SMEs. Based on the results, the study suggests that the government intentionally promote rural-based industrialization by

encouraging investors in various communities to launch SMEs that would use regional raw materials. It is recommended that SMEs be given preference in government monetary policies concerning lending rates, interest rates, and exchange rates.

Ismaila (2018) investigates the role of finance in the creation of jobs in Nigeria through small and medium-sized businesses. As a statistical analysis tool, the researcher employed binomial logistic regression analysis. The study found that financial constraints prevented the SME sector from generating the desired number of jobs. The study also found that, in order to launch their businesses, every SME in the sample relied on unofficial funding sources. The study makes the case for the integration of formal and informal financial institutions' operations. Additionally, the government needs to give SMEs the infrastructure and supportive environment they require immediately.

Ishola, (2018) studied Response of Entrepreneur to the Changing Business Environment. The study employed primary data through questionnaires and oral interviews. The study made use of Chi-Square in its data analysis. The result revealed that that most entrepreneurs especially here in Nigeria find it hard to adjust to the changing business environment due to poor education and infrastructure. The study concludes that by identifying important dimensions of strategic entrepreneurship and business environment which are: an entrepreneurial culture and entrepreneurial leadership, the strategic management of resources and applying the creativity to develop innovations will boost entrepreneurial performance especially here in Nigeria.

Mohammed (2017) studied the impact of SMEs on Employment Generation in Nigeria. The study covered SMEs employing below 200 persons in all the 36 states of the federation including the Federal Capital Territory (FCT), Abuja. The study employed regression analysis in its data analysis. However, the study revealed that most of the constraints hindering SMEs business growth in Nigeria are; lack of financial support, poor management corruption, and poor infrastructure. The study recommends that government should carry out programs that will help to educate SMEs owners on how to manage their businesses, government should assist entrepreneurs in accessing finance to start their SME and Government should improve on infrastructure so that the SME sector in Nigeria will flourish.

From the literature reviewed Udoinyang and Reuben (2024), Otugo, et al (2018), Ishola (2018) and Muhammed (2017) are of a common view that Small and Medium scale Enterprises generate employment and contribute to economic growth and development, while Ismaila (2018) had a different view. They are of the view that Small and Medium scale Enterprises do not generate employment and contribute to economic growth and development.

Furthermore, the reviewed studies employed a range of statistical methods and tools, including the Statistical Package for Social Sciences (SPSS), Chi-Square, T-test, Ordinary Least sq\ (. OLS), Johansen Co-integration, and Non-parametric Variance, to conduct their analyses. Nevertheless, the studies' findings on small and medium-sized businesses and employment generation were inconsistent and varied. This suggests that more research on small and

medium-sized enterprises, employment generation, and Akwa Ibom State in particular is necessary because the results are inconclusive. These are the main reasons for the necessity of this study on the topic of small and medium-sized enterprises and employment generation with a focus on Akwa Ibom State.

**METHODOLOGY**

The study adopts the survey research design to examine Small and Medium scale Enterprises and Employment Generation. Primary and secondary data were employed in the study. The population for this study consists of all the 11,990 SMEs that make up Akwa Ibom State as recorded by the directorate of SMEs of Akwa Ibom State in 2021. With the use of Taro Yamane the population size was reduce to 400. The research instrument adopt for this study is a self-structured questionnaire titled Small and Medium scale Enterprises and Employment Generation (S.M.S.E.E.G). This allowed the researchers to obtain relevant data for research. The descriptive statistical tools tables, percentages, averages, etc. were used for data presentation. On the other hand, 4 Linkert scales with mean and standard deviation in the Statistical Package for Social Science (SPSS) were used in the analysis of the two research questions. The research questions were analyzed using a mean criterion of 2.50 for the research questions. An overall mean below 2.50 means that respondents disagree with the stated research question, while an overall mean of 2.50 and above means that respondents agree with the stated research questions. The study utilized purposive sampling methods, selecting six (6) out of the thirty-one (31) local government areas in Akwa Ibom State for clarity. Purposive sampling was chosen because it provides non-probability samples based on specific characteristics within a population, allowing the researcher to identify extreme perspectives. Two local government areas were chosen from each of the three (3) senatorial districts in Akwa Ibom State: Uyo, Ibesikpo, Eket, Oron, Ikot Ekpene, and Abak.

**RESEARCH RESULT**

The analysis of the data followed the goals of the study. We looked at both primary and secondary data. In the main analysis, participants were defined by certain demographic factors. All demographic factors, including age, gender, marital status, and business types, were summed up using percentages. In the secondary analyses, we used mean, standard deviations, and logistic regression for the descriptive statistics.

**Table 1. Socio-demographic characteristics and businesses of the respondents**

Socio-Demographic Characteristics	Frequency	Percentage
<b>Gender</b>		
Male	202	54
Female	172	46
Total	374	100
<b>Marital Status</b>		
Single	134	35.8

Married	196	52.4
Divorce	15	4.0
Widow/Widower	29	7.8
Total	374	100
<b>Age Range</b>		
Below 25 years	45	12.0
26-35 years	86	23.0
36-45 years	119	31.8
46 years and above	124	33.2
Total	374	100
<b>Highest Educational Qualification</b>		
FSLC/WAEC	120	32.1
NCE/ND	94	25.1
HND/BSC	124	33.2
MSC/PHD	36	9.6
Total	374	100
<b>Business Type</b>		
Poultry/Livestock	32	9
Furniture Making	15	4
Fashion design/Make-up	55	15
Catering/Restaurant	60	16
Trading	78	21
Printing	38	10
Block Industry	13	3
Transportation	40	11
Horticulture	9	2
Services	34	9
<hr/>		
Total	374	100

*Source: Authors Survey, 2024.*

In Table 1, we can see a synopsis of the demographics and the types of enterprises they run. Among the 374 respondents, a high percentage are married men and women, accounting for 52.4% of the total. The gender breakdown was found to be 172 females (46% of the total) and 202 males (54% of the total). In terms of age, the most respondents were 46yrs and up, with 124 (33.2%), while the youngest were 25yrs and below which accounted to 45 (12%). Similarly, when asked about their educational background, those with a BSC/HND had the most respondents, while those with an MSC/PHD had the fewest. Among the different types of businesses, the most common is the restaurant industry, with 78 respondents (or 21% of the total) operating in this sector. The lowest number of respondents was found in the horticulture sector, with only 9 (or 2% of the total) owners.

## DATA ANALYSIS

**Research Question one:** Will the establishment of more SMEs generate more employment and serve as a tool to reduce the problems associated with youth unemployment in the Akwa Ibom State?

**Table 2: Respondents' responses with regards to establishment of more SMEs to generate more employment in Akwa Ibom State, Nigeria.**

S/N	SME and employment	Mean	Standard Deviation	Decision
1	Establishment of more SMEs will create more employment and assist in the reduction of poverty in Akwa Ibom state.	3.73	0.45	Agreed
2	Employment through SMEs will help to reduce the level of prostitution in Akwa Ibom state.	2.99	1.06	Agreed
3	Employment through SMEs will help reduce the level of Political thuggery being experienced in Akwa Ibom state.	2.95	1.07	Agreed
4	Employment through SMEs will help reduce the level of youths restiveness being experienced in Akwa Ibom state.	3.61	0.55	Agreed
5	Employment through SMEs will help reduce the level of cultism in Akwa Ibom state.	3.16	0.82	Agreed
<b>Aggregate mean</b>		<b>3.29</b>	<b>0.79</b>	<b>Agreed</b>

*Source: Field survey, 2024.*

Table 2 presents the respondents' responses with respect to research question one which sought to know whether establishment of more SMEs would generate more employment so as to solve the problems associated with unemployment in Akwa Ibom State of Nigeria. The table 2 contains five response items that are directed at the identified problems such as poverty, prostitution, thuggery, restiveness and cultism, associated with unemployment in the state. It can be seen that all the respondents anonymously agreed that establishment of more SMEs will generate more employment as well as solve the problems associated with unemployment in Akwa Ibom State of Nigeria.

### **Research Question two**

What are the challenges faced by entrepreneurs in establishing SMEs in Akwa Ibom State?

**Table 3 Respondents' responses with regards to the challenges faced by entrepreneurs in establishing SMEs in Akwa Ibom State, Nigeria.**

S/N	Challenges faced by entrepreneurs in establishing SMEs	Mean	Standard Deviation	Decision
1	Multiple taxation is a challenge faced by SMEs in Akwa Ibom state.	3.43	0.76	Agreed
2	Lack of access to credit facilities is a challenge faced by SMEs in Akwa Ibom state.	3.53	0.73	Agreed
3	High interest rate is a challenge faced by SMEs in Akwa Ibom state.	2.93	0.88	Agreed
4	Poor infrastructure is a challenge faced by SMEs in Akwa Ibom state.	3.48	0.77	Agreed

5	Insecurity is a challenge faced by SMEs in Akwa Ibom state.	3.52	0.74	Agreed
6	Inconsistent and conflicting government policies are a challenge faced by SMEs in Akwa Ibom state.	2.98	0.97	Agreed
<b>Aggregate mean</b>		<b>2.82</b>	<b>0.81</b>	<b>Agreed</b>

*Source: Field survey, 2024.*

Table 3 presents the respondents' responses with respect to research question two which sought to know the challenges faced by entrepreneurs in establishing SMEs in Akwa Ibom State of Nigeria. Table 3 contains six response items that are directed at the identified challenges such as multiple taxation, lack of access to credit facilities, high interest rate, poor infrastructure, insecurity and inconsistent and conflicting government policies. It can be seen that all the respondents anonymously agreed that multiple taxation, lack of access to credit facilities, high interest rate, poor infrastructure, insecurity and inconsistent and conflicting government policies are the challenges faced by entrepreneurs in establishing SMEs in Akwa Ibom State, Nigeria.

### Research Question three

What are the policies government is yet to put in place that will encourage the establishment of more SMEs in Akwa Ibom State?

**Table 4: Mean scores of respondents with regards to the policies government is yet to put in place to aid the establishment of more SMEs in Akwa Ibom State, Nigeria.**

S/N	Policies government is yet to put in place	Mean	Standard Deviation	Decision
1	Reduction in tax rate will encourage the establishment of more SMEs in Akwa Ibom state.	3.44	0.80	Agreed
2	Access to credit facilities will encourage the establishment of more SMEs in Akwa Ibom state.	3.38	0.88	Agreed
3	Lower interest rate will encourage the establishment of more SMEs in Akwa Ibom state.	2.98	0.97	Agreed
4	Improved infrastructure especially on electricity, roads and communication will encourage the establishment of SMEs in Akwa Ibom state.	3.18	0.70	Agreed
5	Improved security will encouraged the establishment of SMEs in Akwa Ibom state.	3.52	0.74	Agreed
6	Establishment of skill acquisition and craft centers in Akwa Ibom state will encourage youths to be self-employed through SME	3.34	0.89	Agreed
<b>Aggregate mean</b>		<b>3.31</b>	<b>0.83</b>	<b>Agreed</b>

*Source: Field survey, 2024*

Table 4 presents the respondents' responses with respect to research question three which sought to know policies government is yet to put in place to encourage the establishment of more SMEs in Akwa Ibom state of Nigeria. Table 4 contains six (6) response items that are directed at the identified policies

such as reduction of tax rate, access to credit facilities, lower interest rate, improved infrastructure, improved security, establishment of skill acquisition and craft centers. It can be deduced that all the respondents anonymously agreed that policies such as reduction of tax rate, access to credit facilities, lower interest rate, improved infrastructure, improved security, establishment of skill acquisition and craft centers if put place will encourage the establishment of more SMEs in Akwa Ibom state of Nigeria.

## **DISCUSSION**

The findings of research question one revealed the importance of SMEs as a tool for employment generation and solution for the problems associated with youth's unemployment in Akwa Ibom state. The analysis as shown in table 2 reveals that establishment of more SMEs in the Akwa Ibom state will create more employment and assist in the reduction of the problems of unemployment in the Akwa Ibom state. Also, Employment through SMEs will help to reduce the level of prostitution in the Akwa Ibom state. More so, employment through SMEs will help to reduce the level of Political thuggery being experienced in the Akwa Ibom state. In same vein, employment through SMEs will help to reduce the level of youths' restiveness being experienced in the Akwa Ibom state, which will also lead to reduction in cultism in the Akwa Ibom state. The findings of this research question agree with the findings of Udoinyang and Reuben (2024), Otugo, Edoko and Ezeanolue (2018) whose various studies found out that SMEs are the main source of employment prospects for a wide cross-section of the labor force: the young, old casual workers and the cyclically jobless as SMEs employ 22% of the adult population in developing countries such as Nigeria.

The findings of research question two, reveal that there are several challenges faced by entrepreneurs in establishing SMEs in the Akwa Ibom state. The analysis in table 3 shows that some of these challenges militating against establishment of SMEs by entrepreneurs are: multiple taxation, lack of credit facilities and access to credit facilities from financial and governmental institutions, high rate of interest on loans, poor infrastructure, poor education and enlightenment, poor management, corruption, youth restiveness, issue of insecurities, inconsistent government policies and conflicting government policies in Nigeria and in Akwa Ibom state.

The findings of research question two are in-line with the findings of Ishola (2018) whose study found out that poor education and infrastructure posed huge challenge to entrepreneurs establishing SMEs in the Akwa Ibom state. The study by Mohammed (2017) is in tandem with the findings of this research question as his study reveals that constraints hindering SMEs business growth in Nigeria are; lack of financial support, poor management, corruption, and poor infrastructure.

The findings of research question three identify and highlight several policies and strategies of government that is yet to be put in place to encourage establishment of more SMEs in the Akwa Ibom state. The analysis of Table 4 shows that some of the strategies and policies that government are yet to put in

place to bring about the establishment of more SMEs in Akwa Ibom state are policy to cut down or bring about reduction of tax rate, policy for quick access to loans, grants and credit facilities; policy to lower interest rates, policy to provide more infrastructure and improve on already existing one such as electricity supply, accessible roads and good communication network; policy to improve the security situation in the region and establishment of skills acquisition and craft centers in the Akwa Ibom state.

The findings of Udoinyang and Reuben (2024) are in accordance with the findings of this research question as it recommended that government should create more incentives that will encourage people to venture into SMEs so that unemployment and poverty can be reduced and that government should increase her spending towards SMEs as well as providing financial support and conducive business environment to enable establishment, growing and survival of SMEs in Akwa Ibom state.

## CONCLUSIONS AND RECOMMENDATIONS

Based on the findings of the study, the study concludes that Small and Medium scale Enterprises (SMEs) is a veritable tool for employment generation and solution for the problems of unemployment being experienced in Akwa Ibom state. But, due to challenges of multiple taxation, lack of access to credit facilities, high interest rate, poor infrastructure, insecurity, inconsistent and conflicting government policies and the inability of successive governments to enact and enforce proper and effective policies to tackle these problems suffered by SMEs in Akwa Ibom state, the SME sector in Akwa Ibom state. has not performed well in its core responsibility of employment generation. This has led to poverty, political thuggery, cultism, prostitution, youth's restiveness as being experienced in the state.

Based on the conclusion of the study, for the SME sector in Akwa Ibom state to live up to her core responsibility of employment generation in Akwa Ibom state, the following recommendations have been made by the study:

- (i) Government should direct the Central Bank of Nigeria (CBN) and other financial institutions in Akwa Ibom state to make available funds in the form of loans and grants to entrepreneurs in Akwa Ibom state, so that entrepreneurs in the state can have access to funds to set-up their SMEs in the state. These will help to create employment opportunity through SMEs in Akwa Ibom state.
- (ii) Government should improve on the security architecture and network in Akwa Ibom state. This will help to reduce the security challenges that have been militating against the performance of the SME sector in Akwa Ibom state.
- (iii) Government should reduce the high interest rate in Akwa Ibom state. High interest rate in the Akwa Ibom state has discouraged investors from seeking for loans from financial institutions in Akwa Ibom state.
- (iv) Government should reduce the tax rate and equally direct all SME owners in Akwa Ibom state to pay their taxes in an approved designated bank.

These will help reduce, if not totally eradicate the multiple taxation problems being suffered by SME owners in Akwa Ibom state.

- (v) Government should fix and construct good roads, electricity and communication networks in Akwa Ibom state and Nigeria at large. These will allow free flow of business activities in Akwa Ibom state.
- (vi) Government should establish and equip workable skill acquisition and craft centers in Akwa Ibom state. These will encourage youths in the state to be skillful, thus, self-employed through SME.
- (vii) Government and Non-Governmental Organizations (NGOs) should carry-out seminars and lectures that will educate SME owners in Akwa Ibom state on proper SME management.

### **FURTHER STUDY**

Small and Medium Scale Enterprises in vital and one of the main source of employment generation in Akwa Ibom State, Nigeria. It has proven to be the most reliable means of employment generation in the state as more than 65% of Akwa Ibomite are gainfully employed via SMEs. Study like this need to be revisited by researchers at 4 years' interval in order to know the current impact of SMEs on employment generation in Akwa Ibom State.

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